

Final Report<sup>1</sup>

<sup>&</sup>lt;sup>1</sup> Prepared by Olumuyiwa B. Alaba and Elizabeth Nwankwo obalaba@gmail.com

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#### **List of Acronyms**

CAC Corporate Affairs Commission
CCI Clean Certificate of Inspection
DBR Doing Business Ranking
DSS Department of State security

DTF Distance to Frontier

EBES Enabling Business Environment Secretariat

EC European Commission

ECOWAS Economic Community of West African States

EO Executive Order

ETLS ECOWAS Trade Liberalization Scheme

EU European Union

FGN federal Government of Nigeria
GAP Good Agricultural Practice
GHP Global Health Programme
GMP Good Manufacturing Practice

GoN Government of Nigeria

HACCP Hazard Analysis and Critical Control Point

MANCAP Manufacturing Conformity Assessment Programme

MSMEs Micro, Small and Medium Scale Enterprises

M&E Monitoring and Evaluation

NAFDAC National Agency for Food and Drug Administration and Control

NAQS Nigeria Agricultural Quarantine Scheme

NBS National Bureau of Statistics NCS Nigeria Customs Service

NDLEA National Drug Law Enforcement Agency

NEPC Nigeria Export Promotion Council NESS Nigeria Export Supervision Scheme

NIS National Industrial Standard NXP Nigeria Export Proceed

OECD Organization for Economic Cooperation and Development

PDF Policy Development Facility

PEBEC Presidential Enabling Business Environment Council

PIAs Private Inspection Agents SGD Single Good Declaration

SMEs Small and Medium Scale Enterprises

SMEDAN Small and Medium Scale Enterprises Development Agency of Nigeria

SON Standards Organization of Nigeria SPS Sanitary and Phytosanitary Standard

TFA Trade Facilitation Agreement

UNCTAD United Nations Conference on Trade and Development

UK United Kingdom US United States

WTO World Trade Organization

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### **Executive Summary**

This study focuses on the experiences of Micro, Small and Medium Scale Enterprises (MSMEs) exporters in Nigeria. Reform of business environment in general, and for MSMEs in particular, has been recognised as a key driver of economic diversification and inclusive growth. Nigeria has committed significant resources into enhancing its positions on the global indicators of ease of doing business. The current administration emphasizes creation of enabling business environment, particularly for non-oil trade through the MSMEs, as a crucial step towards inclusive economic prosperity. In achieving this objective, the government has created a dedicated council, Presidential Enabling Business Environment Council (PEBEC), to drive the reform process. It took further decisive step by rolling out executive orders (EO) on business environment reform during the first half of 2017. Earlier in the year, the Government of Nigeria (GoN) ratified the WTO<sup>2</sup> Trade Facilitation Agreement (TFA) which prescribes removal of unnecessary bottlenecks to trade operations. The primary recommendations of the articles of the TFA are in two non-exclusive folds - transparency of trade procedures and simplification of trade regulations.

Transparency and simplification of business regulations and procedures are very key to moving up the ladder of global best practice indices. The current administration has continually shown its commitment to achieve a remarkable reform of business environment in the shortest time possible. Operations of PEBEC and its coordinating secretariat, the Enabling Business Environment Secretariat (EBES), have begun to yield results. The recently released World Bank Doing Business Ranking for 2018 shows that Nigeria made a giant leap from 169 position in 2017 to 145 in 2018, a remarkable upward movement of 24 steps. Nigeria particularly made remarkable jump in the area of access to credit moving on a distance to frontier (DTF) scale by 25% points. However, institutional reforms remain incomplete without significant improvements in other critical areas such as trading across the borders and ease of business incorporation. Actual improvement in the business environment will be determined by the evidence of steady transition from 'business-as-usual' to global best practice in all areas of business operations.

The study deliberately targeted the MSMEs because of their importance to the government's efforts to diversify the productive base of the economy. Globally, MSMEs account for majority of firms, 95% on the average, and constitute the majority in export business and responsible for vast majority of jobs. MSMEs sector has been recognised as a key driver of macroeconomic stability, growth and overall development. The sector provides massive opportunity for proven advances in innovation of new products, livelihood security, and boosts to competitive domestic and international trade. In Nigeria, the sector accounts for 97 percent of agricultural sector gross domestic products (GDP), 55.5 percent of domestic activities in manufacturing, 59.4 percent of total trade and 98 percent to arts and entertainments.

<sup>&</sup>lt;sup>2</sup> World Trade Organization

MSMEs in Nigeria face tougher market access constraints compared to larger businesses. MSMEs exporters go through cumbersome processes of registration, certification and documentation that are often time consuming and costly for small businesses. The study investigates the export side of the ongoing business environment reform, with particular emphasis on the MSMEs. The study scrutinizes four major areas in the export value chain – registration, certification, shipping and repatriation of funds.

The aim of the study is to achieve three key objectives. First, to provide information on approved export procedures as prescribed by trade regulators to potential and existing trade operators, exporters in this context. Second, make available situations and gap analyses of the prescribed procedures and the operational reality along the exports value chain. The third is to provide a monitoring instrument for the business reform initiatives of the government.

The overall methodology for this study follows the principles of the Executive Order (EO) of the government and the WTO-TFA signed and ratified respectively in 2017, which prescribed transparency and simplification of trade procedures. The order and the agreements state that agencies of government must publish and/or provide unhindered access to information relating to trade regulations and procedures. The EO and TFA recommend that exhaustive information on every step of trade procedures must be provided to trade operators. The EO goes further to state that trade procedure in practice must be consistent with prescriptions provided by the regulators. In line with this, the study conducted a comprehensive review of the four broad areas involved in export registration, certification, shipping and fund repatriation. The review covers all mandatory procedures a trade operator must go through in exporting process as prescribed by trade regulators. It also covers the documents, cost and time involved in fulfilling these mandatory requirements. The study followed up with field survey to map reality in exporting processes.

Using stratified sample selection method, twelve exporters (including potential exporters), five freight forwarders, one accredited business incorporation agent, one member of national approvals committee of ECOWAS Trade Liberalization Scheme (ETLS) and a representative of the SMEs Exporting Group of Chamber of Commerce and Industry were selected for both interviews and follow-process-through analyses. Selections were made from various credible data sources including the databanks of private inspection agents, Nigeria Shippers' Council, terminal operators and chambers of commerce. The product value chains selection applied optimal mix of the following indicators; national/government priority, gender, geography, viability and pro-poor growth. The actual experiences were documented on the field with legal prescriptions by trade regulators as the guide. The study applied both interview and follow-process-through methods in its survey. The export products and produces of focus in this study are shea, spices, melon, moringa, cashew, sanitary papers, and plastics and rubber products.

Some of the key findings of the analyses of interviews and follow-process-through data are as follow:

Business incorporation:

- Business incorporation procedure has improved significantly since the first half of 2017.
- ➤ The interviewees that incorporated limited liability companies before middle of 2016 indicated that it was impossible to successfully register a business without the intervention of accredited agents lawyers and chartered secretaries.
- ➤ The length of time to complete business registration has reduced significantly. However, it still takes up to 14 days to complete business incorporation in Nigeria rather than 48 hours indicated by the CAC.

In the case of the NEPC, the mandatory registration with the NEPC now takes between 24 and 48 hours, a significant improvement from what obtained before 2017. However, exporters reported the following challenges:

- ➤ All the exporters interviewed indicated that NEPC added no value to their businesses. Exporters are of the opinion that apart from issuing certificate of registration there is no benefit associated with the mandatory registration by the NEPC.
- Exporters suggested that it should be the duty of the NEPC to provide regular market information and intelligence on standards, prices, new markets and relevant offshore accreditation requirements to registered exporters
- > Exporters said NEPC should be at the driver's seat of capacity building for unhindered market access.
- ➤ The general opinion is that it should coordinate other agencies to create a framework for globally acceptable conformity assessment and standards.

On the mandatory registration on NESS, all the exporters and freight forwarders interviewed express dissatisfaction with NESS procedure.

- Commercial banks are the first point of contact on the scheme. The banks are supposed to provide and process the NXP forms. However, banks do not have sufficient knowledge of how to complete and process the NXP. Most banks' branches neither keep NXP forms nor know what it looks like. This is common to all banks branches except the ones located at the ports (air and sea ports).
- ➤ Banks' branches usually send NXP forms to their head offices for processing which, more often than not, takes several weeks. Most exporters interviewed mentioned that it takes three weeks or more to complete a single NESS process, with fresh registration required for every shipments.
- ➤ Without successful completion of NXP processes private inspection agents (PIAs) cannot commence inspection of consignments which is challenging for perishables.
- Exporters are of the opinion that tests being conducted by PIAs are rather done to confirm price and quantity for government revenue and accuracy of proceeds from exports rather that to check conformity to standards and terms of contracts between exporters and offshore importers.

Majority of the exporters do not see the relevance of the clean certificate of inspection (CCI) issued at the end NESS registration process as it's in no way suffice for SPS certification and similar conformity assessment certifications.

The study revealed that obtaining certifications from NAQS and NAFDAC remain difficult.

- > Exporters and freight forwarders are of the opinion that NAQS has no well-structured operational procedure
- It was a general consensus that NAQS is failing in its mandate of quality assurance.
- According one of the respondents, "the cost of insisting on due process here is too high; by the end of unnecessary delays the quality of your goods may have been derogated if not totally lost".
- > Exporters believe that NAFDAC still constitute a major "roadblock" to non-oil export.
- Exporters believe that NAFDAC certification is "too time consuming, time wasting and stressful".

