



Research Article

CHALLENGES AND OPPORTUNITIES ON HOW TO START A BUSINESS IN NIGERIA SPECIAL ECONOMIC ZONE [LEKKI FREE TRADE ZONE]

Journal Website:
<https://frontlinejournal.s.org/journals/index.php/fmmej>

Copyright: Original content from this work may be used under the terms of the creative commons attributes 4.0 licence.

Submission Date: February 05, 2022, Accepted Date: February 15, 2022,

Published Date: February 28, 2022

Crossref doi: <https://doi.org/10.37547/marketing-fmmej-02-02-01>

Dr UMAR MOHAMMED ALI

CITY UNIVERSITY CAMBODIA

ABSTRACT

Despite the fact that Nigeria's extraordinary financial zone (SEZ) approaches owe their commencement to the noticed achievement of Lekki streamlined commerce SEZs on FDI inflows, work creation, and industrialization, barely any endeavor has been made by Nigerian analysts and strategy creators to get what precisely made Lekki so effective. This proposition talks about the basic components which added to the accomplishment of SEZ's in Nigeria while attracting examples to examine the difficulties confronting the advancement of Nigeria's zones. Based on investigating such factors, I contend that China's arrangements on SEZ's can't be anticipated to convey comparable execution levels when roughly applied to the international and monetary variations across Nigerian areas, rather, Nigeria's SEZ strategy requires cautious recognizable proof of empowering elements, and execution of strengthening approaches for factors which separate it from China, while additionally thinking about a few innate likenesses which can contribute its nearby example of overcoming adversity.

KEYWORDS

Opportunities, Business, Challenges, Special, Economic, Zone, Nigeria, Start.

INTRODUCTION

The Lekki Free Zone (LFZ) is located in the Ibeju-Lekki area of Lagos, almost 60 km to the east of central Lagos and covers a total area of 16,500 hectares. The then governor of Lagos State, Mr. Bola Tinubu first conceived of the idea of a free trade zone in Lekki in 2004 and allocated an initial 1000 hectares for the project. In 2006, the Lagos state government, in partnership with a Chinese consortium, established the LFTZ. The partnership is being managed by the Lekki Free Zone Development Company. In the partnership, China-Africa Lekki Investment Company owns 60%, the Lagos State Government (20%) and the Lekki Worldwide Investment Ltd, a local private investment group owns 20%. The members of the Chinese group are the China Jiangning Economic and Technology Development Company, which developed a zone in China, and Nanjing Beyond International Investment and Development Company (a private equity firm) along with the China Africa Development Fund. The 60% ownership by the China-Africa Development Fund (CADF) highlights the importance that the Chinese government attaches to the Lekki Free Zone.

18 LIST OF FREE TRADE ZONE IN NIGERIA

1. Aluminum smelter company free trade zone
2. Border free trade
3. Calabar free trade zone
4. Centenary economic city
5. Onne oil
6. and gas free trade zone
7. Enugu industrial park (free zone status)
8. Kano free trade zone
9. Ibom science & technology park free zone
10. Lekki free trade zone
11. Maigatari Border free trade zone
12. Nigeria international commerce city
13. Ogun Guangdong free trade zone
14. Illela international border market
15. Lodol free trade zone
16. Lagos free trade
17. Snake Island free trade zone
18. Tinapa Resort & leisure free trade zon

HOW NIGERIA GOVERNMENT ARE LOSING BENEFIT FAILING TO EARN REVENUE

There is not doubt the country is lossing heavily by not putting the free trade zone scheme in order anything that will affect production in any

country is a big loss, today the country have 32 approved free trade zone but sadly only about 8 are operational. Banki in Borno State is one of the free trade zone giving approval since 1999 but up to now it cannot come up because the state government is not interested had it been Borno state banki free trade zone started operation since 1990 Borno will become a largest free trade zone in Nigeria and create more job opportunity to skills and non skill and semi skill. If that free trade zone had been in operation since 1990 those people being conscripted into book haram today to terrorized the people for lack of job would not have been seen. They would have been gainfully engaged.

That place is not working majorly as a result of the attitude of the state government, which got the approval. If the state government had involved a consultant to advise it, they would have looked for investors to put the place in order. A state government getting free trade zone in Nigeria. In Nigeria should not involve more than 10% of what is required to roll out. Look for the private sector to do the roll out. Though it should be the public-private partnership, but their own should be to provide land and initial clearance and leave everything to the private sector. The approval of

free trade zone is not to state. Lagos state has free zones up to six: - Ladol, Lekki, Lagos, Snake Island and Badagary are all in Lagos state.

