

# Policy Brief

Improving Nigeria's Non-oil Exports: Aba Industrial City



## Introduction

Despite various policies and programs initiated to diversify the economy from oil dependence, Nigeria's non-oil exports remain very low constituting an average of about 7.75% of total exports between 2001 and 2016[1], posting as low as 4% in 2016[2]. Despite the low level of non-oil exports, however, there are some traditional industrial structures with enormous potentials for industrial and trade growth. One of which is Aba Industrial City (AIC), a known hub for garment and leather productions among other business potentials. The garment clusters are located in the Aba city centre, with two sub-clusters and the Ekeoha Shopping Centre cluster. The leather clusters are located in the Ariaria Market and it consists of four groups with three involved in production of shoes and the fourth in production of bags. Aba garment and leather clusters provides approximately 25,000 direct employment with a projection of more across supporting industries.

### ABOUT US

Policy Development Facility Phase II (PDF II) is a flexible, rapid-response programme funded by the UK Aid Department for International Development (DFID). The primary objective of PDF II is to provide targeted assistance to support Nigeria's 'champions of change' across the Federal Government to implement economic and social reforms that lead to poverty reduction. This is done through the provision of high quality organisational support and high quality policy research to build the evidence base for this support.

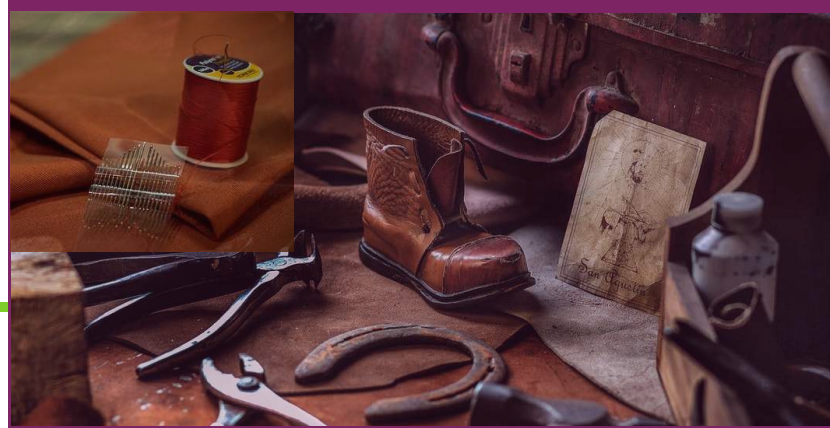
## Context

AIC is an aggregation of thousands of MSMEs and mass producers of industrial goods including garment and leather products. If properly harnessed, the mass production capacities of component clusters of AIC and similar models are capable of positioning Nigeria at competitive advantage in the global garment and leather industrial space.

In 2016, Textile, Apparel and Footwear sector contributed N2 trillion (\$6.6 billion), approximately 2% of Nigeria's total GDP, to Nigeria's economy.

Despite the huge potential, the sector is not listed among the top fifteen items of export, as its share of Nigeria's exports is very insignificant. With the level of exports from the clusters recorded in the AIC study[3], the sector has the potential to increase export potential and rank among top sources of exports in Nigeria.

Productivity of the sector in Nigeria lags behind major producing countries average, particularly in the apparel sub-sector. SoftWear Automation, a maker of automated sewing machine, estimated the global average production at 67 shirts per worker per day. However, a Nigerian worker produce an average of 55 pieces of garment per eight-working-hour-day. In addition, the Nigeria's garment industry is not properly connected to the textile industry as most of the textile materials used in garment production are imported, and mostly from China.



[1] Source: International Trade Center

[2] National Bureau of Statistics, 2017

[3] Made in Aba Cluster Mapping Report, 2018

# 01.

AIC presents a picture of the great potentials of the cluster approach to industrialization. If harnessed it could help to overcome the effects of size and fragmentation on industrial growth.

