UNITED REPUBLIC OF TANZANIA

COTTON-TO-CLOTHING STRATEGY

2016-2020

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This sector development strategy was developed on the basis of the process, methodology and technical assistance of the International Trade Centre (ITC) within the framework of its Trade Development Strategy programme.

ITC is the joint agency of the World Trade Organization and the United Nations. As part of the ITC mandate of fostering sustainable development through increased trade opportunities, the Trade Development Strategy programme offers a suite of trade-related strategy solutions to maximize the development payoffs from trade. ITC-facilitated trade development strategies and roadmaps are oriented to the trade objectives of a country or region and can be tailored to high-level economic goals, specific development targets or particular sectors, allowing policymakers to choose their preferred level of engagement.

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ACKNOWLEDGEMENTS

This sector development strategy was elaborated as a component of the ITC Supporting Indian Trade and Investment in Africa (SITA) project, a south-south trade and investment initiative that aims to improve the competitiveness of select value chains through the provision of partnerships by institutions and businesses from India. SITA is funded by the United Kingdom Department for International Development (DFID).

The formulation of the sector development strategy was led by the Ministry of Industry, Trade and Investment (MITI) with the technical assistance of ITC. This document represents the ambitions of the private and public sector stakeholders for the development of the sector. Stakeholders' commitment and comprehensive collaboration have helped build consensus around a common vision that reflects the realities and limitations of the private sector, as well as of policymakers and trade-related institutions.

The document benefited particularly from the inputs and guidance provided by the members of the sector team.

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Technical support and guidance from ITC was rendered through Eric Buchot, Alexandra Golovko, Hanna Bucher, Olivier Marty, Varun Vaid, Gerald Estur, Robert Kafafian, Carla Vaca, Carlos Griffin. Angela Becaty provided valuable support as national SITA coordinator and Marco Mtunga contributed greatly with appreciated guidance and inputs as national consultant.

FOREWORD FROM **HON. CHARLES J. MWIJAGE (MP),** MINISTER FOR INDUSTRY, TRADE AND INVESTMENT

The Cotton-to-Clothing (C2C) sector in Tanzania remains one of the leading drivers of the national economy and development of our country. After suffering the adverse effects of liberalization and the phasing out of the Multi-Fibre Agreement (MFA), both cotton and textile sectors benefited from the attention and efforts of the Government to rebuild them. The investment climate was improved and a number of key trade agreements were signed. On the side of the cotton sub-sector, input provision was reorganised, and detailed blueprints such as the 2nd Cotton Sector Development Strategy (2009-2015) was developed.

Building on the results of these efforts, time has come to envisage a common future for the cotton and textile sector and thus, plan for their transformation into one integrated value chain. The Ministry of Industry, Trade and Investment together with the Ministry of Agriculture, Livestock and Fisheries take immense pleasure in welcoming the first holistic Cotton-to-Clothing value chain development Strategy 2016-2020, which has been developed with the technical assistance of the International Trade Centre (ITC) and the support of UK's Department of International Development (DIFD).

The C2C Strategy now lays out a realistic vision for the five upcoming years. Tanzania must first reorganize its cotton sector and build capacities so as to improve productivity and regain the quality reputation that it once enjoyed. Simultaneously, efforts can be made to further develop the apparel segment. The country should build on its prior successes and expand sales in international markets (namely in Africa, India and South-East Asia), while at the same time pursuing growth in regional markets for khanga and kitenge. Where possible, existing textile units can also diversify into new products. Once both the cotton and apparel segments have been reinvigorated, stakeholders can pursue vertical integration and attract larger amounts of foreign direct investment (FDI) to the capital-intensive spinning and textile segments.

The C2C Strategy design successfully mobilized sector stakeholders and facilitated extensive and fruitful discussions between public and private sectors allowing for a realistic evaluation of the challenges and opportunities the sector currently faces and defining the best way forward. The dedicated work of sector stakeholders outlines in this Strategy a five-year Plan of Action to upgrade skills and improve the business environment, a Plan that the Ministry is proudly endorsing and incorporating into Tanzania's Five Year Development Plan II (FYDP II), where integration of the C2C sector is laid out as one of the priorities.

In order to maintain the momentum sparked by the consultations, our Ministries are currently taking steps towards ensuring a smooth and successful implementation, through involvement of key actors of the industry and will support the implementation of the operational objectives defined in the Plan of Action. Moreover, the Ministry is looking forward to the imminent operationalization of the public and private implementation mechanism to guide sector development through the implementation of the C2C Strategy.

FOREWORD FROM **HON. MWIGULU LAMECK NCHEMBA MADELU (MP)** MINISTER FOR AGRICULTURE, LIVESTOCK AND FISHERIES

Cotton sub-sector in Tanzania employs substantial number of people along its value chain; majority are small holder farmers who depend on cotton for their livelihood. As a cash crop, it is also important for the nation as a whole because of its relevance to the national economy. Despite this fact, this sub-sector has not been played its role because of several challenges. Some of the challenges are on low production and productivity, inadequacy on marketing system, processing and value addition as well as social cultural barriers. Some reasons for low productivity are on issues related to inefficiency on seed production and distribution, inputs supply and usage and adherence to Good Agricultural Practices (GAP). Inadequate local processing of cotton into yarn and finally clothes and other by-products could increase demand of cotton and hence motivate farmers to increase production.

Despite these challenges, the country has suitable land that enables it to have a comparative advantage in cotton investment into the entire value chain; the gap is how to link all key stakeholders to play their respective roles. This missing link became evident after privatization of factories. It is my sincere hope that, the coming SITA programme will revive the initiatives which the first President the late Mwalimu Julius Kambarage Nyerere made him to put up textile industries. Due to lack of technical know-how on commercial operations of early textiles industries, many collapsed. In the light of difficulties faced by cotton sub-sector in Tanzania, the implementation of this strategy under SITA comes at the right time to enhance its development.

Furthermore, it is my anticipation that SITA programme will come-up and inspire private sector to invest on improved and modern technology on processing of cotton to clothing (C2C) by linking all stakeholders along the value chain. I believe that all key players will play their role accondindly for benefit of all.

While we endorse this strategy, we also look forward to its successful implementation for the better future of the cotton sub-sector in Tanzania.

FOREWORD FROM **MR. BOAZ OGOLA,** EXECUTIVE SECRETARY GENERAL, TANZANIA COTTON ASSOCIATION

The global demand for cotton fabrics and textiles are an ever growing phenomenon due to expanding incomes and changing consumer patterns. However, the Tanzania Cotton Industry is in crisis. This requires synchronized efforts between the Government and the private sector to revamp it.

Tanzania Cotton Association (TCA) is deeply appreciating of all the stakeholders who contributed their inputs to the elaboration of Cotton to Clothing Strategy. This document was completed after eight months of consultation meetings and workshops of both the core team and stakeholders. The Cotton to Clothing Strategy of Tanzania is a five years roadmap detailing the specific goals and interventions required of both public and private sector to develop the sector, aiming at meeting the goals of income growth, increase productivity, improved quality and enhanced value addition to improve social and economic wellbeing. The Government of Tanzania therefore has a major task to ensure the proposed recommendations of the strategy are fully implemented to improve the economic and social development of the Cotton Sector.

For the Cotton Sector to cope with its development challenges, Tanzania needs to consider innovative solutions which consider income generation and social inclusiveness, but also promote economic integration into regional and global market. With a huge population deriving its livelihood from cotton, it can now emerge as a sustainable cash crop playing a bigger role in rural poverty alleviation.

A number efforts purposed, covering items such as, establishment of contract farming, international and internal market facilitation, processing technologies, mechanization, improved cotton seeds variety breeding are clear priorities of both private and public stakeholders.

Investment will also play a key role in implementing these priorities. It will be essential for the Public sector and development partners to maintain and enable the lively and friendly business environment that will ensure investments in agribusiness and agro-industries are forthcoming.

It is our appeal to the policy makers and development planners increasingly recognize the needs to focus more attention to the cotton sector as well as agribusiness industries. On many occasions and correspondence to the Ministry of Agriculture, Livestock and Fishery we have highlighted the key role of cotton as a cash crop, its value, economic benefits to stake holders and its value addition in contributing to economic development of Tanzania.

It's a time now for cotton sector and agribusiness industries linked together to overcome challenges in order to develop our economy. I therefore call upon all key players from the public and private sector to read this document, make economic sense of it and mobilize their resources to invest on cotton business especially in increasing productivity, improve on quality and embrace value addition.

FOREWORD FROM MR. SYLVESTER KAZI, VICE PRESIDENT TEGAMAT

The Tanzania Cotton to Cloth Strategy is unique among recently developed strategies in the fact that it has been developed through the participation of all stake holders in the cotton to cloth value chain. This could not have been achieved without the collaboration of the United Republic of Tanzania (URT) and International Trade Center (ITC).

ITC on implementing its mandate on the SITA Project visited and identified all stakeholders in the private and public sectors and brought them together in a series of meetings with guidance from experts to develop this strategy.

Tanzania has vast areas and populations for the growth of cotton and despite the low production in recent years; it used to be a top cotton producer in Africa. The textile and garment sectors were traditional industries and much infrastructure lies idle or utilised below capacity. Tanzania like many African countries are net importers of textiles and clothing and net exporters of cotton lint. This strategy has developed actions to create an environment whereby there is an increased productivity and improved quality in cotton. Appropriate actions are recommended to increase spinning and weaving productivity to meet local and export demand.

The garment sector is an important sector that can be a catalyst for the development of the cotton to cloth value chain. This is a low lying fruit sector because of its low cost investment compared to an integrated mill or even a single spinning or weaving unit.

This strategy is a fit all to the current industry policies of the SIDP 1996, IIDS 2012 and the EAC Industrialisation Policy 2014. The common objectives of these policies are to fight poverty through incresed productivity of cotton and its value addition to the point of making garments. This objective can be achieved through removing of administrative burdens, enhancing skills development, improving access to low cost financing and attracting investors, both local and foreign.

The current Government has shown resolve to build local industry particularly agro based industries. We urge the government to adopt this strategy to develop and support industries based on cotton. We advise the Government to use this strategy to implement the second five year development plan the (2nd FYDP).

The ITC propagated SITA project seeks to support specifically trade and investments from India. Tanzania has developed deep relations with the Indian Government as evidenced by the numerous signed bilateral agreements and MoU's including; the South-South Cooperation, Agreement on a Bilateral Investment Promotion and Protection Agreement (BIPPA) etc. The government can use these agreements to develop human resources in industries, increase investments and source financing from India.

Lastly we express our appreciations to the United Republic of Tanzania and ITC for promoting and supporting the SITA Project and particularly the Tanzania Cotton to Cloth Strategy. We would also like to thank all officials from government institutions particularly the Ministry of Industries, Trade and Investments (MITI) and the Ministry of Agriculture, Forestry, Fisheries and Cooperatives (MAFFCO), Tanzania Cotton Board (TCB) private sector organisations; CTI, Tanzania Cotton Association (TCA) and others.

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ACP	Africa, Caribbean and Pacific Group of States
ACTIF	African Cotton and Textiles Industries Federation
AGOA	African Growth and Opportunity Act
ARI	Agricultural Research Institute
ASA	Agricultural Seed Agency
A–WG	Development Partners Agriculture Working Group
BCI	Better Cotton Initiative
BioIPM	Biologically Intensive Integrated Pest Management
BMP	Best Management Practices
BSCI	Business Social Compliance Initiative
C2C	Cotton-to-Clothing
CAGR	Compound Annual Growth Rate
CDTF	Cotton Development Trust Fund
CmiA	Cotton made in Africa
CMT	Cut, Make & Trim
COMESA	Common Market for Eastern and Southern Africa
CSDS II	Second Cotton Sector Development Strategy
CSR	Corporate Social Responsibility
EAC	East African Community
EPZ	Export Processing Zone
EPZA	Export Processing Zones Authority
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FT	Fairtrade
GAP	Good Agricultural Practice
GCF	Gatsby Charitable Foundation
HS	Harmonized System
ICAC	International Cotton Advisory Committee
ICT	Information and Communications Technology
IPM	Integrated Pest Management
ISO	International Organization for Standardization
ITC	International Trade Centre
kWh	Kilowatt-hour
MALF	Ministry of Agriculture, Livestock and Fisheries
MFA	Multi-Fibre Arrangement
MITI	Ministry of Industry, Trade and Investment
MoEVT	Ministry of Education and Vocational Training
MoFP	Ministry of Finance and Planning
MoU	Memorandum of Understanding
NDV	National Development Vision 2025
PoA	Plan of Action
PPP	Public–private partnership
SADC	Southern African Development Community
SEZ	Special Economic Zone
SITA	Supporting Indian Trade and Investment in Africa
SME	Small and Medium-Sized Enterprise
T&C	Textile & Clothing
TACOGA	Tanzania Cotton Growers Association
TanTrade	Tanzania Trade Development Authority
TBS	Tanzania Bureau of Standards
TC	Cotton-to-clothing Technical Committee
TCA	Tanzania Cotton Association
TCB	Tanzania Cotton Board
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture
TDU	Textile Development Unit
TEGAMAT	Textile and Garment Manufacturers Association of Tanzania
TGT	Tanzania Gatsby Trust
TIC	Tanzania Investment Centre
TOSCI	Tanzania Official Seed Certification Institute
TPRI	Tropical Pesticides Research Institute
TRA	Tanzania Revenue Authority
TSN	Trade Support Network
TUFS	Technology Upgradation Fund Scheme
TVET	Technical and Vocational Education and Training
UDSM	University of Dar es Salaam
UMWAPA & KIWAPA	Cotton Buyers and Ginners Associations
VAT	Value Added Tax
VETA	Vocational Education and Training Authority
WCGA	Western Cotton Growing Area
WRAP	Worldwide Responsible Accredited Production
WTO	World Trade Organization

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EXECUTIVE SUMMARY

The goal of the United Republic of Tanzania's Cotton-to-Clothing (C2C) Strategy is to set the sector on the course of strategic development by addressing constraints in a comprehensive manner and defining concrete opportunities that can be realized through the specific steps detailed in its Plan of Action (PoA). The current Tanzanian model has performed well, yielding strong economic and social returns. Yet stakeholders have thus far been unable to leverage cotton production as a springboard for more meaningful socioeconomic progress. If the sector is to become the basis of sustainable growth and value addition, stakeholders must unite and pursue a new strategic model.

The sector's strategic orientation should follow a four-pronged approach. The United Republic of Tanzania must first reorganize its cotton sector and build capacities so as to improve productivity and regain the quality reputation that it once enjoyed. In parallel, efforts can be made to further develop the apparel segment. Thirdly, the country should build on its prior successes and expand sales of mosquito nets in international markets (namely in Africa, India and South-East Asia), while at the same time pursuing growth in regional markets for kanga and kitenge. Where possible, existing textile units can also diversify into new products. Lastly, once both the cotton and apparel segments have been reinvigorated, stakeholders can pursue vertical integration and attract larger amounts of foreign direct investment (FDI) to the capital-intensive spinning and textile segments.

The PoA responds to this vision by setting five strategic objectives to support its implementation.

1. Raise the profitability of cotton production through increased productivity and quality control.
2. Improve the policy environment to raise the efficiency and competitiveness of the C2C value chain.
3. Improve the competitiveness of textile and clothing (T&C) firms through raised productivity and product diversification.
4. Strengthen the United Republic of Tanzania's focus on investment as a vector for growth and integration in the value chain.
5. Strengthen the capacity of firms to diversify markets to raise profitability.

The global C2C sector has been in a constant state of change since the turn of the century, characterized by a continual evolution in the location of both the most significant producing and exporting countries and regions, and the main end markets. Demand surged in developing countries, production was consolidated in Asia, and new countries emerged as fast-growing exporters of T&C products. Buyers are looking to shift more activities to their suppliers while at the same time demanding larger volumes and quicker turnaround times; consumers are pressuring the industry to adhere to corporate social responsibility (CSR) standards; information and communications technology (ICT) is becoming critical to modern production and inventory management; and man-made fibres have become the sector's preferred material.

The United Republic of Tanzania's C2C sector has enjoyed considerable growth since the turn of the century, stimulated by Government support for the cotton segment and preferential access to American and South African markets for T&C products. Internal factors have also helped the United Republic of Tanzania cement itself as one of the leading C2C producers in East Africa, including an abundance of raw materials; access to East Africa's second-largest port; competitive labour costs; availability of both skilled and unskilled labour; competitive power costs; and an array of investment promotion incentives.

Nevertheless, value chain integration remains fragmented and the sector faces an uncertain future. While efforts have focused largely on the production and export of unprocessed cotton, cotton productivity has been declining relative to major competitors, signalling that interventions are required if the United Republic of Tanzania is to remain one of Africa's premier suppliers. The textile and garment segments continue to be quite limited, as there has been little focus on developing downstream activities. Worker productivity is low, power costs are still relatively high in the region, and imports of intermediate textiles are cheaper and of better quality than those produced domestically. All of this has hampered value chain integration. When it comes to garments, the United Republic of Tanzania is particularly far behind the competition. While Ethiopia is actively attracting multinational investors and Kenya is a major exporter, the United Republic of Tanzania is about to lose its most important advantage when the tripartite trade agreement between the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the South African Development Community (SADC) expands South Africa's duty-free access to all of East Africa.

It is therefore clear that the United Republic of Tanzania must find a new model for growth. Given the current status of the sector, and in particular the lack of garment-making capacities, the pursuit of full value chain integration is an unrealistic goal in the short term. Instead, sectoral development can be pursued in the following ways.

i. The United Republic of Tanzania must first reorganize its cotton sector and build capacities so as to improve productivity and regain the quality reputation that it once enjoyed. In the longer term, the improved supply of raw materials will serve as a springboard for value addition and attract foreign investors in the downstream value chain.
ii. In parallel, efforts can be made to attract investment in the apparel segment of the value chain. To achieve this, Government will have to provide special support/investment incentives to bring the United Republic of Tanzania on a par with its regional competitors, especially Ethiopia.
iii. At an overall level, stakeholders must work to reorient national polices to provide thrust to the T&C segments. The Tanzanian policy regime has so far focused on the cotton segment. In order to gain the benefits of value addition in the C2C value chain, there is an immediate need for specific efforts to improve the business climate and attract investors to the T&C sector.
iv. Existing textile units manufacturing kanga and kitenge should continue pursuing growth in regional markets but the medium-term vision should be to diversify into producing fabrics for structured apparel.
v. The country should build on its prior successes and expand sales of mosquito nets in international markets (namely in Africa, India and Southeast Asia), and use its know-how to diversify in environmentally friendly textile production and agronets.
vi. In the medium term, once both the cotton and apparel segments have been reinvigorated, stakeholders can pursue vertical integration and investment promotion agencies may target attracting FDI to the capital-intensive spinning and textile segments.

This Strategy was the result of extensive consultations with public and private sector stakeholders, leading to unprecedented levels of cooperation among sector operators. Key private sector stakeholders and leading institutions facilitated an exhaustive analysis of the sector. Market-led strategic orientations, prioritized by stakeholders and embedded into a detailed implementation plan, provide a clear roadmap that can be leveraged to address constraints to trade, maximize value addition and support regional integration. In addition, the inclusive approach ensured that all stakeholders were committed to the process and left with a clear understanding of each actor's role.

The Strategy provides the United Republic of Tanzania with a detailed PoA to achieve growth in the sector within the next five-year period. It is articulated around five strategic objectives.

1. Raise the profitability of cotton production through increased productivity and quality control.
2. Improve the policy environment to raise the efficiency and competitiveness of the C2C value chain.
3. Improve the competitiveness of T&C firms through raised productivity and product diversification.
4. Strengthen the United Republic of Tanzania's focus on investment as a vector for growth and integration in the value chain.
5. Strengthen the capacity of firms to diversify markets to raise profitability.

THE COTTON-TO-CLOTHING PRODUCT MAP

The global C2C industry represents an extensive value chain and creates a wide variety of product types, supplying different types of markets, each with their own set of rules. Figure 1 attempts to map the product categories of the C2C value chain by categorizing market segments. Five categories were identified based on the product range.

- The first category of products is the one aiming at the end consumer directly through the retail market. These products require high marketing and branding investments, and include products as different as clothing items and oil for salads.
- The second category groups products aimed at wholesale markets, but not for industrial uses. These types of products include soap or towels bought in large quantities by the hotel industry, for instance.
- The third category of products is oriented to industrial use, which means that these are utilitarian products that serve to create other products for which they are not the main component. These include products used for packaging of food, mechanical oils, fertilizers and even cattle food.
- A fourth category of cotton-based products is medical use products. These products require perfect sanitary conditions for their manufacturing and high investments in quality control, considering the strict regulations for the medical sector. Bandages, sanitary towels and cotton wool for cleansing are some of the cotton-based products in this category.
- Finally, cotton-based products are also sold for further industrial processing by different national or international companies. These products will remain the major component of the final products. This is the case for cotton yarn and textiles, for example.

Figure 1: *Cotton-based product map*

Source: International Trade Centre (ITC) desk research.

GLOBAL TRENDS

GLOBAL TRENDS IN THE COTTON SECTOR

Cotton is often considered to be one of the world's most important raw materials. A key component in the T&C industry (accounting for roughly one-half of T&C materials), it has been an engine of economic growth and industrialization throughout history. Cotton has long been a basis for the expansion of value addition, leading to the development of downstream activities (T&C production) as well as the propagation of supply and support services at the farm level.

Not only is cotton a basis for light industry, it is also a cash crop that increases income and welfare for farmers. Cotton is the most widespread non-food crop and it supports the livelihoods of over 250 million farmers across the globe while accounting for 7% of employment in developing economies.[1]

The International Cotton Advisory Committee (ICAC) estimates that global production reached 26.3 million tons in 2014/15, having been cultivated on 34.3 million hectares of land and yielding 768 kg/ha.[2] While most of the output was used by producing countries, close to 7.8 million tons were traded.

The recent development of the global cotton sector has been driven by the following trends.

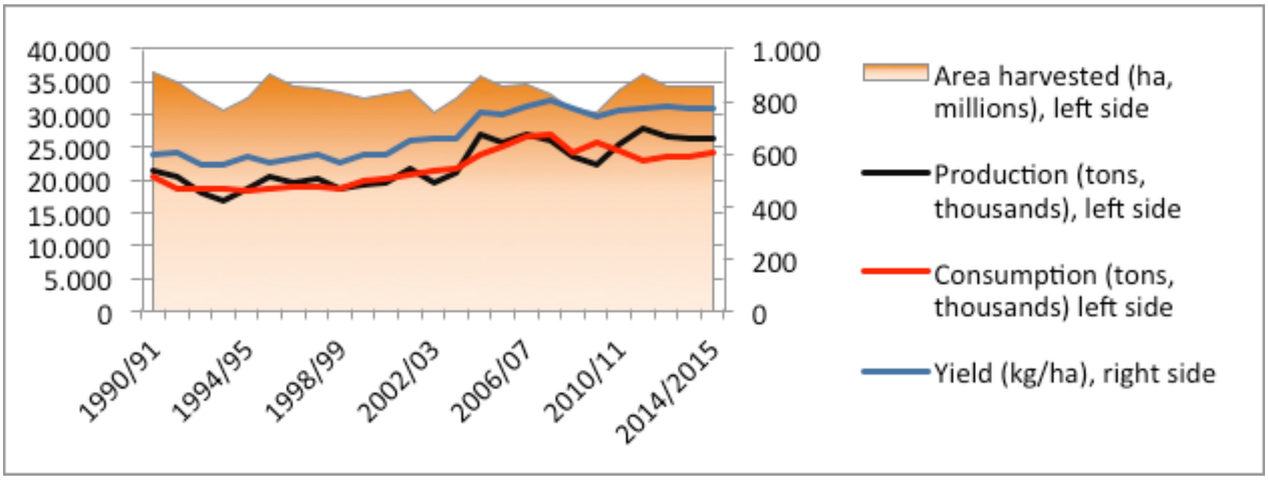
GLOBAL PRODUCTION AND YIELDS

Global production has risen steadily over the past 25 years, growing 22% between 1990/91 and 2014/15. This increase was driven by an increase in yields, which grew by 29% over the same period. Area under cotton cultivation meanwhile fell by over 5%. The majority of gains were realized between the turn of the century and the 2004/05 season. During this five-year period, production jumped 41% from 19.5 million tons to 27 million tons, driven by a 27% growth in yields (from 592 kg/ha to 756 kg/ha) and an 11% growth in area under cultivation. Since then, the sector's growth has been largely flat.

1. World Wildlife Fund (2015). Sustainable agriculture: cotton-overview. Available from http://www.worldwildlife.org/industries/cotton.

2. International Cotton Advisory Committee in association with Generation 10 (2015). Statistics Database. Available from https://icac.generation10.net/statistics/index. Accessed 12 October 2015.

Figure 2: *Global cotton production trends, 1990/91–2014/15*



Source: International Cotton Advisory Committee in association with Generation 10 (2015).

While production has recovered from the lows experienced following the recession in 2008/09, consumption has yet to return to previous levels. Instead, consumption has suffered from the recent shift towards man-made fibres in the T&C industry (detailed later during the analysis of global trends in the T&C segments, 'The only constant is change'). The resilience of production may be attributed in part to demand from China, which was stockpiling significant amounts of cotton. However, the end of this practice may signal that production will decline and align itself with the lower consumption figures, particularly in light of uncertain global economic growth.

SUBSIDIES[3]

The cotton industry has historically been the target of significant government support that has distorted market mechanisms. This support has taken the form of direct production support, import/export controls, insurance subsidies and price support mechanisms. Global cotton subsidies were valued at US$6.5 billion in 2013/14. While in total this is below the record US$7.4 billion of 2012/13, on a per-pound basis it is the same as the year before (US$0.26 per pound).

The biggest subsidies by far were provided by China. The Chinese Government protects its industry through quotas and sliding scale duties; by purchasing cotton at a minimum support price for its strategic reserves; by paying producers to use high-quality seeds; and by subsidizing transport. The United States of America is the second-largest provider of cotton subsidies, which take the form of subsidies for crop. Other countries providing significant levels of subsidies to the cotton sector include Turkey, Greece and Spain. In addition, a number of West African countries subsidize farmer inputs, including Burkina Faso, Mali, Côte d'Ivoire and Senegal.

ORGANIC AND IDENTITY COTTON[4]

Another trend to characterize the cotton sector's development has been the proliferation of organic and identity cotton. The production of organic and identity cotton has expanded in line with growing demand from consumers for ethically sourced products. Consumers are more interested than ever in supporting economic activities that reduce environmental harm and provide more socioeconomic benefit to the producer. Governments, non-governmental organizations and private companies have all responded to this demand by creating standards for production and certification. The principal identity cotton initiatives include organic cotton, Cotton made in Africa (CmiA), Better Cotton Initiative (BCI), Fairtrade (FT) and Bayer's e3.

According to ICAC, organic and identity cotton farmers produced 1.14 million tons of lint on 1.5 million hectares of land in 2012/13. The production of organic and identity cotton grew by 19% from 2011/12 to 2012/13, as its share of total global cotton production jumped from 3.5% to 4.3% year-on-year. The most important programme was BCI, which accounts for 66% of the segment, followed by CmiA (14%) and organic (10%).

BT COTTON

Bt cotton is a variety of cotton that has been genetically modified to contain genes from *Bacillus thuringiensis*, a bacterium commonly found in soil.[5] The new genes allow the cotton to produce insecticidal toxins, helping fight bollworms and other pests, and thereby reducing the need to treat crops with insecticides.

Cotton farmers have benefited tremendously from the use of Bt cotton. In a study of the Indian cotton sector, for example, it was determined that Bt cotton led to a 24% increase in yields from 2002 to 2008 (due to decreased pest damage) as well as a 50% increase in smallholder farmer profits.[6]

Even so, Bt cotton is not without its critics. In some countries, there is a growing movement against genetically modified crops. In others, recent events have reminded stakeholders of Bt cotton's shortcomings: the Bt toxins are highly specialized and they only target specific pests.[7] This was historically considered an advantage because, unlike pesticides, they would not destroy 'good' or 'secondary' pests. However, in the absence of pesticides, some of these secondary pests have grown into a greater threat. While continuous efforts are being made to produce new genetically modified crops, more work needs to be done at the farm level to ensure Bt cotton's benefits are sustainable.

3. Elton Robinson (2014). World cotton subsidies estimated at $6.5 billion last year. *Delta Farm Press*, 3 October. Available from http://deltafarmpress.com/cotton/world-cotton-subsidies-estimated-65-billion-last-year.

4. International Cotton Advisory Committee (2014). *Report of the Task Force on Cotton Identity Programs*. ICAC.

5. Stewart, Scott D. (2007). *Bt Cotton*. University of Tennessee Extension.

6. Kathage, Jonas and Qaim, Matin (2012). Economic impacts and impact dynamics of Bt (*Bacillus thuringiensis*) cotton in India. *Proceedings of the National Academy of Sciences of the United States of America*, vol. 109, no. 29.

7. Times of India (2015). Does the devastation of Bt cotton crop in Punjab signal a beginning of the end of a new technology? 10 October. Available from http://blogs.timesofindia.indiatimes.com/minorityview/does-the-devastation-of-bt-cotton-crop-in-punjab-signal-a-beginning-of-the-end-of-a-new-technology/.

Figure 3: *Principal advantages of contract farming*

Farmers	Buyers
• Higher and more stable incomes • Access to markets • Access to affordable credit and inputs • Access to technologies, extension, training and information • Reduction of production and marketing risks	• Increased efficiency • Lower labour-related transaction costs (particularly with regards to supervision and motivation) • Location-specific traditional knowledge • Access to scarce land and resources

Source: Will, Margret (2013).

