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COVID-19: Emefiele Proposes 4-Point Economic Recovery Strategy

INSIDE THIS EDITION:

- CBN Extends MFBs OFIs Audited Accounts Submission
- FOREX Sale to BDCs Resume
- Healthcare Research & Dev Institutions Get CBN Intervention
- MPC Reduces MPR from 13.5% to 12.5% (002)

Contents

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Editor's Note	i
COVID-19: Emefiele Proposes 4-Point Economic Recovery Strategy	1
Economy Contracts in May	3
Entrench Sustainable Business Model, CBN Advises Banks	4
CBN Crashes Interest Rate for OFIs to 5%	5
COVID-19 Healthcare Funds, CBN Disburses N10.5bn	6
MFBs, OFIs Get New Date for Accounts Submission	6
New Timelines for Dispense Errors and Refund Complaints	7
Covid-19: NIRSAL Disburses Loans to 3,256 Businesses	7
Currency in Circulation Rises to N2.35tn	8
GDP Grows by 1.87% Despite Pandemic	9
Sale of Forex to BDCs Resumes	10
Quest for Economic Self-Reliance: The Time is Now	11
Healthcare Sector Research & Development Institutions Get Intervention	13
MPC Reduces MPR from 13.5% to 12.5%	14
Operators of e-Payment Channels Get Guidelines	15
Attempts to Distract, Discredit Emefiele, CBN Uncovered – Okorafor	16
CBN Releases Guidelines to Access its Non-Oil Export Stimulation Facility (NESF)	17
FREQUENTLY ASKED QUESTIONS (FAQs)	19



Editor's Note

We will continue to ensure that you are furnished regularly with news of developments about the Central Bank of Nigeria's (CBN) policies and programs. It is our prayer that we all keep to the COVID-19 protocols in order to survive the perilous times.

In this edition, we bring to you the account of the 273rd bimestrial meeting of the Monetary Policy Committee (MPC) of the CBN which took place on Thursday, May 28, 2020. A key outcome, among others, was the reduction of Monetary Policy Rate (MPR) from 13.5 % to 12.5%, while retaining the asymmetric corridor around the MPR at +200/-500 and maintaining Cash Reserve Ratio (CRR) at 27.5% and Liquidity Ratio (LR) at 30.0%. These decisions were informed by the need to defend the economy against the threat of recession arising from the negative consequences of the COVID-19 pandemic and the oil price shock in order to stimulate economic growth and recovery.

Readers will find equally interesting and thought provoking, the story on Governor Emefiele's 4-point economic agenda to enable the country navigate through the current constraints of the pandemic and explore opportunities towards sustainable growth in the years ahead. In a document titled "Turning the COVID-19 Tragedy into Opportunity for a New Nigeria", the Governor emphasized that the time had come to transform Nigeria into a modern, sophisticated and inclusive economy.

The recent pronouncements of the CBN Governor are encapsulated in a news analysis captioned "Quest for Economic Self-Reliance: The Time is Now", which is a prognosis of deliberate economic growth path likely to steer the country towards self-reliant economy. Readers will find interesting, the story about how the Nigerian economy achieved real Gross Domestic Product (GDP) growth of 1.8% in the first quarter 2020 in spite of the negative consequences of the COVID-19 pandemic. This goes to attest to the resilience of the Nigerian economy.

We also include a story about the CBN Deputy Governor, Financial System Stability, Mrs. Aisha Ahmad's timely call on banks to show commitment to sustainability in designing their business models to enable them manage disruptions in efforts to deliver value to their stakeholders.

These, and other interesting stories, are lined up in this edition for your reading pleasure. We urge you to continue to adhere strictly to COVID-19 protocols and stay safe. Thank you.

Isaac Okorafor
Editor -in- Chief

COVID-19: Emefiele Proposes 4-Point Economic Recovery Strategy

By: **Olusola Amadi**



The Governor, Central Bank of Nigeria (CBN), Mr. Godwin Emefiele has proposed a four-point economic recovery strategy for adoption by the Federal Government. The strategy is to enable the country to navigate the current constraints brought by the Covid-19, and explore the opportunities it avails for sustainable growth of the economy in the years ahead.

In a document titled 'Turning the COVID-19 Tragedy into an Opportunity for a New Nigeria' on April 15, 2020, the Governor noted that the time had come to fully transform Nigeria into a modern, sophisticated and inclusive economy. Going further, he said that the economy should support self-sufficiency, reward hard work, but protect the poor and vulnerable, and enable international competition across a range of strategic sectors.

He asserted that as the security and well-being of the nation were contingent on building a well-diversified and inclusive productive economy, the nation's economic recovery strategy should focus

on four areas, namely, light manufacturing, affordable housing, renewable energy, and cutting-edge research.

He further opined that to achieve its goals, Nigeria must build a base of high-quality infrastructure, including reliable power, that can engender industrial activity; support both smallholder and large scale agriculture production in select staple and cash crops; and create an ecosystem of factories, storages, and logistics companies that move raw materials to factories and finished goods to markets.

Other requirements include: using fiscal priorities to create a robust educational system that enables critical thinking and creativity which would prepare Nigerian children for the world of tomorrow; develop a health-care system that is trusted to keep all Nigerians healthy irrespective of social class; facilitate access to cheap and long-term credit for SMEs and large corporates; develop and strengthen pro-poor policies that bring financial

services and security to the poor and the vulnerable; expedite the development of venture capitalists for nurturing new ideas and engendering Nigerian businesses to compete globally.

The Governor stated that a Policy Response Timeline has been developed to guide the crises management plan of the CBN; ensure the orderly reboot of the Nigerian economy; create an environment that empowers Nigerians to thrive; and enable faster economic recovery through targeted measures in identified sectors with employment and wealth creation potentials for the country.

The Governor noted that in accordance with the timelines, - Immediate-Term Policies (0-3 months); Short-Term Policy Priorities (0-12 months); and Medium-Term Policy Priorities (0-3 Years), the CBN has responded in several ways from supporting hospitals and the pharmaceutical industry with low interest loans in order to immediately deal with the public health crises; to working with the private sector Coalition Against COVID (CACOVID) to support the Presidential Task Force (PTF) in its response to the pandemic, as well as mobilizing palliatives for the poor and vulnerable.

