

LOCAL INPUT FACILITY

Under the Local Input Facility, NEXIM would grant short, medium and long term fixed rate loans in local currency, to participating banks on behalf of their export clients.

The main objective of the facility is to provide medium/long-term finance in local currency to exporters through licensed banks for the following purposes:

- (i) Setting up of new export projects.
- (ii) Revitalisation, acquisition of additional assets for modernisation, and/or expansion of existing production units for exports.
- (iii) Acquisition, rehabilitation and/or expansion of plantations/farms for the production and processing of exportable products.
- (iv) Acquisition of spare parts and packaging materials for the manufacture of exportable products.
- (v) Any other activity that may be acceptable to NEXIM.

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) Be existing production units with a minimum of 50% export orientation evidenced by previous and existing export orders or any other evidence acceptable to NEXIM, **or**
- (iii) Be new units with a minimum of 50% export orientation evidenced by export commitment(s) or any other evidence acceptable to NEXIM.

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) Certified True Copy of Certificate of Incorporation.
- (b) Exporter's Audited Statement of Accounts for the past three years (where applicable).
- (c) Feasibility Study Report for a new project or a Project Brief for an on-going concern.
- (d) Certified True Copies of Forms CO2 and CO7.
- (e) Certified True Copy of Proforma Invoice(s) for new/used equipment from a reputable supplier(s).
- (f) Evidence of Licences/Permits from relevant Agencies, where applicable.
- (g) Evidence of export commitment or any other arrangement acceptable to NEXIM.
- (h) Copy of Environmental Impact Assessment Report, where applicable.
- (i) Any other document that may be required by NEXIM.

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

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.
- Where proceeds of the loan is to be used for importation of goods, 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. For local

purchases, the PB shall make payment to the supplier and advise NEXIM within fourteen (14) days of receipt of funds.

- In the case of importation of equipment, 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. Payments will normally be made 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:

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