

MINUTES OF MEETING OF THE PRESIDENTIAL COMMITTEE ON THE REVIEW OF TARIFF AND FISCAL INCENTIVES HELD AT THE KWARA STATE GOVERNMENT LODGE, PLOT 38, JOSE MARTI CRESCENT, ASOKORO, ABUJA, ON TUESDAY, 24TH NOVEMBER, 2009.

PRESENT:

1. His Excellency, Dr. Abubakar Bukola Saraki
The Executive Governor,
Kwara State. - Chairman
2. His Excellency, Mr. Babatunde Fasola, SAN
The Executive Governor,
Lagos State. - Member
3. His Excellency, Alhaji Isa Yuguda
The Executive Governor,
Bauchi State. - Member
4. His Excellency, Comrade Adams Oshiomhole
The Executive Governor,
Edo State. - Member
5. Dr. Mansur Muhtar
Honourable Minister
Federal Ministry of Finance. - Member
6. Prof. Ademola Oyejide
Chairman, National Economic Intelligence Committee - Member
7. Dr. Sarah Alade
Deputy Governor,
Central Bank of Nigeria - Member
8. Mr. Jide A. Mike
Director-General,
Manufacturers Association of Nigeria - Member

ABSENT:

9. Chief Achike Udenwa
Honourable Minister
Federal Ministry of Commerce and Industry - Member
10. Mallam Yakubu Tanimu
Chief Economic Adviser to the President
Office of the Economic Adviser to the President - Member
11. Alhaji Ahmed Abdulkadir - Member
12. Mr. Bismark Rewane - Member
13. Mazi Sam I. Ohuabanwa
President, Niemeth Pharmaceutical and
Chairman of Economic Summit Group - Member

IN ATTENDANCE:

14. Mr. Remi Babalola
Honourable Minister of State
Federal Ministry of Finance
15. Mr. Ochi C. Achinivu
Permanent Secretary
Federal Ministry of Finance
16. Dr. Danjuma Mahmoud
Head Economic Policy, Office of the
Economic Adviser to the President
17. Dr. R. K. Attahiru
Deputy Director (Research & Statistics)
Federal Ministry of Commerce and Industry
18. Mr. G. E. Gotip
Deputy Comptroller-General
Nigeria Customs Service
19. Mr. Segun Fadahunsi,
Assistant General Manager,
GT Bank Plc.

SECRETARIAT

1. Alhaji S. I. Gold
Permanent Secretary, Kwara State
Government Liaison Office
2. Alhaji Madiu Haruna
Deputy Director (Macroeconomic),
Economic Research and Policy Management Department,
Federal Ministry of Finance
3. Mr. G. T. Ogbenna
Chief Admin. Officer,
Economic Research and Policy Management Department,
Federal Ministry of Finance
4. Mr. J. U. Usoro
Asst. Chief Admin. Officer,
Economic Research and Policy Management Department,
Federal Ministry of Finance
5. Mr. Ali Adamu
Senior Industrial Officer,
Economic Research and Policy Management Department,
Federal Ministry of Finance
6. Mrs. H. J. Nakande
Admin. Officer I,
Economic Research and Policy Management Department,
Federal Ministry of Finance

S/N	SUBJECT/DISCUSSION	ACTION BY
2.0	OPENING:	
2.1	<p>The meeting commenced at 5:53pm and was chaired by the His Excellency, the Executive Governor of Kwara State. The opening prayer was said by the Honourable Minister of State for Finance, The Chairman welcomed the Governors of Lagos, Bauchi, Edo States, the Honourable Minister of Finance, the Honourable Minister of State for Finance, the Deputy Governor of Central Bank of Nigeria, and other representatives in attendance to the meeting. Thereafter, there was self introduction by all members.</p>	
2.2	<p>The Chairman presented a draft Agenda to the meeting which was adopted as proposed:</p> <ul style="list-style-type: none"> (i) Opening Remark by the Chairman; (ii) Terms of Reference for the Presidential Committee; and (iii) Time Frame, mode of meetings involving modalities for the subsequent meetings. 	
3.0	CHAIRMAN'S OPENING REMARK:	
3.1	<p>The Chairman, in his opening remarks, commended His Excellency, Alhaji Umaru Musa Yar'Adua, GCFR, the President and Commander – in – Chief of the Nigerian Armed Forces for his timely initiatives and commitment to the task of positioning the Country to be one of the 20 leading economies of the world by the year 2020. He added that the current challenge of global economic recession had compelled nations to focus their strategies to protecting and re-positioning their people against the shocks of the recession.</p>	