Emefiele stated that the Bank had also ensured financial system stability by granting regulatory forbearance to banks to restructure terms of facilities in affected sectors; triggering banks and other financial institutions to roll-out business continuity processes to ensure that banking services are delivered in a safe social-distance regime for all customers and bankers; granting additional moratorium of one year on CBN intervention facilities; and reducing interest rates on intervention facilities from 9 percent to 5 percent.

He also added the CBN has created a N50bn targeted credit facility for affected households & SMEs; strengthening the Loan-Deposit Ratio (LDR) policy, which was encouraging significant extra lending from banks; improving FX supply to the CBN by directing all oil companies (international and domestic) and all related companies (oil service) to sell FX to CBN and no longer to the NNPC; providing additional N100bn intervention in healthcare loans to pharmaceutical companies,

healthcare practitioners intending to expand/build capacity; providing N1tn in loans to boost local manufacturing and production across critical sectors; and engendering financial inclusion by ensuring the poor and vulnerable are able to access financial services to meet their basic needs through banks, microfinance, community and non-bank financial institutions.

Governor Emefiele further stated that in order to bridge the equipment gap in the country, the CBN will consider an initial intervention of N500bn over the medium term, specifically targeted at manufacturing firms to procure state-of-the-art machinery and equipment and automated manufacturing models that would fast-track local production and economic rejuvenation, as well as support increased patronage of locally processed products such as cement, steel, iron rods, and doors, amongst several other products.

Noting that the nation's manufacturing gross fixed capital formation is estimated at N24.55 trillion with machinery and equipment with main inputs into economic production, valued currently at only N2.61 trillion, he said that to pursue a substantial economic renewal, including replacement of at least 25 percent of the existing machinery and equipment for enhanced local production, at least N662 billion worth of investments would be required to acquire hi-tech machinery and equipment.

He further assured that the CBN will also assist the private sector investors in cement production using enhanced technology and automated manufacturing models by developing a thorough screening process and stringent criteria for equipment types that would qualify for funding under this phase.

Emefiele stated that in order to boost job creation, household incomes and economic growth, the Bank will focus its attention on bridging the housing deficit in the country by facilitating government intervention in three critical areas: housing development, mortgage finance, and institutional capacity while adding that the CBN was working to create a fund that will target housing construction for developers that provide evidence of profiled off-takers with the financial capacity to repay.

The CBN Governor noted that in the aftermath of the pandemic, the global system will be changed and therefore it is imperative that Nigeria becomes self-reliant in terms of food, education, and healthcare.

He said that in line with the vision of President Muhammadu Buhari, the CBN had created several lending programmes and provided hundreds of billions to smallholder farmers and industrial processors in several key agricultural produce. These policies are aimed at positioning Nigeria to become a self-sufficient food producer, creating millions of jobs, supplying key markets across the country and dampening the effects of exchange rate movements on local prices.

The Governor, therefore called on Nigerians and all stakeholders to support the government in building a base of high-quality infrastructure;

support both smallholder and large scale agriculture production in select staple and cash crops; create an ecosystem of factories, storages, and logistics companies that move raw materials for value-added production and finished goods to markets.

He also noted that fiscal priorities should be applied in providing support to development imperatives such as robust educational and healthcare systems; facilitation of access to cheap and long-term credit for Small and Medium-Scale Enterprises (SMEs) and large corporates; development and strengthening pro-poor policies that bring financial services and security to the poor and the vulnerable; and expediting development of venture capitalists for nurturing new ideas and engendering Nigerian businesses to compete globally.

Economy Contracts in May

By: **Louisa Okaria**

The Statistics Department of the Central Bank of Nigeria (CBN) has revealed that economic activities in manufacturing, production, new orders and other indices contracted in May after recording at least 36 months of consecutive growth.

This was stated in its May 2020 Purchasing Managers Index (PMI) Survey Report which noted that the Manufacturing PMI in May stood at 42.4 index points, indicating contraction in the manufacturing sector for the first time after recording expansion for 36 consecutive months.

The report showed that out of the 14 surveyed subsectors only the electrical equipment sector reported growth above 50 per cent threshold. The other 13 subsectors reported decline in the following order: cement, petroleum and coal products, printing and related support activities.

Others are furniture and related products; textile, apparel, leather and footwear; paper products; fabricated metal products; food, beverage and

tobacco products; chemical and pharmaceutical products; transportation equipment; plastics and rubber products; non-metallic mineral products; appliances and components, and primary metal.

The Bank stated that production level index at 44.5 points for the manufacturing sector, declined in May 2020 after 37 consecutive months of recorded growth. One subsector recorded increased production level, four remained unchanged, while nine subsectors recorded decline in production.

The new orders index at 42.8 points declined after 36 consecutive months of growth, indicating decline in new orders in May 2020. Three subsectors reported growth, two remained unchanged while nine others recorded decline in the review month.

However, the manufacturing supplier delivery time index stood at 65.2 points in May 2020, indicating growth in supplier delivery time. The index, it stated, recorded growth from the contraction level of March 2020.

Entrench Sustainable Business Model, CBN Advises Banks

By: Bartholomew Mbaegbu



The Central Bank of Nigeria (CBN) has called on banks to maintain their commitment to sustainability in designing their business models to enable them manage disruptions, and make a positive environmental and social impact in their quest to deliver value to their stakeholders.

The Deputy Governor, Financial System Stability, Mrs. Aishah Ahmad made this call in a webinar organized by the Centre for Financial Studies of the Chartered Institute of Bankers of Nigeria. The webinar christened, CIBN advocacy dialogue series 2.0 focused on Enhanced Sustainable Banking (ESB) Model for the banking sector in the event of major economic and business disruptions such as the current coronavirus (COVID-19) pandemic.

Ahmad said that banks and other financial institutions could only survive disruptive events if they fully embrace sustainability principles, emphasizing that this had become even more critical during periods of significant disruptions.

