

REVIEW OF THE CBN GUIDELINES FOR THE IMPLEMENTATION OF 100 FOR 100 POLICY ON PRODUCTION AND PRODUCTIVITY

1. Central Bank of Nigeria, 'Guidelines for Implementation of 100 for 100 Policy on Production and Productivity (10 for 100 PPP)' (1 November 2021) <<https://www.cbn.gov.ng/Out/2021/CCD/1004100.pdf>> accessed 7 December 2021.

2. Central Bank of Nigeria, 'N300 Billion Real Sector Support Facility (RSSF) Guidelines' <https://www.cbn.gov.ng/out/2015/dfd/real%20sector%20support%20facility%20guidelines.pdf> Accessed 7 December 2021.

Introduction

In line with the policy of the Federal Government of Nigeria (the "FGN") to diversify the economy and encourage local manufacturing of goods, the Central Bank of Nigeria (the "CBN") on November 1, 2021, issued the 100 for Guidelines for the Implementation of the 100 Policy on Production and Productivity (the "Guidelines"), under the 100 for 100 Policy on Production and Productivity (the "Policy").

Objectives Of The 100 For 100 Ppp

The objective of the Policy is to change the nation's over-reliance on imports and create a business atmosphere that would encourage massive production of goods, and by implication, promote Nigeria's exportation of goods to other countries.

The Guidelines bears some semblance with the Real Sector Support Facility Guidelines, 2014, which was issued to support large enterprises and startups with expansion financing needs of between Five Hundred Million Naira (500,000,000.00) and up to a maximum of Ten Billion Naira (10,000,000,000.00) . The key difference between the two is that the recent Guidelines has a wider funding facility and a wider sector coverage which includes renewable energy, healthcare, extractive industry, petrochemicals in addition to the manufacturing and agriculture sectors covered in the 2014 guidelines.

Thus, starting from November 1, 2021, the CBN would through the Policy, and at every 100 days cycle, select and provide financial support to one hundred (100) private sector companies with projects that can significantly stimulate the nation's economy, reduce imports, increase non-oil exports, and generally improve the foreign currency generating capacity of the Nigerian economy.

Businesses Covered Under The Policy

For a company to be eligible to apply and benefit under this initiative, it must first demonstrate that it has the potential in contributing towards the transformation of Nigeria's economy. Additionally, such a company must have been in existence for a minimum of three years, before being considered by the CBN.

Importantly also, the Guidelines provide that only businesses in the manufacturing, agriculture, extraction, petrochemicals, renewable energy, healthcare, pharmaceuticals, logistics services sectors, and any other businesses that may be prescribed by the CBN, are eligible to apply.

Financial Structure Of The Policy

The Guidelines provide for loan-type funding from the CBN's Real Sector Support Facility – Differentiated Cash Reserve Requirement (RSSF-DCRR) window, or any other funding window as may be determined by the CBN.

The loans are to be in form of long-term credits for the acquisition of plant and machinery and working capital for the day-to-day operations of selected companies

The selected companies are to be given a maximum loan amount of Five Billion Naira (5,000,000,000.00), with higher amounts requiring the consent of the CBN.

The maximum tenor for the loans is ten (10) years, depending on the complexity of the project and each project tenor would be determined by the cash flow and life span of the underlying security package.



Of crucial importance, also, is that term loans shall have a two (2) years moratorium on a credit intervention while beneficiaries of the working capital facility will have a tenor of one (1) year, with provision for rollover for a maximum period of three (3) years.

The interest rate will be for an initial rate of not more than five percent (5%) per annum from the effective date of the Guidelines to the last date of February 2022. Thereafter, the interest rate shall be nine percent (9%) per annum.

The loan is to be a secured loan. An interested company must therefore satisfy the collateral requirement acceptable by a Participating Financial Institution ("PFI") under the Real Sector Support Facility 2015 Guidelines, which provides that the value of the security must not be less than 120% of its specified loan amount.

Key Selection Criteria For Eligible Companies

Just like every intervention fund established by the CBN, there are key areas the CBN would typically consider as its selection criteria.

One key area of consideration is the production efficiency and scalability of the applicant. An applicant company should be able to show through its financial reports and business plans, how innovative its business is, alongside its plans for expansion. Also, the CBN places a premium on local content issues. The use of locally sourced raw materials and the prospect for creation of jobs for Nigerians will go a long way to influence an applicant's ratings.

Furthermore, the possible contribution of the project to the economic growth of the country is another key area. Businesses that have robust provision for the domestic market, contributes substantially to the GDP and also brings a substantial amount of foreign exchange will be given great consideration.

General Provisions Under The Guidelines

After the CBN has received applications from companies, the CBN would conduct internal reviews of applications, screen and select eligible companies, and release the approved sum to the PFI for disbursement. The PFIs are to give support to the CBN in ensuring the successful operation of the. The PFIs are expected to receive and review applicants of eligible companies, carry out due diligence on applicants, forward approved applicants to the CBN, and render any support it can to the CBN.

All projects that are financed under the Initiative are to be subject to the strict monitoring of the CBN and PFI during the loan period. Where any dispute arises with respect to the operation of the scheme, it shall be resolved amicably in line with the Consumer Protection Regulations of the CBN.

Additionally, selected projects are to be insured and proper records kept on its progress. The interests and principal on the facility are also required to be repaid on a quarterly basis to the CBN.

Application Procedure For Eligible Companies

Companies that that satisfy the prerequisites may make an application to a PFI for the facility under the Initiative. The PFI would assess the application by conducting due diligence on the applicant to ensure all the conditions precedent as set out in the Guidelines are satisfied. The PFI would notify the CBN if an applicant satisfies the requirements and forward the selected application to CBN for verification and final approval within two (2) weeks period. Upon approval from the CBN, the sum would be disbursed within five (5) working days.

Grey Areas Under The Guidelines

For the most part, the Guidelines clearly provide the intentions of the CBN in assisting the real sector and stimulating the economy. There are however some grey areas in the Guidelines that require clarifications in respect of the manner of implementation. Particularly, the Guidelines provide that an interest rate of no more than 5% per annum is to be paid on all facilities before 28th February 2022. The implication of this is that only the first 100 companies will enjoy this 5% benefit. All subsequent companies getting the facility will be required to pay an interest of 9% per annum. One would have thought the CBN will structure the interest rate for 5% for the first few quarters of every disbursement, and 9% interest for subsequent quarters.

Conclusion

The Policy is a very laudable initiative that has been introduced by the CBN. There are no doubts that if it is properly implemented, it will be of great benefit to the economy. It is hoped that the manner of implementation will ensure that the Policy becomes a huge success.

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