NON-INTEREST GUIDELINES FOR NON-OIL EXPORT STIMULATION FACILITY (ESF)

1.0 Introduction

The Non-Oil Export Stimulation Facility (NESF) was introduced by the Central Bank of Nigeria (CBN) to diversify the revenue base of the economy and to expedite the growth and development of the non-oil export sector. The Facility will help redress the declining export financing and reposition the sector to increase its contribution to economic development.

2.0 Objectives of the Facility

The objectives of the Facility are to:

(i) Improve access of exporters to concessionary finance to expand and diversify the non-oil export baskets;

(ii) Attract new investments and encourage re-investments in value-added non-oil exports production and non-traditional exports;

(iii) Shore up non-oil export sector productivity and create more jobs;

(iv) Support export-oriented companies to upscale and expand their export operations as well as capabilities; and

(v) Broaden the scope of export financing instruments.

3.0 Eligibility Criteria

3.1 Eligible /Beneficiaries

Export-oriented enterprise that fulfils the under-listed conditions shall be eligible to participate under the NESF:

3.1.1 Duly incorporated in Nigeria under the Companies and Allied Matters Act (CAMA).

3.1.2 Has verifiable export off-take contract(s).

3.1.3 Satisfactory credit reports from at least two Credit Bureaux in line with the provisions of CBN Circular BSD/DIR/GEN/CIR/04/014 dated April 30, 2010.

All 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.

3.2 Eligible Transactions

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

(i) Export of goods processed or manufactured in Nigeria;
(ii) Export of commodities and services, which are allowed under the laws of Nigeria and do not violate the principles of non-interest banking and finance;
(iii) Imports of plant & machinery, spare parts and packaging materials, required for export-oriented production that cannot be sourced locally;
(iv) Resuscitation, expansion, modernization and technology upgrade of non-oil export industries;
(v) Export value chain support services such as transportation, warehousing and quality assurance infrastructure;
(vi) Working capital/stocking facility; and
(vii) Structured trade finance arrangements.

4.0 Participating Financial Institutions (PFIs)

The following shall be eligible to participate under the Facility:

(i) Non-Interest Banks (NIBs).

(ii) Non-Interest Development Finance Institutions (NI-DFIs).

5.0 Features of the NESF

5.1 Financing Limit

Term financings under the Facility shall not exceed 70% of verifiable total cost of the project subject to a maximum of ₦5,000,000,000.00.

5.2 Tenor

The NESF shall have a tenor of up to 10 years and shall not exceed the 31st December, 2027.

a) Working capital/stocking facility shall be for one year. Where applicable, the facility can be rolled-over twice on a reducing balance basis of 33.3% of the original amount.

5.3 Repayment

Repayments of principal and return shall be quarterly and in accordance with the agreed repayment schedule.

5.4 Moratorium

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

b) In case of construction, additional moratorium of up to one (1) year may be allowed, subject to approval by the CBN.

5.5 Rates of Return

The Facility shall be granted at an all-inclusive rate of return of 9% per annum.

5.6 Modalities of the Facility

The facility shall be structured as a two-tiered structure:

a. Tier 1: Between the CBN and the NIFI: A Restricted Profit-Sharing Agreement (Restricted Mudaraba) shall be executed between the CBN and NIFI. The CBN as Capital Provider disburses the funds for investment by the NIFI as the

Implementing Party, based on a Business Plan Commitment to be signed by the NIFI committing itself to the following terms:

a. Investment shall only be for financing of projects under the activities covered under the facility;
b. The financing shall have an overall target profit rate of 9.0 per cent.
c. The profit distribution ratio between the CBN as Capital Provider and the NIFI as the Implementing Party shall be in the ratio of 2:7.
d. The NIFI commits itself to achieving a target profit rate of 2% accruing to the CBN.
e. In the event where the NIFI realises that the targeted 2% due to the CBN is not achievable, the arrangement is to be extended and re-structured subject to a maximum tenor not exceeding 31st December 2027, in case there is no negligence on the part of the investor. Otherwise, the Mudarabah is to be stopped, and the funds recalled.
f. If after realisation as mentioned in (e) above, the NIFI does not stop the arrangement and return the funds, the NIFI shall be liable for negligence and breach of investment mandate, and shall refund the capital.
g. In a situation where there is unavoidable loss, the CBN as the capital provider shall, pursuant to the principle of profit and loss sharing, bear the loss, and the NIFI shall forfeit its profit share.

b. Tier 2: Between the NIFI and the Investor: The NIFI finances the Customer (Investor) using CBN approved non-interest financial contracts appropriate with the type of financing requested, like Murabahah, Salam, Istisna', Ijarah, Wakalah etc.