According to her, though primarily a health crisis, the negative spill-over effects of COVID-19 on business and the economy are complex and pervasive, considerably slowing economic activities in most countries. While speaking to over 800 participants who joined the programme through Zoom and YouTube, Mrs. Aishah maintained that prior to COVID-19, the financial services sector was undergoing significant evolution.

The CBN Deputy Governor expressed the view that banks had to modify their business models to address changes caused by innovation, digitalization, new entrants by Fintechs, increasing regulation and changing needs and behavioral patterns of customers.

These developments have triggered very aggressive changes in the financial services industry, introducing significant dynamism into the industry's value chain, changing the mode of production, delivery, and consumption of financial

products and services, she asserted. Continuing, she affirmed that the CBN had been at the forefront of entrenching sustainability in the Nigerian banking industry through the implementation of the Nigerian Sustainable Banking Principles, which had formally been adopted by the CBN and 33 banks, discount houses and Development Finance Institutions.

Also speaking, Vice Chairman, FMDQ Group, Jibril Aku, said that to stimulate economic growth and opportunities, policymakers, banks, and capital markets must take urgent critical steps.

He noted that the current situation was an opportunity for digital transformation and growth in e-banking offerings, and stressed the need for increased investments in ethical hackers and cybersecurity to cushion the rising rate of cyber threats, as many organisations have adopted

digital platforms for service delivery. He admonished the banking sector to ensure the effective implementation of sustainable banking principles with a focus on economic, social, environmental, and governance issues to boost reputation and investor confidence.

It should be recalled that the CBN issued a circular dated September 24, 2012 referenced FPR/DIR/CIR/GEN/01/33 titled "Implementation of Sustainable Banking Principles by Banks, Discount Houses and Development Finance Institutions in Nigeria." The circular urged the concerned institutions to implement the principles and guidelines that would require them to develop a management approach to balance the environmental and social (E&S) risks identified with the opportunities to be exploited through their business activities.

CBN Crashes Interest Rate for OFIs to 5%

By: **Ademola Bakare**

In its continuous efforts to assuage the effect of COVID-19 on households, businesses and regulated institutions, the Central Bank of Nigeria (CBN), has crashed interest rates on its facilities through participating Other Financial Institutions (OFIs) from 9% to 5% per annum for a year effective March 1, 2020. The Bank, announced this in a circular signed by the Director, Financial Policy and Regulation Department, Kevin Amugo, on Wednesday, May 27, 2020.

It also announced that all CBN intervention facilities obtained through participating Other Financial Institutions – Microfinance Banks (MFBs), Primary Mortgage Banks and Institutions, among others will be given a further one-year moratorium



on all principal repayments with effect from March 1, 2020.

According to the circular, OFIs had equally been granted leave to consider temporary and time limited restructuring of the tenor and loan terms for households and businesses affected by COVID-19 subject to the recently issued guidelines for restructuring affected credit facilities in the OFIs sub-sector. Explaining further on the decision of the CBN, the Director, Corporate Communications Department, Isaac Okorafor, said the Management approval for the restructuring of credit facilities in the Other Financial Institutions sub-sector was in line with the Bank's desire to alleviate momentary strain on households, businesses and regulated institutions triggered by the lockdown of the economy due to the COVID-19 pandemic.

He restated that the Bank would also continue to monitor developments and implement appropriate measures to safeguard financial stability and support stakeholders impacted by the Coronavirus pandemic, COVID-19.

COVID-19 Healthcare Funds, CBN Disburses N10.5bn

By: **Olusola Amadi**



The Central Bank of Nigeria (CBN) has disclosed that the sum of N10.5bn out of the N100bn credit intervention for the healthcare industry has been disbursed. The Bank initiated the intervention as part of the measures to mitigate the impact of COVID-19 pandemic on the economy. The Governor, Godwin Emefiele, disclosed this at the just concluded 273rd edition of the Bank's Monetary Policy Committee meeting which held virtually in Abuja.

He said the Committee recognized that under the N100bn healthcare sector intervention fund, the Bank had approved and disbursed N10.5bn for some projects for the establishment of advanced diagnostic and health centres and the expansion of some pharmaceutical plants for essential drugs and intravenous fluids.

It must be noted that the CBN had at the establishment of the Fund, stipulated requirements that must be met before accessing the loans. The requirements state that: a corporate entity must submit its application to a participating financial institution which could be either a Deposit Money Bank or a Development Finance Institution of its choice with a bankable business plan, which the PFI must appraise and conduct due diligence on the application; and upon approval by the PFI's credit committee, the application would be submitted to the CBN with relevant documents for approval and disbursement.

MFBs, OFIs Get New Date for Accounts Submission

By: **Ademola Bakare**

The Central Bank of Nigeria (CBN), as a responsive regulatory institution, has extended the timeline for the submission of 2019 audited financial statements of Microfinance Banks (MFBs) and Other Financial Institutions (OFIs) in the country due to the Coronavirus pandemic, COVID-19, on their operations. OFIs sub-sector of the financial sector include Microfinance banks, discount houses, bureau de change, payment services banks and primary mortgage banks. In a circular released on Friday, May 29, 2020 titled: Extension of the Time frame for the Submission of 2019 Audited Financial Statement. The Director, Other Financial Institutions Supervision Department, Nkiru Asiegbu, stated that 'pursuant to the provision of Section 27 (1) (a) of BOFIA, all banks and OFIs are required to forward the audited financial statements of each financial year to the CBN for