In the case of shipping procedure and repatriation of funds, the following are some of the responses/indications from the interviews and follow-process-through analysis:

- From observations and opinion of freight forwarders' it is still business as usual at the cargo terminals and warehouses. There are still too many agencies involved in inspection, many unapproved. All agencies irrespective of relevance to inspection struggle to be at inspections for personal gains.
- Exporters reported that fast-tracking of mandatory documentations depend on the quantum of un-prescribed and un-receipted facilitation fee the exporters are willing to sacrifice.
- Exporters are dissatisfied with the inability to access their proceeds in forex. The proceeds can only be accessed in local currency form and at official exchange rate. Exporters claimed they were being forced to change their proceeds at official exchange rates despite bearing their cost of production at the parallel market rates.
- Exporters indicated that government recently announced creation of exporters-importers exchange window. The window is meant to provide opportunities to exporters to exchange their proceeds at rates higher than official but lower than the parallel market rates. The model is that banks will match exporters having forex proceeds with genuine importers to exchange their forex for Naira. The exporters indicated that the framework is a good initiative but has to be well managed and monitored to forestall sabotage.

# 1.0 Background

# 1.1 Importance of Micro, Small, and Medium Enterprises in Trade and Economic Growth

This study focuses on the experiences of Micro, Small and Medium Scale Enterprises (MSMEs) exporters in Nigeria. Globally, MSMEs account for majority of firms, 95% on the average. The sector constitutes the majority in export business, responsible for majority of jobs and a well recognised key driver of macroeconomic stability; economic growth and development (see WTO, 2016). The sector provides massive opportunity for proven advances in innovation of new products, livelihood security, and boosts to competitive domestic and international trade. In Nigeria, the sector accounts for 97 percent of agricultural sector's gross domestic products (GDP), 55.5 percent of domestic activities in manufacturing, 59.4 percent of total trade and 98 percent of arts and entertainments (SMEDAN and NBS, 2013).

Countries that deliberately direct policies at growing MSMEs sector reap significant benefits in terms employment creation, higher wage rates and trade. (see Llewellyn Consulting, 2015). Generally, MSMEs are small and weak in nature. These characteristics are specifically more pronounced in developing countries. However, the fragile nature which underscores its vulnerability is somewhat a key asset. It is flexible and can easily rise up to and adapt to sudden change in situations locally and globally. For example, maximizing SMEs export potentials was key to securing greater growth of the UK economy (Llewellyn Consulting, 2015). Also, the expansion of the European SMEs into international markets is an important component of the European Union (EU) policy objectives that do significantly benefit the European economy. Facilitating the internationalization of the EU SMEs is a part of the deliberate objectives of the European Commission (EC) in its communications "Small Business Act" for Europe (EC, 2008) and "Small Business, Big World" (EC, 2011a).

Although statistics remain scarce on the internationalization of Nigerian MSMEs, their role in the nation's quest for diversification of its export base cannot be over-emphasised. In line with the global trend, Nigeria now takes MSMEs sector more seriously as a key driver of economic growth given the hard lessons of the recent oil price slump which is fast changing the dynamics of growth drivers and trade. In 2017, the government initiated framework to build globally competitive MSMEs sector through two critical steps.

First, it ratified the WTO trade facilitation agreement (TFA). Second, it issued executive orders on business environment, which compelled agencies of government to cut unnecessary redundancies in trade regulation.

This study focuses on the export side of the ongoing business environment reform. It scrutinizes four major areas in the export value chain – registration, certification, shipping and repatriation of funds.

### 1.2 Business Environment Reform in Nigeria

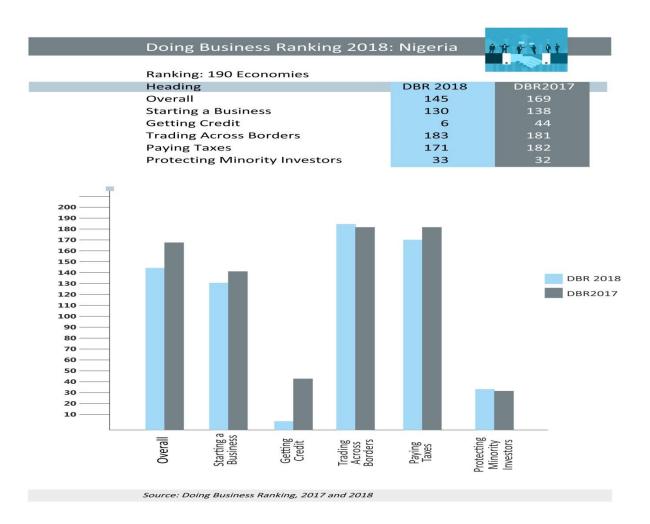
Reform of business environment has been identified as a key driver of economic diversification and inclusive growth. Nigeria has committed significant resources into enhancing its positions on global indicators ease of doing business. The current administration emphasizes creation of enabling business environment, particularly for nonoil trade, as a crucial step towards inclusive economic prosperity. In achieving this objective it has created a dedicated council, Presidential Enabling Business Environment Council (PEBEC), to drive the reform process. The government took further decisive step by rolling out executive orders (EO) on business environment reform. Earlier in 2017 Nigeria ratified the WTO<sup>3</sup> Trade Facilitation Agreement (TFA) which prescribes removal unnecessary bottlenecks to trade operations. The primary recommendations of the articles of the TFA are in two non-exclusive folds - transparency of trade procedures and simplification of trade regulations. The principles of the presidential executive orders and the TFA, if well implemented, will propel Nigeria to a more globally competitive non-oil economy. One of the primary interests for Nigeria in the combination of initiatives is ease of trading across the border for which ease of exporting of Nigeria's non-oil produce and products is crucial.

This study comes at a critical time when the government has taken bold steps to reverse Nigeria's continual backward position in the global ease of doing business rankings. This is paying off already going by the 2018 series of the World Bank doing business ranking. The World Bank Doing Business Ranking for 2018 shows that Nigeria made a giant leap from 169 position in 2017 to 145 in 2018, a remarkable movement of 24 steps..

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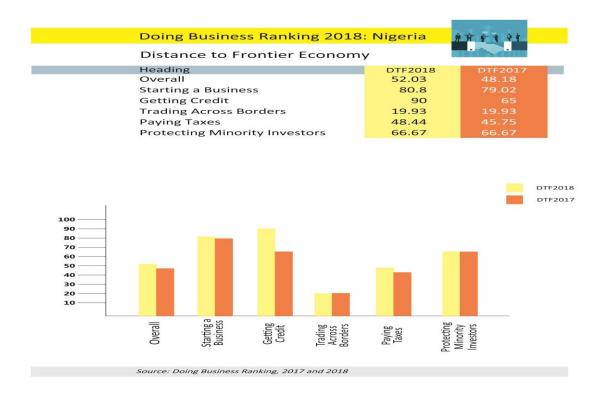
<sup>&</sup>lt;sup>3</sup> World Trade Organization

Figure 1.1: Nigeria on the World Banking Doing Business Ranking 2017/2018:



Disaggregated analysis shows Nigeria only moved significantly on access to credit rating (from 65% distance to frontier (DTF) scale in 2017 to 90% DTF in 2018) but remains stagnant on the trading across the borders indicator. As in 2017, Nigeria remains on 19.93% DTF and moved down two steps to 183 position on the trading across the border ranking/scale in 2018. Nigeria moved eight places up on starting a business indicator with a marginal movement from 79.02% DTF in 2017 to 80.8% DTF in 2018. (see World Bank, 2018).

Figure 1.2: Doing Business Distance to the Frontier (in per cent)



Transparency and simplification of business regulations and procedures are very key to moving up the best practices ladder. Institutional reforms remain incomplete without corresponding improvements in all areas of business environment. In this context, actual improvement in the business environment will be determined by the evidence of steady transition from 'business-as-usual' to global best practice in all aspects of business operations.

MSMEs face tougher market access constraints compared to large businesses. Also in comparison with many countries, Nigeria lag behind in providing unhindered access to business environment that fosters export competitiveness. Export trade value-chain in Nigeria still faces cumbersome processes of registration, certification and documentation that are often time consuming and costly for small businesses. This project reviews the actual experiences in export trade from the exporter's point of view. It will put

the trade operators' experiences side-by-side with the requirements of the trade regulators to determine the extent of consistency. The study may serve as a monitoring and evaluation tool for the on-going business environment reform of the government.

### 1.3. Objective of the Study

This study analyses MSMEs exporters experience on sequence, process and cost of exporting from Nigeria. The study intends to achieve three main objectives. One, provide comprehensive information on export procedures to MSMEs exporters; two, determine existing gaps between agencies prescribed standard operations procedures and the exporters' actual experiences; and three, contribute to ongoing business environment reform. This exercise has the potential to contribute to improving business environment by providing transparent published information which can form the basis for advocacy around process improvement as well as checking illegal practices in trade operation. This mapping of regulations, costs and procedures required to export goods will be both from the regulators and users points of view.

### 2.1 Methodology

The methodology for this study follows the principles of the Executive Order (EO) of the GoN and the WTO-TFA signed and ratified respectively in 2017, which prescribed transparency and simplification of trade procedures. The order and the agreement state that agencies of government must publish and/or provide unhindered access to information relating to trade regulations and procedures. The EO and TFA recommend that exhaustive information on every step of trade procedure must be provided to trade operators. The EO goes further to state that trade procedures in practice must be consistent with prescriptions published on the websites or business premises of the regulators.

