

Evaluating the Impact of the African Continental Free Trade Area Agreement on Nigerian Micro, Small, & Medium Enterprises



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Study Background and Presentation of Survey Design

Outline

01

Study Background

02

Objective of the study/survey

03

Sampling Design

04

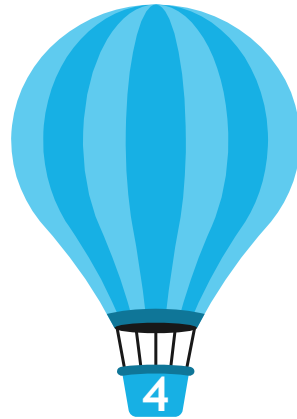
A Note on the Survey Instrument

Background to the Study

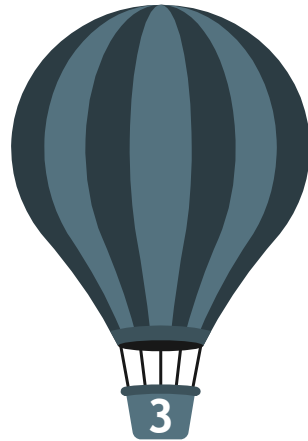
- ▶ Economic integration and agreement are widespread: A transition of countries from nation-states to member states.



Stages of economic integration in Africa



The creation of a continental customs union



Consecutive establishment of free trade areas and customs unions in each bloc



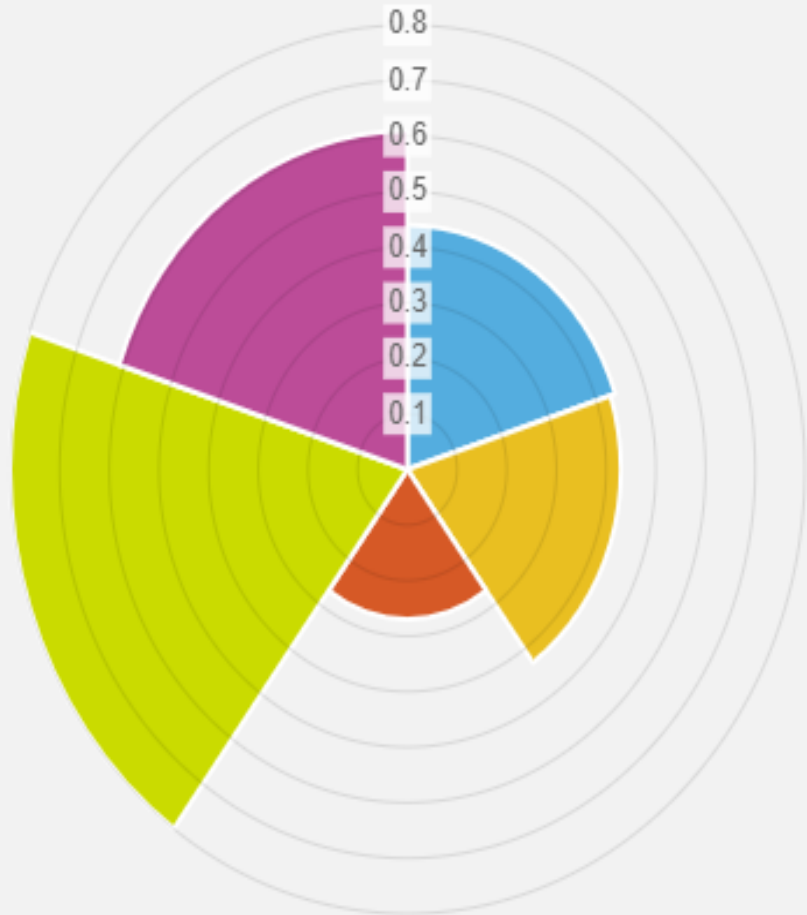
Strengthening of intra-regional integration and the harmonization of tariffs between the blocs 1997-2007



Creation of Regional blocs (Regional Economic Communities) 1994-1999; AMU, COMESA, ECOWAS, ECCAS, SADC, IGAD, CEN-SAD, EAC



ECOWAS Experience in Economic Integration



Overall dimension scores

The Index is made up of five **Dimensions**, which are the key socio-economic categories that are fundamental to Africa's integration.

- Trade Integration
- Regional Infrastructure
- Productive Integration
- Free Movement of People
- Financial & Macroeconomic Integration

Drivers of Economic Integration

- ▶ Trade creation
- ▶ It reduces economic fragmentation
- ▶ Pan-Africanism
- ▶ Availability of cheaper and quality products and expanded choice-sets for consumers.
- ▶ Efficiency gain and higher profit from access to foreign competition and cheaper inputs.
- ▶ Greater ease of doing business and more foreign investment.

