



CENTRAL BANK OF NIGERIA

NON-INTEREST GUIDELINES FOR THE OPERATIONS OF THE CREDIT SUPPORT FOR THE HEALTHCARE SECTOR

1. Introduction

Demand for healthcare in Nigeria currently outstrips supply, presenting a wide range of opportunities for foreign investment and expertise. The domestic healthcare sector is estimated to be worth US\$5 billion per annum. Equally, Nigerians spend over US\$1 billion on medical tourism each year, as many Nigerian patients travel abroad for treatments ranging from diagnostics to surgeries. The high rates of healthcare tourism in the country are not due to lack of local physicians, as close to 3,000 doctors are trained in Nigeria every year. However, over 63% of trained doctors end up practicing medicine abroad. Beyond this, the annual budgetary allocation to the sector remains low, as government health spending was about 0.6% as a share of GDP or just US\$11 per capita. This trend has left a gap in the domestic healthcare sector, suggesting potential for a wide range of opportunities.

Nigeria's pharmaceutical market is worth US\$2bn but only eight out of over 130 companies are listed on the Nigeria Stock Exchange. Potential, therefore, exists for further investment by private investors to spur growth in the sector to expand to service the regional market. Diagnostic services also hold massive untapped potential. The diagnostic services industry has seen healthy growth of close to 10% in recent years. Our resolve is to explore innovation and deepen the sector through the provision of long-term, low cost financing and the encouragement of shared services to reduce the cost of healthcare delivery in the country.

The recent corona virus (COVID-19) pandemic has brought to fore, the need for increasing investment, both private and public, in the healthcare sector in Nigeria. More importantly, as the aftermath effect of the pandemic has had severe

implications for the sector – increasing demand for domestic medical services and accessories, and perked up demand for locally produced pharmaceutical products. In realization of this, the Central Bank of Nigeria hereby introduce the Credit Support Scheme for the Healthcare Industry to expand financing opportunities to practitioners and manufacturers in the industry, particularly pharmaceutical companies and healthcare practitioners.

This Guidelines outlines the operational modalities for the Non-Interest version of the Scheme.

2. Objectives of the Scheme

The broad objectives of the Scheme include:

- 2.1 Reduce health tourism in Nigeria, thereby conserving foreign exchange;
- 2.2 Provide long-term, low cost finance for healthcare infrastructure development that would lead to the evolvement of world-class healthcare facilities in the country;
- 2.3 Improve access to affordable financing facility by indigenous pharmaceutical companies to expand their operations and comply with the WHO Good Manufacturing Practices (WHO GMP);
- 2.4 Support the provision of shared services through one-stop healthcare solution to enhance competition and reduce the cost of healthcare delivery in the country.

3. Eligible Participants

- i. Drug Manufacturing Companies
- ii. Medical Equipment Manufacturers
- iii. Hospitals/Clinics
- iv. Other Healthcare Service Providers – Diagnostic Centres, Medical Laboratories, Fitness and Wellness Centres, etc

4. Activities Covered

Eligible activities under the Scheme include:

- i. Medical Drugs manufacturing
- ii. Medical equipment manufacturing
- iii. Establishment/Expansion of Specialized Hospitals/Clinics
- iv. Establishment/Expansion of Medical Diagnostic Centres, as well as Wellness and Fitness Centres
- v. Pharmaceutical Supplies
- vi. Any other healthcare value chain activity as may be prescribed by the CBN that is Shari'ah compliant.

5. Funding

The Scheme shall be financed from the Real Sector Support Facility (RSSF).

6. Participating Financial Institutions

6.1 The eligible financial institutions shall be Non-Interest Deposit Money Banks (NIBs); and

6.2 Non-Interest Development Finance Institutions (NI-Dis).

7. Financing Limit

7.1 Working Capital: 20% of the average of 3 years of the company's turnover subject to a maximum of ~~N~~500 million per obligor (where the enterprise is not up to 3 years in operation, 20% of the previous year turnover will suffice).

7.2 Term Financing: Maximum of ~~N~~2 billion per obligor.

8. Rate of Return

Rate of return under the intervention shall be at not more than 5% p.a. (all inclusive) up to 28th February, 2021.

Return on the financing as from 1st March, 2021 shall be not more than 9% p. a.

Working capital facility shall be for 1 year with a maximum roll over of 1 year subject to approval. The roll over shall not attract interest charges, but could attract returns based on Shariah-compliant re-financing arrangements.

The Facility allows for moratorium of 1 year in the facility repayment schedule.

The sharing formula of the return between CBN and the PFI shall be as per the terms of the RSSF Scheme.

9. Financing Tenor

9.1 Working capital shall be for a maximum period of one year.

9.2 Term financing shall have a maximum tenor of not more than 10 years with at least one year moratorium. However, in case of construction, the tenor should be determined by the completion date.

10. Collateral Requirement

The collateral to be pledged by beneficiaries under the programme shall be as may be required under RSSF.

11. Principal Repayment

Repayment shall be made on installment basis by the beneficiaries to the Participating Financial Institutions (PFIs) according to the nature of enterprise.

The PFI shall remit repayments received to the Fund on quarterly basis.

12. Modalities

- i. A corporate entity shall submit application to a PFI of its choice with bankable business plan.
- ii. PFI shall appraise and conduct due diligence applications.
- iii. Once approved by the PFI's Credit Committee, the application should be submitted to CBN attaching the relevant documents.
- iv. CBN will process and disburse funds to the PFI for onward release to the project. The disbursement of the funds by CBN to the PFI shall be based on a Restricted Mudarabah Contract between the CBN and the PFI as in the RSSF Scheme.

- v. The PFI shall release funds to the project based on CBN approved contracts for NIFIs that can accommodate variable returns only.

13. Monitoring and Reporting

Periodic joint monitoring of activities financed under the Scheme will be conducted by the PFI and CBN.

14. Responsibilities of Stakeholders

14.1. CBN shall:

- i. Provide the seed fund for the Scheme
- ii. Release funds to PFIs for disbursement to successful applicants.
- iii. Review the Guidelines of the Facility as may be necessary
- iv. Receive and process periodic returns from PFIs.
- v. Monitor and evaluate implementation of the Scheme.

14.2. The PFIs shall:

- i. Confirm receive and review applicants submitted by the customers;
- ii. Conduct due diligence on all applications;
- iii. Issue offer letters and forward qualified applications to CBN;
- iv. Disburse the released funds to successful applicants;
- v. Monitor the project and recover the financing amounts from the beneficiaries
- vi. Maintain adequate records of all beneficiaries and facilities;
- vii. Forward periodic returns on the prescribed format on the Scheme to CBN;
- viii. Comply with the Guidelines; and
- ix. Carry out any other duties as the CBN may prescribe from time to time.

17. Infractions

Delay and non-release of funds to beneficiaries within the timelines agreed on the Offer Letter shall attract penalty at the PFI's maximum financing rate.

18. Exit Date

The exit date of this Intervention is 31st December, 2030.

19. Amendments

This framework shall be subject to review from time to time as may be deemed necessary by the CBN.

20. Enquiries and Returns

All enquiries and returns should be addressed to:

**Director,
Development Finance Department,
Central Bank of Nigeria,
Abuja.**

June 2020