CONTRACT FARMING

Contract farming is defined as [a] forward agreement specifying the obligations of farmers and buyers as partners in business. Legally, farming contracts entail the sellers' (farmers') obligation to supply the volumes and qualities as specified, and the buyers' (processors'/ traders') obligation to off-take the goods and realize payments as agreed. Furthermore, the buyers normally provide embedded services such as:

- Upfront delivery of inputs (e.g. seeds, fertilizers, plant protection products);
- Pre-financing of input delivery on credit (explicit rates not always charged); and
- Other non-financial services (e.g. extension, training, transport and logistics).[8]

While not a new innovation, contract farming has grown in popularity over recent years as policymakers and business people seek to leverage agriculture for socioeconomic development. Contract farming has been shown to be an effective means of empowering small producers in a globalized economy, helping them to access inputs, credit and expertise while at the same time ensuring linkages to both local markets and global value chains. From the buyer side, contract farming allows them to access scarce land resources and dedicated labour that is familiar with local growing conditions.

Moving forward, the continued proliferation of contract farming in the cotton sector is likely to help smallholder farmers in developing countries access inputs and knowledge which they currently cannot. In addition, it will help facilitate market access through the development of market linkages.

8. Will, Margret (2013). *Contract Farming Handbook*, p. 16. German Agency for International Cooperation (GIZ).

REGIONAL PRODUCTION PERSPECTIVE

There are 14 cotton-producing countries in Eastern and Southern Africa.[9] Over the past 25 years, these countries accounted for an average of 2% of global cotton output, 1% of global mill use and 1% of global consumption. The largest producers in the region are Zimbabwe, the United Republic of Tanzania and Zambia, while the largest consumers are Ethiopia, the United Republic of Tanzania and South Africa.

While the region's relative share in world output has remained roughly the same, absolute production has gradually risen. Average production over the past five seasons (2008/09–2013/14) was 380,000 tons, as opposed to 249,000 tons in the late 1980s and early 1990s. This was driven by an increase in land under cotton cultivation as well as improved yields (now at 226 kg/ha, up from 204 kg/ha).

Despite this steady increase in production, regional output continues to be hampered by relatively low yields.[10] World yields have been consistently double those of the region and have recently reached 780 kg/ha, more than triple the 233 kg/ha achieved in Eastern and Southern Africa. Regional yields remain both low and variable given the continued reliance on rain-fed agriculture. A variety of other factors contribute to subpar yields:

i. Cotton is often planted as a secondary crop and given less attention due to the higher prices that can be reaped from food crops;
ii. Low soil fertility, which is compounded by limited use of fertilizers (price is not seen as justified);
iii. Reliance on manual fieldwork;
iv. Limited use of herbicides because they are considered too expensive;
v. The use of subpar planting seed;
vi. Lack of extension services;
vii. Rising production costs and inability to finance appropriate inputs.

9. International Cotton Advisory Committee (2014). *Cotton: Review of the World Situation*, vol. 67, No. 6, July–August.

10. *Ibid.*

While many of the region's governments have committed themselves to supporting growth in the C2C sector, significant improvements in yield and infrastructure will take time to materialize. As such, experts do not expect yields to move beyond 235–240 kg/ha over the next 5–10 years. Similarly, area under cultivation is expected to remain within the 1.5 million to 1.6 million hectare range and production will fluctuate between 350,000 and 400,000 tons. If anything, unpredictable weather and price movements may put downward pressures on yields and production.

TRADE

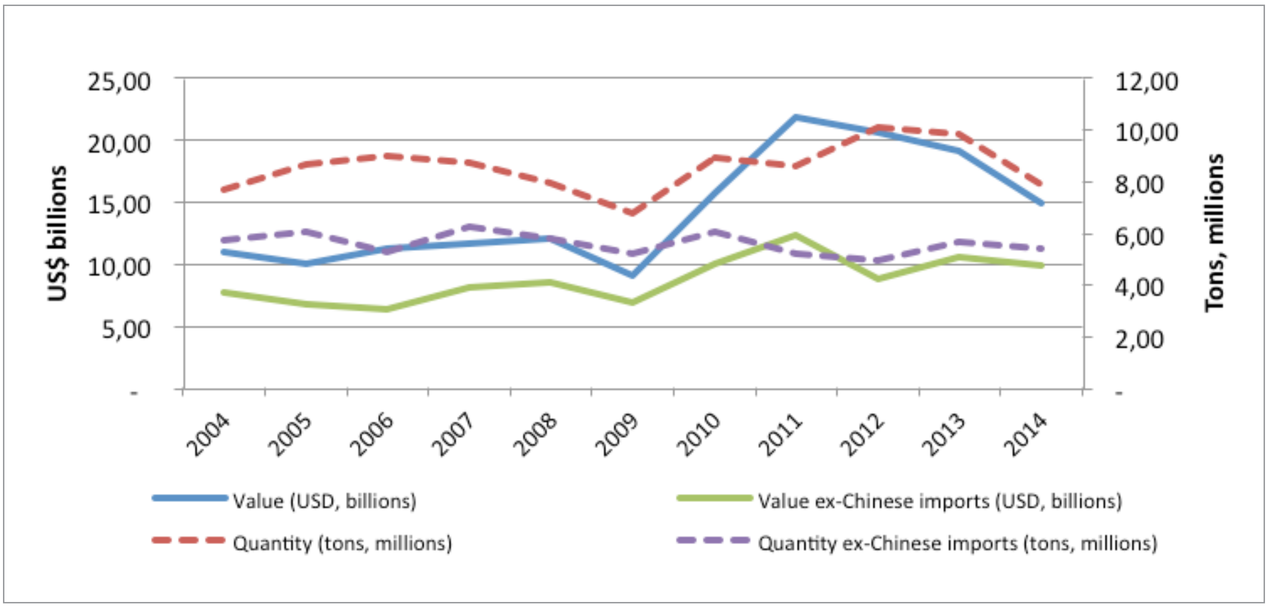
Just one-third of global cotton output is traded, as the largest cotton-producing countries are also those with the highest consumption (in terms of mill use). The cotton trade has historically been quite competitive and over 400 firms currently participate. Even so, recent years have born witness to increasing market concentrations as larger, diversified trading firms grow in prominence. It should also be noted that the sector is heavily influenced by direct government support, which surpassed US$6.5 billion in 2013/14.

Exports of cotton lint in 2014 amounted to 7.8 million tons, valued at US$14.9 billion.[11] This represents a five-year annual growth rate of 10% in terms of value and 3% in terms of quantity. Exports have nonetheless fallen from a peak of US$21.8 billion and 10 million tons that was reached in 2011–2012. The growth leading up to the peak was driven mainly by two factors: China's accumulation of huge cotton stocks and increasing prices. Whereas prices peaked in 2011, China's imports have fallen markedly from 2012 onwards. As illustrated in figure 4, when Chinese imports are excluded, global trade appears to have been much more stable.

The United States is the world's leading exporter, accounting for 30% of cotton exports in 2014, followed by India, Australia and Brazil. Africa accounts for 15% of the global cotton trade and its exports are dominated by Burkina Faso, which exported US$496 million of cotton in 2014, followed by Côte d'Ivoire (US$322 million), Mali (US$314 million), Benin (US$287 million) and Cameroon (US$160 million). Asia is the largest importing market for cotton, accounting for 85% of global imports, and China has been the largest importer since 2002/03.

11. International Trade Centre (2015). Trade Map Database. Available from http://www.trademap.org/Index.aspx.

Figure 4: *Global cotton exports 2004–2014*



Source: International Trade Centre (2015).

Table 1: *Global trade in cotton (Harmonized System (HS) codes, HS-5201 and HS-5203)*

Exporters	Exports 2014 (US$ thousands)	Share (%)	5-year Compound Annual Growth Rate (CAGR) (%)	10-year CAGR (%)	Importers	Imports 2014 (US$ thousands)	Share (%)	5-year CAGR (%)	10-year CAGR (%)
World	14 907 867	100	10	3	World	15 574 544	100	11	3
United States	4 481 470	30	5	0	China	4 991 298	32	19	5
India	2 822 477	19	23	30	Turkey	1 750 703	11	12	8
Australia	1 811 402	12	34	10	Indonesia	1 400 945	9	12	7
Brazil	1 359 294	9	15	13	Viet Nam	1 201 638	8	25	20
Burkina Faso	496 062	3	15	5	Bangladesh	1 157 650	7	0	4

Source: International Trade Centre (2015).

Box 1: Implications for the United Republic of Tanzania

In the medium term, the global cotton trade will be characterized by the following trends.

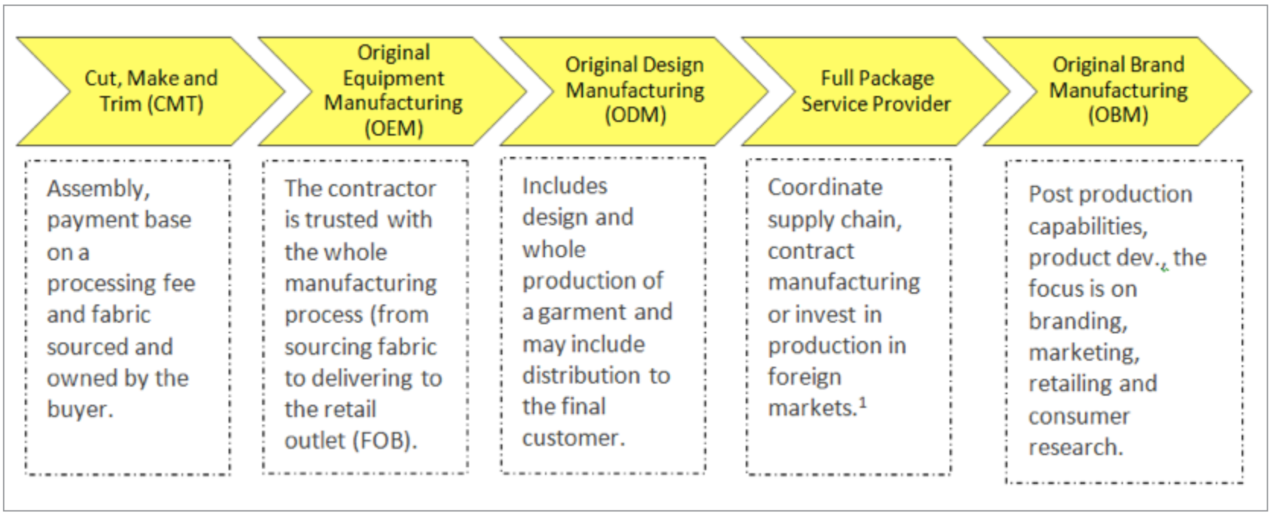
- Cotton production is expected to level off below 25 million tons per year.
- The world cotton trade is expected to remain around 7.8 million tons per year, as Chinese imports are projected to fall below 1.5 million tons.
- United States exports are expected to be about 2 million tons and Indian exports are estimated to be about 1.2 million tons.
- As the level of stocks will continue to put pressure on international prices, the value of global cotton exports is expected to level off at around US$ 11 billion.
- The proliferation of identity cotton may provide a means for cotton to compete with man-made materials.

GLOBAL TRENDS IN TEXTILE AND CLOTHING

While the global T&C industry has always been a fast-evolving sector, the past 15 years have borne witness to particularly dramatic shifts in which the structure of the sector has been constantly redefined. While disjointed production was consolidated in Asia and China grew to dominate the market, new players – including Viet Nam, Myanmar and Cambodia – have recently emerged as some of the fastest-growing exporters of T&C products. Changing demographics meanwhile have seen a proliferation of demand in new markets such as India.

One of the key drivers behind these transformations is the ever-changing policy environment; while the dismantling of the Multi-Fibre Arrangement (MFA) facilitated a consolidation of production in Asia, the introduction of the African Growth and Opportunity Act (AGOA) catalysed renewed competitiveness in Africa. In turn, the coming Trans-Pacific Partnership will surely redefine the competitive landscape once again. Changes in the policy environment have been complemented by technological evolutions that have stimulated remarkable gains in productivity, product diversity and quality, thereby allowing polyester and blended fabrics to become preferred materials.

Figure 5: *Trend towards greater value addition*



Source: Based on Gereffi and Frederick (2010), pp.12 & 35, and Staritz, Cornelia (2012).

For now, Western countries have retained much of the higher value added portions of the value chain, including research, design, marketing, financial services and capital-intensive textile production. The lower-value segments, such as low-margin and labour-intensive activities, continue to be concentrated in developing markets. Yet even this has been subject to the pressures of change in recent years. Given the low profit margins in the manufacturing segment of the value chain, one of the few ways for retailers to reduce costs and for the producers to add more value is to shift more of the design and development work to the manufacturing country. This has stimulated a shift in developing countries, where suppliers who were once engaged only in cut, make and trim (CMT) activities are being entrusted with larger portions of the value chain.

Large, international retailers (transnational corporations) have grown to dominate the T&C value chain. They have gained significant influence over the choice of production locations and they enjoy considerable bargaining power. These companies, which are generally based in the United States, European Union (EU) and Japan, purchase large quantities of goods. Following the elimination of the MFA, they have been consolidating production in fewer and fewer countries. Where they exist, foreign affiliates of transnational corporations often account for the majority of T&C exports from developing countries.

While acceptable price levels are a condition that potential suppliers must meet, the world's leading buyers consider a number of fast-evolving criteria to be key success factors, including quality production and assurance (product testing); timely delivery; competitive pricing; product development capacities; social compliance (health and safety, workers' rights, environment); adequate distribution capacities; and vendor-managed inventory capacities.[12] From a macro perspective, buyers often take care to mitigate the following risks: inflation, poor energy and water provision, wage increases, unstable currency exchange rates, weak rule of law, barriers to trade, political instability, weak intellectual property protection, difficult physical access to markets, and unattractive credit environments. This highlights the role of government in ensuring a stable and attractive overall business environment.

More specific to the T&C sector, suppliers such as the United Republic of Tanzania wishing to secure their place in the global value chain must be able to adapt to the following trends and market requirements.[13]

VOLUMES

A key trend is the increased volumes required by retailers. Retailers themselves are growing in size and they require significant quantities of product. While these volumes used to be sourced from a variety of locations during the MFA era, retailers are looking to streamline their production by reducing the number of countries/suppliers that they source from. Suppliers must therefore be able to meet buyer volume requirements, either alone or in partnership through consolidation, if they are to enter some of the most attractive supply chains.

12. PriceWaterhouseCoopers (2008). *Global Sourcing: Shifting Strategies*.

13. Information for Development Programme (2008). *The Global Textile and Garments Industry: The Role of Information and Communication Technologies (ICTs) in Exploiting the Value Chain*.

SPEED TO MARKET

Fast fashion brands such as Zara have revolutionized supply chain management. Point-of-sale technologies now allow retailers to analyse trends. This analysis is then used to quickly produce and stock goods according to the latest market dynamics. This has resulted in fast turnover where products have short life spans and suppliers need the capacity to respond to variable orders. Upstream and downstream service providers (and material suppliers) must also support clothing manufacturers in their efforts to turn around and deliver finished products in such a short time frame.

CONSUMER PRESSURES

Consumers have become increasingly concerned about the treatment of workers in the T&C sector. This has put pressure on the industry to begin adhering to CSR programmes and Codes of Conduct. These schemes, which also cover suppliers and subcontractors, require that firms be audited in order to ensure compliance with various health, safety and environmental issues. While this can result in higher costs, better social and working conditions may also lead to increases in productivity, thereby fostering increased profitability. Some United States and EU buyers have begun excluding suppliers that do not meet such criteria.

MAN-MADE MATERIALS

The past decade has seen a marked shift away from natural fibres towards man-made materials. In 2013, man-made fibres accounted for 70% of fibre production worldwide, as opposed to just 55.5%[14] in 2007.[15] Spurred in part by technological advancements that allowed for enhanced productivity, increased quality, lower costs and greater diversity, a turning point came with the financial crisis of 2008. At this time, retailers turned to synthetic materials as a means of cutting costs in an effort to survive.[16] The trend was reinforced when cotton prices spiked considerably in 2011. Consumers meanwhile have also developed a preference for synthetic or blended materials.

LEAN RETAILING

Retailers increasingly want to focus on sales while transferring all other supply chain activities to their suppliers. Retailers are also beginning to engage more directly with producers, removing the middlemen of the past and requiring suppliers to act as 'full package' service providers. Suppliers are expected to provide more services than before, from the sourcing of materials to logistics and delivery. While the ability to provide such full package services requires integration and significant management skills, it does present an opportunity for low-cost manufacturers to capture greater value.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

The growing role of ICT is a direct response to some of the other trends. Disaggregated production requires efficient and timely information sharing, while fast fashion necessitates the same. ICT also allows suppliers to vertically integrate and provide full package services to lean retailers. Technologies such as Computer-Aided Design are required for modern production. ICT can aid the communication between supplier and buyer, allowing for the automated checking of orders, stocks and prices. Enterprise resource planning meanwhile integrates orders, sourcing, manufacturing, account handling and logistics, thereby helping companies optimize operations. In addition, modern ICT tools can allow manufacturers to track units throughout the production line in real time, facilitating more effective monitoring.

In light of these trends, Tanzanian stakeholders must build capacities in a strategic manner so that the country's enterprises are enabled to meet the rigorous demands of today's buyers. Growth must be consumer-oriented and ICT integration will be crucial. To this end, efforts must be made to attract FDI to specific domains that require investment, technology and knowledge transfer, including online inventory management and enterprise resource planning. While technical skills must be enhanced in order to allow for greater productivity, improved managerial skills will be required to engage in complex, full package service delivery. In addition, stakeholders must increase coordination so that they can supply adequate volume through consolidation and advocate for necessary policy support. The Government meanwhile must be sure to address policy constraints (particularly with regards to CSR issues and electricity provision), facilitate the upgrading of infrastructure, and remove other trade hurdles.

14. Food and Agriculture Organization of the United Nations and International Cotton Advisory Committee (2013). *World Apparel Fiber Consumption Survey*. Washington, D.C.: ICAC.

15. Leonie Barrie (2015). Man-made fibres climb to 70% of total production. *Just-Style*, 14 January. Available from http://www.just-style.com/news/man-made-fibres-climb-to-70-of-total-production_id124084.aspx.

16. Alexandra Wexler (2014). Cotton's crown threatened by man-made fibers. *The Wall Street Journal*, April 25. Available from http://www.wsj.com/articles/SB10001424052702304049904579516282130809074.

RESILIENT GLOBAL TEXTILES AND CLOTHING TRADE IN THE FACE OF GLOBAL UNCERTAINTY

Global T&C exports have grown by 6% annually since the turn of the century, despite the 2008 financial crisis. Indeed, exports of clothing fell by only 12% in 2009, whereas total exports declined by 23%. This resilience is one of the reasons that the sector continues to attract investment. The steady demand for T&C products makes it a relatively stable source of foreign exchange earnings for many countries.

Valued at US$781 billion in 2013, sectoral exports currently account for 4% of international trade. The most important product categories include knitted apparel (US$192 billion), woven apparel (US$187 billion), cotton fibre and textiles (US$55 billion), made-ups (US$50 billion), man-made filaments and textiles (US$38 billion), and man-made staple fibre and textiles (US$36 billion).

Apparel accounts for 57% of the global T&C sector. The largest markets for clothing imports are the United States (21.2%), Germany (9%), Japan (8%) and the United Kingdom of Great Britain and Northern Ireland (6.3%). A number of markets – including the Russian Federation, the United Arab Emirates, Viet Nam, the Republic of Korea, Australia and China – have been growing at a very fast pace. The top 10 markets account for 65.5% of total imports today, down from 77.3% in 2003, highlighting the growing consumer base in developing and frontier markets.

Clothing exports have concentrated significantly over the past decade: while the top 10 exporters accounted for 59% of global exports in 2003, that share had grown to 73% in 2013. This period also saw China solidify its position as a market leader, its share of exports having nearly doubled from 20% in 2003 to 38.8% today. In addition to China, export growth in Bangladesh, Viet Nam and India has been quite notable; the former two have in fact gained relative market share with respect to China.

Clothing production has shifted steadily towards Asia, which now accounts for 65% of world exports, compared with 32% in 2004. This shift was stimulated by the dismantling of the MFA, after which producers sought to consolidate production in low-cost locations throughout Asia. In addition, international buyers have been steadily shifting greater responsibility to their suppliers. By moving away from simple CMT, larger portions of the value chain are now concentrated in supplier countries. It should be noted that, despite the shift to Asia, a variety of countries still maintain competitive advantages based on factors such as proximity to markets (for example, Turkey to the EU), or access to specific markets under preferential trade agreements.

Textiles account for the remaining 43% of sectoral trade. The structure of textile imports has remained fairly static over the last 10 years, and the United States and China have continued to be the top two importers. Even so, a number of new markets have begun to grow in importance. These include Viet Nam, whose imports had a CAGR of 18.1%, Bangladesh (15.9%), Indonesia (22.9%), the Russian Federation (15.9%) and the United Arab Emirates. Markets meanwhile have become slightly less concentrated: the top 10 importers now account for 46.7% of the market, down from 53.5% in 2003.

Table 2: *Top exporters of clothing, 2003–2013*

No.	Exporters	Exported value in 2003 (US$, thousand)	Exported value in 2013 (US$ thousand)	CAGR (%)	Share (%)
1	China	45 757 114	165 044 601	13.7	38.8
2	Bangladesh	5 040 792	26 258 818	17.9	6.2
3	Italy	15 449 056	21 625 743	3.4	5.1
4	Viet Nam	3 386 376	18 496 564	18.5	4.3
5	Germany	9 127 940	18 320 287	7.2	4.3
6	India	5 916 206	15 702 657	10.3	3.7
7	Turkey	9 546 445	14 961 774	4.6	3.5
8	Spain	3 384 396	11 065 848	12.6	2.6
9	France	6 580 732	10 079 791	4.4	2.4
10	Belgium	5 167 839	8 678 581	5.3	2.0

Source: International Trade Centre (2015).

As with apparel, the largest exporter is China, which enjoys a 29.7% market share. The textile supplier base has also grown more concentrated: the top 10 exporters now account for 70.6% of total exports, compared with 63% in 2003. As textile production requires more technology and skill than the apparel segment, it is generally less flexible. It requires significant financial resources as well as time, and most developing countries are engaged in textile production to only a limited extent. Nevertheless, a number of such countries, including China, India, Turkey and Viet Nam, have registered considerable growth over the past 10 years.

Table 3: *Top exporters of textiles, 2003–2013*

No.	Exporters	Exported value in 2003 (US$, thousand)	Exported value in 2013 (US$ thousand)	CAGR (%)	Share (%)
1	China	27 454 487	108 898 007	14.8	33.4
2	India	6 521 615	19 854 948	11.8	6.1
3	Germany	13 973 846	16 493 995	1.7	5.1
4	United States	11 888 902	16 080 252	3.1	4.9
5	Italy	14 008 743	13 926 994	-0.1	4.3
6	Republic of Korea	11 579 132	13 782 165	1.8	4.2
7	Turkey	5 430 513	12 560 332	8.7	3.9
8	Chinese Taipei	10 052 788	10 920 608	0.8	3.3
9	Pakistan	5 862 994	9 398 146	4.8	2.9
10	Japan	7 139 211	8 209 987	1.4	2.5

Source: International Trade Centre (2015).

Box 2: Room for emerging producers

Trade statistics highlight the fact that the sector continues to favour developing countries with competitive cost structures. It should also be noted that while a significant portion of the market is dominated by the largest exporters, smaller countries have recently succeeded in capturing greater market share. This, in conjunction with the sector's continued growth even in times of crisis, indicates that there is ample space for exporters with attractive cost structures, such as the United Republic of Tanzania, to expand their participation.

Today, Africa contributes only 2.3% to global apparel exports, down from 3.7% at the turn of the century. Even so, renewed interest in Africa may present the United Republic of Tanzania with an opportunity to capitalize on its competitors' diminishing advantages.

Box 3: Changing dynamics in China will lead to a $100 billion trade gap

While China currently accounts for nearly 40% of the sector's total exports, its economy is at a crossroads in which private consumption will begin to overtake investment as the main driver of economic growth. This shift will likely result in structural changes to export-oriented sectors such as T&C.

As domestic demand for apparel grows, Chinese firms will become more oriented towards the local market, thereby reducing their exports. In addition, supply-side shifts are expected to reduce garment production. As a result of increasing costs and a greater focus on service providers, T&C output growth is expected to drop from 7% to a more moderated 5%–6% per year. The combination of these demand- and supply-side shifts will result in a global trade gap: worldwide clothing exports are expected to grow to US$1,700 billion by 2025 (CAGR of 6.5%), whereas China's T&C exports will only grow by a CAGR of 6%. The net result of this lag will be a US$108 billion market gap that represents an opportunity for other countries wishing to increase their share of the global market.

Source: Wazir Management Consultants (2013).

THE DECADE AHEAD FOR THE GLOBAL TEXTILE AND CLOTHING INDUSTRY

Experts indicate that these market trends are likely to continue, helping to shape the sector throughout the next decade. The apparel market is expected to grow to US$2.1 trillion in 2025, up from US$1.1 trillion today. This will be driven largely by the growing consumption of T&C products in developing countries. Per capita spending on clothing will likely grow at the fastest pace in India (11%), China (10%), the Russian Federation (8%) and Brazil (4%). Despite slower growth in developed countries, per capita spending on clothing will still be higher in the West. Nevertheless, the quicker per capita expansion in the developing world, together with strong population growth, will it overtake the West as the main market for T&C products.[17]

The two fastest-growing markets will be China and India. This growth will be supported by the following trends in the two countries:

- Economic expansion and growth of disposable income
- Population growth
- Growing preference among Chinese consumers to buy for fashion as opposed to utility
- Increased exposure to organized retail and branded clothing in India
- Expansion of domestic brands
- Growth of online retail.

17. Wazir Management Consultants (2015). *Investment Opportunity for Textile Machinery Manufacturing in India: Tapping a US$75 billion textile machinery market by 2020.*

By 2025, China will account for 27% of the total market for apparel products and the combined market size of China and India will surpass that of the EU and United States.

Experts also note that the sector will require significant investment in the coming years. The T&C sector is relatively capital-intensive: the investment to turnover ratio is 1:1 for spinning, 1:1.5 for fabric production and 1:4 for clothing production. As such, an investment of US$85 million (land, building, equipment and other fixed assets) is required to produce a US$100 million value of production at the garment stage of the value chain. Enterprises must make investments in order to both increase capacity and replace existing machinery. Experts calculate that the growth in global apparel demand will require an additional US$165 billion of value of production by 2025.[18] Given the investment turnover ratios, this will require US$142 billion of investments throughout the value chain. The replacement/upgrading cost of current equipment meanwhile is expected to be roughly US$210 billion during the same period. The total required investment in the sector is therefore expected to be US$350 billion.

18. Apparel demand is expected to grow by US$1 trillion (from US$1.1 trillion to US$2.1 trillion). Given that this increase will be due to both price and volume growth, and assuming an average of 3% price inflation, demand will grow by US$410 billion (retail) or US$165 billion (value of production). (Wazir Management Consultants (2013). *The Road to 2025: 5 Market, Trade, and Investment Trends That Will Define the Course of Textile and Apparel Industry,* p. 22.)

Photo: (CC BY-SA 2.0) Tanzania Cotton Board (TCB), *Cotton in ginnery.*

Box 4: Implications for the United Republic of Tanzania

The developments in the sector have a number of implications for the United Republic of Tanzania as it seeks to secure its place within the global value chain.

- Consumers are putting increased pressure on the T&C sector to improve social responsibility: suppliers are required to comply with CSR.
- The demand for full package services from lean retailers requires that suppliers expand their service offerings and create strategic partnerships with vendors rather than purely transaction-based relationships; this presents an opportunity for low-cost manufactures to capture greater value.
- Firms must increase volume capacity, either internally or through consolidation/partnership agreements, to meet large and often unpredictable buyer requirements.
- Firms must increase their ability to quickly supply the market in response to fast fashion demands.
- Companies are highly encouraged to invest in quality, increase their product development competency and develop their multi-fibre expertise.
- Increased management and ICT capacities will be required to satisfy buyer demands.
- So far, Asian countries have emerged as winners in global trade. In the next few years, some of them will become important markets as well. China's increasing focus on the domestic market and value added production will result in multi-billion-dollar trade opportunities for suppliers in competing nations. Trade intelligence will be essential to tap into these opportunities.

Photo: MIMCO x EFI 2nd collection © Louis Nderi & ITC Ethical Fashion Initiative (35)

VALUE CHAIN ANALYSIS AND SECTOR DIAGNOSTICS: VALUE ADDITION CONTINUES TO BE ELUSIVE

HISTORICAL PERSPECTIVE: FROM THE COLONIAL ERA TO THE PRESENT DAY

COTTON

The history of cotton cultivation in the United Republic of Tanzania dates back to 1904, at which time German settlers attempted to introduce cotton as a plantation crop.[19] While these initial efforts met with little success, the 1920s witnessed the birth of smallholder cotton production in eastern, and then western, United Republic of Tanzania. Even so, it was not until 1928 that production on a commercial scale began in Ukiriguru along the newly completed Tabora–Mwanza railway.

The cotton varieties that were originally introduced came from the United States. As such, their poor adaptation to local conditions resulted in relatively low yields. Beginning in the 1930s, however, researchers began to develop new, pest-resistant varieties that were better suited to local conditions. The release of these seeds led to significant growth in cotton output, particularly in the west. Another milestone was the creation of the Lint and Seed Marketing Board of Tanganyika (now the Tanzania Cotton Board (TCB)) in the early 1950s, whose role was to market cotton lint.[20] It was also at this time that cotton ginneries were introduced into rural cotton-growing areas such as Mwanza and Shinyanga.[21] These various advancements helped spur the sector's growth, and by 1966 the United Republic of Tanzania was producing 80,000 tons of cotton.[22]

The 1960s also brought about significant structural changes within the sector: until this time, ginneries had been privately owned, largely by Asian investors. Relationships between these ginners and the cotton growers deteriorated and farmers began to organize themselves into primary societies. These societies began by purchasing crops and in time led to the formation of more complex cooperative unions that trained staff and built their own ginneries. The competition with the unions constrained many foreign investors to sell their ginneries and cotton oil mills. By 1968 few ginneries remained outside of union control.

