

COVID-19: UNDERSTANDING THE CBN GUIDELINES FOR THE OPERATION OF THE NGN100 BILLION CREDIT SUPPORT FOR THE NIGERIAN HEALTH CARE SECTOR



Overview

As part of its policy measures in response to the impact of the COVID-19 pandemic on Nigeria, the Central Bank of Nigeria (CBN) introduced a number of policy measures. These policy measures include extending the moratorium on all principal repayments by an additional one year, reducing the interest rate on CBN intervention facilities from 9% to 5%, creating a NGN50 billion targeted credit facility for households and Small and Medium Enterprises (SMEs) and providing a credit facility for the healthcare industry. In furtherance of objective to provide a credit facility for the healthcare industry, the CBN recently released Guidelines for the Operation of the NGN100 Billion Credit Support for the Healthcare sector (the Scheme). This commentary explains the content of the Guidelines and its implications for businesses in Nigeria.

What is the Objective of the Scheme?

With the introduction of the Scheme, the CBN intends to:

- i. reduce health tourism in order to conserve foreign exchange;
- ii. provide long-term low cost finance for healthcare infrastructure development that would lead to the evolvment of world-class healthcare facilities in the country;
- iii. improve access to affordable credit by indigenous pharmaceutical companies in order to expand their operations, and
- iv. support the provision of shared services through one-stop healthcare solutions to enhance competition and reduce the cost of healthcare delivery in the country.



What are the activities covered under the Scheme?

The Scheme covers the manufacture of pharmaceutical drugs and medical equipment, the establishment/ expansion/ upgrade of basic and specialised healthcare facilities, the provision of medical/ pharmaceutical supplies, the support of medical/pharmaceutical research and development (R&D), the distribution of medical/pharmaceutical drugs and supplies, the manufacture of medical/pharmaceutical drugs distribution technology and any other healthcare value chain activity as may be prescribed by the CBN from time to time.

Who is eligible to participate under the Scheme?

Eligible participants under the Scheme include healthcare product manufacturers (pharmaceutical drugs and medical equipment), healthcare service providers/ medical facilities (hospitals/ clinics, diagnostic centres/ laboratories, fitness and wellness centres, rehabilitation centres, dialysis centres, blood banks etc), pharmaceutical/ medical products distribution and logistics services providers and other human healthcare service providers as the CBN may determine from time to time are eligible to participate under the Scheme.

Who are the Stakeholders under the Scheme?

The CBN, Participating Financial Institutions (PFIs) and the borrowers/ beneficiaries are the major stakeholders under the Scheme.

What is the responsibility of the CBN under the Scheme?

The CBN shall provide the seed fund for the Scheme, release the funds to PFIs for disbursement to successful applicants, review the Guidelines of the Facility as may be necessary, receive and process periodic returns from PFIs and monitor and evaluate the implementation of the Scheme.

What are the responsibilities of the PFIs under the Scheme?

PFIs are mandated to receive and review applications submitted by their customers, undertake due diligence based on normal business considerations, bear the credit risk, issue offer letters and forward qualified applications to the CBN, disburse the released funds to successful applicants, monitor the project and recover the loans from the beneficiaries, maintain adequate records of all beneficiaries and facilities, register all movable assets with the National Collateral Registry, forward periodic returns in the Scheme's prescribed format to the CBN, comply with the Guidelines and carry out any other duties as the CBN may prescribe from time to time.

What is the responsibility of the Borrower under the Scheme?

The borrower is expected to utilise the funds granted under the Scheme for the purpose for which it was granted, ensure the project is being financed, adhere strictly to the terms and conditions of the credit facility, make the project and records available for inspection/ verification by the CBN and relevant PFI and comply with the Guidelines of the Scheme.

How will the Scheme be funded?

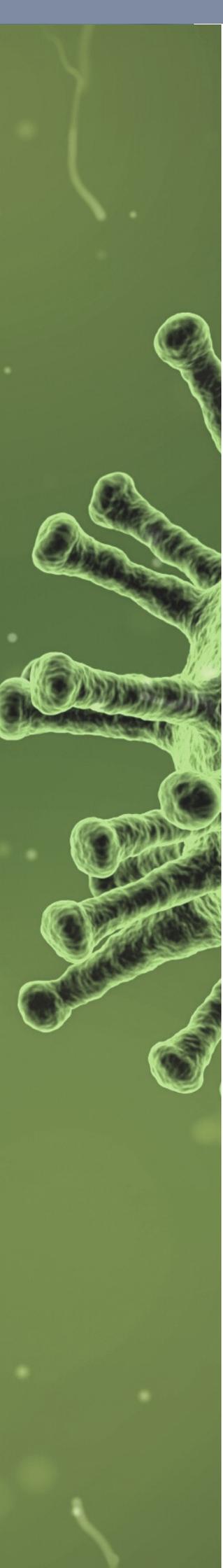
The Scheme is to be funded from the Real Sector Support Facility – Differentiated Cash Reserves Requirement (RSSF-DCRR).

What are the Financial Institutions participating in the Scheme?

The Scheme only allows for two types of Participating Financial Institutions (PFIs): Deposit Money Banks (DMBs) and Development Finance Institutions (DFIs).

Is there a limit to the loan that can be obtained under the Scheme?

A qualified participant under the Scheme is entitled to 20% of the average of 3 years of the company's turnover subject to a maximum of 500 million Naira per obligor as working capital loan limit and a maximum of 2 billion Naira per obligor as term loan limit. Where the



enterprise is not up to 3 years in operation, 20% of the previous year's turnover will suffice.

What is the interest rate applicable to loan under the Scheme?

The applicable interest rate is 5.0% p.a (all inclusive) up to 28th February 2021. Interest shall thereafter revert back to 9% p.a (all inclusive) as from 1st March 2021.

What is the Tenor of the Loan?

Where a beneficiary obtains Working Capital, the Working Capital shall be for a maximum of one (1) year, with provision for rollover not more than three (3) years and where it is a Term Loan, the Term Loan shall have a maximum tenor of not more than 10 years with a maximum of one year moratorium on repayment. In the case of construction (i.e. where the loan is to be used for construction), the tenor shall be determined by the completion date.

Is any collateral required to obtain the facility?

The collateral to be pledged by borrowers shall be as may be required under the RSSF-DCRR.

How is the interest and principal to be repaid?

The interest and principal repayment shall be made on instalment by the borrowers to the PFIs according to the repayment schedule. PFIs are to remit the interests and principal repayments received to the Scheme on quarterly basis.

How can a corporate entity apply for the loan?

A corporate entity is expected to submit its application to a PFI of its choice with a bankable business plan. Once the application is received by the PFI, the PFI will appraise and conduct due diligence on the application. Upon approval by the PFI's Credit Committee, the application shall be submitted to CBN with relevant documents attached. CBN will thereafter process and disburse funds to the PFI for onward release to the project/beneficiary.

How will the loans be monitored?

Periodic joint monitoring of activities financed under the Scheme will be concluded by the PFI and the CBN.

Is there any penalty for infractions?

Any delay or non-release of funds to beneficiaries under the Scheme within the timelines agreed on the offer letter shall attract penalty at the PFI's maximum lending rate.

What is the deadline for the availability of the Scheme?

The Scheme shall be available until 31 December 2020.

Conclusion

It is expected that this facility will be utilised by Nigerian businesses involved in the healthcare industry during this COVID-19 period.

For more specific enquiries concerning how the CBN NGN100 Billion credit affects your business or concerning doing business in the Nigerian healthcare sector, please contact us



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