

**EFFECTIVENESS OF GOVERNMENT EXPORT SUPPORT  
PROGRAMMES IN NIGERIA:  
AN EXPLORATORY INQUIRY**

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**Abstract**

*Current statistics indicate a considerably untapped potential in overseas markets -particularly for Nigerian Exporters. The role of government is apparently relevant. Hence, this discourse assesses the effectiveness of the government support programmes to Nigerian exporters. In pursuit of this objective, data were generated from practitioners and policy makers as well as inspiration from the experience of other countries which embarked on export marketing development to crystallize the findings. The findings indicate that the government export incentives in Nigeria have not been effective. Based on this discovery, a number of recommendations have been made.*

**KEYWORDS:** *Effectiveness, Export, Government incentives, Nigeria.*

**Introduction**

Right from the days of oil boom, Nigeria has been operating a monocultural economy in the sense that oil is the mainstay of our economy, accounting for 22 percent of the Gross Domestic Product (GDP), 95 percent of government revenue and 96 percent of export earnings at the detriment of non-oil export trade in Nigeria. This scenario has persistently brought pressure on balance of payment, thereby creating unhealthy economy for Nigeria. One way of reducing pressure on balance of payments is by developing export-marketing system of a country.

Export marketing strategy came into being in the 1970s and 1980s in many developing countries. For three decades now, this outward-oriented economic development strategy has been phenomenal for some countries and despairing for others. For example, Japan, South Korea and some Latin American countries have achieved tremendous success in export promotion to the extent that their economic growth rate attracts the envy of the western industrialized nations. For African nations (including Nigeria) that attempt to borrow a leaf from these nations, the results

leave a lot to be desired. There is neither meaningful industrialization nor improved standard of living. Kayode (1994) notes that African nations now remain the underdogs of the world, coming

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top in the echelon of the world poorest nations.

Daniyan (1994) lamented the failure of the non-oil export sector despite the 'large dose of very generous export promotion policies within the framework of liberalization. In this connection, Obadan (1994) opined that an outward-oriented strategy provides the stimulus to efficiency as a result of exposure to foreign competition and technology, and a prospect of world-wide market for products.

However, the economic theory of comparative advantage provides the basis for the so-called outward-oriented strategy (Tepstra. 2002). The theory holds that each nation will specialize in the production of goods and services in which it has the highest comparative efficiency, exporting them to countries with least comparative efficiency. In return, such country will import goods and services for which it has the highest comparative disadvantage. But current developments in the international trade indicate that this theory of comparative cost advantage rooted in factor endowment has lost much of its validity to the concept of production efficiency rooted in consistent economic policy of a nation. The case of Malaysia illustrates this point. In a bid to develop her export trade, Malaysia took some palm seedlings from Nigeria. Today Malaysia is a leading exporter of palm oil and related products.

Again, Nigeria is the 13<sup>th</sup> highest producer of petroleum in the world, and the 6<sup>th</sup> among OPEC members. Yet Nigeria is today importing over 50% of the refined petroleum consumed locally.

Outward-oriented strategy, or more strictly, export marketing as it is generally called precedes production and continues with the consumer. The promotion of export trade therefore involves planning for the identification and exploration of the country's export resources in such a way that the country is able to service the special requirements of the market. But Onah (1994) argues that it is a way of stimulating businessmen to go into export business by providing them with some incentives. It is also an avenue to improve a country's international image.

At any rate, export development entails the planning of export products, management of exportation and international marketing of our export products.

The ultimate objective of export marketing development therefore is to ensure planned development and diversification in a country, in order to ensure a steady and increasing inflow of foreign exchange earned by exporting. Export development is also intended to ensure that the nation's macro-economic policies are adjusted in such a way that they induce export expansion particularly since most of these policies are more import oriented.

In other words, export development helps in the re-orientation of the national economy so that in our industrial policy, attempts are made to complement the import substitution with that of export-oriented development.

Our focus in this discourse is to assess the effectiveness of the government export support programmes with particular reference to financial and non-financial incentives to Nigerian exporters.

### **Export Support Programmes of Nations in Comparative Terms**

For some decades now, most developing countries deem it necessary to either establish new institutions or restructure the old ones to handle the task of export diversification, development and promotion. Kenya, for example, created the Kenya Trade Authority (KETA) with a programme of services and export support measures.

