

HOME BASE EXPORT MANUAL

DEDICATION

This “Successful Exporting Secrets” manual is entirely dedicated to the Almighty God who gives man the wisdom, inspiration and understanding to produce helpful tools that empower him for subsequent wealth creation and attainment of personal or collective goals and aspiration. To Him be the glory forever and ever Amen.

DISCOVER THE SECRETS OF EXPORTING WITH AN EMPTY BANK ACCOUNT, NO EXPERIENCE, NO OFFICE APARTMENT AND AT YOUR OWN CONVENIENCE.

Do you like the idea of running your own business? How would you like a tax deductible trip to foreign places a couple of times a year? The advantages of an export business are great.

Do you know that you can start and operate your own highly lucrative export business with little or no capital at your spare time and right from home?

What a good way to build up a successful business from nothing and have fun doing it? The export business may be your answer. You don't need previous experience in the field but you should have a "**GOOD HEAD**" for organizing.

Not only does it require little or no financial investment, it also offers the prestige of working with clients from all over the world. This has been made possible due to the advancements in information and communication technology (**ICT**). Especially, the emergence of the **INTERNET**

The internet has transformed the world into a "**GLOBAL VILLAGE**" such that a commercial ginger farmer in **KADUNA, NIGERIA** can access the contact details of an importer of ginger based in **HAMBURG, GERMANY**.

Apart from accessing the foreign importers contact details, the farmer could still go ahead to call the product buyer with the aid of his **GSM** phone. The buyer and seller upon introduction and establishment of contact, could also go ahead to sign a sales contract for the export of a certain quantity of the product at an agreed price, convenient and secured method of payment without both parties seeing each other.

THAT IS THE POWER OF THE INTERNET.

Fulfilling a successful export business requires constant attention even to the minutest details that concerns the transaction.

If you have an ability to sell and an air of transparency and diplomacy, the export business might be right for you.

ALL YOU NEED IS THE DESIRE AND DETERMINATION TO MAKE IT WORK.

As you progress in the business, many factors become obvious and easy to handle. For example, you'll need to find a person to handle shipments called a "freight forwarder". And you'll need to create solid contacts and strong relationships with reliable local product suppliers and also export merchants. But after a short time, you can be well on your way to making a sizeable income with a very low overhead.

WHAT DO YOU NEED TO KICK START THIS VENTURE?

- Mobile phone
- Bank account (savings or current)
- Email address
- Internet/ cyber café
- Understanding of an export business process
- The determination and desire to make it work

FACTS ABOUT ONLINE BASED EXPORT BUSINESS

No need to have a registered public/ private limited liability company with (CAC)

No need to register with Nigeria Export Promotion Council (NEPC)

No capital investment required

You can operate as a part time business

A wonderful precedence before going into full time export business

HOW CAN YOU MAKE MILLIONS OF NAIRA IN ONLINE EXPORT- BIZ INVENTION?

It might interest you to know that the gap between you and the millions of naira waiting for you in this business is nothing but the “**basic understanding of an export business process**”. Understanding the fundamentals of an export business process especially as it concerns securing a **GENUINE EXPORT ORDER/ CONTRACT** with a well secured method of payment, then you are on your way to making **UNIMAGINABLE LOADS OF MONEY**.

If you are unemployed/ financially challenged then your condition could be likened to this scenario: A MAN THAT

HAS CRUDE OIL WELL HIDDEN IN HIS BACKYARD BUT STARVES OF FOOD ALL DAY DUE TO HIS IGNORANCE OF THE ENORMOUS WEALTH STARRING AT HIM EVERYTIME

Do you know that even veteran exporters of Nigerian commodities are yet to access the secrets that I am about to reveal to you in this manual? That is why most of them part with huge sum of money when I make my services available to them.

THE BIG SECRET

Veteran exporters and prospective exporters are in dire need of export contracts for the various agricultural and allied/mineral commodities that could be explored within the country. So all you should do as an export entrepreneur is to secure these contracts via the internet using the various trade portals listed in this manual and also aided with your GSM phone, you could start earning commissions which run into millions of Naira in few months depending on the size of the shipment. This manual contains all you may need to secure a “genuine export contract”. All you need to do is to read through, carefully understanding the elements of an export business process.

This manual in short launches you out as an export consultant and facilitator to the numerous prospective exporters who are out there seriously searching for your services.

HOW IT WORKS

Anything that is manufactured or sourced within Nigeria and taken out for sale is said to be exported. Although it seems obvious that all manufacturers, merchants or suppliers of goods (which maybe agricultural or mineral commodities) would want a worldwide market, it is not easy for a company that is limited in its scope and abilities.

THIS IS WHERE YOU COME IN

An export broker is a match maker. Becoming an export broker is one of the easiest and most rewarding ways any prospecting exporter can raise money to go into full time export business. The advantages are enormous.

Starting from a little or no capital, an export broker could earn large “finders fee” with absolutely unlimited income. There is hardly another business requiring a negligible start-up cost that can put you into a six figure bracket so quickly than online-based export business. It gives one the power, prestige and high respectability in his community.

Manufacturers of domestic goods seek foreign distribution of Nigerian commodities in the international market. You need to find the foreigners who want to buy the raw materials / goods of Nigerian origin. Make a solid connection and establish a business relationship with their companies.

GETTING STARTED

You can start your export business at home with a telephone. You may require a file system, business card and a machine to answer phone calls. Once you get going, you may get other facilities. And you may need a classy letterhead until you establish personal contacts; it is your letterhead that represents you. Make it look professional, possibly embossed or light weighted paper for airmail correspondence. You will have a lot of domestic correspondence.

NOTE: You are strongly advised to use the email for all communication that has to do with export because it is faster, more efficient and cheaper. More than office apartment, you need the determination to make it work. It might be slow at first, and you will need to plan your moves, make contacts and **SELL YOURSELF**. But once you make a few sales and sign several contracts, you will know that your dedication was worthwhile.

MAKING CONTACTS WITH FOREIGN BUYERS

The most important step in setting up your online based export business is finding the contacts of buyers. One of the ways of making contacts with foreign buyers of Nigerian commodities is by going online to establish instant contacts. You can achieve this by signing up for FREE! With most of the international trade directories which are listed on the internet. Some of such directories are listed in subsequent pages of this manual. You can also search for more directories with the Google search engine at <http://www.google.com>.

Other sources of foreign buyers are the foreign consulates (embassies)
Another way to establish contacts is through the chamber of commerce of every city you are aiming for.

PREPARE A MASSIVE MAIL CAMPAIGN

To every prospective buyer, write a letter introducing your companies, telling them that you have the named goods they want to buy (e.g. charcoal) that it meets their quality specification, that you will package according to their requirements and don't fail to quote selling price and Payment terms acceptable.

ANALYZE THE MARKET

Keep yourself informed. Read everything that you can find about export business, look at trade publications, international newspapers, news magazines and financial reports. The export business is actually smaller than you might think. There are only a few of these businesses that's why there is plenty room for more.

Government agencies such as Nigerian Export Promotion Council (NEPC) are great places to find help. This agency promotes export business.

MAKING CONTACT WITH EXPOTERS/ SUPPLIERS

Once you have your "working paper", you may run some classified adverts in the local newspaper such as

THE SUN

GUARDIAN

THISDAY

PUNCH, ETC

The headlines of your advert may read "exporters are wanted for urgent product supplies" or "export business opportunities"

This ad would be used to pull exporters of Nigerian commodities. When potential clients start calling as a result of the advert, inform them that you have buyers of the said product from a named part of the world say Germany, Belgium etc. I bet, you would be fascinated by the caliber of clients that will approach you for the contract.

These ranges from retired senior military personnel and business tycoons with large reserve of funds.

Fix an appointment and meet with your client Upon discussing the contract details, you could charge your client a finder's fee of about N100, 000 and subsequently enjoy a

10% commission of the anticipated profit. Depending on the value of the contract, you could be well on your way to earning up to six figures monthly. Imagine collecting your finder's fee from ten prospective exporters. This is a whooping N1, 000, 000 (one million naira) But for you to really communicate a detailed product description to both your prospective client and the foreign buyer, you would need comprehensive information about the quality profitability of the product in question. To this end, I will advice that you procure some fantastic and comprehensive works done by our office on the "COST AND BENEFIT ANALYSIS FOR THE EXPORTATION OF THE FOLLOWING COMMODITIES"

CHARCOAL
SESAME SEED
GINGER
BITTER KOLA
CASHEWNUTS
KOLA NUTS
GROUNDNUT
ETC

Others means of connecting with exporters who may need your contract could be by:

- Networking with friends, relatives and colleagues
- Nigerian export promotion council's data base for exporters
- Seminars and workshops
- Etc

CONSIDER THIS STORY

One of my clients, Chief Oba (CEO Centment ventures Ltd.) has always declared "I made all my money in export and lost most of it in import"

HIS STORY

Chief Oba is a veteran exporter that has been exporting since the late 80's. He lost the buyers that he has been exporting wood to. Out of frustration, he ventured import because he didn't know how to source for export contracts. Guess what? He lost so many millions. Somebody recommended he should see me. Afterwards, I secured a charcoal export contract for his company. This contract has infused life back to his business and I make as much as N200, 000 every month from his shipment alone.

