AN APPRAISAL OF EXPORT PROMOTION IN NIGERIA UNDER THE STRUCTURAL ADJUSTMENT PROGRAMME (SAP)

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BEING A PROJECT SUBMITTED TO THE POST GRADUATE SCHOOL OF THE AHMADU BELLO UNIVERSITY, ZARIA, IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA)

DEPARTMENT OF BUSINESS ADMINISTRATION
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DECLARATION

I hereby declare that this project has been written by me. And that all information used in this project were obtained from personal research and extensive readings and all references are fuly acknowledged.

BASHIR TIJJANI BABAJO

CERTIFICATION

This project entitled "AN APPRAISAL OF EXPORT PROMOTION IN NIGERIA UNDER THE STRUCTURAL ADJUSTMENT PROGRAMME (SAP)", meets the regulations governing the award of degree of Master of Business Administration (MBA) of Ahmadu Bello University, Zaria, and is approved for its contribution to knowledge and literary presentation.

....
SIGNATURE OF SUPERVISOR DATE

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SIGNATURE OF EXTERNAL EXAMINER DATE

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SIGNATURE OF HEAD OF DEPARTMENT DATE

..... 16/7/97
SIGNATURE OF DEAN POST-GRADUATE SCHOOL

DEDICATION

I dedicate this project to the memory of my late Grand Father Alhaji Babajo and tc my father, Alhaji Tijjani Babajo and my mother Hajiya Hafsatu Tijjani Babajo.

ACKNOWLEDGEMENT

I am greatly indebted to a number of people who are too many to mention here but who were very helpful and of immense assistance for the successful completion of this project. For all of them I am very grateful.

My special thanks and gratitude goes to my supervisor Dr. Sheikh Ahmed Abdullahi for sacrificing his time despite his tight schedule to supervise the writing of this project.

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ABSTRACT

Nigerian export development can be traced back to pre-independence period when the bulk of the Nigerian export were agricultural products, this continued up to the time of independence and immediately after.

But with the discovery of oil in 1958, the structure of the Nigerian export started to change and as from 1965, crude petroleum had emerged as the most important single export commodity, the dominance of agricultural products in Nigerian export trade began to dwindle. By 1973 oil boom had started in the country with the increase in the price of oil from US $3,561 per barrel on 1st January, 1973 to US $40 per barrel as at January, 1981. As a result of this, Nigeria's export earnings increased from N330.1 million in 1960 to N14,186 million in 1980.

The inherent weakness in the economy manifested when owing to the oil glut export earnings dropped from N14,186 million in 1980 to just N7,612.3 million in 1983. The decline which started in mid 1981 caused both internal and external disequilibrium.

To arrest the situation, the government introduced the structural adjustment programme (SAP) in 1986.

One of the main aims of SAP is to expand agricultural production and encourage non-oil export.

The study attempts to look at incentives provided in the Export (Incentives and Miscellaneous Provision) Decree and the impact of such incentives to the export sector of the economy.

Based on the analysis, it was found out that considerable achievements have been realised in foreign exchange generation, diversification and expansion of output.

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C H A P T E R O N E

INTRODUCTION

Nigeria's export history during the colonial period and immediately after independence was based around the traditional agricultural and mining products of cocoa, palm produce, groundnuts, rubber, cotton, hides and skin, tin, coal and columbite. During this period, agricultural products were the major export of Nigeria.

But with the discovery of oil in 1958, the structure of Nigerian export started to change and as from 1965 crude petroleum had emerged as the most important single export commodity, the dominance of agricultural products in Nigerian export trade began to dwindle. By 1973 oil boom started in Nigeria with the increase in the price of oil from US $3.561 per barrel on 1st January 1973 to US $40 per barrel as at January 1981. As a result of this, Nigeria's export earnings increased from ₦330 million in 1960 to ₦14,186 million in 1980.

The situation started to change with the oil glut, the export earning dropped from ₦14,186 million in 1980 to just ₦7,612.3 million in 1983. With this decline, internal and external disequilibrium emerged as industries could not import necessary input, and the public sector could not generate sufficient revenue. Retrenchment of workers was carried out and unemployment worsened while

the rate of inflation increased. The external disequilibrium resulted in the drying up of foreign Exchange Reserves which stood at ₦5,131 million in 1980 and declined drastically to ₦799 million as at 1983.

To arrest the situation, the government started negotiation for loan with International Monetary Fund (IMF) but was terminated in 1986 following the public debate on it. However during the second half of 1986, the economic recovery programme contained in the 1986 budget was developed into a formal IMF and World Bank Structural Adjustment Programme (SAP).

One of the major aims of SAP is to expand agricultural production through incentives and encourage non-oil exports. Therefore, Export (incentives and miscellaneous provision) Decree was established by Decree No. 18 of 1986 with a view to stimulate and boost export business in Nigeria and to reduce the dependency of the Nigerian economy on oil by diversifying into other sectors of the economy such as agro-allied industries.

1.1 THE PURPOSE AND OBJECTIVES OF THE STUDY

The purpose of undertaking this study is to find out the extent of the performance of the incentives employed under the Structural Adjustment Programme (SAP) to boost export development in Nigeria.

1.2 SCOPE AND LIMITATIONS OF THE STUDY

The scope of this study will cover export promotion in Nigeria particularly under the Structural Adjustment Programme (SAP) and the impacts of such incentives to the Nigerian export promotion drive.

The limitations of the study are in the areas of data collection. This study may require the use of figures and quantitatives data to establish the extent to which export incentives are effective in Nigeria. But in the absence of some information, the researcher is able to do with the available data for the successful completion of this project.

1.3 STATEMENT OF THE PROBLEM

Until 1986, no serious thought was given to export promotion in Nigeria. This was as a result of abundant flow of foreign exchange from oil. But with the decline of oil revenue, present and past government started looking elsewhere for the much needed foreign exchange to tackle the numerous problems of the country, hence the establishment of Decree 18 of 1986 under the Structural Adjustment Programme (SAP).

Six years after the adoption of these incentives, the question is how far has been achieved?

1.4 SIGNIFICANCE OF THE STUDY

The significance of this study is in the area of providing up-to-date information of the benefits of Decree 18 of 1986 to the exporting sector of the economy and as a contribution to knowledge since no publication has been written on the benefits of the Decree.

1.5 METHODOLOGY

Primary and secondary types of data were collected and analysed in undertaking this study.

Primary Data: Various discussions were held with officials of the Nigerian Export Promotion Council - the agency responsible for export promotion in Nigeria. Also Federal Ministry of Commerce and Tourism Abuja was contacted.

Secondary Data: In the course of this study, various publications were used. They include - Monthly and Annual Reports of Central Bank of Nigeria (CBN), Publications of Nigeria Export Promotion Council (NEPC) and proceedings of seminars organised by the Nigerian Export Promotion Council, etc.

CHAPTER TWO

LITERATURE REVIEW

2.1 BACKGROUND TO EXPORT

The depressed economic activities of most countries have led to increased attention to export promotion efforts. The aim of this study is to look at export promotion in Nigeria before and under the Structural Adjustment Programme. A programme designed to, among other things, encourage the promotion of non-oil export as a foreign exchange earner for the nation as well as to reduce the dependency of the Nigerian economy on oil by diversifying into other sectors of the economy.

According to Julius Onah, export promotion "is a way of stimulating businessmen to go into export business because through it the country's potentialities could be identified and utilised".

But in establishing which markets offer the best potential for his products, the exporter faces a variety of choice. One of which is should he direct his activities to the industrialised countries where competition will be greater, but where unique products are better understood and where information channels are better established? Or would he be more successful breaking new ground in the less developed countries where the long-term benefits may be greater. These and

hosts of other questions pose themselves as soon as exporting is considered.

The Nigerian Export Promotion Council (NEPC), a body charged with promoting export in Nigeria. gave the following factors for export success:-

- Identify which export markets offer the best opportunities as a result of the unique customer benefits conferred by the product.
- Establish clear objectives and targets for business, together with the appropriate information systems to measure how actual performance compare with targets.
- Make a careful assessment of the alternative methods of operation in the specific markets.
- If relevant, select the most suitable business partners.
- Provide the essential support services for effective marketing and,
- Obtain continuous market information feedback for future objectives setting and policy making.

2.2 FINANCIAL REQUIREMENTS OF EXPORTERS

Exporters are required to pay a significant attention to their financial planning so as to meet their

financial objectives, while exporters vary in the way they conduct their business, the general export financing requirements include the following:-

i. Working capital
ii. Inventory
iii. Trade credit, channel account receivable
iv. Consumer credit.
v. Long term credit for capital goods
vi. Capital Investment
vii. Market generation
viii. Accomodation of merchandise adjustments.

WORKING CAPITAL

Exporters need to maintain adequate working capital to ensure day-to-day running of their business. Due to the nature of export business, a lot of money is tied up for months and as such exporters' cashflow management should be effectively supervised to ensure the provision of working capital.

MARKET PENETRATION AND OTHER EXPENSES

While trying to identify foreign market potentialities, a lot of money may be expended on market survey. Information gathering and assessment of political and market risks may require the services of reputable credit rating agencies to which payment should be made.