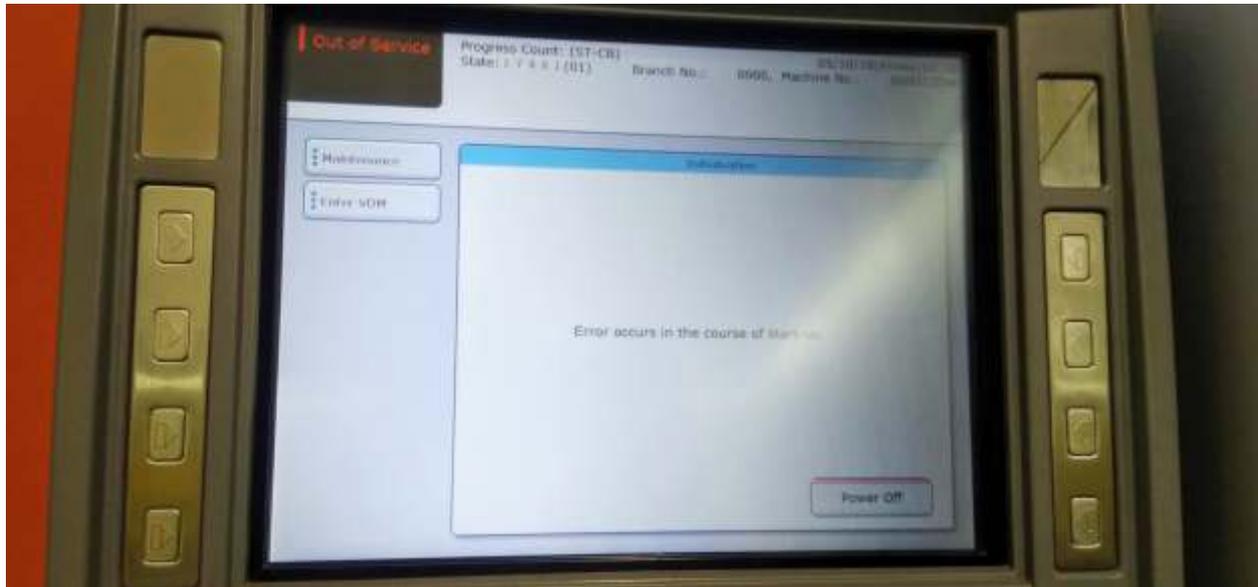
approval before the end of the fourth month following the year to which they relate'.

Thus, the 2019 audited financial statements should have reached the CBN on or before April 2020. However, the Circular stated, "we observed that the lockdown of most cities in the country due to the Coronavirus pandemic has restricted the engagement of external auditors and the daily operations of all OFIs across the country.

Therefore, the deadline has been extended by three (3) months". It further directed that, "For the avoidance of doubt, all other financial institutions are required to submit the 2019 audited financial statements on or before July 31, 2020. The Bank reminded operators that it would however monitor compliance of the extended date, and defaulters would be sanctioned accordingly.

New Timelines for Dispense Errors and Refund Complaints

By: **Ruqayyah Mohammed**



The Central Bank of Nigeria (CBN) has revised the timelines for dispense error reversal and resolution of refund complaints on electronic channels. The revised timelines, expected to take effect from June 8, 2020, is part of the CBN's continued effort to enhance banking service quality, in particular, quick refunds when customers experience failed transactions and dispense errors.

A circular, signed by the Director, Corporate Communications Department, Mr. Isaac Okorafor, stated that when a customer experiences failed transaction using their ATM cards on their bank's machine, reversal shall be instant and where instant reversal fails due to technical problems or system glitch, the timeline for manual reversal shall not

exceed 24 hours. While a failed transaction using another bank's ATM, reversal shall not exceed 48 hours. It also stated that resolution of failed point of sale (POS) or Web transactions shall be concluded within 72 hours and not the current five (5) days. The Bank, in the circular, directed all banks to resolve backlog of all ATM, POS and Web customer refunds within two weeks beginning from June 8, 2020.

The CBN however noted that key service providers in the Nigerian payments system are also committed to establish an integrated dispute resolution platform for the industry and enhance their payment system processes to reduce incidence of transaction failure.

Covid-19: NIRSAL Disburses Loans to 3,256 Businesses

By: **Bartholomew Mbaegbu**

NIRSAL Microfinance Bank has commenced the first tranche disbursements to 3,256 individuals and businesses negatively affected by the pandemic to cushion the effect on

their businesses. This measure is in line with the objectives of the N50bn Targeted Credit Facility (TCF) set up by the Central Bank of Nigeria (CBN). According to the guidelines released by the CBN,

households and businesses with verifiable evidence of livelihood and activities adversely affected by the impact of the pandemic would benefit from the facility. Activities covered under the facility include agricultural value chain, hospitality (accommodation and food services), trading, airline service providers and health (pharmaceuticals and medical supplies).

Accessibility to the loan which was financed from the Micro, Small and Medium Enterprises Development Fund (MSMEDF) will be based on activity, cash flow and industry size as businesses could access a maximum of N25mn while households could access a maximum of N3mn. The

Managing Director, NIRSAL MFB, Mr. Abubakar Kure, while speaking at the flag-off of the first tranche of the loan disbursement in Abuja on April 30, 2020, said that the Bank had received over 8,000 applications from businesses and individuals for the credit facility.

He reiterated that the loan was accessed on merit and open to every Nigerian who qualified. He emphasized however, that the facility was not a grant but a loan to be repaid back. He noted that the idea of the fund was to provide cash flow as a result of the lockdown and beneficiaries are expected to resume productive activities as the economy begins to reopen in phases.

Currency in Circulation Rises to N2.35tn

By: **Louisa Okaria**



The country witnessed huge cash transactions as currency in circulation rose to N2.35tn in May. The rise continued notwithstanding the lockdown imposed on the economy by the Federal Government with the outbreak of the COVID-19 pandemic in Nigeria.

The Central Bank of Nigeria (CBN) in a circular released recently, showed that currency in circulation (CIC) as at the end of March 2020 stood at N2.29tn but rose to N2.3tn in April.

The Bank revealed that it employed the accounting/statistics/withdrawals and deposit approach to compute the currency in circulation in the country. This approach involved tracking the movements of currency in circulation on a transaction by transaction basis.

According to the Bank's analysis, a large and increasing proportion of the Nigerian currency outside the commercial banking system is being held by the general public.

GDP Grows by 1.87% Despite Pandemic

By: **Daba Olowodun**



The Nigerian real Gross Domestic Product (GDP) grew by 1.87% in the first quarter of 2020. This revelation by the National Bureau of Statistics came as a sliver of hope in the face of the global health crises which had snowballed into dire economic consequences for both developed and emerging economies alike.