It might fascinate you to know that getting capital for this business is not difficult as many financial institutions, venture capitalists and individuals with large fund reserves are willing to participate in the business once a genuine and valid order is presented. Such investors will share the profit with you at a given ratio. All that you (the entrepreneur) need to do is source for a genuine export order/contract.

**FOR YOU TO SOURCE A GENUINE EXPORT CONTRACT,
YOU MUST BE WELL ACQUAINTED WITH THE
FUNDAMENTAL PROCEDURE AND RUDIMENTS OF AN
EXPORT BUSINESS PROCESS.
THIS IS THE ESSENCE OF THIS MANUAL**

EXECUTIVE SUMMARY

In view of all that has been written so far, I urge the entrepreneur to take proactive steps in ensuring that he benefits immensely from the huge earning potential of export business by ensuring that he absorbs all that has been written in this export guide.

1.0. INTRODUCTION

International Business Communications --- Crossing the Language Barriers in Exporting

English is the principal language of world trade. Knowledge of more than one language is helpful in exporting, but it is not a prerequisite.

In international business, knowing how to speak and write in English is a necessity. However, proficiency in English or any languages is not a guarantee of export success. Being able to speak and write in the buyer's language will be advantageous in countries where the use of the native tongue is of national pride. Learning a language other than English in order to export is not absolutely required, as translation services are readily available in most countries. Certain countries even have foreign language escort services to accommodate the exporters' needs. The services of the foreign language escorts are to translate for and accompany the foreign buyer on dining and tour. The escort usually knows very little or nothing about the products of the exporter.

English is not the official language in many countries. Learning a language like English can be tedious. It is important to understand that an English word is not always pronounced the same way everywhere. The varied pronunciation is influenced by the native tongue and ethnic background. There is no such thing as perfect English. It is not uncommon to hear the novice export person say "I don't quite understand what the buyer has said" (in English). Ironically, the export person is often not from the English speaking country, while the buyer is from U.S.A., United Kingdom, or another English speaking country. The export person may have spent several years mastering the so called correct English pronunciation. A different accent puts

the export person at a disadvantage. The U.S.A., like Canada, is a multicultural society having a diverse ethnic background. The people in the United Kingdom usually speak English, Welsh and Gaelic. Fluency in a language is merely a tool to facilitate communication. To fully understand what the buyer says and wants is the essence of export communication. An exporter having difficulty in conversation and comprehension seldom arouses the buyer's interest. Sometimes it may be impolite to say 'No' directly to show disagreement in such countries as the Japan and China. 'Yes' may mean what is said is understood, but not necessarily accepted. In exporting and importing, it is important to say what is meant and to mean what is said. The exporter must verify with the buyer in case of doubt about the message received. Do not guess or assume, for example, that the word "dinero" in the message "**We want to have the dinero at 6 p.m.**" must be "dinner." The word "dinero" in Spanish means money. The use of language 'mixtures' in export communication must be avoided because it may generate confusion.

Foreign Company Titles

The company title usually reflects the form of a business organization. However, in countries where English is not the official language and whose government may not strictly regulate the use of the English company title, the English title used by a company may not reflect the form of business organization it is registered. The foreign company title does not always have an English language equivalent. It can be helpful to know the form of foreign business organization that the exporter is dealing with, especially when such issues as import decision making and importer's liability are concerned.

1.1.WHO IS AN EXPORTER?

Anything that is manufactured or sourced within Nigeria and taken out for sale is said to be exported. An exporter is someone who sells goods or services in a foreign market to make profit.

The federal government's position today is one that encourages export of products from the country. As an income generating business, an individual as well as corporate entity has abundant opportunity to participate, sanitize and ensure that the country's image is not compromised through shady deals in export. The government issued guidelines in 1996 specifying strict adherence to accountability and transparency in the conduct of international business. You will be helping the government achieve that aim by ensuring that the quality and quantity of your exports represent the true value of what you declared to the consignee (that is the foreign buyer) in documentation. Exporting products from Nigeria to other countries require thorough preparation; hard work and determination; that is why this export manual was designed to you achieve this. The federal government of Nigeria has charged the Nigeria Export-Import bank to assist the country boost its non-oil earnings from the current 3% to about 20%. This buttresses the fact that the government is in support of genuine exporters.

1.2. CLASSIFICATION OF EXPORTERS

Exporters could be classified into the following categories:

Export trader: This is an exporter who buys goods for export.

Export manufacturer: This is an organization who apart from manufacturing products, also exports it.

Service Exporter: This is an individual or business organization that provides services for agencies involved in the export business. These services may include:

- i. Ocean shipping companies
- ii. Airlines
- iii. Banks
- iv. Insurance companies
- v. Road carriers
- vi. Rail carriers
- vii. Couriers
- viii. Consultancy
- ix. Training
- x. Logistics
- xi. Freight forwarding or consolidators
- xii. Customs brokers
- xiii. Trade show organizers
- xiv. e.t.c

INTERNATIONAL COMMERCIAL TERMS (INCOTERMS)

The **INCOTERMS** (International Commercial Terms) is a universally recognized set of definitions of international trade terms, such as FOB, CFR and CIF, developed by the International Chamber of Commerce (ICC) in Paris, France. It defines the trade contract responsibilities and liabilities between buyer and seller. It is invaluable and a cost-saving tool.

The exporter and the importer need not undergo a lengthy negotiation about the conditions of each transaction. Once they have agreed on a commercial term like FOB, they can sell and buy at FOB without discussing who will be responsible for the freight, cargo insurance, and other costs and risks.

The INCOTERMS was first published in 1936---

INCOTERMS

1936---and it is revised periodically to keep up with changes in the international trade needs. The complete definition of each term is available from the current publication---

INCOTERMS 2000. The publication is available at your local Chamber of Commerce affiliated with the International Chamber of Commerce (ICC).

TON (TONNE): This is the recognized international unit of measurement that is used in export. 1ton = 1000kg weight of any commodity. Hence if a foreign buyer orders for 10tons weight of goods, he is demanding for 10,000kg weight of the product in question.

MT (METRIC TONNE): This incoterm could be used in place of the above as both mean the same thing in export.

EXW {+ the named place}

Ex Works

Ex means **from**. **Works** means **factory, mill or warehouse**, which is the seller's premise. EXW applies to goods available only at the seller's premises. Buyer is responsible for loading the goods on truck or container at the seller's premises, and for the subsequent costs and risks.

In practice, it is not uncommon that the seller loads the goods on truck or container at the seller's premises without charging loading fee.

In the quotation, indicate the named place (seller's premises) after the acronym **EXW**, for example **EXW Kobe** and **EXW San Antonio**.

The term **EXW** is commonly used between the manufacturer (seller) and export-trader (buyer), and the export-trader resells on other trade terms to the foreign buyers. Some manufacturers may use the term **Ex Factory**, which means the same as Ex Works.

FCA {+ the named point of departure}

Free Carrier: The delivery of goods on truck, rail car or container at the specified point (depot) of departure, which is usually the seller's premises, or a named railroad station or a named cargo terminal or into the custody of the carrier, at seller's expense. The point (depot) at origin may or may not be a customs clearance center. Buyer is responsible for the main carriage/freight, cargo insurance and other costs and risks.

In the air shipment, technically speaking, goods placed in the custody of an air carrier is considered as delivery on board the plane. In practice, many importers and exporters still use the term **FOB** in the air shipment.

The term **FCA** is also used in the RO/RO (roll on/roll off) services. In the export quotation, indicate the point of departure (loading) after the acronym **FCA**, for example **FCA Hong Kong** and **FCA Seattle**.

Some manufacturers may use the former terms **FOT** (Free On Truck) and **FOR** (Free On Rail) in selling to export-traders.

FAS {+ the named port of origin}

Free Alongside Ship

Goods are placed in the dock shed or at the side of the ship, on the dock or lighter, within reach of its loading equipment so that they can be loaded aboard the ship, at seller's expense. Buyer is responsible for the loading fee, main carriage/freight, cargo insurance, and other costs and risks. In the export quotation, indicate the port of origin (loading) after the acronym **FAS**, for example **FAS New York** and **FAS Bremen**.

The FAS term is popular in the break-bulk shipments and with the importing countries using their own vessels.

FOB {+ the named port of origin}

Free On Board

CFR {+ the named port of destination}

Cost and Freight

CIF {+ the named port of destination}

Cost, Insurance and Freight

CPT {+ the named place of destination}

Carriage Paid To

The delivery of goods to the named place of destination (discharge) at seller's expense. Buyer assumes the cargo insurance, import customs clearance, payment of customs duties and taxes, and other costs and risks.