Three approaches are popular in achieving the principles of the EO and TFA, while simultaneously providing monitoring and evaluation (M&E) instrument for the reform processes – United Nations Conference on Trade and Development (UNCTAD) eregulation, World Bank Doing business rankings and OECD Logistic Performance indices. UNCTAD approach has been identified as one of the most comprehensive in documenting trade procedures and processes as prescribed by trade regulators. The UNCTAD method

forms the basis for tracking the actual experiences of the trade operators in this study. UNCTAD developed a credible trade and investment e-regulation tool to assess transparency and simplification of business and investment environment across the world.

The UNCTAD tool prescribed exhaustive documentation of step-by-step processes, documents, time and costs involved in export (and import). According to UNCTAD prescription, a step is a mandatory contact with the regulator either physically or electronically. Documents are described as all mandatory papers or related instruments to be brought to facilitate or to be taken out of a step within the overall procedure. The tool also prescribed listing of cost and time taken per step.

Following the above, the study conducted a comprehensive review of four broad areas involved in exporting – registration, certification, shipping and repatriation of funds. The review covers all the mandatory procedures a trade operator must go through when exporting as prescribed by trade regulators. It also covers the documents, the cost and the time involved in fulfilling these mandatory requirements.

This study adopts a stratified sample selection method to select twelve exporters (including potential exporters), five freight forwarders, one accredited business incorporation agent, one member of national approvals committee of ECOWAS Trade Liberalization Scheme (ETLS) and a representative of the SMEs Exporting Group of Chamber of Commerce and Industry for both interviews and follow-process-through analysis. Selections were made from various credible data sources including the databanks of private inspection agents, Nigeria Shippers' Council, terminal operators and chambers of commerce. The product value chain selections applied optimal mix of the following indicators; national/government priority, gender, geography, viability and propoor growth. The actual experiences were documented on the field with legal prescriptions by trade regulators as the guide. It applied both interview and follow-process-through methods in its survey. The export products and produces of focus are shea, spices, melon, moringa, cashew, sanitary papers, and plastics and rubber products.

#### 3.0 Review of Export Related Standards and Regulations in Nigeria

Standards are diverse. They include specifications on quality, health, and packaging among others. They determine market access, pricing and competitiveness of exports. The starting point of standards and quality assurance is regulation. Regulation

can mean safety rules for items traded. In all cases, governments need to back relevant rules with testing and certification. Standards and regulations are key to competitiveness, and are some of the defining elements of trade in the 21st century, as government around the world seek to increasingly protect the health of their citizens. The significance is also more pronounced as consumers become more savvy and picky about where products come from and what they contain. A country has a huge prospect to boost international trade if it strategically considers how standards and regulations could facilitate or hinder MSMEs export potentials.

The GoN recognises the importance of regulations for domestic produce and products safety and external market access. This is the key motivation for establishing national agencies saddled with the responsibilities for product registration, testing and certification. As much as meeting standards could open market opportunities and raise prices, so could regulations be burdensome, particularly to MSMEs. The ability of MSMEs to trade suffers disproportionately from red tape. A 10 percent increase in regulatory burden means about 1.6 percent less trade for large firms but up to 3.2 percent less trade the SMEs (Miles, 2016).

Review of regulations in this study covers four major broad areas. First is the compulsory registration associated with exports. Second is the mandatory certification. Other procedures are shipping and repatriation of funds. We review the processes prescribed by relevant public institutions based on methodology previously indicated in this report.

Registration in this study covers business incorporation, registration as an exporter, registration under the export supervision scheme, ETLS registration, registrations relating to testing and certification. Testing and certification involve laboratory procedures, conformity assessment, branding and packaging. Shipping includes all processes conducted at the cargo warehouses and terminals (air, sea and land).

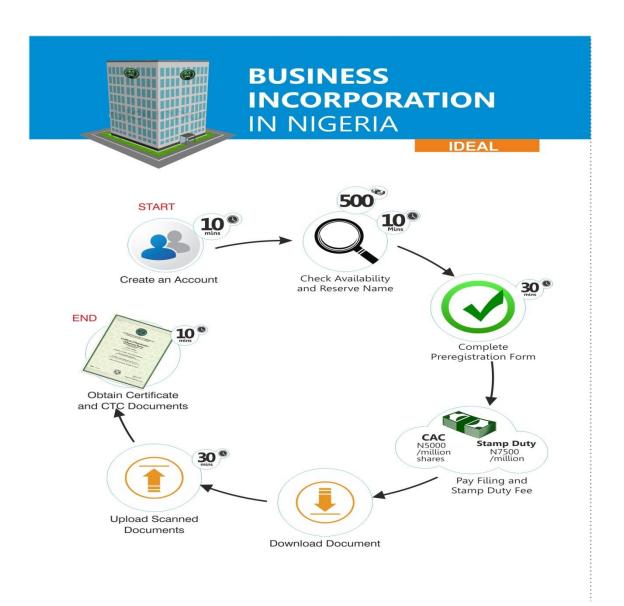
#### 3.1 Registration

This section reviews relevant prescriptions by regulators regarding mandatory registrations along the export value-chain. For potential exporters, the process begins with business incorporation. We review registration procedures prescribed by the Corporate Affairs Commission (CAC), Nigeria Exports Promotion Council (NEPC), and Nigerian Export Supervision Scheme, registration for ECOWAS Trade Liberalization Scheme (ETLS), National Agency for Food and Drugs Administration and Control (NAFDAC).

### 3.1.1 Business Incorporation in Nigeria

Business incorporation is the core mandate of the Corporate Affairs Commission (CAC). It conducts different categories of business registrations and registration of non-governmental organizations including religious entities. The study reviews procedure for registering limited liabilities company (LLC) in Nigeria. Figure 3.1 gives the details of the procedure involved in LLC registration. The figure and the corresponding Table 1 at the appendix give the step-by-step process of the recently reformed business registration procedure following the Executive Order issued by the government a few months ago. Unlike the tens of steps involved before the executive order was issued, registering a new business now involves only seven steps, as given below. Figure 3.1 gives the entity, step, time and cost associated with business registration in Nigeria.

Figure 3.1: Business Incorporation in Nigeria



Source: Survey, 2017

#### 3.1.2 Registration with the Nigerian Exports Promotion Council

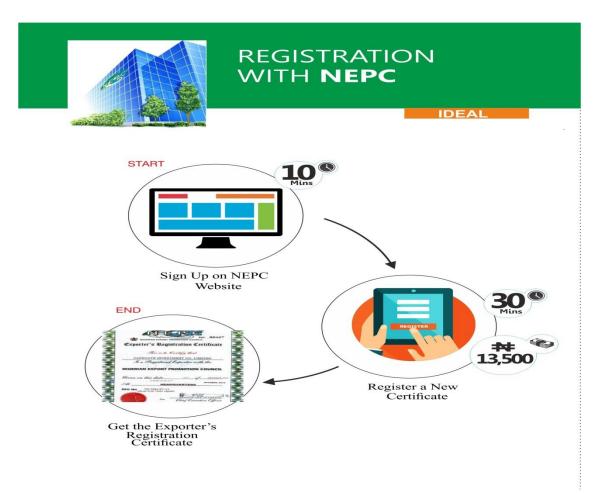
The Nigerian Exports Promotion Council (NEPC) is the agent of the GoN responsible to promote export of made-in-Nigeria produce and products. The NEPC's vision is to make the world a market place for Nigerian non-oil products. Its mission statement is to spearhead the diversification of the Nigerian economy by expanding and increasing non-oil exports for sustainable and inclusive economic growth. The strategy to achieve these vision and mission is to diversify the productive base of the economy away from oil and to foster market oriented, private sector driven economy through innovative and export oriented export products development<sup>4</sup>.

The NEPC has the mandate to register exporters of products and produce from Nigeria. The process is a mandatory one which requires renewal every 18 months. Going by the information on the NEPC website, it has the responsibility to provide supports for exporters in the following areas: market information, product and market development, and capacity building to conform to external market requirements. The agency has now put in place efficient online process which ensures registration of exporting firms does not exceed 48 hours.

Figure 3.2: NEPC registration procedure (also see Table 2 at the appendix).

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<sup>4</sup> http://www.nepc.gov.ng/page corporate overview.html



Source: Survey, 2017

#### 3.1.3 Registration on the Nigerian Export Supervision Scheme

The Nigerian Export Supervision Scheme (NESS) was established under the Pre-shipment Inspection of Exports Act of 1996. The Act made it mandatory for non-oil exports to be inspected prior to shipment. Under this scheme, all products intended for export must be subjected to pre-shipment inspection before they are ferried abroad. The essence is to ensure that products and produce meet grades and quality standards of the international market and guarantee competitiveness of exports.

NESS is customised to ensure that quality and quantity of export are consistent with contractual specifications. In addition, it is meant to systematically monitor repatriation of export proceeds and prevent capital flight. To implement NESS, the government appoints pre-shipment inspection agents in three major

blocks of the country - North, East and West. The scheme empowers the agents to carry out inspections of all items meant for export, particularly from export preparation to storage and up to final pre-shipment process. The system is a two-stage private sector led process flowing from processing of NXP form by commercial banks to inspection and certification by PIAs. On satisfactory completion of inspection based on all prescribed criteria the private inspection agent issues Clean Certificate of Inspection (CCI). While the second stage of the NESS process is very efficient, there is a huge challenge regarding the capacity of commercial banks to process NXP form.

Figure 3.3: NESS registration procedure<sup>5</sup>.

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<sup>&</sup>lt;sup>5</sup> See Table of the appendix



Source: Survey, 2017.

