



CENTRAL BANK OF NIGERIA

NON-OIL EXPORT STIMULATION FACILITY (ESF)

OPERATING GUIDELINES

June, 2016

1.0 Introduction

The Non-Oil Export Stimulation Facility (ESF) was established by the Central Bank of Nigeria (CBN) to diversify the economy away from oil and to expedite the growth and development of the non-oil export sector. The recent fall in global prices of crude oil triggered a sharp decline in the country's revenue and foreign exchange earnings.

The facility is essentially designed to redress the declining export credit and reposition the sector to increase its contribution to revenue generation and economic development. It will improve export financing, increase access of exporters to low interest credit and offer additional opportunities for them to upscale and expand their businesses in addition to improving their competitiveness.

To implement the facility, CBN will invest in a N500 billion debenture to be issued by Nigerian Export-Import Bank (NEXIM) in line with section 31 of CBN Act. This Guideline describes and outlines the operational modalities of the ESF.

2.0 Objectives of the Facility

The objectives of the Facility are to:

- a) Improve access of exporters to concessionary finance to expand and diversify the non-oil export baskets;
- b) Attract new investments and encourage re-investments in value-added non-oil exports production and non-traditional exports;
- c) Shore up non-oil export sector productivity and create more jobs;
- d) Support export oriented companies to upscale and expand their export operations as well as capabilities;
- e) Diversify and increase the level of contribution of non-oil exports revenue towards sustainable economic development; and
- f) Broaden the scope of export financing instruments.

3.0 Management of the Facility

The Nigerian Export – Import Bank (NEXIM) shall be the Managing Agent of the Non-Oil Export Stimulation Facility (ESF). It shall be responsible for the day-to-day administration of the Facility and rendition of periodic reports on the performance of ESF to CBN.

4.0 Eligibility Criteria

4.1 Eligible Borrowers/Beneficiaries

Only export-oriented enterprises shall be eligible under the ESF, such shall include be:

- 4.1.2 A company duly incorporated in Nigeria under Companies and Allied Matters Act (CAMA).
- 4.1.3 An Enterprise with verifiable export off-take contract(s).
- 4.1.4 An Enterprise with satisfactory credit reports from at least two Credit Bureaus in line with the provisions of CBN Circular BSD/DIR/GEN/CIR/04/014 dated April 30, 2010.
- 4.1.5 Eligible Bank Asset (EBA) purchased by Asset Management Corporation of Nigeria (AMCON), that may by special approval of the CBN Management, be allowed to participate with respect to acquired projects of national economic importance, proven potentials to export, good prospects to attract new investors and ability to repay EBA obligations to AMCON.

The applications shall be in compliance with CBN circulars BSD/DIR/GEN/LAB/07/015 and BSD/DIR/GENLAB/07/034 on “**Prohibition of Loan Defaulters from Further Access to Credit Facilities in the Nigerian banking System**” and “**Guidelines for Processing Requests from DMBs to Extend New/Additional Credit Facilities to Loan Defaulters and AMCON Obligors**” dated June 30, 2014 and October 10, 2014 respectively.

4.2 Eligible Transactions

Eligible transactions that shall qualify for funding under the ESF shall include:

- (i) Export of goods wholly or partly processed or manufactured in Nigeria;
- (ii) Export of commodities and services, which are permissible and excluded under existing export prohibition list
- (iii) Imports of plant & machinery, spare parts and packaging materials, required for export oriented production that cannot be produced locally;
- (iv) Export value chain support services such as transportation, warehousing and quality assurance infrastructure.

- (v) Resuscitation, expansion, modernization and technology upgrade of non-oil exports industries and;
- (vi) Stocking Facility/Working capital;

5.0 Participating Financial Institutions (PFIs)

The following shall be eligible to participate under the Facility:

- (i) Deposit Money Banks
- (ii) Development Finance Institutions (DFIs) except NEXIM

FEATURES OF THE ESF

6.1 Lending Limit

- a) The Facility shall not exceed 70% of the total cost of the project or transaction subject to a maximum of five billion Naira

6.2 Tenor

The ESF shall have a tenor of up to 10 years and shall not exceed the 28th of December, 2025.

- a) Stocking facility shall be for a maximum tenor of one year with the option of roll-over not exceeding twice. However, this shall attract an additional fee of 0.25% per annum of the loan amount and is subject to approval of CBN.
- b) Working capital facility shall be for a maximum tenor of one year with the provision of roll-over not exceeding twice. However, this shall attract an additional fee of 0.25% per annum of the loan amount and is subject to approval of CBN.

6.3 Repayment

Repayments of principal components of loans and interest shall be quarterly.

6.4 Moratorium

- a) Moratorium shall be project specific and shall not exceed two (2) years.

- b) In case of construction, additional moratorium of up to twelve [12] months **may** be allowed. However, this shall attract an additional fee of 0.25% per annum of the loan amount.

6.5 Interest Rates

The Facility shall be availed at an “all-in” Interest rate, based on risk based pricing model as per CBN Circular BSD/DIR/GEN/CIR/04/015 of April 30, 2010 as follows:

- a) Facilities with a tenor of up to three (3) years, would be granted at a maximum all-in interest rate of seven and half percent (7.5%) per annum
- b) Facilities with tenor of over three (3) years, would be granted at a maximum all-in interest rate of nine percent (9%) per annum

Structure of Interest Computation under the ESF shall be as follows;

- a) Participating Financial Institutions – maximum spread of 6% per annum
- b) Managing Agent (NEXIM) – 1% per annum
- c) Central Bank of Nigeria (CBN) – 2% per annum

6.6 Interest during Project Implementation / Construction

Interest charges during implementation / construction phase of the project shall be dependent on the status and transactional structure of the projects. They shall be categorized as follows:

- a) **Capitalization of Interest** - interest accruable for capitalization during the moratorium period, which shall be added to the total facility, subject to the 70% limit on total cost of project.
- b) **Pre-funding of Interest** - interest payable during implementation and construction from a pre-funded Debt Service Account.

