CBN Issues N250bn National Gas Expansion Programme Framework

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Editor's Note

We continue to appreciate the interest and enthusiasm of our readers which motivates our crew to strive for excellence in putting together stories for each edition.

In this edition, our contributing editor Ademola Bakare, writes a story—“Covid-19: FG Seeks Bankers’ Partnership to Revamp Economy.”- which relays that the Minister of Finance, Budget and National Planning, Mrs. Zainab Ahmed, on behalf of President Muhammadu Buhari, urged bankers to come up with novel financing architecture that will help to diversify the economy and reposition the country for a sustainable future.

We also have a story on the Central Bank of Nigeria (CBN) issuing the framework for the N250bn National Gas Expansion Programme. This is appealing news given the potential of the programme to stimulate economic activities by fast-tracking the development of gas-based products like petrochemical (fertilizer, methanol etc.) which will in turn support industries such as agriculture, textile and other related industries.

Our story on the CBN Monetary Policy Committee (MPC) meeting of September 2020 educates our readers on factors that informed the decisions arrived at by the Committee and the direction of the economy going forward.

In pursuit of the need to strengthen the public healthcare system with the financing of innovative research and development as a response to the COVID-19 pandemic challenge, the CBN has amended the guidelines for operations of the Healthcare Sector Research and Development Intervention Scheme (HSRDIS).

We serve the interesting story of CBN’s unveiling of a framework for the implementation of the Solar Intervention Connection Facility. The essence of the Facility is to complement the Federal Government’s efforts of providing affordable electricity through provision of long-term, low interest credit facilities.

Readers will also find the story on the framework released by the CBN for advancing women’s financial inclusion in Nigeria interesting as it articulates the efforts of the Bank to enhance financial inclusion among women.

These and other stories have been carefully crafted for your reading delight. Thank you for keeping faith.

Isaac Okorafor
Editor -in- Chief

CBN UPDATE is a monthly news publication of the Central Bank of Nigeria. Opinions expressed herein do not necessarily reflect the views of the Bank’s Management.
In a bid to improve access to finance for private sector investments in the domestic gas value chain and stimulate investments in the development of infrastructure to optimize the domestic gas resources for economic development, the Central Bank of Nigeria (CBN) has introduced the N250bn Intervention Facility for the National Gas Expansion Programme.

This was contained in a document released by the Bank on September 1, 2020 titled ‘Framework for the Implementation of Intervention Facility for the National Gas Expansion Programme’ in which the Bank noted that with proven gas reserves of 188 trillion cubic feet (tcf) of gas, the natural gas industry presents an opportunity to diversify the economy through domestic commercial utilisation of its natural gas.

It further stated that the low level of investment in the industry has resulted in the minimal production and utilization of Compressed Natural Gas (CNG) and Liquefied Petroleum Gas (LPG) as clean alternative sources of domestic energy in Nigeria. Consequently, the failure to harness its gas resources has had negative consequences for the country – economic, environmental, fiscal and social, particularly as the industry has the potential to engender rapid growth in Nigeria’s non-oil economy.

To this end, the National Gas Expansion Programme (NGEP) was introduced to make CNG the fuel of choice for transportation and LPG, the fuel of choice for domestic cooking, captive power and small industrial complexes. Equally, gas-based industries, most especially the petrochemical (fertilizer, methanol, etc) are to be enabled to support large industries, such as agriculture, industrial applications, textile and so on.

The objectives of the facility which is to be implemented in collaboration with the Ministry of Petroleum Resources (MPR) include: Improved access to finance for private sector investments in the domestic gas value chain; stimulate investments in the development of infrastructure to optimize the domestic gas resources for economic development; Fast-track the adoption of CNG as the fuel of choice for transportation and power generation, as well as LPG as the fuel of choice for domestic cooking, transportation and
captive power; fast-track the development of gas-based industries particularly petrochemical (fertilizer, methanol, etc) to support large industries, such as agriculture, textile, and related industries; provide leverage for additional private sector investments in the domestic gas market; and boost employment across the country.

