



CHEMONICS INTERNATIONAL INC.



# Industry Action Plan for AGOA in Nigeria

Export Opportunities for Nigerian Manufacturers  
In Textile Based Sewn Products

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## Acronyms

AAFA	American Apparel and Footwear Association
AGOA	African Growth and Opportunity Act
CEO	Chief Executive Officer
ECOWAS	Economic Community of West African States
EPZ	Export Processing Zone
EU	European Union
FTZ	Free Trade Zone
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GPS	Global Positioning System
IT	Information Technology
LDC	Lesser Developed Country
MFA	Multi-Fiber Arrangement
NAFTA	North American Free Trade Agreement
NEPAD	New Partnership for Africa's Development
NEPC	Nigerian Export Promotion Council
NIPC	Nigerian Investment Promotion Council
SACU	Southern African Customs Union
SME	Square Meter Equivalent
SSA	Sub Saharan Africa
TPL	Tariff Preference Level
US	United States
USAID	United States Agency for International Development
USD	US Dollars
WRAP	Worldwide Responsible Apparel Production
WTO	World Trade Organization

## **Executive Summary: A Blueprint for Action in Nigeria**

In October of 2001, African leaders made a commitment to their people and to the world in a program aimed at consolidating democracy and sound economic management on the African continent. Known as the *New Partnership for Africa's Development* (NEPAD), the adoption of this development strategy and its tactical program signals a fresh phase of cooperation between Africa and the developed world. The President of Nigeria, Olusegun Obasanjo, one of four African heads of state attending the June, 2002 G-8 Summit held in Kananaskis, Canada, appealed to world leaders for help with this initiative.

The *New Partnership for Africa's Development* is a strong conceptual platform upon which to build an action plan for the development of an export apparel manufacturing industry in Nigeria. While the NEPAD scope is broad and refers to larger issues in all African countries, its applicability to the emerging apparel industry's AGOA initiatives is profound. Many of the goals and objectives of NEPAD parallel the critical pathways and outcomes that an apparel sector needs to flourish in Nigeria. Specifically, NEPAD addresses expected strategic direction for actions pertaining to:

- Women
- Rural economies
- Infrastructure
- Diversification of manufacturing
- Promotion of export
- Development of technology
- Agricultural expansion
- Education and training
- Foreign investment

With the exception of apparel production, few global manufacturing industries promote the role of women along with the economic and educational needs of people in rural areas. Throughout the world, female sewing operators demonstrate excellent skill and high productivity. Because apparel assembly can take place in areas that are located within driving distance from port cities, secondary population centers are ideal locations for clothing factories. In addition, the problem of growing rural to urban migration is salient in Nigeria. Robust apparel assembly clusters throughout the country would help stem the problem of rapid urban growth as well as offer another source of income to marginal farm families. Improvements in the quality and quantity of cotton fiber that can be produced and sold into the global apparel industry will further support rural populations.

A growing apparel industry offers the possibility of large numbers of new jobs. It will also require new technologies and continuously updated training for workers. As the assembly industry matures, the markets will demand full package work that requires much higher skill in preproduction and packaging. Microelectronic cutting and sewing equipment and computerized support systems will necessitate educated people for installation, operation, and maintenance. Sewing factories require everything from payroll systems, food services, and health care, to backup generators and international small package delivery services. Supported by foreign

investment and managerial expertise, all of these forces converge to create a diversified manufacturing sector that takes on a life of its own.

## **A. Vision Statement for Nigeria**

*To achieve a sustainable and renewable position as one of the leading African centers of the textile and apparel export industry, while generating ascending skills and prosperity for Nigerian people and building a domestic and international image of manufacturing and trade competence.*

### **A1. What Can USAID Do Now?**

There are number of basic activities that need to be accomplished in Nigeria very soon. Strategies and initiatives in the action plan can be divided by constituencies according to their abilities and resources; however, USAID should provide technical assistance to the industry and EPZs. The skills of a knowledgeable coordinator with further support by sector specialists would provide the necessary backbone to keep the export initiative moving.

