

## **FOREIGN INPUT FACILITY**

Under the Foreign Input Facility, NEXIM would grant short, medium and long term fixed rate loans in foreign currency, to participating banks on behalf of their export clients for the importation of raw materials, packaging materials, capital equipment and spare parts needed for the production of goods for export.

### **Participating Bank (PB)**

A bank seeking to benefit from the facility shall be of good financial health as evidenced by its audited accounts for the preceding three years, current market information, and meet criteria set by NEXIM from time to time.

### **Exporters**

For exporters to be eligible they must satisfy the following:

- (i) Be duly incorporated/registered in Nigeria as limited liability companies or cooperative societies (manufacturing, trading or service companies).
- (ii) it produces goods/services for direct export.
- (iii) it uses at least 60 per cent (by value) of local raw materials or intermediate goods/services produced in Nigeria for its products, or the local value added of its products exceeds 50 per cent.

### **Collateral Requirements**

All PB's are expected to fully secure their lending. The types of security acceptable to NEXIM shall include but not limited to the following:

- (i) Promissory Notes/Irrevocable Standing Orders for the amount of the facility suitably drawn.
- (ii) Fixed and/or floating charge over all assets of the project and/or promoter's landed properties with NEXIM's interest noted.
- (iii) A lien over the proceeds of the export transactions financed with NEXIM's interest noted.
- (iv) Marketable financial instruments

### **Application/Documentation**

An exporter seeking to benefit from the facility shall apply to his bank. The PB shall appraise the application in line with its existing lending rules. On approval of the application, the PB forwards a formal loan request to the Managing Director/Chief Executive of NEXIM duly signed by two authorized signatories and supported by the underlisted documents:

- a) Proforma Invoice from a manufacturer or accredited representative
- b) Processed 'Form M', marked "Not valid for AFEM"
- c) Environmental Impact Assessment (EIA) Study (where applicable)
- d) Feasibility report for new projects or a brief for on-going projects.
- e) A status credit report on the client company and its promoter(s)/directors
- f) Copy of Certificate of Incorporation of the applicant's Company

- g) Status Report on previous exposure levels of NEXIM to the Bank and the performance of the PB and its sponsored projects in respect of FIF (where applicable)
- h) Evidence of any relevant Export Orders/Arrangements
- i) Letter of Assurance (applicable to fishing trawlers)
- j) Factory design where applicable, which includes the bill of quantities.
- k) Site Visit Report of the project by the PB.

### **Interest Rates**

NEXIM shall charge interest at rates to be determined from time to time. Where a default arises a default interest rate shall be charged on the facility or due installments for the period of the default. PB's are allowed to charge a maximum of 4% spread.

### **Interest Payment**

Interest payments shall be made on a semi-annual basis in arrears on outstanding balances commencing within six-months from the date of first disbursement. Subsequent payments shall be made on the installment dates of loan balances.

### **Fees and Charges**

- **Commitment fee:** A commitment fee of 1.0% p.a. shall be charged on the undisbursed balance of a loan. This fee begins to accrue 60 days after loan signature and shall be synchronized with interest payments;
- **Administrative fee:** A once only fee of 0.75% flat shall be charged calculated on the loan amount and payable on acceptance of loan offer;
- **Legal fee:** Where loan documents are prepared by NEXIM, legal fees shall not be charged. However, where the service of external legal counsel is used in the preparation of loan documents, the PB will be required to pay the legal fees incurred;
- **Others:** The PB would be obliged to pay the charges with respect to stamp duty, other duties or taxes payable in relation to the loan documentation.

### **Disbursement**

- NEXIM shall disburse funds to the PB upon fulfilment of all the conditions precedent to disbursement, and shall advise the beneficiary client accordingly.
- The PB shall, within twenty-one (21) working days of receipt of funds establish the Letter of Credit (L/C) and advise NEXIM accordingly with a copy of processed Form "M" and the L/C.
- NEXIM reserves the right to do witness testing or engage the services of a consultant to do so on its behalf, at the expense of the PB, before shipment.

### **Loan Repayment**

NEXIM may consider repayment terms of up to 7 years including a moratorium period of up to 2 years depending on the loan amount and the project being financed. For spare part and raw materials, the repayment terms is a maximum of 2 years, while for packaging materials, the repayment terms is a maximum of 1 year.

Payments will normally be made in the currency of disbursement and in a set number of equal and consecutive semi-annual installments.

After the moratorium period, semi-annual instalments of loan principal and repayments of interest would be synchronized.

### **Other Aspects**

- (i) The PB shall satisfy itself with the viability of the project being financed under this facility.
- (ii) NEXIM may request for an acceptable technical report or warranty on the equipment acquired by exporters.
- (iii) No new equipment should be purchased with the proceeds of this facility from sources other than the manufacturers or major/accredited distributors of the manufacturers.
- (iv) Where discrepancies are noticed between information provided on the Proforma-Invoice and what is physically delivered, NEXIM shall review the entire transaction and may recall the facility immediately.
- (v) PB's are to ensure the provision of adequate working capital and also bear any cost over-run during the tenor of the facility.
- (vi) NEXIM shall on an annual basis set borrowing limits for PB's. These limits will not however exceed 25% of the Bank's paid-up capital plus accumulated reserves adjusted by provisions for loan losses.
- (vii) NEXIM shall finance up to 100% of the invoice value of the equipment or raw material provided that it shall not be more than 80% of the total project cost.
- (viii) Where necessary an extension of the tenor of the facility or due loan installments shall be granted if the problems are adjudged to be of a short-term nature. However such extension shall be made only once.
- (ix) Where the funds are used for purposes other than for which they were granted, or other forms of abuse such as false declaration etc, NEXIM shall immediately recall all outstanding amounts on the facility and the PB blacklisted. A written report will be made to the Central Bank of Nigeria accordingly.

**For further information please contact:**

### **Marketing Division**

#### **Nigerian Export – Import Bank**

NEXIM HOUSE  
Plot 975 Cadastral Zone A0,  
Central Business District,  
PMB 276, Garki,  
Abuja, Nigeria.

**Phone:** (+234) 9 628 1630 -9

**Fax:** (+234) 9 628 1640

**E-mail:** [neximabj@neximbank.com.ng](mailto:neximabj@neximbank.com.ng)