Eligible activities under the intervention include: establishment of gas processing plants and small-scale petrochemical plants; establishment of gas cylinder manufacturing plants; establishment of L-CNG regasification modular systems; establishment of auto gas conversion kits or components manufacturing plants; establishment of CNG primary and secondary compression stations; establishment and manufacturing of LPG retail skid tanks and refilling equipment.

Others are - development/enhancement of auto gas transportation systems, conversion and distribution infrastructure, enhancement of domestic cylinder production and distribution by cylinder manufacturing plants and LPG wholesale outlets; establishment/expansion of micro distribution outlets and service centres for LPG sales, domestic cylinder injection and exchange; and any other mid to downstream gas value chain related activity recommended by the Ministry of Petroleum Resources (MPR).

On funding, the CBN stipulates that aggregators, manufacturers, processors, wholesale distributors and related activities will be funded under the Power and Airline Intervention Fund (PAIF) while small and medium-scale enterprises (SMEs) and retail distributors are to be funded by NIRASAL Microfinance Bank (NMFB) under AGSMEIS.

The term loan for manufacturers, processors, wholesale distributors, etc. will be determined based on the activity and will not exceed N10 billion per obligor while working capital is set at a maximum of N500 million per obligor. Small & Medium Enterprises (SMEs) and Retail Distributors term loans will be determined based on the activity and will not exceed N50 million per obligor with working capital pegged at a maximum of N5 million per obligor.

The Bank also states that the interest rate under the intervention will be at not more than 5.0% p.a. (all inclusive) up to 28th February 2021, thereafter, interest on the facility will revert to 9% p.a. (all inclusive) effective from 1st March 2021.

The Central Bank of Nigeria (CBN) has said it will share with farmers, the losses incurred on its Anchor Borrowers' Programme (ABP) on equal basis should such losses occur within any farming season. The CBN Director, Development Finance, Mr. Yusuf Yila disclosed this on Tuesday, September 22, 2020 during the 2020 dry season stakeholders' forum held in Abuja.

At the event, Mr. Yila said the decision to share risks equally with farmers demonstrates CBN’s commitment to drive food sufficiency and security in Nigeria, adding that the year’s dry season farming will focus on rice, maize and tomatoes. The forum, which had in attendance, anchor/processors, commodity associations and participating financial institutions (PFIs), was organized to enable stakeholders bare their mind on challenges faced during the dry season farming.

He informed the gathering that the CBN’s intention is to improve yields of these crops as the failure of dry season farming could spell catastrophe on food security while noting that the prices of these commodities have begun to increase in the markets.

Speaking further, he revealed that the CBN was also willing to finance and support farmers to grow wheat in Nigeria in order to substitute the 6 million metric tons of wheat that Nigeria imports annually.

**Anchor Borrowers' Programme: CBN to Share Farmers' Burden**

By: Ruqayyah Mohammed
With a vision to be a globally recognized, inclusive financial sector regulator that has closed the gender gap by 2024, the Central Bank of Nigeria (CBN), in collaboration with Financial Inclusion Special Interventions Working Group (FiSIWG), Enhancing Financial Innovation and Access (EFInA) and Women’s World Banking (WWB), has launched a framework to advance women’s financial inclusion in Nigeria.

The Framework, which builds on the National Financial Inclusion Strategy (Revised) (October 2018) and integrates valuable insights from the Assessment of Women’s Financial Inclusion in Nigeria (December 2019), was launched during a virtual event tagged “Access to Finance Framework for Women” on September 29, 2020.

It provides a guide and blueprint for women’s financial inclusion and itemizes eight (8) strategic imperatives for driving improved access to finance for women in Nigeria. It also cites key barriers to women financial inclusion in Nigeria as; Demand related; Legal/Regulatory/Supervisory; Supply related; and Financial & Technical Infrastructure.

