



FIRST CITY MONUMENT BANK

PROSPECTS, CHALLENGES OF EXPORT IN NIGERIA, AND WAY FORWARD: ACCESSING FINANCE FOR EXPORT



mybankandI

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N500BILLION

- In International Trade, **export** refers to selling of goods and services produced in the home country to other markets.
- Export is a major source of revenue for Nigeria(both oil and non-oil exports)
- It contributes significantly to the gross domestic product (GDP) of most countries.

OPPORTUNITIES IN NON-OIL EXPORT BUSINESS IN NIGERIA



MANUFACTURED GOODS

- Cocoa Butter
- Cocoa Powder
- Cocoa Liquor
- Confectioneries
- Baby Clothes
- Baby Products
- Bottles (Empty)
- Detergents
- Doors (wooden)
- Leather Slippers, Shoes



AGRO COMMODITIES

- Cotton
- Cashew Nut
- Cocoa Beans
- Sesame Seeds
- Yam
- Ginger
- Groundnut



SOLID MINERALS

- Lead
- Zinc
- Copper
- Iron Ore
- Manganese
- Tantalite
- Gold
- Coal
- Silica Sand
- Limestone

FACTS ABOUT NON-OIL EXPORT BUSINESS IN NIGERIA



**Top Producer in the world
Cashew output – 650k MT
(2010)**



**Generate 10% of World
Cocoa output – 400k MT**



**4th Largest Exporter in the
world Ginger output –
160k MT (2010)**



**World No. 1 Producer Shea
nut – 325k Tons (2010)**



**2nd Largest Producer &
Exporter of Sesame in
Africa**



**8th Largest producer of
Cassava, yams, shea
nuts and sorghum**



**Dominant global producer of
15 other products including
Palm produce, Potatoes,
Maize, Gum Arabic and kola
nuts amongst others**

BENEFITS IN NON-OIL EXPORTS

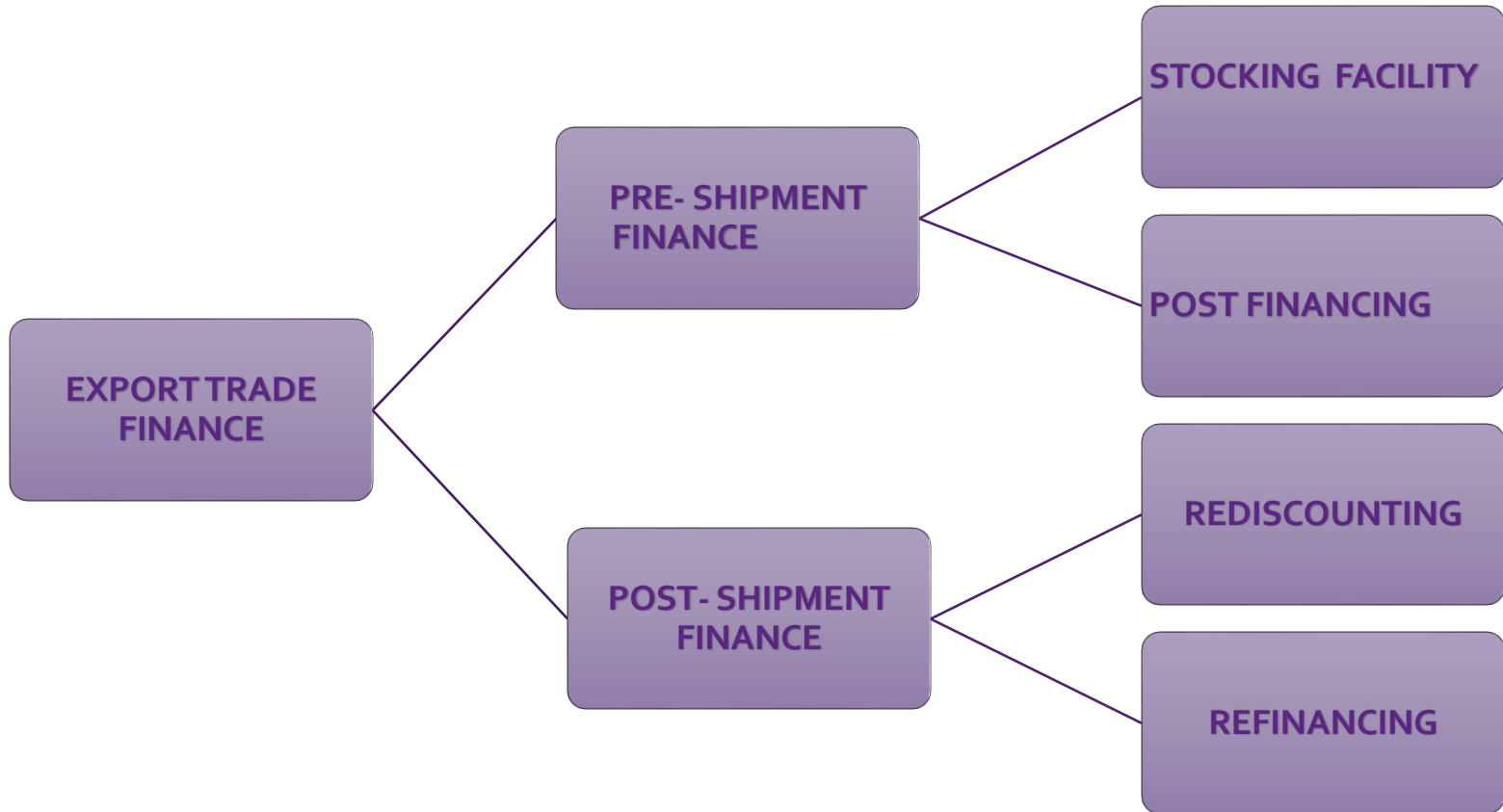
- Exports provides alternate source of FX for the Country and Bank to finance imports for both SME and Large Corporate customers
- It enable the bank harness the SME opportunities in the Export Value Chain through trade financing.
- Provides liquidity for the SME and the Bank through refinancing facility from government lending institutions e.g. NEXIM, BOI, BOA and of recent CBN.
- Stocking and equipment financing facility are also available from AFDB/NEXIM to support SME

