Science Arena Publications
Specialty Journal of Accounting and Economics
Available online at www.sciarena.com
2017, Vol, 3 (1): 31-50

The Economics of Waivers in Nigeria

Anyadike , Nkechi, O & Eme, Okechukwu Innocent
Department of Public Administration and Local Government
University of Nigeria, Nsukka.
Email:okechukwu.eme@unn.edu.ng,
okechukwunncnt@gmail.com

Abstract: *The objective of this paper is to examine the economic implications of the abuses of waiver in Nigeria. This is because part of the objectives of the waivers in Nigeria is to boost local industries, make the much-needed raw materials or goods available in the short-term and generate employment. However, after many years, none of these lofty objectives has been achieved. Most of the local industries have closed shops for lack of raw materials, resulting in the growing army of the jobless in the country. In other climes, waivers are seen as a mechanism for achieving set economic goals such as protection of local industries, job creation, export promotion as well as generation and preservation of foreign exchange. China, India, Malaysia, Japan and many other economies have at various times used waivers, concessions and grants to protect and build local manufacturing and agriculture. Sadly, none of such objectives has been met in Nigeria. Worse still the system has been too corrupted. Some beneficiaries are known to sell duly-approved waivers for essential goods to importers of cars or other products that are of little or no benefit to the economy. Unfortunately, some defaulting companies in duties and levies to the Federal Government, notwithstanding their conduct, even got fresh waivers to import more in an era of impunity where monitoring was zero and the system was run without human face. The paper addresses this challenge using secondary sources. The paper suggests among others that the National Assembly should in fact complement the executive arm of government to end this obnoxious regime. An economy that favours economic cartels and selfish barons should have no place in the Nigerian economy the paper concludes.*
Keywords: *Waiver, Corruption, Illicit Funds, Trade and Investment Promotion, Backward Integration and Revenue Generation and Losses.*

INTRODUCTION

AS the Federal Government continues to consider options to finance the almost N3 trillion gap in its N6.06 trillion 2016 spending plan, the President Muhammadu Buhari administration have cancelled most of the import waivers granted some Nigerians as well as operators in certain sectors of the economy by the Goodluck Jonathan government. The action is aimed at revving up revenue to close the widening gap in the budget occasioned by the continuous fall in the price of crude oil at the international market. Initially, at the presentation of the 2016 Budget Estimates last December, the deficit level was pegged around N2.2 trillion on an oil price benchmark assumption of $38 per barrel of crude oil.
However, following the persistent price fall and at the current level of around $32 per barrel, the deficit is estimated to have grown to almost N3 trillion, about half the size of the budget, with the consequence of increased borrowing and other belt-tightening measures to source revenue to deliver the implementation of the spending plan. Developments in the oil minerals sector notwithstanding, the Federal Inland Revenue Service (FIRS), the Federal Government's tax agency recently calmed frayed nerves with the assurances that the agency would rise to the country's revenue challenge by raising N4.95 trillion from taxes. Accordingly, most of the import concessions granted in the immediate past administration of Jonathan have been recalled or cancelled, meaning much more revenue will be expected from the Nigeria Customs Service (NCS).
In 2014, the Coordinating Minister for the Economy and Minister of Finance, Dr. Ngozi Okonjo-Iweala, declared that the country had lost N797.8 billion between 2011 and May 2014 to import waivers and tax holiday concessions. Of the amount, N25.814 billion was the level between January and May of that year. The Head of the recently established Efficiency Unit at the Federal Ministry of Finance, Patience Oniha

made the disclosure at a roundtable interaction with journalists in Abuja to share insight into the unit's progress report, following a successful survey of Ministries, Departments and Agencies (MDAs) of the Federal Government's Implementation of their overheard budgets year in year out. And as a result of the need to eliminate waste and save as much as we can particularly at these times that our revenue profile is at its lowest ebb, the Buhari regime has promised to enforce the guidelines and it is not going to be business as usual. MDAs according to him that violate these guidelines will be seriously sanctioned by the anti-graft agencies. It is because of this that the Federal Government has already cancelled most of the waivers granted by the past administration so that these importers can pay their duties to rev up revenue for the government.

In a study commissioned for the development organization Oxfam in 2009, James Henry already estimated the amount lost to waiver and tax fraud to be USD 64–124 billion (IMF, 2013). As pertains to corporate tax evasion, Oxfam concluded for the year 2000 that trade mispricing was costing developing countries additional tax revenue losses of about USD 50 billion per annum. Christian Aid (2014), by contrast, estimated such losses for the 2005–2007 period to be as much as USD 122 billion and for the year 2008 to be around USD 160 billion (Christian Aid, 2014), an estimate that was recently confirmed by Cobham (2012) in a comparatively rigorous empirical test.

In 2014, Action Aid documented that the federal government lost an average of N71 billion per annum on duty waivers granted to importers and exporters of goods. The then Country Director, Action Aid Nigeria Hussaini Abdu during a launch of tax justice campaign in Abuja, said that the federal government offers a vast array of tax incentives to domestic and foreign companies, notably on both imports and exports, resulting in revenue losses. As the document reported, *"From 1999-2012, the government lost nearly N1 trillion ($6.3 billion) an average of N71 billion ($448 million) a year on import and export duty waivers,"* (Adebayo,2016:8)

As the Federal Government grapples with measures to block leakages in revenue generation by canceling some waivers granted by past administrations, scholars such as (Modebe, et al, 2014; Action Aid, 2014; Reuters, 2012 and Lucas, 2015a) have implicated successive governments since the return to democracy of abusing the fiscal policy package — and in the process sacrificing economic growth for political patronage. They accused former presidents of masterminding the bastardization of the policy, which by last year had denied the country over N750b in just three and a half years, according to former Coordinating Minister for the Economy and Minister of Finance, Dr. Ngozi Okonjo Iweala. The Federal Ministry of Finance explained that the embargo on waivers was aimed at revving up the much-needed revenue to close up the widening gaps in the budget, following the continuous fall in crude oil price(Lucas,2015b).

At the presentation of the 2016 Budget Estimates last December, the deficit level was pegged at around N2.2trn on an oil price benchmark assumption of $38 per barrel, but with the recent developments in the economy and with a struggling manufacturing sector unable to balance out foreign reserve drop, it appears past misdeeds may have cost the country more harm than was anticipated(Nwachukwu,2016:4).

The former Comptroller-General of the Nigerian Customs Service, Abdullahi Dikko, told a stunned Senate joint-committee that by September 2014, the nation had lost N603 billion to import duty waivers, exemptions on levies, concessions and import substitution schemes. Of these amounts, Dikko said N264 billion was lost to waivers on petroleum products imports and N76 billion to manufacturers and assembly plants under the Jonathan administration. Members of the National Assembly did not only decry the abuse of waivers and tax incentives under that administration, they also noted that no meaningful development can take place where monies supposed to be used for infrastructure development are offered free to investors who are already making profit in the country (www.vanguardngr.com/2014/02/manufacturers-must-justify-waivers-creating-jobs-says-okonjo-iweala/).

A new report by Action Aid and Tax Justice Network Africa supports Dikko' s position that shows that Nigeria is losing about $2.9 billion (N577.2 billion) revenue yearly to corporate organizations as tax incentives with a view to attracting foreign investments into her economy.

The report which focused on Nigeria, Ghana, Cote d' Ivoire and Senegal reveals that granting tax incentives to investors, notably foreign companies, is depriving governments of money to pay for essential public services like health, education and infrastructure.

According to the report which was presented to newsmen recently in Abuja, the tax incentives are given to companies in the hope that foreign investors will bring in capital to support economic development and create local employment, however, there is little evidence that tax incentives have increased investments, rather, the increased investment could be attributed to the presence of natural resources, especially oil. Globally, waivers, tax holidays and other forms of incentives granted to corporate organisations are necessary impetus to stimulate economic growth. Essentially, the beneficiary firms are expected to utilise opportunities offered by tax breaks to deepen investment and create employment. These exemptions from taxes have, however, been put to various abuses, thus putting the nation granting them at a disadvantaged position, with its economy trapped in retrogression as against envisaged growth. What is the benefit of waivers for a developing economy like Nigeria; and how has government managed issuance of the instrument over the years? Put differently the essence of this study is to examine the economic cost of waivers and tax incentives in Nigeria. This paper argues that although the President, on the advice of the Tariff Council, has powers to grant waivers, such powers are neither supposed to be granted indiscriminately nor kept secret. The granting of indiscriminate waivers to individuals and company operators in an industry rather than to the entire industry distorts national economic and industrial development which is normally the very essence of granting such waivers. Furthermore, the granting of waivers before or without causing such to be publicly disclosed through publication in a Government Gazette is illegal. At the very least, public disclosure can serve as a check against fiscal recklessness. Finally the paper raises questions about the implications of the granting of indiscriminate duty waivers by the president. In order to achieve its objective, the paper is divided into three parts. Part One explores in a thematic format the theoretical perspectives on waiver. This section explores the general principles behind the practice of duty waivers and the laws that regulate such practices in Nigeria. Part Two discusses the economic implications of duty waivers abuses. The third part offers recommendations and concludes the paper.