7.0 Application Procedures

7.1. Submission of Requests

A PFI is to submit request to NEXIM on its behalf or on behalf of other parties in the case of syndication or other arrangements, in the prescribed format.

In the case of syndication, NEXIM shall deal directly with the lead bank on all issues relating to such application.

7.2 Documentation Requirement

Each request for a facility is to be accompanied by the following documents:

- a) Written request from the project promoter to a PFI seeking funding under the ESF
- b) Completed Application Form
- c) Certified true copies of Documents on Business Incorporation
- d) Audited Statement of Accounts for the last three (3) years (where applicable)
- e) Most recent Management Account for existing Companies where the last audited account is not more than 3 months old
- f) Statement of Affairs for Start-ups (where applicable)
- g) Feasibility Study/Business Plan of the project
- h) Relevant Permits/Licenses/Approvals (where applicable)
- i) Verifiable Export Orders/Contracts or other Export Agreement & Arrangements/Commitments
- j) Environmental Impact Assessment (EIA) Report (where applicable)
- k) Any other document(s) that may be required by CBN and NEXIM

7.3 Processing of ESF Request

- a) NEXIM shall process all applications received to confirm the completeness of the documentation and eligibility.
- b) NEXIM shall appraise the applications and upon completeness of documentation provide its status report to the PFI within 20 working days of receipt.

7.4 Approval Process

All appraised applications by NEXIM shall be forwarded to the Central Bank of Nigeria for consideration and approval.

7.5 Collateral Requirement

PFIs shall submit Irrevocable Standing Payment Order (ISPO) in respect of all projects approved under the scheme.

7.6 Participation Agreement

A participation agreement shall be signed between NEXIM and each PFI

8.0 Monitoring and Evaluation (M & E)

Monitoring and Evaluation of projects funded under the facility shall include:

- a) On-site and Off-site verification and routine monitoring of projects under the facility by CBN, NEXIM and PFIs during the loan period
- b) Provision to all concerned parties with the report of monitoring exercise
- c) Periodic evaluation of the activities of all participating Financial Institutions and beneficiary projects to ensure adherence to the objectives of the facility

9.0 Roles and Responsibilities of Stakeholders:

The roles and responsibilities of stakeholders under the scheme shall be as follows:

9.1 The Central Bank of Nigeria (CBN)

The CBN shall:

- a) Issue the operating guidelines for the Facility;
- b) Invest in the Debenture issued by NEXIM for the purpose of the scheme;
- c) Determine the lending limits and applicable rates; and
- d) Review the facility guidelines as may be deemed necessary from time to time

9.2 Nigerian Export – Import Bank (NEXIM)

The Nigerian Export – Import Bank shall;

- a) Act as the Managing Agent of the Facility and assess/review projects to confirm eligibility and viability
- b) Provide appropriate institutional arrangement for the processing of applications, disbursement, utilization, monitoring and recovering the loans granted under the Facility
- c) Facilitate capacity building of stakeholders under the scheme.
- d) Render periodic returns on the performance of each loan availed under the Facility (in prescribed formats as may be specified by CBN); and
- e) Recommend amendments to operating guidelines (when necessary)

9.3 The Participating Financial Institutions (PFIs)

The PFIs shall:

- a) Present reviewed requests of applicants to NEXIM under the Facility based on normal business considerations and lending principles;
- b) Ensure timely disbursement of availed funds to approved projects at the specified rates
- c) Render periodic returns in prescribed formats as may be specified by the CBN and NEXIM from time to time;
- d) Monitor and report project implementation / operations during the loan period; and
- e) Comply with the operating guidelines of the Facility
- f) Bear the credit risk on loans availed to beneficiaries under the ESF

9.4 Borrower/Beneficiary

The borrower/beneficiary shall;

- a) Utilize the funds for the purpose for which it was granted;
- b) Adhere strictly to the terms and conditions of the loan and comply with all relevant laws, regulations, etc., necessary to the continued operation of its business;
- c) Make the project sites (s) and its operational records available for inspection and verification by the officials of PFI, CBN and NEXIM;

- d) Provide periodic reports on the status of the project in prescribed format as well as periodic financial statements in line with extant company registration regulations
- e) Comply with the operating guidelines of the Facility; and
- f) Repay maturing loan obligations in line with approved repayment schedule

10.0 Infractions and Sanctions

10.1 Penalty for Defaults

- a) In the event of default in loan repayment of principal and/or interest by the borrower, the PFIs shall have the right to charge its prevailing interest rate on the amount in default.
- b) In the event of diversion of funds by the PFI, the amount diverted shall be recovered by NEXIM and the PFI shall be barred from further participation under the facility and access to official foreign exchange window.
- c) Failure of PFI to disburse funds within 3 working days of receipt to the borrower shall attract a penal charge of MPR + 300 basis points for the period that funds were not disbursed, and
- d) Non-rendition of returns or the rendition of false returns shall attract the penalty stipulated by BOFIA Act Section 60;

11.0 Discontinuation of the Facility

All undisbursed funds, repaid amounts or discontinued facility shall be reported and funds returned to CBN within 5 working days giving details of the facility and reasons for discontinuation.

12.0 Amendments

These Guidelines shall be subject to review from time to time as may be deemed necessary by the CBN. The Amendment would not have retroactive effect.

All enquiries and returns should be addressed to:

The Director
Development Finance Department
Central Bank of Nigeria
Corporate Headquarters
Central Business District
Abuja, Nigeria.
Tel.: +234-09-46238600