

Nigerian state presses federal government to grant duty-free status to troubled project

Cross River state on the hook for \$400 million in development costs



Tinapa business resort stands empty in Calabar, Nigeria, in December 2007. Cross River state did not get full approval beforehand from the federal government.

BY DEJO OLATOYE

TINAPA RESORT IS A GHOST TOWN today instead of the free trade zone that had been promoted as Nigeria's answer to Dubai.

The resort and mega-shopping centre near the Atlantic coast in Nigeria was supposed to be the jewel of Cross River state. It was intended to be in operation by now, even churning out films for Nigeria's huge "Nollywood" film industry. The goal was to bring revenue to the state by offering tax-free goods to wealthy Nigerians who were spending millions outside the country in places like Dubai, and to tip the trade balance by luring upscale consumers from other African countries.

Cross River, one of Nigeria's 36 states, is unlike its sister states of Delta, River and Bayelsa in the Niger Delta as it has very little oil on its territory. It depends

on revenue from the federation account, which funds all state governments and which in turn comes in large part from Nigeria's oil revenues. To develop the Tinapa project, the state has had to take out large bank loans.

Unfortunately, the state seems to have put all its eggs in one basket. One year after the colourful inauguration of the Tinapa Business and Leisure Resort in Calabar in April 2007, no international or high-profile merchant has begun operating there. Tinapa's website has little to lure business or customers – a nearly empty calendar and photos of a press conference aren't exactly inspiring. Modelled on similar facilities in Dubai, Hong Kong and elsewhere, the US\$400-million project was aimed at combining business and leisure. But somehow the take-off of the project was scuttled.

To finance the construction, a 45

billion naira loan (US\$382 million) was taken out by Cross River state on orders of then governor Donald Duke. The state borrowed the money from several commercial banks and from the capital market. The expectation was that Tinapa would be an instant success and a source of income to the state.

Resort stands empty

However, no free trade zone has yet been created. Tinapa has become a place for selling cell phones and telephone cards. Its largest activity to date was the Miss Nigeria contest in late May 2008. As a result, the resort has not been generating enough revenue to pay the interest on the loans. The burden of loan payments has already been damaging to the state's economy.

The federal government has been deducting interest payments to service the debt from Cross River's federation account allocation. This has had a serious effect on the state's ability to perform other functions effectively. For instance,

DEJO OLATOYE, a journalist based in Ibadan, Nigeria, is a former deputy editor-in-chief of the News Agency of Nigeria.

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Umaru Yar'Adua (right), President of Nigeria, talks to supporters during March 2007 elections. Liyel Imoke, Governor of Cross Rivers State, and Yar'Adua inherited the Tinapa resort headache.

the project's monorail linking the airport and the resort – to be jointly financed by the state and the federal government – cannot be built because the state is too strapped for cash. Civil service promotions and allowance increases in Cross River have also been delayed.

The managing director of the resort, Bassey Ego Ndem, said Tinapa was designed to provide Nigerian businesspeople with a local alternative to Dubai and to retain some of the large amounts of money which have been flowing out of Nigeria. Ndem blamed Tinapa's problems on the failure of Nigeria's federal government to provide legal backing to the resort's operations. Such legal backing, he said, was expected to include conferring on Tinapa the status of a free trade zone.

Former governor Duke's administration reportedly received assurances from

former president Obasanjo's office that Tinapa would enjoy free trade status, but there is no paperwork to prove that the former president made the commitment.

The Tinapa project is still being considered by the federal government but the Customs Service has so far refused to give its approval. Ndem said the presence of customs officials at the resort – who carry out orders from head office – had been a stumbling block to its operations.

Investors scared away

Liyel Imoke, the current governor of Cross River state, used a recent public function to appeal to the federal government to adopt legislation that would enable economic activities to start in earnest at the resort. He said the absence of this legal backing and the presence of

customs officials have been scaring away investors.

A different point of view is offered by Dr. Nya Asuquo, a former lecturer in economics at the University of Calabar, who said Tinapa "is one of the products of Nigeria's penchant for fancy and white elephant projects, which cannot be economically viable because of the current level of development in the state." Asuquo said before Tinapa can thrive as an economically viable venture, there must be a good network of roads and efficient air and rail services. He said the idea of replicating Dubai in Calabar is merely a fantasy that does not correspond to the socio-economic realities of the country.