Nepal is another country that made significant effort in export marketing development. Nepalese Government created Trade promotion Centre (TPC) which drew up a new export blueprint for the country. The TPC commissioned a team of consultants to empiricize the country's export problems and proffer solutions.

A notable outcome of this enviable effort is that the private sector got a leading role in the new export drive. It is receiving support through export incentive, expanded export services and relaxed export bottlenecks. Worlu (1997) recommends that Nigeria could adopt the approach, which Nepal used to place export in the forefront of national development.

In the Philippines, the government succeeded in bringing non-traditional exports to the front burner through generous incentives and facilities created by government to promote these products.

Government support of the Philippines' non-traditional exports has been anchored mainly on five basic policies.

- Provision of various incentives,
- Maintenance of a correct currency valuation;
- Simplification of export procedures;
- Financial and technical assistance.
- Vigorous and imaginative promotion efforts.

The Irish government joined the bandwagon towards developing export marketing. Ireland introduced the fresh dimension of carrying out service export contract, especially in other developing countries in order to create employment and earn foreign exchange. To this end, she established the Irish Export Board (IEB) to develop the export of both manufactured goods and professional services like engineering, architecture, quantity surveying, etc.

In India, the government made the first impact in export promotion in 1956 when it set up the State Trading Corporation (STC) of India Limited. The STC was dominant in the exportation of Indian products and importation of certain products, especially those crucial to India's economic development.

### **Government Export Support Programmes in Nigeria**

The creation of Nigerian Export Promotion Council (NEPC) in 1976 (with amendment in 1992) represented a veritable milestone in the history of Export marketing development in Nigeria. The creation was timely and significant in three respects:

First, it proved that the government of Nigeria recognized export marketing as a viable option in the sustenance of our economic prosperity.

Secondly, it showed that the government was aware of the vast array of challenges, which export activities posed.

Finally, it demonstrated that the government appreciated the need to encourage Nigerian exporters to expand their export efforts. Thus NEPC came into being with manifold incentives for Nigerian exporters. These incentives are both financial and non-financial in nature:

### **1. Non-Financial Incentives**

These are non-money related incentives, which promote exports in the country. These incentives centre mainly on products, raw materials, and trading areas; and they are:

- Export processing zones.
- Export processing factories.
- Cowes Trade Liberalization Scheme.
- Buyback Arrangements.
- Manufacture-in-Bond Scheme.
- Duty Drawback Scheme.
- Duty Drawback Facilities.

### **2. Financial Incentives**

These are money related incentives meant to develop and promote export trade in Nigeria. They are:

- Export Expansion Grant Scheme.
- Financial Facilities for Exports: The Nigerian Export-Import Bank (NEXIM) has been set up to provide foreign currency to exporters either directly or through commercial and merchant banks in support. The following financial facilities are currently being offered by Nigerian Export-Import Bank in support of non-oil exports.
- Re-discounting and Refinancing Facility of Export (RRF). Export Credit Guarantee Facility.
- Export Credit Insurance Facility.
- Industrial Export Stimulation Facility.
- Currency Retention Scheme.
- Tax Relief in Interest Income.
- Payment Period Including Moratorium Grace.

- Period Tax Exemption.
- Pioneer Status Scheme.

### **Research Method**

The result reported here is based on a study of Nigerian companies actively engaged in export marketing. Fifty of these firms were purposively selected to serve as a representative sample from the list of 79 'Gold Award Winners' of the Nigerian industrial and Exports Directories (2008, 2009).

Nine participating Managers were selected from each of the 50 companies units and departments. This selection process was designed to reflect uniquely departmental input, identification and evaluation of government export support programmes.

### **Development of Measures**

To measure the effectiveness of government export support programmes in Nigeria, a seven-item measure adapted from previous studies (Klein and Roth, 1990; Clark and Pugh, 2001) was used to capture the perception of respondents on government export incentives.

The measure used to assess the effectiveness of government support programmes were chosen on the basis of the literature surveyed.

