



**CENTRAL BANK OF NIGERIA**

**FRAMEWORK FOR THE IMPLEMENTATION OF  
INTERVENTION FACILITY  
FOR THE NATIONAL GAS EXPANSION PROGRAMME**

**August 2020**



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### **1. Introduction**

Nigeria is richly endowed with both energy resources, such as coal, tar sand, crude oil, petroleum and other derivatives of crude oil, natural gas, and various gas liquids and condensates. 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. Historical non-viability of domestic commercial production and utilisation of gas continues to severely constrain private investments in the industry. Consequently, 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. 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.

Therefore, as part of its efforts at stimulating finance to critical sectors of the economy, the Central Bank of Nigeria (CBN) introduces the ₦250 billion intervention facility to help stimulate investment in the gas value chain. Large-scale projects under the intervention will be financed under the Power and Airlines Intervention Fund (PAIF), in line with existing guidelines regulating the PAIF, while small-scale operators and retail distributors will be financed by the NIRSAL Microfinance Bank (NMFB) and / or any other Participating Financial Institution (PFI) under the Agribusiness/Small and Medium and Medium Enterprises Investment Scheme (AgSMEIS).

The initiative is to be implemented in collaboration with the Ministry of Petroleum Resources (MPR).

This framework outlines the operational modalities for the intervention.

## **2. Objectives**

The objectives of the Facility include:

- i. Improved access to finance for private sector investments in the domestic gas value chain;
- ii. Stimulate investments in the development of infrastructure to optimize the domestic gas resources for economic development;

- iii. 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;
- iv. Fast-track the development of gas-based industries particularly petrochemical (fertilizer, methanol, etc) to support large industries, such as agriculture, textile, and related industries;
- v. Provide leverage for additional private sector investments in the domestic gas market;
- vi. Boost employment across the country.

### **3. Eligible Activities**

Eligible activities under the intervention shall include:

- i. Establishment of gas processing plants and small-scale petrochemical plants;
- ii. Establishment of gas cylinder manufacturing plants;
- iii. Establishment of L-CNG regasification modular systems;
- iv. Establishment of auto gas conversion kits or components manufacturing plants
- v. Establishment of CNG primary and secondary compression stations;
- vi. Establishment and manufacturing of LPG retail skid tanks and refilling equipment;
- vii. Development/enhancement of auto gas transportation systems, conversion and distribution infrastructure,
- viii. Enhancement of domestic cylinder production and distribution by cylinder manufacturing plants and LPG wholesale outlets;

- ix. Establishment/expansion of micro distribution outlets and service centres for LPG sales, domestic cylinder injection and exchange; and
- x. Any other mid to downstream gas value chain related activity recommended by the Ministry of Petroleum Resources (MPR).

#### **4. Funding**

**4.1** Aggregators, manufacturers, processors, wholesale distributors and related activities shall be funded under the Power and Airline Intervention Fund (PAIF).

**4.2** Small and medium-scale enterprises (SMEs) and retail distributors shall be funded by NIRSAL Microfinance Bank (NMFB) under AgSMEIS.

#### **5. Loan Type and Limit**

##### **5.1 Manufacturers, Processors, Wholesale Distributors, etc**

- i. **Term loan:** Shall be determined based on the activity and shall not exceed ~~N~~10 billion per obligor.
- ii. **Working capital:** Maximum of ~~N~~500 million per obligor

##### **5.1 Small & Medium Enterprises (SMEs) and Retail Distributors**

- i. **Term loan:** Shall be determined based on the activity and shall not exceed ~~N~~50 million per obligor.
- ii. **Working capital:** Maximum of ~~N~~5 million per obligor.

## **6. Interest Rate**

Interest rate under the intervention shall be at not more than 5.0% p.a. (all inclusive) up to 28th February 2021, thereafter, interest on the facility shall revert to 9% p.a. (all inclusive) effective from 1<sup>st</sup> March 2021.

## **7. Loan Tenor and Moratorium**

### **7.1 Manufacturers, Processors, Wholesale Distributors, etc.**

- i. Term loans shall have a maximum tenor of 10 years (*not exceeding 31<sup>st</sup> December 2030*) depending on the complexity of the project. Each project tenor shall be determined in relation to its cash flow and life of the underlying collateral.
- ii. Term loans shall be allowed maximum of two years moratorium on principal repayment only.
- iii. Working capital facility of one (1) year with a maximum roll over of not more than twice, subject to prior approval.

### **7.2 Small & Medium Enterprises (SMEs) and Retail Distributors**

- i. Term loans shall have a maximum tenor of 5 years (*not exceeding 31<sup>st</sup> December, 2030*). Each project tenor shall be determined in relation to its cash flow and life of the underlying collateral.
- ii. Term loans shall be allowed a maximum of two years moratorium on principal repayment only.
- iii. Working capital facility of one (1) year with a maximum roll over of not more than twice and subject to prior approval.