In the export quotation, indicate the place of destination (discharge) after the acronym **CPT**, for example **CPT Los Angeles** and **CPT Osaka**.

CIP {+ the named place of destination}

Carriage and Insurance Paid To

The delivery of goods and the cargo insurance to the named place of destination (discharge) at seller's expense. Buyer

assumes the import customs clearance, payment of customs duties and taxes, and other costs and risks.

In the export quotation, indicate the place of destination (discharge) after the acronym **CIP**, for example **CIP Paris** and **CIP Athens**.

DAF {+ the named point at frontier}

Delivered At Frontier

The delivery of goods to the specified point at the frontier at seller's expense. Buyer is responsible for the import customs clearance, payment of customs duties and taxes, and other costs and risks.

In the export quotation, indicate the point at frontier (discharge) after the acronym **DAF**, for example **DAF Buffalo** and **DAF Welland**.

DES {+ the named port of destination}

Delivered Ex Ship

The delivery of goods on board the vessel at the named port of destination (discharge), at seller's expense. Buyer assumes the unloading fee, import customs clearance, payment of customs duties and taxes, cargo insurance, and other costs and risks.

In the export quotation, indicate the port of destination (discharge) after the acronym **DES**, for example **DES Helsinki** and **DES Stockholm**.

DEQ {+ the named port of destination}

Delivered Ex Quay

The delivery of goods to the quay (the port) at destination at seller's expense. Seller is responsible for the import customs clearance and payment of customs duties and taxes at the buyer's end. Buyer assumes the cargo insurance and other costs and risks. In the export quotation, indicate the port of

destination (discharge) after the acronym **DEQ**, for example **DEQ Libreville** and **DEQ Maputo**.

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DDU {+ the named point of destination}

Delivered Duty Unpaid

The delivery of goods and the cargo insurance to the final point at destination, which is often the project site or buyer's premises, at seller's expense. Buyer assumes the import customs clearance and payment of customs duties and taxes. The seller may opt not to insure the goods at his/her own risks. In the export quotation, indicate the point of destination (discharge) after the acronym **DDU**, for example **DDU La Paz** and **DDU Ndjamena**.

DDP {+ the named point of destination}

Delivered Duty Paid

The seller is responsible for most of the expenses, which include the cargo insurance, import customs clearance, and payment of customs duties and taxes at the buyer's end, and the delivery of goods to the final point at destination, which is often the project site or buyer's premises. The seller may opt not to insure the goods at his/her own risks.

In the export quotation, indicate the point of destination (Discharge) after the acronym **DDP**, for example **DDP**

Bujumbura

and **DDP Mbabane**.

In practice, trade terms are written with either all upper case letters (e.g. FOB, CFR, CIF, and FAS) or all lower case letters (e.g. fob, cfr, cif, and fas). They may be written with periods (e.g. F.O.B. and c.i.f.).

In international trade, it would be best for exporters to refrain, wherever possible, from dealing in trade terms that would hold the seller responsible for the import customs clearance and/or payment of import customs duties and taxes and/or other costs and risks at the buyer's end,

for example the trade terms **DEQ** (Delivered Ex Quay) and **DDP** (Delivered Duty Paid). Quite often, the charges and expenses at the buyer's end may cost more to the seller than anticipated. To overcome losses, hire a reliable customs broker or freight forwarder in the importing country to handle the import routines. Similarly, it would be best for importers not to deal in **EXW** (Ex Works), which would hold the buyer responsible for the export customs clearance, payment of export customs charges and taxes, and other costs and risks at the seller's end.

EXPORT DOCUMENTS

In a bid to ensure a well documented export transaction, the federal government of Nigeria has approved the following documents to ensure a successful export transaction. These documents include:

I. CERTIFICATE OF INCOPORATION

II. EXPORT LICENCE

III. PROFORMA INVOICE

IV. FINAL COMMERCIAL INVOICE

V. PARKING LIST

VI. NIGERIAN EXPORT PROCEEDS (NXP) FORMS

VII. REQUEST FOR INSPECTION (RFI)

VIII. LETTER OF MANDATE

IX. BILL OF LADING

X. SINGLE GOODS DECLARATION (SGD) FORM

Industrial Incentives

This section of our website is dedicated to the Industrial Incentives. Here you can find information about:

In the process of encouraging manufacturers; the Nigerian Government has in placed several incentives that are geared at encouraging indigenous manufacturers and a way of promoting exportations. They are:

- Manufacturers Exports - In - Bond - Scheme (MEIBS) Export Expansion Grant Scheme (EEG) Bonafide Manufacturers /Assemblers (BMA)
- Free Trade Zones /Export Processing Zones & Oil and Gas free Zones

Manufacture in - bond scheme (MIBS) : Definition

This scheme is designed to encourage manufacturers to import duty free raw material inputs and other intermediate products whether prohibited or not for the production of goods for export, backed by a Bond issued by any recognized Commercial Bank, Merchant Bank, Insurance Company or Nigerian Export-Import (NEXIM) Bank. The bond will be discharged after evidence of exportation and repatriation of foreign proceed has been produced.

Manufacture - in - bond scheme (MIBS): Guidelines

- i. The Manufacturer-In-Bond Scheme (**MIBS**) shall be applicable to export manufacturers only.
- ii. Interested manufacturers shall apply to the Federal Ministry of Finance using the prescribed forms.
- iii. For a manufacturer to enjoy the scheme, the factory premises must be approved for that purpose by the Nigeria Customs Service.
- iv. Approval including the Import Requirement Certificate (IRC) should be obtained within a period of two months and transmitted to the Nigeria Customs Service for implementation.
- v. The Nigeria Customs Service will determine acceptable guarantee Bond issued by Commercial or Merchant Banks or NEXIM or Insurance Companies covering not less than 110 per cent customs duty payable on each consignment.
- vi. Under this scheme, manufacturers of export commodities will be entitled to import duty-free raw material inputs. CKD and intermediate inputs whether prohibited or not for the manufacturer or export goods.
- vii. The Manufacturer-in-Bond Scheme shall operate on annual 12 calendar months importation basis as the exporter wishes. For prohibited items however, the scheme shall operate on Import-by-Import basis.
- viii. The Bond, which shall be effective from the date of its issuance by the Bank, shall be discharged when the conditions stipulated therein have been fulfilled.
- ix. The Nigeria Customs Service will periodically monitor the utilizations of raw materials imported under this scheme until the Bond is fully executed.
- x. In the event of inability to any manufacturer to fulfill the conditions stipulated in the Bond, the manufacturer should apply to the Nigeria Customs Service through the approved

- guarantor, for an extension of the Bond particularly when the life of the Bond has expired. The extension of the Bond shall not exceed three months.
- xi. Repatriation of the foreign exchange realized from the transaction shall be confirmed by the Central Bank of Nigeria before the Bond is discharged.
 - xii. Single Good Declaration Form SGD Form C.2010 marked "Manufacturer-in-Bond Scheme" shall be used for the clearance of goods under the scheme.
 - xiii. A committee comprising of the representatives of the Ministry of Finance, Nigeria Customs Service, Nigerian Export Promotion Council, Standards Organization of Nigeria and the Central Bank of Nigeria shall monitor the scheme. The monitoring body shall render a quarterly Report to the **NMIBS** Committee.
 - xiv. In the event of default by the Manufacturer, the Nigeria Customs Service shall redeem the Bond by calling on the guarantor to pay up the appropriate customs duties and other associated charges.
 - xv. In the case of liquidation the Company may be allowed to sell the goods in the local market with the approval of the Honourable Minister of Finance on condition that the appropriate customs duty and other associated charges shall be paid.
 - xvi. A manufacturer participating in the Manufacturer-in-Bond Scheme is expected to designate a warehouse or store in his factory premises for the storage of inputs and finished goods; and
 - xvii. Clean Report of Inspection (CRI), Form 'M' and other relevant documents for this scheme shall be clearly marked "MIB Scheme".

Guidelines for Redesigned Export Expansion Grant Scheme

Preamble:

The Export Expansion Grant Scheme is a very vital incentive required for the stimulation of export oriented activities that will lead to significant growth of the non-oil export sector. The Federal Government is committed in its efforts to bring about tremendous growth in non-oil exports, resolved to enhance efficiency, transparency and accountability in the administration of the key incentive for non-oil export development. The "Export Expansion Grant (EEG)" is a policy tool to further this objective. The use of incentives supports the NEEDS objective of mainstreaming businesses that are currently operating in the informal sector. It is also in line with the NEEDS requirements that companies desiring to receive benefits from the government will have to comply with the laws of the country. The government in reviewing the scheme sets out the following guidelines:

Guidelines:

1. Incentive Rate:

The Scheme would operate the "Weighted Eligibility Criteria" in assessing applications for EEG. The baseline data as supplied by individual applicant-company would be used in its assessment. Thus the method of assessment is 'company specific'. A company's EEG assessment would be conducted once yearly and the determined rate will apply throughout the year

The Weighted Eligibility Criteria has four bands: 30%, 20%, 10% and 5%. The following template will be used in assessing the incentive rate for every EEG applicant

Eligibility Criteria	Company Data	Threshold	Weight	Company Score
Local value added	25%			
Local content	20%			
Employment (Nigerians)	20%			
Priority sector	10%			

Export growth	20%			
Capital Investment growth	5%			
Weight	100%			

A new entrant into the EEG Scheme shall provide prior period financial statement or where applicable an investment plan for its assessment.