The Other Side of Economic Integration

- ▶ Trade diversion
- ▶ It exposes vulnerabilities of some domestic firms in the short run.
- ▶ Adjustment costs

The African Continental Free Trade Area (AfCFTA)

- ▶ The new Africa Continental Free Trade Agreement (AfCFTA) endorsed by 54 African countries (including Nigeria) in July 2019 will likely have widely varying effects on businesses within and across participating countries.
- ▶ For Nigeria, the impact of AfCFTA as with any other FTA could vary on account of a number of market opportunities and constraints to production.
- ▶ This study will examine the likely impact, threats and opportunities, of AfCFTA on MSMEs in Nigeria.
- ▶ The voice of MSMEs is still silent in the discussion on AfCFTA in Nigeria and **THIS HAS IMPLICATIONS**. We hope to generate evidence to amplify their voices.

What we hope to achieve with the survey?

- ▶ Evaluate MSMEs understanding of the AFCFTA policies in terms areas of comparative advantages and disadvantages
- ▶ Gauge MSMEs capacity to meet process requirements of the AFCFTA: this will assess the ability of MSMEs to meet current standards and process requirements on exports to AFCFTA partners.
- ▶ Gauge MSMEs competitive, technical and productive capacities.

Stylized fact on MSMEs in Nigeria

variable	Summary
Total Enterprises Number - MSMEs	41,543,028
MSMEs Contribution to Employment	76.5 percent of total workforce (or 59,647,954 persons)
MSMEs Contribution to GDP	49.78 percent
MSMEs Contribution to Export	7.64 percent
- Micro Enterprise Class	41, 469,947 (or 99.8 percent)
- Small Enterprises Class	71,288 (or 0.2 percent)
- Medium Enterprises Class	1,793 (or 0.004 percent)
Largest Economic Sectors	
Wholesale/Retail Trade	42.3 percent
Agriculture	20.9 percent
Other services	13.1 percent
Manufacturing	9.0 percent
Accommodation and Food Services	5.7 percent

Sampling Approach

Location

- ▶ Lagos
- ▶ Kano
- ▶ Abia
- ▶ Abuja

Sector

- ❖ Wholesale/Retail Trade
- ❖ Agricultural sector and food processing
- ❖ Manufacturing sectors.

Why? We select sectors with high potential and contribution to GDP, employment and exports.

Three Stage Sampling procedure

- ▶ Purposive sampling of states: We select the location to reflect geopolitical spread and high share of MSMEs in the selected states.
- ▶ Purposive sampling of sector: The selected sectors account for 77% of the MSMEs in Nigeria. Excluding crude oil and petroleum, they also have a considerable share of exports.
- ▶ Random Sampling of firms: We will selected three largest markets in each state and randomly pick a location from which firm will be systematically selected for the study.
- ▶ Overall, we propose to survey 1600 firms across the four locations.

Selection of sectors and states

Table 3: Abia State

Sectors	Micro Enterprises Sample	Small Enterprises Sample	Medium Enterprises Sample	Total Sample size
Wholesale/ Retail Trade	25	70	9	
Agriculture	25	55	7	
Manufacturing	25	40	7	
Food Services	25	55	7	
Total	100	220	30	350

Table 4: Abuja (FCT)

Sectors	Micro Enterprises Sample	Small Enterprises Sample	Medium Enterprises Sample	Total Sample size
Wholesale/ Retail Trade	25	50	5	
Agriculture	25	50	5	
Manufacturing	25	50	5	
Food Services	25	50	5	
Total	100	200	20	320

Selection of sectors and states

Table 5: Kano State

Sectors	Micro Enterprises Sample	Small Enterprises Sample	Medium Enterprises Sample	Total Sample size
Wholesale/ Retail Trade	25	50	15	
Agriculture	25	50	10	
Manufacturing	25	50	15	
Food Services	25	50	10	
Total	100	200	50	350

Table 6: Lagos State

Sectors	Micro Enterprises Sample	Small Enterprises Sample	Medium Enterprises Sample	Total Sample size
Wholesale/ Retail Trade	25	100	25	
Agriculture	25	50	25	
Manufacturing	25	100	25	
Food Services	25	50	25	
Total	100	300	100	500

The Survey Instrument

- ▶ **SECTION A: BASIC BUSINESS INFORMATION**
- ▶ **SECTION B: INTERNATIONAL BUSINESS OPERATIONS**
- ▶ **SECTION C: EXPORT AND IMPORT OPERATIONS**
- ▶ **SECTION D: AWARENESS AND PERCEPTION ABOUT AfCFTA**
- ▶ **SECTION E: GAUGING MSMES COMPETITIVE CAPACITY AND CAPACITY TO MEET PROCESS REQUIREMENTS OF THE AFCFTA**

Thanks for Listening