# 3.2 Certification of Export Products and Produce

Governments around the world are getting increasingly concerned about the health implications, the country of origin and the quality of the products their citizens consume. Certification has, therefore, become a mandatory safeguard to control the standard of goods flowing across international borders. Certification provides evidence of conformity to the established and/or required standard at the destination countries. Producers are mandated to ensure quality and safety of their product/produce and avoid all potential hazards such as risks from contaminants. In response to global food safety concerns, countries that are prepared to participate in international trade are mandated to establish and empower public agencies to ensure that products and produce conform to internationally established technical standards and sanitary and phytosanitary standards (SPS). Producers must comply with phytosanitary regulations to prevent entry and spread of plant diseases and pests into new areas. Major importing countries also implement pest risk analysis systems in order to determine the risk level of imported products, and inspect products on arrival to ensure that prescribed maximum risk thresholds are not exceeded. It is mandatory to apply for phytosanitary certificates for regulated products such as plants, seeds, fruits and vegetables, and cut flowers<sup>6</sup>.

Governments are now more active in strengthening surveillance and traceability systems. The reasons include concerns about increasing biological and chemical contaminations, and global trend in terrorism. Governments are increasing their control over all stages of food production, processing and distribution to protect consumers against threats of contaminants. Regulations on Maximum Residue Limits (MRLs) of Pesticides (insecticides, fungicides etc.) and herbicides are well established globally. Producers and exporters must comply with regulations of own country (when the latter has a regulation on maximum residue limits of pesticides) and the regulations of the destination countries. They must use only chemicals that are registered for use on a particular crop and must strictly follow the directions indicated in the instructions leaflet or on their containers (boxes and bottles)<sup>7</sup>.

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<sup>&</sup>lt;sup>6</sup> https://www.ippc.int/IPP/En/default.jsp (under phytosanitary regulations' section)

<sup>&</sup>lt;sup>7</sup> ftp://ftp.fao.org/docrep/fao/009/A0587e/A0587e03.pdf

To ensure that products and produce of Nigeria conform to global food safety standards government has established regulatory framework to provide prescriptions on acceptable specifications, conduct necessary tests and certify products for exports. There are three key institutions established for this purpose - the Nigeria Agricultural Quarantine Service (NAQS), National Agency for Food and Drug Administration and Control (NAFDAC) and the Standards Organization of Nigeria (SON).

# 3.2.1 Certification of Agricultural Produce by the NAQS

The NAQS has the mandate to ensure that Nigeria's agricultural exports meet international standards, particularly the sanitary and phytosanitary standard (SPS) Agreement set by the World Trade Organization (WTO) and specific phytosanitary requirements of the produce importing countries. The NAQS is responsible for iinspection, treatment (where necessary or mandatory) and certification of plant germplasm, commercial seeds, ornamentals, plants and their products for export. Upon successful inspection and evidence of compliance to SPS, the NAQS should issue phytosanitary certificate to attest to compliance to standards<sup>8</sup>.

The SPS certification procedure compels exporters to first and foremost register with the NAQS. After the mandatory registration, exporters and NAQs inspectors will jointly agree on date and time to visit sites or warehouses, whichever is applicable. The inspectors will collect samples for laboratory tests and issue SPS certificate to satisfactory produce/items for export.

Figure 3.4 and Table 4 of the appendix give the procedure for NAQS certification.

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<sup>&</sup>lt;sup>8</sup> http://www.naqs.gov.ng/departments/plant.html



Source: Survey, 2017

# 3.2.2 Certification of Processed and Semi-processed Food with the National Agency for Food and Drug Administration and Control

The National Agency for Food and Drug Administration and Control (NAFDAC) was established to perform the following functions, among others<sup>9</sup>:

undertake registration of food, drugs, cosmetics, medical devices, bottled water and chemicals;

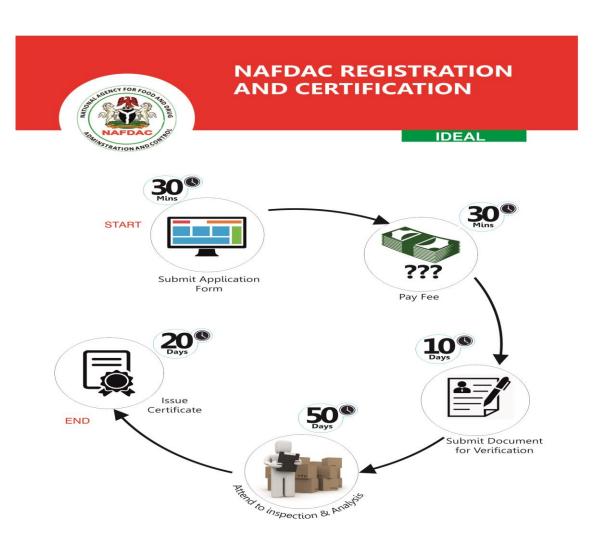
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<sup>&</sup>lt;sup>9</sup> http://www.nafdac.gov.ng/images/PUBLICATIONS/NAFDAC\_ACT/Nafdac\_Act\_Real\_Copy.pdf

- control exportation and issue quality certification of food, drugs, cosmetics, medical devices, bottled water and chemicals intended for export;
- compile standard specifications and guidelines for the production, importation, exportation, sale and distribution of food, drug, cosmetics, medical devices, bottled water and chemicals;
- regulate and control the importation, exportation, manufacture, advertisement, distribution, sale and use of food, drugs, cosmetics, medical devices, bottled water and chemicals;
- establish and maintain relevant laboratories or other institutions in strategic areas of Nigeria as may be necessary for the performance of its functions;
- pronounce on the quality and safety of food, drugs, cosmetics, medical devices, bottled water and chemicals after appropriate analysis;
- conduct appropriate tests and ensure compliance with standard specifications designated and approved by the Council for the effective control of the quality of food, drugs, cosmetics, medical devices, bottled water and chemicals and their raw materials as well as their production processes in factories and other establishments:
- undertake appropriate investigations into the production premises and raw materials for food, drugs, cosmetics, medical devices, bottled water and chemicals and establish relevant quality assurance systems, including certificates of the production sites and of the regulated products;

To commence export certification process the exporter will apply to the Port Directorate three weeks before the intended day shipping. The application must be clear about the identity of the consignee – the name, address, line of business, and business incorporation details. The consignee is also expected to provide certificates of registration with NEPC and registration on the NESS scheme. Exporter must also produce photocopies of the NXP, CCI, SPS certificate, export order and quality specifications of the importer's country, shipping documents, pro-forma invoice, packing list and agro-chemical used in growing and storage of the commodity.

Figure 3.5: NAFDAC Certification Procedure:



Source: Survey, 2017

Parameters to be assessed at company's site are as follow<sup>10</sup>:

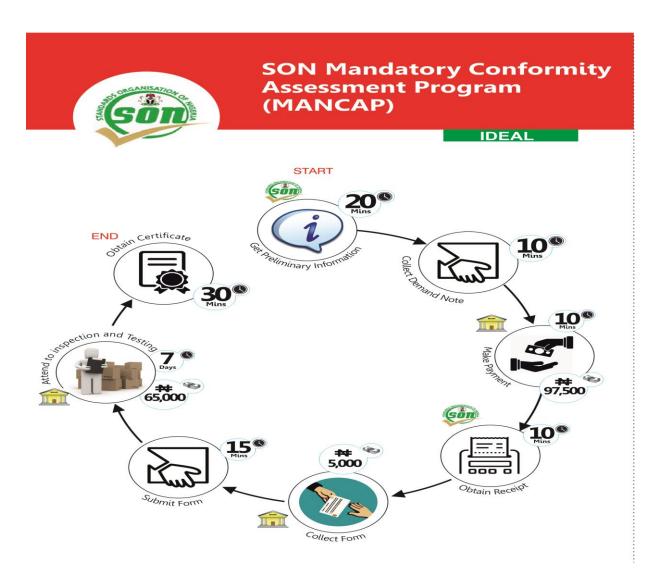
- Location of the premises;
- Personnel;
- Equipment & Facilities;
- Raw materials and their application;
- > Standards put in place such as GMP, GAP, HACCP, GHP etc;
- > Source of water supply and purification system where applicable;
- Documentation.

 $<sup>^{10}\</sup> https://nlipw.com/nafdac-guidelines-for-export-of-food-commodities-processed-or-semi-processed-foods/$ 

A Health Certificate is issued by NAFDAC if the report of Inspection and result of the Laboratory analysis are satisfactory.

# 3.2.3 Certification of Manufactured Products by the SON

Standards Organisation of Nigeria has the mandate to implement a Mandatory Conformity Assessment Programme (MANCAP) which is a requirement to ensure all locally manufactured goods including exports conform to nationally approved code pf practice and Nigeria Industrial Standards (NIS). MANCAP certification procedure is given in figure 3.6 below and Table 5 of the appendix:

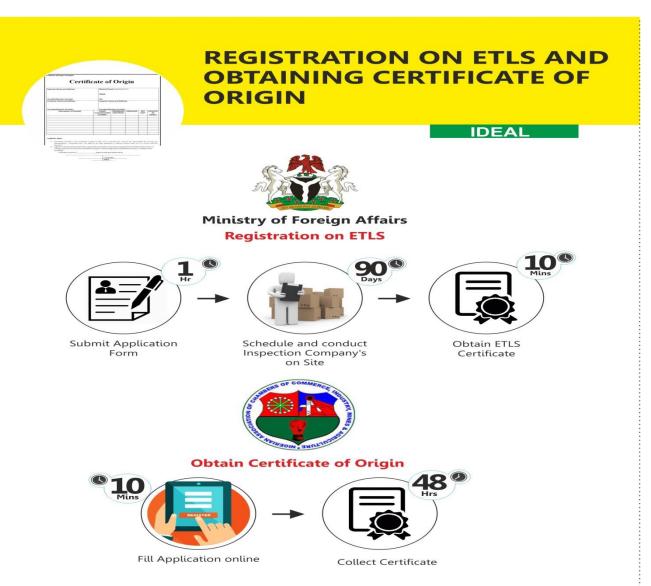


Source: Survey, 2017

# 3.2.4 Registration on ECOWAS Trade Liberalization Scheme and Certification of Origin

In addition to Mandatory Conformity Assessment requirement, manufacturing products for export to ECOWAS region require additional registration under the ECOWAS Trade Liberalization Scheme (ETLS) and certification of products' origin. Registration for ETLS approval is initiated by exporters through the Ministry of Foreign Affairs. The Ministry houses the national approvals committee set up to process and pre-approve applications at the country level before presenting them to the regional approvals committee of the ECOWAS for final approval. After the final approval by the regional committee approval number and ETLS certificate are issued to the exporters. The approval number is a requirement for the designated national authorities to issue certificate of origin.