The Framework also notes that the proposed eight (8) strategic imperatives for closing the gap and ensuring gender financial inclusion as; Measures to support account opening for women on the large scale and in short term; Financial and Digital Literacy; Deliver channels to serve women customers close to home; Systems of gender disaggregated data collection; Enabling environment required to advance; Financially sustainable products and delivery systems that respond to low income women needs; DFS and Fin-tech solutions aimed at improving women financial inclusion; Women leadership and staffing in financial institutions and other key agencies.
Strategic imperatives 1-3 address the urgent measures to ramp up women’s financial inclusion with the objectives of the Framework in mind while 4-8 focuses on the development and uptake of a range of viable women-focused products and services and delivery systems with the recognition that the implementation of these recommendations requires a longer time horizon. The implementation of the Framework calls for developing concrete actions under each recommendation classified as short, medium or long-term actions.

In her remarks, the CBN Deputy-Governor, Financial System Stability (FSS), Mrs. Aishah Ahmad noted that the new initiative was imperative as the EFinA report on financial inclusion, indicated gender imbalance and a need to effectively deal with growing female financial inclusion. The report further stated that 40.9% of females were financially excluded as against 32.5% of men.

The Deputy Governor noted that the figures may have widened if unattended to as a result of the coronavirus pandemic given women’s primary responsibility for caregiving, likelihood to be frontline workers and their predominance in the informal sector which has been severely affected by the coronavirus induced-lockdown.

She noted that the negative effects of the pandemic on women’s financial inclusion have manifested in the context of existing structural challenges which may have kept women out of the financial system such as cultural norms, lower education and financial literacy levels, poverty, high cost of financial services, concentration of women in rural, subsistence farming and limited knowledge of financial institutions in serving the women’s market.

Going further, she stated that these challenges call for bold, concerted and collaborative action on the part of the regulators, policymakers and other stakeholders in the financial sector to implement strategies that will help change social attitudes, reduce structural barriers and economically empower women to advance their financial and economic inclusion over the long term.

On the role of the CBN in the development of the Framework, Mrs. Ahmad stated that it was intended to complement existing CBN initiatives designed to expand access to finance for women which include the Micro, Small and Medium sized enterprise Development Fund (MSMEDF) of which 60 percent is dedicated to women and women-controlled businesses while noting that 62 percent of the Fund has been granted to about 134,000 women. She therefore urged financial institutions to address structural issues limiting women’s access to finance by understanding and developing products that are specifically tailored to address such issues.

In her keynote address, the Minister of Women Affairs represented by Joan Junmai Idonije stated that gender disparity was on the rise while noting that challenges that widen the gender-inclusion gap include; vulnerable state of women-owned businesses, the digital divide, limited awareness of government intervention programs and pressure of domestic responsibilities.

In his remarks, the Director, Development Finance Department, Mr. Philip Yusuf Yila stated that going by the “Power Parity Report” by McKinsey, the economic consequences of pursuing gender equality include a potential addition of $28 trillion to global annual GDP by 2025.
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The Federal Government is seeking the partnership of the banking sector in its efforts to revamp the ailing economy occasioned by the outbreak of the coronavirus pandemic, COVID-19.

The Minister of Finance, Budget and National Planning, Mrs Zainab Ahmed, on behalf of the President, Muhammadu Buhari, made the appeal in an address at the 13th Annual Banking and Finance Conference, organized by the Chartered Institute of Bankers of Nigeria (CIBN) which held in Abuja on Tuesday, September 14, 2020.

She said, “Today, as bankers and fund managers, you stand in that position to partner with government in its efforts to diversify the economy and reposition the country for a sustainable future. Therefore, you must redouble your efforts, to mobilize domestic resources and attract foreign investment to create quality job opportunities for our teeming youths and lift people out of poverty”.

The Minister pointed out that with the current partial lifting of the lockdown measures, there are positive indications that some businesses would return to pre-pandemic levels. She however noted that the uncertainty over the duration and intensity of the pandemic, as well as its impact on the economy may continue to be a cause for concern.

