



INTRODUCTION TO THIS DOCUMENT

Olaniwun Ajayi, a Nigerian law firm, provides a summary of the Central Bank of Nigeria's Proposed Policy Responses to the COVID-19 Pandemic, April 2020

OUR TAKE-AWAYS:

This is what we learned from this document:

- **The sharp movement from countries around the world from multilateralism to protecting their economies and citizens as a response to the COVID-19 pandemic has clearly shown that every country should strive towards attaining self-sufficiency and maximise opportunities created by their comparative advantage.**
- **The Governor of the Central Bank of Nigeria (CBN) recently published a policy direction statement – “Turning the COVID-19 Tragedy to an Opportunity for a New Nigeria” which highlights key proposed policies to be implemented to support the Federal Government’s measures in reducing the adverse economic impact of the Pandemic.**
- **The CBN policy and measures are targeted at four main areas that are able to support mass employment and wealth creation countrywide. These measures will be implemented in the immediate, short-term to long-term phases and will be spread over 0 – 3 years.**

COVID-19: THE CENTRAL BANK OF NIGERIA'S PROPOSED POLICY RESPONSES TO THE COVID-19 PANDEMIC

APRIL 2020

Like all major experiences that happen with life, lessons are learnt, approaches are changed, behaviours are shaped and plans are made. The outbreak of the COVID-19 pandemic ("COVID-19" or "The Pandemic") is no different as it has evoked deep thoughts and taught lessons which will continue to impact our livelihood going forward. The daily loss of lives and decline in global economic activities can be seen from all angles. The sharp movement of countries of the world from multilateralism to protecting their economies and citizens shows that every country should strive towards attaining self-sufficiency and maximizing upscale opportunities created by their comparative advantage and global positioning.

The Governor of the Central Bank of Nigeria ('**CBN**'), Godwin I. Emefiele CON ("the Governor") in a policy direction statement recently published, and titled "Turning the COVID-19 Tragedy into an Opportunity for a New Nigeria"¹ (the '**Policy Statement**')² highlighted some of the key impacts of the pandemic on the global and Nigerian economy, and the key proposed policies to be implemented by the CBN in response to the Pandemic. One of the key problems noted by the Governor is Nigeria's huge reliance on imports which has over the years had deepening impacts on the country's foreign exchange earnings. The Governor also mentioned the dramatic decline in the global price of crude oil to USD 17 as at April 2020, the loss of global airline revenue by about USD252 Billion, global food insecurity and export restrictions by countries on critical agricultural produce and medical supplies, and the prediction of the International Monetary Fund (IMF) that the global world economy would decline by 3 percent (%) this year 2020.

1. *Even though not referenced in the Policy statement, this new Policy Statement appears to be a follow-up on of "The CBN Policy Measures in Response to Covid-19 Outbreak and Spill Overs" issued by the CBN on 16 March 2020. See the link on our commentary on this.*
2. *"Turning the Covid-19 Tragedy into Opportunity an Opportunity for a New Nigeria –OpEd by Gov. Godwin Emefiele" published 14 April, 2020 <https://www.cbn.gov.ng/Out/2020/CCD/EDITED--Turning%20Covid%20Tragedy%20into%20Opportunity%20for%20New%20Nigeriat--OpEd%20by%20Gov%20Godwin%20Emefiele--Tue14April2020%201.pdf>*

According to the Governor, one major response of the CBN in addressing the effect of the COVID-19, is the strengthening of the Nigerian economy through the provision of a combined stimulus package of N3.5trillion in targeted measures to households, businesses, manufacturers and healthcare providers, and the support of the Federal Government's immediate fight against the Pandemic by ensuring a more resilient and more self-reliant Nigerian economy. He further reiterated that Nigeria as a nation could not afford to continue to rely heavily on other countries of the world for supply of food, education and healthcare. Rather, the nation should be built into a self-sufficient economy which rewards the hardworking, protects the poor and vulnerable and can compete internationally across a range of strategic sectors. To achieve this ultimate goal, the Governor stated that the CBN would immediately begin to support the Federal Government of Nigeria to:



Build a base of high-quality infrastructure including reliable power, that can engender industrial activity;



Support both small-scale and large-scale agriculture production in select staple and cash crops;



Create an ecosystem of factories, storages and logistics companies that move raw materials to factories and finished goods to markets;



Deploy fiscal policies to create a robust educational system that enables critical thinking and creativity, which would better prepare the Nigerian students for the world of tomorrow;



Develop a healthcare 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; and



Expedite the development of venture capitalists for nurturing new ideas and engendering Nigerian businesses to compete globally.