The economy had witnessed a contraction in the manufacturing and non-manufacturing purchasing manager's indices which was attributed to slower growth in production, new orders, employment level, raw materials and input prices. These indices were largely affected by the lockdown of the global economy to curtail the spread of the COVID-19 pandemic.

In light of the recorded GDP growth despite the contractions, the Monetary Policy Committee

(MPC) in its 130th communiqué released on May 28, 2020, commended the Central Bank of Nigeria (CBN) on the recent measures put in place to mitigate the economic impact of the twin shocks of COVID-19 and crude oil price fluctuations on the Nigerian economy. The committee expressed its support for the sustenance of the broad based stimulus and liquidity facilities being provided to curb the adverse effects of the shocks.

The MPC further noted that with the positive output growth recorded in Q1 2020, "even if the lag effects of COVID-19 result in a low negative output growth in Q2, 2020, it could be quickly reversed to avoid a recession by Q3, 2020 based on the far-reaching measures taken by the monetary and fiscal authorities to mitigate the combined effects of the COVID-19 pandemic and oil price shocks".

Sale of Forex to BDCs Resumes

By: Ademola Bakare



Currency speculators are set for huge losses in the coming months as the Central Bank of Nigeria (CBN) and Association of Bureau de Change Operators of Nigeria (ABCON) have finalised arrangement to resume dollar sales to BDCs. This revelation was the outcome of several weeks of brainstorming and discussions between the Bank and ABCON while analysing the illicit business of currency speculators and the danger they pose to the economy.

It had been observed that since the outbreak of Coronavirus pandemic (COVID-19), across the world, and in particular, Nigeria, currency speculators had been making spurious demand for dollars with the hope of making good returns from the gaping margins between official and parallel market rates.

It would be recalled that during the last economic recession, the currency speculators held the nation by its jugular with their illicit trade that made the Naira to exchange at N525/\$1. This decision must

have been borne out of the experience the CBN gained during the 2016 currency crisis to predict what follows after every major crisis.

With over 5,000 BDCs spread across the country receiving weekly allocations for sale to the retail end of the market, and rising accretion to the foreign reserves to over \$37bn, coupled with unrelenting efforts of the Bank in maintaining exchange rate stability, the Naira's future indeed looks bright.

Reminding the illicit traders of their fate while the last economic recession lasted, the two bodies had warned speculators of the looming consequence of their business if they refused to retrace their steps as they may incur losses estimated at over N10bn in the next few months as the CBN prepares for BDCs' return to the forex market after nearly nine weeks of inaction due to the pandemic, and the need to protect operators.

The CBN Governor, Godwin Emefiele, appealed to industrialists patronising the parallel market to desist from the practice in the interest of the economy and for sustainability of their businesses, failure of which they would equally suffer huge losses like currency speculators.

He said, "I know some of you are involved, stop now. By going to the parallel market, you are helping to overheat that market. Not only that, you will lose money because you would have bought it at a price that is not realistic. I can tell you that you going to lose money. But we have seen your accounts already. We are appealing to you, please stop and let us do what is right, what is legal, so that Nigeria can continue to be a good place for you to live in".

Continuing, he said, "We are going to provide more liquidity in the market so that people can stop going to the parallel market. Don't go there because it is not good for you. But be patient, it is going to be orderly".

Quest for Economic Self-Reliance: The Time is Now

By: Samuel Okogbue



Watching the Central Bank of Nigeria (CBN) Governor, Mr. Godwin Emefiele, responding to questions at the May 28, 2020, Monetary Policy Committee (MPC) meeting, one cannot but see through the burden of a man with the patriotic zeal for self-reliant economic development.

According to Mr. Emefiele, “the time is now” for the country to vigorously pursue an economic development anchored on self-reliance. Faced with the double tragedy of being an import-dependent and monocultural economy with reliance on more than 90 per cent foreign exchange earnings from crude oil revenue, diversification of the Nigerian economic base becomes compelling and urgent too. This becomes all-the-more frightening, in view of the forecast negative GDP growth rate (of -3.84 per cent) for the year 2020 as a result of the COVID-19 pandemic, and the attendant spike in unemployment rate.

In the last four years, the CBN, under the leadership of Mr. Godwin Emefiele has laid a solid intervention policy in ten commodities; rice, wheat, maize, cotton, palm oil, cassava, tomatoes, poultry, milk/dairy products and livestock. The mechanized production of these commodities to enhance economies of scale would achieve higher value addition to ensure greater export value.

In the stampede for solution during this ravaging COVID-19 lockdown, rice featured prominently as the most common palliative commodity distributed to the vulnerable segment of the population. It is left to be imagined, how helpless we would have been without the CBN rice-intervention revolution at the outbreak of the pandemic, especially when most rice exporting countries had banned the export of rice? How disastrous and embarrassing would it have been to attempt a necessary lockdown without sufficient food for the citizens?



There is a compelling conclusion that until the independent Africa countries have achieved economic self-reliance, the liberation of emerging Africa economies cannot be said to be complete. Six decades after colonialism ended in the continent, nothing has changed in the institutional arrangement and economic architecture, which characterized the relationship between the former colonial powers and their erstwhile colonies. It had remained essentially unequal.

The former colonial economies concentrate on the production of extractive minerals and unprocessed commodities for exports with negative terms of trade vis-à-vis manufactured exports from developed countries. A situation, which Latin American economists like Raul Prebisch and Han Singer consider as likely to perpetuate poverty in the emerging economies.

The above view aligns with the decision of the CBN Governor, Godwin Emefiele, to locally grow and process commodities with comparative advantage such as cassava, palm oil, tomato, cotton, milk and dairy products etc, as an import substitution strategy to not only ensure food security, but to reduce unemployment and achieve a self-reliant economy.