Theoretical Perspectives on Waiver

Nigeria is one of the African countries reputed for granting generous and outrageous waivers and tax incentives to investors and corporate organisations. Waivers are assessed based on the category of the goods; they are not blanket instruments. They are accessed on a case-by-case basis, depending on the kind of imports, especially when the government wants to enhance the use of a particular commodity. The products are usually brought in to fast-track the industrialisation programme in the economy. Companies that are in such industries are granted waivers so that they would be able to produce more. This is the economic perspective to it. There is also a political perspective. In achieving certain political goals, the government might grant a company waiver, and this has no economic justification. The Government can grant waivers because of corruption. If the government wants to pay for benefits it has gotten from the owners or promoters of a company, it could waive some duty for them. In this sense, it is a form of pay back. It could also be to assist some political stakeholders. So it could either be for economic or non-economic reasons.

Put differently, there are two major contending views waivers- the economic- industrialization and political-patronage theses. This thesis posits that import duty waivers are mechanisms employed by countries to meet their economic goals, especially in protecting local industries, creating jobs, promoting exports, as well as generating and preserving foreign exchange. Waivers are also used to exclude local industries from paying import duty on certain goods for a fixed period. Countries such as Malaysia, Japan, India, China and others, at various times, have used import duty waivers, concessions and exemptions to protect and build their local manufacturing, agricultural, textile and motor industries. Today, all these countries have become export-oriented economic power giants. The opposite cannot be said of Nigeria upon. The Federal Government has a policy to encourage agriculture and agriculture business as a deliberate policy to diversify the economy, acknowledged the huge amount of money lost by the Federal Government on duty waivers to importers of rice, palm oil, energy equipment, steel and vegetable oil. It is observed that the tax incentives that were offered to encourage Foreign Direct Investments (FDIs) into the country are now doing more harm than good to the nation's economy.

This policy, especially relating to agriculture has become significantly eroded and gradually made nonsense of (the initial objectives) by the indiscriminate abusive grant of waivers, concessions and grants, especially on rice importation. The flagrant abuse of the waivers scheme has severely eroded the Federal Government's Rice Production Policy by importing huge quantities of the commodity in excess of their approved quota. Also, while the main reasoning behind granting tax relief to corporations is the idea that it will promote investments that attract capital and contribute to job creation, there is no evidence that this truly has happened with most incentives given in the country. The former Minister of Finance and the coordinating minister of the economy, Dr. Ngozi Okonjo-Iweala said in 2015 that manufacturers in the country must justify the waivers that the government has granted them by creating jobs and addressing unemployment. She stated this last year, while addressing members of the Manufacturers Association of Nigeria, MAN during an interactive session with the association in Lagos. She said that the government embarked on several sector-based policies to solve the problem of individualised waivers and ensure that all players in each of the manufacturing sectors get equal opportunity and waivers. She said, Sectoral waiver policy has been around for quite sometimes now. It was strengthened in 2010 and now ensures that all sector players get equal waivers. There have also been other waivers to address market failures but players in the manufacturing sector need to demonstrate how these waivers are affecting their performance positively. They must show how the waivers are helping them to create jobs and address other economic problems; otherwise many people would continue to see it as a way of perpetuating corruption (Bayo & Onyeka,2013:2).

The minister, who used the opportunity to highlight the efforts the government is making to address some of the challenges confronting manufacturers in the country, underscored the importance of the manufacturing sector in the economy, saying there would be no modern Nigeria without the progress of manufacturing sector. She said: "*Despite the several challenges confronting the government at the moment, the government would continue to put up policies that would advance manufacturing in the Nigeria(Lucas,2015c)"*.

Earlier in a welcome address, the president of MAN, Chief Kola Jamodu, said the interactive session was inspired by the need for the government and the association to come together to assess the performance of MAN. He noted that government has identified that Nigeria's manufacturing sector is strategic and occupies enviable position in the industrial sector in Africa, especially in the ECOWAS sub-region. Jamodu said by empowering the manufacturing sector and injecting more investments into the sector, it will help to address the high rate of unemployment in the country. According to him, the manufacturing sector has begun to show signs of recovery as capacity utilisation has moved from 41 to 55 per cent in the sector and there has also been increase in the use of local raw materials from 47 to 51 per cent in 2013. These, he said, is made possible by various measures put in place by government as well as continuous dialogue with MAN. He also noted that there has been an increase in investments and productivity in the sector as a result of government incentives, and urged the Federal Government to continue with sector-based incentive policy. He however lamented the challenges being faced by MAN members as a result of Pre-Arrival Assessment Report, PAAR recently introduced by the customs. He said it is causing delay and avoidable demurrage. He also decried high interest rate in the economy which he said is a huge obstacle to long term investment in the sector (Udo &Ekett,2014).

But employment continues to be a serious topical issue worldwide. Job creation has been on top of the agenda globally and in Nigeria this has been no different. The NBS (2015:2-3) captures the highlights as follows:

The number of applications fell sharply over the period, from 318,233 in October to 170,453 in December, representing a decline of 46.44%. Although the number of vacancies rose slightly between October and November, from 4,620 to 4,696, the number also fell sharply in December to 2,563, a decline of 44.52% relative to October(Eme et al,2015:208).

Trade/Services remained the industry to which the largest number of applications were made, and which posted the largest number of vacancies. Power/Energy and Travel/Tourism were the industries to receive the most applications per each vacancy, receiving 461 and 366 respectively, which makes them the most competitive industries to apply for on the Jobberman website Active applicants were predominantly male (67.77%) and well educated, with 77.61% being educated to degree level or higher. However, this figure was only 22.34% for those under the age of 20. Lagos remained the state to account for the largest share of applications and vacancies.

International institutions such as the World Bank, the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) now increasingly warn against excessive tax incentives. Also this thesis pushes for the Federal Government to block leakages in revenue generation by canceling some waivers granted by past administrations. This thesis also posits that in other climes, waivers are seen as a mechanism for achieving set economic goals such as protection of local industries, job creation, export promotion as well as generation and preservation of foreign exchange. China, India, Malaysia, Japan and many other economies have at various times used waivers, concessions and grants to protect and build local manufacturing and agriculture. Sadly, none of such objectives has been met in Nigeria. Nonetheless, the interest of local producers must be defended if the country would make any breakthrough or progress. Statistics showed that in 2007, the 1,843 beneficiaries of waivers caused about N165 billion losses to the economy. The highest amount of N42.598 billion was recorded in 2007; in 2006, waivers stood at N19.379 billion; and N41.650 billion in 2005(Akinmutimi,2015).

In 2014, former finance minister and coordinator of the economy reportedly declared a loss to import waivers and tax holiday concessions of N797.8 billion between 2011 and May 2014, N25.814 billion of it in the first five months of 2014 alone. Figures attributed to the then Comptroller-General of the Nigeria

Customs Service (NCS) quoted N276.9 billion loss between 2000 and 2008. That sharp progression is instructive(Sun Editorial,2014:11).
The Buhari administration's resolve, therefore, to shore up revenue from all accruable sources, including savings from duty waivers, should be well implemented to block this loophole that benefits only a few. Relevant collection agencies must be allowed free hand to explore all avenues, especially in the face of shrinking cash reserves from the slump in global oil sales and prices. The Federal Inland Revenue Service's pledge to rise to the revenue challenge towards raising N4.95 trillion in a year is commendable too. Indiscriminate granting of waivers, concessions and grants is undesirable and has perhaps affected the agricultural sector more, especially rice production. Goods like palm oil, vegetable oil, energy equipment, steel and others have also featured in the ignoble list. Worse still the system has been too corrupted. Some beneficiaries are known to sell duly-approved waivers for essential goods to importers of cars or other products that are of little or no benefit to the economy. Unfortunately, some defaulting companies in duties and levies to the Federal Government, notwithstanding their conduct, even got fresh waivers to import more in an era of impunity where monitoring was zero and the system was run without conscience.