In support of the measures of the federal government in reducing the adverse economic impact of the COVID-19 virus, the Governor stated that the CBN has developed a Policy Response Timeline to guide the Nation's crisis management and the orderly reboot of the Nigerian economy. The Policies are grouped under three (3) sub heads:

1. Immediate-Term Policies (0-3 months)
2. Short-Term Policy Priorities (0-12 months)
3. Medium-Term Policy Priorities (0-3Years)



1. IMMEDIATE-TERM POLICIES (0-3MONTHS)

The Governor stated that the CBN has responded in several ways ranging from; the supporting of hospitals and pharmaceutical industries with low interest loans to immediately deal with the public health crises, working with the private sector to support the presidential task force across its response measures while mobilizing palliatives for the poor and vulnerable. Under this immediate term policies, the Governor highlighted that following have been activated:

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- a. Ensuring financial system stability by granting regulatory forbearance to banks to restructure terms of facilities in affected sectors;
 - b. Triggering banks and other financial situations to roll-out business continuity processes to ensure banking services are delivered in a safe social distance regime for all customers and bankers;
 - c. Granting additional moratorium of 1 year on CBN intervention facilities;
 - d. Reducing interest rates on intervention facilities from 9percent to 5percent;
 - e. Creation of a N50 billion targeted credit facility for affected households &SMEs;
 - f. Strengthening the Loan-Deposit Ratio (LDR) policy, which has encouraged significant extra lending from banks;
 - g. 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;



- h. Providing additional NGN100bn intervention in healthcare loans to pharmaceutical companies, healthcare practitioners intending to expand/ build capacity;

- i. Providing NGN1 trillion in loans to boost local manufacturing and production across critical sectors; and

- j. Engendering financial inclusion by ensuring the poor and vulnerable are able, by all means necessary, through banks, microfinance, community and non- bank financial institutions to access financial services to meet their basic needs.

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2. SHORT-TERM POLICY PRIORITIES (0-12 MONTHS)

According to the Governor, this phase is proposed to be implemented as soon as the health authorities and the Presidency report a flattening of the Coronavirus Transmission Curve and the ongoing restrictions are eased. In this regard, the CBN will be set to pursue the following policies:

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- a. Reinvigorate the financial support for the manufacturing industry by expanding the intervention all through the manufacturing value-chain and ensuring that essential raw materials are sourced locally for the manufacturing sector except where they are only available overseas;

 - b. Embark on a project to get banks and private equity firms to provide long-term financing for the entire healthcare value-chain, in support of home-grown and sustainable healthcare services that will help to reverse medical tourism out of Nigeria and make the country attractive for inward medical tourism from other countries.

 - c. The establishment of InfraCo PLC, (a world class infrastructure development vehicle, wholly focused on Nigeria, with a combined debt and equity take-off capital of N15 trillion, and managed by an independent infrastructure fund manager) to support the Federal Government in building the transport infrastructure required to move agriculture products to processors, raw materials to factories, and finished goods to markets, as envisaged at the CBN "Going for Growth Roundtable" in March 2020; and

 - d. Continue to prioritize the provision of FX for the importation of machinery and critical raw materials needed to drive a self-sufficient Nigerian Economy.

3. MEDIUM-TERM POLICY PRIORITIES (0-3YEARS)

The policies under this phase according to the Governor are targeted to be implemented once the pandemic has been tamed and the Nigerian economy reopens fully for business. The policy and its measures are targeted towards four (4) particular areas that are able to support mass employment and wealth creation in the country namely: manufacturing, affordable housing, renewable energy and cutting-edge research.



a. Manufacturing

The Governor noted that in the manufacturing sector, Nigeria's gross fixed capital formation is estimated at NGN24.55 trillion including: residential and non-residential properties, machinery and equipment, transport equipment, land improvement, research and development, and breeding stocks. According to the Governor, out of the NGN24.55 Trillion stated above, the value of machinery and equipment, which are the main inputs into economic production, stands at N2.61 trillion. Thus, the CBN is considering an initial intervention of N500 billion 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.

b. Affordable Housing

The CBN intends to bridge the housing deficit in the country, by facilitating government intervention in three critical areas, to wit; housing development, mortgage finance, and institutional capacity. The Governor stated that a fund will be created to target housing construction for developers that provide evidence of profiled off-takers with financial capacity to repay by verifying their financial capabilities through the bank verification number (BVN) before access to funds is granted.



In addition, the CBN would assist the Mortgage Finance Sub-sector and build capacity at the state levels to enable land administration agencies process and issue land titles promptly, implement investment friendly foreclosure laws and reduce the cost of land documentation.

c. Renewable Energy

Over the next 3 years, the CBN has stated that it intends to support the financing of environmentally friendly energy production in order to benefit from the tangential long-term health benefits.

d. Cutting-Edge Research

The CBN also plans to drive innovation in every sector, through the universities, research institutions, creative industry initiatives, and all other media of novelty and inventions.

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In conclusion, it is clear from all indications that the Pandemic will change our business architecture and overall government policy direction which may lead to economic turning point for Nigeria especially in the areas of self-sustainability and reliance on the local industries; which may in turn reduce the demand for foreign goods by Nigerians, lead to massive investment in the manufacturing sector, create more job opportunities for Nigerians, development of the agricultural industry whose produce may potentially generate huge foreign exchange for Nigeria, improvement in the health sector which may likely reduce medical tourism of Nigerians abroad, increase funding of research institutes in a bid to focus on improvement of technological advancement to engender economic development. With the sharp fall in the prices of crude oil in the global market, Nigeria must rise to the occasion of developing local capacities and taking hold of her comparative advantage; and its citizenry and businesses must equally position themselves to take the lead in benefiting from the numerous policies, initiatives and economic palliatives being established to address the menace of the common enemy- the COVID-19.

So Are You Positioned?

In the meantime, you can keep up to date with the ongoing COVID 19 related developments and their legal implications on our dedicated [COVID 19 Resource Centre](#).

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