2. Eligibility:

- i. Exporter must be registered with the Nigeria Export Promotion Council (NEPC)
- ii. Eligible exporter shall be a manufacturer producer or merchant of products of Nigeria origin for the export market (i.e. the products must be made in Nigeria)
- iii. An exporter must have a minimum annual export turnover of =N=5 million and evidence of repatriation of proceeds of exports
- iv. Exporter-company shall submit its baseline data which includes Audited Financial Statement and information on operational capacity to NEPC

3. Validity for EEG Application:

Qualifying export transaction must have the proceeds fully repatriated with 180 days, calculated from the date of export.

4. Documentation:

All applications for Export Expansion Grant (EEG) must be completed in three copies to be circulated to Nigeria Export Promotion Council (NEPC), Central Bank of Nigeria (CBN) and Nigeria Customs Service (NCS) with the following documents:

- i. NEPC Export Certificate;
- ii. Clean Certificate of Inspection (CCI) to include quality certification;
- iii. Forms NXP duly certified by processing bank, Nigeria Customs Service and the Pre-shipment Inspection Agents;
- iv. Single Goods Declaration (SGD) Forms, duly endorsed by Nigeria Customs Service, both at front and back;
- v. Final Commercial Invoice;
- vi. Bill of Lading;
- vii. Evidence of full repatriation of export proceeds (CBN confirmation of repatriation of proceeds by exporter);
- viii. Certificate of Manufacture;
- ix. Any other documentation as may be required by NEPC from time to time

5. Negotiable Duty Credit Certificate (NDCC):

The NDCC shall be used for the payments of import duties only.

6. Company Visits:

Company visits shall be incorporated into a programme for validation of information submitted by the exporters and impact assessment of the scheme. The programme will include a first visit to validate financial as well as operational information at least once a year and as may be required. Impact assessment of the scheme on the Nigeria economy shall be carried out annually by external consultants, as may be determined by the Honourable Minister of Finance.

7. Implementation Committee:

The Implementation Committee will consist of:

- (1) Nigeria Export Promotion Council (NEPC)
- (2) Federal Ministry of Finance (FMF)
- (3) Nigeria Customs Service (NCS)
- (4) Central Bank of Nigeria (CBN)
- (5) Federal Ministry of Commerce
- (6) Federal Ministry of Industry
- (7) Special Adviser to the President (Manufacturers and Private Sector)

The implementation Committee shall meet monthly to consider processed applications and make recommendations to the Honourable Minister of Finance for approval, and subsequent issuance of NDCC by NEPC.

8. Inter-Ministerial Committee:

There shall be an inter-ministerial Committee to review the activities of EEG Scheme. The Committee shall meet twice a year. Membership includes all members of the Implementation Committee and representatives of the Ministry of Agriculture, Trade Malpractice Committee and Economic and Financial Crime Commission (EFCC)

9. Administration of EEG:

The EEG Scheme shall be domiciled in NEPC and administered in conjunction with the Implementation Committee. The list of applications to whom NDCC have been issued shall be forwarded to the Federal Ministries of Finance and Commerce monthly.

10. Outstanding Claims:

All outstanding claims in respect of transactions between the suspension of the scheme and its subsequent lifting will be processed under the old EEG Scheme Rate (i.e. exports made with Bill of lading dated on or before 31st December, 2004).

11. Violation of Guidelines:

Any violation of these guidelines by any claimants shall be handled by the Presidential Committee on Trade Malpractices and the Economic and Financial Crimes Commission in conjunction with members of the Implementation Committee.

12. Effective Date:

These guidelines take effect from 1st January, 2005

NOTE:

- **EXPORT CERTIFICATE** is required on each consignment for all categories of export whether or not an exporter is eligible for the Export Expansion Grant. The certificate is obtainable from NEPC offices throughout the federation
- **FREE OF CHARGE (upon the submission of the pre-shipment documents)**
- **Application processing fee is hereby abolished**
- **Double dipping into government industrial incentives will not be allowed. (i.e beneficiaries of EEG are prohibited from enjoying other industrial incentives e.g. Manufacturers Export In-Bond Scheme)**

Export Processing Zones & Export Processing Factories : Oil & Gas Free Zone

The Free Port System

A Free Port is an enclosed area near to, or forming part of, a seaport or airport, in which imported

goods can be stored without payment of customs duty or taxes. These are only paid if the goods are delivered from the Free Port for consumption in the country in which the Free Port is situated.

If the goods are exported from the free port to another country, no Customs duty or taxes are payable. This avoids the onerous Customs legislation covering bonded warehouses and the procedures for claiming drawback or refunds of duty previously paid. Free Ports enable exporters to build up buffer stocks at the port or airport of loading, thus avoiding the need to use their own warehousing and the double handling involved. It is important to note at this stage, that legislation governing the operation of the Free Ports specifically excludes assembly and processes of manufacture, Permissible operations are limited to unpacking/repacking, sorting, grading, sampling and labeling etc., processes which do not alter the essential nature or state of the imported article.

Establishment of the Onne Oil & gas Free Zone

The Onne/Ikpokiri area of Rivers State was declared as an Oil & Gas Free Zone by Decree No. 8, which was published in Nigerian Government Gazette No. 12 of 29th March 1996. In terms of the Decree, Free Port Licenses are only issued to operators in the Oil and Gas related industries. This enables companies operating in those industries to use the Onne Free Port as a Distribution Center for their Nigerian and West African activities.

Attractions

To encourage potential investors to set up manufacturing operations in the Onne Free Zone, the Nigerian Government Decree provides the following incentives for approved enterprises. Nigerian taxes, levies, duties and foreign exchange regulations will not apply in the Free Zone. Repatriation of foreign capital investment in the Free Zone is permitted at any time with the capital appreciation of the investment. Profits and dividends earned by foreign investors in the Free Zone may be remitted overseas at any time. No import or export licenses are required. Up to 100% foreign ownership of the business in the Free Zone is permitted. Companies operating in the Free Zone may employ foreign management and other qualified personnel.

Free Port Licenses

Free Port Licenses will only be granted to Companies, which operate in the Oil, and Gas related industries and area registered with the Department of Petroleum Resources (DPR). Two types of license will be issued depending on the legal status of the applicant:

Special Licenses

Special licenses are granted to companies who are legally established and incorporated outside Nigeria. However, business can be undertaken and sales made in Nigeria through subsidiaries, appointed agents or distributors. A company with a special license is also allowed to purchase goods or services from Nigeria.

General Licenses

General licenses are granted to companies already holding do the Registrar of Companies in Nigeria and a permit issue valid Certificate of Incorporation from the DPR allowing the company to operate as an Oil and Gas Service company. Activities similar to those allowed by the companies existing permit will be authorized under the General license.

Export Processing Zones & Export Processing Factories : Negotiable Duty Credit Certificates (NDCC)

The **Negotiable Duty Credit Certificates (NDCC)** are an alternative to cash payment of export incentive claim under the Manufacturer-In-Bond Scheme and can be used to settle import duty payment due to Government by the beneficiary of the Certificate. The Certificate is jointly issued and

signed by the Nigeria Export Promotion Council and the Federal Ministry of Finance on behalf of the New Manufacturer-In-Bond Scheme Committee in respect of the incentive claims relating to Duty Drawback (DDS), Export Expansion Grant (EEG) and the Export Development Fund (EDF) Schemes.

Procedure

- i. Any holder or beneficiary of the Certificate can use it for his benefit or negotiate it with other interested parties on mutually agreed terms.
- ii. Where import duty is with NDCC designated banks are required to issue separate receipts with indication "for NDCC PAYMENT" stated therein to distinguish it from import duty receipts issued for Bank Cheque/Drafts.
- iii. The collecting bank shall forward the duplicate (Pink Cover) of the Certificate with a copy of the receipt and pay-in-slip to the Nigeria Customs Service as per method of the Cash-backed payments while the triplicate (white copy) will be forwarded to the office of the Accountant General of the Federation.
- iv. A copy of the receipt shall be issued by the Processing bank to the holder or beneficiary of the Certificate
- v. The collecting bank shall, thereafter, submit the original duly batched to the Assistant Director, Trade & Exchange Department Central Bank of Nigeria when making weekly returns and retain a photocopy for its records. Such returns shall be made on the Monday following the reporting week. For the avoidance doubt separate returns shall be rendered for cash backed and NDCC Import Duty Payments.

