



**CENTRAL BANK OF NIGERIA  
GUIDELINES**

**N300 BILLION POWER AND AIRLINE INTERVENTION FUND (PAIF)  
REVISED GUIDELINES (Amendment 8)**

**1. 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 and airline sector (the Fund).

**2. 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 (DMBs);
- 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. 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. Technical Adviser (TA)**

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

**5. Eligibility Criteria**

### **5.1. Power Projects**

- i. Any corporate entity, duly registered in Nigeria, involved in electricity power supply value chain that includes power generation, transmission, distribution, gas-to-power projects and associated services.
- ii. 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.
- iii. The Project Company may also offer appropriate credit enhancement options to support its financial obligations.
- iv. The Project could be already existing and in operation, in design/development, under construction, or existing but operationally inactive.
- v. The refinancing of existing loans for captive power projects for corporate entities that are not power companies will only be eligible if the investments are not older than 2 years from the date of the application. For the avoidance of doubt, this restriction will not be applicable to captive power projects implemented and managed by power companies
- vi. Gas-to-Power promoters must tender verifiable evidence of off-taker purchase agreements for their projects to be eligible

### **5.2. Airlines**

- i. Any Airline duly incorporated under the Companies and Allied Matters Act of 1990 and operating in Nigeria.
- ii. Any Company duly incorporated under the Companies and Allied Matters Act of 1990 and operating in Nigeria, engaged in aircraft hangar projects capable of servicing existing commercial jets and next generation aircraft series for 'C' and 'D' checks in Nigeria'

## **6. Types of Facilities**

- i. Long term loans (for new Power Projects)
- ii. Refinancing of existing loans (Power and Airline Projects)
- iii. Refinancing of existing leases (Power and Airline Projects)
- iv. Working capital (for existing Power and Airline Projects only)
- v. Refinancing of Aircraft Hangar Projects

## **7. Participating Financial Institutions (PFIs)**

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

Asset Management Corporation of Nigeria (AMCON), may by special approval of the CBN Management, be allowed to participate with respect to acquired projects of national economic importance.

## **8. Modalities for Intervention**

### **8.1.Loan (Power Projects only)**

#### **8.1.1. Amount**

The Fund facility shall not be more than 70 percent of the total cost of the project.

#### **8.1.2. Tenor**

- i. The Fund loans shall have a maximum tenor of 15 years as determined by the project's cash flow profile not exceeding 31<sup>st</sup> July, 2025.
- ii. Working capital facility shall be of one year duration with provision for roll-over but not more than 5 years.

#### **8.1.3. Repayment**

Repayments under this facility shall be amortised

#### **8.1.4. Moratorium**

- i. The Fund allows for moratorium in the loan repayment schedule.
- ii. The moratorium on principal shall depend on the type and nature of the project and shall not exceed either the construction period of the project (which shall not exceed 5 years) or the time required to complete the project.
- iii. Additional moratorium period of [18] months may be added to the moratorium period in order to address the risk of completion delays.
- iv. Protracted completion delays could be addressed through other mechanisms such as adequate sponsor support and contingencies to be determined on a project specific basis.

#### **8.1.5. Interest during Construction (IDC)**

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

- i. Capitalization of Interest - interest shall accrue and be capitalized accordingly during the moratorium period.
- ii. 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.**

#### **8.1.6. 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:

- i. Project Engineer Consultancy
- ii. Independent Engineer Advisory
- iii. Financial Advisory Services\*\*
- iv. Technical Advisory Services
- v. International Counsel
- vi. Local Counsel
- vii. Lenders' Counsel
- viii. Due Diligence – Legal, Technical, Commercial and Financial
- ix. 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**

- i. Power: The Fund will provide refinance for existing term loans for commercially viable power projects.
- ii. Airlines: The Fund shall provide refinancing up to 100 per cent of the loans granted to airlines and hangar projects.

### **8.2.2. Tenor**

The tenor of refinancing shall be 15 years not exceeding 31<sup>st</sup> July, 2025 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 NOT more than 9 percent per annum payable on quarterly basis.

The “all-in” interest rate of 9% to be shared as follows:

- |                                         |    |
|-----------------------------------------|----|
| a) Participating Financial Institutions | 5% |
| b) Managing Agent/TA (BOI& AFC)         | 1% |
| c) Sponsor (CBN)                        | 3% |

*Specifically,*

- i. The DMBs' shall charge NOT exceed 9% per annum on the Fund facility out of which 4% would be remitted to BOI's Account
- ii. The DMBs shall remit the amounts due to BOI out of the interest payments received from the projects funded;
- iii. The amounts due to BOI must be paid not later than 30 days after the interest is earned.
- iv. BOI shall remit the CBN portion of interest earned quarterly not more than 10 working days at the end of each quarter.