Furthermore, in respect of other expenses such as shipping cost duties and other unforeseeable contingencies

associated with export business, a large sum of money may be demanded therefore, the need to have available funds becomes necessary.

INVENTORY

Adequate servicing of overseas market may require goods to be kept in warehouses at several locations, hence there is the need for the exporters to have enough funds at their disposal.

CAPITAL INVESTMENT

A lot of money is required to purchase machinery and equipment to be used for the purpose of production, so also marketing facilities such as warehousing and shipping docks, sales offices. Capital investment enables the exporter (especially manufacturing one) to ensure uninterrupted production or supply to customers. Consequently, the exporters will need to have capital as a first step in undertaking their business.

2.3 SOURCES AND TECHNIQUES OF EXPORT FINANCING

Sources of export financing can be broadly categorised into two namely:

(a) internal sources

(b) external sources.

Internal Sources

Nigerian exporters obtain short and medium terms financing facilities from commercial and merchant banks.

External Sources

The major external sources of export financing is through the international and regional banking system. For example the operation of foreign input facility (FIF) which is being financed from African Development Bank (ADB) Export Stimulation Loan (ESL) to Nigeria. Other sources are non-banking institutions, private credit agencies, buyers credit guarantee etc.

Techniques of Export Financing

The techniques of export financing provide a systematic approach to meeting the financial requirements of the exporters. Particular attention is given to the maturity of the financial instrument being used. Most of the financial schemes involved are being operated systematically through the banking system and the operation of private financiers, popular among such schemes include:

i. Short term credit - which does not exceed six months;

ii. medium term credit - which ranges from two to five years;

iii. Long term credit - which exceeds five years.

2.4 EXPORT PROCEDURE AND DOCUMENTATION

In modern international trade, the importance of documentation cannot be over-emphasised. With good

documentation a potential exporter will know the volumes of export, the number of exportable items, where they are found and what it takes to go into export. Incorrect documents cause delays at ports when clearing the goods through customs, resulting in extra costs, failure to meet delivery dates and in some cases, seizure of such goods. Unfortunately, some exporters fail to realise the importance of correct documentation and thus develop bad reputation for their export business.

In order to save extra costs and possible delays at the point of import, the potential exporter should ensure that he is fully acquainted with all aspects of the actual procedure involved in getting the goods from factory/farm gate to the consignee. It is, therefore, important to know what documentation will be needed:

(a) to get the goods out of the country of producer, and

(b) to get the goods into the foreign market

with the least possible delay and expense to custom entry. Also it is necessary to know what special certificates are required e.g. health, sanitary, free sale etc.

CLASSIFICATION OF GOODS

Most countries have now adopted the customs co-operation council nomenclature (CCCN) formerly known as the Brussels Trade Nomenclature (BTN). The CCCN is

comprised of 99 chapters with many sub-divisions in each chapter. The first four digits are similar in all countries using the CCCN and the EEC countries the first six digits are similar but any further breakdown in code numbers may vary from country to country. An exporter should be familiar with this trade code to ensure effective communication between him and his buyers though codification products in trade can hardly be misunderstood.

EXPORT PROCEDURE

In Nigeria an exporter, who should be a corporate body or a co-operative society, must register with the Nigerian Export Promotion Council. To do this, the exporter obtains the necessary form for ₦10.00 (ten Naira), complete and return with copy of the Certificate of Incorporation, Memorandum and Article of Association, certified copy of Form CO7 and the Current Tax Clearance Certificate. For a co-operative society the evidence of registration should be submitted in place of incorporation.

The exporter then proceeds to negotiate a sales contract, details of which should include quantity of goods, quality, period/date of delivery, price per unit, FOB, CIF or C & F, terms of payment either letter of credit or collection basis.

On completion of a sales agreement, an exporter completes Form NCD 3 (A) obtainable either from his bank, the Central Bank of Nigeria (CBN), Nigeria Export Promotion Council (NEPC) or the Federal Ministry of Trade. Exporters of solid minerals should obtain a letter of permission from the Federal Ministry of Mines and Power. For handicraft products, exporters should obtain clearance from the National Museum authorities to ensure that there are no prohibited items such as trophy from 'endangered wildlife species' in them. To facilitate shipment of his consignment, he should appoint a freight forwarder, insurer and shipper. Before the final shipment is effected, there are some additional relevant and necessary forms to be completed. Some of these details are explained below under export documentation.

EXPORT DOCUMENTATION:

1. **INVOICES**

There are different types of export invoices but the most commonly used are:

(a) Commercial invoices

(b) Custom invoices

(c) Consular invoices

(a) The basic commercial invoice is a document of fundamental importance because it fulfils many functions for example it is a suppliers bill for goods or services.

It is a detailed list showing unit prices, totals, weights and other specifications.

It is a check list for the customer and generally enables a particular consignment to be identified against a specific order. It could be a key document as evidence of value in an insurance claim. While it may not be contract of sale, it can act as evidence of the contract. Commercial invoices are required by the overseas buyer and must contain the necessary information.

(b) Customs Invoices or Commercial Invoices with declaration. Normally commercial invoices are accepted by customs but they must have a signed declaration by the exporter. Customs authorities in the importing country will specify the number of copies they require. When particular declarations are required by the importing country, the exporter should check whether original signatures should be used.

(c) Consular Invoices are mandatory when shipping to some South American countries. There are specifically printed documents which must be in accordance with the requirement and visaed by the Consulate at a small cost. It is necessary to insert all relevant details covering the cargo, its value, port of entry, details of any letters of credit etc. These documents must be obtained within dates of sailing e.g. within seven days after the departure of the carrying vessels.

2. FORM NCD 3(A)

This is a Central Bank of Nigeria form which has been designed in accordance with Exchange Control Act of 1962 for exports from Nigeria involving foreign exchange. Its purpose is to ensure the repatriation of the proceeds from exports. This form is obtainable from the Central Bank of Nigeria, commercial/merchant banks, Federal Ministry of Trade and the Nigerian Export Promotion Council.

The revised form NCD 3(A) which has been in use as from 1st January, 1988 is in a set of six copies. A set of this form after completion, will be disposed of as follows:- the exporter or his agent should first take the set of completed from NCD 3(A) to the collecting/negotiating bank for their stamping and endorsement. The bank retains the original and duplicate copies and despatches the triplicate copy to the Central Bank of Nigeria while returning the quadruplicate and quantuplicate copy along with relevant certified invoices to the Department of Custom and Excise at the time the goods are entered for export while retaining the quintuplicate or fifth copy. On the receipt of the export proceeds, the collecting/negotiating bank will promptly certify and return the original form NCD 3(A) to the Central Bank.

3. **CUSTOM BILL OF ENTRY "FORM SALE 97"**

This form gives particulars of a consignment e.g. name of exporter, type and quantity of goods, destination, statistical export list number, value, form NCD 3(A) number, country of origin etc.

4. **BILLS OF LADING**

This is a receipt for the goods in a contract between the shipper (usually the exporter) and a shipping company for the carriage and delivery of the goods to the order of the shipment to the consignee at a named port or destination. The terms of the contract are incorporated in the Bill of Lading, which is also a document enabling the exporter to transfer ownership of the goods. A bill of lading issued "to order" of the shipper needs his endorsement to enable the foreign buyer to buy the goods.

5. **AIR WAYBILL OF AIR CONSIGNMENT NOTE**

When goods are despatched by air this document is issued by the carrying company as a receipt for the goods and as a contract of freightment. An air waybill is not a document of title and is therefore not so satisfactory as a bill of lading from the export view point. Goods carried on an air waybill can be delivered to the consignee without its being produced.

6. EUR-1 FORM

This form generally called "movement certificate" is a security document used in preferential trade between the European Economic Community (EEC) and the African Carribean and Pacific (ACP) countries with the EEC countries free of duties and other charges.

7. CERTIFICATE OF ORIGIN

Countries who operate any kind of duties preferential systems require a certificate of origin (Form A) as proof that the goods qualify for preferential treatment. It is also sometimes necessary to examine carefully the relationship of the export price to the exporters current domestic value. This certificate is issued by Nigerian Association of Chamber of Commerce, Industry, Mines and Agriculture (NACCIMA) at a fee of ₦5.00 for members and ₦10.00 for non-members.

8. GSP FORMS

This is closely associated with the certificate of origin above. The generalised system of preference certificate of origin is a combined declaration and certificate 'Form A' which should be completed by the exporter and sent to the importer within ten days after exportation. The GSP scheme affords products from beneficiary developing countries to attract relatively very low rates of customs duty where applicable. Either the customs and Excise Department or the Chamber of

Commerce can be authorised to issue the forms.

9. **THE COMMONWEALTH STANDSTILL PREFERENCE CERTIFICATE OF ORIGIN AND CONSIGNMENT**

This form is used for exports to the U.K from any commonwealth member states. This affords the goods from a 'Standstill Area' preferential treatment in any U.K. port.