Figure 3.7 and Table 6 of the appendix give the ETLS and certificate of origin procedure:

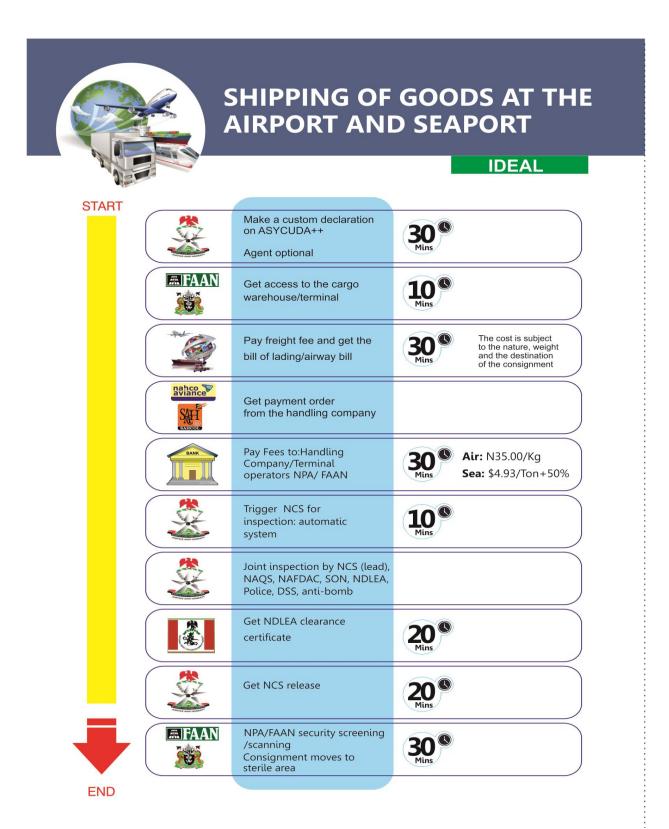


Source: survey, 2017

#### 3.6 Shipping Procedure

Shipping is the terminal point of all the activities relating to exports. It involves combination of processes usually led by the customs service, the Nigerian Customs Service (NCS) in this respect. In Nigeria, shipping involves interactions among several agencies such as the NCS, the handling companies, drug control agency, certification authorities, commercial banks and consortium of security agencies. Figure 3.8 and Table

7 of the appendix give descriptions of the prescribed export shipping procedures at the airports and seaports in Nigeria.



Source: Survey, 2017

#### 4.0 Findings

This section presents the results of interviews and follow-process-through analyses at various points of the export value-chain, from registration to repatriation of funds. For registration component, we analysed survey data/information from business incorporation to registration on the NESS. The section next to that provides results of interviews on, and observation of product and produce certification. The last two sections report findings from shipping procedure and repatriation of funds. We applied the UNCTAD prescribed step-by-step review presented in section three as a guide in our interviews and follow-process-through analyses.

#### 4.1 Registration

#### 4.1.1 Business Incorporation

The study interacted with four people to conduct situation analysis of business incorporation in Nigeria. Two exporters with limited liability companies incorporated before 2017, one intending exporter attempting to register a limited liability company and one accredited business registration consultant. Analyses of data/information pooled together from the interviews and practical follow-process-through give the following results:

#### Experiences Prior to Business Environment Reform

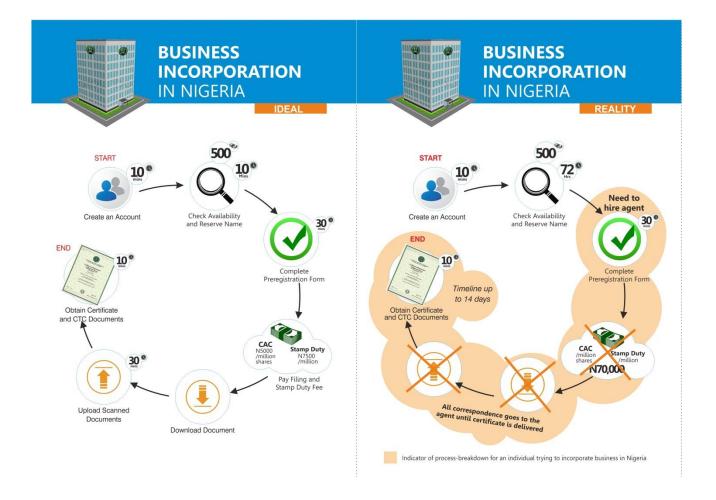
- ➤ Business incorporation procedure has improved significantly since the first half of 2017.
- ➤ The interviewees that incorporated limited liability companies before the middle of 2016 indicated that it was then impossible to successfully register a business without the intervention of accredited consultants lawyers and chartered secretaries.
- Access to personalised business incorporation services was not in existence before 2017.
- ➤ There was no transparent fee in business incorporation process. Existing business owners Interviewed spent between N70,000 and N130,000 to register their businesses.

# Post-reform Experiences

- ➤ The result of the follow-process-through with new business registration during this study shows that business incorporation has become less complicated. It now took about seven steps to complete business incorporation.
- ➤ The CAC portal now provides more comprehensive information and guides to successful business incorporation.
- ➤ Reforms of the 2017 led to pruning down of the numbers of forms to be filled during business registration and forms can now be filled online. Business incorporation before 2017 involves completion of about seven forms. Five of the seven forms have now been collapsed into one simple form.

Analysis of CAC Prescriptions for Business Registration and Operator's Experience

Figure 4.1 shows comparison of CAC's process prescriptions and actual experiences during registration of new business in September, 2017:



Source: Survey, 2017

- > Experiences show that it now takes about 14 days to complete business incorporation rather than 48 hours indicated by the CAC.
- ➤ It was observed that personalised or self-service remains "impossible". Agency component of business registration remains very present. For instance, a section of the online business incorporation form requires an accreditation number, which only accredited agents could provide.
- ➤ All correspondence from the CAC during registration goes to the accredited consultant whose number is used.
- Business incorporation remains expensive.

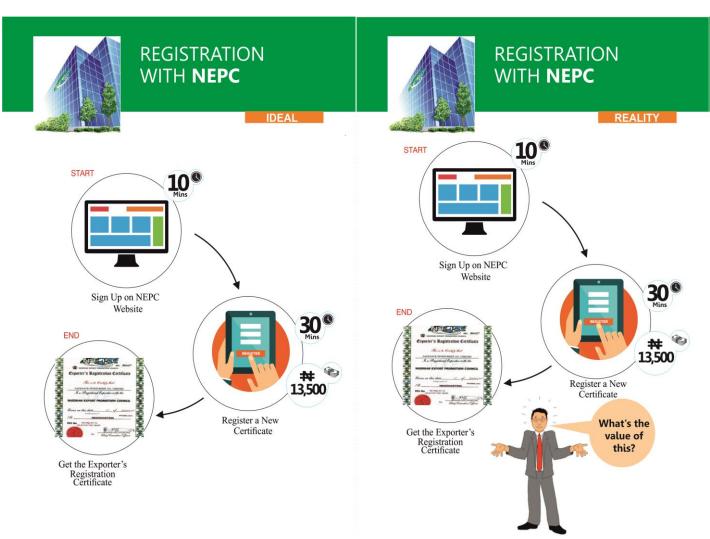
### 4.1.2 Registration with NEPC as an Exporter

The study compares new registrations with the ones before the first half of 2017. The results of interviews and follow-process-through with new exporters reveal the following:

➤ Mandatory registration with the NEPC now takes between 24 and 48 hours, a significant improvement from what obtains before 2017.

Analysis of NEPC Prescriptions and Operator's Experiences:

Figure 4.2 gives summary of experiences with NEPC registration



Source: Survey, 2017.

- NEPC registration involves only three steps and all processes are done electronically
- The study observed that follow-process-through experience perfectly matched the regulator's prescriptions
- ➤ Depending on choice, clients have the option of having their certificates of registration delivered to pre-specified addresses, or at pre-indicated branch offices of the NEPC.

#### Issues Raised by Exporters:

- All the exporters interviewed indicated that NEPC adds no value to their businesses. Exporters are of the opinion that apart from issuing certificate of registration there is no benefit associated with the mandatory registration.
- Exporters said that it should be the duty of the NEPC to provide regular market information and intelligence on standards, prices, new markets and relevant offshore accreditation to registered exporters
- Some exporters said NEPC should be at the driver's seat of capacity building for unhindered market access.
- ➤ The general opinion is that it should coordinate other agencies to create a framework for globally acceptable conformity assessment and standards.
- Exporters were unanimous to tag NEPC as mere public revenue generation agency.