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

### **8.3.2. Infractions and Sanctions**

- i. Diversion of funds by the PFIs shall attract a penalty at the bank's average lending rate at the time of infraction. In addition, such PFIs shall be barred from further participation under the Fund
- ii. Non-remittance of returns or the remittance of false returns shall attract the penalty stipulated by BOFIA section 60
- iii. Any PFI that fails to disburse the Fund within 14 days of receipt to the borrower shall be charged the maximum lending rate of the PFI as penalty for the period that the Fund was not disbursed

### **8.3.3. Penalty for Defaults by Borrowers**

In the event of default in loan repayment (principal and interest), the PFIs shall have the right to charge commercial interest rate on the amount of default

## **9. Notice for submission of proposals**

BOI shall send out notice to all DMBs/ DFIs for submission of refinancing/ restructuring requests on behalf of eligible airlines and power companies.

The notice shall, among others, specify the eligibility criteria, format and submission deadlines.

## **10. Application Procedures**

### **10.1. Submission of Requests**

A PFI 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:

- i. Request from the project promoter seeking such loan and/or refinancing/restructuring;

- ii. Last 3 years financials of an existing company;
- iii. Feasibility study/business plan of the project;
- iv. Relevant permits/approvals;
- v. Off-take and other relevant agreements;
- vi. Environmental impact assessment report;
- vii. Copies of duly executed offer documents between the bank and the company evidencing existence of a facility in the case of refinancing;
- viii. Six (6) months account statements showing the current exposure (if any);
- ix. Certificate of incorporation evidencing the incorporation of the company with the corporate affairs commission; and
- x. 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**

- i. BOI shall process all applications received to confirm the completeness of the documentation and forward them to TA within 5 days.
- ii. The TA shall appraise the applications and provide its report to BOI within 20 working days of receipt.
- iii. BOI shall inform the PFIs 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**

The following securities shall be offered:

- i. The security to be provided by PBs to BOI shall be 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.
- ii. Legal agreement between BOI and PB for BOI to have the rights to realize security pledged by project promoters.
- iii. BOI to have lien on the project cash flows.
- iv. A deed of assignment of the assets of the project in favour of BOI

### **10.7. Release of Funds**

BOI shall within 3 working days of receipt of the payment order, credit the PB's account at CBN

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. Monitoring of Projects:**

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

### **12. 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:

#### **12.1. The CBN**

The Central Bank of Nigeria shall:

- i. Articulate clear guidelines for the implementation of the Fund.
- ii. Provide funds for the Intervention.
- iii. Determine the limits of the Fund.
- iv. Specify the rate at which BOI and PBs will lend under the Fund.
- v. Request BOI to render periodic returns as may be specified from time to time.
- vi. Monitor the implementation of the Fund and publish periodic reports on its performance.
- vii. Review the Fund guidelines as may be necessary from time to time

#### **12.2. Bank of Industry (BOI)**

The BOI shall:

- i. Act as the Managing Agent of the Fund
- ii. Issue debenture covering the Funds to be invested by CBN
- iii. Put in place appropriate institutional arrangements for disbursing, monitoring and recovering the amount obtained under the Fund
- iv. Render periodic returns on the performance of the Fund as may be specified by CBN; and
- v. Remit the CBN portion of interest earned quarterly not more than 10 working days at the end of each quarter.

#### **12.3. The Technical Adviser (TA)**

The TA shall:

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

#### **12.4. The Participating Financial Institution (PFI)**

The PFI shall:

- i. Grant credit facilities to eligible companies at an interest rate NOT exceeding 9% p.a;

- ii. Present requests under the Fund based on normal business consideration exercising due diligence;
- iii. Ensure timely disbursement of funds to approved projects;
- iv. Render periodic returns under the Fund as may be specified by the CBN and BOI from time to time;
- v. Monitor the projects during the loan period; and
- vi. Comply with the guidelines of the Fund

### **12.5. Borrower**

The borrower shall:

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

### **13. Discontinuation of a Credit Facility**

Whenever a loan is repaid or the facility is otherwise discontinued, the PB shall advise the BOI immediately, giving particulars of the credit facility. Any outstanding amount under the facility is to be refunded to the BOI account at CBN.

### **14. Amendments**

These Guidelines shall be subject to review from time to time as may be deemed necessary by the CBN. The Amendment does not have retroactive effect and therefore is applicable only to new approvals.

This amendment comes into effect from 10 June, 2016 and supersedes all the previous ones.

### **15. 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: 234-09-46238600