**--Visa Application.** A first stage of assistance would involve supporting the legislative passage of transshipping bill, followed by the technical details of the visa application. Nigeria will not be able to take advantage of the AGOA opportunity until its National Assembly passes legislation assuring the US Customs Service that it has controls in place to avoid the risk of transshipping. Even though the measure was passed in the house, the bill is stalled in the National Assembly as of late July, during the time that the Assembly is in recess. Immediate efforts to educate and enlighten the members of this Assembly are essential. It has been suggested that local manufacturers and stakeholders should communicate the importance of this export opportunity to their state governors and ask them to notify Assembly representatives. Additionally, informational press releases and other publicity may be of some value in persuading Representatives to reconsider their positions. Assuming that this legislation will be passed, Nigerian officials will then need technical assistance in completing and filing their visa application to the US Customs service.

**--Assistance to NIPC/NEPC.** Once the visa application is accepted and Nigeria becomes an official textiles and apparel beneficiary, the Nigerian Export and Investment Promotion Councils will need immediate assistance in developing plans to identify, attract, and educate investors. The most likely investors include those Nigerian-based textile companies and those transnational apparel manufacturers and retailers who are currently seeking to move production out of Madagascar. In addition, South African and Mauritian investors who are seeking LDC status operations may also take an interest in developing production in Nigeria.

**-- Assessment EPZ.** Officials at the Ministry of Commerce will need guidance on how to best streamline activities for EPZ status. USAID could sponsor an immediate assessment of critical infrastructure at the EPZ and port areas that would directly impact new apparel operations. It is essential that new operations have a logistics roadmap to help them understand required documentation and help them plan their shipping times with customers.

In many developing countries, Export Processing Zones were initially defined areas. As manufacturing sectors flourished, the countries allowed any location within the country to be considered an EPZ, as long as inputs and documents were handled properly for export. This is a

short-term initiative with long-term benefits. Having a robust EPZ structure with assured utility infrastructure is a fundamental attraction for a new apparel sector.

**-- *Technical Assistance.*** It is recommended that USAID identify a consultant who has “already been down that road” in another AGOA country such as Kenya or South Africa and has a working knowledge of how to best overcome bureaucratic red tape and fulfill investor expectations. Individual companies may also pursue such expertise to help them get started.

**--*Communicating Market Opportunities.*** The textile sector has an industrial organization that needs assistance in communicating AGOA market opportunities to its membership, help organize trade fairs, and educate investors about locations and opportunities. The textile members may need help in pursuing their own partners for investment in EPZs.

**--*Support Cotton Production.*** Because cotton fiber will play a crucial role in AGOA competitiveness, USAID agricultural specialists should assess cotton capacity and identify quantitatively what potential the Nigerian crop could achieve. Conducting a study cost/benefit of seed varieties may appropriate for better quality cotton. There is a cotton grower’s organization in northern Nigeria that may want to participate in some of the initiatives. Support might be solicited by companies specializing in cotton farming and ginning equipment. University level researchers at US agricultural schools may have an interest in pursuing this type of study.

**--*Training Needs Assessment.*** As a long-term project, USAID should help assess the local technical schools for appropriate engineering and information technology training. People who can fix microelectronic equipment and manage information technology will be in high demand once a strong sewing sector gets established.

**--*Seminar on AGOA.*** When the visa is accepted and publicity has been completed, it will be essential for Nigeria to host a comprehensive seminar on AGOA apparel manufacturing for all interested parties, including government officials, textile and cotton producers, bankers, insurance and factoring companies. There will be demand for financing equipment and orders, as well as handling international currencies, letters of credit and other financial instruments. Because people in Nigeria are uncertain of how an apparel sector would work, this seminar will teach the audience the details and logistics of the apparel export sector.

**--*Trade Fair.*** Plan and assist in the development of a trade fair in Lagos for US & European apparel manufacturing investors and textile buyers that:

- Provides details about EPZ structure, local infrastructure and costs;
- Supplies manufacturing site suggestions based on labor/housing/transportation availability outside of the largest cities (there is a science to apparel plant site selection);
- Provides information on the ports and in-country transportation;
- Furnishes information about legal issues related to foreign equity and banking;
- Enables participants to learn about raw materials & equipment availability and costs;
- Brings together executives of textile and apparel related cluster companies, chemicals, dyes, trims, trucking, shipping, equipment, banking, international factoring, construction, EPZ, government, etc.