10. **ICC-I CERTIFICATE OF ORIGIN**

This form relates to cocoa trade and it is an approved document by the International Cocoa Organisation which Nigeria is a signatory. It is a combined certificate and declaration form used for the ICO 2 cents per kilo levy. (Kilo stamps collection to which cocoa/cocoa products from Nigeria and the producing countries are subject.) This amounts to a levy of about $30 per ton and this is payable only in foreign currency.

Until the middle of 1987, the procedure to purchase the kilo stamp was hardums and thus created a lot of hardship and delay to cocoa exporters. However, a simplified procedure as described below has since been adopted through the efforts of the Export Commodities Co-ordinating Committee (ECCC). On completion of Form ICC-I an application is made by the exporter to the Federal Ministry of Trade for the purchase of the cocoa stamps to cover the quantity and quality stated in the ICC-I form. The Federal Ministry of Trade then issues a

prepared letter indicating the denominations, quantity and identity of the exporting company and sends it through the exporter to the Central Bank of Nigeria where the exporter is advised as to how much to pay. The exporter then pays the assessment to the Central Bank of Nigeria. He then returns to the Federal Ministry of Trade with the evidence of this payment to collect his stamps as well as certifying his documents. The whole procedure can conveniently be completed in two working days.

11. PHYTOSANITARY CERTIFICATE

International standard requirements state that all plant export materials and plant products be inspected and covered with International Plant Health certificate (phytosanitary certificate) before such materials shall be accepted by the importing countries all over the world.

12. FEDERAL PRODUCE INSPECTION CERTIFICATE

Representative of the Federal Produce Inspection Service (FPIS) are at all sea ports, international airports and other designated inland depots. Their role ensures that the country's agricultural produce attain international standard to attract very high premium.

13. PORT SURVEYOR'S REPORT

Insurance certificate covering the value of the goods by the shipper.

14. **CERTIFICATE OF ANALYSIS AND QUALITY**

Issued by the manufacturer or processor is required for processed commodities such as cocoa butter, cocoa cake etc.

15. **QUALITY/QUANTITY/PRICE INSPECTION**

Certain African countries require a clean report of findings attesting quality/quantity inspection and price comparisons for all goods exceeding a specified value. This inspection is carried out and a certificate issued by the agents for SGS International, Geneva.

16. **CERTIFICATE OF AGE**

A certificate of Age is normally required for spirits.

17. **FREE SALE CERTIFICATE**

A certificate of Free Sale must accompany certain products to certain countries e.g. pharmaceutical.

All the documentation mentioned above are not necessarily required for all exports, rather there are a few basic ones and the others might be used in conformity with the conditions for preferential treatment or for health or sanitary legislative requirements. However, an exporter must know the trade codification of his product and should also master the proper use of invoices, bills of lading, air way bill and the other accompanying certificates depending on the export product.

Therefore, wether the exporter decides to use the services of a forwarding agent, or do his documentation himself, it is important that he is aware of the required documentation and the import regulations in his buyer's country.

2.5 EXPORT GUIDES TO NIGERIAN EXPORTERS

In Nigeria, an exporter who should be a corporate body or a co-operative society must register with the Nigerian Export Promotion Council. To do this, the exporter obtains the necessary form for ₦10.00 (ten Naira) completes and return with copy of the certificate of Incorporation, Memorandum and Article of Association, certificate copy of Form CO7 and the current Tax Clearance Certificate. For a co-operation society, the evidence of registration should be submitted in place of Certificate of Incorporation.

He should proceed to negotiate a sale contract, details of which should include quality and quantity of goods, period/date of delivery, price per unit, FOB, CIF or C & F, terms of payment either letters of credit or collection basis.

On completion of a sales agreement an exporter completes form NCD 3(A) obtainable either from his bank, the CBN, NEPC or the Federal Ministry of Trade and Tourism. Exporter of solid minerals should obtain a letter of permission from the Federal Ministry of Mines

and Power. For handicrafts products, exporters should obtain clearance from the National Commissions for Museums and monuments, to ensure that they are not prohibited items such as trophy from endangered wild-life species in them. To facilitate shipment of his consignment he should appoint freight forwarder insurer and shipper. Then the necessary documentation should begin.

MAJOR EXPORT PRODUCTS OF NIGERIA: Nigerian export are classified into two broad categories:-
(a) oil (b) non-oil.

The following products with export potentials fall within oil category:

(i) Crude oil or partly refined
(ii) Aviation spirit
(iii) Automative gas oil
(iv) Industrial diesel oil
(v) Gas natural

While non-oil product are further classified for the purpose of analysis into the following:

(i) Raw Commodities

These include cocoa, coffee, palm kernel, fruits, fish, ginger, rubber, hides and skin, sheanuts, soya beans, etc.

(ii) Semi-manufactured or semi processed goods

Palm oil, palm kernel cake, cocoa butter, beer, rubber, plywood, cotton fibres, iron ores, concentrate, zinc, leather, newsprint, silk and cotton etc.

(iii) Finished Goods

These include motor cars, cosmetics, soap, textiles, pharmaceutical furnitures and fittings, batteries etc.

(For details see Appendix)

But it should be noted that at present the emphasise of Nigerian non-oil export is on semi-manufactured and finished goods. This was due to the falling prices of raw commodities in the world market.

2.6 EXPORT FINANCING IN NIGERIA

Export financing in Nigeria can be looked at from two angles. These are pre-shipment financing and post shipment financing.

PRE-SHIPMENT FINANCING

This is the type of credit required by the exporter to facilitate production, processing and packing of export goods up to the point at which they are placed on board the ship or any other means of transportation. This mode of financing is very important to small scale manufacturers or export merchants. This

category of exporters who are usuall handicapped by lack of sufficient financial resources can obtain pre-shipment financing in the form of bank advance, overdraft or loan.

POST-SHIPMENT FINANCING

This is the most common form of financing. It usually bridges the gap between the actual shipment of the export goods and the actual payment of the proceeds. Exporters usually have to wait for some time before payment can be effected from overseas importers, there is no fixed duration for the waiting. Rather it depends on the terms payment agreed upon between the seller and the buyer. Post-shipment financing can be arranged through the following sources:-

(a) Commercial banks

(b) Merchant banks

(c) Insurance Companies

(d) Other financial institutions.

Financing export in Nigeria may also be classified into three categories based upon time duration. These are short, medium, and long term finance.

SHORT TERM FINANCING:

This involves loans which must be repaid within twelve months. Short term credit may be used to finance self-liquidating transactions under promisory notes. Such notes may stipulate financing tenor or 90

or 180 days and may be rolled over upon maturity for the same period. Most pre-shipment credits fall into the category of short term financing.

Short term financing is of vital importance to a developing country like Nigeria because of the nature of products that we sell or are likely to sell abroad. Our traditional products comprising primary commodities and the non-traditional manufacture and consumer goods are generally exported on a short term loan.

MEDIUM TERM FINANCING

This covers a period of 180 days up to 5 years. This is usually used for consumer durables and light capital goods. Export financing in the medium range may be exporter or importer oriented. This that the banks are able to supply credit to either the exporter or the overseas importer. Medium term financing requires the existence of specialised financial institutions especially geared to dealing with medium term loans.

LONG TERM FINANCING

Long term credit usually relates to the periods of more than five years and is used for financing heavy capital goods, the erection of complete plants, farm plantation up to final processing for export, improvement of export infrastructures like roads export zones. It could also be used to finance long term inventories and receivables. Since these loans may extend to ten

years and beyond, they usually require a large element of government participation.

CHAPTER THREE

EXPORT PROMOTION IN NIGERIA BEFORE AND UNDER THE STRUCTURAL ADJUSTMENT PROGRAMME (SAP)

3.1 HISTORY OF EXPORT DEVELOPMENT IN NIGERIA

Nigeria's export development before the Strutural Adjustment Programme can be traced back from pre-independence period to 1986. Nigeria's export development during the colonial period and immediately after independence was based around development of agricultural and mining products of cocoa, palm produce, groundnuts, rubber, cotton, hides and skin, tin, coal and columbite.

In the circumstances, Nigeria's export earnings increased from ₦330.1 million in 1960 to ₦14,186.0 million in 1980. The bulk of this export earnings came from agricultural products.

But with the discovery of oil in 1958, the structure of Nigerian export started to change and as from 1965 crude petroleum had emerged as the most important single export commodity, the dominance of agricultural products in Nigerian export trade began to dwindle. By 1973 oil boom had started in Nigeria with the increase in the price of oil from US $3.561 per barrel on 1st January 1973 to US $40 per barrel as at January 1981. As a result of this, Nigerian's export earnings increased from ₦330.1 million in 1960 to ₦14,186.0 million in 1980.

The inherent weakness in the economy manifested when owing to the oil glut, export earnings dropped from ₦14,186.0 million in 1980 to just ₦7,612.3 million in 1983. The decline which started in mid 1981 caused both internal and external disequilibrium. As industries could not import necessary input, and the public sector could not generate sufficient revenue, retrenchment of workers was carried out and unemployment worsened. The economy suffered double digit inflation and this reached 39.6 per cent in 1984. The external disequilibrium resulted in the drying up of foreign exchange reserves which stood at ₦5,131 million in 1980 and declined drastically to ₦709 million as at 1983.

