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ASSISTANCE IN THE ESTABLISHMENT
OF AN EXPORT PROCESSING ZONE

SI/NIR/89/802

NIGERIA

Terminal report*

Prepared for the Government of Nigeria
by the United Nations Industrial Development Organization,
acting as executing agency for the United Nations Development Programme

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Introduction

This report arises out of visits by two experts, Mr. Brian Callanan and Mr. Tom Kelleher to Lagos and Calabar, Nigeria during November/December 1989. The visits were part of the UNIDO project SI/NIR/89/802 with the following objective:

"To investigate the viability of establishing an Export Processing Zone in the Port of Calabar with a view to providing the government with adequate techno-economic information which would enable them to take a decision regarding the establishment of an EPZ".

During the visits discussions were held with a number of organisations, including:

- Federal Ministry of Trade
- Federal Ministry of Industries
- Nigerian Ports Authority
- The Presidency, Office of Planning & Budget
- World Trade Centre of Nigeria
- Association of Nigerian Exporters
- Nigerian Export Promotion Council
- Cross River State Ministry of Commerce & Industry
- University of Calabar
- Calabar Chamber of Commerce
- UNIDO Lagos
- Irish Embassy
- A number of private individuals were also very helpful.

The second part of the project involves a study-tour by two Government officials to Export Processing Zones in the Republic of Korea, in Malaysia and in Ireland.

CHAPTER 1: BACKGROUND

With a fall in oil prices Nigeria has suffered a significant drop in export earnings in recent years. The Government, therefore, wants to reduce its dependency on oil revenues by developing its manufacturing base to reduce imports and increase non oil export earnings. In order to encourage the growth of export manufacturing industry the Government is planning to establish one or more export processing zones (EPZs).

The Port of Calabar which is currently underutilized has been selected as the site for the first zone. The objectives of the proposed zone, in line with the "Structural Adjustment Policy" adopted in 1986, are

- (i) to attract private investment capital including foreign investment;
- (ii) generate exports;
- (iii) provide increased employment opportunities; and
- (iv) act as a catalyst in developing export manufacturing activity throughout the economy.

In making the decision to proceed with the establishment of EPZ's the government has taken into consideration the fact that upwards of 70 countries throughout the world have used the free zone formula (or a variation such as in "bonded manufacturing") with varying degrees of success. Accordingly the government has requested UNIDO to provide advice on the establishment and operation of export processing zones in general and in particular on the establishment of an export processing zone at the Port of Calabar.

In response to this request UNIDO fielded two experts to investigate the viability of establishing an Export Processing Zone at Calabar. A total of 4 weeks was spent in Nigeria and 2 weeks at home base. Both experts visited the site at Calabar. (Details of the visits to Nigeria are set out in appendix I). In this short period, it was possible to gain initial impressions of the country, to discuss with key personnel the possible role of EPZ's in Nigeria and to make recommendations on the nature and scope of a full scale feasibility study relating to the development of a free zone at the Port of Calabar.

CHAPTER 2: FREE ZONES - GENERAL OBSERVATIONS

2.1. Introduction

The free zone idea is a policy instrument which has been used for over 2,000 years to promote trade. Until recently the free zone was mainly a warehousing and re-export centre. Since 1960 a new form of free trade zone has gained in popularity. It is concerned not so much with trade but rather with the creation of an export industry manufacturing sector - thus the term export processing zone (EPZ). More than anything else the EPZ is a promotion instrument aimed at

- (i) attracting a percentage of the flow of mobile international investment producing goods for export and
- (ii) encouraging local or indigenous manufacturers to focus on export development.

What the EPZ does is incorporate an attractive package of incentives which includes:-

- (i) freedom to import raw materials and equipment free of duties or restrictions;
- (ii) simplified customs procedures for import and export;
- (iii) minimum bureaucracy in approval procedures prior to establishment and minimum government interference while in operation;
- (iv) tax incentives (usually) and
- (v) good infrastructure and production facilities.

These are artificial incentives which supplement the natural incentives - a good operating environment, political stability and profit opportunities.

There are variations of the free zone idea - for example the bonded warehouse or factory as used in Mauritius. Here factories are spread throughout the island and using a bonded system are permitted to import materials free of duty under customs control, process them and export the finished product. The Inward Processing System operated in the EC permits factories anywhere in the European Community to import materials free of duty, process those materials and export the finished product outside the Community. Sales within the Community are liable for duty on the imported (from outside the EC) content of the finished product.

2.2. Free Zone and Export Industry Development

Attracting export oriented foreign investment is a very competitive business worldwide. This is particularly true of "good quality" investment. A Free Zone, especially in the early stages of development, helps to improve the image of a country

from a foreign investor viewpoint. It is a particularly useful instrument where there is a major bureaucracy controlling imports. The type of industry that will benefit most from a free zone situation is that which requires regular (weekly) supplies of materials from overseas. Examples include clothing, textiles, leather, plastics, sports goods, consumer durables, light engineering and electronics.

The designation of an area as a Free Zone does not automatically make an area attractive as a location for foreign export industry investment. The basic conditions for attracting foreign investment must exist, otherwise the investment will be of a lower quality than expected or worse, the investment will not materialise.

In this respect the key considerations are:-

- (i) **Political and economic stability:** For most investors this is an important consideration. Essentially what investors look for is (i) a consistent economic policy favouring private enterprise, foreign investment and export development and (ii) a politically stable environment.
- (ii) **Good transportation and communication facilities:** For most free zone industries (e.g. electronics, light engineering and clothing) good air connections are important. This means adequate air cargo capacity and services to all major destinations. For international service activities, good telecommunications facilities are very important.
- (iii) **Good Physical Environment:** Most free zone investors are international companies with a good reputation. As such they will look for a pollution free environment with good standards of physical planning.
- (iv) **Reliable Infrastructure:** A reliable water and electricity supply are important.
- (v) **Market Access:** Preferential access to a major market is a big advantage e.g. South Pacific countries vis a vis Australia and New Zealand; Caribbean countries vis a vis US and Canada, ACP countries vis a vis EC.
- (vi) **Support Services:** Basic support services such as banking and freight forwarding are essential in all zones. If a zone is seeking higher skilled engineering or electronics activities, the existence of good quality sub-contractors and spare parts suppliers is an advantage.
- (vii) **Labour:** The cost and productivity of labour and the range of skills will, more than anything else, determine the type of industry which will be attracted to the zone.
- (viii) **Good Organisation:** An organisation, which can (a) deal efficiently and quickly with investors' applications and (b) assist investors once approved in the establishment

phase, is important. Very often the difference between two locations is marginal and the location decision will hinge on minor considerations. The overall impression, made by the Zone Organisation on the investor, can be decisive in such circumstances.