Ahmed recalled that in the wake of the pandemic, the government in concert with regulatory authorities had stepped forward with various liquidity, monetary, prudential and supervisory measures in the form of interest rate cuts, higher structural and durable liquidity, moratorium on debt servicing and forbearances on asset provisioning.

She affirms that the measures were well thought out following consultations with stakeholders and was aimed at striking a balance between protecting the interest of depositors and maintaining financial stability on one hand, and
preserving the economic value of viable businesses by providing durable relief to businesses, as well as individuals affected by the COVID-19 pandemic, on the other.

The Minister said “We expect efficient and diligent implementation of the restructuring measures by banks, keeping the above objectives in mind. While the moratorium on loans was a temporary solution in the context of the lockdown; the restructuring framework is expected to give durable relief to borrowers facing COVID-19 related distress. It is thus expected that, post COVID-19, the financial sector should return to normal functioning without relying on the regulatory relaxations and other measures as the new norm”.

She noted that like boosting immunity of the population is the key to tackling pandemics, the key to long term financial stability would be to foster tangible improvement in the resilience of banks to withstand exogenous shocks like the current pandemic. Therefore, the core of resilient banks is made up of good governance, effective risk management and compliance culture.

This is not to say that Nigerian banks do not have sound governance and risk management systems in place. There is always scope for improvement and these are the areas which need greater attention going forward”, Ahmed noted.

The Minister who stated that the banking sector has a responsible role to play not only as a facilitator of growth of the economy but also to improve its profitability, congratulated the bankers for organizing this year’s event, despite the ravaging COVID-19 pandemic.

She urged them to apply the decisions reached at the end of the conference, with the theme, “Facilitating a Sustainable Future: The Role of Banking and Finance”, to reinforce the ethics of the banking profession for greater performance.

In his remarks, the Governor of the Central Bank of Nigeria (CBN), Mr. Godwin Emefiele, reiterated the important role the banking community can play in restoring stability to sectors significantly impacted by the virus, while also supporting investments in key sectors of the economy that could have a multiplier effect on growth. He stated that prior to the outbreak of the COVID-19 pandemic in Nigeria, the Nigerian economy had been on a positive growth trajectory, as the country had witnessed 12 consecutive quarters of positive growth following the 2016 – 2017 economic recession, along with significant foreign capital inflows due to improved fundamentals of the economy.

According the Governor, GDP growth for 2019 stood at 2.29 percent, supported by strong growth of 2.55 percent in the 4th quarter of 2019, and capital inflows of $3.8bn in the same quarter. He noted that the onset of the COVID-19 pandemic in the 1st half of 2020, and the measures put in place to contain the spread of the virus, caused a significant shock to the economy.

He noted that the downturn in economic activity which was particularly significant in the 2nd quarter of the year, was driven by a series of external factors in addition to the lockdown measures imposed, in order to curtail the spread of the virus.

He added that although the lockdown had a significant effect on economic activity, it had to be done in order to prevent an uncontrolled spread of the virus, while efforts were being made to improve the capacity of our healthcare institutions to deal with a potential surge in cases.

Consequently, according to the Governor, the Nigerian economy contracted by 6.1 percent in the 2nd quarter of 2020, down from a positive growth of 1.87 percent recorded in the 1st quarter of 2020. While these results were not positive, it was well below the forecast of many analysts, who had projected a steeper contraction of 7.4 percent.

Mr. Emefiele further said that Nigeria’s experience was far better than contractions witnessed in other advanced and emerging market countries, such as Great Britain (-20 percent), India (-24 percent) and South Africa (-51 percent) in the 2nd quarter of 2020.

