

**N300 BILLION POWER AND AIRLINE INTERVENTION FUND (PAIF)
REVISED GUIDELINES (v3)**

1.0 Introduction

In a bid to catalyze financing of the real sector of the Nigerian economy, the Central Bank of Nigeria has, in accordance with Section 31 of the CBN Act 2007, approved the investment of the sum of N500 billion Debenture Stock to be issued by the Bank of Industry (BOI). The sum of N200 billion has been set aside for the refinancing/restructuring of SME/ Manufacturing portfolios while the sum of N300 billion will be applied to power and airline projects.

These Guidelines relate to the N300 billion intervention fund to the power sector and the airlines.

2.0 Objectives of the Fund

The objectives of the Fund are to:

- i. fast-track the development of electric power projects, especially in the identified industrial clusters in the country;
- ii. fast-track the development of the aviation sector of the Nigerian economy by improving the terms of credit to Airlines;
- iii. serve as a credit enhancement instrument to improve the financial position of the Deposit Money Banks;
- iv. improve power supply, generate employment, and enhance the living standard of the citizens through consistent power supply;
- v. provide leverage for additional private sector investments in the power and aviation sectors.

3.0 Managing Agent

The Bank of Industry (BOI) shall be the managing agent and be responsible for the day to day administration of the Fund.

4.0 Technical Adviser (TA)

The Africa Finance Corporation (AFC) shall serve as TA to the Fund.

5.0 Eligibility Criteria

5.1 Power Projects

- Any corporate entity, duly registered in Nigeria, involved in electricity power supply value chain that includes power generation, transmission, distribution, fuel supply and associated services.
- Eligible projects can be promoted by private or public sector sponsors (or a combination of both) but must be structured either as profit-oriented business or a public service, provided that contracted cash-flows or financing support exist to ensure repayment of principal and interest, as well as long term viability.
- The Project Company may also offer appropriate credit enhancement options to support its financial obligations.

- The Project could be already existing and in operation, in design/development, under construction, or existing but operationally inactive.

5.2 Airlines

Any Airline duly incorporated under the Companies and Allied Matters Act of 1990 and operating in Nigeria.

6.0 Types of Facilities

- Long term loans (for new Power Projects)
- Refinancing of existing loans (Power and Airline Projects)
- Refinancing of existing leases (Power and Airline Projects)
- Working capital (for existing Power and Airline Projects only)

7.0 Participating Institutions

All Deposit Money Banks and Development Finance Institutions (DFIs) excluding the Bank of Industry (BOI).

8.0 Modalities for Intervention

8.1 Loan (Power Projects only)

8.1.1 Amount

The Power Intervention Fund (PIF) facility shall not be more than 70 percent of the total cost of the project.

8.1.2 Tenor

- (i) PIF loans shall have a tenor of 10 - 15 years as determined by the project's cash flow profile.
- (ii) Working capital facility shall be of one year duration with provision for roll-over but not more than 5 years.

8.1.3 Moratorium

- The Fund allows for moratorium in the loan repayment schedule.
- The moratorium on principal shall depend on the type and nature of the project and shall be the same as either the construction period of the project or the time required to complete the project.
- Additional moratorium period of [18] months may be added to the moratorium period in order to address the risk of completion delays.
- Protracted completion delays could be addressed through other mechanisms such as adequate sponsor support and contingencies to be determined on a project specific basis.

8.1.4 Interest During Construction (IDC)

The treatment of IDC shall depend on the project. The two options allowed under the initiative are:

- a) Capitalization of Interest - interest shall accrue and be capitalized accordingly during the moratorium period.
- b) Pre-funding of Interest - interest shall be funded during construction from a prefunded IDC Account. The amount required for IDC can be added to the total project cost.

The IDC payment option adopted shall be expressly stated on the loan documents

8.1.5 Professional / Consultant Fees

Professional / consultant fees associated with the development of projects and the project financing structure shall be grossed up and included in the total project cost to be financed. Professional costs commonly associated with project finance include professional fees for the following services

- Project Engineer Consultancy
- Independent Engineer Advisory
- Financial Advisory Services**
- Technical Advisory Services
- International Counsel
- Local Counsel
- Lenders' Counsel
- Due Diligence – Legal, Technical, Commercial and Financial
- Legal Documentation Etc.

*****The financial advisor can be the applicant bank or an independent institution which is not participating in the financing.***

8.2 Refinancing (Power and Airline Projects)

- The fund will provide refinance for existing term loans for commercially viable power and airline projects.

8.2.1 Extent of Refinancing

Power: The fund will provide refinance for existing term loans for commercially viable power projects.

Airlines: The fund shall provide refinancing up to 100 per cent of the loans granted to an airline.

8.2.2 Tenor

The tenor of refinancing shall be 10 – 15 years and shall be determined by the supporting cash-flow profile.

8.3 Other conditions applicable to both Power and Airline Projects

8.3.1 Interest Rate

The Fund shall be administered at an “all-in” Interest rate/ charge of 7 percent per annum payable on quarterly basis.

Specifically,

- The Deposit Money Banks shall charge 7% per annum on the PAIF facility out of which 1% would be remitted to BOI;

- The Deposit Money Banks shall remit the amounts due to BOI out of the interest payments received from the projects funded;
- The amounts due to BOI must be paid not later than 30 days after the interest is earned.