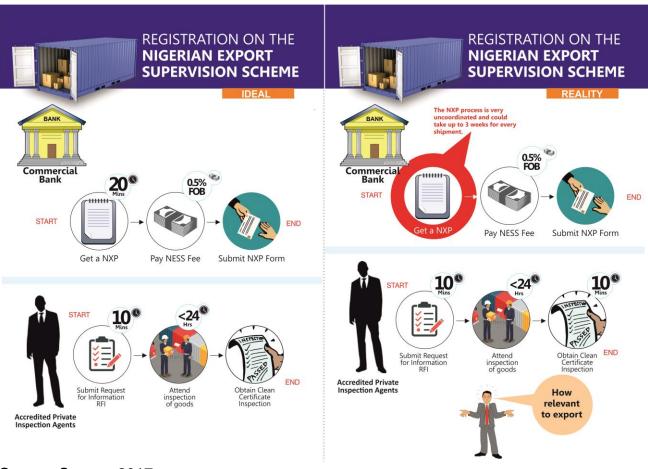
# 4.1.3 Registration on the Nigerian Export Supervision Scheme

Before qualifying to register on the NESS, exporters are mandated to open dedicated export proceeds accounts where proceeds from exports must flow into. NESS registration process begins with submission of export proceeds (NXP) form (equivalent of form M on import side) to commercial banks. The next step is to fill and submit request for information (RFI) form to accredited private inspection agents (PIAs). There are three accredited inspection agents for NESS. One accredited PIA per zone - Northern, Eastern and Western Nigeria.

Analysis of our survey data/information shows that exporters and freight forwarders are dissatisfied with the NESS registration procedures. Exporters see the scheme as a major impediment to exporting business.

Analysis of Process Prescriptions and Exporters' Experiences:

Commercial banks are the first point of contact on the scheme. The banks are supposed to provide and process the NXP forms. However, banks' staff do not have sufficient knowledge of how to complete and process the NXP. Most banks' branches neither keep NXP forms nor know what it looks like. This is common to all banks branches except the ones located the ports (air and sea ports). Figure 4.3 gives the situation analysis of NESS procedure



Source: Survey, 2017

- Banks do not have knowledgeable staff at their branches to process NXP. NXP is, in fact, strange in many branches.
- Banks' branches usually send NXP forms to their head offices for processing which, more often than not, takes several weeks. Most exporters interviewed mentioned than it takes three weeks or more to complete a single NESS process, with fresh registration required for every shipments.
- Without successful completion of NXP processes private inspection agents (PIAs) cannot commence inspections of consignments.
- ➤ Exporters are of the opinion that tests being conducted by PIAs are rather done to confirm price and quantity for government revenue and accuracy of proceeds from exports rather than to check conformity to standards and terms of contracts between exporters and offshore importers.
- ➤ An exporter of spices to the United Kingdom and South Africa reported heavy losses on agreed contracts with offshore clients after the first shipments to both countries. According to him tests-to-contracts prescriptions were conducted and the consignments were certified to conform to all the contract terms. However, re-test in those countries gave contrary results.
- Majority of the exporters do not see the relevance of the clean certificate of inspection (CCI) issued at the end NESS process as it's in no way suffice for SPS certification and similar conformity assessment certifications.
- Some exporters were honest to report that they now found ways to bypass NESS in their export processes, therefore escaping export proceeds monitoring.

#### 4.2 Certification

NAQS, NAFDAC and SON are the primary regulatory agencies considered in this study. The study conducted interviews and follow-process-through analyses of conformity assessment and certification processes relating to the three. The NAQS is mandated to test and issue SPS certificate on agricultural produce for export. NAFDAC has the mandate to conduct relevant tests and issue certificate of conformity for food with any element of processing. SON's mandate relates to certification of manufacturing products

# 4.2.1 NAQS Conformity Assessment and Certification

The NAQS registration and certification procedures are supposed to very simple as given in figures 3.4. During the survey the study team took the exporters and freight forwarders through the regulatory prescriptions set by the NAQS. Summary of field analysis is given in figure 4.4:



Source: Survey, 2017

Experience shows that NAQS has no well controlled and well-structured operational procedure

- ➤ It was a general consensus that the institution is failing in its mandate of quality assurance.
- According one of the respondents, "the cost of insisting on due process here is high as you may end up with extreme delays that may compromise the quality or total loss of items for export".

- Exporters and freight forwarders indicated that most of the NAQS accredited private testing laboratories/agents are in most cases not traceable.
- ➤ There is no transparent fee structure for inspections and conformity assessments. "Your bargaining power determines how much you pay and how quickly you can access your SPS certificates".
- > Exporters and freight forwarders are not confident that tests were actually being carried on samples collected.
- A freight forwarder said "serious exporters have to arrange for private testing and conformity assessment as SPS certificate issued here may not guarantee that you produce will pass conformity tests offshore".

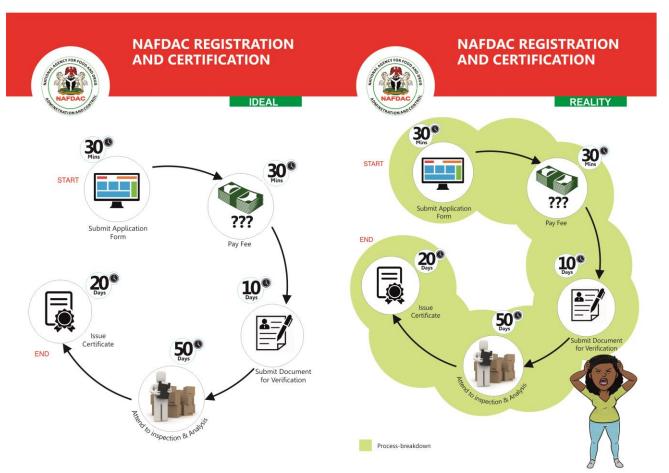
## 4.2.2 NAFDAC Conformity Assessment and Certification

Exporters are emphatic that dealing with NAFDAC remains a serious challenge. Majority of exporters believe that NAFDAC still constitute a major "roadblock" to non-oil export.

The following are the reactions of exporters and freight forwarders to interview:

- Exporters believe that NAFDAC certification is "too time consuming, time wasting and stressful".
- ➤ Although the impression is that products registration and testing for export are free done of charges, exporters claimed the contrary. Exporters said that the cost of compliance with NAFDAC conformity assessment process is high and not determinable until the process is completed. An exporter said "even when you have everything in place you only know when the process starts you cannot determine when it will end".

The summary of comparison of ideal prescription with practical experience is given below in Figure 4.5:



Source: Survey, 2017

- Exporters are of the opinion that NAFDAC prescription which compels them to register different sizes of the same products with same composition differently is inappropriate.
- An exporter said it is difficult for her to ever trust NAFDAC laboratory test and certification after her export products were tested and certified okay in Nigeria but tested and rejected abroad
- > Exporters said they pay heavy fee to conduct private laboratory tests to be sure their exports conform to the terms of their contracts.
- ➤ A freight forwarder said it is difficult to get things done without payment of unauthorized and un-receipted fees

# 4.3 Registration on ECOWAS Trade Liberalization Scheme and Certification of Origin

ETLS approval and certification of origin of products are mandatory for products intended for circulation with ECOWAS region, Some of the key constraints observed during this study is the timeline of the ETLS approval process. Figure 4.6 compare the ideal and reality of ETLS process.



Source: Survey, 2017

Approval process is time-consuming and unpredictable. The regional approvals committee used to meet ones in three months. Now the meetings are unpredictable. According to a member of the committee, the committee sits only when it has up to five applications. If there are not up to five applications submitted the committee will not sit unless the applicant is ready to sponsor all meetings until approval is obtained.

Manufacturers interviewed indicated that they do not have clear cut information on the processes given room for extortions. Without ETLS approval certificate of origin can not be issued. That means manufacturers cannot commence legal export processing until approvals are obtained.

# 4.4.1 Shipping through the Seaport and Airport

Shipping involves interactions among many agencies of government and private sector institutions both at the exporter's warehouse and the customs cargo warehouse. Shipping process starts from engagement of freight forwarder. The new customs Act specifies that engagement of freight forwarder is optional. However, only customs accredited individual with identification number and pass could access customs ASYCUDA++ to commence single goods declaration (SGD). In shipping process the consignee or its agent will interact with the customs, handling companies, airline or shipping line or road transporter as the case may be, conformity assessment agencies, aviation authorities, security agencies and narcotics control agency.

The study team interviewed and follow through the processes with some exporters along with their freight forwarders at the airport cargo warehouses and terminals of the sea ports. Figure 4.7 compares the ideal and reality of shipping through the air and sea ports in Nigeria.



Source: Survey, 2017

From observations and opinion of freight forwarders' it is still business as usual at the cargo terminals and warehouses. Many agencies are still involved in inspection, "many of them unauthorized"; It is common to see multiple units of a single agency attending inspections Struggles for personal gains were well noticed.

- ➤ Inspections are done physically and 100% many times. The automated scanning was not in place except for security purposes.
- ➤ Despite claims of electronic triggers for inspection, agents still have to print hardcopies of documents in files to physically invite the customs inspections unit. The freight forwarders said they have to also invite other units of customs despite the fact that they are not relevant to inspections.
- ➤ Triggers are also supposed to auto-notify other agencies relevant to inspections. However, agents have go physically with hardcopies of documents to invite the NAQS, NAFDAC, SON, Anti-bomb, DSS, NDLEA and Police as the case may require.
- > The freight forwarders indicated that invitations are not done without payment of unreceipted fees
- ➤ Exporters reported that fast-tracking mandatory documentations depend on the quantum of un-prescribed and un-receipted facilitation fee the exporters is willing to sacrifice.