3.2	<p>He observed that no country was insulated from the economic recession. As for Countries like Nigeria that depend on natural resources for her income, the effect on the price of crude oil had led to dwindling gross earnings. He continued that for many years, the clamour for diversifying the economy was high, but the current reality made it more urgent. Therefore, the Committee's response to this challenge must be clear, decisive and workable to develop the real productive sector of the Nigerian economy. He further observed that the most effective strategy of improving the economy would be to increase the level of Foreign Direct Investment (FDI) into the country. It had become expedient for the country therefore, to take coordinated and deliberate steps to attract the right investment portfolio. He emphasized that the main issues hindering prospective investors had been the tariff and incentive regimes. Consequently, this would require a review on the tariff and incentives frame work in order to make the Nigerian tariff regime attractive to investors.</p>	
3.3	<p>The Chairperson recalled the efforts of Government in the last one year to stimulate the Agricultural Sector. He noted that the recognition of the need to review the Tariff and Fiscal Incentive would enable the country to address those key strategic issues on a broader scale. He urged the Committee to undertake the assignment with appropriate guidance with inputs, suggestions and contributions from key stakeholders in all sectors of the economy. He also urged members to work very hard and ensure that the report and its recommendations are available to take effect from the beginning of 2010.</p>	

4.0	COMMENTS AND DISCUSSIONS:	
4.1	<p>After his opening remark, the Chairman called on the Honourable Minister of Finance to make his comments. Briefing the meeting, the Hon Minister of Finance noted that Government had made so much effort recently at revamping the industrial sector and so various means should be explored at improving agro-allied industries for economic growth and development. He noted that as a result of the Global Economic Recession, Government had initiated several policies aimed at protecting the economy from possible negative effects. He emphasized the need to create special schemes to support value chain especially in areas that had agro-allied potentials as well as institutional frame work to develop the economy. He added that the National Economic Management Team (NEMT) had been involved in a study on the Review of Tariffs and Fiscal Incentives in Nigeria in the past months. He further explained that the document had looked at areas to stimulate the tariff regime in Nigeria that were all geared towards economic development. He noted the need to identify the immediate solution that could be part of the 2010 budget and the broader issues on incentives to manufacturers. He explained that the Government was bent on identifying the key sectors that required urgent attention. He mentioned that the Presidential Committee was expected to look at what should be done as regard the short and medium-term strategies, policies and institutional reforms that would enhance the performance of the Nigerian tariff regime.</p>	
4.2	<p>The representative of the Federal Ministry of Commerce and Industry stated that the multiplicity of incentives was not a challenge, rather the cumbersome nature of its administration.</p>	

	<p>He added that there was the need to identify the incentives and the sectors that benefited from them. Therefore, he enjoined the Committee to look into the possibility of a legislation to guide the administration of these incentives.</p>	
4.3	<p>The Chairman noted that the Committee was expected to identify the mode of operation, immediate solutions and key sectors that could be considered in the 2010 budget. The Chairman sought to know from members how to identify key sectors that required immediate intervention that would stimulate economic growth and development.</p>	
4.4	<p>Responding, the Lagos State Governor proposed the principle of allotting what is available to the right sector. He expatiated that the Agricultural Sector could be considered alongside the existing incentives within the sector in order to make it more efficient. For instance, he made reference to the tax administration in Lagos State which was cumbersome, but was addressed through the adoption of a single line form of payment. He reiterated the need to look at the process of administering the incentives, stressing that the Building and Construction as well as the Cement Industries should be included in the sectors to be considered. He expressed that there was always merit in looking at existing incentives and determining their effects on the people.</p>	
4.5	<p>The Executive Governor of Edo State observed that it would have been more appropriate to identify those sectors which require interventions in the Technical Committee's Report in order not to waste time. He also inquired on the existing fiscal incentives.</p>	

4.6	<p>The Chairman, National Economic Intelligence Committee (NEIC), explained that the mandate of the Technical Team was to Review the Structure of Tariff and Fiscal Incentives in Nigeria and relate it to growth and development indices. He explained that the Technical Team was to look at the ECOWAS Common External Tariffs (CET) and use some form of fiscal incentives to compensate the negative effects likely to be experienced as a result of the new tariff regime. He went on to mention the existing incentives in Nigeria, which covered three (3) broad categories, such as the General Incentives, Sectoral and the Export Incentives. He elaborated that the Nigerian tariff structure had to change due to current changes of tariff within the ECOWAS sub-region. He observed that some of these incentives were kept alive beyond their expected time. He said that the first stage was to rationalize the incentives which should have a particular target and be monitored in order to achieve its motive. He noted that the incentives should be targeted at sectors and should also be transparent in terms of administration to beneficiaries. He enjoined the Committee to be proactive at taking necessary measures that would aim at curbing the likely negative effect of ECOWAS CET.</p>	Sectoral Targeting of Incentives
4.7	<p>In a similar vein, the Executive Governor of Lagos State suggested that the Committee should provide possible proactive measures for some of the impacts alongside the report rather than presenting the report and thereafter draw Mr. President's attention to it.</p>	
4.8	<p>The Executive Governor of Bauchi State acknowledge the fact that so much had been said about the problems that existed and the decision to be taken in the 2010 budget. He said focus</p>	