There is one in Osun state, one in Ogun, one in Abuja (Abuja Technology Village), one in Enugu state, whose ground breaking was done recently, there is one in Koko in Delta state. Even the Calabar free trade zone that had a lot of promise, is now going down, because of the problems the investors are having. Tinapa is in Cross River state. Everybody thought this was another Dubai. But, today the story is different, that is why government must brace up and do something urgently.

FREE TRADE ZONE.

Manor free trade zone provides every service possible to the companies set up in the free zone and also uplifts the economy of the country.

Kano free trade zone is the second free trade zone in Nigeria which is owned by the federal government and is located in panisau road area of the ungogo local government area. The sponsor/developer of the kano trade zone is the federal government and thought it was proclaimed as an Export processing zone (EPZ) in 1998, it was later converted into a free trade zone

in 2001 by gaining approval from the president in council. It's area of specialization is an ware housing, manufacturing and providing logistic services.

Covering almost 262 hectares of land, the free trade zone is fully operational and provides a very competitive environment for all the companies set up in the zone. A total of 33 companies above been registered in the free zone but up in the zone. A total of 33 companies have been registered in the free zone out of which 13 of them have started their operations. The region also consists of 19 massive warehouses which are being utilized by the above mentioned 13 of the companies which are set up in the free zone and fully functional.

In the year 2010, kano free trade zone received a grant of #5.2 billion from the federal government of Nigeria for the development of the free zone. This grant will help in increasing the efficiency of the various services in the region will also allow the management to develop more infrastructure suited to the needs of the businesses in the area. There were many other significant upgrades made to the free zone such as making a joint task force which will improve and increase the commercial activities in the zone, great

improvement on foreign direct investors from all over the world.

Many investors and entrepreneurs are still unfamiliar with the multiple benefits that a free zone can provide to the company. The government of Nigeria is that a free zone can provide to a company. The government of Nigeria is working towards spreading the awareness of the various benefits of the free zone. The kano state pension trust fund is providing its services to the companies in the kano free trade zone and is helping in the development of the area.

2.13.1 INCENTIVES OF SETTING UP BUSINESS IN KANO FREE TRADE ZONE.

The various benefits that a company set up in the free zone can avail are:

Complete ownership and Repatriation of profits.

A foreign businessman does not require a local sponsor and can own 100% of the company in the free zone. All the profits and dividends can be sent back to the entrepreneurs' home country.

No application of import license or any expatriate quota.

A company set up in the free zone does not require an important license to import any goods or raw materials and also the companies have don't expect to maintain the expatriate quota. According to the expatriate quota, a company needs to get approval before hiring any foreign employees or directors for a business.

Duty free, Tax free import of specific goods.

If the company is set up in the free zone it does not need to follow the regulations that are being developed in the country.

This means that the companies do not need to pay any import duty or any tax related to the import and export of raw materials.

No strikes or lockouts.

The employees of a company formed in the free zone can't have strikes or lockouts for at least the initial of setting up the company.

No Rent during the first six months of construction.

The company won't be charged any rent during the first six months while the necessary infrastructure is created.

Approvals for all permits and licenses under a single Roof.

All the required permits and licenses will be accessible at one place. This would significantly reduce the duration for the period of the commencement of the business activities.

Complete tax holiday.

Laws that are mostly observed by companies all over the country are not followed in the free zones. The companies do not need to pay any taxes, duties or levies.

Permission to sell 100% of goods domestically.

Enterprises that have been set up in the free zone have agreement to sell their products in the country. They are also allowed to sell any imports which they bring in.

2.13.2 WHY INVEST IN KANO FREE TRADE ZONE BOX 2.2

There are many reasons for an entrepreneur to choose kano free trade zone over the other free zones in Nigeria, such as.

Enterprises set up in KFTZ have permission to sell 100% of the manufactured, assembled or imported goods in the domestic market.

Kano state is in close to many other west African countries like Chad, Niger, Mali, etc. Which could serve as export markets for the companies.

While selling the produced goods in the domestic markets, the import duty on goods manufactured in the free zone is usually ascertained based on the value of the raw materials or components used in assemble hiKano is the largest consumer market in Nigeria, with a population of 13 million people (approx.).

There are abundant natural resources present nearby such as gum, sesame seeds, groundnuts, garlic, tomatoes, pepper, ginger, etc.

Kano free trade zone is a part of the African growth and opportunity Act (AGOA) which was approved by the U.S. congress. The primary purpose of this Act is to improve economic relations between the two countries.