USAID has taken an important first step in analyzing the potential for an apparel export sector through the AGOA access. In years to come, after the AGOA advantage has expired, African apparel sectors will have to compete on cost, skill, product depth, timing and other such factors. Those competitive factors can be built into the sector from the beginning with a comprehensive plan that can be supported by USAID at many levels over time.

## **B. Mission Statement for the Nigerian Apparel Export Promotion Initiative**

The mission of the Nigerian Apparel Export Promotion Initiative is to take advantage of the AGOA opportunity and proactively support the growth and development of its textile and apparel manufacturing industries through investment promotion, research, education, government liaison, human resource development and cooperation with other industries and organizations while fostering the industry's contribution to the sustainable development of Nigeria and respecting the cultural traditions and social needs of the Nigerian people.

Objectives of this Strategy:

1. Take maximum advantage of the AGOA and EU windows of opportunity
2. Contribute to the development and growth of the textile and apparel industries and the profitability of its members
3. Ensure the sustainable competitiveness of the textile and apparel industry complex
4. Assist Nigeria and the textile & apparel industries in becoming proactive rather than reactive

In the section below, ten general strategies are identified, with a variety of initiatives that support progress toward the development of an apparel manufacturing industry in Nigeria. Some of the initiatives and tasks are time-sensitive and need to be done soon. Others are long-term, meant to keep a broad focus on the sector as a whole despite what actions individual firms choose. Tasks cannot be accomplished in isolation. The process of building a complex sector that involves many constituencies *is not linear*. It is important to think of this series of initiatives as an iterative, revolving process that continuously builds knowledge and momentum. Many things will have to be ongoing at the same time. Leadership is essential to drive these strategies.

### **B1. Strategy 1: Attract a Critical Mass of Apparel Manufacturing and Supporting Industries**

B1a. Create an investment promotion and marketing task force with private and public representatives including, but not limited to textile and EPZ executives. A work plan for the task force would include the following activities.

- Compile database on capabilities, capacities and cost structures of free zones
- Assess the EPZ legislation. Consider program of assistance to EPZs for new apparel operations
- Create a web site with information that investors need regarding locations, contacts, labor, support, etc.
- Make strategic contacts according to the marketing plan segment techniques
- Contact every textile operation and collect data on capabilities, available capacity according to quarter, products, technology, and expansion potential. Establish and maintain database for matching materials requests with capable providers
- Visit with factoring/banking firms regarding full package finance solutions for the future
- Manage site visits by investors and provide them with profiles of the raw materials industries, manufacturer's association, banking, insurance & transportation
- Develop a systematic market research capability and analyze market intelligence
- Position the sector to outside investors as being responsive to changing market conditions
- Follow-up by assigning case worker to specific firms that take steps to invest



- Provide feedback to EPZs on all data and contacts

B1b. Survey existing foreign investors and Nigerian Textile Manufacturer's Association membership to:

- Identify constraints to FDI growth
- Obtain leads on FDI promotion
- Determine satisfaction with current business environment
- Generate feedback for improving infrastructure services
- Inform the industry/government dialogue process
- Conduct needs assessment for training initiatives

B1c. Develop pro-active investment promotion strategy to effectively communicate the benefits of investing in the Nigerian apparel sector:

- Attend trade fairs for sourcing and buying executives in US and EU
- Develop a brochure, booth, and structured method through which to meet potential investors at shows. Staff at shows should be very knowledgeable. Chamber of Commerce has an excellent professional video about Nigeria
- Provide photographs of EPZs and factories, sample products (both textile and apparel), web site information, data about Nigeria, etc.
- Publicize Nigeria's competitive advantages in press releases to Bobbin.com, Style.com, Magiconline.com, American Apparel and Footwear association, US apparel importers and sourcing associations, and all apparel manufacturing and retailing related publications

## **B2. Strategy 2: Position Lagos and Calabar as Regional Supply Hubs for the Apparel Industry**

B2a. Establish infrastructure and service investment plans appropriate to the specific, targeted needs of a regional hub:

