

# Overview of Export Expansion Grant (EEG) Scheme

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OCTOBER, 2021

**NEPC IN HOUSE CAPACITY BUILDING PROGRAMME**



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# INTRODUCTION:

## Advent of Export Incentives in Nigeria



The Nigerian Export Promotion Council (NEPC) is a Federal Government Agency, established by Decree number 26 of 1976 with subsequent amendments in 1986, 1992 and now NEPC Act CAP 108 LFN 2004 to perform the following key functions:

- Promote the development and diversification of Nigeria's export trade.
- Assist in promoting the development of export-oriented industries.
- **Play a leading role in the creation of export incentives**

### VISION

To make the world a market place for Nigerian non-oil products.

### MISSION

To spearhead the diversification of the Nigerian economy by expanding and increasing non-oil exports for sustainable and inclusive economic growth.



# INTRODUCTION:

## Advent of Export Incentives in Nigeria



### Enabling Laws:

- It was established by the Export ( Incentives & Miscellaneous Provisions) Act of 1986, CAP E19 LFN 2004, Part II (B), Para. 5 states-(as extracted below):\
- **(4) “ The NEPC shall be responsible for the day- to- day administration of Expansion Fund.**
- **(5) The NEPC shall issue from time to time guidelines for the effective administration of the Expansion Fund.”**
- The Export (Incentives and Miscellaneous Provisions Acts CAP E19 LFN 2004, ( No. 65), further states, inter alia:
  - (3) *“The Nigerian Export Promotion Council shall to the exclusion of any other Government body or authority be charged with responsibilities for administering the incentives contained in this decree.*



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# EXPORT INCENTIVES:

## What is Export Incentives?



The practice of granting export incentives is universal. The extent and form however vary from country to country depending on the country's economic structure, resource availability, export potential and the effectiveness of export incentives in realizing its export potentials.

The WTO defines export incentives as subsidy (handout/assistance) given to a country's exporter which is contingent on export performance.

A measure is defined as a subsidy if it contains the three following elements:

- ❖ It is a financial contribution.
- ❖ The contribution is by a government or any public body within the territory of a member and
- ❖ The contribution confers a benefit.

# EXPORT INCENTIVES:

## Why Export Incentives?

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- ❑ To encourage expansion of exports;
- ❑ To encourage businesses to export certain types of goods or services;
- ❑ To make or keep domestic products competitive in the global market;
- ❑ To facilitate greater market penetration and encourage domestic value – addition;
- ❑ Increased international competition and the demand for foreign markets.
- ❑ Inadequate incentives is a disincentive to export

# EXPORT INCENTIVES:

## Forms of Export Incentives

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### •***Regulatory Incentives:***

- These are policies of attracting investment projects by offering derogations from national or sub-national rules and regulations, e.g. Free Economic Zones, Export Proceed retention Scheme.

### •***Fiscal Incentives:***

- This involves easing of the tax burden on the investing companies or their employees.
- General fiscal incentives normally take the form of reduced corporate tax rates or tax holidays; encouragement of capital formation and preferential treatment of foreign operators. Such incentives include Pioneer status, Capital allowances, Tax reliefs

### ***Financial Incentives:***

- consist of out of hand public spending to attract companies or induce them to invest. Financial incentives – grants, loans, credit guarantees, etc- are available to attract and facilitate Foreign Direct Investment.



# EXPORT INCENTIVES:

## Existing Export Incentives in Nigeria



| S/N | INCENTIVES                                    | STATUS       |
|-----|---|--------------|
| 1   | Export Expansion Grant Scheme                 | Functional   |
| 2   | Pioneer Status Scheme                         | Functional   |
| 3   | Currency Retention Scheme                     | Functional   |
| 4   | Free Trade Zones (FTZ)                        | Functional   |
| 5   | ECOWAS Trade Liberalization Scheme            | Functional   |
| 6   | Duty Drawback Scheme                          | Phased out   |
| 7   | Tax Relief on Interest Income (TRIIS)         | Re-activated |
| 8   | Capital Asset Depreciation Allowance          | Available    |
| 9   | Profit Exemption from Tax                     | Functional   |
| 10  | Buyback Arrangement                           | Moribund     |
| 11  | Manufacturer Exporters In-Bond Scheme (MEIBS) | Moribund     |
| 12  | Export Adjustment Scheme Fund                 | Moribund     |
| 13  | Export Development Fund (EDF)                 | Re-activated |