It was in this way that the unions became the sole buyer of cottonseed (monopsony) and the Lint and Seed Marketing Board became the sole seller of lint (monopoly). The sector thus came to be characterized by vast inefficiencies: the controlling organizations grew increasingly bureaucratic while catering little to the needs of the sector. Recognizing the need for reform, the Government abolished cooperatives in 1976, reorganized the Lint and Seed Marketing Board into the Tanzanian Cotton Authority, and set fixed prices for farmers. During this period the Authority was responsible for the entire sector, including the production and purchase of cotton seed, and the processing and marketing of lint.[23] As with the previous regime, however, this new structure eventually failed to live up to expectations and the unions were restored in 1984.[24] At this point, the Tanzania Cotton Marketing Board

19. Baffes, John (2002). Tanzania's cotton sector: constraints and challenges in a global environment, p. 1. Africa Region Working Paper Series no. 42. World Bank.

20. Tanzania Cotton Board (2014). About TCB: history. Available from http://cotton.or.tz/about-tcb.

21. Gabagambi, Damian Mulokozi (2013). Post-liberalisation paradox in textile industry: a comparative study of Viet Nam and Tanzania, p. 193. *International Journal of Business and Social Science*, Vol. 4 No. 8 (Special Issue, July)..

22. Baffes, John (2002). Tanzania's cotton sector: constraints and challenges in a global environment, p. 2. Africa Region Working Paper Series no. 42. World Bank.

23. Tanzania Cotton Board (2014). About TCB: history. Available from http://cotton.or.tz/about-tcb.

24. Baffes, John (2002). Tanzania's cotton sector: constraints and challenges in a global environment, p. 2. Africa Region Working Paper Series no. 42. World Bank.

replaced the Tanzanian Cotton Authority and the sector entered its final leg prior to its eventual liberalization; the unions were semi-public entities, they added little value to the value chains, they accumulated large debts, and they survived only thanks to government support.[25] Productivity suffered greatly under this regime and the United Republic of Tanzania had the second-lowest cotton yields in Africa after Uganda.

Reform came in the shape of the Agricultural Adjustment Programme (1989/90).[26] Seeds were transferred to the cooperatives and TCB began offering fee-based marketing services. By 1992 government price controls had been relaxed to the point of representing indicative prices only. Finally, with the Cotton Act of 1994, the Government formally liberalized the market to allow for competitive marketing and ginning. Since then, production has continued to grow and the cotton sector has solidified its place as an important source of national income and employment.

TEXTILES AND CLOTHING

The T&C segment of the sector began to take hold in the 1960s, yet it was not until the 1970s that it became the subject of significant investment.[27]/[28] At this time it was identified by the Tanzanian Government as a priority industry for development, given its labour intensity and potential for socioeconomic advancement. As such, it formed an integral part of the Government's industrialization efforts to create employment, add value to the cotton value chain and substitute textile imports.

Thanks to government support as well as steady demand, the sector quickly grew to become an integral part of the local economy: by the 1970s, the sector was meeting much of the demand for domestic materials and apparel (it should be noted that lack of appropriate technology is cited as the reason the remaining demand, for goods such as suits, could not be met.).[29] In addition, it was one of the major employers in the country, accounting for 25% of employment while contributing to 25% of manufacturing gross domestic product. The sector was subject to continued investment in the early part of the 1980s, by which time the textile segment had 35 mills, as opposed to just four in the 1960s.[30] It had become the largest source of jobs (employing 37,000 people), the largest exporter, and the third most important contributor to government tax revenue.

Nevertheless, it was around this time that the sector began to decline, in tandem with the cotton sector and the Tanzanian economy in general.[31] Throughout the sector's development, the Government had protected the industry through import restrictions. As the industry's ability to supply the market with clothes of adequate quality faltered, these restrictions further limited the availability of apparel. As a result, individuals began to produce their own clothes through batik printing and tie-dye. Yet even these items were of limited quality and too expensive for some in the 1980s. A portion of the population turned to wearing sacks, while others began to smuggle used clothes (mitumba) into the country. Where mitumba had previously been relegated to the domain of the poor, the crisis in the T&C sector, together with the United Republic of Tanzania's general economic woes, meant that used clothing encroached heavily on the traditional T&C sector throughout all societal levels.

However, it was not until the Government's liberalization policies of the mid-1990s that the sector's fall from prominence was solidified. These policies had a number of effects that the sector could not overcome: it became difficult to obtain enough cotton lint; energy provision was unreliable and also subject to high tariffs; there was increased competition from imports; and a devalued currency made it difficult for producers to maintain machinery through the purchase of spare parts.

The rebuilding of the sector began with the Government sale of manufacturing facilities to private investors.[32] While some new machinery was purchased, it was generally outdated, making it difficult for producers to be truly competitive in international markets.[33] The lack of capacities hindered the ability of the United Republic of Tanzania to fully benefit from its competitive advantages. Nonetheless, government efforts to promote investment had gone a long way towards improving the sector.[34]

25. *Ibid.:* p. 3.

26. *Ibid.*: p. 3.

27. Kinabo, Oliva D. (2004). The textile industry and the mitumba market in Tanzania. Paper presented at the Tanzania–Network.de Conference on Textile Market and Textile Industry in Rural and Urban areas in Tanzania. Potsdam, 23 October.

28. Kabelwa, George and Kweka, Josaphat (2006). *The Linkage between Trade, Development and Poverty Reduction (TDP): a Case Study of Cotton and Textile Sector in Tanzania*, p. 3. Economic and Social Research Foundation.

29. Kinabo, Oliva D. (2004). The textile industry and the mitumba market in Tanzania. Paper presented at the Tanzania–Network.de Conference on Textile Market and Textile Industry in Rural and Urban areas in Tanzania. Potsdam, 23 October.

30. Kabelwa, George and Kweka, Josaphat (2006). *The Linkage between Trade, Development and Poverty Reduction (TDP): a Case Study of Cotton and Textile Sector in Tanzania*, p. 3. Economic and Social Research Foundation.

31. Kinabo, Oliva D. (2004). The textile industry and the mitumba market in Tanzania. Paper presented at the Tanzania–Network.de Conference on Textile Market and Textile Industry in Rural and Urban areas in Tanzania. Potsdam, 23 October.

32. Salm, Andy and others (2011). *Tanzania Textiles and Garment Situational Analysis and Development Strategy: for the Ministry of Industry, Trade and Investment*, p.1. USAID.

33. *Ibid.:* p. 2

34. Kabelwa, George and Kweka, Josaphat (2006). *The Linkage between Trade, Development and Poverty Reduction (TDP): a Case Study of Cotton and Textile Sector in Tanzania*, p. 7. Economic and Social Research Foundation.

These efforts were bolstered by the introduction of various trade agreements, including AGOA with the United States and the Cotonou Agreement with the EU in 2000 (African, Caribbean and Pacific Group of States (ACP)–EU) revised in 2014 with the new Generalized System of Preferences.[35] While these agreements spurred the sector's advancement, the benefits of preferential market access were later jeopardized in part by the end of the MFA in 2005.[36] The MFA had previously restricted imports from certain bulk producers to the West, and one of its effects had been to support production in Africa. With its phasing out, producers in Asia were free to fully exploit Western markets, taking market share from African producers.[37] In addition, Chinese imports began to flood the Tanzanian market, increasing competition for domestic producers.

The Government looked to regional trade as a means of responding to the threats posed by the new trade regime.[38] To this end, it gained preferential access to the Southern African Customs Union for T&C products. In addition, it was a founding member of the African Cotton and Textile Industries Federation (ACTIF) in 2005. The goal of ACTIF is to promote trade and market access for members' cotton and T&C products.

The sector has been the target of much investment in recent years and market access efforts have met with some success, as evidenced by available trade statistics. Total T&C exports have grown by a 10-year CAGR of 17% through 2013 and the United Republic of Tanzania exports to markets throughout the world.[39] The country has found particular momentum in the home textiles (particularly the sacks and mosquito net segments, mosquito nets now being exported throughout Africa[40]) and fabrics subsectors, all of which have seen their exports grow substantially since the turn of the century.

However, the apparel segment continues to be small, relying mainly on preferential trade agreements. The United States and South Africa are the two most important markets for Tanzanian apparel, representing 50% and 23% of apparel exports in 2013, respectively. In addition, exports to these two markets have grown by a 10-year CAGR of 26% and 28% respectively. It should be noted that growth to Europe has been much slower, despite the fact that the United Republic of Tanzania benefits from the Cotonou Agreement and, since 2014, the new Generalized System of Preferences/Everything But Arms framework.

35. *Ibid.*

36. Information for Development Programme (2008). *The Global Textile and Garments Industry: The Role of Information and Communication Technologies (ICTs) in Exploiting the Value Chain*.

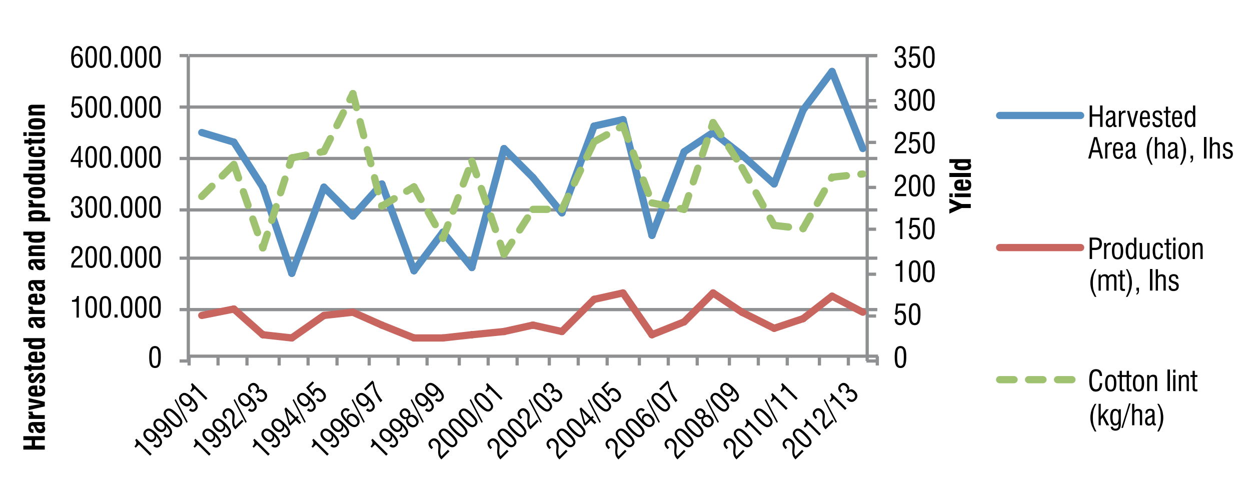
37. Kabelwa, George and Kweka, Josaphat (2006). *The Linkage between Trade, Development and Poverty Reduction (TDP): a Case Study of Cotton and Textile Sector in Tanzania,* p. 7. Economic and Social Research Foundation.

38. *Ibid.*: pp. 7, 8.

39. Data calculated from United Nations Comtrade statistics.

40. Salm, Andy and others (2011). *Tanzania Textiles and Garment Situational Analysis and Development Strategy: for the Ministry of Industry, Trade and Investment*, p. 2. USAID.

Figure 6: *Tanzanian cotton production, 1990/91–2012/13*



Source: International Cotton Advisory Committee in association with Generation 10 (2015).

THE TANZANIAN COTTON SECTOR IS LOSING COMPETITIVENESS

The United Republic of Tanzania produced 89,619 tons of cotton lint on 420,000 hectares of land during the 2012/13 season.[41] While production has remained relatively stagnant over the past 10 years, the area under cultivation has been trending generally higher, despite large fluctuations. Tanzanian cotton production accounts for 28% of East African production and 7% of sub-Saharan African production.

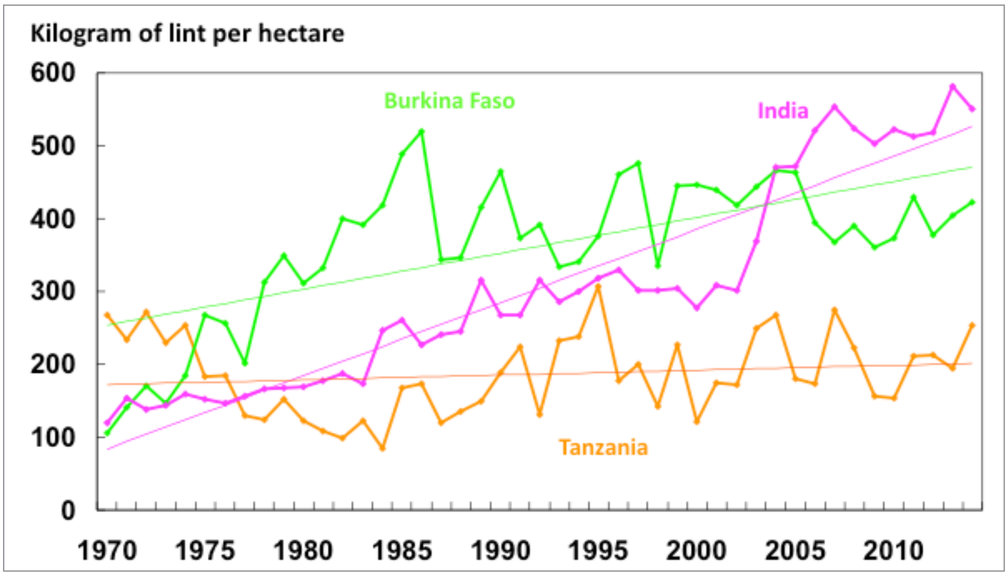
The Tanzanian cotton productivity gap vis-à-vis its competitors has been widening during the past four decades, signalling decreased competitiveness. In 1974/75, the United Republic of Tanzania was the largest producer of cotton in Africa under rain-fed conditions (ranking third behind Egypt and Sudan, where cotton is irrigated). At this time, it produced 72,000 tons of lint with an average yield of 250 kg lint/ha (60% of the world average yield). During the same season, Burkina Faso produced 11,000 tons of lint with an average yield of 175 kg lint/ha. The average yield in India at the time was even lower: 159 kg lint/ha.

In 2014/15, however, the United Republic of Tanzania is expected to produce only 70,000 tons of lint (2015/16 marketing season) with an estimated average yield of 200 kg lint/ha (only 25% of the world average yield). Burkina Faso, meanwhile, is now the largest producer in Africa, having produced a record 300,000 tons of lint with an average yield of 475 kg lint/ha in 2014/15. Productivity in India has increased even more rapidly, reaching 550 kg lint/ha.

The widening gap in productivity illustrates the loss of competitiveness that the United Republic of Tanzania has suffered over the past decades. While many competitors throughout the world have seen dramatic improvements in both yield and production, the Tanzanian cotton sector has stagnated.

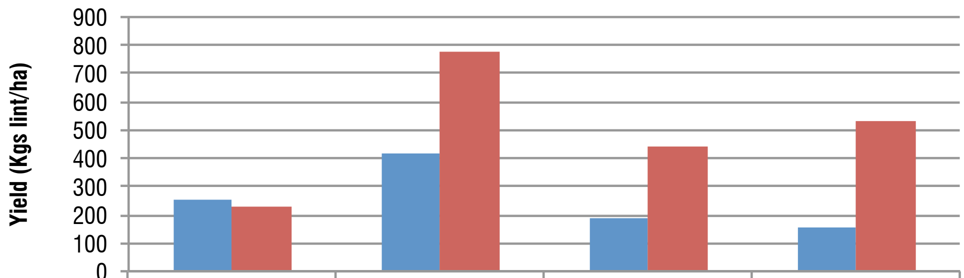
41. International Cotton Advisory Committee in association with Generation 10 (2015). Statistics Database. Available from https://icac.generation10.net/statistics/index. Accessed 12 October 2015.

Figure 7: *Average cotton yields, Burkina Faso, India and the United Republic of Tanzania, 1970–2010*



Source: ICAC.

Figure 8: *Growing productivity gap*



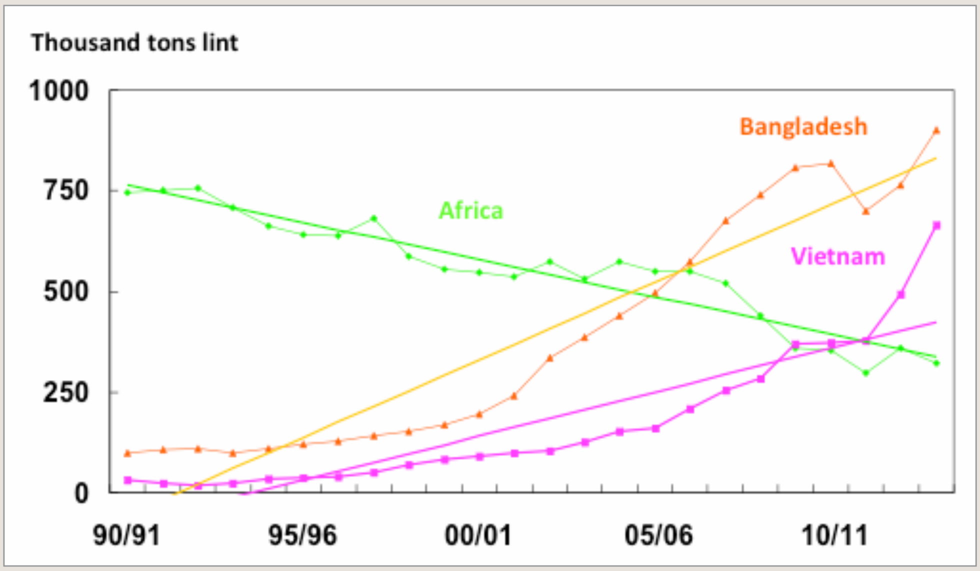
	Tanzania	World	Burkina Faso	India
1974/75	253	418	184	159
2014/15	226	781	443	531

Source: ICAC – Cotton World Statistics, December 2015.

Box 5: The Tanzanian spinning industry is resilient, despite declines throughout Africa

Despite weakness in the cotton sector, the Tanzanian spinning industry has performed relatively well. Cotton mill use in Africa dropped by 57% from 750,000 tons of lint in 1990/91 to an estimated 320,000 tons in 2013/14. During the same period, mill use in Bangladesh skyrocketed from 100,000 to 900,000 tons, while mill use increased even more rapidly in Viet Nam in relative terms, from 30,000 to 665,000 tons. Bangladesh and Viet Nam are both marginal cotton producers. Despite the many constraints and challenges facing its textile industry, however, the United Republic of Tanzania is one of only two African countries (the other being Ethiopia) where cotton mill use increased over this period (from 14,000 to 34,000 tons).

Figure 9: *Cotton mill use, Africa, Bangladesh and Viet Nam, 1990/91–2010/11*



Source: ICAC.

The limited use of quality cotton seeds continues to act as a drag on the sector's productivity throughout the value chain from farming to ginning, leading to low quality cotton, low yields and low ginning outturn. Greater uptake of certified seeds has been hampered by farmers' lack of financing, poor knowledge of best farming practices, unreliable input distribution mechanisms and uncoordinated extension services. The challenge of low uptake is compounded by the limited availability of quality cotton seeds. Because of a weak seed multiplication system, the sector continues to rely largely on UK91 –an unregistered cotton variety first released nearly 25 years ago– despite deteriorating fibre strength and length. Although a promising new variety (UKM08) has recently been developed and commercialized, research institutes are unable to produce the required amount of breeder seed. This, coupled with a breakdown in the multiplication and royalty collection system has led to low levels of farmer usage. Lack of royalty payments from Quton to Ukiriguru Research Institute (URI) directly impacted on URI's financial ability to produce pre-basic seed for further commercial multiplication. This lack of pre-basic seed has been an important factor resulting in insufficient F1 and standard seed available for farmer usage. Resolving these issues and ensuring the adequate dissemination of quality cotton seeds will be paramount to stimulating enhanced productivity in the sector. The challenges associated with poor-quality cotton seeds will be detailed further in the competitive constraints section.

THE TEXTILE AND CLOTHING SEGMENTS HAVE YET TO ACHIEVE CRITICAL MASS

The T&C segment of the C2C value chain produced TZS 260,123 million (~US$ 164 million) of gross output and TZS 123,419 million (~US$ 78 million) of value added in 2013. Together, this accounted for 4.3% and 5.4% of total manufacturing output and value added respectively. As illustrated in table 4, the apparel segment is extremely small in comparison to the textile segment, representing less than 0.1% of T&C total gross output. T&C output has been growing at around 5% per year, in line with the overall manufacturing industry.

The T&C sector employed nearly 16,000 people in 2013. Employment grew by 13% between 2009 and 2010, and then by 5% thereafter. Despite the fact that T&C enterprises employ 12.6% of the manufacturing workforce, the sector accounts for only 4% of manufacturing wages. This is indicative of the relatively low wages in the sector. The ratio of value added to employment (salaried or not) may provide some insight into labour productivity. This ratio has grown steadily by about 15% per year for the apparel segment, indicating increased productivity. It has stagnated, however, for the textile segment.

Table 4: *Manufacturing indicators, industrial establishments with 10 or more workers by industrial activity, Tanzanian mainland*

	Industry	2010	2011	2012	2013
Gross output (TZS millions)	Manufacture of textiles	224 554	235 782	247 571	259 950
	Manufacturing	5 194 293	5 454 007	5 726 707	6 013 043
Value added (TZS millions)	Manufacture of textiles	106 520	111 846	117 438	123 308
	Manufacturing	1 981 615	2 080 695	2 184 729	2 293 966
Labour costs* (TZS millions)	Manufacture of textiles	14 249	14 961	15 709	16 494
	Manufacturing	398 713	418 648	439 580	461 559
Wages and salaries (TZS millions)	Manufacture of textiles	11 356	11 924	12 520	13 146
	Manufacturing	280 954	295 002	309 752	325 239
Number of persons engaged**	Manufacture of textiles	13 725	14 411	15 140	15 897
	Manufacturing	109 545	115 022	120 840	126 882

Source: United Republic of Tanzania, National Bureau of Statistics (2014).
* Labour costs: the term refers to total sum of wages, salaries, benefits in kind and contributions to social security schemes by the establishment.
** Persons engaged: the term covers employees as well as working proprietors and unpaid family workers. Directors and ex-employees receiving pensions are excluded.
*** A divergence between official and unofficial estimates is to be noted on this figure.

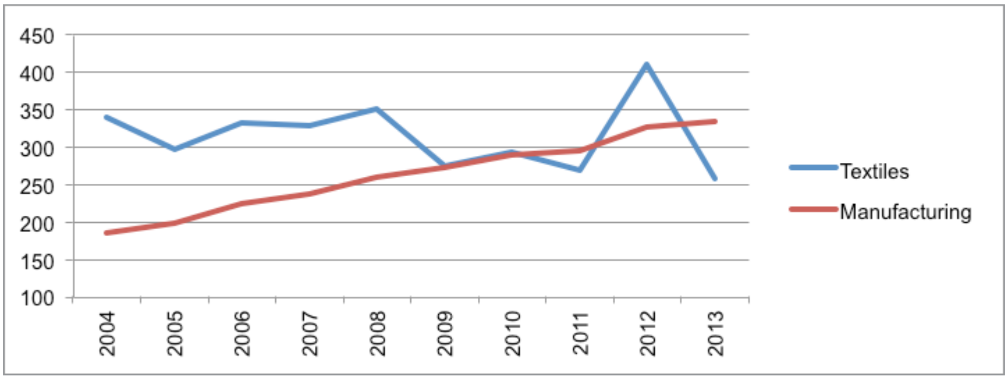
Most textile mills produce kitenge and kanga cloth for local and regional markets.[42] Tanzanian producers have also had much success selling long-lasting insecticidal mosquito nets, supplying (among others) the Intensified Malaria Control Project Phase II under the National Vector Borne Disease Control Programme, funded by the Global Fund to Fight AIDS, Tuberculosis and Malaria. However, some consider that the market for these nets has reached saturation point and that sectoral growth must be found elsewhere.

The garment segment meanwhile is limited in terms of product variety and quality. Most goods are produced for export under preferential trade agreements. The small market that exists locally for Tanzanian garments is limited to mainly promotional clothing.

The Tanzanian textile sector saw a significant decline in output in 2009 from which it has yet to fully recover. The Industrial Production Index figures for the periods 2004–2009 and 2009–2013 were –4% and –2% respectively. The sector's performance contrasts with the overall performance of the manufacturing industry, which grew at a rate of 16% from 2004 to 2013. It should be noted that the decline in production volumes is in stark contrast to the increase in output value that was detailed above, particularly in 2011 and 2012. The discrepancy may be due to inflation, which reached 12.7% and 16% in 2011 and 2012 respectively.

42. Salm, Andy and others (2011). *Tanzania Textiles and Garment Situational Analysis and Development Strategy: for the Ministry of Industry and Trade*, p. 2. USAID.

Figure 10: *Industrial production index, Tanzanian mainland, 2004–2013 (1985=100)*



Source: United Republic of Tanzania, National Bureau of Statistics (2014).

Table 5: *Production of selected manufactured commodities, Tanzanian mainland, 2005–2013*

Product	Unit	2005	2009	2010	2011	2012	2013	8-year CAGR (%)
Knitted garments	Number (thousands)	291	404	369	369	420	3 804	37.9
Foam mattresses	Number (thousands)	1 514	1 511	1 491	2 267	4 847	5 531	17.6
Sisal ropes and twines	Tons	5 943	7 913	6 872	6 976	7 754	6 908	1.9
Fishnet and products	Tons	274	64	247	164	295	297	1.0
Textile bags	Number (thousands)	1 837	1 541	1 673	1 709	1 962	1 733	-0.7
Woven fabrics	Square metres (thousands)	94 881	**92 249**	103 605	100 018	83 592	86 639	-1.1
Knitted fabrics	Square metres (thousands)	11 320	9 554	7 616	6 315	8 993	9 003	-2.8
Polythene bags	Number (thousands)	**98 007**	99 057	101 991	92 936	77 944	**61 863**	-5.6
Blankets	Number (thousands)	**284**	345	211	168	130	**159**	-7.0
Cotton yarn	Tons	**11 442**	5 791	5 163	3 459	3 169	**4 223**	-11.7

Source: *United Republic of Tanzania, National Bureau of Statistics (2014).*

Despite the various challenges faced by the T&C segment, the United Republic of Tanzania enjoys a few advantages:[43]/[44]

- Availability of raw materials (local cotton is available at a discount of 5% of the world market price)
- Preferential market access in the United States and EU markets
- Relative proximity to EU markets
- Low labour costs (~US$0.40 per hour – similar to Bangladesh and among the lowest labour costs in the world)
- Availability of both skilled and unskilled labour
- An array of investment promotion incentives (including Export Processing Zones (EPZs) and Special Economic Zones (SEZs)) managed by the Export Processing Zones Authority (EPZA).

TRADE CONTINUES TO BE CHARACTERIZED BY SIGNIFICANT MARKET AND PRODUCT CONCENTRATIONS

Tanzanian exports of C2C products were valued at US$247.7 million in 2013. While well above the US$94 million of C2C products exported by Ethiopia, it falls short of the US$377 million exported by Kenya.[45] Although growth has been an impressive 12% (CAGR) over the past 10 years, exports remain below the levels achieved in 2008 prior to the financial crisis. This is due to unstable cotton lint exports and, to a lesser extent, declines in fabric and yarn exports. Apparel exports meanwhile have grown at a consistent pace. While exports of the total C2C sector fell by –1.2% (CAGR) from 2008 to 2013, apparel exports increased by an annual rate of 7.8% during the same period.

Despite efforts by the Government to stimulate sectors that will add value to cotton, trade statistics make clear that meaningful advances have been elusive. C2C exports continue to rely heavily on cotton and the T&C segments have yet to achieve significant growth, particularly over the past five years. While the growth in apparel exports is positive, it is certainly not exceptional when viewed in light of its low baseline.

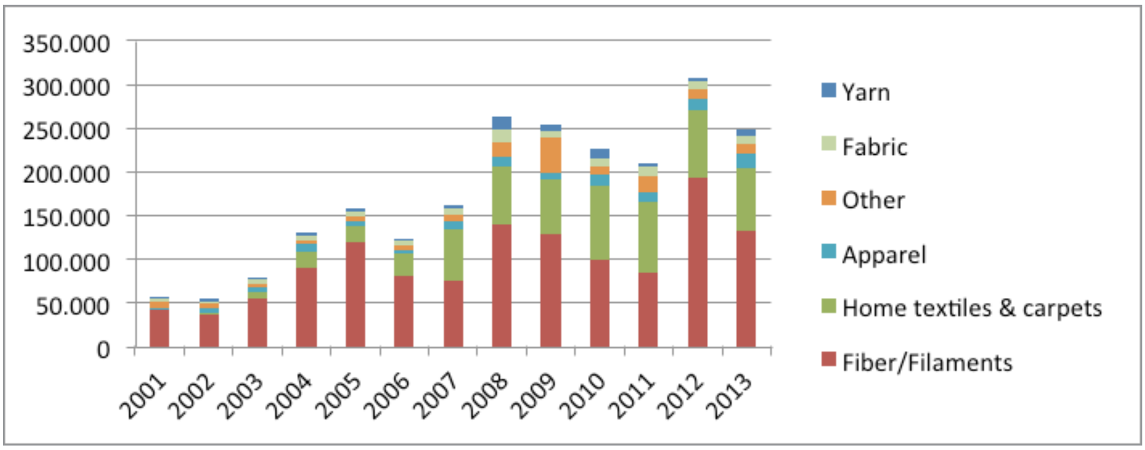
The growth that does exist has been driven largely by the expansion of existing markets and products. The continued penetration of old products in old markets accounted for the majority of growth, while the introduction of new products to old markets contributed to a lesser extent. However, many of the new products are not successful over the long term: the high extinction rate is a reflection of the unsuccessful attempts that have been made to diversify into new products, mainly in the textiles space.