Governor Emefiele's earnest desire is for Nigeria to leverage on this intervention in agriculture (Anchor Borrowers' Programme and other initiatives) to rekindle serious momentum in the manufacturing

sub-sector. This, indeed, would engender sustainable backward and forward linkage effects between agriculture and the manufacturing sub-sectors. A low hanging fruit, perhaps, would be to start from agricultural processing, then progress into light manufacturing and eventually improve into more sophisticated industrialization.

This approach is a radical departure from the usual concentration on extractive mineral exports. In view of envisaged negative economic growth as a fallout of the COVID-19 pandemic, a more plausible counteracting strategy would be the adoption of Governor Emefiele's proposed, four-point economic recovery strategy entitled 'Turning The COVID-19 Tragedy into an Opportunity for a New Nigeria' on April 15, 2020. In the very visionary paper, he pointed at four key areas such as light manufacturing, affordable housing, renewable energy, and cutting-edge research.

Put differently, what is required is massive production of agricultural goods, followed by the emergence of light manufacturing industries, in sequence, as part of an outward-looking strategy of industrialization. This has the added advantage of diversifying the foreign exchange earnings base, and hence, replacing the present monocultural economy that is highly vulnerable to external shocks.

Emefiele's quest for high quality infrastructure, as well as reliable power that can stimulate industrialization is incontestable. However, attention should be paid to the quality of human resource capacity. This underscores the call of the CBN Governor to "create a robust educational system that enables critical thinking and creativity, which would better prepare our citizens for the world of tomorrow and to develop a healthcare system that is trusted to keep all Nigerians healthy, irrespective of social class".

Strategic lessons derived from the present pandemic reveals that the world will never remain the same anymore. Nations have learnt not to depend on others for critical necessities of life. Thus, the earlier we achieve self-sufficiency in food, education and healthcare the better. There is no better time than now.

Healthcare Sector Research & Development Institutions Get Intervention

By: **Bartholomew Mbaegbu**



The Central Bank of Nigeria (CBN), as part of its policy response to the COVID-19 pandemic has introduced the Healthcare Sector Research and Development Intervention Scheme (HSRDIS) to help strengthen the public healthcare system. The Scheme is aimed at achieving innovative financing of research and development (R&D) in new and improved drugs, vaccines and diagnostics of infectious diseases in Nigeria.

As contained in a circular released on the Bank's website and signed by the Director, Development Finance Department, Mr. Yusuf Yila, the HSRDIS is designed to trigger intense national R&D activities in order to develop a Nigerian vaccine, drugs and herbal medicines against the COVID-19 and any other communicable or non-communicable diseases. The grants to biotechnological and pharmaceutical companies, research institutions for research and development of drugs, herbal medicines and vaccines for the control, prevention and treatment of infectious diseases. It is also intended that the HSRDIS will boost domestic manufacturing of critical drugs and vaccines to ensure their sustainable domestic supply and

reduce manufacturing costs of the drugs, herbal medicines and vaccines in Nigeria. The Scheme which will be funded from the Developmental Component of the Micro, Small and Medium Enterprise Development Fund (MSMEDF) provides a grant limit for research activities to a maximum of N50 million while development/manufacturing activities will receive up to N500 million. Disbursements will be made to beneficiaries in tranches subject to approved milestones achieved.

The objectives of the Scheme will among other things include; providing grants for R&D in new or revalidation of drug molecule, phytomedicines and vaccines for the control, prevention and treatment of infectious diseases in Nigeria; boosting domestic manufacturing of validated drugs (Active Pharmaceutical Ingredients or APIs), herbal medicines and vaccines for the control, prevention and treatment of infectious diseases in Nigeria, thus reducing the nation's dependence on other countries for these drugs and vaccines amongst others. Also contained in the Guidelines are information on eligible research and development activities, research and development timeframe and modalities.

MPC Reduces MPR from 13.5% to 12.5%

By: **Olusola Amadi**



The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) on Thursday, May 28, 2020, at its 273rd meeting reduced the Monetary Policy Rate (MPR) from 13.5% to 12.5% while retaining other parameters around the MPR.

Briefing the press on the outcome of the Committee's two-day meeting which held virtually in Abuja, the CBN Governor, Mr Godwin Emefiele noted that the imperative for monetary policy at the meeting was to strike a balance between supporting the recovery of output growth while maintaining stable price development across inflation, the exchange rate and market interest rates.

The Governor stated that the reduction of the Monetary Policy Rate (MPR) to 12.5% from 13.5%, retaining of the asymmetric corridor around the MPR at +200/-500bps and maintaining Cash Reserves Ratio (CRR) at 27.5% and Liquidity Ratio (LR) at 30.0% were informed by the Committee's considerations of impact of the COVID-19 pandemic, the oil price shock and the likely short to medium term consequences on the Nigerian economy.

The MPC noted that in view of the Cash Reserve Requirement (CRR) which was recently adjusted

upwards as a means of tightening the stance of policy and the Bank's reduced interest rates associated with all CBN interventions from 9 to 5 per cent as part of its response to the COVID-19 pandemic; increasing MPR at this stage will be counter-intuitive and result in upward pressure on retail market rates.

Emefiele held that the weakening of the global macroeconomic environment due to the adverse impacts of COVID-19 and drop in crude oil prices had resulted in negative output in most economies. He opined therefore that in order to ensure that the global economy reverses from the recession in timely, policy makers must take actions that will stimulate growth and recovery.

The Committee noted that for Nigeria, although the Q1 2020 GDP turned out pleasantly at 1.87 per cent and rate of inflation somewhat moderated, a recession could be avoided concerted efforts are sustained to stimulate output.

Accordingly, on balance on whether to hold, loosen, or tighten, the MPC stated that tightening of policy stance was inappropriate as it will result in further contraction of aggregate demand, leading to decline in output. It also noted that tightening will also increase cost of credit, reduce investment and impact negatively on output growth.

As regards the option of holding the previous policy stance, the Committee was of the view that a hold may indicate that the monetary authorities are insensitive to prevailing weak economic conditions which may slowdown the trajectory of the weakened economy and thereby slacken output growth.