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# EEG FRAMEWORK

## Objectives of the EEG Scheme



- Export Incentives and Miscellaneous Provision Act, CAP E19 LFN 2004
- The Scheme is a post-shipment incentive

- Increase volume/value of non-oil exports,

- Diversify their export markets

- Enhance their global competitiveness despite high cost of production due to our infrastructural deficiencies.

# EEG FRAMEWORK

## Features of the Revised EEG Scheme



- ❑ Assessment is based on the objectives of NEEDS and as adopted in the ERGP
- ❑ The EEG rate is company-cum-product specific with the introduction of the baseline data and weighted eligibility criteria.
- ❑ Double – Dipping is not allowed
- ❑ Introduction of automation in processing
- ❑ Payment with Export Credit Certificates (ECCs): This is used to settle the following:
  1. Pay all Federal Government taxes (except PAYE)
  2. Offset Government Loans with BOI, BOA, NEXIM Bank and AMCON Liabilities
  3. Purchase of Government Bonds
  4. It can be transferred once to third parties

# EEG FRAMEWORK :

## Eligibility



- To qualify for participation in the EEG Scheme, an exporter must be:
  - Registered with the NEPC;
  - Registered with the CAC;
  - Have a minimum annual export turnover of ₦5 million;
  - A manufacturer/producer or merchant of products of Nigerian origin;
  - Show evidence of confirmed repatriation of export proceeds into a Domiciliary Account in Nigeria and,
  - Submit their baseline data which should include Audited Financial Statements and information on operational capacity to the NEPC.



# **EEG FRAMEWORK :**

## **Key Players in the Administration**



### **□ EEG Implementation Committee (EEG - IC)**

#### **■ Membership of EEG Implementation Committee includes:**

- *Federal Ministry of Finance (FMF)***
- *Budget Office of the Federation (BOF)***
- *Federal Ministry of Industry Trade & Investment (FMITI)***
- *Central Bank of Nigeria (CBN)***
- *Nigerian Customs Service (NCS)***
- *Budget Office of the Federation***
- *Federal Inland Revenue Service (FIRS) and***
- *Nigerian Export Promotion Council (Chair and Secretariat)***

# **EEG FRAMEWORK :**

## **Key Players in the Administration**

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### **□ EEG Inter-Ministerial Committee (IMC)**

- The IMC reviews the EEG scheme. Members of IMC are required to meet twice in a year.
- Issues broad policy guidelines for EEG
- Membership of IMC includes ALL members of the EEG Implementation Committee and representatives of:
  - *Federal Ministry of Agriculture (FMA),*
  - *Trade Malpractices Committee (TMC) and*
  - *Economic and Financial Crime Commission (EFCC)*

# EEG FRAMEWORK

## Application Procedures and Documentation

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### Baseline Data

Exporters submit baseline Data which includes Audited financial statements and information on operational capacity

Baseline data is used to determine the EEG rate for one year only

The rate so determined is applied to EEG applications for that particular year

- EEG applications are submitted after baseline data

# EEG FRAMEWORK

## Application Procedures and Documentation

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Pending the commencement of the automation of export procedures and incentives processing, the following export documents are forwarded to the Council:

- Forms NXP duly certified by processing bank; Nigeria Customs Service and the Pre-shipment Inspection Agents;
- Bill of Lading;
- Final Commercial Invoice;
- Single Goods Declaration (SGD) Forms, duly endorsed by Nigerian Customs Service, both at front and back

# EEG FRAMEWORK

## Application Procedures and Documentation



- Evidence of full repatriation of export proceed (CBN confirmation of repatriation of proceeds by exporter);
- *(Include Schedule of Confirmation of Repatriation of Export Proceeds)*
- Clean Certificate of Inspection (CCI) to include quality certification;
- NEPC non-oil Export Certificate
- Certificate of Manufacturer (where applicable)
- Scanning Report
- Any other documentation as may be required by NEPC from time to time.