Thus, the decline in export earnings not only contracted essential imports but also decumulated reserves. In addition, substantial debt accumulated from short term trade arrears as well as medium and long term debts, all of which are now estimated by the World Bank to be in the region of a little over US $30.5 billion. In view of difficulties in meeting repayment programme, some of the debts are being refinanced or rescheduled. It was clear that the economic crisis connotes a fundamental payments problem and structural adjustment measures were necessary. In support of necessary measures to be taken, negotiation for IMF balance of payment adjustment loan commenced in 1983 but it was terminated in 1986 following the public debate on it. However

during the second half of 1986, the economic recovery programme contained in the 1986 budget was developed into a formal IMF and World Bank Structural Adjustment Programme (SAP).

One of the major aims of SAP is to effectively alter and restructure the consumption and production patterns of the economy in order to eliminate the heavy dependence on the export of crude oil. The need to increase the volume of non-oil exports as well as diversify export is borne out of the fact that the vagaries of oil fortunes had resulted in a very significant decline of external receipts from about US $26 billion in 1980 to about US $12 billion in 1982 and further to only about US $6.5 billion in each of 1987 and 1988.

Indeed, the emphasise now is on value added non-oil export so as to maximise foreign exchange earnings therefrom.

3.2 ROLE OF BANKS IN EXPORT PROMOTION IN NIGERIA

Within the framework of the Nigerian banking system, banks, commercial and merchant are obliged to operate within the Central Bank of Nigeria monetary guidelines issued from time to time and in respect of foreign business to observe the rules, regulations and guidelines of the exchange control regulations.

Most banks in Nigeria provide the following services to exporters:-

(a) **EXPORT DEVELOPMENT AND PROMOTION**

Most commercial and merchant banks assist exporters and would be exporters to:

- Evaluate products and services with a view to ascertaining their suitability for export;
- go through all documentary, regulatory, design, packaging and promotional requirements in identified foreign markets;
- procure relevant statutory government approvals e.g. Nigerian Export Promotion Council and the Central Bank of Nigeria approvals;
- laise with regulatory authorities both in Nigeria and abroad;
- participate in export-oriented exhibitions and trade missions abroad;
- gather general information on world trade and conduct research into the needs and requirements of customers in selected markets.

In cooperation with their correspondent banks abroad, most commercial and merchant banks also provide:-

- status reports on overseas buyers with special reference to their credit worthiness;

- advise on exchange control regulations abroad including tariffs and quotas;
- advise on exchange and interest rates as well as forward cover for investment with a view to eliminating risk arising from exchange/interest rate fluctuations;
- introductions to banks abroad as well as shipping and forwarding agents;
- advise on the appointment of agents or the establishment of overseas subsidiaries.

(b) **EXPORT FINANCING**

Banks assesses the finance needs of exporters on case-by-case basis, and in consultation with them, fashion out a suitable model of financing.

In general, the following models of financing are available:-

- Advance payment
- Documentary letter of credit
- Documentary collection
- Advances against shipping documents
- Acceptance of export letter of credit
- Negotiating/Discounting Bills of Exchange
- Guarantees
- Short term (unsecured) and medium term export credit
- Equipment leasing (merchant Banks)

(c) **COLLECTION SERVICES**

In the area of collection services, the banks undertake:-

- Clean collection of export proceeds on behalf of clients and provides custodian and trust services.
- Documentary collection. Here the banks advise on and confirms letter of credit opened on behalf of buyers of reputable banks abroad.

Table 1

COMMERCIAL BANKS CREDIT TO EXPORT SECTOR

Year	Total Export (₦ million)	Growth Rate %	Export Credit as % of total loans
1980	100.2	-	1.58%
1981	107.1	6,9%	1.25%
1982	150.5	40.5%	1.46%
1983	137.7	(8.5%)	1.24%
1984	133.5	(3.1%)	1.16%
1985	122.6	(8.2%)	1.01%
1986	311.5	154.1%	1.98%
1987	462.5	48.5%	2.64%
1988	477.7	3.3%	2.45%
1989	N.A	-	-
1990	N.A	-	-
1991	N.A	-	-

NOTE: N.A. = NOT AVAILABLE

Source: Derived from various Central Bank of Nigeria publications.

Table 2

MERCHANT BANKS CREDIT TO EXPORT SECTOR

Year	Total Export (₦ million)	Growth Rate %	Export Credit as % of total loans
1980	0.1	-	0.02
1981	0.1	-	0.01
1982	1.0	900%	0.1
1983	1.6	60%	0.11
1984	1.1	(31.25%)	0.07
1985	3.8	245.5%	0.21
1986	19.8	421.1%	0.71
1987	54.9	177.3%	1.32
1988	273.6	398.9%	NA
1989	NA	-	-
1990	NA	-	-
1991	NA	-	-

NOTE: NA = NOT AVAILABLE

Source: Derived from various Central Bank of Nigeria publications.

3.3 EXPORT INCENTIVES UNDER THE STRUCTURAL ADJUSTEMENT PROGRAMME

Prior to 1986, there was little or no export incentives to make export business compartible ventures for the private sector in Nigeria. The economy was characterised by an import syndrome and a one product culture (crude petroleum) to the export sub-sector which did not give room for export diversification. Some indigenous private sector businessmen who ventured into export at that time were faced with a lot of problems such as high cost of production, lack of export awareness within the government circles, cubersome export procedures and documentation, poor communication network, inadequate tade information service, lack of adequate fiscal and monetary policies to enhance export trade and unrealistic export products did not fair well in the international market.

It was on the basis of the above that the Export (incentives and miscellaneous provisions) Decree No. 18 of 1986 was promulgated by the Federal Military Government. The decree provides a package of incentives aimed at encouraging Nigerian exporters, stimulating the foreign exchange capacity of the export sector and diversifying the productive base of the economy. The facilities comprise currency Retention scheme, Export Development Fund (EDF), Export Expansion Grant Fund

(EEGF), Duty Draw-back Suspension Manufacture-in-Band Scheme, Export Adjustment Fund, Pioneer Status, Tax relief on Interest Income, Capital Assets Depreciation Allowance and Re-discanting of short term bills. Other export incentive measures are the ECOWAS Trade Liberalisation Scheme (TLS), Buyback arrangments and Export Processing Zones (EPZ).

(a) **CURRENCY RETENTION SCHEME**

This scheme allows exporters to retain 100% of their foreign exchange earnings in their domiciliary accounts open in any authorised bank of their choice. The objective is to enable exporters have foreign exchange at their disposal which can be utilised for the following export related activities:-

(i) Import for export production

(ii) Services of agents residing abroad

(iii) Travelling at short notice to conclude export contracts.

In pursuance of the government policy to encourage value added in export production, manufacturing exporters are allowed 10% and exporters of primary commodities 5% of their export proceeds respectively to be used as and when they choose to meet travels at short notices as well as to export publicity activities overseas. All exporters are however free to convert their foreign exchange earnings to Naira equivalent at prevailing rate

of exchange. The scheme is operated by banks. Exporters wishing to utilise the facility should directly contact their banks.

(b) **EXPORT DEVELOPMENT FUND (EDF)**

This is a special fund provided by the government to assist exporting companies to cover part of their initial expenses in the following areas of activities:

(i) Participation in training courses, symposia, seminars and workshops in all aspects of export promotion.

(ii) Advertising and publicity campaigns in foreign markets.

(iii) Export market research and studies.

(iv) Product design and consultancy.

(v) Participation in trade missions, buyer oriented activities, overseas trade fairs, exhibitions and store promotion.

(vi) Cost of collecting trade information.

(vii) Organisation of joint export groups and mutual export guarantee associations.

(viii) Backing up the development of export oriented industries.

The fund is meant to cover all aspects of information, product development and marketing. It is intended to diversify the supply base and promote the

marketing of exportable commodities.

A company wishing to enjoy an EDF grant must register with Nigerian Export Promotion Council (NEPC), ITS PRODUCT MUST BE OF Nigerian origin with at least 35% value added or 40% local raw materials content or services such as engineering, consultancy, shipping etc. Other conditions include a satisfactory status report and the marketing control of the company must be in Nigeria. An application for assistance made on EDF application form should be submitted with a detailed work plan of the project and project documents to NEPC. A report of the financed project and an evidence of how the fund is utilised should also be submitted. The limits of financial assistance under the scheme are specified in the EDF guidelines which are subject to review by the NEPC to reflect the changing needs and dynamism in export trade.

(c) **EXPORT EXPANSION GRANT FUND (EEFG)**

This scheme provides for cash inducement to exporters who have exported a minimum of fifty thousand Naira (₦50,000.00) worth of semi manufactured and manufactured products. The levels of inducement approved by the Federal Government of Nigeria are as follows:-

(a) ₦50,000.00 to ₦100,000.00 export sales per annum - 5%

(b) ₦100,001.00 to ₦500,000.00 export sales per annum - 4%

(c) ₦500,001.00 to ₦1,000,000.00 export sales per annum - 3%

(d) Above ₦1,000,000 export sales per annum - 2%

The objective of the scheme is to stimulate exporters to expand the volume of their exports and diversify export product and market coverage. It covers semi-manufactured and manufactured products in which some value added has been achieved.