### **Instrumentation**

In view of the above, 450 copies of the questionnaire were distributed to the 50 participating exporting companies to confirm from their experience whether government export support programmes in Nigeria are effective or not, and if they are capable of improving significantly the level of involvement in export marketing. A total of 315 questionnaires were returned, of which 301 were complete and usable resulting in a net response rate of 66.7%. this result – constitutes a fairly high response rate, considering that the average top management survey response rates are in the range of 15% and 20% (Menon, Bharadwaj and Howell, 1996), and that collecting data for such a country-wide study with a large population is difficult due to the numerous obstacles encountered (Douglas and Craig, 1983).

The questions used in this research represent a quantitative adaptation of the export incentives proposed in this study in a 5 item Likert Scale in Nigeria's collectivist cultural context. This method is chosen because it is well suited for obtaining in-depth narrative responses, especially for providing broad insight into a firm's involvement in export marketing.

### **Validity and Reliability Measures**

The possibility of threat to validity in this study was reduced by presenting a description of the export incentive model. The proposed model illustrated external and internal validity and assumptions guiding overall research reliability and potential for generalizability. Trochim (2001) refers to this as "wanting the measure to reflect the construct, the whole construct, and nothing but the construct".

This study assumed that there is an explanatory relationship between government export support programmes and level of involvement in export marketing by firms. By this assumption, the conclusion of this study can, in specific instance of high proximal similarity, be used for extending theory based analytic generalization of export incentives.

## Results

The returned copies of questionnaire constitute a high response rate and provide confidence that non-response is not an issue (Weiss and Heide, 1993). Responses can be aggregated as follows:

**Table 1: Necessity of Export Incentives**

S/NO	RESPONSES	FREQUENCY	PERCENTAGE
1	Yes	301	100
2	No	-	-
	TOTAL	301	100%

Source: Survey Data, 2010.

Table 1 above shows that all the respondents were of the opinion that government export incentives are necessary in Nigerian business environment.

## Analysis of Export Incentives in Nigeria

**Table 2:**

SUMMARY OF TRADE SUPPORT INSTITUTIONS, SCHEMES AND CURRENT SITUATION		
NAME OF TRADE SUPPORT INSTITUTION	TYPES OF SUPPORT PROGRAMME	IS IT WORKING?
Nigerian Export Promotion Council.	Export Development Fund.	Never been applied to direct beneficiaries.
	Export Expansion Grant	Fewer than 20% of Nigerian exporters benefits from it.
	Duty Drawback refund.	As above. Undue processing time discourages new applicants.
	Export Credit Insurance/Guarantee Scheme.	Never applied.
	Export Price Adjustment Scheme	Never applied.

	National Trade Information Network.	Not enough funds allocated for this. No reliable data on Nigeria's exports.
	Participation in overseas trade fairs.	No direct impact on exports from Nigeria. Selected companies have remained largely, those that go for on-the-post sales. No depth of participation or effective post-fair follow-up.
	Export awareness seminars.	Does not appear to be the focus of management. No meaningful seminar in the past five years.
	Awareness campaigns in local trade fairs	Lacking in depth. No longer can you find impressive NEPC stands at local fairs.
	Supply Base Studies.	Too far apart to make any impact.
	Periodic releases of world market prices of selected export products.	No longer in practice.
	Grassroots export promotion (states committees on export).	Poorly-defined roles and expectations. No direction.
	Export production villages.	Adopted only as propaganda.
	Cottage industries development.	Not effective.
	Sectoral promotion of exports products.	Not pursued deeply enough to make any impact.
	Contribution to evolution of national exports policy.	The absence of an articulated export policy for Nigeria is indicative of failure in this regard.
	New export incentives.	Has not been able to harness all stakeholders in the export industry to address critical areas of difficulty. Funds released to this agency are barely enough to cover operations and overloads. Under 10 percent of the targeted industries have benefitted from any NEXIM funding.
Nigeria Export Processing Zones	Improve export trade by facilitating all processes	The agency has experienced quite a number of problems especially with