Availability of skilled and unskilled labour at competitive rates.

100% ownership of the investment.

100% repatriation of capital, profits and dividends.

Formation of a company in the kano free trade zone is very beneficial to both the budding entrepreneurs and also the economy of the country of Nigeria.

The free zone will also provide a platform to increase employment in the country and thus help uplift the GD.

After 15 years of abandonment and utter neglect, the federal government (FG) has approved the sum of N100 billion for the completion of the kano free trade zone.

BENEFITS OF FREE TRADE ZONE IN NIGERIA.

Free trade zone operation in Nigeria is not just about the negative perception conceived by the stakeholder, there are numerous benefits accrued to the system. Government has provided generous physical and fiscal incentives aimed at making business in the Zones competitive. The physical incentives are provided to address the national infrastructural inadequacies. These facilities include water, electricity, security and telecommunication which could make up to 25% of an enterprise initial capital outlay (G.Kuye, 2013). Some of the fiscal incentives includes according to former MD NEPZA (G.Kuye, 2013):

1. Complete exemption from federal, state and local governments' taxes, levies, duties and foreign exchange regulations.
2. One-Stop approvals for all permits, operating licenses and incorporation papers.
3. 100% foreign ownership of all manner of business is allowed in the FTZs.
4. Duty free, tax free import of raw materials and components for goods destined for re-export(e.g capital goods, consumer goods, machinery, equipment and furniture.
5. 100% repatriation of capital projects and dividends.
6. Waiver of all expatriate quotas and Free repatriation of foreign capital invested in the FTZs at any time with capital appreciation on the investment.
7. Rent-free land at construction stage within the Zone.
8. Free remittances of profits and dividends earned in the FTZs.
9. Free engagement of expatriate managers and other personnel in the FTZs.
10. Free trade relationship between the investors and their personnel as no strike or lockout is permitted for a period of ten years following the commencement operations in the FTZs.
11. Also, all disputes arising within the Zone between the government and an enterprise are resolved by the Authority in an expeditious and equitable manner.
12. Preferential tariffs for made-in-Nigeria goods by some economic blocks like the European Union (EU).
13. Legal Guarantees and protection of foreign investments, both in the FTZs and within Nigeria, from nationalisation, expropriation and mandatory buy by the Nigerian government as confirm in the Nigeria Investment Promotion Act.
14. Enterprises in the Zone can sell up to 100% of their manufactured item, with up to 35% value addition, in the domestic economy, regardless of whether the item is banned or prohibited.
15. Any legislative provision related to tax, levies, duties and any foreign exchange regulations which are applicable in the country will not apply to the campaigns set up in EPZs.
16. At any time, it is possible to send back all the foreign capital investment with the capital appreciation of the investment.

17. If any profits and dividends earned by foreign investors, they can be remitted back to the home country.
18. If a company is set up in any of the FTZs they do not require any import license.
19. 25% of the total production of a business in the free zone may be sold in Nigeria by obtaining a valid permit and by payment of the required duties.
20. At the construction phase, the business in construction does not need to pay any rent. When the company commences its operations the rent will be determined by NEPZA.
21. Foreign ownership of a business up to 100% is permitted depending upon \the nature of the Business and the ruling of the concern authority.
22. A company established in the free zones can employ foreign managers and qualified personnel.
23. The NEPZ has implemented liberal regulations and has eased the investment and approval process in EPZs.
24. EPZs in Nigeria are at proximity to seaports and have extensive road linkage and are also linked to various airports.
25. Nigeria has a huge consumer market reach is still growing. It also has many trade agreements with many global economic organization.
26. One of the biggest benefit of incorporating a company in EPZ is that, the Nigeria expert processing zone act prevents an employee from conducting a work strike or any lock within ten years of the inauguration of a business.
27. The regulation of the NEPZ state that all the companies which are licensed companies established in EPZ with exempt to the expatriate quota.

General operational challenges in free trade zone operations in Nigeria.

1. Low staff morale due to poor staff welfare.
2. Delayed promotions of FTZ staff , which led to low support for the system.
3. Inter-agency rivalry: sometimes hostile relationship that exists between the Authority and sister-agencies of government like the Nigerian Customs Service (NCS), the Nigeria Ports Authority (NPA), Federal Airports Authority of Nigeria (FAAN), the Nigeria Immigrations Service (NIS).and NEPZA.