On loosening, the MPC noted with concern, that excess liquidity engendered by loosening may overshoot the economy's absorptive capacity and accelerate inflationary pressure but however, given the slow rate of acceleration of inflation, it believes that the accommodative stance will stimulate aggregate demand and supply in the short term. This is because an accommodative stance, through a lowering of the policy rate will stimulate credit expansion to critically important sectors that will also stimulate employment and revive economic activity for quick growth recovery.

The Committee maintained that although a sharp decline in output growth is expected in Q2 2020 and possibly the third quarter, if the current stimulus initiatives are properly implemented, the economy would reverse to positive growth by the fourth quarter hence the optimism on the part of the Committee that the economy may not slide into recession. The MPC commended the Bank's effort on the recent measures put in place to mitigate the economic impact of the twin shocks on the Nigerian economy and expressed support for the sustenance of the broad-based stimulus and liquidity facilities to curb the adverse effects of the shocks. It further noted that on the backdrop of the

various stimulus packages and increased credit at lower interest rates, the impact of the COVID-19 pandemic would be relatively less severe than had earlier been expected and the reversal in growth deceleration would become more optimistic.

It further lauded the Bank's role in effective oversight of the banking system, as evidenced by the relative stability in key financial soundness indicators and systemic resilience of the banking sector in the face of severe external shocks.

The MPC applauded the federal government's efforts at revising the oil price benchmark downwards to reflect prevailing conditions while reiterating the urgent need for the government to improve tax collections through a gradual, but purposeful diversification of the economy's revenue base. It further urged the government to remain focused on the implementation of the revised 2020 - 2022 Medium Term Expenditure Framework (MTEF) as the basis for sustainable fiscal policy.

The Committee further emphasized the need for government to work towards a gradual reopening of the economy in line with recommendations of the Presidential Task Force (PTF) and advice from medical experts, insisting that efforts must be directed at saving not only lives but also livelihoods. This is to enable the resumption of economic activities necessary to stimulate growth, accelerate the pace of recovery and restore livelihoods, particularly the vulnerable in our society.

Operators of e-Payment Channels Get Guidelines

By: **Louisa Okaria**

The Central Bank of Nigeria (CBN) has issued the guidelines on operations of Electronic Payment Channels in Nigeria. This is in exercise of the powers conferred on the Bank by Sections 2 (d) and 47 (2) of the CBN Act, 2007, to promote and facilitate the development of efficient and effective systems for the settlement of transactions, including the development of electronic payment systems.

The guidelines which supersede the one issued in 2016 was contained in a circular posted on the Bank's website on May 31, 2020 and covers the following areas: Automated Teller Machine (ATM) Operations; Point of Sale (POS) Card Acceptance Services; Mobile Point of Sale (MPOS) Acceptance Services and Web Acceptance Services.

The Circular stated that the guidelines on Automated Teller Machine (ATM) Operations cover the standards on ATM Technology and Specification, ATM deployment, ATM Operations, Maintenance, Security, Dispute Resolution, Regulatory Monitoring and Penalties. It noted that the guidelines on Point Of Sale (PoS) Card Acceptance Services cover the following: Point of Sale Card Acceptance Services Stakeholders, Minimum Standards Roles and Responsibilities of Merchant Acquirers, Payment Terminal Services Provider (PTSP), PoS Terminal Owner, Payments Terminal Service Aggregator (PTSA), Merchants and Cardholders; Card Scheme, Switching Companies, Settlement Mechanism, Fees and Charges, Transition to Achieve Interoperability, Exclusivity Agreements, Minimum POS Terminal Specifications and Compliance.

The circular further stated that the guidelines on mobile Point of Sale (mPOS) Acceptance Service covers the objectives which are - to provide minimum standards and requirements for the operation of mPOS; promote safety and effectiveness of mPOS, and thereby enhance user confidence in the service; and identify the roles and responsibilities of stakeholders.

Also covered by the new Circular are Minimum Standards, Roles and Responsibilities of mPOS Stakeholders which include Acquirer, Issuer, PTSA, Merchant, Cardholder/User, Card Schemes,

Switches/Processors and PTSP. Also included are Settlement Mechanism, Fees and Charges, Transition to Achieve Interoperability, Exclusivity Agreements, Minimum mPOS Technical Specifications, Consumer Protection/Dispute Resolution and Compliance.

Guidelines on Web Acceptance Services covers the scope of the Guidelines which includes all forms of transfer of monetary value on the website of a merchant or a payment aggregator in fulfillment of consideration for the purchase of goods and services on the web (internet).

The objectives of the guidelines on Web Acceptance Services provide minimum standards and requirements for the processing of transactions via the web (internet) channel; promote safety and effectiveness of Web Acceptance Services and thereby enhance user confidence in the service; identify the roles and responsibilities of stakeholders; encourage the development of effective, low risk, low cost and convenient payment and financial services to customers and businesses through the internet.

Also covered are Minimum Standards for Web Acquiring, Roles and Responsibilities of Stakeholders, Settlement Mechanism, Fees, Consumer Protection/Dispute Resolution, Chargeback Period for ATM, POS and Web Transactions, Compliance.

Attempts to Distract, Discredit Emeziele, CBN Uncovered - Okorafor

By: **Ademola Bakare**

The Central Bank of Nigeria (CBN) says the Governor, Mr. Godwin Emeziele and his team will not be deterred in their quest to reset the economy away from looming economic recession due to the global impact of COVID-19 pandemic on economies, in spite of the push by some vested interests to impugn the integrity of the Bank.

The Bank's spokesperson and Director, Corporate Communications Department, Mr. Isaac Okorafor made this declaration while addressing journalists in Abuja, disclosing that the Bank had discovered

sinister plans by some persons with selfish interest in Nigeria's economic and social-political space to distract the CBN and discredit the institution through their deliberate misinformation, complete fabrications and outright lies.

He said the Bank in pursuit of its mandate, enshrined in the CBN Act 2007 as amended, will continue to strive to ensure accretion to the external reserves to safeguard the international value of the Naira, in addition to ensuring that no individual or institution circumvents the system.