Transferability

All authorized dealers are to note that as a negotiable instrument the certificate is transferable by special endorsement to the transferee as mutually agreed between both parties. However a certificate is subject to three (3) transfers, with each transfer counter endorsed by an authorized signatory of the Nigeria Export Promotion Council (NEPC).

The designated banks are required to play the role of Intermediation to facilitate the operation of the Scheme.

Utilised Balance

In case of partial utilization, the collecting bank shall indicate the unutilized balance on the face of all copies of the certificate as well as on a photocopy of the original, which shall be handed over to the holder. Upon presentation to NEPC, the holder shall be issued with the outstanding value using specific denomination(s) for the unutilized balance.

Commission

A maximum of 50k (fifty kobo) per =N=1,000.00 (one thousand naira) only shall be payable by the beneficiary or holder of the certificate to the designated bank as administration charge on the utilized value of the certificate.

For Further Information, please contact:

The Assistant Comptroller-General (Excise & Industrial Incentives)
NIGERIA CUSTOMS SERVICE HEADQUARTERS,
ABIDJAN STREET, P.M.B. 26, ZONE 3, WUSE, ABUJA.
TEL/FAX: +234 09 523 4694

Export Processing Zones & Export Processing Factories : Pre-Shipment Agents

The Chief Liaison Officer

COTECNA INSPECTION LIMITED
4TH Floor, Marble House,
1 Kingsway Road,
Ikoyi, Lagos Nigeria

Tel.: 2692648, 2692649, 2695340
Fax.: 2690985
Telex: 28643 Cotins-ng

The Manager Operations.,
GOBAL SCAN **The Contract Manager**
S.G.S. SOCIETE GENERALE DE SURVEILLANCE, S. A
GLOBAL TRADE SOLUTIONS
Liaison Office Intercontinental Plaza
999 C Danmole Street, 4th Floor
M.B. 800048, Lagos Nigeria

Tel.: 611188, 610792, 2625347-50
Fax.: 2623042
E-Mail: nlagoslo@2sgsgroup.com

HOW TO GET STARTED

II.1.REGISTERING WITH C.A.C. (COOPERATE AFFAIRS COMMISSION)

In fact, the first step to exporting is to have a registered company, certified by the cooperate affairs commission (CAC) as a limited liability company.

Some of the agencies you will be dealing with in the course of export transaction will demand the following:

Certificate of Incorporation

Articles and memorandum of association

Form C07

Note that to get your company registered and also obtain the above mentioned documents, you need to employ the services of a cooperate attorney/lawyer or a certified chartered public accountant (CPA) to avoid the bureaucracy associated with business registration.

REGISTERING WITH THE NIGERIAN EXPORT PROMOTION COUNCIL (NEPC)

This body has the sole responsibility of certifying companies as qualified to embark on exportation. They also play a supervisory role and ensuring that products of exports are of international standard-compliant and that products are not on the prohibited list. At NEPC, there is a list showing that companies are not permitted to export. These include:

Maize, timber (whether rough or sawn), raw hides and skin and all unfinished leather, scrap metals, unprocessed rubber latex and rubber lumps, artifacts, and antiquities. Also in the list are wild lives animals classified as endangered species and their products e.g. crocodiles, elephant, lizard, eagle, monkey, zebra, lion etc

The relevant application forms which costs five hundred naira can be obtained at any of the NEPC zonal offices nationwide is to be duly completed and returned which is to be accompanied with the following documents:

- I. Copy of certificate of incorporation/ Evidence of registration (applicable to cooperative societies)**
- II. Articles and Memorandum of Association**
- III. Certified true copy of Form C07 (Particulars of directors of the company)**

The form costs five hundred naira and it is to be submitted with further five thousand naira for certification. Registration takes approximately two days after submission of all required documents. The exporter is then issued with a certificate and inscribed with a code number.

At the moment, annual renewal of registration with NEPC is three thousand naira, and evidence of export performance in the year preceding should be accompanied with the renewal application.

II.3.LIST OF NIGERIAN EXPORT PROMOTION COUNCIL ZONAL OFFICES NATIONWIDE

<p>HEADQUARTERS Nigeria export promotion Council 40, Blantye Street Wuse II P.M.B, 133 Garki, Abuja Tel: 234-952230980</p>	<p>ENUGU ZONAL OFFICE NICON House 2nd floor S/14 Caanedra drive, Independent layout, P.M.B. 1611, Enugu, Tel: 042-457857, 452344</p>	<p>BENIN ZONAL OFFICE Edo state secretarial building, 6th floor, Sapele road, P.M.B. 1160, Benin City, Edo state. Tel: 8023141575, 090-417394</p>
<p>GUSAU ZONAL OFFICE: Danyadado Shikafi House No. 7 Sani Abacha Way, Gusau, Zamfara State. Tel: 063-203075, 203071</p>	<p>OWERRI ZONAL OFFICE: State Secretariat Complex, Orlu road, Owerri, Imo state. Tel: 087-654321, 08033431261</p>	<p>PORT-HARCOURT ZONAL OFFICE 8th floor, federal secretariat, PMB 5163, PH, Rivers state. Tel: 084-233826, 084-330620, 080641064876</p>
<p>LAGOS ZONE Nigeria export promotion Council Headquarters Annex 13\15 Ladipo Oluwole Street Apapa, Lagos Tel: 01-5803320, 01-8948670</p>	<p>JOS ZONE Nigeria export promotion Council 14, Langtang Street, Jos Plateau State Tel: 073-455893, 073-459763</p>	<p>AKURE ZONE Nigeria export promotion Council. Ondo State Property and Development Corporation Opposite federal school of Agriculture, Ijapo Estate, Akure, Ondo State. Tel: 034-216548, 034-40238</p>
<p>KANO ZONE Nigeria export promotion Council 16, New Court Road Off Zoo Road, Gyadi-gyadi Kano</p>	<p>BENIN ZONAL OFFICE: Nigerian Export Promotion Council, Export house, Block Ondo state housing corporation, Ijapo estate, Ado-Ekiti road, Edo state secretarial building, 6th floor, Sapele road, P.M.B. 1160, Benin City, Edo state. Tel: 08023141575, 090-417394</p>	<p>GUSAU ZONAL OFFICE: Danyadado Shikafi House No. 7 Sani Abacha Way, Gusau, Zamfara State. Tel: 063-203075, 35203071</p>
<p>ABA ZONE Nigeria export promotion Council</p>	<p>MINNA ZONAL OFFICE Niger State Supply, Company Complex,</p>	<p>MAIDUGURI ZONAL OFFICE Sherilson Super Store</p>

3, Casia Avenue, GRA, Aba, Abia State. Tel: 082-221204	Mohammed Mu'asu road, Minna, Niger State. Tel: 066-221585, 066-224901	Bama road, PMB 1089, Maiduguri, Tel: 076-234712
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3.0. HOW TO SOURCE PRODUCTS FOR EXPORT

Every exporter is strongly advised for their best financial interest to select product(s) which they intend to export based on **accessibility** and **availability** (such that it must be easily sourced). The said export products should be procured from merchants who are based in rural areas where such products are either grown or produced. If the product is manufactured, hence the exporter should buy from the direct manufacturer. The reason for the above exercise is such that the exporter could procure the export goods at a very cheaper price for profit maximization and also for the exporter to remain competitive in the international market. With respect to the sensitiveness of export market requirements, prospective exporters are advised to source products from product merchant that understand the export market requirement of the commodity in question.

