



Intellectual Property Law Update

3rd August 2020

UPDATE ON THE CENTRAL BANK OF NIGERIA'S CREATIVE INDUSTRY

FINANCING (CIFI) INITIATIVE

As part of its efforts to boost job creation in the country, particularly among Nigerian youth, the Central Bank of Nigeria (“CBN”), in collaboration with the Bankers’ Committee introduced the Creative Industry Financing Initiative (“CIFI”) (“Initiative”) in May 2019 to improve access to long-term low-cost financing by entrepreneurs and investors in the Nigerian creative and information technology (IT) sub-sectors. Subsequently, a circular on the *Modalities for the Implementation of the Creative Industry Financing Initiative* was also issued by CBN on 1 July 2019.¹

Through a circular dated 16 July 2020, the CBN released the *Modalities for the Implementation of the Creative Industry Financing Initiative* for all Non-Interest Financial Institutions (NIFIs),² for the seamless implementation of the CIFI. This intervention scheme aims to foster CBN’s efforts in increasing access to finance by non-interest institutions and promote financial inclusion in Nigeria.

In addition to improving access to low-cost and sustainable financing and boosting job creation, other objectives of the CIFI include harnessing the entrepreneurial potentials of the youths within the Nigerian creative and IT sub-sectors for economic development, and complementing other development finance initiatives of the CBN to accelerate financial inclusion.

VERTICALS (FOCAL SUB-SECTORS)

The CIFI also has four (4) vertical areas for financing under the eligible creative activities which include Fashion, Information Technology, Movies, and Music, identified under funding below.

¹ <https://www.cbn.gov.ng/Out/2019/CCD/Modalities%20for%20CIFI%20Implementation%20.pdf> (accessed 27/07/2020).

² <https://www.cbn.gov.ng/Out/2020/CCD/Circular%20to%20All%20NIFIs%20-%20July-16-2020.pdf> (accessed 27/07/2020).

ACTIVITIES COVERED UNDER THE CIFI

The CIFI is awash with opportunities for the following category of persons and businesses in the entertainment industry:

- i. Existing enterprises in the creative industry;
- ii. Start-ups engaged in the creative industry; and
- iii. Students of higher institutions engaged in software development.

The activities covered and associated vertical fields of interest shall not violate the principles of non-interest banking and finance.³

FUNDING

Eligible businesses can access loans of over ₦1, 000,000,000.00 (one billion naira) funded by the Agri-Business, Small and Medium Enterprises Investment Scheme (“AGSMEIS”). The seed fund by the AGSMEIS is approximately N22.9 billion and is appropriated as follows:

- Student Software Development Loan – N1.0 billion
- Information Technology – N5.5 billion
- Movie Production – N3.0 billion disaggregated into:
 - Production – N1.5 billion
 - Equipment Financing – N1.5 billion
 - Movie Distribution – N4.0 billion
- Music – N5.4 billion
- Fashion – N4.0 billion

OPERATIONAL FEATURES

The key features of the CIFI include:

- Software Development and Movies.

³ Non-Interest banking operates on basic principles such as: interest prohibition in debt and exchange contracts; the prohibition of uncertainty or speculative behavior in business transactions; and the prohibition of any form of gambling.

- Fashion, IT and Music.

TRANSACTION DYNAMICS OF THE CFI

To access the funds, the prospective applicant is required to approach any bank of his/her choice with a business plan or statement detailing the essential components of the proposed business and how much is needed for his/her business proposal. The bank will provide the applicant with the documentation requirements for accessing the funding applicable to any of the verticals (focal sub-sectors).

Upon receipt of the application and required documents, the processing bank is expected to carry out due diligence of the application and documentation. Successful applicants will be issued offer letters, which contain repayment schedules in accordance with the business dynamics. Successful applicants are required to accept the offers from the CBN and satisfy all conditions precedent specified in the offer letter to draw down.

The processing bank will send successful applications with copies of the offer letters to the Director, Development Finance Department, Central Bank of Nigeria, for consideration and release of aggregate facility amount to the bank for onward financing to successful applicants. The bank will also disburse the facility to successful applicants within ten (10) days of receipt of funds from the CBN. The bank bears the credit risk and shall be responsible for monitoring the performance of the facility.

CBN is mandated to release funds to the Participating Financial Institutions (PFIs) as agents of the Fund. The PFIs will finance the eligible activity using any of the approved CBN non-interest financing products of NIFIs ('Murabahah', 'Salam', 'Istisna', 'Ijarah' etc.). The rate of return shall be fixed at 9% and will be shared amongst the parties involved at a ratio to be determined by CBN periodically.

PARTICIPATING FINANCIAL INSTITUTIONS (PFIS)

All non-interest banks (NIBs) and non-interest microfinance banks are eligible to participate under the initiative.

MONITORING AND EVALUATION

There will be regular joint monitoring and evaluation of financed projects by the CBN and respective Participating Financial Institutions ("PFI"). Reports of the exercise shall be submitted to the Director, Development Finance Department.

INFRACTIONS AND PENALTIES

The infractions and penalties are specified in the AGSMEIS Guidelines (NIB Version).⁴

DISCONTINUATION OF FACILITY

Whenever a financing is repaid or the facility is otherwise discontinued, the PFIs should advise the CBN immediately, giving particulars of the facility. Any outstanding amount under the facility is to be refunded to the AGSMEIS Fund Account within seven (7) days of discontinuation.

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⁴[https://www.cbn.gov.ng/Out/2020/CCD/AGSMEIS%20Guidelines%20\(Revised%20%20version2\)%20Re%20solutions%2021%20final.pdf](https://www.cbn.gov.ng/Out/2020/CCD/AGSMEIS%20Guidelines%20(Revised%20%20version2)%20Re%20solutions%2021%20final.pdf) (accessed 27/07/2020).