43. *Ibid.*

44. United Republic of Tanzania, Ministry of Industry, Trade and Investment, Textile Development Unit (2013). *Investment Guide to the Textile and Garment Sub-sector*.

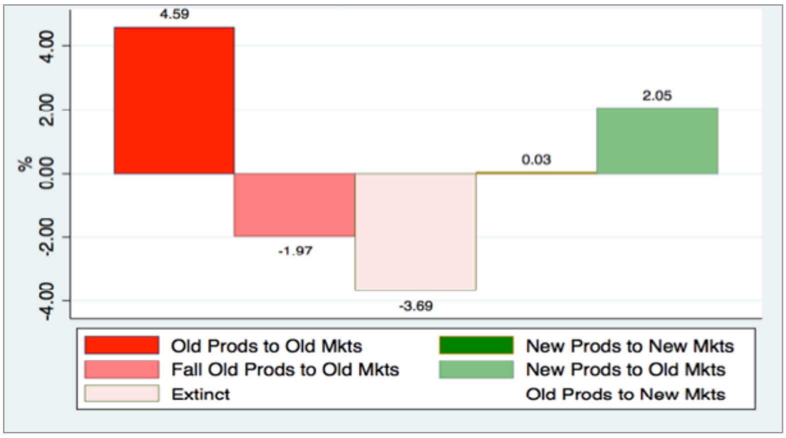
45. All aggregate figures exclude cotton by-products. These products are treated separately in their own section, given that the aggregate analysis ends in 2013 and meaningful growth of cotton by-products only occurred in 2014.

Figure 11: *United Republic of Tanzania's C2C exports, 2001–2013 (US$ thousands)*



Source: International Trade Centre (2015).

Figure 12: *Decomposition of Tanzanian export growth of garments and textiles (2004–2013)*



Source: International Trade Centre.

Tanzanian T&C exports have a low survival rate. The probability of a Tanzanian T&C company supplying exports to the same market for two consecutive years is about 40%. This drops to less than 8% for an additional year and approaches 0% as the horizon is extended. For comparison, the probability that leading exporters such as China, India, Bangladesh and Turkey will sell to the same market for more than two years is between 16% and 20%.

COTTON[46]

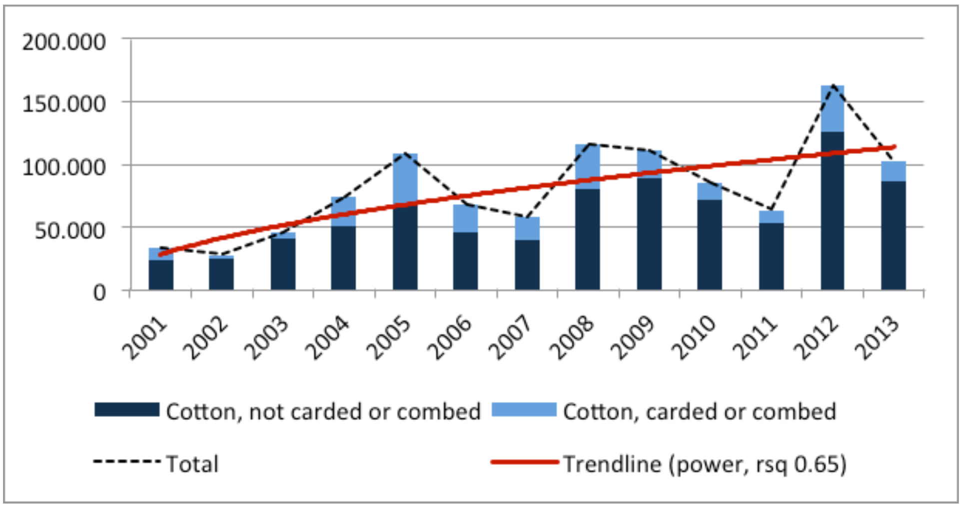
The United Republic of Tanzania exported US$102 million of cotton in 2013 (HS 5201 and 5203), representing 42% of the country's C2C exports (imports are negligible).

Annual export growth has averaged 9.8% since the turn of the century (CAGR 2001–2013). This has been driven by an 11.1% annual growth in exports of cotton, not carded or combed. Meanwhile the growth for cotton, carded or combed, was 5% during the same period.

Despite these positive advancements, the sector's expansion has been volatile. Growth has realized a standard deviation of 62% since 2001 and exports declined by 37% in 2013, falling back to levels first reached in 2005. While the trend is still quite positive, data indicate that the strong growth achieved at the turn of the century has yet to fully return following the financial crisis.

46. Excluding cotton by-products.

Figure 13: *Tanzanian cotton exports 2001–2013 (US$ thousands)*



Source: Data calculated from United Nations Comtrade statistics.

Table 6: *Top 10 importers of Tanzanian cotton (US$ thousands)*

Importers	2008	2009	2010	2011	2012	2013	Share (%)	5-year CAGR (%)
World	115 759	110 974	85 592	63 950	162 905	102 833	100	-2
China	2 282	6 762	6 102	24 849	45 149	24 863	24	61
Indonesia	19 670	19 659	11 971	6 584	33 607	24 255	24	4
Viet Nam	20 821	24 730	25 619	5 671	14 975	12 072	12	-10
Thailand	10 805	11 752	15 448	3 910	5 692	11 058	11	0
India	39 112	28 137	1 979	189	32 526	8 913	9	-26
Bangladesh	1 301	1 310	4 495	731	7 141	8 534	8	46
Switzerland	3 554	440	2 154	603	153	2 114	2	-10
Mauritius	364	954	1 034	2 227	4 508	1 576	2	34
Swaziland	32	59	121	1 564	0	1 414	1	113
United Kingdom	577	1 011	373	1 086	337	1 323	1	18

Source: Data calculated from United Nations Comtrade statistics.

Asia is the most important market for Tanzanian cotton; in particular Asia–Pacific Economic Cooperation member countries. Trade has witnessed a remarkable shift to the region over recent years: while only 34% of cotton exports were destined for the region in 2001, Asia–Pacific Economic Cooperation members currently purchase over 70% of total Tanzanian cotton exports. The market for Tanzanian cotton has grown much more concentrated over the past decade. The top three and top five markets accounted for 9% and 48% of exports respectively in 2001, compared with 60% and 79% in 2013.

The top five markets for Tanzanian cotton are China (24%), Indonesia (24%), Viet Nam (12%), Thailand (11%) and India (9%). Growth has been particularly promising to China and Bangladesh. The statistics illustrate that the US$60 million decline in exports in 2013 was largely the result of decreased sales to China, Indonesia and India.

COTTON BY-PRODUCTS

Tanzanian exports of cotton by-products were negligible until 2014, at which point they jumped from US$4.7 million in 2013 to US$32.7 million. The majority of the segment's exports are comprised of cottonseed oil, crude (93%), followed by cotton linters (6%), and cotton seed and its fractions refined but not chemically modified (1%).

The segment's expansion was caused by a growth in exports of cottonseed oil to Switzerland. Valued at US$29 million in 2014, these exports account for 88.7% of the segment's total foreign sales. The other two product–market combinations of significance are exports of cotton linters to China (5.9% of the segment's exports), and cottonseed oil exports to India (4.3%).

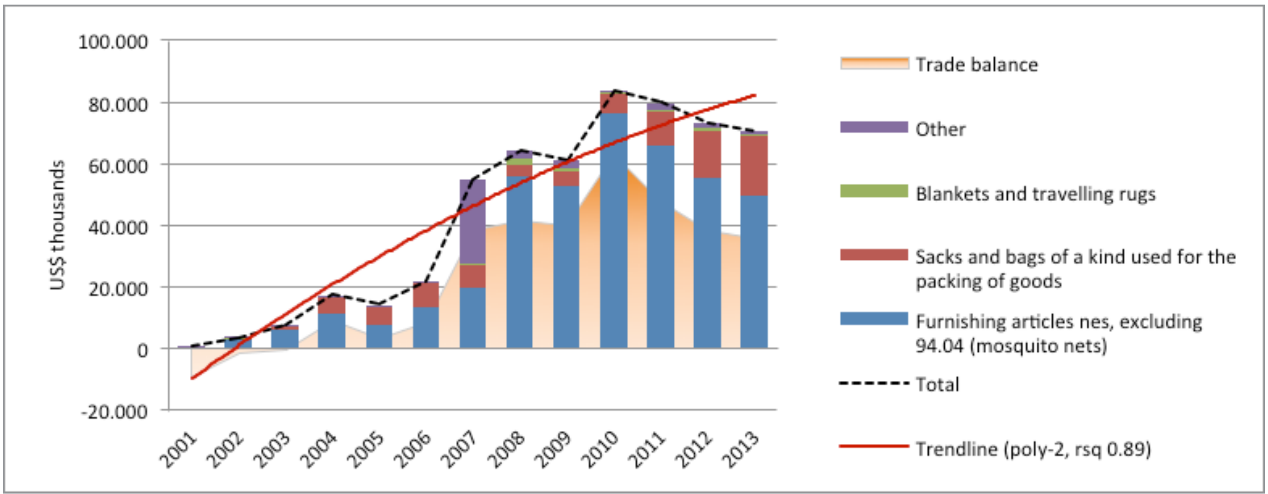
HOME TEXTILES AND CARPETS

Tanzanian home textile and carpet exports were valued at US$70,470,000 in 2013, accounting for 28% of C2C exports (home textiles and carpets include HS category 63, excluding 'worn clothing and articles', and HS category 57). Imports were valued at US$34.7 million, resulting in a positive trade balance of just under US$36 million.

The most important products are mosquito nets (71% of the segment's exports, included under the category 'furnishing articles n.e.s.') and 'sacks and bags of a kind used for the packing of goods' (27%). With a 10-year CAGR of 24% and 33% respectively, these two product categories have been the driving force behind the segment's 25% annual growth since 2003. They also account for 36% of the total growth of C2C exports since the turn of the century. However, the majority of growth for mosquito nets was achieved from 2001 to 2008. From 2008 onwards, annual growth has in fact been slightly negative. The company A to Z Textile Mills ltd is the only manufacturer of Long Lasting Insecticidal Treated Nets in Tanzania and Africa. By end of 2013, it had increased its capacity to manufacture 30 million Long Lasting Insecticidal Treated Nets per year. Since then there has been no further capacity growth due to tight competition with Vietnam, China, Thailand and India based manufacturers whose main market is Sub-Saharan Africa.

The export of 'sacks and bags used for packing of goods' meanwhile has maintained a very positive growth rate (CAGR 42%) over the past five years.

Figure 14: *Tanzanian home textile and carpet exports, 2001–2013 (US$ thousands)*



Source: Data calculated from United Nations Comtrade statistics.

Africa is the main market for these products, and while the United Republic of Tanzania exports to a wide range of countries, sales are relatively concentrated in the top three markets for each product. The uneven growth in the export of 'furnishing articles' is due to significant fluctuations in exports to Kenya: exports fell from US$28 million in 2008 to US$5.7 million in 2013. The standard deviation of growth during this period was 39%. Even so, this decline has been largely offset by aggressive growth in other top markets. The most important importers of 'sacks and bags' are Kenya, Zimbabwe and Zambia. The statistics illustrate that the United Republic of Tanzania has succeeded in capturing a significant portion of the market growth in many African countries. Its exports to the top 10 buyers of its 'sacks and bags used for packing of goods' products grew by 44% annually from 2008 to 2013, whereas the size of these markets grew by only 19%.

Imports meanwhile have been growing by 9% per annum since 2008. The most imported product categories include 'furnishing articles, n.e.s…', 'sacks and bags…', and 'tents and camping goods…' In addition, there is strong and growing demand for home furnishings such as 'bed, table, toilet and kitchen linens', 'blankets and travelling rugs', and 'curtains, drapes and interior blinds', among others. These segments represent a sizeable and growing domestic market that local producers can target.

Table 7: *Top five importers of Tanzanian home textile products*

Importers ('furnishing articles')	Exports 2013 (US$ thousands)	Share (%)	Five-year CAGR (%)
World	**49 902**	**100**	**-2**
Mozambique	12 043	24	8
Burkina Faso	7 203	14	n.a.
Uganda	6 232	12	10
Kenya	5 738	11	-27
Sudan and South Sudan	3 878	8	20

Importers ('sacks and bags')	Exports 2013 (US$ thousands)	Share (%)	Five-year CAGR (%)
World	**19 172**	**100**	**42**
Kenya	7 872	41	152
Zimbabwe	2 669	14	112
Zambia	2 634	14	19
Rwanda	1 745	9	n.a.
Uganda	1 563	8	15

Source: Data calculated from United Nations Comtrade statistics.

Table 8: *Tanzanian imports of home textiles and carpets*

HS code	Product label	Imported value in 2013 (US$ thousands)	Share (%)	5-year CAGR (%)	10-year CAGR (%)
Total	Total	34 738	100	9	16
6304	Furnishing articles n.e.s., excluding 94.04	7 332	21	38	23
6305	Sacks and bags of a kind used for the packing of goods	6 295	18	3	22
6306	Tents & camping goods, tarpaulins, sails for boats, etc.	5 253	15	1	19
6302	Bed, table, toilet and kitchen linens	4 893	14	3	14
6301	Blankets and travelling rugs	3 681	11	25	11
6303	Curtains, drapes & interior blinds	3 064	9	5	17

Source: Data calculated from United Nations Comtrade statistics

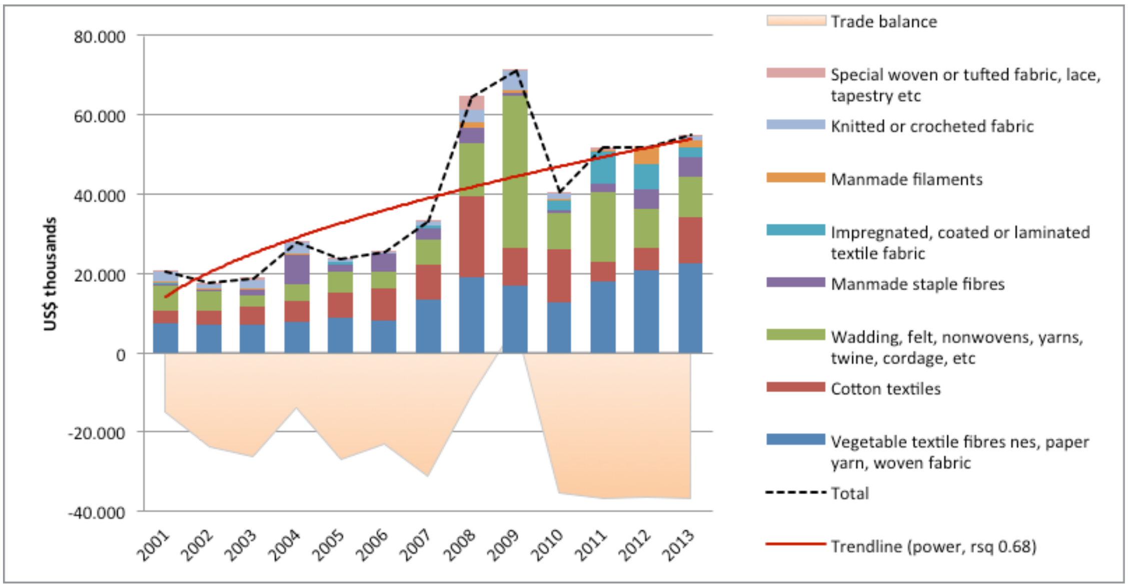
TEXTILES

The United Republic of Tanzania exported US$54.89 million of textile products in 2013, accounting for 22% of its total C2C exports. Although this represents an annual growth of 11% over the past 10 years, nearly all of the advancements were made between 2001 and 2008. From 2008 onwards, annual growth was -3%. The segment has yet to fully recover from the heights it achieved in 2009 (this is due largely to the extinction of sales of wadding, felt, non-wovens, yarns, twine and cordage to Uganda).

The negative trade balance is explained by large imports of all types of fibres and fabrics. The most heavily imported products are 'woven cotton fabrics, 85% or more cotton, weight less than 200 g/m^2' and 'synthetic filament yarn, not put up' (14% and 10% respectively of textile imports). The growing import of these products, which are required to meet the demands of garment producers, illustrates the potential for value addition through import substitution.

The United Republic of Tanzania's most important textile export products are 'jute & other textile bast fibres…' (33%), 'twine, cordage…' (18%), woven fabric of synthetic staple fibres (<85%)…' (7%), 'cotton yarn' (7%) and 'coconut, abaca, ramie…' (7%). The top five products now account for 72% of the segment's exports. From an absolute perspective, positive strides have been made with regards to diversification. In 2001 there were only five product exports valued at over US$1 million. In 2013, there were 10.

Figure 15: *Tanzanian textile exports, 2001 to 2013 (US$ thousands)*



Source: Data calculated from United Nations Comtrade statistics.

Table 9: *United Republic of Tanzania's top 10 textile exports*

HS code	Product label	Exported value in 2013 (US$ thousands)	Share (%)	CAGR 2001–2008 (%)	CAGR 2008–2013 (%)
Total	**All products**	**54 890**	**100**	**18**	**-3**
5303	Jute & other textile bast fibres (not flax, true hemp, ramie)	18 370	33	2	194
5607	Twine, cordage &cable, with rubber/plastic	9 867	18	23	0
5513	Woven fab of synthetic staple fib (< 85% of such fibre), mixed with cotton	3 962	7	n.a.	39
5207	Cotton yarn (not sewing thread) put up for retail sale	3 817	7	-4	104
5305	Coconut, abaca, ramie & other vegetable fibres, raw, processed, not specified	3 669	7	127	-26
5208	Woven cotton fabrics, 85% or more cotton, weight less than 200 g/m2	2 942	5	86	-7
5205	Cotton yarn (not sewing thread) 85% or more cotton, not retail	2 328	4	9	-7
5906	Rubberized textile fabrics (excluding 59.02)	2 037	4	-100	na
5407	Woven fabrics of synthetic filament yarn	1 750	3	73	6
5211	Woven fabric of cotton, less than 85%, mixed with man-made fibre, weight >200 g/m2	1 190	2	41	11

Source: Data calculated from United Nations Comtrade statistics.

Growth from 2001 to 2008 had been driven by an expansion of 'twine, cordage & cable, with rubber/plastic' (23%), 'coconut, abaca, ramie' (127%), and 'woven cotton fabrics, 85% or more cotton, weight less than 200 g/m^2' (86%). However, the past five years saw a stagnation or decline in a number of important product categories.

The most important markets for Tanzanian textiles are China (24%), Kenya (21%), Mozambique (13%) and Saudi Arabia (11%). Growth to Kenya has tapered off over the past five years as a result of the decline in exports of rubberized textile fabrics. Growth to China and Mozambique meanwhile has been quite positive since 2008 due to the growth in exports of jute and woven synthetic fabrics respectively. It should be noted that from a relative perspective, markets have been getting more concentrated. In 2001, the top five markets accounted for 52% of exports. Today they account for 73%. As with products, however, absolute data tells a different story: in 2001, there were only four markets to which the United Republic of Tanzania exported more than US$1 million of textiles. By 2013, this had grown to nine markets.

Table 10: *Top importers of Tanzanian textiles*

Importer	Imported value in 2013 (US$ thousands)	Share (%)	CAGR 2001–2008 (%)	CAGR 2008–2009 (%)
China	12 916	24	56	19
Kenya	11 782	21	35	-4
Mozambique	6 923	13	34	20
Saudi Arabia	6 201	11	28	4
Spain	2 108	4	9	-6
Rwanda	1 924	4	-100	n.a.
South Africa	1 832	3	-3	34
Uganda	1 653	3	79	-25
Japan	1 637	3	7	-4

Source: Data calculated from United Nations Comtrade statistics.

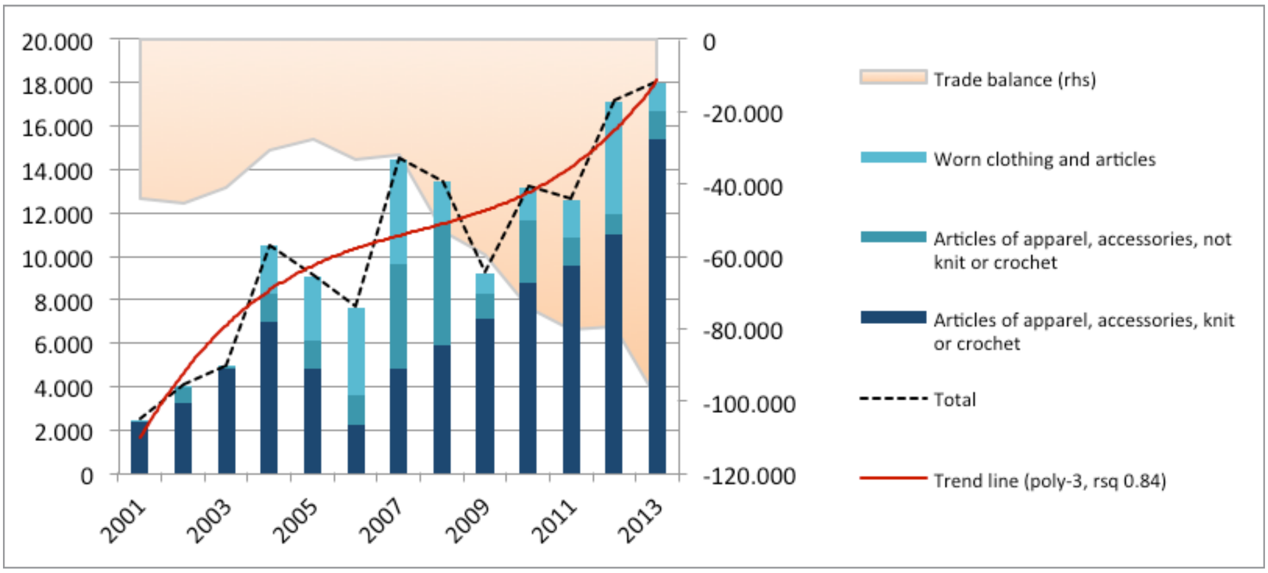
Photo: (CC BY-SA 2.0) IBM Research – Africa.

From a regional perspective, Africa (48% of textile exports), Asia (26%) and the Middle East (14%) have become the United Republic of Tanzania's most important markets. While these three regions received only 37% of textile exports in 2001, they now receive 87%. Exports to Europe meanwhile fell from 50% in 2001 to just 9% in 2013. The statistics make clear that stakeholders have yet to successfully leverage the preferential tariffs being offered by many Western markets. Even so, they do illustrate the way in which the United Republic of Tanzania has been able to leverage south-south trade as a motor of export growth.

CLOTHING

The United Republic of Tanzania exported US$ 18 million of clothing products in 2013, accounting for 7% of total C2C exports. Annual growth between 2008 and 2013 was 6% per year. Growth of knitted and crocheted apparel (the most important segment, which accounted for 86% of apparel exports) picked up significantly in recent years: its CAGR between 2008 and 2013 was 21%, as opposed to 14% for the seven years prior.

Figure 16: *Tanzanian clothing exports, 2001–2013 (HS 61, 62, and 6309) (US$ thousands)*



Source: Data calculated from United Nations Comtrade statistics.

Table 11: *Top 10 Tanzanian garment exports (excluding HS 6309 worn clothing and articles)*

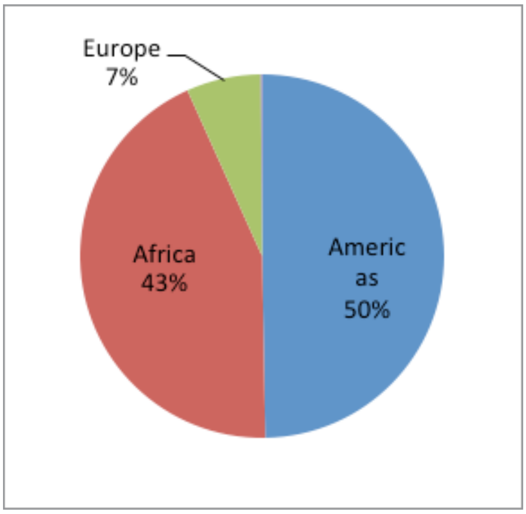
HS code	Product label	Exported value in 2013 (US$ thousands)	Share of total (%)	CAGR 2001–2008 (%)	CAGR 2008–2013 (%)
Total	**Clothing (excluding worn clothing and articles)**	**16 689**	**100**	**25**	**8**
6109	T-shirts, singlets and other vests, knitted or crocheted	8 306	50	11	11
6105	Men's shirts, knitted or crocheted	3 796	23	44	150
6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	1 054	6	n.a.	223
6211	Track suits, ski suits and swimwear; other garments	769	5	37	83
6103	Men's suits, jackets, trousers etc. &shorts, knit/crocheted	607	4	n.a.	82
6117	Clothing access n.e.s., knitted/crocheted	407	2	n.a.	89
6104	Women's suits, dresses, skirt etc. & shorts, knitted / crocheted	390	2	14	108
6114	Garments, knitted or crocheted, n.e.s.	227	1	n.a.	-16
6113	Garments, made up of knitted/crocheted fabric of hd no. 59.03, 06, 07	187	1	n.a.	99
6205	Men's shirts	157	1	n.a.	-48

Source: Data calculated from United Nations Comtrade statistics.

The large and growing trade deficit in apparel products is due mainly to imports of worn clothing (valued at US$60 million in 2013, five-year CAGR of 11%, accounting for 52% of clothing imports), as well as 'T-shirts, singlets and other vests, knitted or crocheted' (9.2% of clothing imports); 'men's suits, jackets, trousers etc. & shorts' (7.7%); 'women's suits, jackets, dresses, skirts etc. & shorts' (5.6%); 'men's shirts, knitted or crocheted' (3.4%); and 'men's shirts' (3%). These figures indicate that there is substantial room for the garment sector to gain market share through import substitution if they can be cost- and quality-competitive.

Tanzanian clothing exports are significantly concentrated in the top two products, 'T-shirts, singlets and other vests, knitted or crocheted' (50%) and 'men's shirts, knitted or crocheted' (23%). Even so, this represents a significant improvement from both 2001, when HS 6109 accounted for 100% of exports, and 2008, when the top two products accounted for 79% of apparel exports.

Figure 17: *Tanzanian clothing exports by destination in 2013 (excluding HS 6309 worn clothing and articles)*



Source: Data calculated from United Nations Comtrade statistics.

Photo: (CC BY-SA 2.0) IBM Research – Africa.

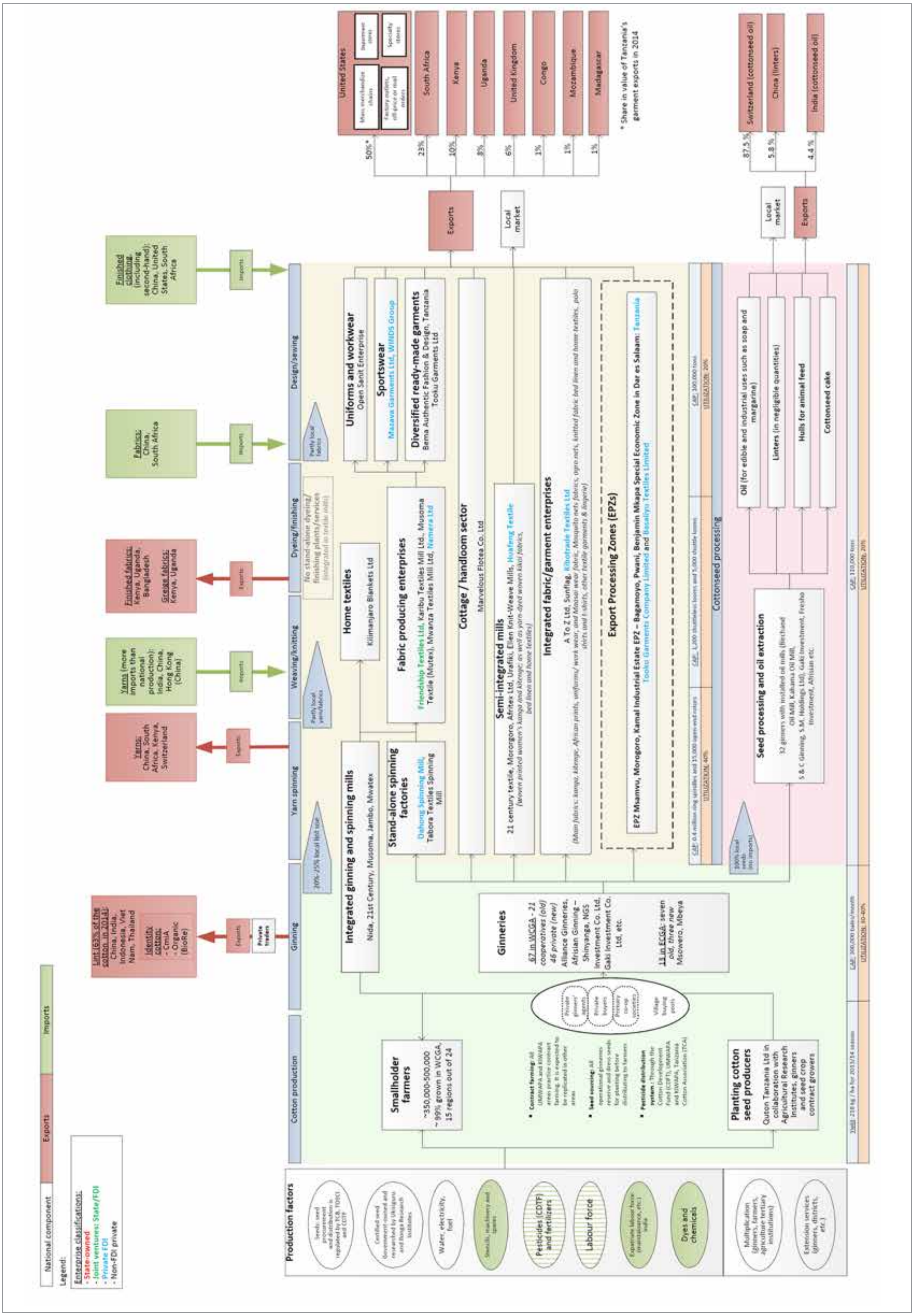
From an absolute perspective, diversification has improved substantially in recent years. In 2008, there were only five products whose export values were greater than US$ 100,000. Today there are 11. A number of products, including menswear, jerseys, pullovers, cardigans, etc., technical wear and womenswear have grown spectacularly over the past five years, albeit from low base values.