<p>4.9</p> <p>4.10</p> <p>4.11</p>	<p>should be on the deliverables to identify what should be done and achieved in 2010, so that the way forward would be unambiguous. He noted that the incentives should be looked at in the short, medium and long-term standpoints so as to come out with a clear relationship involving indices or percentages of the impact that the incentives would create.</p> <p>The Deputy Governor CBN, in her contribution, raised concern that it would be inappropriate to make further recommendations, since the CET Partnership Agreement had been signed, but rather the Committee should pay more attention to measures to cushion the possible negative effects to be experienced. She explained that ordinarily, the impact of the CET on the Nigerian economy should have been considered before its negotiation.</p> <p>The Chairman averred that the productive sector was not performing as expected because there was no serious and tangible investment in the sector. He said that incentives might not be the only remedy to a successful incentive regime, but achieving the right impact. He noted that the effect of the incentives were key to the success of a productive sector and hence, the need to consult key stakeholders in that sector in order to ascertain the precise strategy to put in place.</p> <p>At this juncture, the representative of the Office of the Economic Adviser to the President drew the attention of the meeting to the report of the Presidential Committee on the Review of Incentives, Waivers and Concessions, which he noted could contribute immensely to the mandate at hand.</p>	<p>Short/ Medium/ Long Terms</p>
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4.12	<p>The Executive Governor of Edo State noted the absence of the Honourable Minister of Commerce and Industry and the Comptroller-General of Nigeria Customs Service. He however, requested their presence at the next meeting. He opined that signing such agreement that affects national interest should be based on the advice of experts. Furthermore, he said that the key issue would be to identify the sectors, what fiscal incentives ought to be in place and identify the barriers hindering their development. He noted that many companies had not enjoyed the Pioneer Incentive Policy despite its long existence and hence the need to streamline the existing institutional framework.</p>	
4.13	<p>The Director-General of the Manufacturers Association of Nigeria (MAN) stated that local manufacturers had problems concerning tariffs and incentives as concerned. He noted that CET would not impact positively on the manufacturing sector, considering the fact that new companies would be more affected by the CET and with that concern, the 35% band range was recommended to protect the industries. He therefore, recommended sector specific incentives within the manufacturing sector.</p>	
4.14	<p>The Executive Governor of Bauchi State noted the need for the Government to look into the revamping of Assembly Plants, just as China and the United States had done which could save foreign exchange, guarantee gainful employment to graduate engineers and impact positively on the economy.</p>	
4.15	<p>Similarly, the Executive Governor of Lagos State observed that revenue generation should not be at the expense of creating conducive environment for investments. Accordingly, he suggested that Government should consider offering rebate on</p>	<p>Tax Incentives to Companies</p>

<p>5.0</p>	<p>Company Income Tax (CIT), stressing that once a company employs some specific numbers of people, it should qualify for the tax rebate.</p> <p>CONCLUSIONS OF THE MEETING</p> <p>After exhaustive deliberations, the meeting resolved as follows:</p> <ul style="list-style-type: none"> (i) the need to identify key sectors to drive the growth of the economy for the implementation in the 2010 budget, particularly Agriculture, Textile, Leather, Garments, Shoes, Assembly Plants, construction etc; (ii) the need to consider what to put in place to bring about improvement in the key sectors that can bring about the growth of the economy, most especially the issue of tariffs and incentives; (iii) the need to address the barriers retarding the growth of these key sectors of the economy; (iv) The Ministry of Commerce be implored to tarry in re-signing of the existing agreement on the issue of tariffs and incentives; (v) The Honourable Minister of Commerce and the Comptroller General of Customs should always attend the meeting in their capacity as members of the committee and not to send representatives; (vi) Report of the National Economic Management Team (NEMT) Committee on the Review of Tariffs and Fiscal Incentives (Main report and Executive Summary) and Report on the Presidential Committee on the Review of Incentives, Waivers and Concessions be made available for members; (vii) Common External Tariff (C.E.T) needs to be re-negotiated (viii) Next meeting of the committee fixed for Tuesday, 1st December, 2009 at 5.00p.m at the same venue. 	<p>HMF</p> <p>Secretariat</p> <p>Secretariat</p>
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CLOSING:

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The meeting rose at 7.25p.m with a closing prayer by the Deputy Governor, Central Bank of Nigeria.

**ECONOMIC RESAERCH AND POLICY MANAGEMENT
DEPARTMENT, FEDERAL MINISTRY OF FINANCE,
ABUJA.**

24TH NOVEMBER, 2009