(d) **DUTY DRAWBACK SCHEME**

The scheme provides for the refund of duties on raw materials including packaging and packaging materials used for the manufacture of products destined for export. It also has additional provision for granting exemption of duty of such imports at the discretion of the custom authority. The Duty Drawback also grants excise duty exemption on export products including the packaging materials. Many exporting companies have been taking advantage of this scheme.

(e) **DUTY SUSPENSION SCHEME**

This is a mechanism through which imported inputs used for export production can be imported with a waiver of import duties and surcharges. Raw materials and intermediate inputs e.g. packing, packaging materials, labels etc : used directly to manufacture export products can be imported free of customs excise and other duties under the scheme.

(f) **MANUFACTURE-IN-BOND SCHEME**

The manufacture-in-Bond scheme is designed to enable manufacturers of export products to import, duty free their raw materials for producing exportable products. It is expected that the production would take place in an existing or new factory, or the unit of a factory specifically designated for that purpose in any part of Nigeria. The beneficiary companies will however be required to produce performance bond from a first class bank to cover 125% of the customs duty due on each consignment on such imports. Thereafter, the Customs and Excise Department will bond the affected factory or the unit of a factory in order to ensure that raw materials imported under the scheme are exclusively used for the purpose intended. If for any reason the raw materials are not used for the designated purpose, appropriate custom duty will be charged on such consignment. Accordingly, it is expected that the records of exports from the output of the affected factories will be properly kept and returns on the Nigeria Currency Declaration Form 3A (NCD3A) are to be rendered regularly in order to ensure that the export proceeds under the scheme are repatriated and deposited in the domiciliary accounts of the beneficiaries for their own use.

(g) **PIONEER STATUS**

This is an incentive that grants tax holidays on corporate income to manufacturing exporters who export

at least 50%. of their turnover provided that the products have either 35% value added or 40% local raw materials content. The scheme is designed to encourage the establishment of export oriented industries and boost the export of non-oil commodities. The establishment can however be a public or private sector limited liability company. The status extends over a period of five years which can be consecutive or broken, depending on an annual evaluation of performance of the company by NEPC.

(h) **TAX RELIEF ON INTEREST INCOME**

The scheme grants a tax exemption on interest accruing to banks for loans extended to export activities. This is subject to table I of Schedule 3 to the Companies Income Tax Act of 1979 which stipulates the percentage of tax exemption on interest on foreign loans as follows.

Repayment Period Including Moratorium	Grace Period	Tax Exemption
i. Above 7 years	Not less than 2 years	100%
ii. 5 - 7 years	Not less than 18 months	70%
iii. 2 - 4 years	Not less than 12 months	40%
iv. Below 2 years	Nil	Nil

The objective of this scheme is to stimulate and encourage banks to grant facilities to Nigerian exporters. The facility is extended to all banks granting loans for export activities and covers interest accruing from such loans.

(i) **CAPITAL ASSET DEPRECIATION ALLOWANCE**

The companies income tax act 1979 as amended by the Export Incentives Decree No. 18 of 1986, provides for an additional annual depreciation allowance of 5% on plants and machinery to manufacturing exporters who export at least 50% of their annual turnover provided the product has at least 40% local raw materials content or 35% value added.

This scheme is designed to promote local sourcing of raw materials and value added. The objectives are to encourage manufacturing production for export, enhance both forward and backward linkages, save foreign exchange spent on imported inputs and increase the export earnings of Nigeria. The incentive covers all manufactured products that meet the above rules of origin and value added provided 50% of the company's turnover is exported.

(j) **EXPORT PRICE ADJUSTMENT SCHEME**

This is a fund that serves as a supplementary export subsidy or as an additional fund for dealing with the following:-

(a) High costs of production arising mainly from infrastructural deficiencies;

(b) Purchasing commodities at prices higher than prevailing world market prices but fixed by government.

(c) Other factors beyond the control of the exporters.

The fund is in principle conceived to provide a leverage after other incentives might have been exhausted. It covers export activities affected by the factors mentioned above. Exporters wishing to benefit from this scheme should provide detailed and accurate information the costs of their export activities.

(k) **RE-DISCOUNTING OF SHORT-TERM BILLS**

This scheme makes provision for an exporter of any product to discount his bill of exchange and promisory notes with his bank because the same bill can be rediscounted with Central Bank of Nigeria. This is meant to increase exporters' liquidity and minimise cash flow problems before the realisation of export proceeds from the overseas importer. The facility is granted by the bank if it is satisfied with the exporter's financial standing and his capability to repay the amount in the bill in case of non-payment by the overseas buyer.

(l) **EXPORT LIBERALISATION MEASURES**

Many export liberalisation schemes have been put in place. These include:-

(a) The scraping of the commodity Boards which enables individual companies to engage in the exportation of non-oil products.

(b) The re-organisation of Nigerian Export Promotion Council (NEPC) which had earlier been set up in 1976. This was to enable it perform its role

under SAP in which export promotion was now embodied. And to make it more effective and nearer to grassroot exporters.

(c) The exemption of export products from excise duties.

(d) The introduction of the Foreign Exchange market which withdraws the subsidy on imports through a more realistic rate of exchange and serves as a booster to export activities.

(e) The setting up of the Nigerian Committee on Trade procedures (NITPRO) charged with the responsibility of simplifying, streamlining and aligning trade procedures and decumentations with UN system.

(f) The abolition of all forms of export licencing and compulsory surrender or export proceeds.

In addition to the above measures, an export liberalisation scheme that focuses on the ECOWAS sub region has also been put in place. This scheme popularly known as ECOWAS Trade Liberalisation Scheme (TLS) is an incentive primarily geared towards export activities within the ECOWAS sub-region. The objective is to significantly expand the volume of intra-community trade in the sub-region via the removal of both tariff and non-tariff barriers to trade on goods originating from ECOWAS countries. The scheme is implemented in stages viz;

The consolidation of customs duties and charges of equivalent effect and non tariff barriers, immediate liberalisation of unprocessed goods and traditional handicrafts, gradual liberalisation of industrial products originating from member states and gradual extablishment of a common external tariff. Unprocessed goods and handicrafts can now move freely within the sub-region. Liberalisation of industrial products however started on 1st January, 1990.

To participate in the scheme, the product of an exporting company must meet the rules of origin of at least 40% of local raw materials content or 35% value added and some level of participation by the Nigerian.

(m) **BUYBACK ARRANGEMENTS**

This scheme allows for the importation of foreign plants/machinery and imputs which when used for export production could be paid for with the output of the plant. The objective is to ease the problems associated with sourcing of foreign exchange needed for importation and improve export production. The arrangement covers manufacturing activities for which the needed plants/ machinery have to be imported and the output exported. It may also apply to the import of inputs that are not available within the country or those that are considerably cheaper elsewhere especially within the ECOWAS sub-region.

(n) **EXPORT PROCESSING ZONE**

The promulgation of Decree No. 34 of 1991 provides for the establishment of geographical enclaves within Nigeria in which normal customs regimes do not apply. The objective is to attract foreign investments and stimulate industrial production for export. Participants in the scheme will among other things, enjoy duty free export production, elimination of all forms of bureaucracy, employment of foreign managers and up to 100% ownership of business.

OTHER FACILITIES

The Nigerian Export Promotion Council provides a range of other facilities to Nigerian exporters. These include trade information services, trade inquiries and status reports, sponsorship to international trade fairs etc. These are all directed at easing difficulties in international trade.

The Nigerian exporters can readily avail themselves of information on requirements of international market. The Council provides market information on importers and exporters of Nigerian products, packing, packaging, labelling, and colour requirments for specific products and markets, consumption capacity of target markets, useful trade statistical data and strategies for penetrating an export market. Information on transportation of export commodities, terms of delivery, pricing and legal requirements in importing countries are all provided by

the Council. In addition to export advice, the Council's library materials are at the disposal of whoever wants to use them. These provide a major source of information to exporters and consultants on trade matters. The libraries stock international publications, publications of multilateral agencies, local publications of government and private sector organisations and all the publications of the Council including seminar/workshop papers presented by experts in and outside the country. The Council also services trade inquiries and issues status reports on registered companies. Furthermore, by sponsoring companies to international trade fairs, the council promotes the necessary exposure and practical experience needed by Nigerian exporters to operate in export market.

CHAPTER FOUR

DATA ANALYSIS

4.1 IMPACTS OF THE INCENTIVES UNDER THE STRUCTURAL ADJUSTMENT PROGRAMME

In this chapter attempt will be made to examine the extent of impact of the various incentives adopted by the government under the Structural Adjustmnt Programme (SAP) to boost export in Nigeria. The aim is to make a comparison analysis with what obtained before SAP.

The Nigerian Export Promotion Council has stated that since the introduction of its package of incentives "considerable achievements have already been realised in foreign exchange generation, diversification and expansion of output". They buttress this assertion with figures which show a significant rise in the value of non-oil export earnings. From ₦621,830 in 1986 when SAP began, export earnings increased steadily to ₦1,369,000 in 1989, ₦2,758,400 in 1988, ₦3,105,142 in 1989 and ₦3,250,000 in 1990. When these figures are compared with non-oil export earnings five years before 1986, the impact of the incentives under SAP becomes more glaring.