Only 6% are registered entities



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Aggregate number of business in the AIC garment and leather clusters is estimated to be around 4900 units of businesses

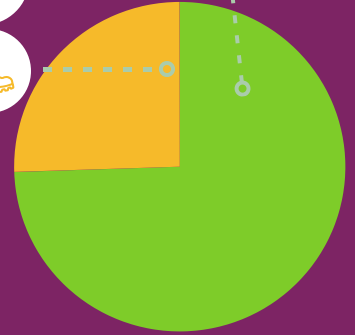
# 02.



Between 10% and 26% of finished products are exported



Between 20% and 58% are exported



The clusters are veritable sources of employment for women as there are large number of women employed in the sectors, particularly the garment clusters

# 03.

The AIC models requires intervention in many areas including technology and innovation, knowledge acquisition and transfer, standards and competitiveness.



The topmost hindrances to the competitiveness of AIC's garment & leather industry are are poor power supply, access to finance and transport infrastructure

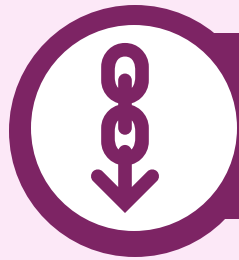


High cost and availability of raw materials, particularly the imported ones. Even when available, it is difficult to ascertain the quality of the raw materials.

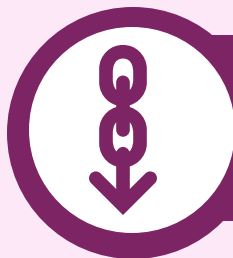
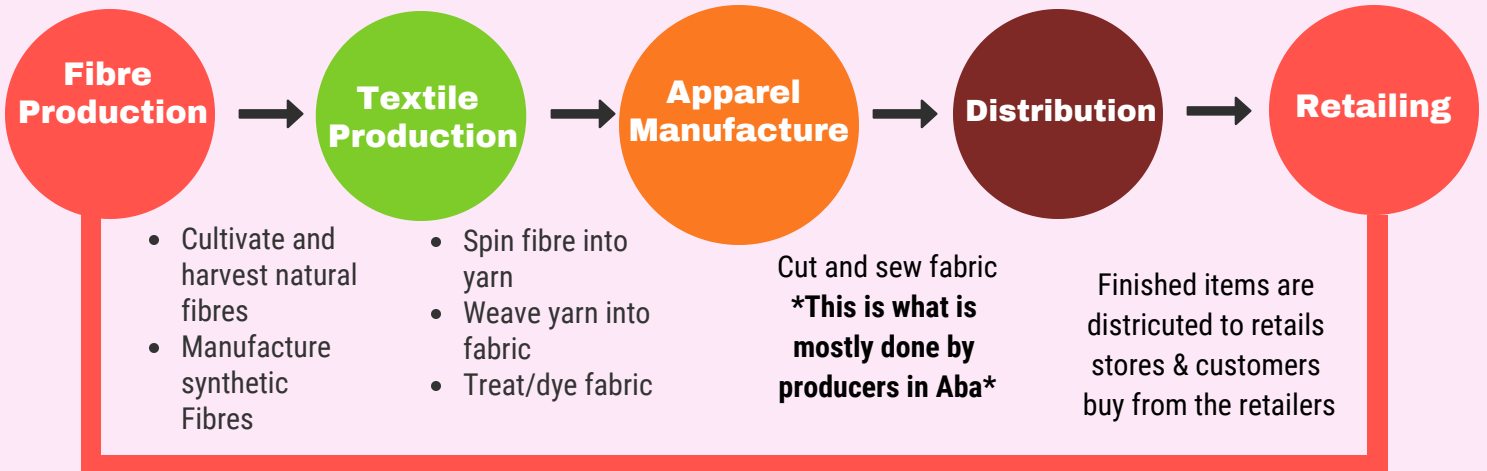


The absence of sufficient knowledge of the dynamics of the global garment and footwear industry