4. Low investor-confidence due to frequent changes in government policies also some political and social developments, which negatively affects investor confidence.
 5. Rejigging NEPZA's administrative and government structure.
 6. Infrastructural deficit and Unreliable utilities infrastructure for the zone like power, rail, road, port / airport capacity etc.
 7. Inadequate Knowledge of Free Zone Scheme.
 8. Lack of Clarity in Government's Policies.
 9. Lack of Up-to-Date Enabling Act: The hallowed chambers do not accord the zone a favorable attention.
 10. Security Challenges in some Parts of the Country
 11. Frequent changes in the list of goods banned from importation into Nigeria. This inhibits investment planning and restricts the number of goods that can be manufactured and imported into Nigeria from the FTZs.
 12. Non harmonization of various legislations' on the incentives that accrue to enterprises situated at the FTZs.
 13. Following from 12 above is the non-resolution of conflicts between NEPZ Authority and the Federal Board of Inland Revenue (FBIR) on goods liable to payment of duty and those that are not liable to duty payment.
 14. Unsatisfactory enlightenment and promotion of the benefits derived from doing business in the FTZs for both local and international business community, of the benefits derived from doing business in the FTZs.
 15. Poor governance and regulatory environments e.g poor rate in ease of doing business. Nigeria ranked 146 of 190 in 2018 according to world bank annual rating in ease of doing business.
 16. Poor business environment, which includes lack of 'one-stop-shop;
 17. Ineffective zone management arrangements;
- Some investors in FTZ used the channel for smuggling of illegal/prohibited goods, money laundering and also to invade duties and taxes⁹

CONCLUSION

Based on the findings of this study the following conclusion have derived:-

1. The important of the finding in proceeding is clear from the analysis in proceeding chapters are very significant, it was observed that according to William Bartlet study on Special Economic Zone, play a vital role and it is the fundamental of human activities.
2. Controlling the Nigeria SEZs properly with view of creating more jobs opportunities and attract foreign investors.
3. Lack of proper utilization of Nigeria Special Economic Zones, will bring set back to Nigeria Economy, if care are not taken.
4. The following recommendations are to improve the challenges and opportunities on how to start a business in Nigeria SEZs.
5. Special Economic Zones are the fools use by a country to expand their GDP, Gross Domestic Products, free zones are playing a vital role in Nigeria Economic today.

REFFERENCES

1. All Africa (2015): Zambia: partner with locals, Lusaka east MFEZ Told <http://allafrica.com/stories/201503180299.html>, accessed on 12 August 2015.
2. Aunty, R. (2011): early reform zones: catalysts for Dynamic market Economies in Africa. In special Economic zones: progress, emerging challenges and future directions, (Eds) farole, T. And Akinci, G. World Bank, Washington.
3. African union (2014): Agenda 2063: the future we want, http://agenda2063.au.int/en/states/default/files/agenda2063_popular_version_05092014_EN.pdf, accessed 12 March 2015.
4. Baissac, C. (2003): maximising the developmental impact of EPZs: A comparative perspective in the Africa context of needed accelerated growth. Presentation delivered at the Johannesburg EPZs symptoms, 15-16 October, 2003.
5. Baissac, C. (2011): history of SEZs and overview of policy Debates. In special

- Economic zones in Africa comparing performance and learning from Global Experiences, farole, T. Washington. World Bank.
6. Bloomberg (2015): Ethiopia plans export hubs with \$10 billion factory parks <http://www.bloomberg.com/news/articles/2015-05-18/Ethiopia-plan-manufacturing-hub-with-10-billion-factory-parks>. Accessed 16 August 2015.
 7. Brautigam, D., and tang, x. (2011): Africa Shenzhen: China's special Economic zones in Africa journal of modern Africa studies, volume 49(1): 27-54.
 8. Brautigam, D and Tang, x. (2013): going global in groups: structural Transformation and China s special Economic zones overseas. World development, volume 63: 78-91.
 9. China development bank (2013): working paper on, strategic planning of China's participation in Africa special Economic zones construction and development.
 10. China nonferrous metal mining group (CNMC 2015a): organisational structure [http://www.cnmc.com/cn/outline .asp?Column no=1204](http://www.cnmc.com/cn/outline.asp?Column_no=1204), accessed on 10th may 2015.
 11. Dobronogov, A., and farole, T. (2012): An economic integration zone for the east Africa community: exploiting regional potential and addressing commitment challenges. World Bank policy Research working paper No 5967. Washington. World Bank.
 12. Swinger, F. (2010): special Economic zones in Africa: China's economic development model comes to Mauritius.
 13. Easter industrial zone website (EIZ website): website of the eastern industrial zones <http://www.eiz.com/index.asp?language=en>, accessed on 1 November 2014.