## 4.4.2 Shipping through the Land Borders

The team made a visit to the Seme land border. The team noticed that the border was most unorganised of all the channels of exports considered in this study. The team conducted interviews and observed activities of three key entities – the exporters, the border agencies and the freight forwarders. In the survey process the Nigerian Customs Service (NCS) indicated that exporting activity at the land border is a mere variant of what obtains at the airport and seaport. According to the NCS all documents required are the same, from the certificate of business incorporation to NEPC registration, certificate of origin, NXP, CCI, SPS etc. The NCS official indicated that exporters must complete all documentations and certifications before commencing shipping process.

According the NCS Shipping procedure commences by accessing the customs ASYCUDA to obtain single good declaration (SGD). Necessary handling fees are paid, joint inspections conducted and the consignments are cleared to move across the border. However, none of these were observed during our visits.

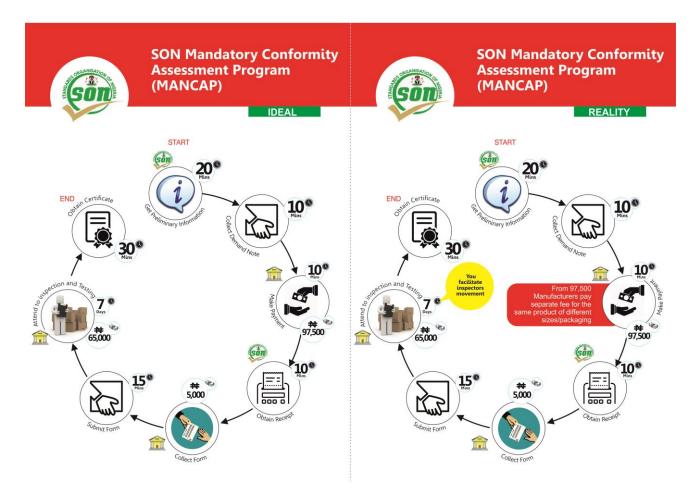
Massive exports of plastic and rubber products, and sanitary papers were observed at the Seme land border. However, it was observed 100 per cent of the shipments were not made by the actual manufacturers. The observation spurred the conduct backward tracers to the manufacturers. The sanitary paper company said the company's products are all over West and Central Africa but the company is not involved in how the products get across the border. One the manufacturers indicated that it activities terminates at the warehouse of the intending exporters.

The exportation procedures for plastic and rubber products, and tissue paper products observed at the border over a period of five days shows there is no formal model for exportation at the land border. The border agencies encourage exporters to export through the formal border post 'informally'. One of the exporters said "we do official smuggling here". We approached some individuals identified as agents they were emphatic that no documentation is required to move your goods across the border through the formal channel "if you know what to do". The exporters interviewed after observations said informal processes make their life easier. One of them indicated that "border agencies will only complicate your life if you want to follow the right procedures".

It was further observed that informal processes flourish because all exporters are in all cases different from the manufacturers. Therefore, the exporters do not have certifications required to export the products. An important observation that should not be ignored is the fact over 70 per cent of the processes happen in the night time. The exporters said that is the best time to fast-track shipments.

The study further investigates conformity assessment and certification procedure of two of the manufacturers. Both companies have being in manufacturing for more than ten years. Both confirm that certification processes have experienced significant improvements from what it used to be. The companies said the stress they used to go through has reduced significantly.

Figure 4.8 compares the ideal and reality of SON MANCAP certification.



Source: Survey, 2017.

The following are the two key areas of concern to the producers of exportables:

- > The need to register and pay for same products packaged in different sizes is inappropriate
- You have to personally facilitate logistic relating to getting inspectors to site for inspections

## 5.1 Repatriation of Export Proceeds

The terminal point of NESS procedure and completion of the NXP process through the commercial bank is to ensure traceability of fund inflow into the mandatory exports proceeds account. The account is tracked by the Central Bank through the Commercial Banks. However, all exporters interviewed are dissatisfied with the operation of this repatriation framework. The two key problems indicated by exporters are as follow:

- One, exporters do not have access to their exports proceeds in foreign exchange form. The proceeds can only be accessed in local currency form
- ➤ Two, the exchange rates at which the proceeds are converted are not satisfactory to the exporters. Exporters claimed they were forced to change their proceeds at official exchange rates despite bearing their cost of production at parallel market rates.
- ➤ However, exporters indicated that government recently announced creation of exporters-importers exchange window. The window is meant to provide opportunities to exporters to exchange their proceeds at rates higher than official but lower than the parallel market rates. The model is that banks will match exporters with forex proceeds with genuine importers to exchange their forex for Naira. The exporters indicated that the framework is a good initiative but has to be well managed and monitor to forestall sabotage.

#### 6.1 Conclusions

The focus of the study is to achieve three key objectives. First, to provide information on approved export procedures as prescribed by trade regulators to potential and existing exporters. Second is to come up with situations and gap analysis of the ideals and realities along the export value chain. The third is to make available a monitoring instrument for the business reform initiatives of the government. The study conducted a review of prescriptions for registrations, certifications and shipping relate to export processes as provided by trade regulators. The study followed up with field survey of practical processes involved in the export value chain. The study notes that lower end of export processes particularly registrations have witnessed tremendous improvements since the introduction of business environment reforms in Nigeria. However, quite a lot remains to be done on export promotion, certification and shipping. In conclusion, true reform and export promotion must evolve framework for periodic and sustained monitoring of activities of trade regulators along the export value chain to determine performance of the business environment reforms.

## 6.2 Recommendations

The study identified some areas of concerns for a successful reform process. Based on its findings the study recommends that more attention should be given to the areas indicated below:

# (a) Business Registration:

Business incorporation in Nigeria could still not be done without an accredited agent. It is recommended that the CAC should initiate steps to reform national law(s) or institutional policy that hinders self-processing of business registration. In addition, it still takes up to 14 days to incorporate a limited liability company. The CAC should make the process more efficient. It may be necessary to improve the IT environment to be more efficient and responsive.

## (b) Nigeria Exports Promotion Council:

Exporters indicated that NEPC adds no value to export process other than collecting registration fee without any service rendered at the point of processing for export. NEPC should do more to promote non-oil exports, particularly by rendering assistance to MSMEs. NEPC should be responsible for provision of market information and intelligence, and advisory relating to export. Also, the institution should be at the fore front of international standards conformity capacity building.

## (c). Nigeria Export Supervision Scheme:

Exporters indicated two key problems associated with NESS. One is the processing of NXP, which banks branches have no sufficient knowledge and processing facilities to be efficient. Only bank branches at the ports are knowledgeable about NXP processing. The study recommends that commercial banks create exporting desks in all its major branches or designated export processing desks in branches within reasonable catchment of

branches. Two, the clean certificate of inspection (CCI) issued to exporters does not suffice for conformity certification despite tests for conformity by the PIAs. It is recommended that mechanism for collaboration for joint inspection and testing should be established to eliminate duplications in assessment process and additional cost burdens on exporters.

## (d) ETLS Registration and Certification of Origin

Uncertainty associated with the time to complete ETLS registration has to be urgently addressed to facilitate export of manufacturing products to the ECOWAS region. We recommend establishment of a specialised offices for processing of ETLS registration at the ECOWAS Commission and relevant national agency. The approval authorities should consider creation of e-platform for approval processing.

## (e) NAQS Certification for Agricultural Export:

"NAQS certification procedure is not transparent at all". There are problems with identification and location of inspection and testing agents displayed on the website, and payment of fee. Private inspection agents and laboratories must be made easy to locate. The agency should monitor and control the activities of its staff, particularly at the borders. Unofficial channels of obtaining SPS certificate from representatives of NAQS must be eliminated. Staff should be monitored to strictly follow the prescribed standard procedure with respect to inspection, testing and payment of fee before issuing SPS certificate.

## (f) NAFDAC registration and Certification:

"NAFDAC procedure is not transparent, time consuming and frustrating". The entire systems of NAFDAC registration and certification require aggressive reform. Ordinarily the 90 days required to complete NAFDAC procedure is too long, and inefficiency of the system right from the point of submission of registration form frustrates export processing. We recommend that processing time should be cut down significantly and the system be made more efficient. Procedure for inspection, testing, and fee and fee payment system should

be more transparent. Multiple payments to certify same product of different package sizes should be addressed, same applies to SON for manufacturing.

## (h) Shipping:

Issue of self-processing of customs clearance, delays to access cargo terminals, non-functional electronic "trigger" system for inspection and 'business-as-usual' behaviours by representative of regulators are key areas to address.

The Customs Act prescribed that the use of agent is optional in freight forwarding. However, access to customs ASYCUDA ++ is restricted to accredited/licensed agents. The NCS must look into the above to make the process conform to the laws otherwise the laws has to be made to reflect the actual practice.

Instead of auto-invitation to inspection through the customs trigger system, agents had to go physically invite agencies with paper documents, a practice which is obsolete by prescription. Physical invitation for inspection leaves rooms for rent seeking. The appropriate authorities should ensure proper functioning of the electronic system of invitation for inspection. In addition, mechanism should be put in place to check agency or unit of agency with no business in any particular inspection but struggles to attend. Finally, the system must ensure that clearance documents are unconditionally issued to compliant exporter without delay or payment of un-prescribed fee.