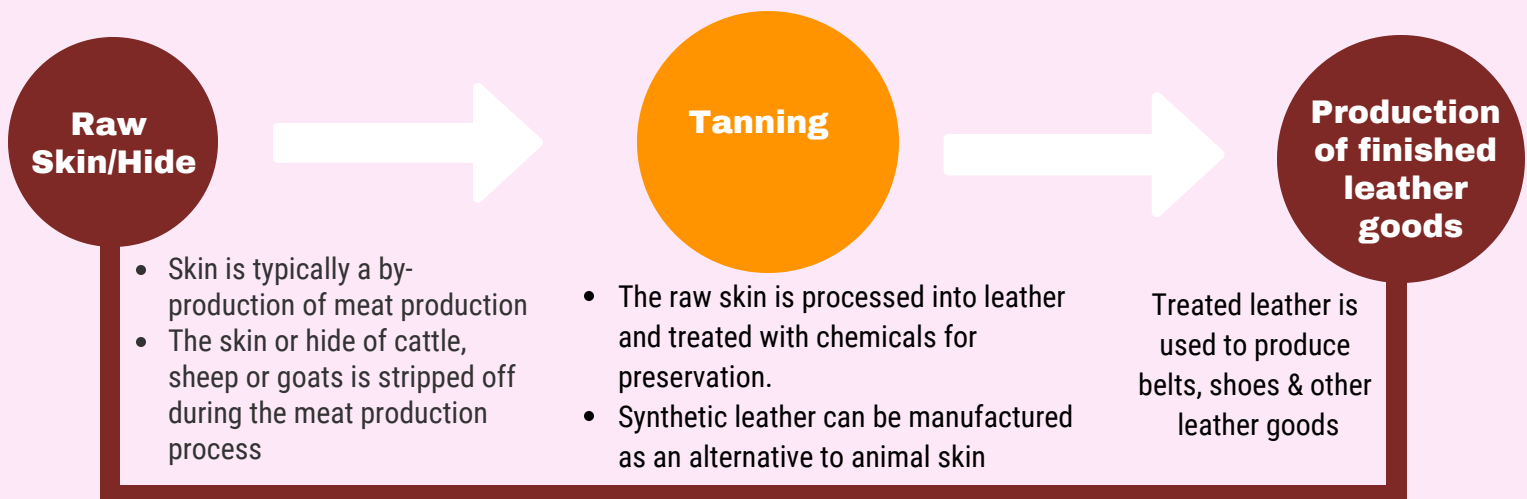




## Garment Activity Chain



## Leather Activity Chain





## Potentials of Nigeria's Garment and Leather in Global Trade

- The global export market for apparel and footwear are estimated to be \$178.4 billion and \$130.7 billion respectively with high potential for growth as world population increases. If properly positioned, products of AIC and similar traditional structures could compete for market share from some existing high cost producers in the global market.
- Although most of the outputs of AIC are consumed locally, businesses in the clusters tend to export more than the average Nigerian firm. The garment and leather clusters show how industrial integration works. Growth of leather and garment industries could lead to catalytic growth in the connected industries.
- AIC garment and leather clusters are well known in the West and Central African region with Cameroon, Benin, Ghana, Togo and Niger as the major destinations, and some East and Southern African countries. Although the current average export is low, the potentials of the sub-sectors are projected to be high, and with a more extensive market coverage, if better operational environment is provided for businesses in the cluster.
- The growth of garment production in AIC and similar clusters could revive the ailing textile sector and similarly cause revolution at the leather industries in Kano and similar Northern Nigeria States instead of large dependence on imported inputs. In the garment cluster, a handful of retailers reported getting their textiles from a textile mill in Lagos. This suggests that Nigeria's textile industry can be repositioned to serve the garment cluster.
- AIC case study shows that cluster approach to industrialization is capable of enhancing market opportunities for output and to develop veritable market for domestic production of input. Currently, inputs are mostly originated from China for textile materials and leather from China and South Korea with very little domestic component

## Recommendations

- Improving power supply and transportation infrastructure in the area will reduce the cost of production and help producers compete favourably in the market and open access for customers.
- Formalizing firms in the clusters will increase visibility and make it easier to access loans and expansion grants and also easier to advertise products from the sector
- Create uniform standards for clothing and shoe sizes across the clusters to improve remote selling and attract international consumers.
- Create incentives for producers of raw materials to relocate closer to the cluster will reduce the cost of raw materials and production.
- Encourage and facilitate the development and spread of knowledge by creating public sector education and research organizations