- Immediately identify infrastructure constraints to efficient transport logistics by soliciting this information from industry insiders with international experience. For example, apparel investors in Madagascar may have valuable insights about infrastructure and government supplied services that were critical in the development of their industry.
- Support immediate improvements to key critical infrastructure initiatives: port, roads, and telecommunications for EPZs
- Communicate and coordinate with construction cluster/association to develop a regional infrastructure plan responsive to the needs of growing industry and communicate these to government and donor community

B2b. Continually monitor and evaluate improvements in shipping costs/logistics relative to competing ports and recommend continued improvements

- Contact Port Administration for data
- Request logistics map of process and documentation required

B2c. Include regional hub supply focus in investment promotion program and communicate broadly to the global industry

- Identify and provide a list of targeted firms to USAID & trade partners in US
- Attract firms in trims, textiles, supplies, and related clusters to set up distribution centers in Lagos and Calabar areas

B2d. Work with authorities to address security issues: ongoing

- Develop a systematic mechanism for members to report security problems
- Explore GPS solutions to container/garment tracking (Sealand & other shippers)
- Consider the possibility of merchandise or payroll theft in plants and propose solutions to alleviate the problems (embedded tags and other new security measures).
- Implement solutions for solving personnel and cargo security problems and communicate these initiatives to member firms.

### **B3. Strategy 3: Improve the Image of the Industry in Nigeria and Globally**

- Design and implement a national publicity campaign on the apparel export initiative to improve relations with private sector and organized labor
- Involve the Nigerian media in providing an information campaign to build public understanding and support for political action to help move this initiative forward
- Utilize WRAP program to adopt global labor standards and then implement and publicize internationally
- Develop systematic public relations plan targeting business press, trade publications, websites and national press with periodic press releases, speaking at international industry events and participating at industry trade shows

### **B4. Strategy 4: Upgrade Human Resources**

B4a. Support close cooperation among investors, manufacturers, and government to develop effective training solutions in priority areas, with emphasis on the training needs of women

B4b. Structure the projects to respond to industry training priorities

- Operator training
- Middle management training
- Technical and IT training
- Vestibule training
- Globally accepted labor standards

B4c. Implement industry sponsored training programs

- Offer literacy courses for employees
- Seek donations of sewing equipment from US manufacturers for vestibule training programs within zones (this may be done through AAFA Foundation)
- Bring in international expertise and train Nigerians in higher skill priority areas such as: computer aided design, marker making, cutting software, screen printing, job costing, etc

B4d. Develop linkages to international centers of excellence such as US & EU universities and Apparel Research Centers for internships, seminars, distance learning

B4e. Strengthen linkages with existing education and training providers in Nigeria

- Propose to form (or join existing) technical advisory committee of local schools to assist with curriculum development, internships, placement, research, etc.
- Explore utilizing more continuing education and training services appropriate to apparel industry

B4f. Prepare a long-term vision of other human resource issues such as pensions, benefits, and skill certifications

- Long term: Conduct annual training needs assessment of manufacturers to identify critical skills gaps in rural areas

### **B5. Strategy 5: Upgrade Cotton, Textile and Apparel Technologies**

- Identify textile and apparel equipment needs by product category for new apparel plants and for sewing operations in other AGOA countries (eg; denim, twill, etc)
- Solicit foreign grants to assist small and medium sized firms to improve competitiveness, technology, systems and quality process control.
- Work with IT faculties to upgrade IT skills and use of Internet and Electronic Data Interchange
- Assess quality and capacity of cotton crop as it relates to apparel market needs. This sector needs a diagnostic assessment and set of scenario plans with textile sector linkages.
- Develop needs assessment for future cotton demand in AGOA countries

### **B6. Strategy 6: Foster Effective Dialogue Between Manufacturer's Association and Government**

- Represent interests of members before US & EU government authorities regarding quotas and market access
- Establish quarterly and annual policy priorities for private-public dialogue after implementing membership survey
- Ensure the publication of rigorous economic analysis of positive impacts on the Nigerian economy and society updated to reflect post-AGOA legislation and publicize
- Work with political candidates prior to and after elections and provide them with information and briefings on the industry, its impacts and its priorities
- Pursue regular correspondence with Nigerian officials regarding all sector related issues affecting their jurisdictions

### **B7. Strategy 7: Develop Proactive Competitiveness Capabilities of Nigerian Apparel Initiative**

B7a. Implement competitiveness strategy, industry benchmarking and action plan and include progress updates in monthly newsletter. Focus on mechanisms to upgrade products, enhance value and build clusters.

