



CORPORATE FINANCE MANAGEMENT FACULTY Newsletter



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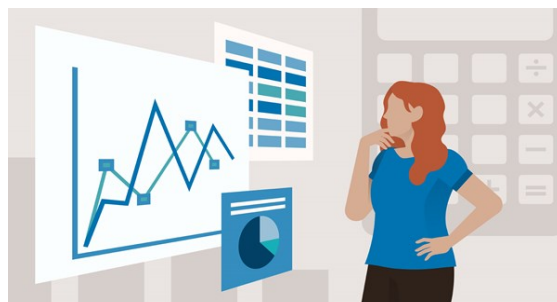
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THE FGN N75 BILLION YOUTH INVESTMENT FUND (NYIF): THE GOOD, the BAD and the UGLY

INTRODUCTION

The Federal Executive Council on Wednesday July 22, 2020 approved the establishment of the Nigerian Youth Investment Fund, “NYIF” or “Fund.” The aim of the Fund is to invest in the innovative ideas, skills, talents, and enterprise of the Nigerian Youth and to institutionally provide them with a special window for accessing much-needed funds, finances, business management skills and other inputs critical for sustainable enterprise development, which ultimately is expected to transform them into disciplined Wealth Creators and Employers of labour. The Fund which will

cover both informal and formal businesses has been described as the most ambitious intervention fund targeted at young people, especially considering the current impact of the COVID-19 pandemic and the #EndSARS protest.



OBJECTIVES OF THE FUND

As a lead implementation entity, the Federal Ministry of Youths and Sports Development (FMYSO) in conjunction with the Development Finance Unit of the CBN developed the Fund’s objectives to include the following:

- To improve access to finance for youths and youth-owned enterprises for national

- development.
- To generate much-needed employment opportunities to curb youth restiveness.
- To boost the managerial capacity of the youths and develop their potentials to become the future large corporate organizations.

FEATURES AND FRAMEWORK OF THE FUND

1. NYIF is designed to combat youth unemployment with the objective of driving innovation, fueling the creation of entrepreneurship and youth SMEs

2. The Fund will serve as a catalyst to unleash the potential of the youth and enable many of them build businesses that will employ and in turn empower others. A multiplier effect of economic expansion and growth required to thrive in an increasingly competitive and connected world where

adding value is the only sustainable pathway to success is expected to be achieved.

3. A minimum of N25 billion each year in the next 3 years, totaling N75 billion will be required to ring-fence the NYIF. For the remaining part of 2020, an initial sum of N12.5 billion will be needed to kick start the NYIF. It is expected that successive governments will keep the Fund, akin to a Youth Bank, alive.

4. The NYIF is a ring-fenced Fund that will strictly cater for the investment needs of persons between the ages of 18 and 35 years old. It is a restricted Fund that can only be used for the set purpose of Youth Investment.

5. NYIF provides a single window of Investment Fund for the youth thereby creating a common bucket for all Nigerian youth to access Government support. Providing a less cumbersome access to credit and finance for the average Nigerian youth with an approved work plan or business idea will help lift thousands of the youth out of poverty and birth a whole generation of entrepreneurs.

6. The Fund aims to reach 500,000 youths annually between 2020 and 2023. Each Fund approval will range from N250,000 to N50,000,000 with a spread across group applications, individual applications, working capital loans set at 1 year and term loans set at 3 years with single digit interest rate of 5%. The funding will be a single digit facility with a moratorium for a year and payable over a designated period. Some businesses may have longer repayment cycles, but again the criteria will be clear and apply to all.

7. Disbursement will be through various channels, which will include Micro Credit Organizations across the country under the Central Bank of Nigeria supported by Bank of Industry (“BOI”), Fintech Organizations and Venture Capital Organizations, registered with the CBN.

CHALLENGES

Nigeria as a nation has not been in dearth of good programmes of this type. Since the transition to civilian rule in 1999, successive governments, including the present administration, have created various youth empowerment programmes as a strategic move to addressing youth unemployment and innovative/technological ideas in the country. So far,

8. NYIF will use proven disbursement frameworks, but with special conditions with respect to the youth. There will also be a residual advisory facility for applicants and beneficiaries.

9. Usually, Youth funds focus

10. The Fund will have a converted analytics framework, so that it is possible to see where investments are flowing and calibrate according to the local and global market demand. The evidence presented in terms of what some amazing youths



aggressively and singularly on only rapid growth businesses. But NYIF will invest in businesses that have deeper value than only money. Such businesses must, however, be viable and able to fulfill all criteria to ensure the Fund continues to expand and serve like a production factory for businesses. The Fund will also encourage creative arts focused businesses because Nigeria needs to start rediscovering the beauty and depth of its culture.

had achieved locally and globally contributed to the berthing of this Fund.

11. Youth seeking to benefit from the Fund must have a fundable business idea, registered business, be a citizen of Nigeria, present recognized means of identification and guarantors. The safeguards built around some specifics of the Fund will ensure that potential beneficiaries do not need to know anyone or be “connected” to access the Fund.



a roll call of such programmes include: Support Programme (YES-P), African Youth Empowerment Nigeria (AYEN), Diamond-Crest for Youth Education Foundation, Youth Empowering People (YEP). However, most of these programmes have faced several criticisms, ranging from poor implementation, accountability, and transparency issues to outright corruption.

This Fund and its beneficiaries are indeed not immune from the various factors facing other businesses in Nigeria namely: power cost, taxes, rising inflation, depreciation of the Naira, amongst others. Other risks include credit risk, which is the possibility of a loss resulting from a borrower's failure to repay a loan or meet

contractual obligations. The risk of identifying the real youths that can drive and generate the benefits of the programme given that many of the small and creative businesses of these set of youths are unregistered with the Corporate Affairs Commission (“CAC”). Even the processes of registration of companies in Nigeria might be a deterrent to the youths achieving their goals. Also, the CAC has no data or monitoring techniques to ensure that the newly

registered businesses do not go moribund. Geopolitical zoning will be the right persons and achieve the desired Fund’s greatest undoing as taking this result.



RECOMMENDATIONS AND CONCLUSION

The initiative though very commendable, the government must painstakingly roll out measures that will enable it to thrive and achieve the much-needed

impact. The procedure must ensure due processes are followed during identification of the beneficiaries. There must be a data bank to warehouse all

documentary records of the recipients, disbursement, and actual use of the funds for the purpose it is meant must be monitored tightly. Proper orientation and training must be carried out for the youth, to enable them to understand that the Fund is not free money or ‘sharing from the national cake.’ The government should also not force any type of businesses down the throat of these youths; they should be allowed to function in the sector where they have skills and expertise.



The N75 billion funding might not cater for so much of the needs of the teeming youth even with the current inflation rate, which is affecting the cost of virtually everything. However, if handled properly as suggested above, it surely will impact the economy irrespective of how little it may be.

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