## **8. Repayment**

**8.1 Deposit Money Banks:** Monthly interests on the facility shall be amortised and transferred to CBN monthly.

**8.2 NMFB:** Monthly interests on the facility shall be paid monthly after the moratorium period.

## **9. Participating Banks (PBs)**

All Deposit Money Banks and the NMFB will be eligible as PBs under this Facility.

## **10. Transaction Dynamics for the Facility**

### **10.1 Manufacturers, Processors, Wholesale Distributors, etc**

- i. Eligible applicant or sponsor shall submit applications through any Participating Banks (PBs) to the CBN;
- ii. The PB shall carry out due diligence on the application based on business and credit considerations;
- iii. Each request must be accompanied with documents as may be required by the PB under PAIF, including relevant endorsements and permits from the Ministry of Petroleum Resources (MPR) for the project;
- iv. Upon approval by appropriate Credit Committee, the PB shall forward approved application under the intervention to the CBN;
- v. The Central Bank of Nigeria shall conduct internal review of the application to ensure compliance with the guidelines. All applications

that meet the specified requirements under the intervention shall be processed and the PB notified of the status of the request.

*(Note: The CBN reserves the right to reject any application from any lending bank that does not meet the requirements of this Guidelines);*

- vi. Upon approval, the CBN shall release the approved sum to the PB according to mutually agreed disbursement schedule tied to specific milestones; and
- vii. The PB shall, within 5 working days, disburse the approved sum to the enterprise.

## **10.2 SMEs and Retail Distributors**

- i. Eligible SMEs shall approach NMFB with bankable proposals.
- ii. The NMFB shall carry out due diligence on applications based on business and credit considerations.
- iii. Applications that meet disbursement criteria shall be forwarded to CBN for review and release of funds to NMFB;
- iv. The Central Bank of Nigeria shall conduct internal review of applications to ensure that laid down criteria are met. All applications that meet the specified requirements under the interventions shall be processed and the NMFB notified of the status of the request.

*(Note: The CBN reserves the right to reject any application from any lending bank that does not meet the requirements of this Guidelines);*  
and

- v. Upon approval, the CBN shall release the approved sum to NMFB for disbursement to the obligor according to the disbursement schedule not later than 5 working days after receipt of funds from the CBN

## **11. Collateral Requirements**

**11.1** The collateral acceptable for projects to be financed under the intervention shall be as may be acceptable by the PB under PAIF.

**11.2** The collateral acceptable for SMEs will be as determined by the NMFB.

## **12. Verification/Monitoring of Projects**

Periodic monitoring of projects financed under the Scheme shall be conducted jointly by the PB, MPR and CBN.

## **13. Management of the Facility**

The Development Finance Department of the Central Bank of Nigeria shall be responsible for the management of the intervention facility.

## **14. Responsibilities of Stakeholders:**

For the effective implementation of the intervention facility, the responsibilities of the stakeholders shall include:

### **14.1 Central Bank of Nigeria**

The Central Bank of Nigeria shall:

- i. Provide the funding for the intervention facility;
- ii. Release funds to the DMBs and NMFB for disbursement to approved financing requests;
- iii. Carry out periodic verification and monitoring of projects financed;
- iv. Provide periodic reports to the CBN Management on the performance of the intervention;

- v. Ensure compliance with the provisions of the Guidelines; and
- vi. Review the Guidelines as may be necessary from time to time.

#### **14.2 Participating Banks (PBs)**

The PBs shall:

- i. Appraise and approve requests under the Facility based on normal business consideration and due diligence;
- ii. Forward such approved requests to CBN for verification and final approval;
- iii. Monitor financed projects and render periodic returns as may be specified by the CBN from time to time;
- iv. Ensure repayments of facilities by obligors; and
- v. Comply with the Guidelines of the Facility.

#### **14.3 Ministry of Petroleum Resources (MPR)**

The Ministry of Petroleum Resources shall:

- i. Receive and endorse project proposals for financing under the intervention;
- ii. Ensure first class independent diligence is undertaken to ascertain the economic impact and commercial viability of proposed projects;
- iii. Partner the CBN and Participating Bank in monitoring the project till full repayment;
- iv. Comply with the provisions of the Guidelines.

#### **14.4 Beneficiaries**

Beneficiaries shall:

- i. Adhere strictly to the terms and conditions of the Facility;

- ii. Ensure prudent utilisation of facility for the purpose for which it was granted;
- iii. Keep up-to-date records of the enterprise's activities under the intervention;
- iv. Allow access to the project and records by the CBN and PB;
- v. Repay the facility in accordance with the approved repayment schedule; and
- vi. Comply with the provisions of the Guidelines.

## **15. Discontinuation of a Credit Facility**

Whenever a loan is repaid or the Facility is otherwise discontinued, the PB shall return the fund to the CBN within 3 working days, providing details of the credit facility.

## **16. Infractions**

Sanctions on infractions shall be applicable as determined by the CBN.

## **17. Amendments**

The Guidelines shall be subject to review from time to time as may be deemed necessary by the CBN.

## **18. Enquiries and Returns**

All enquiries and returns should be addressed to:

The Director,  
Development Finance Department,  
Central Bank of Nigeria, Corporate Headquarters  
Central Business District, Abuja.

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