This abuse got an official mention in 2015 at the Senate following a passionate submission by Senator Ibrahim Gobir. The upper chamber then decided on an ad hoc panel for a review to ensure full recovery of all government revenue related to the policy. Regrettably, as in most other investigations, the report has not been made public. The National Assembly should in fact complement the executive arm of government to end this obnoxious regime. At this point, a clearer policy is required on controversial policies like import duty waivers, grants and concessions in the economy. An economy that favours foreign companies at the expense of local ones is unacceptable. A regime of favours for economic cartels and selfish barons should have no place in the Nigerian economy.
For instance, the Senate on July 30,2015 recalls that rice policy waiver of the Federal Government was a deliberate attempt to encourage agriculture in Nigeria but regrets the waiver on rice importation in the last five years because of the flagrant abuse that has caused more harm to the nation's economy. According to the Senate proceedings on that day posited that a whooping sum of N585 billion was waived between 2011 – 2015, which Senate attributed to conspiracy between Nigeria Customs and Federal Ministry of Finance. They urged the Federal government to stop all waivers on rice and other agricultural products while mandating the Central Bank of Nigeria, Nigeria Customs and Federal Ministry of Finance to ensure recovery of all duties owed the Federal government. The Senate President, Bukola Saraki further added that government would ensure that all necessary mechanisms were put in place to ensure that laws of the of Nigeria were respected. Having announced the Ad-Commiittee to be headed by Senator Adams Albert from Kebbi South Senatorial District, the Senate President charged the committees to take the integrity of the Senate seriously by ensuring that federal government revenues are recovered(Amumihe,2016).
While leading debate on his motion, Senator Rafiu Ibrahim (Kwara South) said the flagrant abuse of the waiver scheme had severely eroded Federal Government's rice production policy by allowing importation of huge quantities of the commodity in excess of their approved quota. According to him, a recent Senate interaction with the management of the Central Bank of Nigeria, CBN, revealed how importers overshot its quota, adding that this made the importers to owe the Federal Government import duties running into billions of naira. Ibrahim further argued that instead of importers paying as huge as 70 per cent duties and levies to the Federal Government, they were granted waivers, thereby denying Nigerians legitimate revenues.
His words,
The importers ordinarily should be paying in addition to the duty on the commodity, a fine of 70 per cent of duties and levies to the Federal Government, the government has failed to implement this directive and denied our people legitimate revenues into the Federal Government coffers. The Senate also observed that some of the defaulting companies had, notwithstanding their defaults, been awarded fresh waivers to import more within the last few days of the previous administration. The Customs Service, which ought to be enforcing compliance with duty and other revenues at the borders, has failed to carry out its mandate and enforce compliance from the defaulters (Usman,2015:8).

Contributing to the motion, Senator Ibrahim Gobir (Sokoto North) disclosed that findings on waivers had shown that N585bn worth of waivers were granted by the Federal Government between 2011 and 2014..He posited that if the amount had been shared among the 36 states of the federation, each of the three senatorial districts in a state would have N5.3bn, which, he noted, was enough to provide 5,000 jobs in various states. Gobir therefore called for a total end to waivers on agricultural products. On his part, Senator Eyinnaya Abaribe (Abia South) advocated the removal of waivers, stressing that waivers on rice, cement, palm oil, among others, should be discouraged to encourage growth of small and medium agro-allied industries in the country. Ruling on Ibrahim's motion, the Senate President, Bukola Saraki, said the Aliero committee would look at the waiver policy regime and simultaneously carry out a holistic review with a view to determining government revenues losses.

The cancellation of the odious regime of import duty waivers which for years, has undermined the Nigerian economy would be one laudable step, amid a flurry of current reforms, towards attaining sanity. The much abused policy which has been handled as an exclusive licence for a few politically connected individuals is a disservice to Nigeria. Putting an end to it would be an advertisement of the seriousness with which the present government views Nigeria's economic situation and how to reposition it. The decision is also good considering the lack of transparency that have attended the policy on concessions, grant and waivers as some of the instruments actually violate anti-trust laws and damage the economy. Official claims of N585 billion lost to waivers between 2011 and 2015 are only indicative of a mindless regime of profligacy and corruption. However, the government must think fast and hard of a more beneficial and acceptable mechanism open to manufacturers and industrialists for the promotion of local production.

Indeed, the inconsistencies in reported figures are illustrative of the mystery in which the processes have been shrouded. For economic impunity of that magnitude to have lasted so long, turning it into a tool that protected businesses and jobs abroad while damaging Nigeria's economy, is testament to poor leadership. In other climes, waivers are seen as a mechanism for achieving set economic goals such as protection of local industries, job creation, export promotion as well as generation and preservation of foreign exchange.

A coalition, the Civil Society Network against Corruption, last year urged the Economic and Financial Crimes Commission to urgently set in motion its investigative team to unravel the alleged abuse and massive fraud in the N117 billion rice import quota scheme.

In a petition to the anti-graft agency, signed by the coalition's Chairman, Olanrewaju Suraju, CSNAC urged the Chairman of the EFCC, Ibrahim Magu, to look into the report of an online Newspaper, Premium Times, on the massive fraud. According to the report, a total of 26 companies were involved in the deal, two of which are allegedly owned by a former Attorney General of the Federation and a former civilian Governor of Kebbi State.

The report said:

Due to the huge amount spent on rice importation by the Federal Government, the Goodluck Jonathan administration in 2014 came up with a new rice policy to fast-track national self-sufficiency in rice production. The policy specified that owners of existing rice mills and new investors with verifiable backward integration in the rice value chain will be allowed to import rice at 10 per cent duty and 20 per cent levy (30 per cent); while merchants who have nothing to contribute to local production in the form of rice farms or mills will be charged 10 per cent duty and 60 per cent levy (70 per cent)(Bayo Onyeka,2014).

Technically, it was a waiver aimed at building local capacity in rice production. Subsequently, an inter-ministerial committee which was headed by Mr. Akinwunmi Adeshina, current President of Africa Development Bank (ADB), was set up to work out the national rice supply gap and allocate import licenses with appropriate quotas in order to bridge the gap and at the same time, advancing the objectives of the national rice policy. On paper, this committee was to determine beneficiaries and allocate quotas based on four key criteria that assess investment of individual companies into local rice production. The report also stated that the 26 companies that benefitted from the rice import quota scheme included Milan, Bua, AA Ibrahim, Stine Rice Mills, JMK Foods, Labana Rice Mill, Elephant Group, Honeywell, Kerksuk Farms, Wacot, Mikap Rice, Golden Penny, Stallion, Umza International Farms Limited, Dangote and Olam. Others were Tara Agro, Ebony Agro, Atari Rice Industry, Ashi Foods, JAI, Arewa Rice Mill, Onyx Rice Mill, Bansara Rice, Danmodi and Klysat. The online newspaper report stated that Mikap Rice is owned by a former Attorney General of the Federation and Minister of Justice, Michael Aondoakaa, while Ebony Agro is owned by Charles Ugwu, a former Minister of Commerce and Industry. Ashi Foods is owned by the immediate past Governor of Benue State, Gabriel Suswam. Milan Group is a business interest that also owns Intercontinental Hotels, while Bua is owned by billionaire Ishaku Rabiu. Honeywell is owned by Oba Otudeko, while Elephant Group is owned by Tunji Owoye. Labana Rice is owned by a former Kebbi State Governor, Adamu Aliero, while Keresuk is owned by one Rotimi Williams.

The report further stated that for instance, Umza International Farms Limited has a rice mill in Kano with a capacity of 30,000 MT. Beyond this mill, Umza has no other investment in local rice production. However, the company was given import allocations in two categories: 36,000 MT under existing miller allocation and also got 49,207 MT under investor allocation.

The report added: "Stallion got a total allocation of 89,989 MT; that was 59,989 MT under investor allocation and 30,000 MT under existing miller allocation. It has two mills – one in Kano and another in Markurdi. Mikap Rice, owned by Michael Aondoakaa, has a very small scale mill of between 15,000 to 20,000 MT. The mill itself is government-funded. Mr Aondoakaa got 82,897 MT of import quota.The report adds:

Many of the beneficiaries were found to have no investment in the rice value chain. They include Wacot, Honeywell, Elephant Group, AA Ibrahim, Milan, among others. Kersuk Farms has no mill. Stine Rice has a mill but it is not in working condition. Bua has only brown rice mill. It does not have parboiling capacity; the mill is defunct. However Bua received a total import allocation of 109,448 MT. Many of the quota beneficiaries sold their allocations to importers. Mikap sold its quota to Elephant Group. Stine Rice sold its quota to a company called PJS. Elephant Group in May 2015 also received through the Jama'tul Nasril Islam (JNI) waiver to import 100,000 MT of rice(Udo& Ekett,2014).

Raising another issue, the report says:

There are also discrepancies in milling capacities and the local rice production capacity. Under former Minister Akinwunmi Adeshina, the ministry of agriculture claimed Nigeria was producing 2.2 million MT of paddy. However, all the rice mills in Nigeria have a combined annual capacity to mill only 600,000 MT of paddy. The remaining 1.6million MT remains unaccounted for. Yet, allocations of rice import quota were based on these phony capacities of rice millers and investors, many of whom at the end sold off their quotas to the detriment of the rice subsidy goals. Besides the discrepancies in the rice milling capacities, Cotonou, Benin Republic have become a safe haven for smuggling of rice through the land borders into Nigeria thereby sabotaging the Nigerian economy through evasion of taxes, levies and import duties. The report revealed that sometime in April-May 2014, 11 ships sailed into Nigeria's territorial waters from Thailand and they refused to berth at the Apapa ports in order to avoid paying tariffs to the Nigerian government. The ships were expected to pay a total of 11.5 billion naira in tariffs to the Nigerian government(Okwe,2016:1).