Market diversification continues to be limited, as the top five destinations accounted for 96% of the segment's exports in 2013. The major destinations for Tanzanian clothing exports have shifted numerous times since the turn of the century, from Europe to Africa and finally to the Americas. Today, the United States is the largest market, receiving 50% of the segment's exports, followed by South Africa (23%), Kenya (10%), Uganda (8%), the United Kingdom (6%), Congo (1%), Mozambique (1%) and Madagascar (1%).

VERTICAL INTEGRATION IS LIMITED

The United Republic of Tanzania is engaged in all segments of the C2C value chain, including input production, cotton farming, ginning, spinning, weaving, knitting, dyeing and finishing, and design and sewing. Even so, domestic value addition is limited and the various segments tend to operate independently of one another. Much of the cotton is exported directly instead of being processed through further stages of the value chain. In addition, investment and government support has been concentrated in the cotton segment. Downstream activities such as textile manufacturing remain concentrated on traditional textile production, and garment manufacturing continues to be relatively underdeveloped. Nonetheless, the breadth of value chain operations is comprehensive, but existing linkages need to be supported and developed.

Figure 18: *The Tanzanian cotton-to-clothing current value chain*



INPUTS

The United Republic of Tanzania's C2C value chain relies on both domestic and foreign inputs. Domestic inputs include utilities (water, electricity and fuel), extension services, pesticides, fertilizers, seeds and labour. Other inputs, including stencils, machinery and spare parts, dyes and chemicals are imported from abroad. In addition, expatriate labour is often used, for example for machinery maintenance and for management. This labour generally comes from India. Yarns, lint and fabrics are sourced both domestically and abroad.

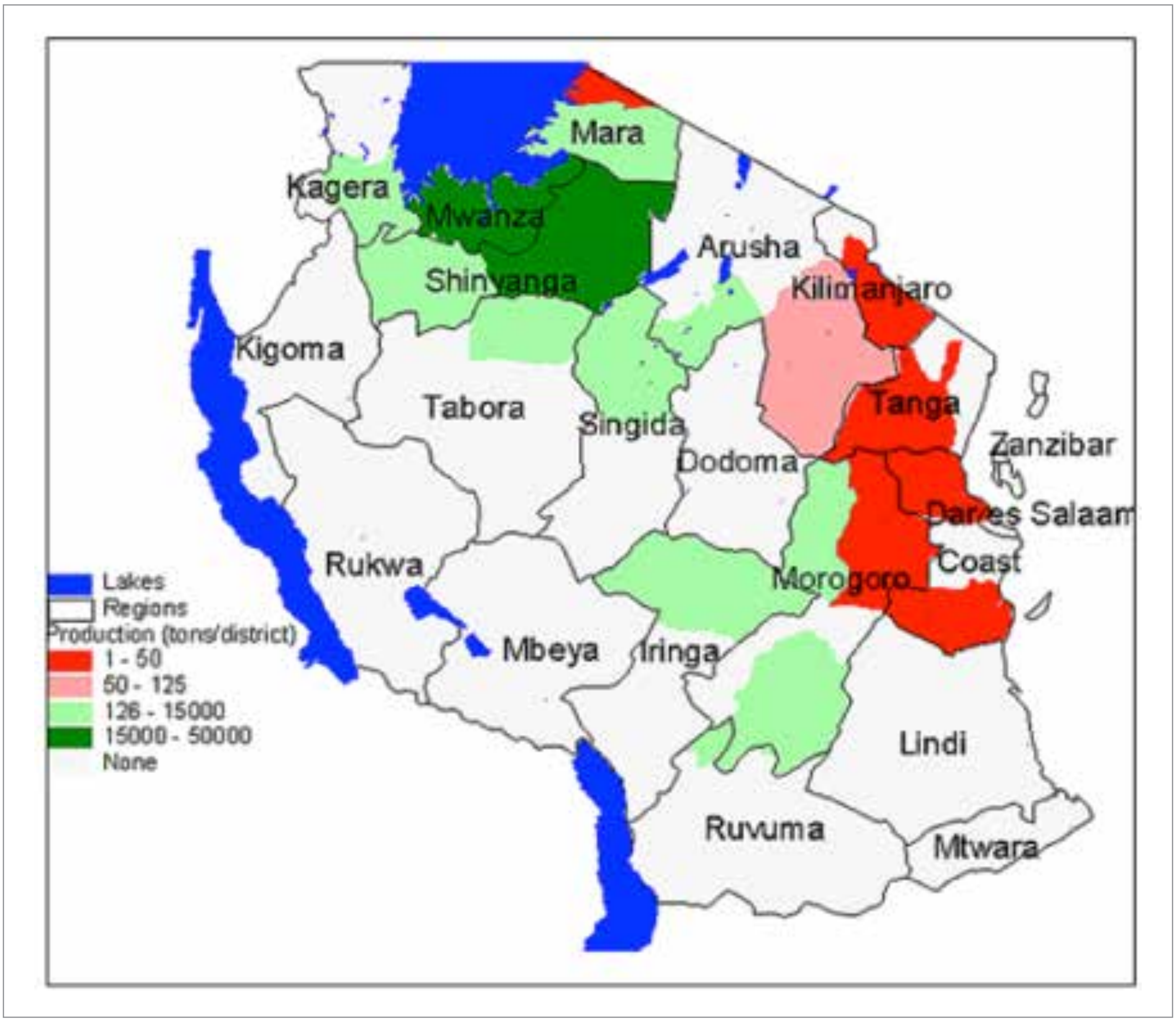
COTTON FARMING

Cotton is grown by between 350,000 and 500,000 smallholder farmers, providing income for some 40% of the Tanzanian population.[47] Almost all (99%) of Tanzanian cotton is grown in the Western Cotton Growing Area (WCGA), an area that includes Shinyanga (60%), Mwanza (25%), Mara (8%), Tabora (4%), Kagera (2%), Singida and Kigoma.[48] The remaining 1% is produced in the Eastern Cotton Growing Region that includes Pwani, Morogoro, Iringa, Tanga, Manyara and Kilimanjaro.

47. Salm, Andy and others (2011). *Tanzania Textiles and Garment Situational Analysis and Development Strategy: for the Ministry of Industry, Trade and Investment*, p. 1. USAID.

48. *Ibid.:* p. 3.

Figure 19: *Tanzanian cotton production by region*



Source: Salm, Andy and others (2011), p, 3.

Farmers use domestically produced seeds and other imported inputs including pesticides and fertilizers. Inputs are procured mainly by the Cotton Development Trust Fund (CDTF) and various ginning coalitions such as UMWAPA undertaking contract farming. Distribution is mainly through ginners although there is a low (but increasing) level of direct cash purchase by farmers through retail supply chains.

Seed procurement and distribution is regulated by TCB, the Tanzania Official Seed Certification Institute (TOSCI) and the Cotton Development Trust Fund. Government-owned certified seed is researched by the Ukiriguru and Ilonga Agricultural Research Institutes (ARIs). Quton Tanzania Ltd produces cotton seeds in collaboration with research institutes, ginners and contract growers and these are subject to acid-delinting and treatment. Seeds are distributed mainly by the Cotton Development Trust Fund through ginners as well as contractors. The majority of seed received by farmers is uncertified, fuzzy, gin-seed recycled by ginners. Extension services are provided by ginners as well as contract farming mecanisms. Nevertheless, these services remain largely in the domain of the public sector.

Extension officers are employed by district councils (local governments), and there is one for each ward. Despite the widespread presence of such officers, these services remain very inefficient; the officers do not have adequate resources (transportation resources, financial) and monitoring processes are weak. The Ministry of Agriculture, Livestock and Fisheries (MALF) offers extension services through its Agricultural Training Centres. The Centre for Agricultural Mechanization and Rural Technology helps to improve productivity by stimulating the uptake of improved technologies, and ARIs work to improve productivity and spread knowledge of best practices.

Even so, cotton farmers generally do not apply best agricultural practices. As detailed previously, cotton yields are well below both African and world averages, and they have not improved over recent years in line with the yields of competitors. Tanzanian farmers rely on outdated methods and do not incorporate Good Agricultural Practices (GAPs, see table 12). Indeed, a typical Tanzanian cotton farmer broadcasts seeds, does minimal fieldwork, and does not spray his crop. He or she can expect to pick 100 kg of seed cotton per acre. This would result in a net income of TZS 20,000 per acre (taking into account the labour opportunity cost, valued at TZS 5,000 per day). Enhancing the uptake of best practices would result in significant improvements. Indeed, a farmer who broadcasts and sprays three times can expect to double this production and attain a net income of TZS 64,000. Lastly, a farmer applying all of the recommended GAPs can obtain a yield of 400 kg per acre and a net income of TZS 104,000 per acre.

Table 12: *Comparative cost breakdown for Tanzanian cotton farmers*

Cotton farm budget per acre	Broadcasting	Broadcasting & spraying	GAP
Sowing (worker-days)	1	1	5
Fieldwork (worker-days)	7	10	25
Picking (worker-days)	3	6	11
Total labour (worker-days)	11	17	41
Labour cost (TZS/worker-day)	5 0000	5 000	5 000
Labour cost (TZS)	55 000	85 000	205 000
Input cost (seeds, insecticides (TZS)	5 000	11 000	11 000
Total cost (TZS/acre)	60 000	96 000	216 000
Yield (kg seed cotton/acre)	100	200	400
Cost of production (TZS/kg)	600	480	540
Gross income (TZS/acre)	80 000	160 000	320 000
Net income (TZS/acre)	20 000	64 000	104 000

Source: International Trade Centre.

Box 6: Potential impact of Good Agricultural Practices on the Tanzanian cotton-to-clothing sector

According to the calculations above, the adoption of GAPs by all Tanzanian cotton farmers would increase total net income by about US$25 million. Production of seed cotton meanwhile would be increased from 200,000 tons to 400,000 tons. Coupled with improvements in ginning outturn (from 34% to 40%), the sector would produce an additional 85,000 tons of lint, valued at US$110 million.

Source: International Trade Centre)

Recently, coalitions of ginners such as UMWAPA and KIWAPA have begun to implement contract farming initiatives. In these models, participating companies reserve and dress seeds for planting before distributing them to farmers along with other inputs including pesticides and fertilizers. Contracting ginners may then provide available to provide extension services and enhance agricultural practices. While both associations work in the WCGA, UMWAPA is larger; it counts over 6/7 members and works in seven districts. KIWAPA meanwhile works in only one district, Kwimba. Other individual ginners also engage in contract farming on a single company basis.

Following harvest under the contract farming model, contractors have exclusive rights to purchase the cotton from contract areas which is then used by participating ginners. Smallholder farmers elsewhere generally bring their cotton to village buying posts, where it is sold to private ginners' agents, private buyers and primary co-op societies. It may also be sold directly to buyers, including integrated ginning and spinning mills.

GINNING

Locally produced cotton is used by a heterogeneous mix of ginneries that include five integrated ginning and spinning mills (Nida, 21st Century, Musoma, Jambo and Mwatex). In addition, there are 67 ginneries in the WCGA, of which 21 are old cooperatives and 46 are new private enterprises. In the Eastern Cotton Growing Area, there are 13 ginneries (seven old enterprises and three new companies). The ginning segment has a total capacity of 300,000 bales per month, but utilization is only 30%–40% (ginning outturn is ~34%). In 2014, 63% of cotton lint was exported by way of private traders. The main markets for Tanzanian cotton (HS 5201 and 5203) are China, India, Indonesia, Viet Nam and Thailand. A portion (20%–25%) of lint continues along the domestic value chain. rnational Trade Centre.

Box 7: Delinking the input procurement function of the Cotton Development Trust Fund

Input procurement has historically been the domain of the CDTF. During the negotiation of the minimum cotton price, the CDTF takes TZS 15 per kg from both farmers and ginners, or TZS 30 per kg total. This money is used to fund the CDTF's input procurement, research, extension service and administrative activities. Farmers in the contract farming programmes continue to make contributions to the CDTF, even though they receive inputs and extension services from the contractors. If these programmes are replicated throughout the country, the CDTF would become truly redundant, as stakeholders would be contributing twice for the same service. As such, it would be important to delink the input procurement function of the CDTF.

It should be noted that quality remains an issue. Today Tanzanian cotton is discounted on the market, whereas before liberalization it had fetched a premium price. The main reason is that production is not high enough for the growing number of players. Given the competition for scarce materials, the goal of buyers is to get enough quantity, and quality has become a secondary concern with grading not taking place at buying posts. However, ginners are making efforts to improve quality. UMWAPA, for example, has reduced the number of buying posts in each village (one instead of 10, for example), thereby helping to foster uniform quality standards.

SEED PROCESSING

The cottonseed processing segment only uses local seeds. There are 32 ginners with installed oil mills. They produce oil (for both edible and industrial uses, such as soap and margarine), linters (in negligible quantities), hulls for animal feed, and cottonseed cake. The segment's total capacity is 110,000 tons, and utilization is a low 20%. While some is sold on the local market, a portion is also exported, mainly to Switzerland (cottonseed oil), China (linters), and India (cottonseed oil).

YARN SPINNING

The segment has a total capacity of 0.4 million ring spindles and 15,000 open-end rotors. The capacity utilization rate is 40%. The segment includes the integrated ginning and spinning mills, two stand-alone spinning factories (Dahong Spinning Mill and Tabora Textiles Spinning Mill), 21 semi-integrated mills, two integrated fabric/garment enterprises, and a number of integrated T&C companies in industrial zones. Yarns are exported, mainly to China, South Africa, Kenya, the Netherlands, Japan and Switzerland. The remainder is used by the knitting and weaving segment.

WEAVING, KNITTING, DYEING AND FINISHING

While the segment does use some local yarn, it relies largely on imports from India, China and the Republic of Korea. In addition to the integrated enterprises, there is one stand-alone home textile company, one cottage sector enterprise (Marvelous Flotea Co. Ltd), and five stand-alone fabric producing companies. Together they have a capacity of 1,200 shuttleless looms and 5,000 shuttle looms. There are no stand-alone dyeing/finishing plants or services. These activities are instead integrated into the textile mills.

The semi-integrated mills produce woven printed women's kanga and kitenge, as well as yarn dyed woven kikoyi fabrics, bed linen and home textiles. The integrated fabric/garment enterprises meanwhile produce kanga, kitenge, African prints, Maasai-wear fabric, mosquito nets, agronets, knitted fabric, bed linens and home textiles. Finished fabrics are exported to Kenya, Uganda and Bangladesh, while greige fabrics are exported to Kenya and Uganda. A portion of the fabrics are used by domestic garment manufacturers.

DESIGN AND SEWING

While garment enterprises use some of the domestically produced textiles, they also rely on fabric imports from China and South Africa. The garment segment includes one stand-alone company dedicated to uniforms and workwear (Open Sanit Enterprise), two sportswear companies (Mazava Fabrics and Production Ltd, WINDS Group), and two diversified, ready-made garment manufactures (Bema Authentic Fashion & Design, Tanzania Tooku Garments Co. Ltd). The integrated fabric/garment enterprises produce uniforms/workwear, polo shirts, shirts, lingerie and a variety of other garments. The segment's total capacity is 100,000 tons, and its capacity utilization is only 20%. The garment segment faces significant competition from imported clothing (including second-hand clothing), which comes mainly from China, the United States and South Africa.

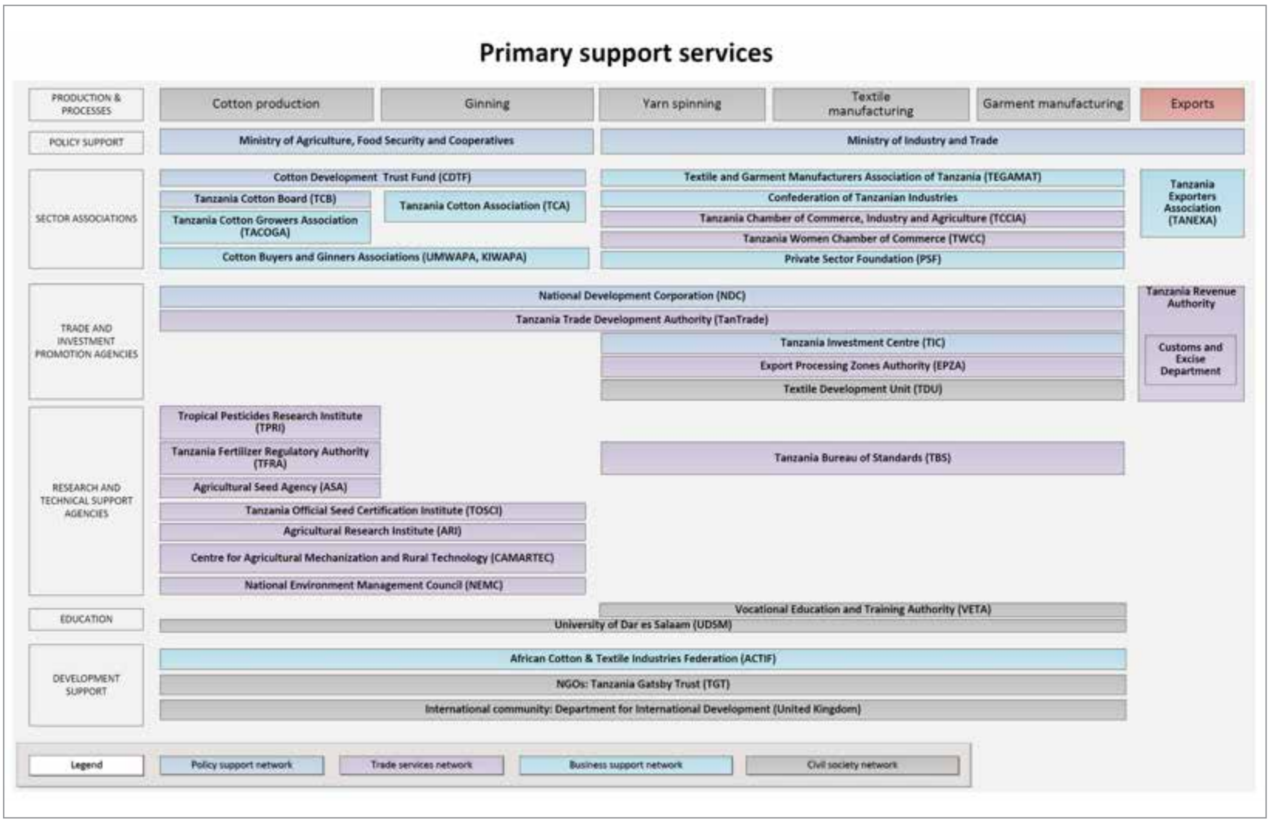
While some garments are sold on the local market, most are destined for export. The biggest market is the United States, which receives 50% of Tanzanian garment exports through mass merchandizing chain department stores, specialty stores, factory outlets, and off-price and mail order outlets. Meanwhile, 23% of exports are sold to South Africa. Other important markets include Kenya (10%), Uganda (8%), the United Kingdom (6%), Congo (1%), Mozambique (1%) and Madagascar (1%).

THE TRADE SUPPORT NETWORK WILL FORM THE BASIS FOR GLOBAL COMPETITIVENESS

The future success of the Tanzanian C2C sector will depend not only on the internal capacities of the companies operating in the industry. In order for the sector to achieve long-term, sustainable growth, participating enterprises and farmers must be able to rely on a capable network of Government and private sector support institutions. Figure 20 displays the Tanzanian C2C trade support network (TSN), categorized by functions along the value chain.

The TSN in the United Republic of Tanzania is extensive and comprises the trade services network, the policy support network, the business network and the civil society network. Nevertheless, it is mostly oriented to support the cotton segment, and stakeholders in the T&C segment note that they have received little support until recently.

Figure 20: *The Tanzanian cotton-to-clothing sector trade support network*



POLICY SUPPORT NETWORK

These institutions represent ministries and competent authorities responsible for influencing or implementing policies at the national level. The cotton segment falls within the purview of **MALF**. MALF formulates, coordinates, implements and monitors agricultural policies. It also works with the private sector, local governments and other service providers to offer technical services related to research, extension, irrigation, plant protection, crop promotion, land use, agricultural inputs and mechanization. Extension services are offered through its Agricultural Training Institutes. In addition, it provides information services, helps develop cooperatives, promotes appropriate postharvest techniques and monitors crops.

TCB is a statutory organization that regulates the cotton sector on behalf of the Government. Its role includes 'ensuring adherence to cotton farming procedures and regulations, ensuring a steady supply of agro-inputs, maintaining a level playing ground for the cotton business companies and collecting, refining and disseminating information to the stakeholders.'[49] Under the TCB, the CDTF is a specialized body that is responsible for facilitating the import and distribution of quality inputs, strengthening cooperation in the sector, promoting value addition at the farm level, and funding and monitoring cotton research, among other activities.

The Ministry of Industry, Trade and Investment (MITI) is tasked with all aspects of trade promotion, trade integration, and industrial development (including small and medium-sized enterprise (SME) development). To this end, it sets trade and industrial policy and provides various types of trade intelligence and marketing services.

The Textile Development Unit (TDU) is a specialised agency within MITI (funded by the Gatsby Charitable Foundation) that seeks to stimulate the textile and garment industry. With expertise in technology, management and marketing, the Unit is charged with the development of an advanced and growing textile and garment sector. The TDU acts as an interface between industry, government, brands and investors. Its activities cover the breadth of constraints and opportunities for the sector, seeking to support the industry by focusing on attracting FDI, supporting trade policy, enhancing training and productivity services, facilitating social and environmental compliance, lobbying for improved infrastructure and business climate.

The **National Development Corporation** and **Small Industries Development Organization** also fall within MITI. The former seeks to initiate and guide the implementation of industrial development projects (chemical industries,

49. Tanzania Cotton Board (2014). Website. Available from http://www.cotton.or.tz/.

power production, agro and biological industries) in partnership with the private sector. The latter provides a wide range of functions, from policy formulation to direct support, in order to support the establishment and growth of SMEs.

Investment policy and promotion falls in the domain of the **Tanzania Investment Centre (TIC)**. TIC is the 'Primary Agency of the Government to coordinate, encourage, promote and facilitate investment in United Republic of Tanzania and to advise the Government on investment policy and related matters'.[50] Among other services, it:

- Organizes investment forums
- Promotes the United Republic of Tanzania as a destination for investment
- Engages in policy advocacy
- Helps investors obtain permits, licences and visas
- Grants land rights to investors
- Helps investors navigate administrative and regulatory hurdles
- Provides aftercare services to registered investors.

Further information on TIC can be found under the FDI section of this strategy.

TRADE SERVICES NETWORK

These institutions or agencies should ideally provide a wide range of trade-related services to both Government and enterprises. In this role, they would support and promote the sector through the delivery of trade and export solutions. Chief among them is the **Tanzania Trade Development Authority** (TanTrade) under MITI. As the country's trade promotion organization, TanTrade researches markets and products; provides trade intelligence and market access tools; organizes events such as trade fairs, solo exhibitions, and buyer–seller meetings; and helps facilitate global partnerships.

This work is complemented by a number of non-sector-specific bodies, including the **Tanzania Chamber of Commerce, Industry, and Agriculture** (TCCIA), which facilitates private sector development by providing a wide range of services including: dialogue, advocacy and lobbying; business information; certificates of origin; sector-specific surveys; business partner matchmaking; and trainings and workshops.

The **Tanzania Women Chamber of Commerce** meanwhile provides a common platform for businesswomen to advocate, lobby and network for their own interests.

50. Tanzanian Investment Centre (n.d.). Website. Available from http://www.tic.co.tz/.

EPZA also plays a key role in attracting investment and fostering trade. Its role is to manage the country's SEZs and EPZs and attract investors. More information about EPZA can be found under the FDI section of this strategy.

A key role is also played by the **Tanzania Revenue Authority** (TRA) (International Organization for Standardization (ISO) 9001:2008 certified), which is tasked with collecting taxes and duties. TRA provides information, taxpayer registration, cargo tracking and payment services. The **Customs and Excise Department** within TRA handles all export and import procedures. To this end, it operates the Tanzania Customs Integrated System for Customs clearance and Customs checkpoints.

The **Tanzania Bureau of Standards** (TBS) within MITI is the United Republic of Tanzania's national standards institute. It is responsible for all aspects of standardization and quality assurance in the United Republic of Tanzania, and it provides relevant testing, calibration and training services. TBS maintains a number of laboratories, including a textile, leather and condom laboratory, and a cotton laboratory. The cotton laboratory serves as a Regional Technical Centre for East and Central Africa within the Commercial Standardization of Instrument Testing of Cotton project (co-funded by the EU and the Common Fund for Commodities). The lab provides the following services:

- Conducting training for laboratories and stakeholders in the region
- Conducting regional round trials
- Conducting retests on regional laboratory samples
- Providing expertise for cotton testing laboratories
- Collection and dissemination of technical information
- Facilitating cooperation between cotton testing laboratories.

A number of other institutions support the cotton sector through their work with research and agricultural inputs. **ASA**, a semi-autonomous body within MALF, produces high-quality seeds for farmers using its own farms as well as contract growers. It also strengthens research capacities for breeding, promotes increased private sector participation in the seed industry through public–private partnerships (PPPs) and joint ventures, and promotes increased demand for certified seed among farmers.

TOSCI is responsible for certifying seeds. It performs field and seed inspection, sampling and testing, and variety evaluation and verification.

Fertilizers are the domain of the **Tanzania Fertilizer Regulatory Authority**, an information and control body that enforces laws and policies governing the manufacturing, importation and use of fertilizers. To this end, it controls fertilizer quality and ensures that fertilizers and supplements are packed and labelled appropriately.

All pesticides must be analysed, approved and registered with the **Tropical Pesticides Research Institute** (TPRI) before being brought to the Tanzanian market. TPRI researches the management of pests, pesticides and biodiversity through a number of divisions, including its Plant Protection Division, National Plant Quarantine Station, Pesticides and Environment Management Centre, National Herbarium of Tanzania, and National Plant Genetic Resources Centre. It also provides information, training and outreach services.

ARI is represented by seven zonal centres. These offices provide various research and information services including land evaluation, fertilizer recommendations, soil analysis, pesticide evaluations, etc. Extension services are provided via Zonal Research Extension Officers at each centre.

The **Centre for Agricultural Mechanization and Rural Technology** under MITI provides research and outreach services to farmers. It seeks to develop and disseminate improved technologies for agricultural and rural development. Its ultimate goal is to boost agricultural production, improve quality of life and alleviate rural poverty.

Lastly, the role of the **National Environment Management Council** is to ensure compliance with environmental regulations. To this end, it researches proper management and conservation techniques, enhances environmental education, and publishes relevant manuals and guidelines. It also issues permits and performs environmental auditing and inspection.

BUSINESS SERVICES NETWORK

These associations and commercial service providers support the growth and development of sector businesses through quality and relevant service offerings.

The **Cotton and Textile Development Programme**, is supporting the TCB in its efforts to provide various business development services in its efforts to reform the regulatory structure of the industry, enable access to improved inputs, and improve farming practices. **The Textile and Garment Manufacturers Association of Tanzania (TEGAMAT)** was formed in 2013 in order to support the sector's development and was officially registered in September 2015. The creation of the Association comes at the right time to fill a gap in the T&C sector, although its human and financial capacities are very limited right now. TEGAMAT seeks to help upgrade the industry, and it will provide advocacy services, help members to access quality inputs, and incentivize investors. TDU is the main partner of TEGAMAT and has provided support for its creation.

The **Tanzania Cotton Association (TCA)** is the apex association of cotton stakeholders (largely ginners, traders and exporters) that seeks to promote the interests of the sector in a unified way. Growers are separately represented by the **Tanzania Cotton Growers Association (TACOGA)**. TACOGA seeks to improve farming practices through the provision of various services and training. TACOGA also participates in negotiations of indicative price with TCA while TCB acts as the referee. In addition to representing their members and facilitating sectoral development, **UMWAPA and KIWAPA** and other individual ginners contract cotton farmers and provide them with a range of extension services, including input distribution.

ACTIF also provides a wide range of services to sector stakeholders. In its efforts to promote trade and market access for African cotton, textile and apparel products, ACTIF provides the following services: advocacy on issues affecting trade and representation at the regional and international level; enhancing competitiveness through knowledge transfer, investment, and technology upgrades; promoting trade linkages and supply chain development; providing trade intelligence; and promoting the exchange of information.