3.1. LIST OF EXPORTABLE PRODUCTS OF NIGERIAN ORIGIN

Nigeria's export policy is focused on non-oil export sector which comprises the following categories:

MANUFACTURED GOODS

Alkylate
Aluminum
Auto components
Alcoholic beverages
Baby clothes & other baby products
Bottles (empty)
Billets
Chemicals
Carbon black
Cocoa butter
Cocoa cake
Cocoa powder
Cocoa liquor
Confectioneries
Cosmetics & Soaps
Cylinders
Detergents
Doors (wooden)
Drilling equipment
Electrical wires
Furniture components
Filaments
Glass sheets
Glycerin
Hoof powder

Insecticides
Lubricants
Malt drinks
Palm kernel cake
Peugeot cars
Leather & Foot wears
Tires & tubes
Textiles & garments
Wire rod coils
Rebars/ round steel
Flat sheets
Semi blooms
Structures (Iron)

AGRICULTURAL COMMODITIES

Cassava
Cashew nut
Charcoal
Chilies (Dried)
Cocoa beans
Coffee
Cotton lint
Cotton seed
Cow horns
Fish
Fruits
Ginger
Groundnut
Gum Arabic
38
Kola nuts
Poultry
Rubber
Sesame seeds
Sheanuts
Shrimps

skins
Snails
Tobacco
Vegetable oil
Wheat pellets
Yam

SERVICES

Movies
Music and other services

SOLID MINERALS

Aqua marine
Bauxite
Columbite ore
Calcium carbonate
Coal
Gold
Galena
Gypsum
Ges
Iron ore
Kaolin
Lead ore
Marble stone
Pyrite
Sapphire
Tin
Tin metal ingot
Tourmaline
39
Tantalite
Wolframite
Zinc alloy ingot
Zinc ore
Zircon

HANDICRAFTS

Talking drums
Calabash carvings
Wood carvings
Raffia products
Metal carvings
Hand woven textiles
Beads
Pottery
Paintings (color & canvass)

PHARMACEUTICALS

Analgesics
Antibiotics
Disposable injections
Antipyretics
Anti malaria
Anti histamine

PROCESSED FOODS, VEGETABLE & SPICES

Ginger
Garlic
Ukazi
Cassava flour & derivatives
Garri
Locust beans
Yam flour
Plantain flour
Ground rice
Ground maize
Ground crayfish
Bitter leaf
Ground melon
Dehydrated vegetables
Horticultural products
Okra
Mangetout (French beans)
Mangoes

Pineapple
Sugar cane
Cut live flowers

3.2. EXPORT PRODUCT PROCESSING & QUALITY CONTROL

Since our major focus here is the export market, it is necessary to consider the processes involved in other to make it adequate for the export market.

Some of the indexes which are of major focus when determining the quality of products to be exported include: **MOISTURE, ASH CONTENT, DIMENSION, COLOR, OIL CONTENT, FREE FATTY ACID, ADMIXTURE E.T.C.**

Sample of an export market requirement specifications for COAL

SAMPLE INDENTIFICATION

PERCENTAGE MASS

Moisture content.....	0.1%
Ash Content.....	4.0%
Volatility.....	28%
Carbon Fix.....	80%.
Hydrogen.....	20%
Oxygen.....	12.5%
Nitrogen	4.0%
Sulphur.....	0.4 %
Other Matter.....	0.01%

Subsequently, maintaining a good quality control is a prerequisite for a successful exporting business. This implies that products must be free of foreign matter such as stone, dirt, papers, nylon, etc. These will not only add unnecessary

weight but might also contaminate the product especially such products that are useful for medical and food processes.

PRODUCT PACKAGING

It is important to note that there is no standard packaging method for any export product. The reason being that it is only the prospective importer that can specify the packaging method approved for a particular product in their country home. Therefore, exporters must seek the consent of their buyer before packaging. As a matter of fact, the packaging requirement will be clearly stated in the export contract which must be strictly adhered to.

In practice, most agro and allied commodities meant for export could be packaged in **JUTE or POLY PROPYLENE (PP)/ MESH** bags. Commodities like charcoal could be packaged in **BULK** such that the product is tipped directly into the container without need for any packaging material.

4.0. International commodity pricing

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It must be acknowledged that there is an approved international price for all exportable commodities. It is the responsibility of both the exporter and importer to agree on a price that will serve their interest. You can check the NEPC international price catalogue for more information. The international price of commodities is dependent on the following factors:

- i. Quantity and quality
- ii. Local cost of procurement and logistics
- iii. Terms of payment and delivery
- iv. Prevailing local economic factors

4.1. METHODS AND TOOLS OF PAYMENT IN EXPORTING

The process of exporting is incomplete without receipt of payment. Export income is considered earned only when payment has been received. Below is the most recognized method of payment in exporting:

4.1.1. Letter of Credit (L/C)

The most popular and a safer method of international payment is by a confirmed irrevocable letter of credit at sight. The **documentary credit**---**letter of credit, documentary letter of credit, or commercial letter of credit**---is an arrangement whereby the applicant (the importer) requests and instructs the issuing bank (the importer's bank) or the issuing bank acting on its own behalf,

- pays the beneficiary (the exporter) or accepts and pays the draft (bill of exchange) drawn by the beneficiary, or
- authorizes the advising bank or the nominated bank to pay the beneficiary or to accept and pay the draft drawn by the beneficiary, or
- authorizes the advising bank or the nominated bank to negotiate, Against stipulated document(s), provided that the terms and conditions of the documentary credit are fully complied with. For purpose of maintaining uniformity in the text, the words "**letter of credit**", "**credit**" and "**L/C**" are used on this website to refer to the documentary credit.

TYPES OF LETTERS OF CREDIT

Irrevocable versus Revocable Letters of Credit

A letter of credit (L/C) can be irrevocable or revocable. The L/C usually indicates whether it is an irrevocable or revocable letter of credit. In the absence of such indication, the L/C is deemed to be irrevocable. **Irrevocable Letter of Credit** An **irrevocable letter of credit** cannot be amended or cancelled without the consent of the issuing bank, the

confirming bank, if any and the beneficiary. The payment is guaranteed by the bank if the credit terms and conditions are fully met by the beneficiary. The words "**irrevocable documentary credit**" or "**irrevocable credit**" may be indicated in the L/C. In some cases, an irrevocable L/C received by the beneficiary may become invalid without the amendment or cancellation of such L/C, for example, when the trade between importing and exporting countries is suspended such as in a trade sanction, or when the issuing bank has ceased operation. There have been cases of an irrevocable L/C being amended without the consent of the beneficiary in the. The beneficiaries affected were export-manufacturers from a developing country.

The importers were able to convince and instruct the issuing bank to amend the latest date for shipment in the L/C, changing to a date earlier than the agreed upon date, at which time the beneficiary would not be able to ship the OEM products. The importers used sneaky tactics that aimed to cause the beneficiaries to default in the delivery. The intention of the importers was to cancel the orders from the existing OEM suppliers and buy from other suppliers in another developing country where the prices had become lower. In the event of an amendment like the above-mentioned case, the beneficiary must give notification of rejection of amendment to the bank that advised the amendment at once.

Irrevocable and Without Recourse Letter of Credit

The irrevocable letter of credit received from an advising bank may be indicated as "**irrevocable and without recourse documentary credit**". The words "**without recourse**" mean that the advising bank will not be able to recover the money paid to the beneficiary in case the issuing bank does not pay the advising bank.

Revocable Letter of Credit

A **revocable letter of credit** can be amended or cancelled by the issuing bank at any time without the consent of the beneficiary, often at the request and on the instructions of the applicant. There is no security of payment in a revocable letter of credit (L/C). The words "**this credit is subject to cancellation without notice**", "**revocable documentary credit**" or "**revocable credit**" usually is indicated in the L/C. The revocable L/C was not uncommon in the 1970's and earlier when dealing with less developed countries. It is rarely seen these days in international trade.

Confirmed Irrevocable versus Unconfirmed Irrevocable Letters of Credit

Confirmed Irrevocable Letter of Credit

An irrevocable letter of credit (L/C) opened by an issuing bank whose authenticity has been confirmed by the advising bank and where the advising bank has added its confirmation to the credit is known as **confirmed irrevocable letter of credit**. The words "**we confirm the credit and hereby undertake ...**" or "**we add our confirmation to this credit and hereby undertake ...**" normally are included in the L/C.

An exporter whose method of payment is a confirmed irrevocable L/C is assured of payment even if the importer or the issuing bank defaults. The confirmed irrevocable L/C is particularly important from buyers in a country which is economically or politically unstable. In a confirmed letter of credit, the exporter or the importer pays an extra charge called the **confirmation fee**, which may vary from bank to bank within a country. The fee usually is added to the exporter's account. The exporter may indicate in the sales contract that the confirmation fee and other charges outside the seller's country are on the buyer's account.

Unconfirmed Irrevocable Letter of Credit

An irrevocable letter of credit (L/C) opened by an issuing bank in which the advising bank does not add its confirmation to the credit is known as an **unconfirmed irrevocable letter of credit**. The promise to pay comes from the issuing bank only, unlike in a confirmed irrevocable L/C where both the issuing bank and the advising bank promise to pay the beneficiary.

Revolving Letter of Credit

When a letter of credit (L/C) is specifically designated "**revolving letter of credit**", the amount involved when utilized is reinstated, that is, the amount becomes available again without issuing another L/C and usually under the same terms and conditions. The revolving L/C may be used in shipments of a wide range of goods to a buyer within a period of time (several months to one year usually).

4.1.2. DOCUMENTARY COLLECTION

Documentary collection is necessary when the draft is drawn on the importer. The exporter must give instructions to the collecting bank on what to do with the draft and shipping documents in **documentary collection instructions**, also known as a **collection letter** or **letter of instructions**. Such letter provides the conditions under which the collecting bank can release documents to the importer and the actions to be undertaken. The format of the instruction forms and drafts may vary from bank to bank, but they basically have the same information. The forms and drafts are available at banks.

