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Nigeria & Ghana Public Sector Workers Decry Wasteful Incentives for Foreign Investors

African countries do everything to attract foreign investments into their domestic economies without pausing to take stock. Governments argue that these investments provide much-needed capital to boost productive capacities for increased exports, employment, technology transfer and economic growth. To attract investors, they institute incentive regimes that take the form of fiscal and non-fiscal incentives, customs dispensations, and tax exemptions. Public sector workers in Nigeria and Ghana have undertaken studies into their Special Economic Zones that are beginning to remove the veil and expose disturbing realities. The incentive regimes in these countries are a huge drain on national revenue. The benefits accruing to national economies do not measure up to the huge dish-out to foreign investors. Meanwhile, the citizens continue to live under the burden of ever new and higher indirect taxes that are widening the gap between the rich and the poor.

Studies uncover a tall list of fiscal incentives in Nigeria and Ghana's special economic zones. A few should suffice here: their enterprises enjoy 100% exemption from paying direct and indirect taxes and duties on all operational imports and the exports from free zones; a 100% exemption from paying income tax on profits for up to 10 years from the commencement of operation; customs dispensations and exemptions covering imports of materials, intermediate goods, capital goods, equipment and machinery, and vehicles brought. In addition, the enterprises enjoy corporate tax exemptions for up to 10 years, tax holidays, zero-rated VAT on exports and tax exemptions on Directors. They also benefit from a reduced tax rate after the first ten years of operations, tax deference, and tax rebates.

There are also considerable non-fiscal benefits in Ghana and Nigeria for these EPZ enterprises. For example, they require no import licenses. There are minimal customs - no pre-shipment inspections and their goods do not go through physical examination at the port. Moreover, there are no conditions or restrictions on repatriation of dividends or net profit, payment for foreign loan services, fees for technology transfer agreements and remittance of proceeds from the sale of any interest in a free zone investment. All these dispensations create conditions for various illicit practices, some of which have received infamous exposures in the 2015 Mbeki Report on illicit financial flows from Africa. In addition, the studies report that enterprises engage in various abuses that break the laws despite all these benefits.

It is disturbing that countries are giving away so much tax revenue. For example, between 1992 – 2015, Nigeria lost $12 billion US dollars in revenue due to incentives to enterprises under the Nigeria Export Processing Zones Authority (NEPZA). This forfeited amount does not include the four free zones under the Oil and Gas Free Zones Authority (OGFZA). According to the Global Tax Expenditure Database, Nigeria's tax to GDP ratio is 6%. Ghana's is slightly higher – about 12- 15% - but way below the national expenditure of 23-27% of GDP. In both cases, the continuing balance of payment deficit is swelling the national debt stock. In that situation, the governments introduce new taxes or raise the existing ones. As a result, Ghana's direct taxes-which are more progressive - declined from 52.99% in 2021 to 47.48% in 2022. On the other hand, indirect taxes from goods and services increased from 40.93% to 44.56% in 2022. This preference for more regressive taxes means widening the rich and poor gap.

Therefore, it is not surprising that Ghana and Nigeria are recording heightening inequality and building up social tensions and conflicts.

Nigeria and Ghana public sector workers insist that the benefits do not measure up to the huge incentives that the governments are dishing out to the foreign investors. The opportunities foregone include social services to support child malnutrition, potable water and sanitation deficits and other basic standards for a life of dignity for many marginalised and excluded. Contrary to government expectations, contributions to exports are insignificant. In terms of employment, numbers are on the decline. For example, in 2010, Ghana estimated that the Free Zones enterprises employed 29,000 Ghanaians. However, by December 2018, this figure had declined by 6% to 27,235. Again, the quality of employment leaves much to be desired. They do not comply with minimum decent work standards covered by the laws, like employment security, minimum wage, statutory working hours, safety and health standards and social security. There is no evidence of skills development and technology transfer to nationals. It is empirically correct that skills development and technology transfer do not happen in low quality work environments.

Public sector workers think that the time has come to pause and rethink the penchant for foreign investments. There is a pressing need to review the laws and incentives regimes; undertake robust cost-benefit studies to ascertain benefits derived from the colossal incentives. While raising these fundamental questions, there is an immediate need to strengthen national governance institutions to combat tax evasions and avoidance. They should also deal with misapplication of local content requirements, flagrant abuses of incentive regimes and other malpractices that feed illicit financial flows.
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7. Local Government Workers Union (LGWU)
8. Teachers & Educational Workers' Union (TEWU)
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