According to him, the less than expected downturn in the economy was due to collaborative efforts between the monetary and fiscal authorities.
Fiscal Year 2020/2021: CBN Delivers Monetary, Credit, Foreign Trade and Exchange Policy Guidelines

By: Louisa Okaria

As part of its commitment to conduct monetary policy that is anchored on the Medium-Term Expenditure Framework with the aim of achieving price stability, the Central Bank of Nigeria (CBN) has issued the Monetary, Credit, Foreign Trade and Exchange Policy Guidelines for the 2020/2021 fiscal year.

The Guidelines which reviews circulars issued from the 2018/2019 edition till end December 2019 to cover the period January 2020 to December 2021, outlines the monetary, credit, foreign trade and exchange policy guidelines applicable to banks and other financial institutions supervised by the CBN in 2020/2021 on account of new developments in the domestic and global economies in the period.

It also provides a background to the policy measures in 2020/2021, enumerates monetary policy and credit measures and also discusses consumer protection issues, contains prudential guidelines, relevant reporting formats and referenced circulars.

Guidelines for Solar Connection Facility Released

By: Chioma Udeogu

To complement the Federal Government’s efforts at providing affordable electricity through the provision of long-term low interest credit facilities, the Central Bank of Nigeria (CBN) has provided a framework for the implementation of the Solar Intervention Connection Facility.

The objective of the Facility is to help provide funding for the Nigeria Electrification Project, pre-qualified home solar value chain, producers and assemblers of solar components also off-grid energy retailers in the country. It is expected to also support the economic recovery in response to the COVID-19 pandemic. According to the guidelines, the facility shall not be used to finance the importation of fully-assembled solar components. Eligible obligors are expected to demonstrate verifiable evidence of technical capacity, financial capacity, off-take agreement, local content and job creation focus.

The guidelines further stipulate that funding shall not exceed 70 percent of the total cost of the project, stating that the facilities granted shall have a maximum tenor of up to 10 years as determined by the project’s cash flow profile but not exceeding 31st December 2030. However, the moratorium on principal shall depend on the type of project but must not exceed two years or completion period. There may be another addition of 12 months in order to address the risk of the delays in construction.

In addition, diversion of funds by the PFIs shall attract a penalty at the bank’s maximum lending rate at the time of infraction. Banks that flout the terms and conditions of the facility are to be sanctioned in line with provisions of the BOFIA. The guidelines are subject to review from time to time as may be considered necessary by the CBN.
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Framework for Family Homes Financing Initiative Out
By: Louisa Okaria

In a bid to create jobs and support The Federal Government in economic sustainability, the Central Bank of Nigeria (CBN) has released the framework for the implementation of the Family Homes Financing Initiative.

According to the framework on the Bank’s website, the initiative is aimed at supporting the Federal Government Economic Sustainability Programme to fast track the development of 300,000 homes in the 36 States of the federation and Federal Capital Territory and to also create up to 1.5 million jobs in five years with a N200 billion funding.

This initiative is to be implemented in collaboration with Family Homes Fund Ltd as the lead developer with a constructive finance facility to enable FHFL implement the Federal Government Social Housing programme as part of the Economic Sustainability Plan 2020.

The framework further stated that, the programme is designed to utilize at least 90% locally manufactured inputs and as a result conserve foreign exchange. The initiatives would be funded at an interest rate that does not exceed five percent per annum. The programme will deliberately aim to revitalize local manufacture of construction materials including doors, windows, ironmongery, sanitary fittings, concrete products, tiles, glass, electrical fittings/fixture and bricks etc. It is estimated that the programme would require up to 1.7 million doors, seven million doors hinges and locks etc.

It will also improve quality of life, house up to 900,000 children and adults (at average of 3 persons/home) on low income with direct impact on health education and economic outcomes. The CBN shall provide the funding for the initiative; and appoint a Technical Advisor with requisite skills in Housing construction and Financing; Release funds to the FHF on the recommendation of the T.A; and Carry out periodic verification and monitoring of projects financed.

The FHF shall ensure prudent utilisation for the purpose for which it was granted, adhere strictly to terms and conditions of the Facility.