Authority.	especially duty-free importation of raw material inputs to export manufacture; hitch-free exportation; protection of proceeds for local exporters and exportation of proceeds and investment profit for foreign investors.	other agencies providing parallel facilities. The manufacture-in-bond scheme anchored by the Ministry of Finance and supervised by the Nigerian Customs Services is a clear example.
Export Commodities Coordinating Committee.	Facilitate the export process.	Rather than simplifying the process and reducing the cost of Exporting, this committee has exerted the opposite effect. It empowers the CBN to charge \$5.00 per tones of goods exported from Nigeria in order to raise its working finance. This has served as a big reduction to overall profit of the export companies.
National Advisory Committee on Economic Recovery.	Supposed to design strategies to simplify trade and trade investments.	The activities of this committee are hardly felt by stakeholders in the Nigerian economy.
The Nigerian Economic Summit Group.	A group of private sector professionals and industry leaders, the body has held national economic summits on an annual basis in the past seven years with a view to advising government on the problems inherent in current economic policies, recommending solutions thereto in the hope of facilitating smooth inward and outward international trade from Nigeria.	Governments were, at the onset, enthusiastic about implementing the recommendations of the group. Today the summits appear to have metamorphosed into avenues for pursuing personal agendas and vendettas.

Source: Survey Data, 2010



## Conclusion

One fact is obvious: the Nigerian trader is getting little or no support from the numerous 'support' institutions put in place by the Government. The level of export awareness is critically low, as evident in the small number of merchants and companies involved in export activity. For those exporters, the level of difficulties to surmount is getting stiffer by the day. Oil export continues to account for the lion share of Nigeria's annual revenue and foreign exchange earnings. The vast export opportunities and potentials remain untapped.

The fact that over 95% of the country's annual revenue has continued to come from the single commodity - crude oil - is disturbing enough, and demands radical and dynamic solutions. The present democratic administration has continued to demonstrate an undaunted desire to see to the timely resuscitation of Nigeria's dwindling economic fortunes, and has emphasized diversification of the economic base as veritable way to achieve this. The absence of an articulate policy on export has however impeded the rapid development of pragmatic strategies in this direction.

National economic revival and development are certainly important for the Presidency to take more than a passing interest in them. A healthy export sector is the principal yardstick of judging the development and prosperity of nations now. It is probable the most important legacy this administration can bequeath to future generation of Nigerians,

It is therefore in the light of this importance that this paper has dwelt so tenaciously on the effectiveness of the government export support programmes, and strategies listed above. Deserving a particular and immediate attention is the need for a Presidential Committee to define a new export strategy and chart a pragmatic course for Nigeria's journey in export marketing.

## Recommendations and Policy Implications

The problems, as highlighted only appear enormous; they are not insurmountable. In order to achieve a long lasting remedy, however, we have classified the recommended solutions below in the following order: immediate, medium, and longer-term implementation.

### Immediate

- Government to institute a Presidential Committee on non-oil exports. It shall be the duty of the Committee to:
- Organize a national conference on non-oil exports revival before the end of the year. The conference will discuss, determine and design a National Export Strategy. They would be empowered to involve expertise of international trade assistance agencies such as the International Trade Centre and the World Trade Organization.
- Identify the reasons why exporters prefer the unofficial channels (smuggling) to the detriment of official exports.

- Identify the current bottlenecks to smooth exports at the Nigerian ports.
- Compile the various export opportunities and potentials with a view to designing a framework for Sectoral export promotion.
- Define a framework for inculcating export promotion as an integral component of the proposed Youth Employment Scheme.
- Define the modalities for adopting the export production village strategy in all agricultural development efforts and programmes.
- Establish the modalities for inculcating an export culture in the Nigeria populace.
- Evolve a complimentary economic development agenda for Export and Investment promotions. This should set the tempo for a new and symbiotic relationship between NEPC, NEXIM, NEPZA, NIPC, NMC, CBN, and EC'CC etc.
- Consider the continued relevance of some of the export policies listed as incentives in Nigeria, especially those that have never been activated.
- Define modalities for the adoption and use of Export Trading Houses to capture and control the markets first of West Africa, and then in selected countries all over the world where Nigerian products are known to have relevant comparative advantage.

The Committee should also mandate the NEPC to process and disburse export incentives within a maximum of two months. Today incentives approved since two years ago are yet to be paid to beneficiaries.

- Stop the practice of piecemeal release of Negotiable Duty Credit Certificates in settlement of export incentives as is currently done.
- Mandate the CBN and the Federal Ministry of Finance to complete the full negotiability and transferability status of the negotiable Duty Credit Certificate.
- Liaise with other trade promotion organizations all over the world with a view to securing technical assistance in developing Nigeria's export potentials and opportunities.