EXPORT TRADE FINANCE

EXPORT DOCUMENTATIONS (NON-OIL)

- Duly Completed NXP Form
 - Pro-forma Invoice or Sales Contract
 - Copy of NEPC (Nigerian Export Promotion Council) Certificate
 - Clean Certificate of Inspection
 - Other Certificates
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- ✓ An Exporter is expected to open an NXP with a bank.
 - ✓ The NXP Form should be utilized within six (6) months and subject to renewal for 3 months by CBN
 - ✓ The exporter is required to pay the Nigerian Export Supervision Scheme (NESS) administrative charge of:
 - 0.5% of the FOB value (non-oil export).
 - 0.12% of the FOB value (oil export).

Available Products at FCMB for exporters are shown below:



PRE-SHIPMENT FINANCE (STOCKING FACILITY)

Designed to assist exporters with adequate working capital to stock local raw materials/produce

It is made available in local currency to exporters

FCMB finances exporter when we have the equivalent value of the stock verified by any of the following below:

Collateral manager

Independent appointed agent of the off-taker

Company representative (a staff of the off-taker)

The products will be stored under a collateral management arrangement (CMA), where fund will be released upon certification of quantity and quality of the product.

POST-SHIPMENT FINANCE

- Financing for the exporter to cover funding gap arising from the exportation of products or commodities before payment is received.
- Made available in local currency

Types of Post-Shipment Finance

- **Discounting facility** – The proceed is discounted by the Bank @ 80% if under LC and 65% under Document against Payment.
- **Rediscounting & Refinancing facility** – Funding provided by Nexim through FCMB to exporters at 9% interest rate under the bank's guarantee. FCMB shall issue a substitution bill in the form of promissory note and irrevocable transfer order (ITO) in favor of NEXIM and CBN respectively.

POST-SHIPMENT FINANCE - Discounting

- The bank will advance 65%-80% depending on the transaction and mode of payment.
- The buyer forwards the notice of assignment of proceeds to his bank and his bank acknowledges the request to domicile export proceeds with the exporters bank.

Using FCMB UK: A facility is created and the exporter is availed the discounted value as a loan.

On the due date FCMB UK receives proceed from buyers bank ,liquidates the loan and credits the customer with the balance

- ✓ Bills for collection 60%- 65%
- ✓ Letters of credit 70%- 80%

POST-SHIPMENT FINANCE – Refinancing & Rediscounting Facility

TERMS:

Tenor

- Pre- and post shipment rediscounting : Maximum 120 days
- Combined pre and post shipment finance: Maximum 180 days
- Refinancing: Maximum 12 months and cover instalments of long term financing.

Security

- ✓ Letters of Credit Or Bills for Collection at sight.
- ✓ Notice of Assignment to buyers, informing buyers that export proceeds are to be domiciled with FCMB.
- ✓ Personal Guarantee of Key-Man and/or MD/CEO supported by statement of net worth
- ✓ Where products are to be financed for export, Legal Mortgage on properties or tangible Securities would be required in addition to items above.

Rates for RRF and stocking Facility under CBN fund managed by NEXIM:

- ✓ Interest rate: 9% per annum.

CBN EXPORT STIMULATION FUND – N500BILLION

OBLIGOR LIMIT

The facility shall not be more than 70% of the total project cost subject to a maximum of N5 billion .

TENOR AND INTEREST RATE/MARGINS

The ESF shall have a maximum of ten (10) years, including a moratorium not exceeding two (2) years and shall also not exceed the December, 28th 2025;

ESF shall be availed at an interest rate of 9% per annum inclusive of all charges

Pricing structure and Interest computation shall be as follows:

- a) Participating financial institutions – maximum spread of 6% per annum
- b) CBN – 3% Per annum.

| TYPE OF FACILITY | TENOR | INTEREST RATE |
|--------------------------|--|---------------|
| Stocking facility | 1 year with an option of roll-over not more than twice | 6% |
| Working capital facility | 1 year with an option of roll-over not more than twice | 6% |
| short term facility | 1 - 2 years | 6% |
| medium term facility | 2 - 5 years | 7.50% |
| Long term facility | 5 - 10 years | 9% |

Real Sector Support Facility (RSSF) through CRR and Corporate Bonds was recently released by CBN to be made available also at 9% to exporters and manufacturers etc



Thank you