6.0 Application Procedures

6.1. Submission of Requests

A PFI shall submit application to CBN on behalf of its customer in the prescribed format.

In the case of financing syndication, the lead bank shall submit application on behalf of other banks. All correspondence with respect to the application shall be with the lead bank.

6.2 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 financing under the NESF.
b) Completed application form.
c) Certified true copies of documents on business incorporation.
d) Three (3) years tax clearance certificate.
e) Audited statement of accounts for the last three (3) years (where applicable) or the most recent management account for companies less than three (3) years in operations.
f) Feasibility study/ business plan of the project.
g) Relevant permits/ licenses/ approvals (where applicable).
h) Verifiable export orders/ contracts or other export agreement and arrangements/ commitments.
i) Environmental Impact Assessment (EIA) report (where applicable).
j) Draft letter of offer by PFI, financing repayment schedule and credit risk report of the customer.
k) Any other document(s) that may be required by CBN.

6.3 Collateral Requirement

Eligible securities shall include the following:

a. Federal Government of Nigeria Sukuk (where available);
b. CBN Non-Interest Liquidity Management Instruments (i.e. CBN Safe Custody Account (CSCA), CBN Non-Interest Note (CNIN) and CBN Asset-Backed Securities (CABS));
c. Sukuk backed by the guarantee of the Federal Government;
d. Sukuk given regulatory treatment by the CBN;

e. Any other securities that are Shariah-compliant and acceptable to the CBN.

6.4 Participation Agreement

A participation agreement shall be signed between CBN and each PFI.

7.0 Monitoring and Evaluation (M & E)

Monitoring and Evaluation of projects funded under the Facility shall include on-site and off-site verification and routine monitoring of projects by CBN and PFIs.

8.0 Roles and Responsibilities of Stakeholders

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

8.1 The Central Bank of Nigeria (CBN)

The CBN shall:

a) Provide fund for the implementation of the scheme.
b) Issue the NESF guidelines.
c) Act as the managing agent.
d) Determine financing limits and applicable rates.
e) Provide regulatory and supervisory oversight.
f) Sanction PFIs for infractions.
g) Monitor and evaluate the projects.
h) Conduct impact assessment from time to time.
i) Review the NESF guidelines as may be deemed necessary from time to time.
j) Invoke collateral in case of default.

8.2 The Participating Financial Institutions (PFIs)

The PFIs shall:

a) Disburse funds to eligible export companies at the approved rates.
b) Ensure timely disbursement of funds to approved projects.
c) Ensure due diligence is followed in the administration of financing facilities.

d) Bear the credit risk on financings granted to beneficiaries under the NESF.
e) Ensure timely remittance of principal and return payments due to the CBN.
f) Monitor and ensure proper utilization of funds.
g) Comply with the operating guidelines of the Facility.
h) Comply with documentation requirements in section 6.2 above; and
i) Render periodic returns in prescribed formats or as may be specified by CBN from time to time.

8.3 Beneficiary

The beneficiary shall:

a) Utilize the funds for the purpose for which it was granted.
b) Adhere strictly to the terms and conditions of the financing and comply with all relevant laws and regulations.
c) Make the project site(s) and records accessible to CBN and PFIs for inspection.
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) Pay maturing financing obligations in line with approved payment schedule.

9.0 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.

10.0 Infractions and Sanctions

10.1 Penalty for defaults

a) In the event of default in repayment of principal and/ or return by the beneficiary, the PFI shall have the right to charge a penalty at a rate determined by its Advisory

Committee of Experts, which shall be treated in line with extant CBN Regulations for NIFIs regarding penalties.

b) Failure of PFI to disburse funds to the beneficiary within the period agreed in the financing agreement shall attract a penal charge of the maximum financing rate of the PFI for the period that funds were not disbursed;

c) Failure to remit principal and return to the CBN shall attract a penal charge of the maximum financing rate of the PFI for the period that funds were not remitted; and

d) Non-rendition of returns or the rendition of false returns shall attract the penalty stipulated by section 60 of the Banks and Other Financial Institutions Act (BOFIA).

11.0 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,
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Central Business District,
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