- (ix) **Urban Environment:** If a Free Zone hopes to attract good quality light industry and expatriate personnel, a well developed urban environment is important.
- (x) **Existing Industry:** It is an advantage both to the firms setting up in the zone and the host country that a certain amount of industrial development should have already taken place in or near the proposed zone.

2.3. Free Zone Studies

A major difficulty in analysing the impact of free zones on a global basis is the absence of reliable information which would permit comparisons and analysis of their performance. It is clear however that there have been wide variations in the performance of different zones. A recent article by Peter Warr (Export Processing Zones - The Economics of Enclave Manufacturing - Research Observer, January 1989) shows that the internal rate of return for different zones varied from -3% to +28%. The free zone at Karachi, established in the early 1980's now has 25 industrial units in production, employing 2,500 (International Herald Tribune, October 18th, 1989). In Sri Lanka employment in the investment promotion zones established in the late 1970's was 42,000 in 1986 - an increase of 10,000 over 1985 (UNIDO Global Report 1988/89).

A possible explanation of the variations in performance of different EPZs lies in

- (i) the general environment in which the zone operates and
- (ii) the nature of the institutions responsible for promoting, developing and managing the zones.

In recent years economists have included the analysis of economic organisations as a critical element in economic analysis. An examination of the growth rates of 115 economies over the period 1960-80 by G. Scully found that "the institutional framework has significant and large effects on the efficiency and growth rate of economies" (G. Scully Journal of Political Economy 1988, Vol. 96, No. 3, P. 652).

H. Leibenstein in an article in World Development, Vol. 17, No. 9 argued that rather than "increasing the resources available to a country" better results can be obtained by "analysing the organisations involved, suggesting means for change and changing the institutional environment under which such organisations operate".

CHAPTER 3: EXPORT PROCESSING ZONES AND NIGERIA

3.1. Existing Reports

The idea of an EPZ in Nigeria has been considered several times over the last decade.

- Report on EPZ's by Gills, Nigeria (1980)
- Proposals for a Nigerian EPZ by the World Trade Centre (1984)
- Interim report of the Task Force on the establishment of a Nigerian EPZ at Calabar (November 1989)
- Report of the technical committee of the Task Force on an EPZ at Calabar (December 1989).

All of these reports have been positive and have advocated an EPZ programme for Nigeria.

3.2. Feasibility of an EPZ

Nigeria is classified as a middle income developing country. It is faced with the problems of many developing countries which have used the free zone as a policy instrument - shortage of foreign exchange, the need to diversify the manufacturing base and expand export industry, the need to create increased employment opportunities. In relative terms Nigeria has a reasonably well developed infrastructure. Therefore it is possible to say in general terms that a free zone can be developed in Nigeria to make a positive contribution to the country's development.

However the key issue is not the feasibility as such - rather it is to identify in detail the conditions which are necessary for a free zone in Nigeria (and in the Port of Calabar in particular) to develop successfully.

3.3. EPZ in Port of Calabar

3.3.1. Home Market and Raw Materials

Nigeria differs in 2 important respects from many of the countries which have successfully developed free zones - the size of the home market and the availability of raw materials. Nigeria has a population of 109 million people with a gross national product of 70 billion dollars. It has abundant natural resources. One third of the land area is covered with forests. Other important resources include coal, iron ore, lead, limestone, natural gas, zinc, and of course petroleum. In addition the country is a leading producer of cocoa, palm oil and palm kernels, peanuts and rubber. Other important crops include cotton, corn, cassava, corn, millet and rice.

3.3.2. Labour Availability

With most (two thirds) of the workforce employed in agriculture and an underdeveloped manufacturing sector there is considerable underemployment and unemployment.

Thus the availability of the workers is not a problem. The rate for unskilled workers is in the order of \$50 per month. Provided that productivity levels match those of other free zones, labour costs in Nigeria will be competitive.

3.3.3. Infrastructure

Nigeria suffers from some chronic infrastructure shortfalls in relation to transportation, telecommunications, and electricity. Nigerian Airways international fleet has been reduced because of the repossession of aircraft. Many railway locomotives are out of action because of a shortage of spares. Telecommunications contact within Nigeria is difficult and electricity supply is uneven. Interruptions to supply and 'brown outs' are common.

The Task Force and its Technical Committee are well aware of the various infrastructure difficulties and acknowledge the need for high standards of infrastructure for successful free zone development.

3.3.4. Calabar

The City of Calabar has a population in excess of 100,000 with associated commercial, banking, residential and other facilities. The existing industrial base is small but significant, manufacturing a range of products using local materials for the Nigerian market (cement, plywood, rubber). There is some import/export trade. The city has an orderly appearance. The impression is that administrative and management difficulties which are evident in Lagos are not a major problem in Calabar. There is considerable support among the business community in Calabar for an EPZ.

3.3.5. The Port of Calabar

The port, located a short distance from the city, was built during the high growth years of the 1970's. There is very little evidence of commercial activity there at present. There is however substantial infrastructure and buildings there. These include:

- 3 transit sheds (7000m² each)
- 2 warehouses (7000m² each)
- cargo handling equipment
- 300m of berthage
- capacity to handle 10,000 dwt vessels
- customs office
- police
- port authority office
- additional empty office space
- maintenance depots
- fire station

The port area is surrounded by a high boundary fence and is isolated from residential areas. Within the port area there is 50 ha of undeveloped land. There is an adjacent site of 300 ha in public ownership and is available for expansion purposes.

3.3.5 Airport

The airport at Calabar has services to Lagos, Duala (Cameroon) and other locations in Nigeria. The terminal building, approaches and landscape are in excellent condition (much better than Lagos). The runway can accommodate short haul passenger aircraft but cannot take the larger jets.

3.3.6 University

The University of Calabar has 400 staff and 5,000 students studying arts, medicine, education and science. The university does some contract work for industry and the private sector.

3.3.7 Administrative Difficulties

An issue which is relevant not just in Calabar but throughout Nigeria and in many developing countries is the question of administrative difficulties. Both Nigerians and foreigners indicated during the consultants visit that a critical factor affecting investment prospects is the perception that crime and pilferage are at high levels, necessitating extra security and management costs; that unofficial payments are necessary; and that the bureaucracy and cumbersome administration delay everything.

It was impossible during the consultants visits to determine the extent of problems for investors. It appears however that in Calabar, administrative difficulties are not as serious as in Lagos and certainly not as bad as the perception held by many foreigners.