The Senate on July 30, 2015 announced members of its ad hoc committee on waivers, concessions and grants to look into the abuse of the waivers on rice importation in order to aid the recovery of government revenue. However, it does not seem like this committee will be able to carry out its duty efficiently and without prejudice as its chairman is former Kebbi State Governor, Senator Adamu Aliero who is also the chairman of Labana, one of the rice subsidy beneficiaries. CSNAC in its petition noted:

From the foregoing, just like the fuel subsidy scam, this is another case of economic sabotage by a cabal of some sort who will stop at nothing to ensure that they continue to make profit, at the expense of the suffering Nigerian citizens and the economy of the country as a whole.

"This laudable policy introduced by the former administration would have revolutionised the Nigerian economy in terms of putting Agriculture and rice production on the map again, had it not been hijacked by this cabal. CSNAC is therefore by this petition, calling on the commission to exercise its full powers in conducting a thorough investigation into the abuse of the rice importation waiver, as well as prosecute the perpetrators and those who have corruptly benefitted from the scheme. They should be made to refund benefits derived from the fraudulently obtained waivers. This will go a long way in charting a new course for the efficient and effective implementation to the rice policy, thereby boosting rice production in the country, improving the livelihood of small scale farmers in Nigeria as well as revamping the near comatose state of Agriculture in Nigeria(Adebowale,2014:8).

The study conducted by Nwanneka Modebe, Okoro Okoro, Chinwe Okoyeuzu and Chibuike Uche(2014) summarizes the views of this perspective of the latter. In the report titled, *The (Ab) use of Import Duty Waivers in Nigeria,* the authors contended that government abused the policy through selective favoritism of cronies, which gave them undue advantage over other sectors players as well as made them instant billionaires overnight. According to the researchers ,the brazen abuse of custom duty waivers in Nigeria is a consequence of the rentier nature of the Nigerian state, which has progressively eroded the inherent internal controls for prudent fiscal relationships among the various tiers of government in a federal state. Supporting this thesis, Robert Klitgaard (1998) has proffered the following formula to explain the dynamics of corruption:

$C = M + D - A$

where C = Corruption

M = Monopoly power

D = Discretion

A = Accountability.

Klitgaard's thesis is that the extent of corruption in any society depends on the amount of monopoly power and discretionary power that officials exercise and the degree to which they are held accountable for their actions. Thus, if the level of corruption is high in such countries as Nigeria, Cameroun Indonesia, Honduras, Tanzania, etc., the explanatory factors are triple. First such countries have highly (state)-regulated economies and monopoly power is often large in highly regulated economies. Second, (bureaucratic)-discretionary power is often large in the transition economies of post-colonial states because administrative rules and regulations are often poorly defined. Third, in such countries, too, public accountability is weak as a result of poorly defined ethical standards of public services, weak administrative and financial systems or ineffective watchdog agencies.

Klitgaard's position is supported and reinforced by an observer of the Nigerian private sector, J.M. Elegido of the Lagos Business School. As he puts it:

There is an opportunity for corruption whenever an individual is entrusted with discretionary powers of decision and the interest of other parties can be affected positively or negatively by the way in which these powers are exercised… [Corruption] will flourish whenever there is a monopolistic or oligopolistic control of a valuable resource …it is the existence of islands of monopoly power that creates opportunities for corrupt behaviour as managers attempt to appropriate to themselves part of the monopoly profits available to their organisation (Eme et.al,2014: 217)

As Khan [1996] has shown the character of the state is important in setting the limits of corrupt practices. For instance corruption is likely to feature were in an interventionist than is a non-interventionist state. When the state plays an interventionist role in industrialization, as is common with post-colonial states, the power of bureaucrats to allocate right over scarce resources is enhanced, under that circumstance, the bureaucrats would usually bargain for a share of the rents they help to create. Even more important is the structure of state agencies providing the right, Khan maintains. Where the state is centralized, and a single agency is the sole supplier of all the relevant rights, corruption will be of the highest magnitude. On the other extreme, where there is a number of corrupting agencies, each supplying all the rights, corruption will be at its lowest. This is because *"competition among the [autonomous agencies, or] mini-states " have … the very… desirable "effect of "pushing the price of the package of rights to zero and therefore total rents collected to zero as well"*(Khan,1996:3).

The intermediate position is where a number of state agencies compete in the provision of complementary rights. For instance, one agency may provide the right to set up a factory; a second may-provide the right to import raw materials: and a third may provide access to credit. Corruption would be moderate in such a state. The reason is that each of the different agencies, acting independently to maximize profits for it would face a prisoner's dilemma. As Khan put it, "In attempting to maximizing rents for itself, each may be raising the price of the particular right it supplies so high that overall activity shrinks and the total rent collected by all agencies falls" (Khan,1996).

The overall implication of Khan's position is that monopoly breeds corruption. And corruption is beds dealt with by increasing competing among bureaucrats, allowing more agencies to supply similar rights and decentralizing state power. Khan goes further still to situate the discussion of the causes of corruption in the context of the balance of state power. His central argument here is that rent sharing by bureaucrats and politicians typically happens in the context of patron-client relations. Indeed, Khan asserts, often "the dominant, relationship underlying corrupt transfers is a patron-client relationship between the state acting as a patron and its clients who are recipients of subsidies, licenses and other valuable resources". Hence the balance of power between state agencies and different classes of clients is an important determinant of the degree of corruption in the state. Two types of power balance are discussed by khan. The first is the patrimonial power balance while the second is the clientelist power balance.

In countries at the centre of world capitalism what prevails is the patrimonial power balance. This is the conventional patron-client political settlement. Here, the state as a patron is the politically dominant partner. It dispenses resources to clients to get a share of the rent or simply additional political support. The power of the state, visa-vis society in defining rights in general is not in question. Besides, there are well-defined property rights and the state is an effective mechanism when it comes to the protection of existing rights. In such countries, there is corruption, but it is seen as an essentially economic phenomenon *"where rights are transferred to the agents who value them the most giving a pre-existing distribution of economic resources …giving a pre-existing distribution of economic resources"* (Khan,1996:4). In the periphery, what is prevalent is the clientelist power balance. Here properly rights are weakly defined by the state and are contested by well-organised groups. The state is placed in a relatively weak position as far as the protection and enforcement of property rights is concerned. Such state, therefore, often lack legitimacy and do not command the confidence and loyalty of a vast majority of citizens (Khan,1996:4).

In the face of such contestation for legitimacy between the state and powerful social groups, agents khan explains, granted rights by the state have to make pay-offs to other clients to continue to have access to the incomes granted by their assets, often the payoffs have to be made through the mediation of the state. The payoffs may take the form of employment generation for organizationally powerful groups, or bribes to lower level functionaries, payoffs to local mafias, and so on (Eme,et.al,2014). In the suit, Fawehinmi wants the court to determine whether it was abuses of power for Obasanjo a serving President to launch an Obasanjo presidential library at Abeokuta, Ogun State on May 14 2005 and receive gifts of money for that purpose from federal government contractors and beneficiaries. He claims that this amounts to corrupt practices and abuse of power contrary to section 15(5) of the 1999 constitution. This section provides that: "The state shall abolish all corrupt practices and abuse of power".

According to him, it is also a flagrant disregard of the code of conduct for public officers contained in item I fifth schedule, Part I of the 1999 Constitution. It provides that: *"A public officer shall not put himself in a position where his personal interest conflicts with his duties and responsibilities".* Fawehinmi is also seeking for a declaration that the composition of the board of trustees of the library being a private project of a serving President is both a violation of sections 15 (5) and 23 of the 1999 constitution. He claimed that Christopher Kolade, then Nigeria's High Commission in Britain, Governor Gbenga Danuel of Ogun State and Iyabo Obasanjo-Bello, then Ogun State Commissioner for health, who were all public officers are incompetent to serve Obasanjo's private business. He claims that Karl Masters, Vernon Jordan both from the United States and Richard Branson, from the United Kingdom were incompetent to serve as board members because they are foreigners.

The human right activist is equally asking for a declaration that the license which Obasanjo as Chairman of the Federal Executive Council approved for himself in 2003 the establishment of the Bells University of Technology to which the presidential library is affiliated is an abuse of power. It is against this background that Fawehinmi is asking for the mandatory order directing the EFCC and ICPC to investigate all the contracts awarded by the federal government to all the donors at the launching since the inception of the Obasanjo's Presidency.