B7b. Identify revenue generating mechanisms to finance competitiveness initiatives:

- Export visas
- Sales of products and services
- Mobilization of grants and project finance
- Revision of dues structure according to a more fair, progressive system

B7c. Provide information systems for the preparation and distribution of market intelligence, competitive information and industry trends to members and develop database on national industry information that is needed to attract international investors.

### **B8. Strategy 8: Migrate to More Attractive Clients and Products within the Textile and Apparel Industry and Diversify Beyond It**

B8a. Strengthen the Task Force's capacity for doing an in-depth, comprehensive, and well-informed market segmentation, client segmentation, and product attractiveness analysis to improve the capabilities of member companies

- Individual contractors will invite marketers, retailers and manufacturers to submit queries on higher value added products and processes
- EPZ owners and other investors will seek partnerships with fiber, textiles, financial and supplier investors
- Contact apparel producers in Mauritius, Madagascar, South Africa, Kenya, Swaziland, and Mozambique to inquire about potential expansion in Nigeria

B8b. Identify the potential of other free zone exports, including exported services

- Improve the ability of EPZs to attract investors
- Medium term: develop IT Park and diversity into export of services

### **B9. Strategy 9: Support Move from Basic Apparel Assembly to Full Package Operations**

- Target full package producers in the investment promotion strategy
- Offer guidance and information on sourcing materials to those wishing to move to full package
- Find financial solutions
  - Work on US\$ lines of credit to provide solutions for long term financing
  - Contact factors now specializing in Africa for program financing
- Individual companies will move to adopt cutting operations, finishing, design and product development capabilities. Profile capabilities of all producers and keep database current.
- Establish and maintain a materials sourcing database for membership doing full package work.

## **B10. Strategy 10: Exercise Leadership within the Broader Business Community to Mobilize Support**

- Conduct an assessment of the impacts and benefits of the textile and apparel cluster on other important segments of the economy (free zones, tourism, construction, business services and agriculture).
- Deepen the strategic alliance with ECOWAS and NEPAD countries to address common trade issues. Coordinate comprehensive survey of early apparel manufacturing centers (university or USAID research) to identify constraints and mobilize additional support for strategies above.

### **C. Expected Results of this Strategic Implementation**

- Jobs
- Investment in Nigeria
- Enhanced profitability for Nigerian textile producers
- Better service provision from cluster of supporting industries
- Improved prospects for competing with Asian manufacturers after 2005
- Expanded production foundation in cotton, raw materials, and apparel
- Accelerated growth rate of the apparel industry
- Better image for Nigeria--more appealing to subsequent investors
- Model EPZ

#### **C1. Potential Metrics:**

- Apparel and textile industry growth rates
- US and EU import market shares
- Gross and net exports
- Percentage local value-added
- Percentage of GDP of industry and also secondary impacts
- Cotton quality/quantity values
- Employment, direct for apparel and textiles, indirect for supporting industries
- Average wages (compared to national average and other AGOA countries)
- Foreign direct investment and domestic investment
- Number of free zones
- Net profitability of industry
- Secondary economic impacts on tourism, construction, services, industry and agriculture

#### **C2. Suggested Benchmarks for the EPZs:**

- Square footage of production facilities for apparel
- Cash invested
- Numbers of investors contacted, informed, hosted, contracted
- Upgrading of utility infrastructure

- Marketing activities
- Improved service provision (eg; security, loading docks, administrative facilities, etc.)

### **C3. Suggested Benchmarks for the Public Sector:**

- Number and value of new investments facilitated and jobs this Initiative created
- Educational programs established and results achieved
- Government initiatives acted upon
- External or additional funding secured
- Competitive positioning of Nigerian industry on a global scale
- Performance against specific service measures