3.4 KEY CONSIDERATIONS

Before developing a free zone at Calabar there are a number of key considerations which need to be addressed in detail. These are:

1. Image: At present Nigeria is considered an "administratively difficult" area by many overseas investors. There is a need for research to determine under what conditions investors would be willing to invest in a free zone at Calabar - what guarantees etc. are required. Will the free zone help to overcome this image?
2. Industry Types: The proposed zone at Calabar differs from many traditional EPZ's - which are located near an airport with a focus on light industry using imported raw

materials. The Calabar zone is at a port, a traditional location for heavy industry, and has abundant raw materials in the hinterland. Thus the industry mix at Calabar could be very different to the traditional EPZ where the emphasis is on clothing and electronics.

3. Home Market: Sometimes firms are attracted to free zones to service the regional market. Where the host country is a very small part of the regional market this is not a problem for an EPZ firm obliged to export most of its output. In the Nigerian case the host country represents a very large percentage of the West African regional market - Nigeria accounts for over 50% of the population which includes 17 surrounding countries and an even greater percentage of the spending power in the market. Thus the question of significant home market sales for companies planning to use the Calabar EPZ to service the regional market is an important issue.

4. Port Development: During the consultants visits to Calabar there was little evidence of activity at the port. There were no ships there. The transit sheds and warehouses were empty. An important part of any free zone development is the availability of international transport services. The development of the port needs to be considered in the context of the development of the free zone.
 - What range of shipping services exist at present and what is the volume of throughput at the port?
 - How will the port develop in the next 10/20 years assuming a successful free zone development?
 - Will the existing warehouses/transit sheds be needed for port development in future years?
 - Can they (warehouses/transit sheds) be made available to the free zone for warehousing or manufacturing activity even on a temporary basis?
 - Are the current range of shipping services adequate from a free zone viewpoint - if not what measures are necessary to promote additional services through the port?

3.5. Organisation and Operating Environment

Increasingly development economists are identifying institutions as a key factor in explaining why the growth rate varies from country to country. How decisions are made in terms of details and procedures is not part of traditional economic theory. Yet there is a growing recognition that some organisations are more successful than others. This is leading many economists to the conclusion that how well organisations work is a major determinant of economic development.

In the context of free zone development the type of organisation which is charged with promoting, developing and managing the zone together with the environment in which the organisation operates are critical factors in the successful development of the zone.

In general terms the zone organisation must

- (i) have considerable degrees of autonomy within the government structure;
- (ii) provide a complete service for investors (surveys have shown that investors prefer to deal with one agency in establishing projects);
- (iii) have adequate finance to carry out the tasks allocated to it.

The attitude of the zone organisation is also important. The traditional government organisation is geared towards responding to requests from the private sector for approval or permission or checking that the private sector is operating in conformity with government regulations.

In the case of free zone development it is the zone organisation who is making the request of the private sector to establish within the zone.

The operating environment must be conducive to the growth and development of international trade. The customs authority and the agencies responsible for currency control and import licensing need to change traditional attitudes for the successful operation of a free zone. Like many government organisations the traditional attitude of the customs service and currency control agency is restrictive. Their main function is to implement regulations and controls and collect appropriate taxes and duties. Within a free zone context regulations and controls will be reduced to a minimum. No taxes or duties will be collected. The main functions of the regulatory authorities are

- (i) to facilitate the flow of trade;
- (ii) prevent unauthorized diversion of trade to the home market; and
- (iii) ensure that firms in the free zone do not abuse the privileges or facilities of the zone.

The development of a suitable operational environment and organisation structure for successful free zone development requires

- (i) a high level government commitment; and
- (ii) training and technical advice over a considerable period of time.

The training can take the form of study tours overseas for key personnel from the relevant government departments, zone organisation and other agencies such as customs who have an important function in the development of the zone.

The technical advice can take the form of a feasibility study which would review in detail the existing situation and outline

the conditions necessary for the successful development of the zone. The study would cover all key aspects including investment promotion; type of industry; incentive package; legislation and free zone organisation; operating and regulatory environment including customs organisation, currency control and support services such as transport and banking; physical development and infrastructure including telecommunications and electricity; finance including costings, revenue and sources of finance.

Additional technical advice can be provided in the form of one or more technical advisors who would work with the relevant government agency over an extended period 2/3 years

- (i) implementing the feasibility study;
- (ii) developing a promotion programme geared to attracting investors; and
- (iii) building up the zone organisation.

CHAPTER 4: OPERATING GUIDELINES FOR AN EXPORT PROCESSING ZONE

4.1. Introduction

During the consultants' visits, several persons sought advice and guidance on general principles and operating guidelines for Export Processing Zones. This advice was given informally and verbally.

In response to requests and to encourage further discussion on free zone issues the following "guidelines" have been prepared.

4.2. Laws and Regulations

Surveys among investors have shown what they look for in a free zone are:-

- (i) a clear picture of the Government's policies and rules with regard to investment in the zone;
- (ii) an outline of the rights and obligations of the investor;
- (iii) minimum contact with Government agencies. (Ideally investors would prefer to deal with one organisation);
- (iv) an efficient system for moving goods into and out of the zone.

The Government will want to be in a position to control investors whose actual performance is very much at variance with the original plans set out by the investor. The Customs Authorities will want adequate powers to ensure that duty free goods do not enter the domestic market - or that prohibited goods (e.g. arms, drugs) are not stored, manufactured, or otherwise handled in the zone.

The above considerations can be embodied in a simple piece of legislation - the Free Zone Act. Control of activity within the Zone can be accomplished through

- (i) licences;
- (ii) lease agreements; and
- (iii) customs procedures and practices.

Licences are the usual means for controlling the economic activities of investors. Licences can be issued to investors by the Zone Authority or Government. Various conditions including performance conditions may be attached to licences - which can be revoked if conditions are breached.

Lease agreements are a means for ensuring that investors behave as good neighbours. Items such as effluent disposal, parking, building, noise etc. can be controlled in this way. The licence can also be used to ensure compliance with effluent and other regulations.

Customs Authorities usually have fairly substantial powers in relation to the movement of goods. In the case of bona fide traders, these powers should be used with discretion. In the normal course of events a trader is entitled to have goods cleared within 24 hours and perhaps 5% of shipments selected for inspection on a random basis. An over zealous or inefficient bureaucratic customs administration can defeat the basic purpose of a free zone which is to move goods between the factories/warehouses in the zone and overseas markets without delay.