# EEG FRAMEWORK

## Application Processing

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- Rated applicants submit claims documents, referenced NXPs to the Council
- NEPC forwards NXPs to CBN for confirmation of export proceeds
- Applications are passed to the Processing Room for data capturing
- CBN returns both confirmed and unconfirmed NXPs to NEPC
- Confirmed NXPs are processed further
- Unconfirmed NXPs are resubmitted to CBN ( after a while) for confirmation
- CBN will not confirm an NXP until it receives the copy from Nigeria Customs Service
- NEPC compiles value report for EEG IC meeting

# EEG FRAMEWORK

## Application Processing

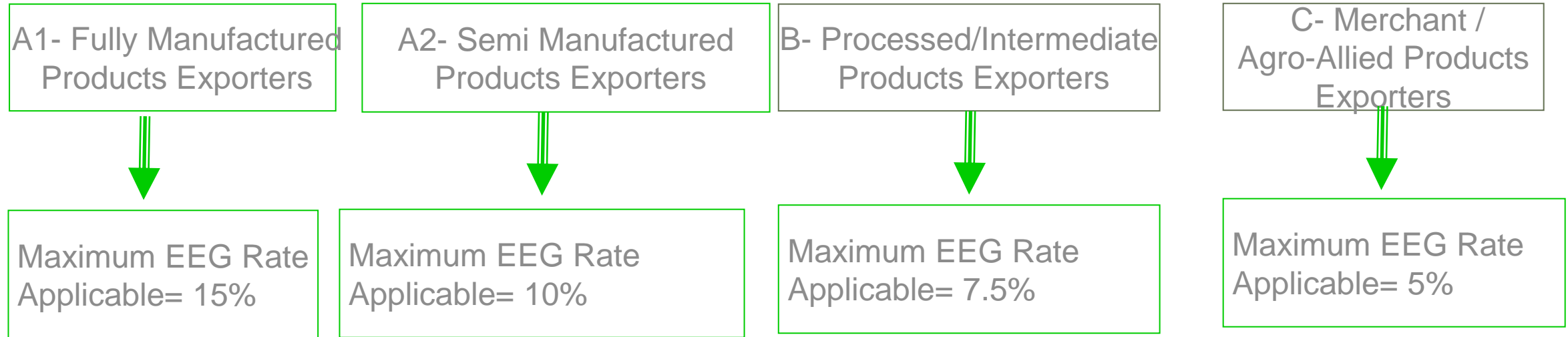
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- EEG Implementation Committee meets to consider the value report
- NEPC forwards the minutes of meeting and approved value report on claims to FMF for final **approval** and authorization to issue ECCs
- NEPC writes the ECCs and signs its column before sending them to FMF for counter signature
- FMF countersigns and returns certificates to NEPC

# EEG FRAMEWORK

## Exporters Assessment & Categorization



The Scheme operates the “Weighted Eligibility Criteria” in assessing applications for EEG. The baseline data as supplied by individual applicant company is used in its assessment. Thus the method of assessment is “company cum product specific.” A company’s EEG assessment is conducted once yearly and the determined rate applies throughout the year.

The Weighted Eligibility Criteria has four bands: 15%, 10%, 7.5% and 5%. The following template is used in assessing the incentive rate of every EEG applicant.