The **Tanzania Exporters Association (TANEXA)** is a non-sector-specific private association that assists its members by providing various capacity-building, lobbying and information services. Another important association is the **Private Sector Foundation**. With over 250 members, the Foundation works to:

- Facilitate the growth of business by raising policy issues on behalf of the private sector;
- Help its associate members to improve their institutional capacities to offer relevant services to the private sector;
- Support members with a range of standardized and customized development services;
- Implement the enterprise development component of the Private Sector Competitiveness Project in order to enhance enterprise capacities to meet market demands.

The Confederation of Tanzania Industries (CTI) is a business membership organization. It is an independent, self-financed, legally constituted organization that serves its members by speaking out on their behalf and generally representing their interests. The main aim of the Confederation is to ensure that there is a conducive legal, financial and economic environment within which industry can operate effectively, prosper and contribute to national wealth and development. The T&C sector is an affiliated member.[51]

51. Confederation of Tanzania Industries (2015). Website. Available from http://www.cti.co.tz/.

Photo: (CC BY-SA 2.0) IBM Research – Africa.

CIVIL SOCIETY NETWORK

These are national or international institutions, not specifically focused on trade development but that are thought leaders and providers of specific support that has a bearing on the sector's export potential and socioeconomic development. The civil society includes institutions such as trade unions, universities and training institutions or charity.

The **GCF** is a charitable trust with a long support history in Tanzania, as it has been registered since 1992. It is supporting farmers' development and SMEs in Tanzania. C2C sector is a specific focus area among others through the Cotton and Textile Development Programme jointly supported by the Gatsby Charitable Foundation (GCF) and DFID.

The **Association of Tanzania Employers** provides a wide array of labour management services to its membership including:

- Legal advice and representation on all labour relations issues;
- Seminars and training on labour laws, human resources management, supervisory and strategic management, HIV/AIDS, etc.;
- Policy, advocacy and research;
- Information dissemination/publications;
- Consultancy.

Labour meanwhile is represented by the **Trade Union Congress of Tanzania**, an umbrella organization for the mainland labour unions, and the **Zanzibar Trade Union Congress**.

On the capacity building side, extension services and research are provided by **ARI**, the **Centre for Agricultural Mechanization and Rural Technology**, and the **CDTF**.

The **Vocational Education and Training Authority (VETA)** is an autonomous government agency responsible for providing, coordinating, regulating, financing and promoting vocational education and training. It operates 28 training centres throughout the country. The sectors covered are mechanical, hospitality and tourism, electrical, agriculture and food processing, construction, printing, and automotive. Clothing and textiles are part of the official list, and courses cover design, sewing, cloth technology and handloom weaving.

The College of Engineering and Technology of the University of Dar Es Salaam (UDSM) is the only academic institution in the country offering a Bachelor of Science in Textile Engineering and Textile Design and Technology. Textile Engineering deals with engineering problems which occur in the process of manufacturing fibres, yarns and fabrics. It also includes the steps necessary to make fabrics useful, such as the manufacture and applications of dyestuffs, chemical auxiliaries and finishing processes. The course is aimed at producing qualified engineers who would not only take up the maintenance and operational functions of a textile mill but would cover other aspects related to the industry such as parts manufacturing, machinery development and quality assurance. UDSM works closely with industry in designing the curricula. Despite the large number of ginners in the country, there is no diploma in ginning engineering. The only programme available in the East Africa region is provided by Busitema University in Uganda. [52]

TRADE SUPPORT NETWORK ANALYSIS

A number of key institutions play a critical role in the development of the sector. Most of the institutions listed above have a very high influence on the cotton sector, and a number are quite competent in carrying out their mandate. However, in order to replicate the success of UMWAPA and spread contract farming (which guarantees farmers availability of inputs and credit), the TSN requires some changes.

Service delivery of public institutions must be adapted in order to reduce redundancy. For instance, the modalities of central procurement of pesticides and other inputs through CDTF have to be modified. Despite the opposition of some stakeholders who have vested interests in the status quo, TCB needs to take the lead in carrying out the necessary reforms in the TSN in order to facilitate the spread of contract farming to other regions with the support of TCA, TACOGA and UMWAPA. These organizations have either the necessary financial resources at their disposal or the technical skills, human resources and equipment required to fulfil their mandates successfully.

TDU is the unique active institution supporting the T&C subsector. It has been established with the financial support of GCF.[53] This particular financial situation might have limited TDU's full integration into the rest of the TSN. It is envisaged that TDU will be fully integrated into the services of MITI in the near future. Despite limited human resources to assume a large scope of activities, TDU is successfully fulfilling its role, even if stakeholders would like to see more results. With the creation of TEGAMAT, TDU should be able to transfer a part of its activities to this private sector association in the medium term and focus primarily on FDI attraction, advocacy on key policy issues, and sector coordination.

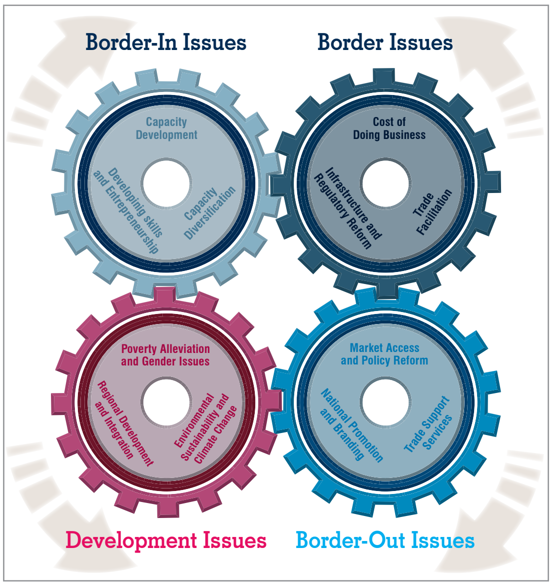
Finally, the C2C sector needs a greater level of cohesion to improve the integration of the entire value chain. The TSN is now split into two blocks, following the prevalent interests of the cotton subsector and ignoring the issues of the T&C subsector. An institutional mechanism within the entire TSN must be established to improve the dialogue between stakeholders and facilitate advocacy for priority reforms to the Government, representing the entire C2C sector.

52. Nguku, Everlyne (2012). *Analysis of Textile & Clothing Training Institutions in the East Southern Africa*. ACTIF;

Kinabo, Oliva D. (2004). The textile industry and the mitumba market in Tanzania. Paper presented at the Tanzania–Network.de Conference on Textile Market and Textile Industry in Rural and Urban areas in Tanzania. Potsdam, 23 October.

53. See development activities supporting the sector.

COMPETITIVE CONSTRAINTS AFFECTING THE VALUE CHAIN



Traditionally, the scope of export strategies has been defined in terms of market entry, such as market access, trade promotion and export development. This ignores several important factors in a country's competitiveness. For an export strategy to be effective it must address a wider set of constraints, including any factor that limits the ability of firms to supply export goods and services, the quality of the business environment, and the development impact of the country's trade, which is important to its sustainability. This integrated approach is illustrated by the four gears framework schematic on the right.

To increase the specificity of constraint analysis for the Tanzanian C2C sector, a detailed constraint overview is provided for each subsector of the industry, namely: cotton farming and ginning, textiles, and clothing. In cases where the constraints are shared, they are detailed under the subheading 'across the value chain.'

SUPPLY-SIDE CONSTRAINTS

Supply-side issues impact production capacity and include challenges in areas such as availability of appropriate skills and competencies, diversification capacity, technology and low value addition in the sector's products.

ACROSS THE VALUE CHAIN

Constraint	Root causes
Poor working conditions reduce productivity	• While efforts are being made to follow CSR principles, some companies lag behind. New factories have been built in adherence to the compliance requirements of buyers, but working conditions in old factories continue to be sub-prime. Labour laws are in place but implementation may be weak
↳ **Linked to operational objective 2.6 in the PoA.**	
Difficulty adapting to changing market requirements reduces growth	• Low awareness about market requirements and how to target new markets at mid and high management levels. • Poor product development capacity. • Inadequate sourcing practices (not cost-reduction driven). • Limited capacity to diversify and add value to existing products. • Insufficient availability of marketing/sales departments or functions within firms.
↳ **Linked to operational objective 3.1 in the PoA.**	

Constraint	Root causes
Disconnect between yarn and fabric production and the export-oriented garment industry reduces value chain integration	• The Tanzanian yarn and fabric segments are focused on the production of kanga and kitenge for local use. The quality required by these products is lower than that required by the international garment market. As such, garment exporters are forced to import yarn and fabrics.
↳ Linked to operational objective 3.2 in the PoA.	

COTTON FARMING AND GINNING

Constraint	Root causes
Poor cotton farming practices result in suboptimal yields	• Use of non-certified seeds, low ginning outturn seeds, broadcasting instead of planting according to recommended spacing, late planting, late weeding and an inadequate number of sprays are major impediments to higher productivity. The Competitive African Cotton Initiative demonstrated how yields could be raised simply by adopting GAPs. A twofold increase has been recorded from 300 to 600 kg per acre in the project areas. • The logic behind the proper sowing of cotton, spacing, thinning and timely weeding is often not understood by smallholder farmers. • The good farming practices that are recommended are often not integrated fully by farmers, drastically reducing the potential for positive impact. This is due to the lack of reliable input sources and uncoordinated delivery of extension services. • Despite the large number of extension workers on the government payroll, their presence amid farmers is yet to be felt. Over the last 50 years the average of cotton yields has stagnated between 200 and 300 kg per acre. Most public extension officers are poorly financed and do not have the necessary equipment (means of transport, fuel and lubricants). Lack of supervised/monitored workplans with clearly defined and measurable targets makes it difficult for extension services to bring real change. UMWAPA has had greater success: during the 2014/15 season it employed 20 extension officers who successfully taught GAPs (especially on spacing and spraying techniques). The area under UMWAPA experienced fewer complaints about insecticide efficacy emanating from lack of know-how. • Lack of strong farmers' associations weakens bargaining power and makes delivery of extension services difficult. It is difficult to reach fragmented farmers in remote areas. • Due to lack of financing, farmers do not have the liquidity required to buy necessary inputs, which include certified seeds, pesticides, sprayers and inorganic fertilizers. • Farmers pay a crop levy ranging between 3% and 5% of the producer price. A portion is supposed to be ploughed back into the cotton sector in the form of improved extension services, etc., but many districts do not use the levy for its intended purposes. • High demand for labour when it rains makes it difficult for farmers to optimize planting; as a result 50% of the crop is planted late. Farmers plant food crops during the first rain, and only after that do they start planting cotton. The adoption of simple mechanization equipment –such as rippers to facilitate early soil preparation during the dry season and oxen-driven planters to facilitate timely planting– will enable farmers to adhere to GAPs. The TCA tractor scheme should be revived under contract farming frameworks.
↳ Linked to operational objectives 1.2, 1.3 and 1.4 in the PoA.	
Excessive price volatility limits farmer motivation to grow cotton and increases poverty	• There are no national or local interventions/mechanisms to mitigate the impact of international price volatility on producer prices; there is no price stabilization and no stable price-setting system. Price instability threatens income security and often results in further slides into poverty. • Setting the price before marketing increases producer price volatility and can cause fluctuations in production. A price stabilization fund would be required to ensure the proper functioning of pre-planting price setting. • Most farmers have no cash to buy the necessary pesticides that would reduce risk. • Tanzanian cotton producers are among the least protected in the world (compared with China, India, Pakistan, Western and Central Africa, etc.); they plant without knowing the minimum price, which is negotiated before the marketing season. As such, all of the price risk is taken by the farmer.
↳ Linked to operational objectives 1.2 and 1.5 in the PoA.	

Constraint	Root causes
Poor quality of cotton seeds reduces yields	• Due to lack of a coherent seed multiplication system, UK91 (a cotton variety which was first released in 1991) is still in use. End users of cotton have repeatedly voiced their concerns regarding the deterioration of quality in terms of fibre strength and length. The capacities of Ukiriguru ARI must be enhanced to enable it produce the required 32 tons of breeder seed every year. UKM08 is a new variety with a higher ginning outturn of 42% (compared with the 34% of UK91). The industry stands to benefit immensely once it is planted throughout the WCGA. • The monopoly of seed company Quton (which has existed for seven years) is expiring in 2016. This represents an opportunity to rethink the cotton seed system, possibly opening up the market to investors and spur development in the seed business through competition. The government is currently looking on how best to approach the issue of provision of certified seeds to farmers. Various options exist including a tendering process in which eligible companies would be are awarded contracts for multiplication, processing, delinting and marketing of seeds.
↳ Linked to operational objective 1.1 in the PoA.	
Limited labour supply for farming limits growth potential	• As cotton is labour-intensive, the labour bottleneck must be relieved by technological upgrades. Planting, for example, could be mechanized. This would allow the avoidance of broadcasting and could lead to a doubling of yields.
↳ Linked to operational objective 1.3 in the PoA.	
Inadequate input supply chain leads to lower yields	• The attempt by the Government to facilitate the availability of pesticides for farmers through the provision of subsidies (voucher system) has not yielded many results due to the delayed release of funds as well as rent seeking, which saw the proliferation of fake and expired products. In addition, the subsidy system was not monitored properly, leading to situations where non-cotton farmers were able to get vouchers and take advantage of the system. • The central procurement of pesticides through CDTF needs to be reformed as the contract farming model takes over this role. (CDTF bought pesticides at US$2, whereas UMWAPA supplied chemicals purchased from a local importer at US$1 per acre-pack). • Contract farming (which guarantees farmers the availability of inputs on credit) has spread slowly due to opposition from some stakeholders who have vested interests in the status quo. • At the moment, input provision is associated with CDTF, but contract farming models are geared at delinking the pesticide procurement function because CDTF services are redundant. • Farmers are not registered, which makes it difficult to track loans. For the contract farming models to succeed, a system to track farm transactions is needed.
↳ Linked to operational objective 1.2 in the PoA.	
Low quality of cotton limits profitability and value addition	• Farmers have no incentive to sort their seed cotton, as ginners tend to offer a flat price regardless of its grade. In addition, free unregistered buyers ('marching guys') and commission agents buy cotton from farmers without aligning price with quality levels. Ginners should reward quality, thereby incentivizing farmers to grade their cotton. • Commission agents sometimes use tampered scales, causing farmers to deliberately adulterate cotton before delivery. Agents may also adulterate it in order to counter the possibility of losing weight at a ginnery's tampered scales. Agents often add contaminants into cotton for financial gain. Corruption at both buying posts and ginneries perpetuates the practice of seed cotton adulteration. Weights and Measures Agency officials need to deal with these malpractices. • There is no reliable vehicle for ginners to interact with farmers and support production through the provision of inputs, including picking and collection bags. As such, farmers often use polypropylene bags. • TCB (together with the Local Government Authority) has found it nearly impossible to enforce grading because there are over 8,000 official buying posts to inspect (compared with just 250 in Kenya). The marketing system must be restructured to make it more manageable. • Tanzanian cotton has lost the premium it used to enjoy before liberalization due to both the perceived risk of contamination as well as counterparty risk (16 Tanzanian firms are on the International Cotton Associoation (ICA) default list, by far the largest number in Africa). Buyers perceive the United Republic of Tanzania as a risky sourcing destination. They therefore take precautionary measures by offering lower prices when engaging ginners. Consequently, ginners will offer a low price for seed cotton. This acts as a disincentive to the farmer to invest in the crop, lowering cotton quality further. • TCB must increase its capacities to effectively classify cotton by training personnel and equipping laboratories with state-of-the-art classification machines.
↳ Linked to operational objectives 1.5 and 1.6 in the PoA.	

Constraint	Root causes
Mistrust between farmers and ginners hinders cooperation	• Farmers see certain ginners as swindlers because of their trading practices and inability to offer high prices. • Some ginners lack knowledge on how to mitigate price risk. Most ginners tend to sell their lint on the spot market in order reduce the risk of holding. Volatility of the market plays a role, however; when it is high, forward selling becomes more prevalent and vice versa. • Farmers have increasingly become disconnected from global price signals and trends in relation to cotton. • As ginners are at risk while they hold large stocks of seed cotton, they try to gin the crop and sell their lint as quickly as possible.
↪ Linked to operational objective 1.2 in the PoA.	
Low capacity utilization at ginning mills creates tension between ginners and farmers and reduces the overall supply of ginned cotton for the C2C value chain	• A large number of ginners compete vigorously for a small quantity of seed cotton. Many inefficient ginners (who gin less than 1,000 tons per year) are able to stay in business due to evasion of CDTF levies and an inefficient system for the collection of district levies. • Cotton is used as a bridge to access capital from banks for other businesses; as such, ginning is not a priority for some ginners.
↪ Linked to operational objective 1.2 in the PoA.	
Quantity and quality of cotton lint is unreliable and inadequate for the domestic textile industry	• Tanzanian spinners claim that they are often let down by ginners who, having committed to sell them the lint at an agreed price, subsequently sell to another bidder who has offered more. • Working ginneries use up-to-date technology, but cooperative ginneries continue to use obsolete technology, often leading to contamination.
↪ Linked to operational objective 1.5 in the PoA.	
Limited productivity and value addition in the cotton by-product subsector	• Most factories semi-refine cottonseed oil instead of double or triple refining it, making the product appropriate only for the local market. • Product diversification and value addition are constrained: whereas competitors from China add value by manufacturing livestock feeds, for example, Tanzanian enterprises simply sell oilcake. • The machinery and technology used to extract cottonseed oil is inadequate. Tanzanian stakeholders produce 100 to 140 litres from a ton of seed but Chinese mills can produce 180 litres. • Given the price of cottonseed, many millers are selling seed to the Chinese, as they are unable to make money producing oil at current levels of productivity.
↪ Linked to operational objective 3.5 in the PoA.	

TEXTILES

Constraint	Root causes
Inadequate technology limits productivity and cost efficiency	• Many companies continue to rely on obsolete equipment (often over 40 years old), especially in the spinning and weaving subsectors. • Very few companies are investing in new machinery or modernizing/upgrading their existing set-ups. • Spare parts are not available locally. In some cases, the spare parts required for machinery do not exist as the machinery is too old and the suppliers may have stopped production. • Limited access to finance (see business environment constraints for more details).
↪ Linked to operational objectives 3.2, 3.3 and 4.4 in the PoA.	
Weak management capacities constrain business development	• There is a lack of local managers and supervisors. Most companies therefore bring in expensive expatriate staff for mid- and high-level positions. There is a lack of skills transfer from expatriates to local employees. A firm is permitted to employ only five expats, and bringing additional expats requires special permissions. The process to obtain a work permit is laborious. A resident permit costs US$1,000. This has to be added up with a working permit of US$2,050 and processing costs of US$600 amounting on average to US$4,000 for a period of 2 years, after which it has to be renewed. The applicant must provide a justification for why the know-how was not transferred from the expat to a local employee during this period. • It should be noted that a temporary assignment visa can be obtained at the border for three months. It can be extended for another three months. • There is limited exposure of managers to international best practices. • Management training programmes and curricula are inadequate and do not cater to the needs of the industry.
↪ Linked to operational objective 3.1 in the PoA.	
Inadequate availability of skilled labour limits competitiveness	• There is a serious lack of local technicians and specialists. • The Technical and Vocational Education and Training (TVET) system does not supply the industry with the quality and quantity of trained workers it requires. As a result, employers incur additional costs by training their own staff. • Only a few companies have an internal training programme. These programmes were developed to address specific in-house requirements; as such, the trainings are not standardized across companies. • Employers are required to pay a contribution of 6% of the basic wage as a Skills Development Levy. VETA receives 2% of the 6% levy. While this is supposed to go towards improving industry-specific TVET, the sector has yet to benefit in a meaningful way. • The training provided by VETA is not specific enough for the industry (for example, weaving, knitting, industrial sewing machine operations, etc.). Training institutes do not have access to textile and apparel manufacturing machinery and must form partnerships with mills. • UDSM, through its College of Engineering and Technology, is the only university that provides a textile and apparel engineering programme, which has started recently. The university has a Memorandum of Understanding (MoU) with the Indian Institute of Technology, Delhi, which is the premier textile education college in India. The first batch of 15 students will graduate in October 2015.
↪ Linked to operational objectives 2.5 and 3.1 in the PoA.	

BUSINESS ENVIRONMENT CONSTRAINTS

Business environment constraints are those that influence transaction costs, such as regulatory environment, administrative procedures and documentation, infrastructure bottlenecks, certification costs, Internet access and cost of support services.

ACROSS THE VALUE CHAIN

Constraint	Root causes
Insufficient policy support for the sector hinders development	• There is no clear policy for the promotion of the T&C sector. • There are no sector-specific investment or trade promotion incentive packages available to investors. • Investment promotion has been insufficient: little has been done to raise awareness about investment opportunities in the United Republic of Tanzania among global investors. Promotion initiatives have been particularly lacking when compared to those performed by other East African countries such as Ethiopia and Kenya. • The Government has failed to regulate, monitor and control the smuggling of second-hand clothing, which significantly reduces the competitiveness of local industry. • Import duty policies for edible oil have posed a persistent challenge. While Tanzanian demand for such oils is greater than its production capacity, the dumping of palm oil from the Far East continues to stifle the development of local production. The Government has found it difficult to strike a balance that would better promote growth of the local industry.
↳ Linked to operational objectives 2.1, 3.5, 4.2 and 4.4 in the PoA.	
Lack of institutional coordination and support in specific areas of the value chain leads to various inefficiencies, including limited service provision and advocacy	• The private sector is disorganized and does not work together to address productivity and quality issues. The emergence of UMWAPA (operating in eight districts) has demonstrated the power of unified action to support production growth. • TACOGA finds it difficult to reach farmers in remote areas and effectively fulfil its mandate. It suffers from the lack of a professional secretariat, and workable strategy and action plan. • TCA does not reach a common position on most critical issues. Instead, two camps compete for supremacy without regard for the development of the industry. • TEGAMAT is still young. It requires capacity-building in order to become a vibrant voice for the industry.
↳ Linked to operational objectives 2.1 and 4.3 in the PoA.	
Burdensome taxes reduce competitiveness	• Corporate income tax in the United Republic of Tanzania amounts to 35% on average, with the exception of companies registered with and listed on the Dar es Salaam Stock Exchange, for which the rate is reduced to 25%. • The value added tax (VAT) rate is 18%. • Personal income tax is progressive, ranging from 15% to 35% for monthly incomes over TZS 30,000. • Imported consumables, including spare parts, are fully taxed even if purchased by export-oriented units. • In 2015, VAT was introduced on seed cake, to the consternation of ginners.
↳ Linked to operational objective 2.3 in the PoA.	
Structural problems within the industry impede development	• A vast amount of competition (the largest number of ginners in Africa) makes it difficult to engage in the coordination needed to provide important services such as quality control, input credit, research and extension. • Low entry barriers create a 'free-rider' problem, resulting in ginners' chronic underinvestment.
↳ Linked to operational objective 1.2 in the PoA.	

Constraint	Root causes
Limited access to finance hinders growth and investment	• Borrowing costs are very high, especially for the segments of the value chain where capital is most required. • Interest rates are in the range of 15% to 24%, depending on the nature of the project and the credibility of the borrower. Even at the lower end of this range, rates are high in comparison to other major textile exporting nations (5% to 8%). • SMEs cannot meet the requirements of banks. • Firms cannot offer adequate collateral.
↪ Linked to operational objective 2.7 in the PoA.	
The high cost of power and its inconsistent supply affect price competitiveness (particularly in the textile segment)	• The cost of power in the United Republic of Tanzania is US$0.12 per kilowatt-hour (Kwh), which is quite high compared with US$0.07/Kwh in China, US$0.04/Kwh in South Africa and US$0.04/Kwh in Ethiopia. • Power shortages and fluctuations are also common. This can result in lost productivity as well as inconsistent quality due to stopping and starting. In the Dar es Salaam EPZ, the situation is reported to be more stable. • It should be noted that the work on gas-based power generation is near completion in Dar es Salaam. This will bring down the cost of power significantly and improve reliability.
↪ Linked to operational objectives 2.4 and 4.1 in the PoA.	
Inadequate logistics services result in high costs and frequent delays, as well as the inability to handle, clear and move cargo quickly	• Inefficiency in the local transport and logistics sector (especially rail services), greatly hampers the ability of local manufacturers to access and be competitive in regional and global markets. • Land-use planning is poor. • Land development is uncoordinated (especially in the port environs). • Planning is haphazard across different transport sectors.
↪ Linked to operational objective 2.3 in the PoA.	
Arbitrary Customs decisions affect price competitiveness	• Customs applies relatively arbitrary increases in value to shipments of fabric or trims, resulting in increased import tariffs and VAT, and higher input costs. • Some companies claimed that, despite the fact that they are operating in a registered EPZ, Customs continues to insist on duty and VAT payments from which the company should be exempt. In many cases, management stated that they were forced to pay the demands of Customs, as the delay in clearing their goods would be even more costly.
↪ Linked to operational objective 2.3 in the PoA.	
Delays in Customs procedures and clearance have a negative impact on business performance	• Although industry has reported a reduction in the time needed for Customs clearance (from approximately two weeks to one week), there is still much room for improvement. • A lot of effort is being put towards improving port efficiency at Dar es Salaam. The port has recently begun operating around the clock, and the time for unloading and loading has come down. • The information technology infrastructure has also been upgraded recently. The migration process is not yet complete, so Customs officers are not fully proficient. As a result, there has been an uptick in the reporting of unnecessary delays recently. • There is no ‘green channel’ in EPZs.
↪ Linked to operational objective 2.3 in the PoA.	
Lack of an internationally accredited testing laboratory increases costs and reduces opportunities for market access	• Each buyer requires a third-party testing certificate of the goods to be exported from accredited labs/agencies. As there is currently no such agency operating in the United Republic of Tanzania, the testing is done abroad, resulting in higher costs and reduced flexibility. • While this is currently not a major issue it will present complications, particularly once the industry begins to expand.
↪ Linked to operational objectives 2.7 and 3.4 in the PoA.	

Photo: Rob Beechey / World Bank Photo Collection (CC BY-NC-ND 2.0). Dar es Salaam Port, Tanzania.

Constraint	Root causes
The absence of a common effluent treatment plant in industrial zones increases the costs of environmental compliance	• Industrial zones do not have an operational common effluent treatment plant. As such, companies who need to abide by international environmental compliance standards have to bear the full cost of treating their effluent. This is very expensive.
↪ Linked to operational objectives 2.3 and 4.1 in the PoA.	
Customs deficiencies lead to the market being flooded with cheap imports	• Smuggled new and second-hand clothing, kanga and kitenge undercut the competitiveness of locally produced goods and limit market expansion. • There is a under-declaration and undervaluation at the time of import of new, second-hand and counterfeit clothing.
↪ Linked to operational objective 2.3 in the PoA.	

COTTON FARMING AND GINNING

Constraint	Root causes
Local levies reduce profitability and competitiveness	• Farmers are charged a levy of between 3% and 5% of the farm gate price of seed cotton, which is paid to the local government. • Part of the levy is supposed to be reinvested in cotton farming development (through the financing of extension services) but this has not been the case. This has left extension services without enough financial resources to deliver needed services to producers, thereby stifling production quantity and quality.
↪ Linked to operational objective 2.1 in the PoA.	
Deficiencies in the CDTF prevent it from fulfilling its role as an effective coordinator of the cotton marketing system	• Financial management difficulties have led to the accumulation of debts. • Cotton marketing has become a politicized issue. This impedes the proper functioning of the farmer–ginner relationship.
↪ Linked to operational objectives 1.2 and 2.1 in the PoA.	

MARKET ACCESS CONSTRAINTS

Market entry constraints include issues such as market access, market development, market diversification and export promotion.

ACROSS THE VALUE CHAIN

Constraint	Root causes
Lack of a unified branding initiative hinders recognition of Tanzanian C2C products	• There is a need to brand and promote Tanzanian textile and apparel products under an umbrella brand to create awareness about Tanzanian competencies and capabilities among global buyers. • No national cotton brand has been developed either: a handful of local ginners who lack appreciation of the importance of quality issues have hurt the country's image as a supplier of high-quality cotton lint.
↳ Linked to operational objective 5.2 in the PoA.	
Lack of specific trade intelligence and market information limits product development and hinders market access	• Good trade information is either unavailable, outdated or too costly. • Exporters find it difficult to expand to new markets due to the absence of reliable trade intelligence on markets' characteristics and buyers' requirements in terms of distribution channels favoured payment mechanisms, trends in consumption, voluntary standards, technical specifications, etc. • No market surveys on major markets and products are produced and circulated to the private sector (these surveys would detail issues such as demand potential, product specifications, prevailing prices, competition and contacts of major buyers). • Currently there is no mechanism to collect, analyse and distribute market intelligence to the industry. • Both trade and investment support institution staff and private sector sales teams need to best understand customers' needs, market research methods, distribution channel characteristics, quality assurance and improving customer service. • Coordination is poor between trade and investment support institutions and commercial representatives stationed abroad. With regards to cotton: • This contributes to haggling over the price at which seed cotton is sold to ginners and cotton merchants. • There is limited understanding of the expectations and/or requirements of the Asian spinning market by ginners. The ginners are dependent on international cotton traders for their marketing to Asian markets. • There is limited market intelligence to identify buyers who are willing to pay better prices for non-contaminated cotton.
↳ Linked to operational objectives 5.1 and 5.3 in the PoA.	
Exporters lack exposure to target markets and have few networking opportunities, diminishing their ability to promote products directly	• There is limited in-market support provided to enterprises looking to participate in targeted trade fairs, buyer–seller meetings, etc. both in the United Republic of Tanzania and overseas. • There are no specific support funds earmarked for companies wishing to participate in important international trade fairs. TDU took a few selected companies to Magic in the United States earlier in 2015, but such activities are few and rare.
↳ Linked to operational objective 5.2 in the PoA.	