4.3. Organisation and Management

4.3.1. Organisation

The functions of a free zone organisation are very different from a traditional government department. The free zone organisation must interact with private business in a commercial or developmental context. It also must compete with other free zones and similar locations for international investment. Competition is very difficult at present - 70 countries worldwide within the developing world are competing for this investment.

A significant number of new zones are being planned or considered in Sub Saharan Africa. Apart from existing zones in Liberia and Senegal, free zone type projects are under consideration in Togo, The Gambia, Kenya, Malawi, Ethiopia, Ghana and elsewhere. The recent changes in Eastern Europe mean that those countries will be competing with the developing world for "internationally mobile export oriented investment".

The traditional government department is not geared to operating in a highly competitive environment or working with industry on a commercial basis. Therefore the free zone organisation should be established as a separate authority outside the traditional government structure or as an autonomous unit within the ministry of industry, commerce or finance. The zone organisation should be headed by a board of directors (or board of administrators) appointed by the government. This group should be small enough for effective discussion and large enough to ensure a breadth of experience and ability within the group. About 8 people would be ideal. It should include the managing director, and high level representatives from key ministries and organisations e.g. industry, commerce, reserve bank, and in the case of Calabar, the Port Authority. In addition it would include some private sector representatives appointed for their competence and experience. All appointments (except for managing director) would be part-time.

The board would be responsible for policy making and review of progress. Policies for the organisation would of course be formulated within government guidelines. In addition the board would make all major decisions

relating to the organisation (after consultation with government if necessary). These would include annual budgets and approval of proposals to establish in the free zone.

The Chairman of this group has an important role in liaising with the government and senior executives of the zone organisation. This person should have a high reputation and record of achievement. It is important also that he is able to devote enough time to the task.

For the zone organisation to operate effectively it must be free of many traditional government restrictions and practices. In particular it should have financial and administrative autonomy. It must be able to recruit personnel from outside the government service e.g. promotions and P.R. people; accountants/business graduates for project evaluation; computer analysts and engineers etc. It must be able to make decisions quickly. Investors will expect decisions on investment proposals within weeks. It must be able to react quickly to changes and have adequate funds to work effectively.

4.3.2. Management

The basic principles in designing a management structure for an EPZ Organisation are as follows:-

- (a) A clear well defined objective to focus the efforts of the people within the Organisation and to evaluate results.
- (b) A small flexible administrative staff. The skills required in developing a Zone are different to those needed for operating it. Initially there is a demand for planners and technical, including promotion personnel. Later the need is for administrators. This change in management requirements as the project passes through the various stages indicates the desirability of having a small administrative staff and acquiring technical expertise from outside the Organisation as required on a contract basis.
- (c) Short span of control. While there are no absolute rules on the span of control the Chief Executive will have an important promotional and representational role and for that reason a short span of control is preferable, possibly 3 or 4 people reporting to him.
- (d) A flexible management structure which can be changed as circumstances change.
- (e) A good recruitment procedure with appointments based on competence.

4.3.3. Contrôis

An EPZ projects an image of freedom and an absence of red tape. Too many controls would destroy that image. Controls should therefore be introduced only where they are strictly necessary. Such controls include:-

- (a) The protection of the environment against pollution and the protection of Zone users against hazards and nuisances by neighbours.
- (b) The need to ensure that firms adhere to plans approved by the Zone Organisation.
- (c) The need to protect the home market.

The principal methods of control are the operating licence and the lease agreement, the terms of which are established by the Zone Organisation, and Customs documentation and procedures which are the responsibility of the Customs Authorities.

4.3.4. Licences and Lease Agreements

It is normal practice for firms setting up in IFZs to be issued with an operating licence by the Zone Organisation or the Government. This licence cannot be revoked unless there is a breach of a condition attached to it or the licensee has been guilty of a serious offence. Licences are granted at the discretion of the Organisation or the relevant Government Department and subject to any conditions which they think fit. A firm is allowed only to engage in operations or forms of manufacturing set out in the licence. The ability to vary the terms of the licence, in agreement with the licensee, should be provided for.

The land within the Zone is normally owned by the Zone Organisation. The usual policy is to lease rather than sell this land. Various conditions can be attached to the leases to protect the environment or to prevent the licensee becoming a hazard or nuisance to other firms or individuals. Various conditions can be attached to the lease.

4.4. Promotion of an EPZ

The object of promotion is to provide potential clients, who are most capable of meeting the socio-economic requirements of the EPZ, with information about the Zone in order to stimulate their interest first of all and eventually convince them that the Zone fulfils their commercial requirements. This will be a difficult task for Calabar in the early stages of its development, because it is unknown as a site for foreign investment and investors will therefore have very little confidence in it. There is an interdependence therefore between the success of the Zone and the success of the companies operating in it. Conversely a failure by a major company operating in the Zone will seriously affect future prospects.

In its broadest sense the promotion effort can be broken down into three phases:-

1. The provision of information to suitable clients in a way that will stimulate their interest.
2. The effort to convince interested clients to invest in the Zone.
3. The effort to ensure that investors are successful.

The promotional effort is therefore the responsibility of all the units of the Zone Organisation who have contact with the investor at any stage. It is necessary therefore that a certain promotion consciousness should run through the whole Organisation. In its narrowest sense promotion is confined to the first phase and would be the direct responsibility of the Publicity or Promotions units.

Types of Promotion

There are two broad types of promotion - remote mass communication and direct personal communication.

The former includes Press, Public Relations and Advertising. Press & Public Relations is designed to create an image of a country which is developing quickly, open to new ideas and influences and is a suitable place for foreign investment. It includes articles in business journals and trade magazines, television programmes, documentary films etc. It involves all agencies responsible for different facets of development in Nigeria such as export promotion, tourism, industrial development and industrial free zone development. Much of the press and other publicity is often regarded as free advertising. This is not the case. Advertising provides an opportunity of stating a message in the best possible manner for the market in question and can sell a product directly. With the press the same controls do not exist as the message cannot be tailored by the Zone Authority. It can however create an awareness of the positive benefits of operating in Nigeria.

The second type of promotion, direct investment promotion, is specific and involves direct personal communication. It includes investment meetings organised by Embassies overseas, banks, accountancy firms and similar institutions between Zone Officials (and possibly a Government Minister) and Senior Executives from a number of companies; sales representations; preliminary feasibility studies; and other forms of direct contact between the potential investors and the Zone Organisation representatives. It also includes follow-up visits and provision of further information after the initial contact is made.

This is important as studies have shown that the average time lag between initial contact and the final decision to invest is about 2 years.