The Tinapa Hotel, with 243 rooms and a river view, is supposed to be ready for the FIFA World Cup games for athletes under the age of 17, which is to be held in Nigeria in 2009. Governor Imoke set up a 21-man local organizing committee in February 2008 to compete with other Nigerian states for the right to host the games. The committee had been promoting Calabar's facilities.

However, in April, the Tinapa Business Resort Hotel, which could house competing teams, the media and spectators, was not yet open. Bassey Ndem, the managing director of Tinapa, said finishing touches were still being added to the hotel project, adding that it did not yet have a website or a telephone number. He said he could not specify when it will open for business because the Cross River State government is waiting for an enabling law to be passed by the federal government before

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Cross River state in a nutshell

According to Nigeria's 2006 census, Cross River State has a population of 2.89 million. Census figures have always been a subject of controversy in Nigeria because they have always run counter to the established demographic pattern. While population movements are known to be toward the coastal areas in other parts of the world, the opposite has been the case in Nigeria. The country's arid zones have consistently had higher population growth rates than

coastal areas.

Although Cross River State has one of the largest expanses of rain forest in the country, it falls within the group of states with the lowest population. It accounts for two per cent of Nigeria's population of 140 million. Within the Niger Delta, it also has the second-lowest population. Oil-rich Bayelsa State has the smallest population with 1.7 million.

Beyond Cross River's borders – and outside of Nigeria's – is the Bakassi Peninsula. Bakassi might have been a source of oil wealth for both the state

and the country, but it was eventually lost to Cameroon after a prolonged legal battle before the World Court.

One thing Cross River State has to its credit is its peaceful atmosphere. The restiveness that has been a feature of life in parts of the Niger Delta has not surfaced in Cross River. As well, there has been no ethnic or political violence in the state. The manner in which political posts are distributed among the state's 24 ethnic groups has ensured effective balancing of ethnic interests.

the Business Resort can get off the ground.

Calabar's airport, the Margaret Ekpo International Airport, was supposed to be a key link in bringing Nigerians and international visitors to Tinapa.

By March 2008, it had only one runway, which is 2,500 metres long. Only four airlines – all from Nigeria – were operating out of the airport. In April 2007, the former governor of Cross River held a ground-breaking ceremony for a 13-kilometre monorail link from the airport to Tinapa. One year later, although feasibility studies and a survey have been completed, construction work has yet to begin.

Governors were innovators

Although Cross River has a greater reputation for honesty than other states in the country, corruption elsewhere, particularly in the Nigerian federal customs

service, has been blamed for the fact that almost nothing is open yet in Tinapa. Even an honest customs service could have reasons to hesitate before opening such a major duty-free zone.

An article by Reuters news agency in December 2007 quoted one senior official as saying the customs service has “a powerful vested interest against duty free trade.” Also, the federal government itself may be reluctant to forego the tax revenue it would lose from an internal duty-free zone, in exchange for a boom to the economy of just one state.

Investment lies dormant

Wherever the fault may lie, one fact is incontrovertible: Tinapa remains a vast but dormant investment. Solving this problem is perhaps the biggest challenge facing Governor Imoke. A year ago, his Cross River state was highlighted by the *Economist* for its “impressive transformation over the past eight years,” brought about by Imoke's predecessor, Governor

Donald Duke.

Duke, the then governor of Cross River, was genial and amiable. He did not become involved in controversies. He was not a crony of then president Obasanjo. Relations between the federal government and the Cross River State were cordial then when the two men were in office because Duke avoided confrontation with Obasanjo. In retrospect, Duke's major misstep seems to have been to take verbal undocumented promises for a duty free zone from then president Obasanjo.

Since his election in 2007, Nigerian President Umaru Yar'Adua, a former chemistry teacher, has demonstrated a style that has won him considerable respect. Opposition figures see him as a breath of fresh air. He will have to summon all of his interpersonal people skills, and then some, to work with Governor Imoke in breathing new life into the Tinapa project. 