# EEG FRAMEWORK

## Exporters Assessment & Categorization



### Determination of Export Performance – Eligibility Criteria

| ELIGIBILITY CRITERIA      | COMPANY DATA | THRESHOLD | WEIGHT      | COMPANY SCORE |
|---------------------------|--------------|-----------|-------------|---------------|
| Local Value Added         |              | 30%       | 20%         |               |
| Local Content             |              | 70%       | 20%         |               |
| Employment (Nigerian)     |              | 500       | 10%         |               |
| Export Growth             |              | 5%        | 35%         |               |
| Capital Investment Growth |              | 10%       | 15%         |               |
| <b>TOTAL</b>              |              |           | <b>100%</b> |               |

# EEG FRAMEWORK

## Exporters Assessment & Categorization



### EEG RATE APPLICABLE TO THE 4 CATEGORIES OF EXPORTERS

| Scoring Key | Fully Manufactured (End of Process/ ready for consumption) | Semi Manufactured products (Inputs into further processing) | Processed/intermediate Products | Merchants / Primary Agricultural Commodities (including commodities and Solid minerals) |
|-------------|--|---|---------------------------------|---|
| Scores Band | EEG Rate %   | EEG Rate %  | EEG Rate %                      | EEG Rate %  |
| > 70        | 15   | 10  | 7.5                             | 5   |
| > 50        | 10   | 7.5   | 5                               | 3   |
| > 25        | 7.5  | 5   | 3                               | 2   |
| >5%         | 3  | 1   | 1                               | 1   |
| < 5%        | 0  | 0   | 0                               | 0   |

Exporters whose activities/products fall into more than one category shall have their EEG rate for each different category determined by the application of their eligibility criteria score to the appropriate activity/product score table for EEG rates. The rates then determined are applied to appropriate NXPs.





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# EEG AND ITS IMPACT ON NON-OIL EXPORTS



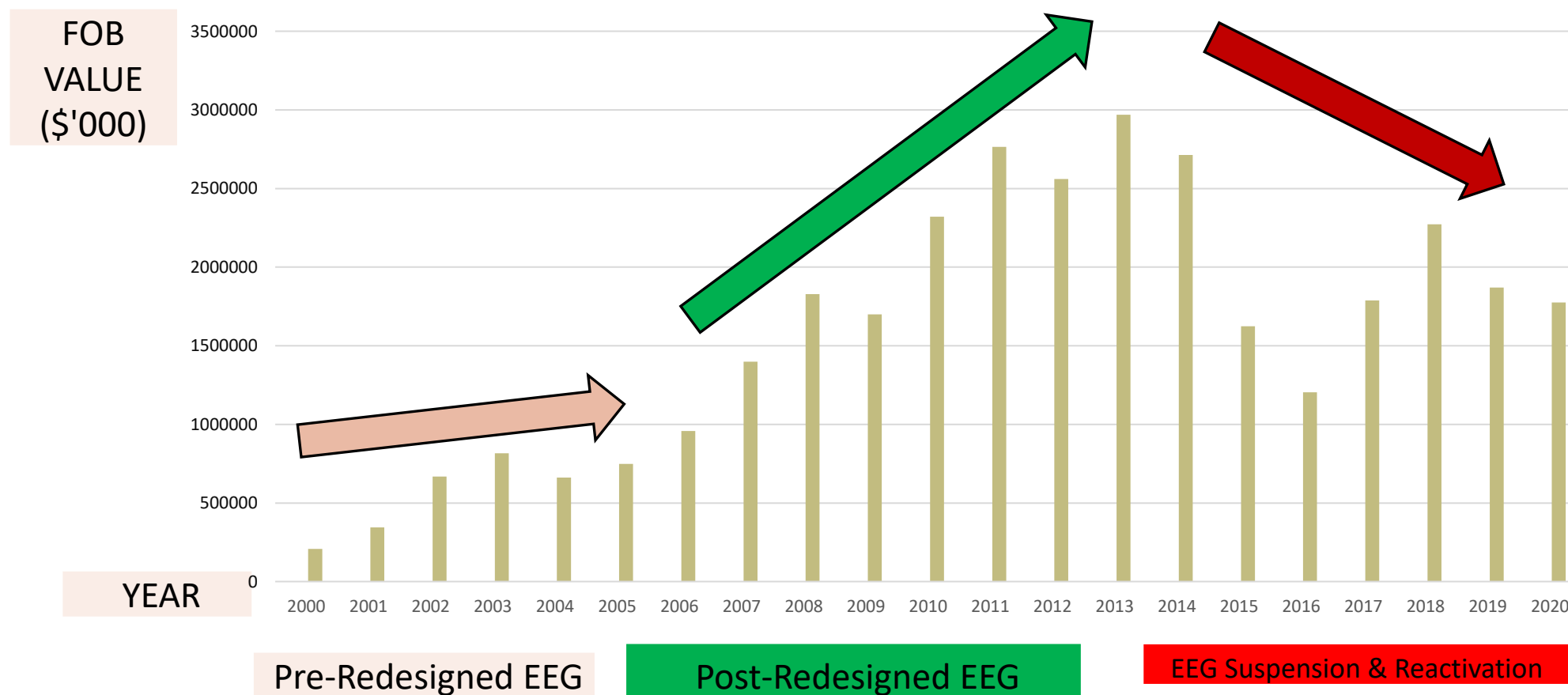
- The EEG Scheme has facilitated the further integration of the informal sector into the mainstream economy through the proper documentation and repatriation of export proceeds by beneficiaries,
- The use of value addition has contributed to significant investments in processing of raw produce as well as an increase in exports of downstream oil derivatives.
- Nigerian non-oil products like processed leather articles, cashew, cocoa, ginger, rubber, sesame seeds, and textiles have earned a distinction in several quality-conscious markets like the European Union (EU) and USA.
- The survey carried out also provided ample evidence that many companies have utilized their EEG to procure more machinery to expand their production for export, and thereby generating more employment.

