

**“THE IMPACT OF SECURITY CHALLENGES ON THE DEVELOPMENT
OF THE NON-OIL REVENUE GENERATION”**

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**THEME OF CONFERENCE: “REVENUE GENERATION AND SECURITY
CHALLENGES”**

INTRODUCTION

- The revenue generation of the non-oil sector of the Nigerian economy can generally be described as revenue generation of those groups of economic activities which are outside the petroleum and gas industry or not directly linked to them. These include revenue generation from telecommunication services; financial sector (banking and insurance) services; tourism service (hotels, restaurants, parks, carnivals, movies; wholesale and retail trade; health services; export trade; agricultural activities; mineral activities; power (conventional and renewable); manufacturing; environmental services (clearing, waste collection and recycling); R & D activities; ICT, etc. this paper attempts to establish a link between security challenges and non-oil revenue generation, with specific analysis of observed trends in import and excise revenue as well as export volume which are being monitored by the Service and try to proffer the way forward.

NATURE AND SCOPE OF SECURITY CHALLENGES

- Security challenges include food insecurity, financial insecurity, personal insecurity, national Insecurity etc. Insecurity could also range from low level civil disorder to large scale violence and to armed insurgency. Our focus here is on national internal security of residents of Nigeria as regards lives and property and general well-being (physical insecurity). This informs why the analyzed trends in revenue development accommodates revenue before 2009 and revenue from 2009 till date, being the peak period of the on-going insurgency. It must however, be mentioned that other conflicts in Nigeria include the Niger Delta conflict, the Joss ethno-religious conflict, etc.

CAUSES OF SECURITY CHALLENGES

- From the Asaba massacre of 7th October, 1966 and the Jos riots of 7th to 17th September, 2001 through the Niger Delta crisis to the on-going Boko Haram insurgency, internal security challenges have been fueled by:
- Religions intolerance
- Oil community agitation
- Ethnic intolerance
- Political discontent
- Economic pressure and greed (e.g. boundary and land disputes)
- Lack of patriotism and unity against insecurity

EFFECTS OF SECURITY CHALLENGES

Security challenges, without doubt, have resulted in the following:

- Fear
- Adverse economic development
- Repelling of foreign investment.
- The above effects of security challenges individually and collectively negate the development of the non-oil revenue. However, since the on-going insurgency is centred in the northern states, the impact on overall customs revenue during the period may not be very visible since the southern states yield, by far, most of the Total Customs Revenue.

REVENUE TREND OF IMPORT AND EXCISE DUTIES FROM 2008 TO SEPTEMBER, 2014

- The Import and Excise Duties trends as reflected on ANNEX 'A' shows a steady increase in Total Revenue Collection from 2008 (before the Boko Haram Sectarian clash of 2009) to 2012. However, there is a slight decrease in revenue in year 2013. The overall increase in customs revenue from the period prior to the insurgency till date could be explained by the fact that the northern part of the country which is most affected by the on-going insurgency has always constituted a small proportion of the total Customs revenue for the country.
- Despite the revenue drive of the Service ,other factors also adversely affect Customs revenue such as:
 - Fiscal Policy Measures/Downward Review of Tariff Rates to encourage Critical Sectors.
 - Import substitution Industrialization (ISI)
 - Waivers and Concessions
 - Duties Held in Indemnities
 - Panic Importation of Rice in 2012
 - Fall In Excise Duty Revenue due to closure of some factories

WHY THE OVERALL PROGRESSIVE TREND IN TOTAL REVENUE COLLECTIONS?

- Intensified revenue drive by the Service/ Modernization policy(ICT driven)
- Growing economy due to government policy
- Import driven economy
- Peace in southern states that contribute significantly higher revenue

THE BORNO/YOBE COMMAND TREND

- As shown in Annex 'C', revenue collections in Borno/Yobe, the area worst hit by insurgency, rose steadily from 2008 (before the 2009 Boko Haram Sectarian violence) to 2010, but nose-dived in 2011 and is yet to grow steadily due to the security challenges. It is a common knowledge that the bombings and other killings became more and more intensified as from 2011.
- In like manner, the revenue collection in Adamawa/Taraba kept growing until it nose-dived in 2013 due to the security challenges.

EFFECT OF SECURITY CHALLENGES ON EXPORT

- Annex 'D' reveals that Total CIF (Cost + Insurance + Freight) value of exports in Nigeria increased steadily from 2008 to 2012 but kept declining since 2013. This could be partly attributable to security challenges which endangered farmers in the north as well as trade within and with the northern states.
- The decrease in exports could also be as a result of the shutting down of some Nigerian manufacturing companies such as the closing down of Guinness Nigeria Plc factory in Aba as well as the shutting down of some of their production lines in the factory in Ikeja which affected exports from 2011 to 2013.

THE WAY FORWARD

- Given the negative impact of security challenges on revenue development, the following measures must be taken to urgently reverse this ugly trend and ensure sustainable peace in Nigeria.
- Religious organizations should preach tolerance of each other
- Nigerians should imbibe patriotism and unity
- Government security agencies in collaboration with the general public should intensify the war against insurgency
- Intensified employment generation should be imbibed through synergy between government and private sector.

THANK YOU FOR LISTENING