The Federal Ministry of Finance shall issue guarantees to the FHF in respect of the facilities granted under the Initiative and partner the CBN and TA in monitoring the project till full repayment.
To strengthen the public healthcare system with innovative financing of research and development as a response to the COVID-19 pandemic, the Central Bank of Nigeria (CBN) has amended the guidelines for the operation of the Healthcare Sector Research and Development Intervention Scheme (HSRDIS).

The HSRDIS, which is funded from the Developmental Component of the Micro, Small and Medium Enterprise Development Fund (MSMEDF), is designed to trigger intense national R&D activities to develop a Nigerian vaccine, drugs and herbal medicines/medical devices against the spread of COVID-19 and any other communicable or non-communicable diseases through the provision of grants to biotechnological and pharmaceutical companies, institutions, researchers, and research institutes for the research and development of drugs, herbal medicines and vaccines for the control, prevention and treatment of infectious diseases.

The amended HSRDIS framework amendment includes the addition of medical devices as research and development activities as eligible under the Scheme. It also includes one nominee from the National Biotechnological Development Agency (NABDA) in the composition of the Body of Experts (BoEs), which is responsible for the review and evaluation of submitted research proposals as well as recommendation on financing the research and development projects.

The Guideline further stipulates that candidate vaccines undergoing “late preclinical and early” clinical testing or trials shall be eligible for consideration under the scheme if considered to have high potentials to cross the clinical trial stage and prospects of scale by the BoEs. It further adds that inventions arising from HSRDIS financed research and development projects must be reported to the CBN. Individual researchers and pharmaceutical manufacturers are to retain substantial (80 per cent) ownership of the drugs, medical devices, herbal medicines and vaccines made under HSRDIS funded research while inventors are expected to file for patent protection and to ensure commercialisation upon licensing for the benefit of public health.

Funding limit is a maximum of N50 billion for research activities and maximum of N500 million for development/manufacturing activities and disbursement under the scheme shall be made to beneficiaries in tranches subject to approved milestones achieved.

Research activities should not be more than two years from the date of release of fund while development/manufacturing activities is given not more than one year from the date of release of fund.
The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) has voted to reduce the Monetary Policy Rate (MPR) by 100 basis points, from 12.5 per cent to 11.5 per cent. The Governor of the Bank, Mr. Godwin Emefiele announced this while briefing the press shortly after its meeting, on Tuesday, September 22, 2020. He said “the MPC voted to: Reduce the MPR by 100 basis points from 12.5 to 11.5 per cent; adjust the asymmetric corridor from +200/-500 basis points to +100/-700 basis points around the MPR; retain the CRR at 27.5 per cent; and retain the Liquidity Ratio at 30 per cent.”

Governor Emefiele, who doubles as the Chairman of the Committee said that, six (6) members voted to reduce the MPR by 100 basis points, one (1) member by 50.0 basis points and three (3) voted to hold. Nine (9) members voted to change the asymmetric corridor while one member voted to hold. All members voted to hold the Cash Reserve Ratio (CRR) and Liquidity Ratio (LR).

Rolling out the Committee’s decision, he said, in the face of declining economic growth and rising inflation, the MPC faced a difficult set of policy choices, requiring trade-offs and sequencing. He stated that following the above considerations, the Committee reviewed the choices before it, bearing in mind its primary mandate of price stability and the need to support the recovery of output growth. Consequently, the Governor said, “the Committee noted that the likely action aimed to addressing the rise in domestic prices would have been to tighten the stance of policy, as this will not only moderate the upward pressure on prices but will also attract fresh capital into the economy and improve the level of the external reserves. “It however, noted that this decision may stifle the recovery of output growth and thus, drive the economy further into contraction.

“On easing the stance of policy, the MPC was of the view that this action would provide cheaper credit to improve aggregate demand, stimulate production, reduce unemployment and support the recovery of output growth. The Committee, however, observed that with inflation trending upwards, easing of the policy stance may exacerbate the current inflationary pressure through an increase in money supply”.