Trade liberalisation also led to the abolition of produce boards which were statutory monopolies for Nigeria's main export commodities like cocoa, palm products, groundnuts, cotton etc. Their abolition in 1986 led to a sudden upsurge in the value and volume of

commodity export. A comparison of the pre-SAP prices in 1984/85 and those in the first year of operation of the SAP show differences which ranged from 185 per cent increase for coffee through 12 per cent for ginger. In the case of cotton, its price increased by 500 per cent from July 1986 when SAP became operative to July 1987.

The abolition of produce Boards also led to the formation of various associations like Cocoa Association of Nigeria (CAN), the National Rubber Association of Nigeria (NRAN), the National Cotton Association of Nigeria (NCAN) and the National Groundnut Association of Nigeria (NGAN). These associations help in stabilising prices and sanitizing the commodity market.

Other areas that the Nigerian Export Promotion Council has made significant contribution is the area of administration of the Duty Drawback Scheme. The Council paid out ₦645,099.98 to manufacturing companies in 1988, this amount increased to ₦1,412,866.40 in 1989. The amount further increased in 1990 to ₦2,763,050.00 reflecting the steady increase in the export of value-added manufacturers. Between January and February 1991, ₦2,570,952.94 was disbursed to six manufacturing exporters who qualified for the refund. In the year 1992 ₦10,263,761.43 has been paid out.

The Export Expansion Grant Scheme is another export incentive scheme whose administration demonstrates

the seriousness of the Council in export promotion. The scheme provides some amount of money to manufacturers who export their products to the tune of ₦50,000.00 per annum. In 1989 when the scheme kicked off, twenty seven companies were qualified for the scheme and they received a total of ₦4,363,577.31. The number of qualified exporters increased to 36 in 1990 with ₦3,802,537.69 paid out to them. In 1991 ₦13,028,396.61 was released to 74 companies.

All the above measures have helped in c increasing the total export volume of Nigeria's agricultural exports, non-oil export earnings and volume of export to West African sub region. All these can be seen from the tables that are presented in this chapter, in which a comparison is made five years before SAP and five years after SAP with the degree of increase under each of the above areas.

TABLE 3

NIGERIA'S EXPORT 1980 - 1991 (₦ MILLION)

YEAR	TOTAL EXPORT	GROWTH RATE %
1980	14,198.7	-
1981	14,033.8	(22.3%)
1982	9,196.4	(16.7%)
1983	7,751.8	(15.9%)
1984	9,138.8	17.9%
1985	11,720.8	28.3%
1986	9,047.5	22.8%
1987	29,572.9	227%
1988	31,192.8	5.5%
1989	60,930.3	95%
1990 (Jan - Sept)	71,489.9	17%
1991 (Jan - Sept)	90,591.4	26.7%

Sources: Federal Ministry of Commerce & Tourism
Press Release in TSM magazine Vol 6 No. 11
of December 6th 1992.

Nigeria's Export:

From Table 3 one can see that the Nigeria's total export had been decreasing from 1980 to 1983 and increased in 1984 to 1985 while in 1986 it decreased again but with the introduction of SAP in 1986, the total export of Nigeria has been on the increase since then. From 1986 to 1987 the total export rose by 227% while from 1987 to 1988 it increased by 5.5%, 1989 (95%), 1990 (17%) and in 1991 it increased by 26.7%.

TABLE 4

NIGERIAN AGRICULTURAL EXPORT 1980 - 1991 (₦ MILLION)

YEAR	TOTAL AGRICULTURAL EXPORT	GROWTH RATE %
1980	368.9	-
1981	214	(42%)
1982	208.9	(2.4%)
1983	301.3	44%
1984	247.4	(17.9%)
1985	364.2	31%
1986	461.6	42%
1987	1,650	257.5%
1988	1,884.8	14%
1989	185.5	(1.6%)
1990	NA	÷
1991	NA	÷

NOTE: N.A. = NOT AVAILABLE

SOURCE: Federal Ministry of Agriculture press Release in TSM Magazine Vol. 6 No. 15 of November 8 1992.

Nigerian Agricultural Expaorts:

In terms of agricultural export, the volume of export has been fluctuating from 1980 to 1986 but with the introduction of SAP the volume has been on the increase as can be seen from table 4 where in 1987 the volume of agricultural export has risen by 257.5% with a small increase in 1988 (14%) but a little decline in 1989 (1.6%)

TABLE 5

NON-OIL EXPORT EARNINGS 1980 - 1991 (₦ MILLION)

YEAR	NON-OIL EXPORT EARNING	GROWTH RATE %
1980	356,742	-
1981	323,318	(9.4%)
1982	266,721	(17.5%)
1983	433,420	62.5%
1984	442,522	2.1%
1985	384,975	(13%)
1986	621,830	(61.5%
1987	1,369,300	120.2%
1988	2,758,400	101.4%
1989	3,105,142	12.6%
1990	3,250,000	4.7%
1991	NA	-

NOTE: NA = NOT AVAILABLE

Source: Federal Ministry of Commerce and Tourism Press Release in TSM Magazine Vol 6 No. 11 of December 6th 1992.

Non-Oil Export Earning

One of the main aims of the Structural Adjustment Programme is to encourage the promotion of non-oil export as a foreign exchange earner for the nation. Therefore, table 5 gives the present outlook of non-oil export five years before and after SAP. From 1980 the value of non-oil export earning has been decreasing up to 1982, but increased in 1983 again it went down in 1984 and 1985 but since 1986 when SAP was introduced it has been on the increase.

TABLE 6

EXPORT TO ECOWAS COUNTRIES 1980 - 1991 (₦ MILLION)

YEAR	EXPORT EARNING	GROWTH RATE %
1980	NA	-
1981	299.5	-
1982	230.4	(23.1%)
1983	144.3	(37.4%)
1984	300	107.9%
1984	387.9	29.3%
1986	345.7	(10.9%)
1987	1,635.5	373.1%
1988	1,736	6.1%
1989	3,312.4	90.8%
1990	NA	NA
1991	NA	NA

NOTE: NA = NOT AVAILABLE

Source: Central Bank of Nigeria Economic and Financial Review 1990

Under the Structural Adjustment Programme (SAP), the ECOWAS Trade liberalisation Scheme (TLS) was introduced towards expansion of volume of intra-community trade in the sub region. This has already started showing positive impact as can be seen from Table 6 where in 1986 when SAP was introduced the volume of export to ECOWAS countries was about ₦345,700,000 but rose to ₦1.6 billion by 1987 and by 1989 it has reached ₦3.3 billion.

Finally it should be noted that there has been steady increase in the value of semi-manufacturdd and

manufactured exports. In 1987 for instance, the value was ₦61.7 million rising by 39.7 per cent to ₦85.9 million in 1988. The 1988 figure was improved upon in 1989 with an increase of 127.9 per cent. The rise was accounted for by sharp increase in the exports of textiles, plastics and wood products.

C H A P T E R F I V E

CONCLUSION AND RECOMMENDATION

5.1 CONCLUSION

Export development is an area that should not be neglected by any government, therefore, efforts should be geared towards identifying and laying the basic structures needed for the smooth improvement and development of the Nigerian export sector.

This study has traced the Nigerian export promotion drive from colonial era to the present period of Structural Adjustment Programme (SAP). A programme designed to among other things aim at encouraging Nigerian exporters, stimulating the foreign exchange capacity of the export sector and diversifying the productive base kof the economy through the promotion of non-oil exports. Prior to 1986 when SAP was introduced, there was little or no export incentives to make export business confortable ventures for the private sector in Nigeria. The study has also shown how Nigerian depended solely on oil for her much needed foreign exchange and the problems that has arisen since then.

At the end a comparison analysis is made to show the extent of the impacts of the incentives under SAP and comparison is made with what obtained before SAP.

5.2 RECOMMENDATION

Despite the achievement or gains derived from the incentives under the Structural Adjustment Programme (SAP) to boost export development in Nigeria, there is still more avenues for improvement. These include the following:-

(i) **POOLING OF RESOURCES:**

There is the need for small and medium scale exporters of similar product lines to come together and pool their resources so as to meet the high cost of undertaking market survey and packaging.

(ii) There is also the need for more documentation and free access to it by potential exporters so that all information relating to volume of exports, the number of exportable products, where they are found and what it takes to go into export can be found at strategic places in the country.

(iii) There is the need to establish a warehouse in other countries where Nigerian manufacturers and exporters can store their products for easy access to needy buyers.

(iv) There is the need for Nigerian exporters to use the services of bi-lingual personnel in transactions with French speaking countries and the need for the use of brokers in coutnries where goods are intended for export.

(v) Though virtuall all the commercial and merchant banks in the country have set up export departments and

trade promotion units in support of government export promotion measures, but there is still further things that they can do. These include sponsorship and participation in overseas trade exhibitions, create export awareness through seminars, courses, and workships, assist with local and overseas documentation for exports, provide information on product packaging, design and quality and on health standards in target markets.