This type of operation must be done well or not at all. A badly organised meeting or sales presentation can have the reverse

affect of what is intended. It must also be backed up by sound market research and an effective information service to ensure that the right type of firm is contacted and all the questions are answered properly and promptly. The main advantage of this approach is that the message can be projected clearly and in considerable detail. It also permits an immediate response from potential investors. There are of course problems with this approach. If there are a significant number of contacts, and the presentations are detailed and extensive, this approach can prove quite expensive. To reduce costs, the number of contacts or the degree of preparation which goes into the presentations, must be scaled down. There is also the difficulty of arranging appointments with investment decision makers who are Senior Executives with busy schedules.

It is the second type of promotion campaign which should be emphasised if adequate finance is available, but it needs to be supported by an effective Public Relations and Advertising effort to create a suitable environment or backdrop.

Direct Investment Promotion

If the Zone Organisation is to become seriously involved in direct investment promotion it must be represented in the main markets. The problem of representation abroad can be approached in various ways. The Zone Authority can maintain offices of its own in major centres such as New York and Tokyo and selected locations in Europe. This is a costly operation. Alternatively it can work with other Nigerian agencies such as embassies or the Export Promotion Council. A third option would be to appoint agents abroad, selected because of their expertise in plant location. They would normally be reputable consultancy engineering or investment firms and could be rewarded with a retainer fee plus commission, based on some criterion such as jobs created.

The first option is probably the best from the Zone Organisation's viewpoint. It ensures that the overseas office will give its undivided attention to the promotion of the Zone. From a national point of view however there is no point in maintaining a multiple of overseas offices trying to attract foreign industry with the added expense involved. A number of different agencies can also create confusion in the minds of potential investors and cause an undesirable element of competition and perhaps suspicion or jealousy to develop. To avoid such conflict a well thought out working arrangement is necessary. This might provide that one person in the overseas office would have direct responsibility for promoting the Zone, or that each overseas office would generate a certain level of zone enquiries. Whatever the arrangement it should reflect the importance of the Export Processing Zone in the overall industrial development effort of Nigeria and provide for an harmonious relationship. Ideally there would be a written agreement which should set out in detail the responsibilities and obligations of each body; "strong fences make good neighbours". This agreement would be reviewed at regular intervals, say every two years.

The third approach, representation by agents, is probably the least effective as agent's attention will be divided between promoting the Zone and other activities. It has the merit of being less expensive and therefore permits a wide coverage in terms of geographical areas for a given level of expenditure. It is useful also if the Zone Authority cannot recruit suitable staff for its overseas offices. An agency agreement can be a very loose and inexpensive arrangement where the agent's knowledge of the Zone would be limited and would engage only in preliminary discussions with potential investors. The follow-up effort of converting an interested contact into an actual investment will be the responsibility of the Zone Organisation. Alternatively a more comprehensive agreement could be included which would leave the agent with a large part of the responsibility for converting enquiries into actual investment proposals.

Whether to establish overseas offices, work with other agencies or use agents depends on a number of factors such as availability of suitable staff, finance, agency contact overseas and the location of potential investors. Assuming that adequate staff and finance are available, overseas offices will probably be justified in the main markets - the United States and Japan - with less important markets covered by agents. In appointing agents or staffing overseas offices, flexibility is important. If one market is not showing the results it may be desirable to switch resources elsewhere. No long term contracts should therefore be entered into with agents or an office lease.

Promotion Instruments

A number of countries have achieved considerable success with feasibility studies. The object is to identify particular industries, which appear to have a good chance of succeeding if established in the Calabar Zone, and to demonstrate the potential profitability in a study which can be used to attract the interest of companies in that industry. Such studies should be factual first of all and then promotional. Persons with experience in industry are usually people who are best qualified to compile such studies. Many promotion bodies recruit the assistance of consultants to supplement the knowledge of their own staff in making these studies.

Other forms of personal contact are considered important such as speaking engagements, conventions, business luncheons and similar gatherings. Regular contact should also be maintained with banks, accountancy firms, investment brokers and government officials connected with industry.

Direct mail campaigns are another instrument used. Experimentation in the United States has shown that the best response from company executives is achieved by first placing an advertisement in leading business journals. Reprints of the advertisement together with carefully written personalised letters are then sent to chief executives of selected companies. Mailing brochures are generally considered ineffective.

An information handbook, in loose leaf form, which can be continually updated and which acts as a comprehensive "guide

to the establishment of industrial enterprises in the Calabar Export Processing Zone" is a very useful document. This book should be edited by overseas staff because people in Nigeria may not be fully conversant with the language or phrases used in business circles in overseas markets. Statements which are not clear, and unfamiliar phrases, can cause confusion or misunderstanding and be counter productive. The same applies to brochures, advertisements, press releases and other promotional literature.

4.5. Incentives

Investment incentives can never substitute for the "fundamentals"; the investment climate, political stability and profit opportunities - (OECD "Investing in Developing Countries") Paris, 1983.

Artificial incentives exist to supplement the physical or natural incentives and are designed to:

- (a) Give a particular location (or country) advantage over competing locations which have "the fundamentals" correct;
- (b) Encourage the development of particular kinds of activity.

The principles involved in designing an incentive package are that they should be:-

1. Simple and straightforward to avoid confusion and misunderstanding;
2. Certain and unalterable for each enterprise to convey a feeling of security and goodwill. (This is especially true for any country with a poor international investment image, or countries perceived to be undergoing rapid political change).
3. Be at their highest in the initial years when confidence in the Zone is low and physical handicaps are greatest;
4. Be flexible in their application to give the Zone Organisation leverage in negotiating with investors in desirable projects.

Incentives

In most Free Zones, the incentive package is built around:-

- (a) Tax reliefs on export profits. Over 80% of the EPZs around the world offer this incentive. Turkey and Egypt offer the longest tax relief - it is for an unlimited period. There is however a small tax on movement of goods. Most zones have tax reliefs for periods from 5 to 10 years. In Taiwan and Korea it is 5 years while in Malaysia it is 2 to 10 years. It is worth noting that Egypt, despite the very generous tax concession, has not succeeded in attracting many worthwhile foreign manufacturing projects. Less than 25% of all Egyptian Free Zone projects are manufacturing.

- (b) Duty Free Importation of capital equipment and raw materials. This incentive is standard in all Free Zones except those of the European Community.
- (c) Relief from other forms of taxation e.g. property and municipal taxes.
- (d) Low cost labour
- (e) Developed sites available for lease
- (f) Advance factories available for rent or purchase

This type of incentive package is suitable for attracting assembly type operations because machinery and training costs are low and the company should start having profits from the first year of operation. The main cost items are buildings and labour.