#### **Medium Term**

- Government to restructure export promotion agencies such as NEPC and NEXIM and make them more active and relevant. As of today, fewer than 5% of the Nigerian 'exporting' community feels any impact from NEPCs activities.
- Evolve a new set of export incentives that would be completely radical and supportive of a catalyst approach. This could include:

- A new window of exchange for export proceeds that allows exporters to enjoy a higher exchange rate for all dollars earned from the export activity.
- National recognition of export performance via the institution of an "exporter of till' year" Award, as it is done for the farming sector for the past few years.
- Adoption of zero-duty importation for raw materials and machinery as an established policy. This implies focusing on some products for which markets exist outside the country and applying the benefits of IBS directly rather than to be applied for;
- Qualification for the enjoyment of Export Processing Factory Status to be lowered to exportation of 50% of total production rather than the present 70%.

### **The Nigerian Export Promotion Council**

This organization could enhance the achievement of the foregoing recommendation and contribute to further non-oil export development in the following ways:

- Raise Export Expansion Grant to 20% of repatriated proceeds.
- Design a way, where possible, for CBN to release grants to exporters as soon as repatriation is confirmed. Today, it is doubtful whether 50% of those qualified actually apply for and benefit from EEG. Making payments automatic and less stressful will certainly ensure the emergence of new exporters.
- The Export Development Fund should be restructured, the Trustees appointed and empowered. Releasing the fund for sole administration by the NEPC without request for accountability has rendered it useless and ineffective. The current practice is for NEPC to appropriate it as part of 'onshore' expenses for international trade than by the beneficiaries themselves. This anomaly certainly needs to be corrected. The NEPC should process the fund and the Board of Trustees should meet periodically to approve beneficiaries. Actual disbursement should be made direct to the beneficiaries.
- It would appear that the Council's manpower is either not adequately trained or focused enough to generate new ideas on export promotion within the context of current global realities. Massive training should be immediately embarked upon to inculcate a pragmatic and business approach to export promotion in the staff.
- Still in the area of manpower, it would be reasonable and profitable to restructure the organization to ensure that true 'marketers' emerge from the core staff base. The goal would be to prepare the Council for self-sufficiency within the next ten years or so. In order to meet global challenges, the Council certainly needs to make itself more relevant and thereby generate payment for its services.
- The council would also need to be mandated to develop the services exports industry, and turn the brain drain into service exports. The sector holds enormous export potentials

from which the country can certainly draw immense benefits.

- Similarly, the Council would need to revive seminars and export education campaigns.
- With world trade leaning for e-commerce, NEPC should transform itself into the online market for Nigerian products and services, via visible and active participation in e-commerce, and Internet trade.

To achieve the above, the Council would have to spend the next three years or so to generate, compile and build a reliable database of Nigerian export products and services, their current marketers, prices, trends, local sources, etc.

The NEPC as of today does not network sufficiently with other trade promotion organizations all over the world or with international aid agencies for the promotion of international trade. Technical assistance and trade promotion programmes should therefore be designed and implemented by these agencies (including ITC) in neighbouring countries such as Benin, Ghana, Cote d'Ivoire, Burkina Faso, etc.

The management should focus on these areas providing opportunities to freely train its staff. The Council could use the same channels to assist manufacturing and merchant exporters to train their staff in modern trading techniques and tools.

It is the duty of the NEPC to design export promotion programmes that can get the export culture established even at grassroots levels.

The NEPC should be gingered up to become one of the leading agencies to “sell Nigeria”. You cannot sell Nigerians to Nigeria. The focus would be to sell Nigeria overseas and attract foreigners to buy Nigeria outside Nigeria.

### **Export Education/Awareness**

In almost all fora where Nigeria's economic progress is discussed, the level and inadequacy of education and awareness about international trade opportunities, potential, procedures and regulation has continued to receive strong emphasis.

It is therefore important that Government at the highest level consider the institution of an aggressive non-oil export education campaign. This could be done in the form of a sponsored weekly television programme that would run all-year round and take up a different aspect of non-oil export at each new session. Modalities could be provided on request.

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