According to the Director, the Naira had in the past three years remained stable against other world currencies due largely to strict measures put in place by the CBN to check cases of round-tripping. He said the Bank, working with other relevant agencies of government, had equally curtailed the activities of economic saboteurs who are neck-deep in smuggling and other economic crimes.

While noting that those opposed to the policies of the Bank will not relent in their efforts to undermine the CBN, he said the Bank remained resolute to the dictates of its enabling Act and would not be distracted by subjective criticisms from persons who do not mean well for the general good of the Nigerian people and the economy.

Recalling that the CBN, under Emefiele's leadership, had made genuine patriotic efforts at promoting economic growth and development through its intervention programmes, particularly in the agricultural sector, which the Director said led to the revamp of value chains across over ten (10) agricultural commodities, including cotton, oil palm, fish, poultry, livestock and maize among others.

Mr. Okorafor cited the rice revolution under the Anchor Borrowers' Programme (ABP) as a major contributor to shielding Nigeria from a food crisis when major rice producing nations of the world halted exports from their shores in the heights of the Coronavirus (COVID-19).

Continuing he said, the recent intervention of the Bank through the N50bn Targeted Credit Facility (TCF) for households and small businesses affected by the pandemic and the N100bn Credit Support for Health sector were efforts to let Nigerians know that the Bank remained people-focused. Mr. Okorafor however bemoaned a situation where persons with vested interest in the economy of Nigeria and its social-political landscape continued to misinform unsuspecting Nigerians of the policies of the Bank as well as impugn the integrity of the institution and its key officers.

The Director assured that the CBN remained committed to transparently pursue its mandate in the interest of majority of Nigerians rather than for the selfish interest of a few, stressing that majority of Nigerians were better informed and would not indulge in unpatriotic economic acts for selfish purposes.

CBN Releases Guidelines to Access its Non-Oil Export Stimulation Facility (NESF)

By: **Olusola Amadi**

As part of its drive to diversify the revenue base of the economy and to expedite the growth and development of the non-oil export sector, the Central Bank of Nigeria (CBN) has set out the guidelines for accessing the Non-Oil Export Stimulation Facility (NESF) with an objective to help redress the declining export financing and reposition the sector to increase its contribution to economic development.

The objectives of the Facility include; Improve access of exporters to concessionary finance to expand and diversify the non-oil export baskets; Attract new investments and encourage re-investments in value-added non-oil exports production and non-traditional exports; Shore up non-oil export sector productivity and create more

jobs; Support export-oriented companies to upscale and expand their export operations as well as capabilities; and Broaden the scope of export financing instruments.

Eligible borrowers and beneficiaries under the NESF are export-oriented enterprises that are duly incorporated in Nigeria under the Companies and Allied Matters Act (CAMA), has verifiable export off-take contract(s), have satisfactory credit reports from at least two Credit Bureau in line with the provisions of CBN Circular BSD/DIR/GEN/CIR/04/014 dated April 30, 2010.

The CBN also stipulates that eligible transactions for funding under the NESF includes; Export of goods processed or manufactured in Nigeria;

Export of commodities and services, which are allowed under the laws of Nigeria; Imports of plant & machinery, spare parts and packaging materials, required for export-oriented production that cannot be sourced locally; Resuscitation, expansion, modernization and technology upgrade of non-oil export industries; Export value chain support services such as transportation, warehousing and quality assurance infrastructure; Working capital/stocking facility; and Structured trade finance arrangements.



The guideline also notes that Deposit Money Banks (DMBs) and Development Finance Institutions (DFIs) are the authorized Participating Financial Institutions (PFIs) and also stipulates that Lending Limit Term loans under the Facility shall not exceed 70% of verifiable total cost of the project subject to a maximum of 5bn at an all-inclusive interest rate of 9% per annum for a tenor of up to 10 years and shall not exceed the 31st December, 2027. Working capital/stocking facility shall be for one year with the option of roll-over once subject to the approval of the CBN.

Repayments of principal and interest shall be

quarterly and in accordance with the agreed repayment schedule where moratorium shall be for one (1) year and in the case of construction, option of roll over for a period of up to one (1) year may be allowed, subject to approval by the CBN.

Documentation Requirements are as follows: Written request from the project promoter to a PFI seeking funding under the NESF; Completed application form; Certified true copies of documents on business incorporation; Three (3)

years tax clearance certificate; Audited statement of accounts for the last three (3) years (where applicable) or the most recent management account for companies less than three (3) years in operations; Feasibility study/ business plan of the project; Relevant permits/ licenses/ approvals (where applicable); Verifiable export orders/ contracts or other export agreement and arrangements/commitments; Environmental Impact Assessment (EIA) report (where applicable); Draft letter of offer by PFI, loan repayment schedule and credit risk report of the customer; and any other document(s) that may be required by CBN.

FREQUENTLY ASKED QUESTIONS (FAQs)

1. Why is the CBN the only bank that can produce 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 from 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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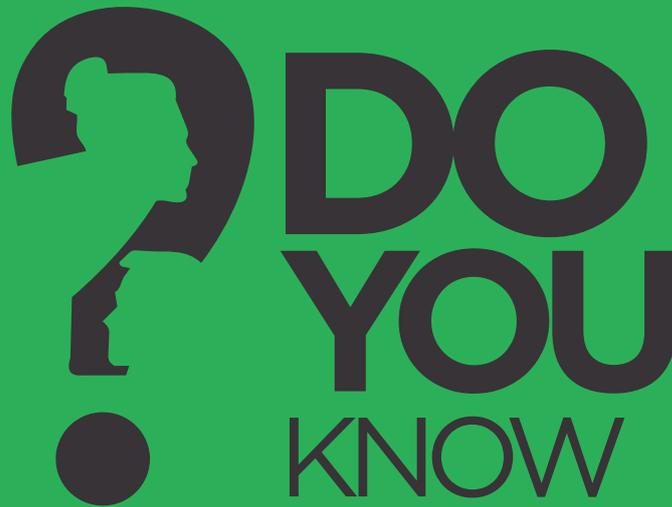
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Central Bank of Nigeria



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 recitifed 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

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Central Bank of Nigeria