“In addition, he continued, the MPC noted the tendency of an asymmetric response to downward price adjustments by ‘Other Depository Corporations’, thus undermining the overall beneficial impact of a reduction to the cost of capital.

“In the Committee’s view, a hold position will allow the economy to adjust to the ongoing stimulus measures put in place by the monetary and fiscal authorities to curb the downturn and allow more time for the MPC to assess their impact on the
economy. He said, after the consideration of the three policy options, members were of the opinion that the option to lose will complement the Bank’s commitment to sustain the trajectory of the economic recovery and reduce the negative impact of COVID-19.

“In addition, the liquidity injections are expected to stimulate credit expansion to the critically impacted sectors of the economy and offer impetus for output growth and economic recovery. In view of the foregoing, the Committee decided to reduce the MPR by 100 basis points to 11.5 per cent and adjust the asymmetric corridor to +100/-700 around the MPR,” he said.

The Governor said, the MPC was, at the meeting confronted by policy dilemma. “Whereas MPC believes in the primacy of its price and monetary stability mandate, it nevertheless was confronted with what policy direction to focus on, given the contraction in output growth during Q2 2020, which may lead to a recession, Q3 2020 output growth numbers further show a contraction.

“It is therefore of the view that, if a recession occurs in Q3, the Committee would be confronted with proposing policy options in a period of stagflation. This is because, with the recent removal of subsidy on fuel price, the increase in energy prices, and the adjustment of the exchange rate, inflationary pressure will no doubt persist unless MPC consider options that will deal with the pressure aggressively.

He said the Committee was therefore of the view that, to abate the pressure, it had no choice but to pursue an expansionary monetary policy, using development finance policy tools, targeted at raising output and aggregate supply to moderate the rate of inflation. He informed the newsmen that, presently the fiscal policy is constrained and so cannot, on its own lift the economy out of contraction or recession given the paucity of funds arising from weak revenue base, current low crude oil prices, lack of fiscal buffers and high burden of debt services.

Therefore, monetary policy must continue to provide massive support through its development finance activities to achieve growth in the Nigerian economy. According to him, this is the reason the MPC will continue to play a dominant role in the achievement of the goals of the Economic Sustainability Program (ESP) through its interventionist role to navigate the country towards a direction that will boost output growth and moderate the level of inflation.

Similarly he continued, “given that the currency adjustment was a causal factor in determining the price of petroleum products and energy prices, the MPC believes that the CBN management must take bold actions to stabilize the exchange rate”. He told the newsmen that the Management of the Bank was further enjoined by the MPC to continue to provide funding to sectors that will resolve the supply constraints in petrol pricing, energy pricing and food availability.

This in his words was to support household consumption. The MPC further enjoined management to aggressively channel its funding to targeted households, SMEs and consumer credit by further increasing its lending activities through its NIRSAL Microfinance Bank (NMFB), while also ensuring that DMBs respond to the reduction in deposit rates by aggressively lowering cost of credit to borrowers.

“As regards output growth, MPC noted that air and road transportation; entertainment and accommodation; food services; and education subsectors were adversely affected by the lockdown. It therefore suggested that more efforts be put in place to continue to provide relief and funding to these subsectors to catalyse growth and improve the output numbers.

The Governor was of the view that, so far, evidence available to the Committee has not supported the rising inflation to monetary factors, but rather, evidence suggests non-monetary factors (structural factors) as the overwhelming reasons accounting for the inflationary pressure.

Thus, the implication is that traditional monetary policy instruments are not helpful in addressing the type of inflationary pressure we are currently confronted with. What according to him is useful is the kind of supply side measures currently being implemented.