He wants these agencies to be mandated to take appropriate actions against the president and the donors within the provisions of the EFCC Act No 1 of 2004 and the ICPC Act of 2000.

This he said includes for forfeiture of the entire project and the Olusegun Obasanjo Presidential Library Fund. The civil rights groups noted that there was a fundamental flaw in the president's anti corruption crusade because it hypocritically defines corruption so narrowly, selectively and whimsical as to exclude whatever the president found it convenient to exclude.

Since the Obasanjo civilian administration in Nigeria, custom duty waivers have been consistently abused by all Nigerian Presidents. Such abuses have culminated in the current attempt by the National Assembly to amend the Customs Act in order to strip the President of powers to grant duty waivers. This however, cannot be the solution.

"The problem is not with the existing law but with its implementation. This is so because the granting of indiscriminate customs duty waivers were all done outside the boundaries of the law. The basic requirement that such waivers be gazette before they become effective is rarely adhered to. An effective strategy towards addressing this problem would be for the National Assembly to hold the President accountable when duty waiver laws are flouted. Admittedly, this will not be easy in an oil rent economy like Nigeria." Arguing that extant law were abused, the study states, "Although it is unclear when this began, what is obvious is that indiscriminate approvals of such duty waivers by various government functionaries culminated in a directive from the Department of Customs and Excise to try and curb such abuses. This was done through a directive issued in Circular No.12 of 2000 dated October 5, 2000, reference number NCS/DCG/CUS/018/S.4/vol.8 and sent to all zonal coordinators and customs area controllers, customs officers.

Specifically, the above officers were directed to ignore requests and grants for import duty waivers unless approved personally by the President. Rather than follow the legal process for granting waivers, past administration decided to illegally appropriate such powers to the President. Modebe et al (2014) said that given the secret nature of granting waivers, especially as the legal and proper mechanism of making such waivers public had been sabotaged, information on such waivers granted is difficult to come by. They also said that the waivers were granted for political patronage or personal favours, alleging that an associate of a former president received an import waiver in 2003 under the pretext of engaging in construction work in the Niger Delta. Instead, the beneficiary used the waiver to import iron rods and rice, raking in more than 100 billion naira in personal gains.

A recent joint report on tax waivers and incentives presented recently by Action Aid and Tax Justice Network Africa revealed Nigeria could be losing an estimated $2.9 billion (N577.2 billion) to corporate organisations as incentives. This was disclosed by Action- Aid Nigeria during a Round Table Media Managers Meeting on Tax Incentives and Implication for Nigeria held in Abuja. According to the Organisation, in addition to the estimated loss of $2.9 billion to corporate income tax holidays, making Nigeria leading the charts within the West African sub-region, the country also loses around $327 million annually on import duty exemptions. It further stated that as much as $3.3billion were lost in minimum on yearly basis to some of the world's biggest oil and gas companies including Shell, Total and ENI starting in 1999. It declared that the total sum of the losses from these sources was the money that could have been used to provide essential public services that could help eradicate poverty.
Speaking at the event, the Policy advocacy and Campaigns Manager, ActionAid Nigeria, Tunde Aremu, said despite the inherent benefits of the tax incentives, most corporates that enjoyed the incentives were not sincere as they have persistently abuse the aid at the expense of many Nigerian citizens. Aremu noted that the country loses significant volumes of financial resources, which could have been used to finance critical development projects, due to illicit outflows.

He said,
corporate income tax holidays were a particularly ineffective way of promoting investment as they attracted mainly 'footloose' firms that were not tied to a specific location and continuously changed their identity for the purpose of benefitting from tax holidays available only to first-time investors. The revenue earned by these agencies shows that much more is desired. In 2013, of its N1.3 trillion revenue target, the NCS could only collect N833.4 billion, representing 59.52 per cent of its target for the year, or a revenue shortfall of N480.7 billion between January and November 2013. In 2012, the Service recorded N850.9 billion as revenue, falling short of the N872 billion set target by the government; in 2011, the NCS ended the year on a N741. 836 billion revenue earning, surpassing the set target of N596 billion, after falling short of its 2010 set revenue target of N561 billion when it struggled to rake in N546.64 billion(Balogun,2013:17).

The tax break to companies, the group said could be ploughed into addressing infrastructural deficit in Nigeria, which is currently facing various economic challenges that have left majority of her over 170 million population dwelling in poverty. Waivers and tax exemption are reserve policies of the executive arm of the government. In 2011 alone a handful of companies lined their pockets with nearly as much in tax concessions from the Federal Government Rather than encouraging Foreign Direct Investments (FDIs) into the country, the tax incentives that are offered to importers in the form of concessions, grants and waivers are now doing more harm than good to the economy, as it has been revealed that the Federal Government gave out sum of N585 billion as waivers between 2011 and 2015.
This was the submission of Senator Ibrahim Gobir, who observed that the huge amount the Federal Government spent on waivers within the four-year period was enough to establish five quality local industries in each of the states of the federation and the Federal Capital Territory (FCT). "The sum of N585 billion was given out as waivers between 2011 and 2015. In Nigeria, only the president has the prerogative of granting waiver and tax exemptions through the ministry of finance. A recent case of waiver abuse and tax exemptions in Nigeria took place early in 2015 . The abuse attracted attention of the National Assembly, which beamed its searchlight on frivolous grant of waiver by the former presidents Chief Olusegun Obasnjo, Musa Yar Dua and Dr. Goodluck Jonathan respectively .

Economic Cost of Waivers

The cost of abuses of waivers can better be imagined than determined. It is as a result of corruption that government gives waivers for political reasons because they want to satisfy some political stakeholders or government wants to steal from the commonwealth. This is because the amount that would have been paid is collected as bribes by public office holders. Those at the very high level of governance partake in the corruption embedded in import waivers. If somebody is to pay twenty billon N20billon, but because he does not want to pay that, he goes to give somebody N200 million as bribe. These are the negative effects. And when you do that, if the commodity for which waiver is granted is not deserving of such, from the economic perspective, it affects local industrialisation programme.
This is because those at that industry cannot sell at competitive prices because something is coming in cheaper as duty is not paid on it. When this happens, it crowds out local producers from the market, resulting in the decline in growth and making our country a dumping ground for foreign products. It is sincerely not in our best interest. When the waivers are not given on sound economic reasons, it could be very injurious to the economy. Supporting the above thesis, Eme,et.al. (2015) posited that the inability of

the Nigeria Customs Service (NCS) to meet its N1.2 trillion revenue target last year has been attributed to the indiscriminate waivers granted by the federal government to companies and individuals listed and not listed under, or covered by Schedule Two of the Common External Tariff for import duty exemptions. A senior terminal operator, who craved anonymity, told *The Nation* that despite the N20billion waivers granted the energy companies between January and May last year, all the terminals at the Lagos ports still depended on private sources of power. He said the trend is worrisome because there appears to be no end in sight. The official complained that they use between six and eight drums of diesel everyday to power their generators and other equipment. He attributed the high cost of goods clearance at the ports to the failure of government to power the ports despite the fact that it was part of the concession agreement for it to do so. The official said:

Last year, the Federal Government said, based on its commitment to tackling the epileptic power situation in the country, and addressing the issue of estimated billing, it granted about N19.662 billion in waivers and exemption to energy firms in the country between January and May last year and the effect of it is yet to seen anywhere, not even the ports where the Federal Government generates several billions of naira every week .As far as many of us operating at the ports are concerned, some of the waivers granted by government are favoured waivers that violate all known anti-trust laws and deplete the nation's economy (Lucas, 2014b) .

The official lamented that most Nigerian rulers behave as if they have no stake in the country, lamenting that they run the system without conscience. Our rulers have failed to demonstrate to us that they are leaders. They have failed to display the required patriotism to move the people and the country forward," he said, adding that import duty waivers, exemptions and concessions which are used to protect local businesses and jobs elsewhere, have been abused many times in the country, causing huge losses to the economy. He alleged that those responsible for granting the waivers have abused the system, and denied the country and the economy the much-needed revenues with attendant benefits associated with it. He wondered why there is no power at the ports despite the huge amount of money generated from it and the waivers granted by the government for imported equipment.

Investigation also revealed that all Customs offices at the Lagos ports including the offices belonging to the Nigerian Ports Authority (NPA) and other government agencies, run on power generating plants 24 hours. The NCS at the Tin-Can Port alone uses over five drums of diesel everyday to deliver its core function of trade facilitation and revenue generation. According to the NATION, waivers and exemptions amounting to about N19.662 billion were granted to energy firms in the country in five months, between January and May last year. The amount is 51.23 per cent of the N38.381 billion allocated to the Ministry of Water Resources in the 2014 budget; 31.48 per cent of the N62.45 billion allocated to Power; 31.75 per cent of the N61.928 billion allocated to Petroleum Resources and 29.5 per cent of the N66.645 billion allocated to agriculture.