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Appendix: Prescription by Regulatory Agencies for Registration and Certification

Table 1: Business Incorporation in Nigeria

INSTITUTION	STEPS	REQUIREMENTS	RESULTS	TIMELINES	COST
Corporate Affairs	Create An Account			10MINS	
Commission	Check Availability and Reserve Name	2 proposed names	Notice of Approval	Time on desk-10min Time till next step- 24 hours max	
	Complete Preregistration Form		Filled CAC 1.1	Max 30min	-
	Pay Filing Fee				
	Pay Stamp Duty Fee		Form C1.1 Endorsed with Stamp Duty Seal		
	Download Document		Form C1.1 Endorsed with Stamp Duty Seal		
			Notice of Approval		
			Evidence of Payment to CAC		
			Stamp Duty Receipt		
	Upload Scanned Documents	Form C1.1 Endorsed with Stamp Duty Seal with	Acknowledgement Mail from CAC	Max 30mins	
		signatures		Time till next step- 1-3 days	
		Copy of Memorandum of Association			
		Recognised Form of Identification for Director(s) and Secretary			
		Stamp Duty Receipt			

	Evidence of Payment to CAC  Notice of Approval			
Obtain Cer CTC Doo		Certificate of Incorporation	Time on desk-10min	
	Copy of Memorandum of Association	CTC Copy of Memorandum of Association		
	Recognised Form of Identification for Director(s and Secretary	CTC Form C1.1 Endorsed with Stamp Duty Seal with		
	Stamp Duty Receipt  Evidence of Payment to	signatures		
	CAC  Notice of Approval			

Table 2: Registration with NEPC

INSTITUTION	STEP	REQUIREMENT	RESULT	TIMELINE	COST
Nigerian Export	Sign Up on NEPC		Notification of	Time on desk-10min	-
Promotion Council	Website		Enrolment		
	Register a New	Certificate of	Confirmation of	Time on desk-	13,500
	Certificate	Incorporation	payment	Maximum 30min	
				Time till next step-1 day	
		Approved Extra Copy of	Notification for	maximum	
		Memorandum of	Exporter's Certificate		
		Association	Collection		
		CTC CAC Form 7			
	Get the Exporter's	Notification for	Exporter's Registration		-
	Registration Certificate	Exporter's Certificate	Certificate		
		Collection			

Table 3: Registration on the Nigerian Export Supervision Scheme

INSTITUTIONS	STEPS	REQUIREMENTS	RESULTS	TIMELINES	COST
Commercial Bank	Get a NXP		NXP	20 mins	
	Pay NESS Fee		NESS Payment		0.5% FOB
			Receipt		
			NESS Revenue		
			Receipt		
	Submit NXP Form	Pro-forma Invoice			
		Exporter's Registration			
		Certificate			
		NESS Payment Receipt			
		Certificate of Incorporation			
		NVD E			
		NXP Form Filled NXP Form			
		Filled INAP FOITH			
Accredited Private	Submit a Request	Request For Information		10 mins	
Inspection Agents	For Information (RFI)				
	Attend to the	Shipment	Preshipment	30 mins	
	inspection of goods	Commercial Invoice	Inspection Receipt		
	_				
	Obtain Clean		Clean Certificate of	10 min	
	Certificate Inspection		Inspection		
	(CCI)				

Table 4: NAQS Certification Procedure for Agricultural Export

INSTITUTION	STEP	REQUIREMENT	RESULT	TIMELINE	COST
Nigerian Agricultural	Register with NAQS		NAQS Sign up	Time at desk- 20 min	
Quarantine Service			confirmation		
	Submit Application		Confirmation of	Time at desk- 15 min	
	for SPS Certification		Service Provider		
			Submission Details		
			Application		
			Confirmation Mail		
	Schedule Inspection	Application Confirmation		Time at desk – 20min	
		Mail			
	Attend to Inspection	Shipment		Time on site-??	
	of Produce			Time Until next step- ??	
	Generate Remita to		Remita Code- NAQS		
	Pay NAQS Fees		Fee		
	Pay NAQS Fees				
	Collect SPS		SPS Certificate	Time at desk- 10mins	
	Certificate				

Table 5: SON MANCAP Certification Procedure for Manufacturing Products

INSTITUTION	PROCEDURE	STEP	REQUIREMENT	RESULT	TIMELINE	COST
SON	MANCAP	Get Preliminary Information		Information	20mins	
	MANCAP	Collect Demand Note		Demand Note	10mins	
Bank	-	Make Payment		Deposit Slip	10min	
MAN	MANCAP	Obtain Receipt			10mins	
	MANCAP	Collect Form	Demand Note SON Receipt	Form, Standards		
	MANCAP	Submit Form	Certificate of Incorporation Filled Application Form Cover Note	Acknowledged copy of cover note, Demand Note	15mins	
	MANCAP	Attend to inspection and testing		Feedback and inspection	5 days	
	MANCAP	Obtain Certificate		MANCAP Certificate and MANCAP Award Letter	30mins	

Table 6: ETLS Registration and Certification Product Origin

INSTITUTION	PROCEDURE	STEP	REQUIREMENT	RESULT	TIMELINE	COST
Ministry of Foreign	Registration with ETLS	Submit Application	ETLS Application Form	Confirmation mail of	3days	-
Affairs		Form		receipt of documents		
			Certificate of			
			Incorporation			
			Exporter's Registration			
			Certificate			
	Registration with ETLS	Receive Inspection		Confirmation mail for	90days max	-
		Team on Site		ETLS Certificate		
				Collection		
	Registration with ETLS	Obtain ETLS Certificate	Means of identification	ETLS Certificate	10min	-
NACCIMA OR MAN	Certification of Origin	Submit Application	ETLS Approval Number	Form Completed Online	10 Mins	
TV/CONV/CONVIVI	Certification of engin	Custilit Application	CAC certificate	Tomi Completed Chime	Waiting time 24 to 48	
			NEPC certificate		Hours	
		Collect Certificate	Identification Card	Certificate Collected	10 mins	-

Table A7: Procedure for Shipping Through the Air and Sea Ports

INSTITUTION	STEP	REQUIREMENT	RESULT	TIMELINE	COST
Airline/Shipping Line	Contact the	Provide detail		Max. 30mn	
	Airline/shipping line	information			
					<u> </u>
Customs Agent Office	Recruit a Customs	Certificate of		Max. 30mn	There is no fixed
	Licenced Clearing and	Incorporation			cost. Cost is
	Forwarding Agent	Packing List			subject to negotiating ability.
		I doking List			negotiating ability.
		Exporter's			
		Registration			
		Certificate			
		NXP Form			
		Clean Certificate of			
		Inspection (CCI)			
		mspection (CCI)			
		SPS Certicate			
		Final Invoice			
		Letter of Authority			
Nigeria Customs	Make a custom		Single Goods	Max. 30mn	
Service	declaration on		Declaration Print Out	maxi oomii	
	ASYCUDA++				
			Valuation Note		
			Assessment Notice		
Nigeria Ports	Get access to the			Max. 10mn	
Authority/Federal	cargo warehouse			IVIAX. IUIIIII	
/ tatriority/i cacrai	Jaigo Waichouse				

Airport Authority of Nigeria Terminal	Attend to preliminary	Shipment		Max. 30mn	
Operator/Nigeria Aviation Handling Company	examination	Shipment		Wax. Somm	
Airline/Shipping Line	Pay freight fee and get the airway bill	Freight information	Bill of Lading/Airway bill x4	Max. 30mn	The cost is subject to the nature, weight and the destination of the consignment
Terminal Operator/Nigeria Aviation Handling Company	Get payment order from Handling Company	Bill of lading/Airway bill	Rated Airway bill		
Nigeria Port Authority/Federal Airport Authority of Nigeria	Get FAAN/NPA Invoice	Bill of lading/Airway bill	FAAN/NPA General Invoice		
REMITA	Get a REMITA Code to pay FAAN fees		Remita Code - FAAN Charges	Max. 10mn	
Commercial Bank	Pay NAHCO and FAAN fees/Pay NPA and Terminal operators fees	Bank deposit slip  Rated Airway bill/Bill of lading  Remita Code – NPA/FAAN Charges  NPA/FAAN General Invoice	Stamped Deposit Slip- Nacho fee  Bank Receipt- Terminal operators/NAHCO Fee  NPA/FAAN Bank Deposit Slip	Max. 30mn	Aircargo: NGN 28 per (indicate kg) NGN 7 per (indicate kg)  Payment methods: cash The payment is based on kg

Terminal Operator/Nigeria Aviation Handling Company Terminal Operator/Nigeria Aviation Handling Company	Submit bank payment receipt  Submit bank payment receipt at OHandling Company's office	NPA/FAAN Bank Deposit Slip  Rated Airway bill  Stamped Deposit Slip- NPA/Nacho fee  Bank Receipt-NPA/ NAHCO Fee	NPA/FAAN Receipt  Handling Company's Payment Receipt	Waiting time in queue: Max. 10mn Attention at counter: Max. 10mn Waiting time in queue: Max. 5mn Attention at counter: Max. 10mn
Terminal Operator/Nigeria Aviation Handling Company Nigeria Customs Service	Get Handling Company acceptance receipt  Trigger NCS for inspection	Rated Airway bill  NPA/NAHCO Payment Receipt Packing List Airway bill/bill of	Terminal operator/ NAHCO Acceptance Receipt	Attention at counter: Max. 10mn  Max. 10mn
NCS and other relevant agencies	Joint inspection by NCS (lead), NAQS, NAFDAC, SON, NDLEA, Police, DSS, antibomb	lading SPS Certificate, Airway bill/bill of lading, Packing List, Passport of exporter		
National Drug Law Enforcement Agency	Get NDLEA clearance certificate		NDLEA Certificate	Max. 20mn
Nigeria Customs Service	Get NCS release		Stamped Bill of ladingAirway bill by NCS	Max. 20mn
NPA/FAAN	NPA/FAAN security screening/scanning	NPA/FAAN Receipt		Max. 30mn