Concluding, Governor Emefiele said the MPC also expects a downward adjustment in MPR which may be necessary to further put pressure on deposit money banks to lower cost of credit in aid of growth.
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FREQUENTLY ASKED QUESTIONS (FAQs)

1. **Why is the CBN the only bank that can issue the Naira?**

Section 2b and Section 17 of the CBN act gives the CBN the sole right to issue currency notes and coins throughout Nigeria and neither the Federal Government nor any state Government, Local Government, other person or authority shall issue currency notes, banknotes or coins or any document or token payable to bearer on demand being document or token which are to pass as legal tender. Section 18 of the CBN act also gives CBN the power to print banknotes and mint coins.

2. **Are machines for printing money available for purchase by the public?**

No. The machines are only available to issuing authorities on request.

3. **What Department of the CBN is responsible for the printing of money?**

Currency Operations Department.

4. **What is the purpose of printing polymer notes?**

To extend the life span of the banknotes as the polymer notes lasts three times longer than the paper banknotes.

5. **How long does the polymer note last?**

18 to 24 months.

6. **Where can one change currency notes?**

Deposit Money Banks (DMBs) and CBN.

7. **Can coins be deposited in the Banks?**

Yes.

8. **How are new currencies circulated?**

CBN evacuates the finished banknotes form Nigerian Security Printing & Minting (NSPM) Plc for distribution to all CBN branches. The branch further distributes the banknotes to DMBs where they are finally released to the public via withdrawals.

9. **Why are there no new currencies in circulation?**

Analysis of the currency in circulation showed that a large and increasing proportion of the Nigerian currency outside the commercial banking system (COB) is held by the general public who hoard a lot of the new banknotes.

10. **Why are the lower denomination banknotes scarce?**

The scarcity of lower denomination could be linked to the fact that these notes are held by the public. Absence of Automated Teller Machines (ATM) dedicated to dispense lower denominations has also contributed to the dearth of lower denomination in circulation.

11. **Why are there huge numbers of dirty One Hundred Naira notes in circulation?**

Handling habits of the general public such as, squeezing, staining, spraying etc. greatly contributes to soiling of the banknotes.

12. **In view of the fact that our politicians and leaders abuse the naira at rallies and public events, how do we expect the people to treat the naira with care?**

CBN constantly sensitizes the general public, politicians and leaders through public enlightenment campaigns through the print and electronic media on how to properly handle the naira. Further sensitization campaigns are arranged to engage politicians, leaders and other respected elders to make them change champions of the Bank’s Clean Notes Policy. This would enable the public follow suit.
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Discretionary Monetary Policy: These are deliberate actions taken by the monetary authority to influence money supply in the system with a view to achieving its mandates.

Direct Monetary Policy: This involves the use of quantitative monetary controls such as credit ceilings, credit rationing and statutory liquidity ratios to control the amount of money in circulation.

Indirect Monetary Policy: This involves the use of market based instruments such as open market operations for the implementation of monetary policy.

Price stability: In an economy this means the general price level does not change much over time. Prices neither goes up or down.

Exchange Rate Channel: This arises when the exchange rate become the intermediate policy variable for transmission of monetary policy impulses.

Interest Rate Channel: This is a monetary policy transmission mechanism channel where by changes to the policy are propagated through interest rates to inflation.

That if you make a complaint to your bank, you must insist on getting the Consumer Complaint Management System (CCM) tracking number from your bank? This will enable the Central Bank Nigeria do a follow up.

That if you make a complaint to your bank on card related and funds transfer issues, and it is not resolved after 72 hours, you can contact the CBN by sending an email to: cpd@cbn.gov.ng, contactcbn@cbn.gov.ng or call +234 7002255226

That if you make a complaint to your bank on account management issues and is not resolved after 14 days grace period stipulated the by Central Bank of Nigeria (CBN), you can contact the CBN by sending an email to: cpd@cbn.gov.ng, contactcbn@cbn.gov.ng or call +234 7002255226

That if you make a complaint to your bank on excess charges and was not recitified within 30 days allowed for resolution, you can contact the CBN by sending an email to: cpd@cbn.gov.ng, contactcbn@cbn.gov.ng or call +234 7002255226