Data from the Budget Office of the Federation, Ministry of Finance, showed that oil and gas firms enjoyed about N18.881 billion in waivers and exemptions, while power companies enjoyed N780 million. Government said based on its commitment to tackling epileptic power situation in the country and the need to address the issue of estimated billing, it was extending N326.174 million grant in exemptions to two pre-paid electricity meter companies for the importation of metering facilities. The companies are Momas Electricity Meters Manufacturing Company Limited and Mojec International Limited. Specifically, Momas got two exemptions: the first was for N32.272 million for the importation of semi-knocked down meters and three-phase normal credit meters, as well as one and three-phase standard pre-payment meters and all other related equipment.

The second exemption, amounting to N163.69 million was for the importation of meter plastic machines and accessories, compression mould machine and all other meter related equipment. Mojec International, on the other hand, got N130.213 million in exemption for the importation of machinery/equipment and components for single and three-phase pre-paid meters.

Indorama Eleme Fertiliser and Chemicals Limited, accounted for 53.4 per cent, or N10billion of the total waivers and exemptions granted to energy firms in the period under review. It enjoyed a N6.96 billion waiver for the importation of its machinery, equipment and spare parts for the utilisation of natural gas meant to bring about an increase in power generation. The company was also granted a N3.54 billion waiver for the importation of fertiliser equipment, catalysts and chemicals, pile and spare parts, among others.

Also, Chevron Nigeria Limited enjoyed a waiver of N4.88 billion for the importation of machinery, equipment and spare parts for the Escravos Gas to Liquids (EGTL) plant, and a host of other pipelines. United Cement Company of Nigeria got N1.969 billion in exemption for the importation of machinery, equipment and spare parts aimed at boosting natural gas utilisation and power supply. NIPCO Plc also got N1.087 billion in exemption for the importation of machinery, equipment and spare parts. Other energy firms that got waivers and exemptions in the period under review include Green Fuels Limited– N14.37 million, for the importation of machinery, equipment and spare parts for compressed natural gas (CNG) to Independent Power Plants (IPPs). Edo Cement Company Limited got N240 million for the importation of gas generators, plants, machinery, equipment and spare parts. Accugas Limited got N30.87 million in exemption for machinery, equipment and spare parts for pipeline while Exterran Nigeria Limited got N66.09 million in exemption for the acquisition of natural gas powered compressors and spare parts. Procter and Gamble was not let out of the spree as it got N29.754 million in exemption for machinery, equipment and spares. Others are Sumal Foods Limited – N42.878 million; Federal Ministry of Power/Marubeni Engineering Corporation – N454.185 million and De United Foods Industries Limited – N19.978 million.

Part of the objectives of the waivers in Nigeria is to boost local industries, make the much-needed raw materials or goods available in the short-term and generate employment. However, after so many years, none of these lofty objectives has been achieved, saying most of the local industries have closed shops for lack of raw materials, resulting in the growing army of the jobless in the country. Investigations have shown that some organisations that got waivers for equipment used them to import furniture, cars, clothing and other luxuries that have no direct impact on the economy. The Managing Director, Nigeria Gas and Steel Limited, Hasib Moukarim, said indiscriminate grant of waivers to foreign firms by the Federal Government has led to the loss of several billions of naira and millions of jobs.

He said:

Government should end the regime of waivers and concessions to importers of finished products, stressing that such waivers were depleting government's earnings, while enriching foreign firms. He said for the Customs to meet its revenue target this year, the Federal Ministry of Finance, the Budget Office and the Federal Ministry of Industry Trade and Investment, must synergise and ensure that the waivers achieve its objectives. He urged Nigerians to defend the interest of local manufacturers against government's unfavourable policies and foreign domination of the nation's emerging market. When finished goods are brought into the country duty-free, we are directly creating employment for workers of the foreign companies because such goods imported with waivers will become cheaper than the locally produced ones and this will increase the demand and sale of foreign manufacturers (Okwe & Otaru,2016).

Put differently, by granting waivers to foreign companies, locally produced goods have become more expensive while demand had gone down. He noted that this development is threatening the survival of local companies that the waivers were designed to protect. This type of scenario has forced many companies to retrench substantial percentage of their workforce with the consequence of worsening the unemployment situation in the country This is happening because most of the companies who qualified for waiver, or concession by the Federal Ministries of Finance as well as Industry, Trade and Investment did not conduct a thorough investigations to verify the authenticity of the items the beneficiaries intend to import without paying duty. Local manufacturers have complained in the past that some foreign companies are abusing waivers by importing more than what they need for their projects and flooding the market with the surplus, thereby killing local industries.

Studies on loss of revenues as a result of un-regulated waivers granted to some individuals were used to import refined vegetable oil, soya bean meal and related products. This has put local vegetable oil producers on the verge of extinction. For instance, investigation has shown that most of the oil mills in Kano, including Nigeria Oil Mills, Kano Oil Mills and PS Mandrid, located in Bompai Industrial Estate, have closed down with attendant loss of over 20,000 direct and indirect jobs. Also in Lagos, Port Harcourt and Jos, where there are oil and related mills, the operators were not finding it easy with many imported vegetable oil in the market. While few of them are just managing to survive, many others are making arrangement to close down and start importation. But that is not a good omen for the country because one of the by-products of vegetable oil mill is used for animal feed by poultry farmers. The irony of granting waivers is that while the Federal Government tells Nigerians of its resolve to promote made-in-Nigeria goods, in secret, it grants waivers to political associates and cronies to import and make cheap money, thereby undermining local production.

A Deputy Comptroller-General of Customs (Human Resources), said in 2011 alone, the Federal Government lost N37.2 billion to import duty waivers granted importers of raw materials alone. This was equivalent to seven per cent of the total Customs collection for the year. Following public outcry against such brazen abuses of the nation's fiscal laws, the then Finance and Co-ordinating Minister of Finance and Economy, Dr. Okonjo-Iweala announced on September 22, 2011 that then President will no longer grant such waivers and that all "*those who usually go to see the President at night will no longer be allowed to do so. If they have any proposal, it must be presented to the Economic Team*"(www.vanguardngr.com/2011/09/tambuwal-to-fg-stop-arbitrary-tax-waivers/> (December 10, 2012).

In Nigeria, well-connected importers secure waivers on duty, levy, Economic Community of West African States (ECOWAS) Trade Liberalisation Scheme (ETLS) charges, Comprehensive Import Scheme (CIS) and other charges. As a result, abuse of the waivers is routine as politicians and businessmen continue to collude to undermine the nation's economy. A senior NCS officer said:

Since 2010, the import waiver cartel have ensured the sustenance of their nefarious activities. A company (name withheld) got the authority's nod to import 250,000 metric tons of rice with waivers on import duty. The company got waivers on import duty, ETLS, CISS and other charges, whereas the company's name does not exist on the database of the Corporate Affairs Commission (CAC). According to the Customs and Exercise Department, a ton of rice (20 bags) cost $550 (about N82,000), while importers are expected to pay 0.5 per cent as ETLS, one per cent as CIS, 10 per cent as duty and 20 per cent for levy. However all these were waived. The list of Nigerians involved in import waivers racket include clerics, business men listed in Forbes Magazine as the some of the richest in Africa and former governors(Cobham,2012).

Supporting this claims; the controversy over the accuracy of the data and figures on the value of the waivers and concessions was made more curious by the contradictions in the figures given as waivers by the Comptroller General, NCS, Alhaji Dikko Abdullahi and the Coordinating Minister of the Economy and Minister of Finance, Dr. Ngozi Okonjo-Iweala. Abdullahi who spoke on the floor of the National Assembly when he was invited to explain the shortfalls in projected revenue last year, said in the last three years, the country had lost N1.4 trillion to import waivers. But Dr. Okonjo-Iweala said the amount was N171 billion. But a senior NCS officer who spoke on condition of anonymity said more than 65 per cent of beneficiaries received the grant for goods not approved by the government, which ordinarily should be limited to raw materials, machinery and spare parts.

A memo signed by the then Minister of State, Finance, Yerima Ngama, and dated December 11, 2013, explained that the Federal Government has expanded the scope of the Negotiable Duty Credit Certificate (NDCC) to cover "other goods," a decision, Mr. Ngama said, was reached by the Federal Executive Council (FEC). Investigation however showed that the list of beneficiaries include private individuals and businesses whose imports appear not valuable to the economy.The Customs officer said there were so many questionable waivers. For instance, he said,

A total of N91.506 billion was given as concessions to 290 beneficiaries between January and December 31, 2011. He said one of the firms which he claimed was the biggest beneficiary, got N32.774 billion, stating that there was no indication about the line of business for which it was granted the incentive .Besides, he alleged that about N389.15 billion was granted to 149 entities in 2011 through concessions on fuel, lubricants and allied businesses. He said the list included major oil marketers that received over N145.7 billion worth of waivers. He added that the Nigerian National Petroleum Corporation (NNPC) and a few other companies received about N143 billion in waivers as well. For 2012, the Customs official said a total of N191.545 billion was granted to 416 beneficiaries, including individuals and private businesses, adding that another 287 beneficiaries, got a total of N83.260billion in concessions and waivers for imports between January and end of September last year. He alleged that a major motor dealer was granted N698.177million for importing fully built four-wheel drive motor vehicles, motorised tanks and other armoured vehicles. Between 2010 and 2013, records showed that the motor firm received about N2.46billion concession from the government for the importation of vehicles valued at about N7.932billion(Sun Editorial,2015:11).