The Nigerian bank through their world wide contacts, affiliates and correspondents can provide useful information on economic, financial, political and regulatory environment of the potential markets. They can also advise the domestic exporters on how to minimise the risks against the present unstable naira exchange rate.

(vi) Finally the government should regulate the interest rate charged by banks to exporters os that it will facilitate export business and encourage the exporters to seek more financial assistance from banks.

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APPENDIX I A

A. FOODS

1. Sardine and Herrings in Tomato Sauce
2. Tomato Paste, Tomato Puree and Tomato Ketch Up.
3. Tropical Fruit Juices
4. Lucozade
5. Spring Water (bottled)
6 Custard
7. Cornflakes
8. Confectionery and Biscuits
9. Sea Foods, Shrimps, Lobsters, Crayfish and other crustaceans
10 Honey

B. BEVERAGES, TOBACCO & ALCOHOL

1. Cocoa & Cocoa based products
2. Coffee (Arabica & Robusta)
3 Tea
4 Palm Wine
5 Kola Wine
6 Cocoa Wine
7 Tobacco & Tobacco Manufactures
8 Mineral Waters, Coke, Fanta, Seven Up, etc.
9. Malt Drink
0. Lager Beer

C. OILS SEEDS

1	Coconut (fresh)	6	Cotton Seed
2	Copra	7	Sesame Seeds
3	Ground Nuts	8	Castor Seeds
4	Shea Nuts	9	Cashew Nuts
5	Palm Kernels	10	Wal Nuts

D. OILS/FATS

1. Coconut Oil (Crude & Refined)
2. Fish Oil (Crude & Refined)
3 Shea butter
4 Palm Kernel Oil
5 Groundnut Oil
6 Sesame Seed Oil
7 Palm Oil
8 Animal Fats Oil
9 Cotton Seed
0 Copra Oil

1

E. FEED INGREDIENTS

1 Copra Cake
2 Fish Meal
3 Cow Horns
4 Linseed Cake
5 Rape Seed Cake
6 Meat/Bone Meal
7 Sun Flower See Meal
8 Citrus Pulp Pellets
9 Palm Kernel Cake
10 Groundnut Cake

F VEGETABLE AND FRUITS

1	Grape		
2	Grape Fruits	15	Asparagus
3	Guava	16	Cabbage
4	Lemons	17	Carrots
5	Limes	18	Cauliflower
6	Melon (Water)	19	Cucumber
7	Oranges	20	Garlic
8	Mangoes	21	Okro
9	Pawpaw	22	Onions
10	Peachers	23	Cashew
11	Pears	24	Potatoes
12	Pineapple (Gr. A, B, C & D)	25	Raddish
		26	Spinach
13	Plantains	27	Lemon Grass
14	Strawberries	28	Sweet Potatoes

G. RUBBER

1	RSS 1	9	CL 5L	17	CL 10
2	RSS 2	10	TSR 5	18	TSR 20
3	RSS 3	11	NSR 5	19	NSR 20
4	RSS 4	12	WL 5	20	WL 20
5	RSS 5	13	CL 5	21	CL 20
6	TSR 5L	14	TSR 10	22	MX 3
7	NSR 5L	15	NSR 10		
8	WL 5L	16	WL 10		

H. SPICES

1. Chillies (Tensin Small)
2. Ginger (dried, peeled, split)
3 Pepper (black & white)
4 Cloves
5 Nutmeg (unsorted)

2

I. OTHER AGRICULTURAL PRODUCTS

1	Gum Arabic	3	Lemon Grass
2	Kola Nuts	4	Sun Flower

J. MANUFACTURED GOODS

1 Tyres (for cars, trucks and lorries)
2 Tyres for motorcycles, mobylettes, scotters, Honda, Suzuki)
3 Shoe Sole
4 Candles
5 Glass bottles of between 19cc and 1 litre
6 Automobile batteries
7 Tooth brushes and tooth pastes
8 Nigerian wines and spirits
9 Industrial wire and ropes
10 P. V. C. Pipes and Fittings
11 Machine Tools and Industrial Parts
12 Wire and cable for Telegram and Electrical installations
13 Detergents
14 Insecticides
15 Baking Flour
16 Cotton Yarn
17 Galvanized Pipes
18 Pharmaceuticals (including medicinal plants)
19 Carpet and Rugs
20 Sinks, wash basins, baths and other sanitary fixtures
21 Rubber and Ceramic Tiles
22 Table Wares
23 Beer mug
24 Glass Beads
25 Room Airconditioners
26 Nails
27 Textiles including bed spread and sheets
28 Rubber and Plastic Products
29 Bamboo Products
30 Bags (travelling, ladies & school)
31 Foot wear (shoes and slippers)
32 Windscreens
33 Corrugated iron sheets
34 Asbestos products
35 Toiletries, e.g. soaps, bleach and toilet papers
36 Petroleum Jelly

3

37 Perfumery and cosmetics
38 Liquified Gas
39 Paper and Paper Products
40 Lamps and Lighting fittings
41 Glass Sheets

K. HANDICRAFTS

1. Handwoven mats
2. Handwoven Cloths (Aso-Oke)
3. Handwoven Rugs
4. Brooms
5. Calabash (decorated)
6. Pots (made of clay)
7. Beads (Hand or Neck type)
8. Paintings
9. Carvings
10. Bamboo Products (decorations, baskets, etc)

L. LEATHER & LEATHER PRODUCTS

1	Shoes	) should not be
2	Belts	)
3	Decorative items	) made of skins
4	Processed hides and skins	) of endangered
5	Hand-bags, etc.	) species

M. WOOD AND WOOD PRODUCTS

1 Wooden Furniture and components
2 Gmelina
3 Wood Charcoal
4 Woodeen designs
5 Cane furniture and components

1 Fabrics
2 Embroidery Adire, Batik
3 African Prints
4 Garments
5 Fashion Gear

O. TEXTILE SECONDARY ACCESSORY

1 Elastic
2 Zipper
3 Fasteners
4 Buttons
5 Foam

4

NEPC OVERSEAS DESKS

1. ABIDJAN, COTE D'IVORE
The Trade Commissioner
Nigerian Trade Centre,
Embassy of Nigeria
7th Floor CCIA (World Trade Centre) Building
Avenue Jean Paul II, 0. 1. 1906.
Telex: 23532.
Telegraphic:- Nigerian Abidjan
Telephone: 32-69-43; 32-74-00

2. JEDDAH, SAUDI ARABIA
The Commercial Attache,
Consulate General of Nigeria
No. 19, A1-Qroubah St. (46)
Mushrefan District (6)
Sector N17E11, P. O. Box 655
Jeddah, Saudi Arabia.
Telegraphic: Nigeria Jeddah
Telex: 401709
Telephone: 6716865.

3 LONDON, UNITED KINGDOM
The Commercial Attache,
Nigeria High Commission
9, Northumberland Avenue,
London W. C. 2N 5BK
Telegraphic: Nigeria U.K. London
Telex: 23665, 916814, 8952931 Nigeria G
Telephone: (071) 839-1244; 839-9042.
Telefax: (071) - 839-8746

4 NEW YORK, U. S. A.
The Commercial Attache,
Consulate General of Nigeria.
57, Lexington Avenue,
New York N. Y. 10022
Telegraphic: Nigeria New York
Telex: 234782, 224495 Code 023
Telephone: Plaza, 2-1670.

5 EUROPEAN ECONOMIC COMMUNITY
BRUSSELS BELGIUM
The Commercial Attache,
Rue Du Commerce 29,
Ground Floor,
1040 Brussels, Belgium,
Tel: (32.2) 513 3962
Fax: (32.2) 513 3806.

6. WARSAW, POLAND,
The Coomercial Attache,
Embassy of Nigeria,
U1 CHOMSKA 18,
00--791, WARSAW, POLAND.
Tel: 0094822 -- 486944
Tlx 063--814675
Fax: 495401

7 SWITZERLAND
The Commercial Attache,
Nigeria's Permanent Mission to the UN Offices,
1 Rue De Richard Wagner,
Geneval Switzerland.
Tel: 734-21-40; 733-16-59.

5

EXPORT (INCENTIVES AND MISCELLANEOUS PROVISIONS) DECREE 1986

Decree No. 18

[11*th July* 1986]

Commencement.

THE FEDERAL MILITARY GOVERNMENT hereby decrees as follows :—

Part I—Export Incentives

Retention of certain percentage of export proceeds in foreign currency.

1.—(1) Notwithstanding the provisions of section 1 (1) of the Foreign Currency (Domiciliary Accounts) Decree 1985, each Nigerian exporter may retain twenty-five *per cent* or any percentage that may be prescribed from time to time by the Federal Military Government of his export proceeds in foreign currency in his bank account in Nigeria.

(2) The percentage of foreign currency retained pursuant to subsection (1) of this section shall be effected as soon as the foreign exchange earned on the export sales is received in Nigeria.