Uniform Rules for Collections

The **Uniform Rules for Collections**, ICC Publication No. 322, which describes the conditions governing collections (including those for the presentation, payment and acceptance terms), is issued by the International Chamber of Commerce (ICC) in Paris, France. The Uniform Rules for Collections and other ICC publications are available at your

local Chambers of Commerce affiliated with the International Chamber of Commerce.

"TENOR "

The **tenor** is the credit term of the draft. It can be at sight (in a sight draft) or after sight or after date (in a term draft).

"... CASE OF NEED ... "

The **case of need** is the party in the importer's country named by the exporter who may assist in obtaining payment or acceptance of draft or who may be empowered by the exporter to act fully on his/her behalf---waiving of protest, allowing a discount, etc. Whether the case of need is 'for guidance' or 'accept their instructions', put an **X** in the appropriate box.

... DOCUMENTS AGAINST PAYMENT "

In the **documents against payment (D/P) ---documents on payment (DOP or D/P) ---**the documents attached to the draft (bill) drawn by the exporter and needed to obtain goods are deliverable to the importer only after he/she has paid the draft. The document against payment (D/P) applies to a sight draft.

" ... DOCUMENTS AGAINST ACCEPTANCE "

In the **documents against acceptance (D/A) ---documents on acceptance (DOA or D/A)---**the documents attached to the draft (bill) drawn by the exporter and needed to obtain goods are deliverable to the importer only after he/she has accepted the draft for payment later. The documents against acceptance (D/A) applies to a term draft.

“REMIT PROCEEDS ... ” When the payment is received by the collecting bank, it remits the proceeds to the remitting bank. The remitting bank then credits the account of the exporter, less applicable charges.

**" PROTEST " and
" DO NOT PROTEST "**

The **protest** is the legal action to be undertaken by the collecting bank, at the instructions of the exporter, in case the importer does not pay a sight draft, or does not accept a term draft, or does not pay an accepted draft on maturity. In practice, the protest usually is required by the exporter and it is made within three (3) working days after the presentation or maturity date. In certain countries, failure to protest may cause the exporter to lose the legal rights against the importer.

In cases where the instruction is 'do not protest', such instruction may encourage inaction or deferred payment by the importer. In some countries, particularly in the West, protest against the importer may spoil his/her credit standing. Hence, the importer is encouraged to act promptly if 'protest' is instructed by the exporter.

“COLLECT INTEREST ... ”

The interest charge, if any, normally is agreed upon between the exporter and importer. It is either built into the export price or collected separately. Under certain pre-arranged credit terms, a discount may be allowed on the early payment of a term draft.

“COLLECT ALL YOUR BANK CHARGES ... ”

In practice, the collecting bank may not collect some of their charges despite that instructions to collect all their charges is given.

4.1.3. OPEN ACCOUNT

In an **open account** trade arrangement, the goods are shipped to a buyer without guarantee of payment. Quite often, the buyer does not pay on the agreed time. Unless the buyer's integrity is unquestionable, this trade arrangement is risky to the seller.

4.1.4. CONSIGNMENT

In a **consignment** trade arrangement, the seller ships the goods to the buyer when there is no purchase made. The buyer is obliged to pay the seller for the goods when sold. The seller retains title to the goods until the buyer has sold them.

4.1.5. CASH IN ADVANCE (CID)

The cash in advance, which is the safest term of payment, most often is effected using the cheque or bank draft. In some cases, the CID term is paid using the telegraphic transfer (T/T).

4.2. TOOLS/ INSTRUMENTS OF EXPORT PAYMENTS

Below are some of the means through which an exporter can repatriate proceeds of export:

4.2.1. CHEQUE AND BANK DRAFT

In exporting to the offshore countries, payment by cheque and bank draft occur more often in a small order, ranging from a few hundred to a couple of thousand U.S. dollars. Cheques and bank drafts are often used in open account and consignment trade arrangements. Both large and small companies may default in their payments, regardless of the amount involved. In times of economic uncertainty, both large and small companies may go out of business. It is important to receive the cheque or bank draft before releasing the shipment. Unless the integrity of the importer is known, it is very important to wait until the cheque or bank draft has cleared before the shipment. International clearing of cheques and bank drafts takes 3 to 4 weeks usually

(except in a sight draft with a paying bank in the seller's country).

Not all cheques and bank drafts are genuine, and not all genuine cheques carry a cash value.

4.2.2. TELEGRAPHIC TRANSFER (T/T)

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The **telegraphic transfer---cable transfer** or **wire transfer**--is the equivalent of a cash payment that can be credited directly to the seller's account (the name and address of the seller's bank and the seller's bank account number are required by the buyer's bank). It is fast and safe. Unlike a payment by cheque or bank draft, in which the mailing time alone may take several days to few weeks, plus the clearing time of 3 to 4 weeks for a total of about 4 to 6 weeks before the seller may receive the cash, by means of T/T the seller may receive the cash in a few hours or days. It is important to wait until the T/T has been received before making the shipment, especially when the integrity of the buyer is unknown.

For an exporter to successfully repatriate export proceeds, he must have an active cooperate domiciliary account with any reputable commercial bank in Nigeria. Such an account could be a Dollar, Euro or Pounds sterling. As a professional, I advise that every exporter should operate three currency accounts for flexibility. Upon opening of a domiciliary account, the exporter should request for his commercial bank's offshore account details which must be presented to the foreign buyer in this format;

**NAME OF CORRESPONDENT BANK: Eg CITIBANK
NEWYORK**

**ADDRESS OF CORRESPONDENT BANK: 111 WALL
STREET, NEW YORK, NY 10043, USA**

ACCOUNT NUMBER... (USD/EURO/POUNDS)

SWIFT CODE...

ROUTING...

BENEFICIARY BANK...Eg SPRING BANK PLC

SWIFT CODE...

FOR FURTHER CREDIT TO.....EXPORTERS

ACCOUNT NAME

ACCOUNT NUMBER... EXPORTERS DOMICILIARY

ACCOUNT NUMBER

Sample Document:

**Documentary Collection Instructions and Draft
(Collection Letter and Draft)**

4.3.0. TERMS OF EXPORT PAYMENT

The terms of payment valid are:

- Bank transfer by means of payment order
- Bank transfer by T/T
- Cash against document (CAD)
- Cash against delivery
- Prepayment of a certain % of the contract value
- Any other type of payment agreed upon

5.0. EXPORT CONTRACT

Having understood the primary rudiments on how to embark on an export transaction, the next step would be to seek a genuine foreign buyer/ consignee/ importer of the product that you have selected to export. The prospective importer might place an order for your products upon receiving your proposal/ letter of offer to supply the product in question.

The demand/ order for your goods by a foreign importer is called a firm **EXPORT ORDER** and you as an exporter must ensure that it is genuine.

This order must be constituted by

ELEMENT OF EXPORT SALES CONTRACT

Sales contract for export must contain the following elements.

- Contract number

- Full name and address of buyer and seller
- Name of product/ goods
- Product specifications
- Quantity required
- Packaging method and standard required by buyer
- The agreed export price
- Port of shipment (e.g. Tin can Island port)
- Port of delivery (e.g. Antwerp port)
- Terms of sale (FOB, CNF, CIF, etc.)
- Method of payment (L/C, documentary collection, open account, etc.)
- Shipment/ delivery term (e.g. Cargo to be shipped two weeks upon confirmation of payment instrument)
- Contract value

Name and signature of representatives of both buyer and seller However, to get an export order or contract is the responsibility of the exporter.

ONLINE METHOD

The online method involves the use of online trade portals in locating trade leads posted on the internet indicating interest to purchase Nigerian products. It also involves the use of emails to respond to such offers to buy Nigerian products.

ROLES OF THE INTERNET IN INTERNATIONAL BUSINESS

At this stage, I feel delighted to mention that the roles of the internet especially in international business cannot be over emphasized

- It is the safest, fastest and cheapest means of communication.
- You can freely source for the contact of interested buyers of any product.
- Products can also be advertised to the whole world at a peanut if not for free.

Considering the above therefore, the exporter must have a valid and functional email address and must know how to access it on the net, sending and receiving emails etc.

USEFUL ONLINE INTERNATIONAL TRADE DIRECTORIES

The most important step in establishing contact with foreign buyers in need of products of Nigerian origin is by signing up with any of the under listed trade directories

www.alibaba.com

www.howtrade.com

www.tradekey.com

www.busytrade.com

www.importers.com

www.india-mart.com

You can also search for more directories with the Google search engine at <http://www.google.com>.

SAMPLE: LETTER OF OFFER

7th September, 2008

The director,
Commercial department
Dear Sir,

Letter of offer to supply hardwood charcoal

Please permit me to introduce our company. We are B.C. & Bros. Int'l Nig. Ltd an international trade outfit registered under the companies and allied matters act of the federal republic of Nigeria.