Mrs. Okonjo-Iweala however admitted there were an abuse in the past, which allowed waivers to be awarded to private individuals, but said reforms, has since been put in place under her leadership, which ensures greater scrutiny of applications. But the Customs papers show that abuses have continued even after such effort. Mrs. Okonjo-Iweala herself admitted to such violations, the most apparent being the illegitimate waiver granted controversial Coscharis Limited, for the importation of armoured cars for the Aviation minister, Stella Oduah, under the pretext that the cars were meant for the Lagos state government.

In her first open rebuke of that fraud, Mrs Okonjo-Iweala described Coscharis' behaviour as "reprehensible." Yet, even with such clear incidences of abuse, Mrs. Okonjo-Iweala, contradicting herself, insisted the nation had incurred no losses to waivers, in a response to the news story published by Sahara reporters. Sahara reporters arrived at the conclusion that the country has lost $9 billion because it considers every waiver granted by government to critical sectors such as manufacturing, agriculture, power, gas etc as fraudulent and as a loss to the nation. But t he minister's spokesperson, Paul Nwabuiko, said in a statement stated that: *"…We do not share that view and there is no question of loss to the country when it is government policy. The policy choice is between customs revenue and incentive revenues for industries. The government chose the latter because we believe the country stands to gain more from the incentives"(Isa,2016:17).*

But the Customs papers countered that claim, and showed how waivers to illegal beneficiaries have, like the fuel subsidy, bludgeoned over the years, with attendant monumental losses to the nation. The Customs specifically wondered why state governments and government agencies that were not meant to be covered for waivers, now receive such approvals for nearly all of their importations. As a matter of principle, the waiver and exemption policy was adopted to support the government's objective to enhance the capacity of the beneficiaries to produce their goods domestically to make the country more self-reliant and reduce dependence on imports. The categories of exemptions approved by government include the provisions of Schedule 2 of the Customs and Excise Tariff (Consolidation) Act: 1995 – 2001, Common External Tariff: 2008-2012 (as extended); the Customs and Excise Tariff etc. Act No. 16, 1997; and the Finance Miscellaneous Act 39 of 1990. Sectors of the economy that the law expects should benefit from the policy include agriculture, aviation, health, mines and steel, water resources, gas, power, as well as donations to states, education and related ministries, departments and agencies, MDAs. But the list of beneficiaries, made available by a source in the Nigeria Customs Service, include private individuals and businesses whose imports appear not valuable to the economy.

For instance, a total of N91.506billion was given as government concessions to 290 beneficiaries between January 1 and December 31, 2011. In the 52-page list, which had Sopon Nigeria Limited as biggest beneficiary, with N32.774billion, there was no indication about the line of business for which it was given the incentive. Other beneficiaries included the Aluminium Smelter Company of Nigeria, ALSCON, Ikot Abasi (N47.789million) and (N13.715million), despite not producing since 2007. Equally, about N389.15billion was granted to 149 beneficiaries in 2011 through concessions to fuels, lubricants and allied products businesses.On the list includes Oando PLC, which received N82.767billion; Capital Oil & Gas Industries Limited (N49.688billion); Integrated Oil & Gas Limited (N20.262billion); Folawiyo Energy Limited (N17.517billion); Sahara Energy Resources Limited (N13.962billion), and Master Energy Oil & Gas Company (N11.503billion). The Nigerian National Petroleum Corporation, NNPC, received about N77.979billion; Netcodutsmann Maintaining Energy got N42.079billion; Asora Nigeria Limited (N12.26billion), and McSally Investments Limited (N10.337billion.For 2012, a total of N191.545billion was granted to 416 beneficiaries, including individuals like Chibuzor Onyema (N1.87million); Oduola Anugbau Henry (N20.75million); Jude Ogbini (N3.389million); Oduneye Adeniyi (N4.357million), and Moghalu Maduakonam Madubugwu (N142.679million).Also included were such private businesses as Newsstand Agencies Limited (N1.138billion) and Mikano International Limited (N2.945million). About 287 beneficiaries got a total of N83.260billion in concessions and waivers for imports between January 1 and September 30, 2013, with Dangote Group alone getting about N26.77billion. Asora Nigeria Limited was granted N8.588billion concession for importing kola nuts, while Ndianaefo Ifeanyi Emmanuel was granted N5.643million to import table, kitchen and household articles of cast iron. Similarly, Ayotunde Adereju got N2.035million for importing iron/steel wool, pot scourers and polishing pads and gloves, while Asimiyu Mohammed Salawudeed was paid N4.148million for importing tables and kitchen household articles. Coscharis Motors Limited, linked with the controversial aviation Ministry armoured car scandal, was granted N698.177million for importing fully built four wheel drive motor vehicles, motorized tanks and other armoured fighting vehicles. Between 2010 and 2013, records showed that Coscharis Motors received about N2.46billion concession from the government for importation of vehicles valued at about N7.932billion(Okwe,2016).

Senator Gobir while addressing the Red Chamber on the issue of the abuse waiver made a revelation in 2015 while making contributions in favour of a motion entitled: indiscriminate use and abuse of waivers for real importation sponsored by Senator Adebayo Rafiu Ibrahim, the Senate urged President Muhammadu Buhari to stop all waivers on the rice importation and other agricultural products. This submission of Senator Ibrahim Gobir, who observed that the huge amount the Federal Government spent on waivers within the four-year period, was enough to establish five quality local industries in each of the states of the federation and the Federal Capital Territory (FCT). "The sum of N585 billion was given out as waivers between 2011 and 2015.According to him,

If you share this amount amongst the (36) states of the federation, each would have received the sum of N15 billion (N15,810,810,810.81). When you take it further down to the (109) senatorial districts, each would have received the sum of N5 billion (N5,366,972,477.0642). This amount is more than enough to establish five industries in each state (Isa,2016:17).

Senator Ibrahim Gobir, who noted that the Federal Government has a policy to encourage agriculture and agriculture business as a deliberate policy to diversify the economy, acknowledged the huge amount of money lost by the Federal Government on duty waivers to importers of rice, palm oil, energy equipment, steel and vegetable oil. He, however, observed that the tax incentives that were offered to encourage Foreign Direct Investments (FDIs) into the country, are now doing more harm than good to the nation's economy. This policy, especially relating to agriculture has become significantly eroded and gradually made nonsense of (the initial objectives) by the indiscriminate abusive grant of waivers, concessions and grants, especially on rice importation. The flagrant abuse of the waivers scheme has severely eroded the Federal Government's Rice Production Policy by importing huge quantities of the commodity in excess of their approved quota. "During the past recess and during an interactive session with the CBN, the CBN had revealed to the Senate how these importers have overshot their quota and now owe the Federal Government duties running into billions of Naira.

Nigeria currently losses over $1.5 billion dollars due to the monopoly in the logistics and supply services sector of the oil and gas industry. The staggering revenue loss was disclosed by the Chairman of Jagal Group, owners of Snake Island Integrated Free Zone (SIIFZ), and Nigerdock, Mr. Anwar Jarmakani, when the Comptroller-General, Nigeria Customs Service(NCS),Col. Hameed Ali(Rtd.) paid an official visit to SIIFZ. The Jagal Group boss, lamented that the oil and gas supply and logistics service in Nigeria is the most expensive in the world, with the monopoly adding an extra cost of $3-5 per barrel produced in Nigeria, thus translating to over $1.5 billion per annum.

The $1.5 billion revenue loss is coming at a time that crude oil price is at its all time low, leading to cost saving measures by many International Oil Companies (IOCs). Jarmakani regretted that the dominant monopoly in the Nigerian oil and gas logistics and supply services had existed for over 20 years, sabotaging the national economy, conspiring and working against any potential competitors, particularly against SIIFZ. "This monopoly has consistently and aggressively used different government institutions to compromise, maintain and entrench its monopoly position with impunity. Regrettably, attempts have been made in time past to also use custom. We therefore appreciate the fact that the present administration is aggressively doing away with such impunity," he said. He argued further that the monopolist had over the last 20 years used a non-existent law to justify the assertion and false claim that "all oil and gas cargo must first be discharged at their ports of preference". But in swift defense of the Federal Government, Nigeria customs boss Hammed Ali assured that if in the past certain things were done in utmost disregard to lay down laws and procedures, such would be looked into.