(3) The foreign currency retained pursuant to subsection (1) of this section is to enable the exporter to have at his disposal foreign exchange funds to pay for the following export-related activities, that is—

(*a*) services of his agents residing abroad ;

(*b*) travelling out at short notice to conclude export contracts ;

(*c*) defraying costs arising from—

(*i*) short landing ;

(*ii*) quality determination (including deterioration) ;

(4) The Central Bank of Nigeria may, from time to time, add to export-related activities for which the provisions of subsection (3) of this section may be utilised by an exporter.

(5) The Nigerian Export Promotion Council in consultation with the Central Bank of Nigeria, shall, from time to time, issue guidelines and directives on the operation of foreign currency retention permitted by subsection (1) of this section.

Incentive to manufacturing exporters.

2.—(1) Manufacturers who purchase commodities at prices fixed by the Government for the production of export products shall be allowed to do so at the prevailing world market prices at the maximum.

(2) The cost implication of this incentive shall be absorbed by the Export Adjustment Scheme Fund established pursuant to section 6 of this Decree.

(*f*) a representative of Manufacturers Association of Nigeria ;

(*g*) a representative of the Nigerian Association of Chambers of Commerce, Industries, Mines and Agriculture.

(5) It shall be the duty of the Trustees of the Development Fund—

(*a*) to oversee the Development Fund by approving the annual budget including proposals for investments ;

(*b*) to determine the use of incomes and profits accruing from investment ;

(*c*) to cover the cost of official involvement of the Nigerian Export Promotion Council in the activities of the Development Fund.

(6) It shall be the duty of the Nigerian Export Promotion Council—

(*a*) to recommend applications for financial assistance for the approval of the Exchange Control Department of the Central Bank of Nigeria ;

(*b*) to disburse the sum approved by the Central Bank of Nigeria ;

(*c*) to be responsible for the day to day running of the Development Fund through a special unit maintained by the Development Fund ; and

(*d*) to issue guidelines for the operation of the Development Fund.

B—Export Expansion Grant Fund

Establis ment, e of Expo Expansi Fund.

5.—(1) There is hereby established a fund to be known as the Export Expansion Grant Fund (hereinafter referred to as "the Expansion Fund").

(2) The Expansion Fund shall be used to provide cash inducement for exporters who have exported a minimum of ₦50,000 worth of semi-manufactured or manufactured products to enable them—

(*a*) increase the volume of export ;

(*b*) diversify export products and market coverage.

(3) The Expansion Fund shall be made available only to exporters who produce evidence of exporting with the proceeds paid into the foreign account of the Central Bank of Nigeria: provided that if there are divergencies between the contents of the documents on the exports in the exporter's bank as against those of the Central Bank of Nigeria : the Nigerian Export Promotion Council shall rely on figures in the documents of the Central Bank of Nigeria.

(4) The Nigerian Export Promotion Council shall be responsible for the day to day administration of the Expansion Fund established pursuant to subsection (1) of this section.

(5) The Nigerian Export Promotion Council shall issue from time to time guidelines for the effective administration of the Expansion Fund.

(6) The Minister charged with responsibility for trade may make rules or regulations for the effective administration of the Expansion Fund established pursuant to subsection (1) of this section.

C—Export Adjustment Scheme Fund

Establis ment, e of Expo Adjustn Scheme Fund.

6.—(1) There is hereby established a fund to be known as the Export Adjustment Scheme Fund (hereinafter referred to as the "Adjustment Fund").

(2) The Adjustment Fund shall serve as a supplementary export subsidy, or as an additional fund for dealing with—

(*a*) high costs of production arising mainly from infrastructural deficiencies ;

(*b*) other factors beyond the control of the exporter.

(3) The Nigerian Export Promotion Council shall be responsible for the day to day administration of the Adjustment Fund established pursuant to subsection (1) of this section.

(4) Exporters wishing to benefit from the Adjustment Fund shall supply to the Nigerian Export Promotion Council accurate information on the costs of their export activities.

(5) The Nigerian Export Promotion Council shall issue from time to time guidelines for the effective administration of the Adjustment Fund.

(6) A Committee comprising a representative each of—

(*a*) the Productivity, Prices and Incomes Board ;

(*b*) the Prices Intelligence Unit of the Federal Ministry of Trade ;

(*c*) the Nigerian Export Promotion Council ;

(*d*) the Department of Customs and Excise,

shall oversee the administration of the Adjustment Fund.

PART III—MISCELLANEOUS AMENDMENTS

A—*Central Bank of Nigeria Act* (*Cap* 30)

Amendment of the Central Bank of Nigeria Act, 1967 No. 35.

7. Paragraph (*e*) of section 29 (1) of the Central Bank of Nigeria Act as amended by the Central Bank of Nigeria (Amendment) Act 1967 is hereby amended as follows—

"(*e*) purchase, sell, discount or rediscount inland bills of exchange and promissory notes bearing two or more signatures, drawn or issued for the purpose of financing seasonal agricultural operations, semi-manufacturing or manufacturing operations designed for export or the marketing of those products and maturing within hundred and eighty days excluding days of grace, from date of acquisition ;".

B—*Customs and Excise Management Act* 1958 (*No.* 55)

Adjustment of payment on draw-back on subsequent importation, 1958 No. 55.

8. Immediately after subsection (3) of section 121 of the Customs and Excise Management Act 1958, there shall be inserted the following new subsections, that is—

"(4) Any payment due to an exporter pursuant to the provisions of subsection (1) of this section shall be effected by adjustment on subsequent importation.

(5) Manufacturing exporters wishing to benefit from duty draw back shall furnish accurate information on their export productions to the Nigerian Export Promotion Council.

(6) There shall be established a Duty Draw-back Committee consisting of the following members, that is—

(*a*) a representative of the Federal Ministry of Finance ;

(*b*) a representative of the Department of Customs and Excise ;

(*c*) a representative of the Nigerian Export Promotion Council.

(7) It shall be the duty of the Committee established under subsection (6) of this section to fix the unit or rate of duty draw-back for each export product and to publish in the *Gazette* the unit or rate of duty draw-back on each export product.

(8) An exporter shall on an application to the Committee established pursuant to subsection (6) of this section, be entitled to a 50 *per cent* reimbursement on import duties, levies, surcharges or export duties paid in respect of all imports including raw materials, components and packaging materials used in export production.

(9) An exporter shall on application to the Committee established pursuant to subsection (6) of this section, be entitled to a 50 *per cent* reimbursement on excise duties paid in respect of all export products and components of export products."

C—*Industrial Development (Income Tax Relief) Act* 1971 (*No.* 22)

Applica of provi of 1971 22 to e oriented industri

9.—(1) The provisions of the Industrial Development (Income Tax Relief) Act 1971 with respect to pioneer status shall apply to any manufacturing exporter who exports at least 50 *per cent* of his annual turnover.

(2) Applications for the declaration of an export-oriented industry to be a pioneer industry shall be directed to the Nigerian Export Promotion Council for processing.

(3) It shall be the duty of the Nigerian Export Promotion Council to screen all applications and submit recommendations thereon for the approval of the Minister charged with responsibility for industries.

D—*Companies Income Tax Act* 1979 (*No.* 28)

Amendr of 1978 No. 28. 1985 No. 4.

10.—(1) Sub-paragraph (7) of paragraph 24 of Schedule 2 to the Companies Income Tax Act 1979 as amended by the Finance (Miscellaneous Provisions) Decree 1985 shall be amended as follows :—

(*a*) existing sub-paragraph shall be re-numbered as sub-paragraph (7) (*a*) ;

(*b*) a new sub-paragraph (*b*) shall be inserted as follows—

"(*b*) An additional annual depreciation allowance of 5 *per cent* on plants and machinery shall be granted to manufacturing exporters who export at least 50 *per cent* of their annual turnover."

(2) In sub-paragraph (8) thereof immediately after the definition of "company in agro-allied industry" there shall be added a new definition as follows :—

"a manufacturing exporter" is a manufacturer who exports at least 50 *per cent* of his annual turnover : provided that the product has at least 40 *per cent* local raw materials content or 35 *per cent* value added."

(3) Interest accruing from loans granted by banks in aid of export activities shall be exempted from tax subject to Table I of Schedule 3 to the Companies Income Tax Act 1979 which stipulates the percentage of tax exemption on interest on foreign loans.

PART IV—MISCELLANEOUS PROVISIONS

Interpretation.

11. In this Decree, unless the context otherwise requires—

"exportable products" means any product of Nigerian origin with at least 35 *per cent* value added or 40 *per cent* local raw materials content;

"manufacturing exporter" means a manufacturer who exports at least 50 *per cent* of his annual turnover provided that the product has at least 40 *per cent* local raw materials content or 35 *per cent* value added;

"Minister" means the Minister charged with responsibility for trade matters.

Citation.

12. This Decree may be cited as the Export (Incentives and Miscellaneous Provisions) Decree 1986.

MADE at Lagos this 11th day of July 1986.

MAJOR-GENERAL I. B. BABANGIDA,
President, Commander-in-Chief
of the Armed Forces,
Federal Republic of Nigeria

EXPLANATORY NOTE

(*This note does not form part of the above Decree but is intended to explain its purport*)

The Decree, amongst other things, provides incentives to manufacturing exporters of exportable products.

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