Constraint	Root causes
Failure to diversify products and markets makes the sector particularly susceptible to demand fluctuations and other shocks	• There is low awareness and use of preferential trade agreements such as AGOA. Exporters need more awareness of the agreements as well as the prerequisites for benefiting from such agreements. (Outdated machinery is incapable of producing quality yarn and subsequent quality products as per market requirements.) • In existing markets, Tanzanian exporters have not been able to increase their penetration through new product offerings. • The United Republic of Tanzania has achieved limited success in leveraging its organic cotton production and positioning itself as a niche supplier to large markets.
↪ Linked to operational objective 5.1 in the PoA.	
Limited success in domestic markets hinders expansion regionally and worldwide	• The domestic market is largely dependent on local fabric – kanga and kitenge – or second-hand garments. There is little demand for domestically manufactured textile garments such as women's dress wear, shirts and trousers for men. • Corruption at the port/entry points allows tax-free imports to flood the local market. This makes locally produced products uncompetitive. • Importation of second-hand clothing limits the possibility of mills to venture into garment production. • Greater success in the local market could serve as a springboard for future growth.
↪ Linked to operational objective 5.3 in the PoA.	

SOCIAL AND ENVIRONMENTAL CONCERNS

Social concerns include poverty reduction, gender equity, youth development, environmental sustainability and regional integration.

ENVIRONMENTAL CONCERNS

Constraint	Root causes
The impact of cotton production on climate change and climate change on cotton production* International Trade Centre (2011). Cotton and Climate Change: Impacts and Options to Mitigate and Adapt. Geneva.	• Cotton production is both a contributor to and a victim of climate change. Agricultural production, processing, trade and consumption contribute up to 40% of the world's emissions when forest clearance is included in the calculation. Cotton production contributes to between 0.3% and 1% of total global greenhouse gas emissions. • Greenhouse gas emissions in the cotton value chain are derived mainly from the consumer use phase (30%–60%) and manufacture (20%–30%). Emissions from cotton production amount to 5%–12% of total emissions. International fossil fuel-based transport is an important contributor to the value chain's carbon dioxide emissions, as at least one-third of global cotton fibre is exported from its country of origin. • By the same token, agriculture is extremely vulnerable to climate change. Higher temperatures will eventually reduce yields and increase the prevalence of pests and diseases. Changes in precipitation are likely to lead to crop failures and production declines. Cotton is relatively drought resistant and is commonly grown by smallholders as an insurance crop able to produce a harvest and income under circumstances of poor rainfall where other crops may fail.
↪ Linked to operational objective 1.3 in the PoA.	

Photo: (CC BY-SA 2.0) Seed cotton at Buying Post, *Tanzania Cotton Board (TCB).*

Constraint	Root causes
The impact of pesticides and insecticides on the environment	• Cotton farming uses more insecticides than any other crop, as cotton plants are very susceptible to insect damage. Cotton accounts for 16% of global insecticide releases. Tanzania uses synthetic pyrethrum based insecticides and these are not hazardous to flora and fauna. Despites the small quantity used, Tanzania cotton farmers are ill equipped to deal with pesticide contamination. They wear no protective clothing and training is inadequate. • Pesticides pollute the air, ground and water, which diminishes biodiversity and reduces nitrogen fixation. The use of pesticides also leads to the loss of biodiversity and ecosystem functions. Pesticides remove natural and beneficial insects required by songbirds that play an important role in naturally controlling pest species in cotton fields. They also kill microorganisms in the soil, which induces soil erosion and increases the use of artificial fertilizers. • Developing countries' farmers are particularly vulnerable to pesticide contamination and the resulting health issues due to low levels of safety awareness, lack of access to protective apparatus, illiteracy, poor labelling of pesticides, inadequate safeguards and chronic poverty.
↳ Linked to operational objective 1.2 in the PoA.	
Outdated dyeing methods pollute waterways	• The cotton processing and textile industries consumes a considerable amount of water resources in dyeing and finishing processes. In addition, outdated dyeing methods release chemical waste, including persistent organic pollutants, into the water. New methods exist that would allow textile companies to use less water and minimize pollution. Such methods include optimization of the dyeing process itself (i.e. using air dyeing techniques), and improved wastewater treatment. Stakeholders, however, do not consider the issues to be a major concern. In addition, they are unaware of the benefits that might come from transitioning to more sustainable processes. Not only would improvements lead to environmental preservation, they could also be leveraged as marketing tools in order to add value to final products. Other markets meanwhile have strict regulations in place that must be met as a condition for import: as an example, the EU market restricts the use of azo dyes for any imported T&C product.
↳ Linked to operational objectives 3.1 and 3.3 in the PoA.	
Poor farming practices can result in soil and water degradation and contamination	• Deep ploughing damages soil structure, submerging organic compounds beyond the reach of plants, and loosens the topsoil, thereby making it more susceptible to erosion. The use of heavy machinery can conversely compact the soil, leading to reduced aeration and water infiltration. • Deforestation: large-scale farming can lead to air pollution, biodiversity loss, soil degradation and variations within the water cycle. • Over-cultivation: because of land availability issues, farmers cannot afford to leave land fallow for the appropriate amount of time. Over-cultivation leads to a depletion of nutrient and water content within the soil, and therefore smaller yields. • Over-irrigation: while currently not a concern, increased irrigation must be handled responsibly in order to ensure the sustainability of Tanzanian water resources
↳ Linked to operational objective 1.3 in the PoA.	

GENDER CONCERNS

Constraint	Root causes
Household work bears on women's productivity	• Most women are responsible for housekeeping, taking care of the family, and farming food crops and cotton. According to the International Centre for Research on Women, African women provide much of the labour for cotton production on household or male-owned plots. They often also have their own plots where they grow food crops and some cotton. The study also highlights the fact that the productivity of women's fields is limited, since they have to work in the men's fields and take care of their household and other farm-related chores before they can look after their own cotton fields. Furthermore, their access to inputs, credit and extension services is very limited.
↪ Linked to operational objective 3.3 in the PoA.	
Lack of women's ownership and leadership in the formal cotton industry	• Women's ownership in cotton production is low in the United Republic of Tanzania. Women are rarely involved decision-making, which can be explained by cultural factors and the strong relationship between ownership and leadership. When women do not own the land or the business, they cannot make decisions. As table 17 shows, the percentage of women involved in ownership and decision-making is nearly the same, with a maximum variation of 10%. The resulting issue is the lack of access by women to income provided from cotton farming to the household. Men are more likely to bring the cotton for grading and therefore control the proceeds. In most cases, it is nearly impossible for women to access profits.
↪ Linked to operational objectives 3.1 and 3.3 in the PoA.	

SOCIAL CONCERNS

Constraint	Root causes
Subpar working conditions have the potential to pose health and safety risks	• Some factories continue to maintain inadequate working conditions characterized by poor lighting, a lack of cleanliness, and unhygienic cafeterias and amenities. While these factors have been cited as contributing towards employee dissatisfaction, they also represent health and safety risks. Poor lighting can lead to accidents, particularly when working with heavy machinery such as in the T&C industry. Unhygienic facilities meanwhile may foster the spread of disease.
↪ Linked to operational objective 2.6 in the PoA.	
Environmentally and socially responsible practices are not an integral part of doing business in the sector, threatening negative social impacts and ineligibility to supply socially concerned buyers	• Few factories are certified under (or aware of) the EU Business Social Compliance Initiative (BSCI) or the United States' Worldwide Responsible Accredited Production (WRAP). Factory workers frequently exceed the maximum number of working hours allowed per week and are sometimes subjected to unhealthy breathing environments. Machinery used is often technologically outmoded and environmentally dirty. Obtaining BSCI and WRAP certifications can be useful in accessing European and North American markets, which are increasingly conscious of the negative environmental and social spillovers of T&C production, as well as in ensuring a healthy and happy workforce. Moreover, as Tanzanian fabrics and garments represent some of the country's major manufactured goods, the sector's environmental and social practices will set important precedents for the country as its economy grows.
↪ Linked to operational objective 2.6 in the PoA.	

The analysis of the competitive constraints makes it clear that the sector's sustainable development will require an integrated set of interventions that holistically address challenges across the entire value chain. Roadblocks are not limited simply to enterprise capacities or government policy, and many challenges are the result of a combination of factors that require wide-ranging remediation. It is for this reason that a comprehensive strategy becomes all the more necessary; individual stakeholders, and indeed small groups of stakeholders, will not be able to deal with the constraints on their own. It is only through strategic co-operation that the most effective results will be achieved.

DEVELOPMENT SUPPORT FRAMEWORK

POLICIES AND DEVELOPMENT SUPPORT HAVE TARGETED THE COTTON SEGMENT

The United Republic of Tanzania's industrial policies are governed by its **National Development Vision 2025 (NDV)**. The NDV establishes the framework through which the country will come to be characterized by: (i) high-quality livelihoods; (ii) peace, stability and unity; (iii) good governance; (iv) a well-educated and learned society; and (v) a competitive economy capable of producing sustainable growth and shared benefits. With regards to economic development, the NDV seeks to achieve the following:

- A diversified and semi-industrialized economy with a substantial industrial sector comparable to typical middle income countries;
- Macroeconomic stability manifested by a low inflation economy and basic macroeconomic balances;
- A growth rate of 8% per annum or more;
- An adequate level of physical infrastructure needed to cope with the requirements of the NDV in all sectors;
- Becoming an active and competitive player in regional and world markets, with the capacity to articulate and promote national interests and to adjust quickly to regional and global market shifts;
- In parallel, the loss and degradation of environmental resources will be reversed.

With regards to the cotton sector, the NDV looks to spearhead increased cotton processing as a means of enhancing domestic value addition and stimulating manufacturing industrialization. In an effort to encourage value addition through spinning, the Government applies a tax of 2% on exports of cotton lint.

The focus on the cotton sector was further refined in the **Second Cotton Sector Development Strategy (CSDS II) (2009–2015).** The strategy was a roadmap with the following goals: improve cotton quality by enhancing policies, strategies and the regulatory framework; enhance sustainable production; improve productivity; increase domestic spinning, weaving and textile milling; and empower stakeholder organizations.

The Government also formulated the **Agricultural Sector Development Strategy,** which is a framework for creating an enabling environment for improving agricultural productivity and profitability, improving farm incomes, reducing rural poverty and ensuring household food security. Its overall goal is to achieve agricultural growth of 5% per year by stimulating a shift from subsistence to commercial agriculture.

The **Agricultural Sector Development Programme** (2009–2016) was initiated in response to the priorities established in the Agricultural Sector Development Strategy and CSDS II. It is a US$316 million project with the participation of the World Bank, African Development Bank, International Fund for Agricultural Development, EU, and Irish Aid and Japan. The Programme seeks to improve farmer access to and use of agricultural knowledge, technologies, marketing systems and infrastructure in order to stimulate higher productivity, profitability and farm incomes. It is also working to promote private investment based on an improved regulatory and policy environment. Particularly relevant components include enhancing the policy, regulatory and institutional framework; improving research and extension services; strengthening marketing infrastructure; and enhancing crop production (harvest and postharvest, irrigation, storage, etc.). This work was also being supported through **the Cotton Sector Development Programme (CSDP)** (2007-2018). Funded by GCF and UK Aid, it provides support to farmers and the TCB so as to stimulate increased cotton yields (see development activities supporting the sector).

On the regional level, the C2C sector is directly targeted by the **COMESA regional C2C strategy (2009–2019)**. The COMESA C2C strategy was elaborated with the full participation of 11 countries that have C2C industries in the Eastern and Southern Africa region and finalized in 2009. It looks at the sector through a regional lens, in order to best allocate resources between each country and to streamline regional integration of national value chains. The objectives of the Tanzanian C2C strategy are aligned with the regional COMESA framework, and build on its recommendations while taking into account national specificities.

While governmental and development assistance has certainly been welcome, it has focused largely on the cotton segment of the value chain, and the T&C segments have yet to receive the attention that they require. Stakeholders must work to improve the policy and business environment for T&C enterprises. This will not only ensure an effective enabling environment but it will also help stakeholders take a more integrated approach to the C2C sector, avoiding a myopic focus on only one segment.

LIBERAL TRADE POLICY HAS STIMULATED INTEGRATION

The Tanzanian Government has identified trade as a key catalyst for the realization of national socioeconomic objectives that will allow for poverty eradication and structural transformation of the economy. Foreign policy has thus focused on pursuing trade expansion through regional integration, international partnerships and south-south cooperation. These efforts are supported in parallel by improvements to the domestic business environment.

Within the framework of the NDV, the United Republic of Tanzania's National Trade Policy has the goal of 'raising efficiency and widening linkages in domestic production and building a diversified competitive export sector as the means of stimulating higher rates of growth and development' (Ministry of Industry, Trade and Investment, 2003, p.16).

The United Republic of Tanzania is party to several multilateral and regional trade agreements. A member of the World Trade Organization (WTO) since January 1995, the United Republic of Tanzania actively uses the forum to advance its trade priorities. To this end, the United Republic of Tanzania is a member of several negotiation groups within the WTO, including the ACP All Commodities Programme, the African Group, G–90, Least Developed Countries, G–20, G–33, and 'W52' sponsors. Most of these groups are a collation of developing countries that concentrate on negotiating for a shared priority.

A founding member of the EAC, the United Republic of Tanzania is implementing the EAC Development Strategy. This strategy aims to consolidate the Customs Union, move towards a common market, establish a monetary union and lay the foundations for a political federation. The strategy is also promoting the development of economic infrastructure that would support economic growth in member states. Moreover, it seeks to tackle non-tariff barriers that are hampering intra-EAC trade. To this end, partner states have implemented national monitoring committees. These committees report to the EAC Sectoral Committee on Trade, Industry and Investment, which is responsible for resolving issues related to non-tariff barriers. The United Republic of Tanzania is working to finalize the Economic Partnership Agreement with

Photo: (CC BY-SA 3.0), *Two threads threaded sewing machine.*

the EU as part of the EAC region. In addition, it is a signatory to the Agreement on the Global System of Trade Preferences among Developing Countries.

As a least developed country, the United Republic of Tanzania receives non-reciprocal preferential tariffs from 22 countries (the EU being counted as a single entity).[54] It should be noted that, with the exception of the EAC and SADC agreements, none of the aforementioned preferences were mentioned in the websites of MITI or the Ministry of Foreign Affairs and International Cooperation, nor in that of the TRA. It is important that such information is disseminated in a more efficient manner in order to stimulate T&C market diversification. Several studies on non-reciprocal preferential arrangements find that limited awareness among the private sector, and sometimes even in the public sector, is one of the main reasons that preferential duties are not leveraged to their full extent.

Although the Government has certainly done well in promoting free trade for its exporters, the United Republic of Tanzania is on the verge of losing a key advantage. It is part of the SADC and its Free Trade Area, and as such, it is currently the only country in East Africa that has duty-free access to South Africa, the continent's largest apparel import market. Negotiations are currently under way for a tripartite agreement between COMESA, EAC and SADC. Once this agreement is concluded, it will erode the United Republic of Tanzania's unique advantage. When the agreement comes into effect (expected in 2017), other countries, some of which (such as Kenya and Ethiopia) have developed more advanced apparel segments, will enjoy equal market access. It is therefore all the more important that stakeholders work to enhance the competitiveness of the Tanzanian T&C segment in anticipation of a deteriorating trade regime. In addition, it is vital that the Tanzanian Government works to secure preferential access for mosquito nets in India, as it is a large market for one of the sector's most successful products.

54. Not all of the countries provide preferences to the entire range of C2C products.

Box 8: India's duty-free trade preferences

In 2005, the WTO called on both developing and developed countries to offer enhanced duty-free-quota-free access to least developed countries. India became the first developing country to respond to this call and propose preferential market access for least developed countries through its Duty-Free Tariff Preference scheme, which was launched in 2008 and became operational in 2012. The scheme was amended in April 2014 to include preferential tariffs for 98% of India's tariff lines.

Despite the opportunities offered by the scheme, Tanzanian exporters continue to face difficulty exporting certain C2C products to India. India represents a large market for mosquito nets, a segment in which Tanzanian producers have enjoyed considerable success. Nevertheless, bed nets exported to India on a commercial basis are fully taxable and therefore uncompetitive. Long-lasting insecticidal mosquito nets are exempted from Indian import duties only if:

i. They are required for the Intensified Malaria Control Project Phase II under the National Vector Borne Disease Control Programme funded by the Global Fund to fight AIDS, Tuberculosis and Malaria;

ii. They are certified by the Deputy Secretary (or a higher rank official) in the Ministry of Health and Family Welfare.

GOVERNMENT INCENTIVES FOR INVESTMENT

The Tanzanian Government established EPZs and SEZs in an attempt to promote investment as a means to stimulate job creation, skills upgrading, foreign exchange earnings, technology transfer and the processing of local raw materials.[55] Whereas EPZs are used to promote export-oriented manufacturing sectors (at least 80% of output must be exported), SEZs are geared towards non-manufacturing sectors and there are no mandatory export quotas. In order to operate within an EPZ, enterprises must export at least 80% of their output and have an export turnover of at least US$ 50,000 or US$ 10,000 (for foreign and local investors respectively).

These zones are managed by EPZA, an autonomous body operating under MITI. Its roles include guiding and implementing government policy on the promotion of Tanzanian SEZs; developing SEZ/EPZ infrastructure; issuing EPZ/SEZ licences; and providing various services to EPZ/SEZ investors. Services offered by EPZA are wide ranging: it helps investors establish themselves by providing assistance in areas such as land allocation, licensing, material sourcing and taxation.

Enterprises that operate within an EPZ qualify for the following benefits:

- 'Exemption from Customs duty, VAT and all other taxes on raw materials and capital goods
- Exemption from corporate tax for an initial period of 10 years
- Exemption from withholding tax on rent, dividends and interest for the first 10 years
- Exemption from taxes and levies imposed by local government for goods and services produced in the EPZ for the first 10 years
- Access to the export guarantee scheme.'[56]

In addition, enterprises in EPZs enjoy: [57]

- Access to cheaper electricity, as it is often purchased in bulk by the EPZ
- More reliable infrastructure
- Attractive land lease rates (~US$ 0.60 per square metre per year).

It is important to note that the majority of T&C companies exporting from the United Republic of Tanzania are operating out of stand-alone EPZs.

55. Salm, Andy and others (2011). *Tanzania Textiles and Garment Situational Analysis and Development Strategy: for the Ministry of Industry, Trade and Investment* p. 46. USAID.

56. *Ibid*.: p. 47.

57. *Ibid*.

TIC is the main Government body tasked with promoting investment. TIC's role is to:

- Help promote the United Republic of Tanzania as a destination for investment
- Disseminate relevant information to investors about opportunities, processes and requirements
- Monitor the business environment
- Advise on policy
- Facilitate joint ventures
- Organize investment forums.

TIC serves as a one-stop shop investment facilitator by offering the following services to investors: 'assists investors to obtain all permits, licences and visas; grants land derivative rights to investors; assists investors to navigate administrative and regulatory hurdles; provides an 'after-care' service to TIC-registered investors.'[58]

Despite these incentives, the Tanzanian T&C sector has been slow to attract the type of FDI that has been flowing to competitors such as Ethiopia. Investment is sparse, and it tends to be drawn to the lower end of the value chain (cotton).

FDI HAS THUS FAR NOT PLAYED A TRANSFORMATIVE ROLE IN THE TANZANIAN T&C SECTOR

The T&C industry is one of the more globally footloose sectors. Relatively thin margins push efficiency-seeking investors to migrate from one country to the next as a response to changing cost structures (for example, as a result of rising wages or shifting tariff advantages). This is truer today than ever before, with global greenfield FDI in the T&C sector reaching an all-time high of US$24 billion in 2013 (more than double the 2012 level). Rising wages in China, compliance issues in Bangladesh, labour unrest in Cambodia and other factors are accelerating a shift of the industry to new locations, and a number of African countries are emerging as alternatives.

In this context, the United Republic of Tanzania is in a unique position: as the largest cotton producer in Eastern and Southern Africa, investors in the United Republic of Tanzania have the ability to engage the full value chain from cotton to clothing. However, this potential is not being leveraged. The majority (80%) of Tanzanian cotton lint is exported (almost entirely to Asian spinners) and downstream activities are comparatively few and far between.

Among 18 countries in Eastern Africa, the United Republic of Tanzania has attracted the largest or second-largest FDI inflows in each of the last six years.[59] The subsectors that have been most attractive to FDI include energy, mining, agricultural produce and industrial manufactured products. The T&C sector meanwhile has thus far not attracted significant levels of investment. Those foreign investors who do operate in the sector entered the market under circumstances that are not representative of today's opportunities: Kenya-based Sunflag entered decades ago, various companies took advantage of the unique opportunities presented by privatization of state-owned factories in the mid-1990s, and Tanzania China Textile Friendship Mills, a joint venture, was built with Chinese aid at the request of the Tanzanian President.

The only significant T&C investment since the turn of the decade was made by Cosmos Group of Pakistan, whose integrated Nida Textile Mills produces and exports fabrics and some textile products (but no garments). In contrast, Ethiopia licensed 36 T&C projects in 2013 and Kenya licensed 46, both historical highs. The United Republic of Tanzania's disparity with these countries in terms of T&C sector attractiveness exists despite comparable investment climate indicators (ease of doing business, perception of corruption, economic freedom) and the United Republic of Tanzania's high FDI performance in other sectors.

The investment climate, the United Republic of Tanzania's seaport and its high cotton production are all factors that could enable the country to engage more foreign T&C investment. Although a 2013 value chain analysis by the World Bank found that the United Republic of Tanzania had higher garment production costs than Ethiopia or Zambia,[60] the root causes of those higher costs can be remedied. Table 14 presents a comparison of some of the sector's costs and competitive factors.

58. Tanzanian Investment Centre (n.d.). Website. Available from http://www.tic.co.tz/.

59. The 18 countries included in United Nations Conference on Trade and Development's 'Eastern Africa' category are Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Rwanda, Seychelles, Somalia, South Sudan, Uganda, United Republic of Tanzania, Zambia and Zimbabwe.

60. Dinh, H.T. and Monga, C. (2013). *Light Manufacturing in Tanzania: A Reform Agenda for Job Creation and Prosperity*. Washington D.C.: World Bank.

Table 13: *Investment climate in the United Republic of Tanzania and competitors*

International benchmark	Viet Nam	China	Pakistan	United Republic of Tanzania	Ethiopia	Kenya	India	Bangladesh	Myanmar
Ease of Doing Business ranking (World Bank Group, 2015)	78	90	128	**131**	132	136	142	173	177
Competitive Industrial Performance ranking (United Nations Industrial Development Organization, 2010)	54	7	74	**106**	130	102	43	78	Not ranked
Global Competitiveness Index (World Economic Forum, 2014)	68	28	129	**121**	118	90	71	109	134
Inward FDI Performance Index (United Nations Conference on Trade and Development, 2010)	22	86	110	**59**	120	129	97	114	52
Corruption Perception Index (Transparency International, 2014)	119	100	126	**119**	110	145 (tie)	85	145 (tie)	156
Economic Freedom Index (Heritage Foundation, 2015)	148	139	121	**109**	149	122	128	131	161

Table 14: *Comparison of costs and competitive factors, United Republic of Tanzania and competitors*

Estimated values	United Republic of Tanzania	Ethiopia	Kenya	India	China	Viet Nam
T&C export value (US$ millions, 2013)	**248**	94	377	40 192	273 959	21 534
Cotton production (thousands of 480-pound bales)	**375**	175	32	30 000	30 000	17
Cost of labour (US$ /month)	**70**	50–60	110–150	175	550	180–200
Labour skills	**Low**	Low	Low–medium	High	Very high	High
Cost of electricity (US¢/kWh), estimated average	**11–17**	2–5	9–12	7–12	9–15	8
Percentage of annual sales lost to electrical outages	**5.5**	2.6	5.6	2.0	0.1	1.1
Cost of construction (US$ /ft2)	**43**	40	21	18–20	15–20	20–25
Lending rates (Annual Percentage Rates, estimated)	**19**	8.5	14–18	7–13	7	6–7
Time to clear Customs, inputs + exports (days)	**44**	37	31	12	17	15

Source: ITC calculations, and Doing Business Report 2015.
For more information on DB calculations, please refer to http://www.doingbusiness.org/methodology

As illustrated, the largest impediments to the Tanzanian C2C sector's growth are:

- Relatively high per-piece production costs rooted in inefficient transportation
- The lack of domestic textile supply suitable to the quality demands of export markets
- Time-consuming and procedural bottlenecks at the port of Dar es Salaam
- Low worker productivity
- High electricity costs
- Very high interest rates on commercial loans
- The low quality and quantity of Tanzanian cotton which remains in the country after exports
- The fact that policies beyond the cotton sector have not been very supportive, unlike in competing countries such as Ethiopia.

Box 9: Potential for joint ventures

Many of the existing domestic investors active in the Tanzanian textile sector have expressed a desire to enter into joint ventures with foreign investors. This is understandable, considering that most of the sector's technology is decades old and the sector lacks the technical and managerial skills to compete internationally. Nonetheless, domestic joint venture partners should be able to bring more to a partnership than just factory space. The textile firms that will be most attractive to foreign partners will be those that have found individual solutions to the sector's most persistent problems. They will require:

- Strong relationships with stable suppliers of high-quality yarn;
- Workforces with rates of production and absenteeism that are substantially better than national averages;
- Some experience meeting foreign buyer requirements;
- Capacity utilization rates substantially better than national averages;
- Capacity to produce knit fabric.

Some mills will never have much of a role to play in an export-oriented value chain, including mills that were originally established to serve distant population centres. A clear example is Mbeya Textiles, which sits in the southwest of the country, far from the cotton-growing areas of the northwest and the port of Dar es Salaam in the east. Lastly, it should be noted that large-scale FDI in the textile sector would not be expected until a sizeable export-oriented garment sector had been established.

Given the myriad constraints faced by the sector, the United Republic of Tanzania is currently not a competitive location for FDI in garment assembly for export. Even so, stakeholders have the potential to affect the factors which would make it a more desirable location. Concerted stakeholder action, some of which is already under way, could make the United Republic of Tanzania competitive in the short term for garment assembly and non-textile cotton processing (cottonseed oil, seed cake), with positive long-term effects on the textile sector. The more capital-, technology-, and skill-intensive textile manufacturing segment could be developed in the long term but the foundations for improvement should be laid now. To this end, the establishment of an export-oriented garment sector that enjoys stable relations with suppliers of high-quality cotton will lay the groundwork for the creation of foreign–domestic joint ventures in the textile segment.

DEVELOPMENT ACTIVITIES SUPPORTING THE SECTOR

THE DEVELOPMENT PARTNERS AGRICULTURE WORKING GROUP

Since being formally established in 2004, **the Development Partners Group** has been working with the Tanzanian Government and other domestic stakeholders to strengthen development partnership and effectiveness of development cooperation. The Group comprises 17 bilateral and five multilateral (United Nations counted as one) development agencies providing assistance to the United Republic of Tanzania. The approach to aid management in the United Republic of Tanzania is guided by the Joint Assistance Strategy and takes into account the international principles of aid effectiveness.

The **Development Partners Group** is organized in working groups. The Development Partners Agriculture Working Group (A–WG) is a group of 19 bilateral and multilateral agencies supporting the agriculture sector in the United Republic of Tanzania. The A–WG has been established to promote coherence and consistency in development assistance to agriculture through coordination of development partners' support in the sector with a view to achieving harmonization, promoting coordinated policy dialogue and reducing transaction costs. Specifically, the A–WG supports the Tanzanian Government's implementation of the Agriculture Sector Development Strategy in achieving objectives stipulated in the second-generation National Strategy for Growth and Poverty Reduction. These efforts are mainly funded through General Budget Support, the Agriculture Sector Development Programme Basket Fund and projects (including technical assistance). The A–WG is currently chaired by Japan and co-chaired by the Food and Agriculture Organization of the United Nations (FAO). The secretariat of the group is based at FAO.[61]

COTTON SECTOR DEVELOPMENT PROGRAMME AND TEXTILE DEVELOPMENT UNIT

The Government of the United Republic of Tanzania and international donors and development agencies have long appreciated the potential of the C2C sector to serve as a basis for socioeconomic development. The cotton segment in particular has been the target of numerous interventions through the years, including a number that are ongoing. While the presence of international development assistance in the United Republic of Tanzania is quite widespread, a few select projects are performing work that bears particular relevance to the C2C Strategy. Chief among them is the Cotton Sector Development Programme of GCF. Launched in 2007, the Programme works with the TCB to restructure the sector and increase cotton productivity. A key component has been to restructure the industry around contract farming. Such efforts have recently focused on building district-level support for contract farming, helping local government take ownership of the reform agenda, and stimulating data dissemination and communication. In addition, the Programme has supported partnerships between local research organizations and international seed companies, thereby helping improve the multiplication and distribution of the UKM08 improved seed variety. It has also identified new pesticides to use in Integrated Pest Management (IPM). Lastly, the programme has worked to disseminate better farming practices by training a network of 1,700 lead farmers to act as multipliers and establishing demonstration farms.[62]

Notably, GCF is also the only entity actively working with the T&C segments of the value chain, through its support to the TDU. With support from the GCF, TDU was established in 2012 within MITI so that it could help develop the sector and attract investment. It has had a considerable impact on organizing stakeholders, promoting lobbying work on behalf of the sector and attracting investors. In 2014, GCF renewed its support for the TDU to help it facilitate business links and improve business capacities, develop additional training programmes, boost capacities to attract foreign investment, and continue to advocate on key policy issues.[63]

EU–AFRICA PARTNERSHIP ON COTTON

The EU–Africa Partnership on cotton was established to address the concerns of African cotton value chains strongly affected by the decrease in cotton prices during the 1990s and beyond 2000. On the occasion of the Forum of Paris in 2004, the EU and African countries approved the creation of the partnership as well as its action plan, which gave way to an Action Framework in February 2010. The partnership comprises two aspects: a trade component which aims at establishing more equitable trade within the Doha Development Round, and a development component which consists in enhancing the competitiveness and value addition of African cotton by optimizing the impact on the producer's yields.