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Corroborating this argument Nigeria has continually forfeited not less than $2.9 billion, or a whopping N577 billion as tax give-away on yearly basis as a result of an extraordinary tax breaks granted by the government to some of the national and multinational companies operating in the country. This was disclosed by Action- Aid Nigeria during a Round Table Media Managers Meeting on Tax Incentives and Implication for Nigeria held in Abuja. According to the Organisation, in addition to the estimated loss of $2.9 billion to corporate income tax holidays, making Nigeria leading the charts within the West African sub-region, the country also loses around $327 million annually on import duty exemptions.

It further stated that as much as $3.3billion were lost in minimum on yearly basis to some of the world's biggest oil and gas companies including Shell, Total and ENI starting in 1999. It declared that the total sum of the losses from these sources was the money that could have been used to provide essential public services that could help eradicate poverty. Speaking at the event, the Policy advocacy and Campaigns Manager, Action Aid Nigeria, Tunde Aremu, said despite the inherent benefits of the tax incentives, most corporate bodies that enjoyed the incentives were not sincere as they have persistently abuse the aid at the expense of many Nigerian citizens. Aremu noted that the country loses significant volumes of financial resources, which could have been used to finance critical development projects, due to illicit outflows .He said:

Corporate income tax holidays were a particularly ineffective way of promoting investment as they attracted mainly 'footloose' firms that were not tied to a specific location and continuously changed their identity for the purpose of benefitting from tax holidays available only to first-time investors. In 2011 alone a handful of companies lined their pockets with nearly as much in tax concessions from the Federal Government as the latter is spending on the 113 million people who live on Nigeria's farms (Okwe and Otaru, 2016:8).

While the main reasoning behind granting tax relief to corporations is the idea that it will promote investments that attract capital and contribute to job creation, there is no evidence that this truly has happened with most incentives given in the country. International institutions such as the World Bank, the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) now increasingly warn against excessive tax incentives.

According to calculations by the International Monetary Fund (IMF, 2014), the average tax ratio (tax revenues as a percentage of GDP) of developing countries has risen slightly over the past 10–15 years. The main factors behind this increase are the more widespread use of VAT, and the commodity boom, which led to a slight increase in corporate tax revenues. Despite this, the average tax ratio of developing countries continues to be too low — around 17 per cent (versus over 30 per cent in OECD countries). Countries such as Burundi, Ethiopia, and Guinea-Bissau recorded tax revenues of just over USD 35 per capita and year in 2009 (IMF,2014). The reasons for these low tax revenues lie most of all within the countries concerned. Many developing countries lack the necessary financial, administrative, and human resource capabilities for building up and enforcing effective tax systems (Christain,2014.). But like industrialized countries, which have well-equipped tax authorities and sophisticated laws in this field, developing countries too suffered from the consequences of international tax evasion. In addition to income tax on natural persons, it also affects corporate profit taxes in particular.

As (ECA/AU), posited that there are no official statistics from the UN, OECD, or World Bank regarding the amount of revenue losses occurring in developing countries as a result of tax evasion by private persons and companies. Estimates by international non-governmental organizations would however suggest that these losses are considerable. As Cobham (2012), for instance documented that based on Tax Justice Network data from the year 2005 concluded that developing countries are losing some USD 51 billion in potential tax revenue annually owing to tax dodging by well-to-do private individuals(Tax Justice Network,2014).

As (OECD (2014.) have rightly emphasized, the various estimates of capital flight-related tax losses of developing countries are plagued with considerable uncertainties and are based on somewhat problematic premises. This notwithstanding, it seems reasonable to assert that tax evasion by wealthy individuals and international companies deprive these countries of considerable government revenues.

The Africa Union's (AU) report that $40.9billion or about N6.87 trillion – an amount far in excess of the national budget – is stolen annually from Nigeria, representing 68.1% of Africa's total revenue loss, came to many Nigerians with little or no surprise. The amount is said to represent illegal transfer of funds abroad. It was the report of an AU High Level Panel on Illicit Financial flows from Africa, headed by Thabo Mbeki – former South African president. The report says the funds are stolen through corruption, tax evasion and illegal transfer of profits by multinationals. It also identified Egypt and Morocco as the other countries with the largest estimates of illicit financial flows from the continent. In Nigeria, a country reputed for its high corruption index, the activities of the multinational oil companies have always been reported to be in shortfall of globally accepted best practices and transparency. Matters are not helped by a perceivably corrupt agency in charge of supervising the oil and gas industry, the Nigeria National Petroleum Corporation (NNPC). The Nigeria Extractive Industry Transparency Initiative (NEITI) has had cause in the recent past, to accuse the oil majors of irregularities in their financial operations and nonconformity with the statutory laws. The Mbeki report is therefore, only saying the obvious from other quarters. But that is not to foreclose the fact that there are multinationals in other sectors of the economy besides oil and gas.

But coming from the AU, perhaps concerns about the high losses through these illegal transfers which threaten the ability of resource rich countries in Africa to meet their Millennium Development Goals (MDGs), could compel national governments, like Nigeria, to do something more pragmatic about eradicating corruption and stemming the crooked activities of the multinationals. In this direction, the recommendation of the report will go a long way. But most importantly, the panel in its 15-point findings, noted that ending illicit financial flows is a political decision by the various governments as it involved issues of abusive transfer pricing, tax invasion, aggressive tax avoidance, double taxation, tax incentives, unfair contracts, financial secrecy, money laundering, smuggling, trafficking and abuse of entrusted power. This paper is pained to note that Nigeria is always reported in the international community for all the wrong reasons, making so many Nigerians appear to lose faith in the country and its leadership.

Recommendations

To stem abuses associated with waiver and tax exemption, experts have made some suggestions to the government. Project Director at Trust Africa, Mr. Donald Ideh, advised the government to be transparent and open in its waivers and incentives policies to shield the economy from corrupt abuses. Speaking recently at an interactive session between Action Aid and business editors in Abuja, Ideh said that the present decay in infrastructure will not improve if funds that are supposed to come to the government coffers are frittered out in a form of waivers and frivolous tax holiday. Action aid spokesman, Tunde Aremu, also urged the government to appraise and review the current regime of incentives and put in place, monitoring and evaluation mechanisms for tax incentives and how they are given. For these to be attained the government should publish all tax incentive policies, design and put in place tax incentive policy that captures the country's present economic reality. The Federal Government plans to review its existing tax incentive policies to further block revenue leakages accruing to it is a right decision and with the current decline in oil revenue, the government had begun to look towards non-oil sector to finance its programmes, which was why only 30 per cent of the 2016 budget would be financed by the oil sector. The rest is coming from non-oil sector. That means Nigeria strengthening her tax revenue collection agencies and processes. She is also expanding her tax base by trying to bring as many people and organisations that are in the informal sector not paying tax to come into the tax net.

Nigeria should also be pulling back some of the waivers that she feels that are absolutely unnecessary and are rather slowing down the economy and are simply a drain on her scare resources. To be able to achieve the above, the National Assembly should as a matter of urgency begin the process of reviewing or repealing of existing laws on tax incentives. This is because Nigeria needs to look at its tax policies in terms of the types of provisions it has that gives concessions to multinationals and other laws guiding the granting of incentives in Nigeria.

Related to the above, the study found out that in Nigeria, there are several agencies that play the role of granting incentives. This means we have several locations where treaties are being negotiated and signed. So there is need to streamline them for proper coordination. To be able to achieve this, Nigeria needs to also revise its existing tax pacts and treaties signed with countries. This is because some of these treaties have become an avenue for huge corporate bodies to evade paying taxes and the government needs to address these issues because the money lost through incentives could otherwise be invested in critical infrastructures and projects that would create jobs and drive socio-economic development.

Conclusion

The Buhari administration admitted inherent lapses in the subsisting waiver and incentive policy and it has promised a total review to soothe the reality of the time. If the present administration is sincere in its policy of blocking all avenues for financial drain, waivers and tax incentives harmful to economy should be expunged. This is because Government policies come with costs and benefits. Manufacturers are definitely going to suffer from lack of raw materials occasioned by the loss in concessions. But the effect of this would be cushioned by government's commitment in driving growth in certain sectors. There may be focus, on sectors, which government intends to grow, thereby deepening industrialisation. While waivers may be removed in certain sectors, sometimes there may be need to allow for such concessions in other sectors, where there is a germane need to provide support for growth. There is no one way to it. If some industries suffer, there are many others where the government may aim to develop. Nigeria is said to be losing over N500 billion annually to granting of waivers and other tax breaks. Nigeria needs to halt these frivolous pacts to raise her revenue if she wants to remain focused towards her economic recovery the paper concludes.

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