A company manufacturing a product with higher skilled or technological content will have a somewhat different cost structure. Machinery and training costs assume a greater significance. The break even point may not be reached for some years and labour costs would be less significant. The financing of the project would be more difficult. An incentive package based on tax reliefs and low cost buildings and labour may not be the most appropriate. Assistance in raising finance and in helping with training costs and research and development may be more attractive.

In the last 10 years the newly industrialised countries have made special efforts to develop higher skilled projects. They have placed considerable emphasis on worker training and R & D and have devised incentive packages to encourage these developments - training grants, capital assistance for "high tech" skill intensive projects and financial support for R & D.

In devising an incentive package it is important to have a vision of the types of industry it is hoped to attract to the Zone as well as views on the limits of the Government's financial resources so that incentives can be geared accordingly. The effectiveness of all incentives should be reviewed, and as appropriate altered, every few years in the light of changes in industrial development policy or strategy, or changes in the market place, or changes in the Government's ability to make finance available for industrial development.

Some international incentive comparisons are outlined in Appendix II.

In Calabar the industry mix attracted could well include some heavy variety (engineering, timber products) which is capital intensive. Assistance in raising capital (e.g. low interest loans) could prove attractive in such a situation.

4.6. Project Evaluation

Project evaluation is necessary to ensure as far as possible that projects setting up in the Calabar EPZ:

- (a) are commercially and financially viable. Failures, especially if they are well publicised overseas, can have an adverse effect on the reputation of the zone abroad and consequently on its ability to attract foreign investment;
- (b) will make a worthwhile contribution to the Nigerian economy; and
- (c) are in line with the overall policy for the development of the Zone.

The commercial/financial viability of a project could be analysed under a number of headings:-

Marketing: dealing in particular with:

- The overall size of the market - whether it is growing, static or declining, whether products have a long or short life cycle, and future outlook.
- The Company's position in the market - who are the main competitors in the market - what share of the market have they - how have the various market shares changed over the years.

Competition: What are the key competitive elements in the industry e.g. in pharmaceuticals it is R & D and distribution. With many healthcare products the emphasis is on product design and different in different sectors of the industry e.g. with printers the key elements are product design and manufacturing ability. In furniture it may be design.

How does the company in question rate in relation to competitors?

Company Strategy: What is the company strategy to achieve and maintain its sales targets and market share?

Management: What is the track record of the management personnel?

Finance: What are the working and fixed capital requirements of the project? What are the sources of capital? What effect will changes in sales or cost projections have on financing requirements?

Profitability: Are the net profit projections realistic? How sensitive are the projections to changes in key variables?

The economic viability of the project can be analysed under the following headings:-

Added Value: The figure for added value is sales minus all imported inputs. The key headings are: raw materials and services purchased in Nigeria; raw materials purchased overseas; wages and salaries paid in Nigeria; other payments in Nigeria e.g. interest, profit.

Effect on Existing Industry: Will a Free Zone project result in a reduction of activity elsewhere in Nigeria through transfer of business to the Free Zone? Will it restrict output of other industry by using up part of a quota? Will it attract key personnel from other firms?

Energy Requirements: Is the project a major energy user?

Labour Requirements: What are the requirements over time? Will the project alter the supply/demand position for particular categories of people. Can the requirements be met from the existing pool of available labour?

Training: What contribution will the project make to improving the skills of the workforce?

Other: Are there any other major costs or benefits associated with the project.

The value of project appraisal is not that risks will be eliminated but rather that risks involved in accepting a particular project are identified. The Zone Organisation may be able to take action to reduce some of the risks.

4.7. Customs Procedures

A key factor in attracting investment to any Export Processing Zone is a Customs control procedure which:-

- (a) Allows fast movement of raw materials and equipment from the point of import to the Zone and of finished goods from the Zone to the point of export for delivery abroad.
- (b) Operates in a simple and consistent manner especially in relation to documentary procedures.

A trader is entitled to expect that in the normal course of events his goods will be cleared by Customs within a matter of a few hours at most. For this to happen close co-operation and understanding between the Customs Authority, the Zone Organisation and operating firms are essential.

There should be a Senior Customs Official with powers of decision stationed at the Zone. One of his tasks should be to assist firms to make full use within the law of the advantages of the EPZ by helping them to understand and operate the procedures and advising them on the problems as they arise.

The key principles are therefore:

- there should be a limited number of simple transactions required;
- form filling should be minimised;

- numbers of customs officials involved should be minimal;
- procedures should be completed in a matter of hours.

Customs procedures will be required to handle a number of operations:

(a) Import of goods through Calabar Port to the Zone

A typical procedure here could be as follows:

- Ship's report sets out details of goods in normal manner;
- Goods may be deposited in transit shed pending receipt of request to import:

OR

- Goods could be directly dispatched from the ship to the factory. This procedure applies when a request to transfer the goods has been previously lodged with customs;
- Form, with supporting documents, requesting import to the Zone is completed by the importer and presented to Customs. This form should be simple and limited in the amount of information required. Typical information is as follows:
 - * date and ships manifest
 - * description of goods
 - * quantities
 - * consignor name and address
 - * consignee name and address
 - * value of goods
- Customs Officer inspects form (and sample of goods, if necessary) to confirm that:
 - * form has been completed properly;
 - * form agrees with ship's manifest;
 - * goods conform to description
- Customs Officer approves form and goods are dispatched to factory.

(b) Export of Goods from the Zone through Calabar Port

The exporter should complete a simple form setting out the same information as that sought on the import certificate. Examination of the goods should be confined to external examination with an occasional spot check on the contents of selected packages.

(c) Goods Temporarily Removed from the Zone into the State

From time to time the temporary importation of goods from the Free Zone to the home market may arise. Goods may be imported for minor processing, evaluation, exhibition, etc. after which re-exportation to the zone is effected. An efficient and simple

procedure is necessary for such transactions. The security for duty on the goods being temporarily imported should be arranged by way of general bond or standing cash deposit rather than the use of cash deposits for individual transactions which would be a cumbersome arrangement for both Customs and the owner of goods. Form filling should be simple. The Zone user should indicate on the form the purpose for which the goods are being temporarily imported and, if appropriate, a general description of the process required. A time limit within which the goods should be re-exported to the Zone should be agreed having due regard for the type of process or other valid reason for temporary importation. Normally on return on the Zone the goods are identifiable as having been previously temporarily imported thus allowing closing of transaction in the Customs Records.