** No upfront fee/charge should be deducted in respect any facility under the PAIF*

8.3.2 Penalty for Default

- In the event of default in loan repayment (principal and interest), the PB shall have the right to charge commercial interest rate on the amount in default.
- Any PB that fails to disburse received funds to the borrower in accordance with the provisions of this guidelines shall be subject to a penalty that shall be decided by the CBN.

8.3.3 Professional / Consultant Fees

Professional/consultant fees associated with the refinancing/restructuring exercise shall be grossed up and included in the total project cost to be refinanced.

9.0 Notice for submission of proposals

- Bank of Industry (BOI) shall send out notice to all DMBs/ DFIs for submission of refinancing/ restructuring requests on behalf of eligible airlines.
- The notice shall, among others, specify the eligibility criteria, format and submission deadlines.

10.0 Application Procedures

10.1 Submission of Requests

- A participating bank shall submit a request, on its behalf or on behalf of other parties in the case of syndication or other arrangements, in the prescribed format on behalf of the project promoters.
- In the case of syndication or other arrangements, BOI shall deal directly with the lead bank only on all issues relating to such application.

10.2 Required Documentation.

Each request must be accompanied by the following documents:

- request from the customer seeking such loan and/or refinancing/restructuring;
- last 3 years financials of an existing company;
- feasibility study/business plan of the project;
- relevant permits/approvals;
- off-take and other relevant agreements;
- environmental impact assessment report;
- copies of duly executed offer documents between the bank and the company evidencing existence of a facility in the case of refinancing;
- six (6) months account statements showing the current exposure (if any);
- Certificate of Incorporation evidencing the incorporation of the Company with the Corporate Affairs Commission; and
- list of Directors of the company (Form CO7)

Other documents as may be required by the TA to facilitate the appraisal process.

10.3 Processing Period

- BOI shall process all applications received to confirm the completeness of the documentation and forward them to TA within 5 days.
- The TA shall appraise the applications and provide its report to BOI within 20 working days of receipt.
- BOI shall inform the participating bank of the status of its application not later than 5 working days after the receipt of the TA's report.

10.4 Approval Process

The recommended applications that have fulfilled all the laid down criteria shall be forwarded to the Management of the Central Bank of Nigeria for final approval.

10.5 On-Lending Agreement

An on-lending agreement shall be signed between BOI and each PB for approved projects.

10.6 Security to be offered by PBs

- (a) The security to be provided by PBs to BOI shall be in the form of a bank guarantee backed by a payment order for the PB's account to be debited by the CBN for any amount due should the PB default.
- (b) Legal agreement between BOI and PB for BOI to have right to realization of security pledged by power project promoters.
- (c) BOI to have lien on the cash flow of power projects.

10.7 Release of Funds

- BOI shall within 3 working days of receipt of the payment order, credit the PB with the amount due based on the disbursement schedule.
- The PB is expected to disburse the funds to the borrower in line with the terms and conditions of its requests not later than 2 working days of receipt of funds from BOI.

11.0 Monitoring of Projects.

A project financed under the Fund shall be subject to monitoring by the BOI, CBN and PB during the loan period.

12.0 Responsibilities of Stakeholders:

For the effective implementation of the Fund and for it to achieve the desired objectives, the responsibilities of the stakeholders shall include:

a. The CBN

The Central Bank of Nigeria shall:

- Articulate clear guidelines for the implementation of the Fund.
- Provide funds for the Intervention.
- Determine the limits of the Fund.
- Specify the rate at which BOI and Participating Banks will lend under the Fund.

- Request BOI to render periodic returns as may be specified from time to time.
- Monitor the implementation of the Fund and publish periodic reports on its performance.
- Review the Fund guidelines as may be necessary from time to time

c. Bank of Industry (BOI)

The BOI shall:

- Act as the Managing Agent of the Fund
- Issue debenture covering the Funds to be invested by CBN
- Put in place appropriate institutional arrangements for disbursing, monitoring and recovering the amount obtained under the Fund; and
- Render periodic returns on the performance of the Fund as may be specified by CBN.

d. The Technical Adviser (TA)

- Provide technical support to the Programme;
- Review projects to confirm eligibility and viability.
- Build capacity of stakeholders

e. The Participating Bank (PB)

The PB shall:

- Grant credit facilities to eligible companies at an interest rate of 7% p.a.;
- Present requests under the Fund based on normal business consideration exercising due diligence;
- Ensure timely disbursement of funds to approved projects;
- Render periodic returns under the Fund as may be specified by the CBN and BOI from time to time;
- Monitor the projects during the loan period; and
- Comply with the guidelines of the Fund

d. Borrower

The borrower shall:

- Utilise the funds for the purpose for which it was granted.
- Insure the project being financed.
- Adhere strictly to the terms and conditions of the loan.
- Make the project and records available for inspection/verification by the CBN and BOI.
- Comply with the guidelines of the Fund.

13.0 Discontinuation of a Credit Facility

Whenever a loan is repaid or the facility is otherwise discontinued, the participating bank shall advise the BOI immediately, giving particulars of the credit facility.

Any outstanding amount under the facility is to be refunded to the BOI.

14.0 Amendments

These Guidelines shall be subject to review from time to time as may be deemed necessary by the CBN.

15.0 Enquiries and Returns

All enquiries and returns should be addressed to:

The Director,

Development Finance Department,

Central Bank of Nigeria, Corporate Headquarters,

Central Business District, Abuja.

Telephone No: 234-(0)9-4623860

January, 2011