

## **NEXIM DIRECT LENDING FACILITY**

Under the Direct Lending Facility, NEXIM would grant short, medium and long term fixed rate loans, to exporters directly and/or under co-financing/syndication arrangement with eligible banks.

Direct loans are available to assist exporters complete their export sales, by providing working capital and/or facilities and funds for procurement of equipment. Services include, but are not limited to consultancy, tourism, oil and gas services provided by Nigerians. Loans are granted directly to a Nigerian exporter in both local and foreign currencies up to 80% of the total project cost.

The following items are not eligible for financing:

- Armaments, ammunitions and other military equipment
- Psychotropic drugs and narcotic
- All items prohibited by international conventions or environmental constraints
- Phonographic and obscene materials; and
- Items prohibited for importation/exportation by prevailing government policies/guidelines

### **Borrower**

A borrower must be a creditworthy limited liability company, cooperative society, existing/new production units with a minimum of 50% export orientation or an existing provider of export services. The borrower must establish that the loan will develop or expand his export business.

### **Participating Bank**

Banks wishing to participate in co-financing a project with NEXIM must be in good financial health as evidenced by three years Audited Accounts, and meet additional criteria set by NEXIM from time to time. Where NEXIM is invited to join a syndication arrangement, member banks must be ready to provide the working capital requirement of the borrower and subsequent cost overrun.

### **Collateral Requirements**

The security may be one or more of the following:

- Bank guarantee or insurance bond
- Landed property belonging to the borrower/directors of the company in a location acceptable to NEXIM;
- First lien or fixed charge on machinery and equipment of the borrower;
- Share certificates of quoted companies acceptable to NEXIM;
- Investment certificates or commercial bills acceptable to NEXIM; and
- Floating charge on moveable property of the borrower or directors of the company.
- Other assets as necessary

## **Documentation**

The following documents should accompany the application:

- A certified true copy of Certificate of Incorporation;
- Three years audited statement of accounts or a complete set of management report signed by two directors of the company for the accounting period for which their audited statement of account is not available;
- A feasibility study report/business plan;
- Certified true copies of forms CO2 and CO7;
- Certified true copies of proforma invoice(s) for new/used equipment from a reputable supplier(s);
- Evidence of licence/permit from relevant agencies where applicable;
- Evidence of export commitment or any other arrangement acceptable to NEXIM;
- Copy of Environmental Impact Assessment Report;
- Evidence of availability of counterpart funding (for new projects);
- Copies of title of documents that are available as security; and
- Any other document that may be required.

## **Interest Rates**

### **a. For local currency loans**

NEXIM may charge a fixed interest rate over the duration of the loan, of NIBOR plus 200 basis points (2%) p.a., or as may be determined by the Bank from time to time.

### **b. For foreign currency loans**

NEXIM may charge a floating interest rate based on the prevailing six month London Interbank Offered Rate (LIBOR) for US dollars plus 200 basis points (2%) p.a., or as may be determined by the Bank from time to time.

## **Interest Payment**

For project related financing, interest payments shall be made in the currency of disbursement and on a semi-annual basis in arrears on outstanding balances commencing within six-months from the date of first disbursement or as may be determined at the time of disbursement. Subsequent payments shall be made on the installment dates of loan balances.

## **Fees and Charges**

- **Commitment fee:** A commitment fee of 0.5% p.a. shall be charged on the undisbursed balance of a direct 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 1.0% flat shall be charged calculated on the loan amount and payable on acceptance of loan offer. For short term facilities of less than 180 days, the fee shall be 0.5% flat.
- **Legal fee:** Where the service of external legal counsel is used in the preparation of loan documents, borrower will be required to pay the legal fees of 0.5% calculated on the loan amount;

- **Others:** The borrower would be obliged to pay the charges with respect to monitoring visits, stamp duty, other duties or taxes payable in relation to the loan.

### **Disbursement**

- NEXIM shall disburse approved funds upon fulfillment of all conditions precedent to draw down;
- For approvals that involve importation, NEXIM shall establish the Letter of Credit for the transaction;
- 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 beneficiary project, before shipment; and
- For locally sourced items, disbursement shall be made directly to the supplier of the item.

### **Loan Repayment**

NEXIM may consider repayment terms of up to three (3) years from the date of initial disbursement for project related financing. For short-term facilities, repayment terms shall be a maximum of 365 days, while repayments for letters of credit confirmation/refinancing shall be a maximum of 360 days.

For project related financing, payments will normally be made in a set number of equal and consecutive installments typically within six months from the expiration date of the moratorium period. After the moratorium period, installments of loan principal and repayments of interest would be synchronized. All principal repayments shall be in the currency of disbursement and in accordance with the repayment schedule established at the time the loan is granted.

In case of default on any facility or due loan instalments, NEXIM shall charge a penal rate of 4% p.a. for short term facilities and 1% p.a. for medium and long term facilities, above the rate at which the initial loan was given and for the period of the default. All payments received shall be applied to defray interest charges first before application to principal amounts outstanding.

### **Other Aspects**

- NEXIM may request for an acceptable technical report or warranty on the equipment acquired by exporters;
- No new equipment should be purchased with the proceeds of this facility from sources other than the manufacturers or major/accredited distributors;
- 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;
- NEXIM shall on an annual basis set limits for borrowers;
- Where necessary an extension of the tenor of the facility or due loan installments may be granted;

- 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, and written report will be made to the Central Bank of Nigeria accordingly;
- NEXIM shall monitor the utilisation of funds disbursed;
- NEXIM shall undertake regular project visits to ensure adherence to the conditions of the loan;
- Where applicable, NEXIM shall require the domiciliation of export proceeds by the exporter; and
- For loans with tenure of five years and above, NEXIM shall be represented on the Board of the Company throughout the duration of loan.

**For further information please contact:**

**Marketing Division**

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