(d) Goods temporarily removed from the Nigerian State to the EPZ

There are two main reasons why goods may be temporarily exported to the Zone.

Goods could remain on board carrier vehicles involved in the delivery of goods to Zone users. A declaration for the carrier would be necessary here. The declaration would be returned to the carrier following the renewal of goods from the Zone.

Secondly, the availability of manufacturing facilities in the Zone may create demand by local traders for part processing of their own goods. Goods temporarily processed by Zone users in this way, and reimported back to the State, should be liable to duty and tax.

(e) Imports from the Zone to the Nigerian Home-Market

Due to the likelihood that Zone users may require at least limited access to the Nigerian home market the basis of charge of relevant duties require consideration. There are two possible ways of dealing with this eventuality.

- Import duty to be charged on the landed value of the dutiable material content of the finished product. The satisfactory application of this system involves regular detailed checks by Customs Control Officers of the Free Zone user's process of manufacture together with inspection of the company's accounts (i.e. bill of materials, costings etc.) in order to determine duty liabilities.
- Assess duty as per foreign trade regime i.e. treat the goods being diverted to the home market as of foreign origin and therefore charge duty on the value of the finished product. The system has the effect of levying import duties on the value added in the Free Zone and also on any locally procured materials used in the process of manufacture.

4.8. Overall Social and Economic Impact

4.8.1. Introduction

The major benefits to countries of establishing Free Zones are:-

- (i) the capital investment in zone projects;
- (ii) the jobs created as a result of this investment;
- (iii) the growth in exports;
- (iv) the linkages with the domestic economy and
- (v) the transfer of knowledge, skill and technology

The costs associated with Free Zone development include:-

- (i) the direct costs incurred in developing, promoting and administering the zone;
- (ii) indirect investment costs associated with zone development e.g. investment in utilities;
- (iii) the social consequences (which can be considered positive or negative) of introducing new or foreign influences, work practices or patterns into an area.

In analysing the impact the first question to consider is whether or not the investment would have taken place in the absence of the Zone. A rigorous assessment of the impact would require a comparison of the situation with the Zone and the situation without the Zone. It is impossible to generalise about the situation in the absence of a Zone. Each situation must be judged separately.

4.8.2. Capital Inflow

If the investment in the Zone is financed by an inflow of foreign capital which would not otherwise have taken place, the cost in terms of use of a country's own capital resources is zero. In most Zones it is assumed that the inflow of foreign capital associated with the Zone would not otherwise have taken place.

4.8.3. Employment

Wages and operating conditions in most Zones, while low by developed country standards, compare favourably with employment conditions elsewhere in the country concerned. The employment ratio is usually 85% female - most of whom are in the 18/25 age group. In countries like Singapore and Ireland where:

- (i) the operating conditions are good;
- (ii) the workforce is skilled, and
- (iii) the education infrastructure is well developed and in tune with the needs of industry,

the employment mix is very different. Employment is 70% male with a high percentage of workers in skilled and technical occupations.

In the proposed Calabar Zone the industry mix is likely to be different from the traditional Free Zone mix of textiles and electronics. At Calabar engineering, timber processing, and other port related industries may well be included in the Zone. The proportion of men employed in the Zone could well be in excess of 50%.

4.8.4. Exports

Here the host country is concerned with net exports. In most Zones almost 100% of the output is exported, the bulk of raw materials imported and profits and interest payments are paid overseas. The net impact on the balance of payments is made up of (i) wages paid to workers and (ii) the amount (usually small) of goods and services purchased in the domestic economy. In most zones net exports are around 20%-30% of gross exports in the early stages of development but this can increase over time - if linkages with the domestic economy develop and/or the character of the manufacturing process changes to involve more skilled activity. This has been the experience of Shannon, Korea, Taiwan and Singapore.

The outcome in Calabar is difficult to predict. There is likely to be greater use of domestic raw materials in Calabar than in other zones. However there is also the possibility of higher than average sales on the home market.

4.8.5. Linkages

Linkages with the domestic economy are small. It is usually confined to packaging materials and simple engineering inputs. Experience in established Free Zones is that foreign industry is willing to source materials locally where possible. The problem is that local industry does not have the skills to produce the quality demanded. In some newly industrialised countries there has been a significant improvement in recent years in the amount of raw material sourced locally by foreign industry. Overall the development of linkages is a slow and difficult process. Linkages are likely to be more significant in Calabar than in many other Zones.

4.8.6. Transfer of Knowledge and Technology

As with the development of linkages, the transfer of technology and knowledge is a slow process. Of course the nature of the production processes in many Zones will result in the transfer of very limited technology. This relates mainly to assembly

type operations. The higher technology activities are usually performed outside the Free Zone in the home country of the investor.

It has been the experience in newly industrialized countries that foreign industry over time will upgrade the production processes and extend the range of functions carried out to include marketing, product development and design and testing operations, occasionally full research and development facilities may be established.

4.8.7. Development Costs

The development costs of a Free Zone will vary depending on where the Zone is located. If the area already has a well developed infrastructure and the land is suitable for building on without expensive clearance or filling operations, the costs will be reasonable. An isolated location is a very different proposition. Major infrastructure development may be necessary. Cost comparisons between some established zones illustrate this point clearly. The cost per acre of providing necessary infrastructure in one isolated Zone exceeded the total cost of developing some other Zones.

The fact that at Calabar the proposed site within the port area is already developed is an important benefit. Assuming that developed land within the port area and some of the warehouses are used for Free Zone development then initial development costs at Calabar should be small (i.e. additional expenditure necessary to make the Zone operational).

4.8.8. Social Costs

Most of the critical literature on Free Zone development over the last 15 years has focused on the adverse social costs. The main criticisms include:-

- (i) the fact that a very high percentage of employees are young female workers;
- (ii) the long hours worked;
- (iii) the boredom and health risks associated with working in some Free Zone factories;
- (iv) lack of attention to workers rights; and
- (v) the adverse impact on traditional societies of young women working outside the home.

The general experience in Free Zones is that wages rates within the Zone are higher than in the surrounding area by about 20%. Working conditions within the Zone are usually good - new buildings, canteens, medical facilities, and a clean working environment. However, most zone firms are anti-union and demand high levels of productivity. Most of these criticisms are unlikely to apply in Calabar - particularly (i) and (v).