We are also licensed to embark on export transaction by the Nigerian Export Promotion Council.

We offer in principle hardwood charcoal with the following terms:

Product name: Hardwood charcoal

Country of origin: Nigeria

Specifications: moisture content 8% max, ash content 7%max, non volatile matter 4%max, fix carbon 80% min, dimension 30-100mm (no dust below 20mm) triple sieved with mesh, no unburnt wood.

Packaging method: Bulk

Port of loading: Tin can Island Port, Lagos

Price: 160euro/ton, FOB, Lagos

We look forward to a mutually profitable business relationship.

Best regards,

Your name

CEO

Olympeak Nigeria Ltd
08033224392

Upon acknowledgement and acceptance of offer by the prospective buyer and a method of payment agreed by both parties, an export sales contract is signed between buyer and seller.

SAMPLE: EXPORT SALES CONTRACT

Contracted to be drafted with COMPANY LETTERHEADED PAPER with contact details

7th September, 2008

EXPORT SALES CONTRACT FOR THE SUPPLY OF SESAME SEED

This contract is for the sale of sesame seed and should be utilized solely for the purpose of this transaction

Contract number: KBS/0908/001

Buyer's details

Company name: HASSAM GROUP

Address: 10 Hatam road by Tequila square

City: Abu Dhabi

Country: UAE

Phone/ fax: +98234564105, +98235678197

Contact person: Mr. Abdul Hassan

Seller's details

Company name: Olmpeak Limited

Address: Suite 34, Ketu Shopping Complex

505 Ikorodu road Lagos

City: Lagos

Country: Nigeria

Phone/ fax: +2348734785

Contact person: Mr. Tunji Oladele

Name of product: Sesame seed

Country of origin & supply: Nigeria

Specifications Color: white

Oil content: 48-50%

Moisture content: 12%max

FFA: 2%max

Admixture: 2%max

Packaging: 50kg pp bags

Quantity: 30MTS (2 X 20 feet containers)

Price: 2,000US\$/ Ton

Contract value: US\$60,000 (Sixty thousand naira only)

Incoterm: FOB, Lagos

Method of payment: 100% confirmed irrevocable letter of credit

Terms of payment: 100% payment to be effected upon sighting of shipping documents

Method of delivery: By sea

Terms of delivery: Product to be stuffed into 20' containers two weeks upon confirmation of payment instrument.

Buyer's signature/date..... Seller's signature/date.....

Summary of Export-Import Procedure

EXPORT-IMPORT PROCEDURE

1

Seller and Buyer conclude a sales contract, with method of payment usually by letter of credit (documentary credit).

2 Buyer applies to his issuing bank, usually in Buyer's country, for letter of credit in favor of Seller (beneficiary).

3 Issuing bank requests another bank, usually a correspondent bank in Seller's country, to advise, and usually to confirm, the credit.

4 Advising bank, usually in Seller's country, forwards letter of credit to Seller informing about the terms and conditions of credit.

5 If credit terms and conditions conform to sales contract, Seller prepares goods and documentation, and arranges delivery of goods to carrier.

6 Seller presents documents evidencing the shipment and draft (bill of exchange) to paying, accepting or negotiating bank named in the credit (the advising bank usually), or any bank willing to negotiate under the terms of credit.

7 Bank examines the documents and draft for compliance with credit terms. If complied with, bank will pay, accept or negotiate.

8 Bank, if other than the issuing bank, sends the documents and draft to the issuing bank.

9 Bank examines the documents and draft for compliance with credit terms. If complied with, Seller's draft is honored.

10 Documents release to Buyer after payment or on other terms agreed between the bank and Buyer.

11 Buyer surrenders bill of lading to carrier (in case of ocean freight) in exchange for the goods or the delivery order.

6.0. FREIGHT FORWARDING

Freight forwarder

This is a specialized firm and it performs the following functions on behalf of the exporter

Advising on the best route to undertake and the relative shipping cost Booking the necessary space and containers with the shipping line

Arranging with the exporter for packaging and subsequent marketing of the goods Consolidating shipments from different exporters (Groupage)

Handling customs insurance abroad Arranging marine insurance for the shipment Preparing the export documents

Arranging for transport that will convey container to and from the stuffing warehouse back to the port of shipment.

In other words, the freight forwarder who in most cases is a customs broker is the one that actually tells an exporter the cost of shipping and insurance.

SHIPPING DOCUMENTS

These include

Final commercial invoice:

This is the exporting firm's invoice, addressed to the importer describing

- The goods shipped,

- Unit price of each commodity that was shipped and

- The total amount that must be paid

The exporter may also be asked to when providing an export quotation for the foreign buyer to supply a **PROFORMA INVOICE** to the buyer. This document shows the foreign buyer what the commercial invoice would look like if an order is placed. The exchange authorities in the foreign country some times require it before an import license is issued.

Certificate of origin:

This is a document which indicates the country in which the goods were produced. It is required whenever preferential duties are claimed.

Bill of lading: The shipping company that is transporting the goods to their foreign destination, listing items by items and the goods being shipped. It serves three basic purposes:

- To acknowledge the receipt by the carrier of the exporter's goods

- To indicate the carrier's contractual obligation to transport the goods to their destination in exchange for payment

- To record transfer of title (or ownership) from the seller to the buyer when payment of the goods takes place

Certificate of quality and quantity: This is a document issued by a reputable inspection agency such as **SGS, Alexis Stewart, Alfred Knight, Cotectna, Bureau Veritas** etc. certifying the quantity and quality of shipment made by the exporter. The essence is to ensure that a third party confirms what the exporter has declared in his shipping documents.

7.0. HOW TO OPEN AN EXPORT TRANSACTION

According to federal government's regulation stipulating that all export transaction must be well documented to ensure a comprehensive monitoring of all export activities in the non oil sector. Subsequently, such documentation will assist government in keeping a detailed statistics on the performance and impact of non oil export to our national GDP. Official export documentation is necessary so as to ensure adequate sanity in the Nigerian export business environment. A well documented export transaction will also act as an evidence for the exporter when it files an application for the collection of government grant for all export.

To this end, all exporters are charged to comply strictly with regulations laid down by the relevant authorities as it concerns export.

To open an export transaction, an exporter approaches the foreign trade department (FT) of his receiving or advising bank where he has an active cooperate domiciliary account and then completes **Nigerian Export Proceeds (NXP)**

Form popularly called NXP form. This form is synonymous with “FORM M” for import. This form must be duly filled in sextuplicate and returned to the bank with the following accompanying documents

- PROFORMA INVOICE**
- CERTIFICATE OF INCOPORATION**
- EXPORT LICENSE**
- REQUEST FOR INSPECTION (RFI) FORM**

The receiving bank officer will then sign, acknowledging receipt of the NXP form, proforma invoice and other relevant documents from the exporter. The exporter after submitting the said documents is mandated to pay for NIGERIAN EXPORT SUPERVISION SCHEME (NESS). In return, the bank officer issues the exporter photocopies of the **Duly completed NXP form**

- Proforma invoice**
- Ness charge receipt (original and photocopy)**

These are the documents which the exporter will issue to his freight forwarder or customs broker for subsequent booking of container/ cargo space for shipping.

STEP BY STEP PROCEDURE ON HOW TO EXPORT ANY NIGERIAN PRODUCT

Seller (prospective exporter) incorporates company and subsequently registers business with the Nigerian Export Promotion Council (NEPC).

Seller approaches bank and opens a cooperate domiciliary account (USD/EURO/POUNDS) with which the company can repatriate export payments (payments).

Seller gathers information as it concerns the source for the procurement of the commodity intended for export. Seller should try as much as possible to gather as per the export market requirement of the commodity for export. Seller must ensure that product is available in

large quantity such that it would meet the minimum order that could be requested by buyer (foreign importer). At this stage the services of an export consultant/ facilitator/ manager would be both invaluable and indispensable because of the pitfalls it would save the new exporter from falling into. Seller embarks on a massive search for the buyer of the commodity in question. The search could be done online or offline.

Buyer and seller conclude an export contract with a secured and confirmed method of payment.

Seller may investigate buyer's genuineness

Seller approaches bank and opens NXP for the transaction. Seller approaches a reliable freight forwarder who advises on the best shipping line, routes and any other documentation that may be relevant for that transaction. Seller consolidates with credible suppliers of the commodity intended for export to ensure timely delivery of commodity for export.

Upon arrival of goods, freight forwarder arranges for transport and containerization of goods.

Loaded container is dropped at the shipping terminal for Subsequent shipment.

Upon sailing of carrier vessel, shipping line issues seller with debit note. Seller obtains bill of lading from shipping line after payment of charges as indicated in the debit note.

Seller deposits shipping documents with the receiving/ collecting bank that subsequently sends them to buyer's bank for remitting of export proceeds.

Upon receipt of payment, seller prepares for another export transaction.