Export Promotion Incentives: Is Nigeria running on the spot?

To complement its export promotion drive, the Federal Government, has, over the years, set up various incentive schemes for companies whose business is export focused. The incentives range from tax exemption to duty drawbacks as well as other forms of grants.

However, from 1999, the grant came in form of Negotiable Duty Credit Certificates (NDCCs) issued by the NCS. The NDCC is a negotiable instrument that can be used to settle or reduce import and Excise Duties. Accordingly, it offers the following benefits to the exporter:

- enhances the ability of such exporters to reduce overhead costs given the potential to reduce or eliminate incidence of import duties on products used by such exporters in their production;
- use of the NDCC as security to obtain loan from banks.
- given the negotiability of NDCC, an EEG can be transferred from the original beneficiary to third parties (up to a maximum of three transfers). Thus, where the exporter has no import duties payable, it could still benefit from the NDCC.

This was how the EEG operated and/or administered between 2005 and 2013. In 2013, the EEG was re-designed but not long thereafter, was suspended for another review exercise following allegations of abuse. It is on record that the scheme was suspended and reactivated 8 times between 2005 and 2013. The last suspension was the August 2013 suspension. The NCS no longer honours the NDCC. This has triggered the following adverse consequences:

- challenges of loan repayment in respect of funds borrowed by exporters from financial institutions for export on the strength of the NDCC;
- incidence of bad loans in the hands of the exporters;
- potential non-competitiveness of products exported from Nigeria in the international market. It is expected that failure to access the EEG cushion would impact product pricing as payment of customs and excise duties would need to be reflected in the pricing structure;
- outright failure of the export business and attendant impact on the personnel employed in those operations.

The reality is that Nigeria cannot remain a consumptive economy. It must produce. It cannot abandon mid-stream its export promotion agenda. Policy Rachet, inconsistency or sudden reversals do not promote confidence in the economy or its managers. It results in un-intended socio-economic, commercial and financial agoges for those impacted by such reversals. Whilst it is appreciated that the operation of EEG has an impact on the cashflow of the Federal Government, it becomes imperative that an incentive scheme, which is consistent with the drive to improve fiscal receipts from non-oil sources without eroding the level of those receipts through cash payouts, should be developed.