4.8.9. Concluding Remarks

At this stage there are over 300 Free Zones located throughout the world. There are many failures among them. The most important reason for these failures is the poor image of the country in question overseas as an investment location. This image may stem from political instability or radical trade union activity or some other reason. Poor location decisions and inadequate transport connections or communications with overseas markets are key factors in the failure of other Zones. The designation of an area as a Free Zone does not mean that foreign investment is automatically attracted. A lot of hard work and planning is required to achieve success. In addition the basic preconditions for attracting foreign export oriented investment must exist - namely political stability and a suitable economic environment.

CHAPTER 5 - RECOMMENDATIONS

1. The Nigerian Government should continue with the efforts to establish an EPZ development programme in Nigeria.
2. The Port of Calabar is a suitable location for the first EPZ project.
3. Future technical assistance for the development of an EPZ programme in Nigeria should focus on the development of suitable institutions (and trained personnel to operate them) to promote and manage the EPZ(s).
4. The components of the technical assistance/support programme could include:
 - (i) Training of Nigeria personnel - this could take the form of overseas study tours for key personnel involved in the EPZ Programme. Such personnel would include Senior Officials and Ministers from key Government Ministries including the Department of Customs, Reserve Bank and Port Authorities. Other personnel could be encouraged to attend training courses on Free Zones in Nigeria or overseas.
 - (ii) Feasibility Study - which would outline:
 - (a) the conditions necessary for the EPZ Programme to succeed,
 - (b) the sources of investment in the EPZ by industry sector and country of origin,
 - (c) the outputs of the EPZ in terms of exports, employment, purchase of local materials and home market sales.
 - (iii) The provision of technical advisors for extended periods who would work with the relevant authorities in Nigeria in implementing the recommendations of the feasibility study, building the necessary institutions, and developing promotional programmes to attract investment.
5. The first step in the support programme is the arrangement of overseas visits for key personnel. Very few people in Nigeria have direct experience of EPZ's. It would be helpful if some key personnel had some first hand experience of the difficulties and opportunities involved.
6. The second step would be a feasibility study. This study would cover:
 - (i) policy issues related to industrial development and trade
 - (ii) the organization and operation of the Zone(s)
 - (iii) the physical aspects of the Zone and

- (iv) an overall assessment of the likely costs and benefits associated with the development. The components of the feasibility study would include:
- (a) An evaluation of the role of EPZ development programme (and the Calabar Zone in particular) in the context of Nigeria's development strategy and especially in the context of the industrial and export development programme.
 - (b) Identify a list of candidate industries and commercial activities for the Free Zone taking account of the advantages which Nigeria and Calabar can offer and other relevant factors
 - (c) Identify the most likely sources of investment by country of origin
 - (d) design guidelines for the evaluation of project proposals
 - (e) Outline the incentive package necessary to attract investment to the Zone
 - (f) Examine existing Laws and regulations related to taxation, foreign exchange and importation of machinery and raw materials by export industry
 - (g) Recommend the legal basis for the establishment of an EPZ Programme including the establishment and operation of EPZs and the establishment of a suitable organization to promote and develop them
 - (h) Suggest custom procedures and practices which will ensure a free flow of goods and machinery through the Zone
 - (i) Make recommendations on other relevant issues such as foreign exchange, visas for expatriate personnel and labour laws
 - (j) Design the structure of the organization responsible for the promotion and development of the Zone.
 - (k) Determine the physical planning needs and the construction and infrastructure requirements for the Zone.
 - (l) Assess the potential benefits and costs of the Zone for the economy in terms of foreign exchange earnings, employment creation, new investment, and other relevant economic policy goals.

7. The third step in the support programme would be the implementation of the results and recommendations of the feasibility study. This support to the Government would take the form of:

- (i) Technical advisors to work over an extended period (2 - 3 years) with the responsible ministry in setting up the Zone organization and advising that organization on various policy issues and for operational details and
- (ii) the provision of training for key personnel involved in the Zone.

Appendix i

VISITS TO NIGERIA

Tom Kelleher

- November 8 Arrived in Lagos
Briefing with Mrs. Mathey Boo, UNIDC
- November 10 Meeting with Mr. Felix Ughor, Federal Ministry
of Industries
- November 13 Meeting with Mr. Chris Obianagha, Nigerian
Ports Authority
- November 14-15 Visited Calabar; discussions with Cross
River State and port authorities
- November 16 Meeting in Lagos with Mr. Braimah, Federal
Ministry of Industries
- November 17 Further discussions with Chris Obianagha

Brian Callanan

- November 23 Arrived in Lagos. Briefing with William
Mulagwe (UNIDO) and Ben Itegebe (Export
Promotion Council)
- November 24-26 Participated as resource person providing
input to Technical Committee on EPZ's chaired
by Ministry of Trade (22 participants from
public and private sector)
- November 30 Further meetings of Technical Committee
- December 4 Meeting with Minister of Trade Travelled
to Calabar
- December 5-6 Visited Cross River State Ministry of Commerce
and Industry, Calabar Port, University of
Calabar, local Chamber of Commerce
- December 7 Returned to Lagos. Discussion with
William Mulagwe (UNIDO)

Appendix II

INCENTIVES - INTERNATIONAL COMPARISONS

Zones which provide tax holidays:

<u>Country</u>	<u>Period</u>
India	5 years
Pakistan	5 years
Philippines	Generous tax deductions/no tax holiday
Sri Lanka	Up to 10 years plus concessionary tax for up to 15 years
Singapore	Normally 5-10 years. Additional concessions in special cases.
Hong Kong	Very low tax rate generally (under 20%) - no special tax incentives.
Taiwan	5 years or accelerated depreciation. Additional tax concessions for expansion proposals
Malaysia	2-10 years
South Korea	Up to 5 years plus 50% reduction for up to 3 years
Egypt	Unlimited period
Cyprus	Ten years
Jordan	Twelve Years
Tunisia	Ten years for export industry plus 10 years at 10%
Greece	Limited exemption for export profits
Portugal	Special tax deductions depending on level of exports

Financial Incentives

Greece	Machinery grants of up to 50% depending on region. R & D grants - 15-30%. Long term low interest loans available. Labour costs subsidy for export industry.
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Portugal	Interest subsidies; cash grants for jobs created; cash grants for R & D programmes; technical and financial assistance with training.
Korea	Special incentives for manpower development and R & D.
Singapore	Capital assistance (equity participation and or term loans) for skill intensive "high tech" projects. Export financing. Industrial training grants - up to \$5,000 per employee per year.
Taiwan	Special R & D programme for assisting key industries. Rent free factories and sites available for selected industries. Assistance to industry for energy conservation. Assistance for worker training.
Spain	Grants of up to 25% toward fixed assets. Long term low interest loans. Working capital loans at half the market rate. Credit (up to 5 years) for foreign buyers.