# Formal Non-Oil Exports Performance 1996-2020



| YEAR | FOB VALUE (\$'000) | % Increase/<br>Decrease | Source              |
|------|--------------------|-------------------------|---------------------|
| 1996 | 167,665.00         |                         | CBN                 |
| 1997 | 347,817.00         | 107.45%                 | CBN                 |
| 1998 | 177,587.00         | -48.94%                 | CBN                 |
| 1999 | 234,282.00         | 31.93%                  | CBN                 |
| 2000 | 207,438.00         | -11.46%                 | CBN                 |
| 2001 | 344,338.00         | 66.00%                  | CBN                 |
| 2002 | 668,028.00         | 94.00%                  | CBN                 |
| 2003 | 816,933.00         | 22.29%                  | CBN                 |
| 2004 | 661,657.00         | -19.01%                 | CBN                 |
| 2005 | 749,472.22         | 13.27%                  | CBN                 |
| 2006 | 957,305.37         | 27.73%                  | CBN                 |
| 2007 | 1,398,823.20       | 46.12%                  | Cobalt              |
| 2008 | 1,828,700.32       | 30.73%                  | Cobalt              |
| 2009 | 1,700,000.00       | -7.04%                  | Cobalt              |
| 2010 | 2,320,833.93       | 36.52%                  | Cobalt              |
| 2011 | 2,765,290.41       | 19.15%                  | Cobalt              |
| 2012 | 2,561,243.65       | -7.38%                  | Cobalt              |
| 2013 | 2,970,107.35       | 15.96%                  | Cobalt              |
| 2014 | 2,714,188.34       | -8.62%                  | Cobalt              |
| 2015 | 1,624,578.55       | -40.14%                 | Pre-shipment Agents |
| 2016 | 1,204,514.18       | -25.86%                 | Pre-shipment Agents |
| 2017 | 1,787,880.26       | 48.43%                  | Pre-shipment Agents |
| 2018 | 2,272,786.44       | 27.12%                  | Pre-shipment Agents |
| 2019 | 1,870,676.80       | -17.69%                 | Pre-shipment Agents |
| 2020 | 1,775,685.47       | -5.08%                  | Pre-shipment Agents |

## Formal Non-Oil Exports Performance 2000-2020



# CONCLUSION





## CONCLUSION

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Export Business...  
Tomorrow's Business