The Comité d'Orientation et de suivi du Partenariat UE-Afrique sur le coton has been established as the Partnership steering committee. As such, the committee has to manage the needs of value chain stakeholders to ensure coherence and ownership of the Action Framework and related programmes, including the cotton component of the All ACP Agricultural Commodities Programme.

A programme called Support for the Consolidation of the Action Framework under the EU–Africa Partnership on Cotton was elaborated to reinforce this partnership and to implement the Action Framework. It is funded through the tenth European Development Fund (EDF) and jointly implemented by the FAO, ITC, EU and local partners. The programme is articulated around three main results that answer to the main constraints encountered by stakeholders in the C2C industry in Africa, namely: the lack

61. Development Partners Group Tanzania (n.d.). Website. Available from http://www.tzdpg.or.tz/index.php?id=952.

62. Gatsby Charitable Foundation (n.d.). Tanzanian cotton sector. Available from http://www.gatsby.org.uk/africa/programmes/tanzanian-cotton-sector.

63. Gatsby Charitable Foundation (n.d.). Tanzanian textiles sector. Available from http://www.gatsby.org.uk/africa/programmes/tanzanian-textiles-sector.

of monitoring and coordination of national and regional approaches; the weak capacity and capabilities of key stakeholders and service providers; the low productivity, quality and yields per hectare with associated contamination problems; the poor reputation of African cotton; and the instability of producer revenues:

Result 1: Implementation of regional strategies is effective and coordinated across Africa (ITC).

Result 2: Planning and monitoring capacities of professional associations are strengthened in relation to strategy implementation (European Commission coordination unit).

Result 3: The internal competitiveness and viability of the African cotton sector are strengthened and improved (ITC/FAO).

Under Result 1, ITC works directly with Regional Economic Communities, the West African Economic and Monetary Union, the Economic Community of Central African States, and COMESA to streamline regional C2C value chains through the design and implementation of regional strategies. Regional Economic Communities receive continuous support to secure the implementation of these strategies by: improving their coordination and monitoring capacities; assisting with resource mobilization and building required networks and advocacies, including them in multilateral negotiations; and strengthening information transfers from the field to diplomatic representatives.[64]

Under Result 3, ITC efforts are aimed at making Africa a stronger player in the international cotton trade. This depends on boosting competiveness and establishing stronger links with cotton importers, especially in Asia. To compete better, all stakeholders – from farmers and ginners to commission agents and government officials – need a better understanding of destination markets and consumers, as well as of the value chain itself.

Ongoing ITC efforts focus on various areas, including building capacities in cotton trading and marketing by developing and disseminating promotional tools for Tanzanian cotton. The objective is to reverse the negative perception of African cotton in target markets and create closer linkages with buyers. ITC training programmes allow cotton professionals in the United Republic of Tanzania to visit successful cotton producers in countries such as China and India and learn about best practices.

At the production level, ITC developed a cotton contamination reduction training programme aimed at optimizing the fibre quality of Tanzanian cotton to meet the end user requirements of the spinning sector. In collaboration with Square Textiles, Viyellatex Spinning, the TCB and a group of ginners, 4,492 people participated in the training programme. Farmers have been and are being educated through seminars, radio and cinema on the harmful effects of contamination and how to manage it at farm level; ginnery operators and cotton buying agents have been trained on how to control contamination at the factory; and ginnery managers and ginnery owners have been trained on contamination and how to reduce it throughout the value chain.[65]

Also under Result 3 of the EDF tenth project, FAO implements a component titled Supporting Competitiveness and Sustainable Intensification of African Cotton Sectors through Capacity Development on Integrated Production and Pest Management. The project, which runs from 2013 to 2016, aims to contribute to healthy cotton sectors in Burkina Faso, Mali, Senegal, the United Republic of Tanzania and Zambia, and to increase the incomes of cotton farming families. The project has strengthened the technical capacity of facilitators (trainers of farmers) previously trained on integrated production and pest management through the All ACP Programme, and has trained new facilitators on integrated production and pest management methods to boost cotton production sustainably. These facilitators, in turn, have put cotton farmers through season-long farmer field schools, introducing them to new cropping practices and technologies to promote healthy crop growth, and pest and disease management.[66]

Another interesting project is the **United States Agency for International Development's East Africa Trade and Investment Hub,** which seeks to stimulate trade and investment in East Africa. To this end, it aims to 'deepen regional integration, increase the competitiveness of select regional agriculture value chains, promote two-way trade with the [United States] under AGOA and facilitate investment and technology that drives trade growth intra-regionally and to global markets.'[67] Although the project in the United Republic of Tanzania is mainly geared towards providing assistance in developing a national AGOA strategy, other countries in the region have already benefited from targeted investment promotion programmes, or business companies have been supported to participate in international trade fairs. The United Republic of Tanzania could potentially also benefit from further trade-related technical assistance with the East Africa Trade and Investment Hub project for its T&C sector.

64. Coton ACP (2014). The EU–Africa partnership on cotton: projects implemented by ITC. Available from http://www.coton-acp.org/en/projets-mis-en-oeliguvre-par-le-cci.html.

65. International Trade Centre (2015). Cotton. Available from http://www.intracen.org/itc/sectors/cotton/#projects.

66. Food and Agriculture Organization of the United Nations (2015). Integrated production and pest management programme in Africa. Available from http://www.fao.org/agriculture/ippm/projects/regional/gcp-raf-482-ec/en/.

67. United States Agency for International Development (2015). East Africa trade and investment hub: who we are. Available from http://www.eatradehub.org/about.

Table 15 details other past and present development initiatives in the Tanzanian C2C sector.

Table 15: *Past and ongoing cotton-specific development assistance*

Active and ongoing cotton-specific development assistance					
Development community	Programmes / projects / activities	Value	Operational status*	Disbursement status**	Beneficiaries
European Commission	Support income increase of smallholder cotton producers through better quality and access to markets – Phase 2	€1 000 000	IP 2014–2015	€687 728	United Republic of Tanzania
	Support income increase of smallholder cotton producers through better quality and access to markets – Phase 3	€1 900 000	IP 2015–2017		United Republic of Tanzania
Common Fund for Commodities (with ICAC, and co-funding from the Organization of the Petroleum Exporting Countries Fund for International Development)	ProCotton – Improving Productivity and Marketing through Support to Producer Organizations	US$850 000	IP 2011–no end date specified	US$270 000	United Republic of Tanzania and Zambia
FAO	Competitiveness and sustainable strengthening of the cotton sector through the reinforcement of cotton farmers' capacities in integrated production and pest management	US$3 315 650	IP 2012–2016	US$2 540 550	Burkina Faso, Mali, Senegal, United Republic of Tanzania, Zambia
ITC	Marketing and promotion of African cotton, including quality improvement (reduction of contamination) through a close alliance with cotton-consuming spinning mills in Asia as well as developing low capital-intensive fibre transformation technologies in Burkina Faso and Zambia	€1 900 000	IP 2013–2016		Benin, Burkina Faso, Chad, Mali, Senegal, United Republic of Tanzania, Uganda, Zambia
United Nations Conference on Trade and Development (UNCTAD)	Project on cotton by-products in Eastern and Southern Africa. COMESA Regional C2C Strategy	US$591 000	PFS 2016–2019		United Republic of Tanzania, Uganda, Zambia, Zimbabwe
Gatsby Charitable Foundation / DFID	CSDP and TDU (collectively known as the Cotton and Textile Development Programme)	£12 000 000	2011–2018		United Republic of Tanzania

Completed cotton-specific development assistance					
Development community	Programmes / projects / activities	Value	Operational status*	Disbursement status**	Beneficiaries
European Commission	Support income increase of smallholder cotton producers through better quality and access to markets – Phase 1	€600 000	C 2012–2014	€549 076	United Republic of Tanzania
Japan	Soil diagnosis and conservation	US$20 761	C 2005	FD	United Republic of Tanzania
Common Fund for Commodities (with ICAC)	Cotton warehouse receipts project	US$3 600 000	C 2007	FD	United Republic of Tanzania and Uganda
	Commercialization of instrument testing for cotton (study)	US$100 000	C 2006	FD	Burkina Faso, Mali, United Republic of Tanzania
Common Fund for Commodities (with EU co-financing)	Commercial standardization of instrument testing of cotton	US$5 000 000	C 2012	FD	Cotton exporters, with Mali and the United Republic of Tanzania as African partners
ITC	Joint ITC/China Seminar on Cotton Processing and Trade, October 2012	US$150 000	C 2012	FD	Central African Republic, Côte d'Ivoire, Ethiopia, Malawi, United Republic of Tanzania, Zambia, Zimbabwe
	Joint ITC/Viet Nam Value Chain Capacity-Building and Cotton Marketing Programme (August 2011)	US$150 000	C 2011	FD	Kenya, Malawi, Mozambique, United Republic of Tanzania, Uganda, Zambia, Zimbabwe
	Joint ITC and India Capacity-Building and Cotton Marketing Programme in 2010	US$150 000	C 2010	FD	Ethiopia, Kenya, Malawi, Mozambique, United Republic of Tanzania, Uganda, Zambia, Zimbabwe
	Ginners' Training on the Chinese Market, Qingdao, China 13–18 April 2010	US$100 000	C 2010	FD	Malawi, Mozambique, United Republic of Tanzania, Uganda, Zambia, Zimbabwe
	Joint ITC/Bangladesh Capacity-Building and Cotton Marketing Programme	US$90 000	C 2009	FD	Malawi, Mozambique, United Republic of Tanzania, Uganda, Zambia, ACTIF
	Joint ITC/China Capacity-Building and Cotton Marketing Programme for East Africa	US$150 000	C 2009	FD	Kenya, Malawi, Mozambique, United Republic of Tanzania, Uganda, Zambia, Zimbabwe

Completed cotton-specific development assistance					
Development community	Programmes / projects / activities	Value	Operational status*	Disbursement status**	Beneficiaries
ITC	Joint ITC/Turkey Cotton Training, Capacity-Building and Marketing Programme	US$100 000	C 2008	FD	Malawi, Mozambique, United Republic of Tanzania, Uganda, Zambia, ACTIF and the African Cotton Association
	Joint ITC/India Cotton Training Programme	US$50 000	C 2006	FD	Ethiopia, Malawi, United Republic of Tanzania, Uganda
United Nations Industrial Development Organization (UNIDO)	International Training Workshop on Sustainable Cotton Production, 11–22 November 2010, Bursa, Turkey	US$46 000	C 2010	FD	Bangladesh, Côte d'Ivoire, Ethiopia, Kenya, Mozambique, Sudan, United Republic of Tanzania, Tunisia, Turkey and Zambia

Source: World Trade Organization (2015). *Director-General's Consultative Framework Mechanism on Cotton: Evolving Table – 19th Version.* WT/CFMC/6/Rev.18 – 12 June.
* Five operational implementation categories exist: **PFS**: project formulation stage; **IP**: in progress; **C**: completed; **S**: suspended; **D**: discontinued.
** Disbursement status as of June 2015 – **FD** reflects full disbursement

Photo: (CC BY-SA 2.0) IBM Research – Africa.

Photo: Tanzania Cotton Board (TCB), *Picking season.*

Photo: Tanzania Cotton Board (TCB), *Ginning Plant.*

Photo: Tanzania Cotton Board (TCB), *Textile Development Unit (TDU).*

FUTURE PERSPECTIVE

Despite the fact that cotton has long played an integral role in the Tanzanian economy, stakeholders have found it difficult to leverage 'white gold' as a springboard for expansion and value addition. Efforts have focused largely on the production and export of unprocessed cotton. Even so, cotton productivity has been declining relative to major competitors, signalling that interventions are required if the United Republic of Tanzania is to maintain its position as a premier supplier in Africa.

The textile and garment segments' capacities continue to be quite limited, as there has been little focus on developing downstream activities. Many of the existing textile mills have closed down or are working at low utilization levels. Worker productivity is low, power costs are high, and imports of intermediate textiles are cheaper and of better quality than those produced domestically. All of this has hampered value chain integration. With regards to garments, the United Republic of Tanzania is particularly far behind the competition: while Ethiopia is actively attracting multinational investors and Kenya is a major exporter, the United Republic of Tanzania is about to lose its most important advantage when the tripartite trade agreement expands South Africa's duty-free access to all of East Africa.

It is clear that the Tanzanian C2C sector must find a new model for growth. Given the current status of the sector, and in particular its limited garment-making capacities, the pursuit of full value chain integration is an unrealistic goal in the short term. Instead, sectoral development can be pursued along the following strategic orientations:

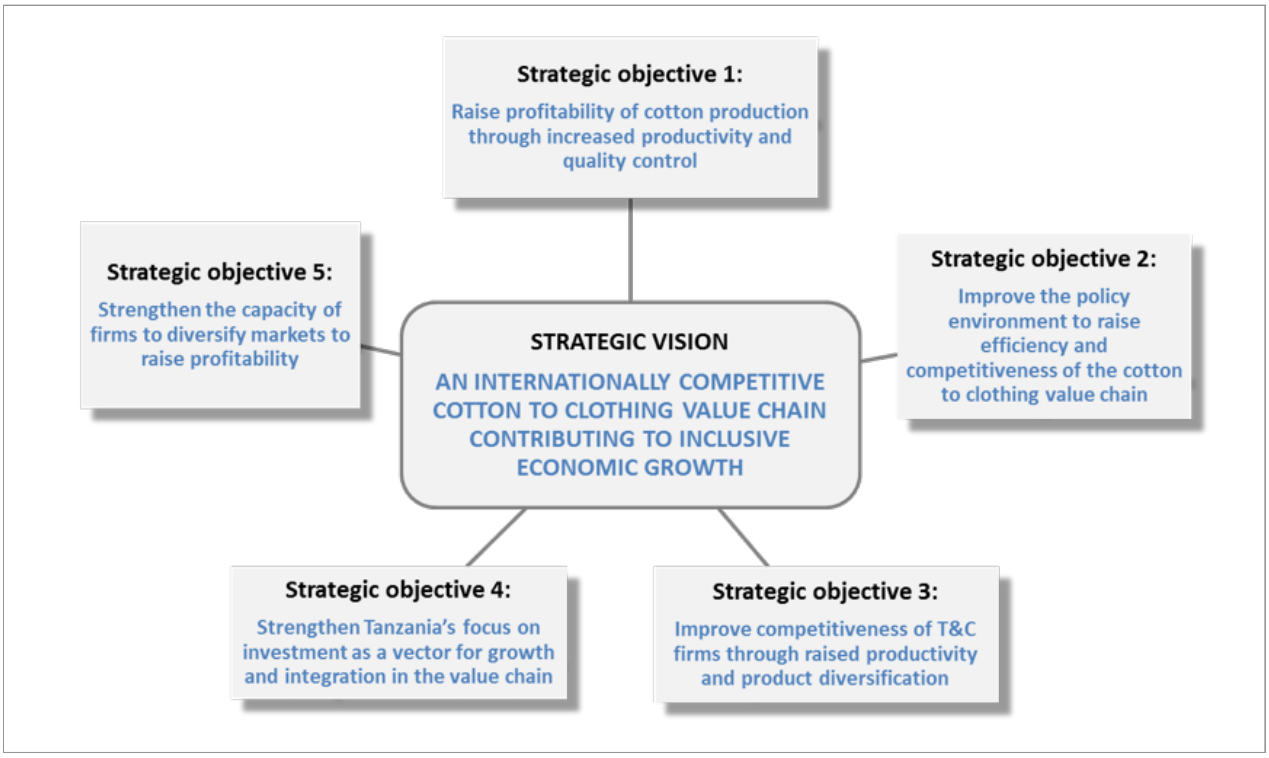
i. The United Republic of Tanzania must first reorganize its cotton sector and build capacities so as to improve productivity and regain the quality reputation that it once enjoyed. In the longer term, the improved supply of raw materials will be a springboard for value addition and attract foreign investors in the downstream value chain.
ii. In parallel, efforts can be made to attract investment in the apparel segment of the value chain. To achieve that, the Government will have to provide special support/investment incentives to bring the United Republic of Tanzania on a par with its regional competitors, especially Ethiopia.
iii. At an overall level, stakeholders must work to reorient national polices to provide thrust to the textile and garment segments. The Tanzanian policy regime has so far focused on the cotton segment. In order to gain the benefits of value addition in the C2C value chain, there is an immediate need for specific efforts to improve the business climate and attract investors in the T&C space.
iv. Existing textile units manufacturing kanga and kitenge should continue pursuing growth in regional markets, but the medium-term vision should be to diversify into producing fabrics for structured apparel.
v. The country should build on its prior successes and expand sales of mosquito nets in international markets (namely in Africa, India and South-East Asia), and use its know-how to diversify in environmentally friendly textile production and agronets.
vi. In the medium term, once both the cotton and apparel segments have been reinvigorated, stakeholders can pursue vertical integration, and investment promotion agencies may target attracting FDI to the capital-intensive spinning and textile segments.

THE VISION

The C2C sector possesses significant potential for imparting socioeconomic contributions to the United Republic of Tanzania through export-led growth. In order to realize this potential, competitive constraints and structural deficiencies along the four export development gears (supply side, business environment, market entry and development side) will be addressed, and identified opportunities will be leveraged. The following is a delineation of the proposed vision and strategic approach in this direction.

All stakeholders of the C2C value chain of United Republic of Tanzania agreed on the following vision statement.

> 'An internationally competitive cotton-to-clothing value chain contributing to inclusive economic growth'



THE STRATEGIC OBJECTIVES

The PoA will respond to this vision by addressing the sector's constraints in a comprehensive manner. To this end, particular efforts will be made to further skills development and acquisition, enhance the policy and business environment, improve market structures, and leverage investment as a driver of structural change within the sector.

1. One of the most pressing concerns for the sector is the diminishing productivity that has been witnessed in the cotton segment over recent years. Yields have suffered greatly due to the limited uptake of best agricultural practices and the reliance on poor-quality cotton seeds and other inputs, while quality is affected by the same factors, in addition to contamination and structural deficiencies within the market. Rectifying these challenges and ensuring that the United Republic of Tanzania regains its reputation as a premier supplier of African cotton is of the utmost importance as stakeholders look to leverage the raw material as the basis for sectoral growth. The first strategic objective is therefore to '**raise the profitability of cotton production through increased productivity and quality control**'.

2. Another roadblock to development is the lack of coordinated and effective policy support for the C2C sector. Policymakers must take a more holistic approach to the sector's development and make concerted efforts to rectify issues related to taxes, institutional coordination, utility provision, Customs services, logistics services, access to finance, and quality management infrastructure. Particular efforts must also be made to expand policy support from the cotton segment to the T&C segment, where it has historically been lacking. The second strategic objective is therefore to '**improve the policy environment to raise the efficiency and competitiveness of the C2C value chain**'.

3. Stakeholders must also work to develop downstream activities in order to capture greater value and stimulate sustainable socioeconomic development. The capacities of T&C firms to add value are constrained by weak technical and management skills, outdated equipment and inadequate quality management practices. As a result of these constraints, firms suffer from low levels of productivity and they find it difficult to diversify into new products that would be competitive in international markets. The third strategic objective is therefore to '**improve the competitiveness of T&C firms through raised productivity and product diversification**'.

4. FDI is not simply a means of accessing capital; it also facilitates the transfer of technical know-how, good management practices, and new systems and procedures. In addition, foreign investors bring access to new markets, while also facilitating moves into higher value added activities. As such, it can play an integral role in enhancing competitiveness and stimulating product and market diversification. In the case of the United Republic of Tanzania, particular attention

must be paid to attracting investment towards the more capital-intensive (and underdeveloped) segments of the value chain. The fourth strategic objective is therefore to '**strengthen the United Republic of Tanzania's focus on investment as a vector for growth and integration in the value chain**'.

5. Even where enterprises are capacitated to produce goods in accordance with international demand, many SMEs lack the skills to bring their goods to foreign markets. Trade intelligence is difficult to come by, and both enterprises and support institutions lack the necessary skills to leverage such information to access new markets. In addition, capacities to engage in effective branding and export promotion are limited. These capacities must all be enhanced in order for improved competitiveness to translate to export growth. The fifth strategic objective is therefore to '**strengthen the capacity of firms to diversify markets to raise profitability**'.

SECTOR DEVELOPMENT TARGETS

As explained earlier in the future perspective section, the immediate focus of this strategy is on improving cotton production and quality on the one hand, creating a better supply base; and on the other hand augmenting demand from the farthest end of the value chain by attracting investment in T&C manufacturing. This supply push and demand pull strategy will help the intermediate value chain steps – the yarn and textile subsegments – to grow in the medium-to-long term.

The current productivity level of seed cotton in the United Republic of Tanzania is approximately 300 kg/acre, while the ginning outturn is 34%; implying lint production of 102 kg/acre (or 252 kg/ha). This is 67% lower than the world average of 759 kg/ha (United States Department of Agriculture, 2015). The most important target will be to improve productivity to double its current level and also improve the ginning outturn to bring it to 42% by 2020, a level which many other African cotton-producing nations are achieving at present.

The present area under cotton cultivation is approximately 400,000 hectares (or approximately 988,000 acres) while the maximum land under cotton cultivation in the last few years was reported in 2010 as 1,161,000 acres68. By 2020, even if the area under cotton cultivation remains the same, i.e. 988,000 acres, the yield and ginning outturn gains as projected will lead to lint production of approximately 190,000 tons, which will be almost the double of the present average value of 102,000 tons. Another target related to the cotton segment is improvement in the quality of cotton fibre. At present, only 40 % of production is classified as good grade (classification done by TCB), while by 2020 it should be improved to a level of 65 % by creating quality awareness and transparent weighing and marketing mechanisms among ginners and farmers.

The spun yarn production in the United Republic of Tanzania is approximately 30,000 tons presently (equivalent to approximately 30% of the country's lint production). The target is to double the spinning capacity by 2017, and by 2020 add further spinning capacity to produce an additional 30,000 tons of yarn. This installed capacity will be able to consume approximately 35% of the country's lint production by 2020. Considering that the investment will be made in new technology spindles, an addition of 30,000 tons of spinning capacity would require installation of approximately 120,000 spindles (20s to 24s counts, mainly). Such project(s) would need an investment ranging from US$ 85 million to US$ 95 million (depending on the level of automation, among other things) and create employment opportunities for approximately 1,000 to 1,200 people.

The fabric mills that are currently operational in the United Republic of Tanzania are mainly focused on producing kanga and kitenge for domestic and regional consumption. In this context, instead of targeting full value chain integration, it is more relevant to help these mills upgrade and become producers of fabrics for stitched garments that have different requirements than fabrics for draped garments. Attracting new investment in fabric production could be a long-term target once the cotton and apparel segments are fully developed, as explained earlier. The target is that three fabric producers will be provided support for upgrading by 2017. Thereafter, an additional two will be provided with such support each year.

The United Republic of Tanzania's apparel exports in 2014 were only US$ 30 million (data source: United Nations Comtrade). The target for apparel exports is to reach US$ 50 million by 2017 and US$ 150 million by 2020. Although the year-on-year growth rate may appear high, the low base values mean that these targets would not require very high investments and thus are quite feasible. The US$ 20 million addition to exports by 2017 would require 1,000 to 1,200 sewing machines (two or three new projects), which would require an investment of US$ 5 million to US$ 7 million and generate direct employment for approximately 2,000 to 2,500 people. Similarly, the further addition of US$ 100 million in exports between 2017 and 2020 would require 4,500 to 5,000 more sewing machines (six to eight new projects), which would need an investment of US$ 25 million to US$ 27 million and generate direct employment for approximately 9,000 to 10,000 people. Net additional demand from garment manufacturers by 2020 will be approximately 75 million metres of fabrics and 10 million to 12 million kg of yarn.

Figure 21: *Sector development targets of the strategy*

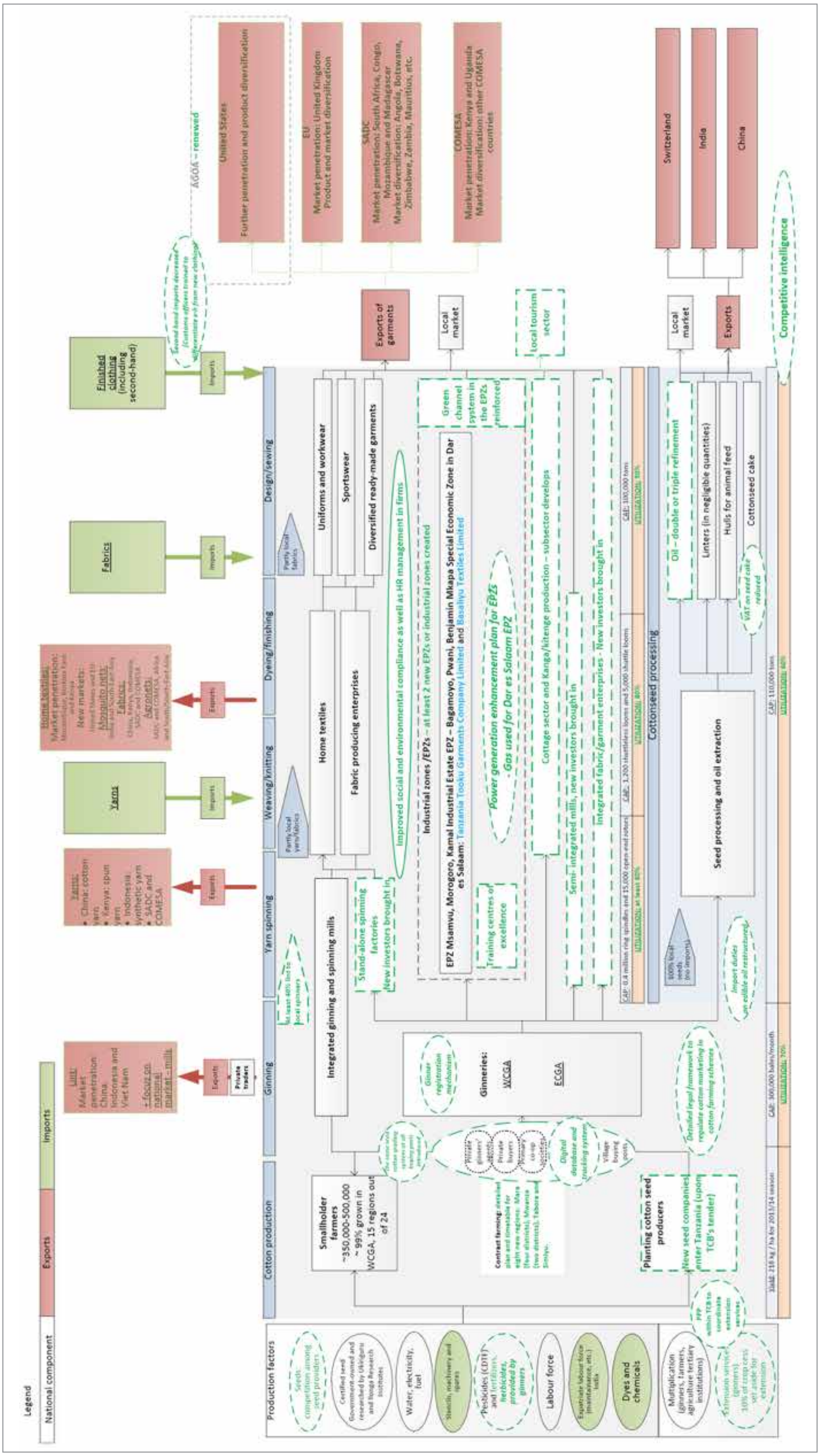
		Current situation (estimated average)	2017 mid-term targets	2020 targets
COTTON	Productivity (seed cotton)	> 300 kg / acre		> 450 kg / acre
	Seed cotton production	> 200 thousand tons		> 450 thousand tons
	Outturn	> 34%		> 42%
	Lint output	> 68 thousand tons		> 190 thousand tons
	Quality	> 40% of production is good grade		> 65% of production is good grade
GINNING	Spun yarn production	Approx. 30,000 tons	60,000 tons by 2017	90,000 tons by 2020
	Requirements		Spindles - 120,000 (new technology) Investment - US$ 85/ 95 mn. Workforce - 1,000 to 1,200	Spindles - 120,000 (new technology) Investment - US$ 85/ 95 mn. Workforce - 1,000 to 1,200
FABRICS	Technical assistance	Existing fabric units are mostly making kanga and kitenge	Support 3 existing fabric producers to diversify into making fabric for constructed apparel by 2016	Support 2 companies every year thereafter to diversify into making fabric for constructed apparel. By end of 2020, there will be 9 such fabric producers
APPAREL	Export value	US$ 30 mn.	US$ 50 mn. by 2017	US$ 150 mn.
	Requirements		Sewing machines: 1,000/1,200 2-3 new projects Investment - US$ 5 - 7 mn. Workforce – 2,000 to 2,500	Sewing machines - 4,500 - 5,000 6-8 new projects Investment - US$ 25/27 mn. Workforce - 9,000 to 10,000

NOTE: The indicative targets have been set in collaboration with national stakeholders and international sector experts. They are based on the hypothesis that the current socioeconomic conditions and political stability will remain unchanged; and Government and various investment promotion agencies will work towards improving the overall investment climate.

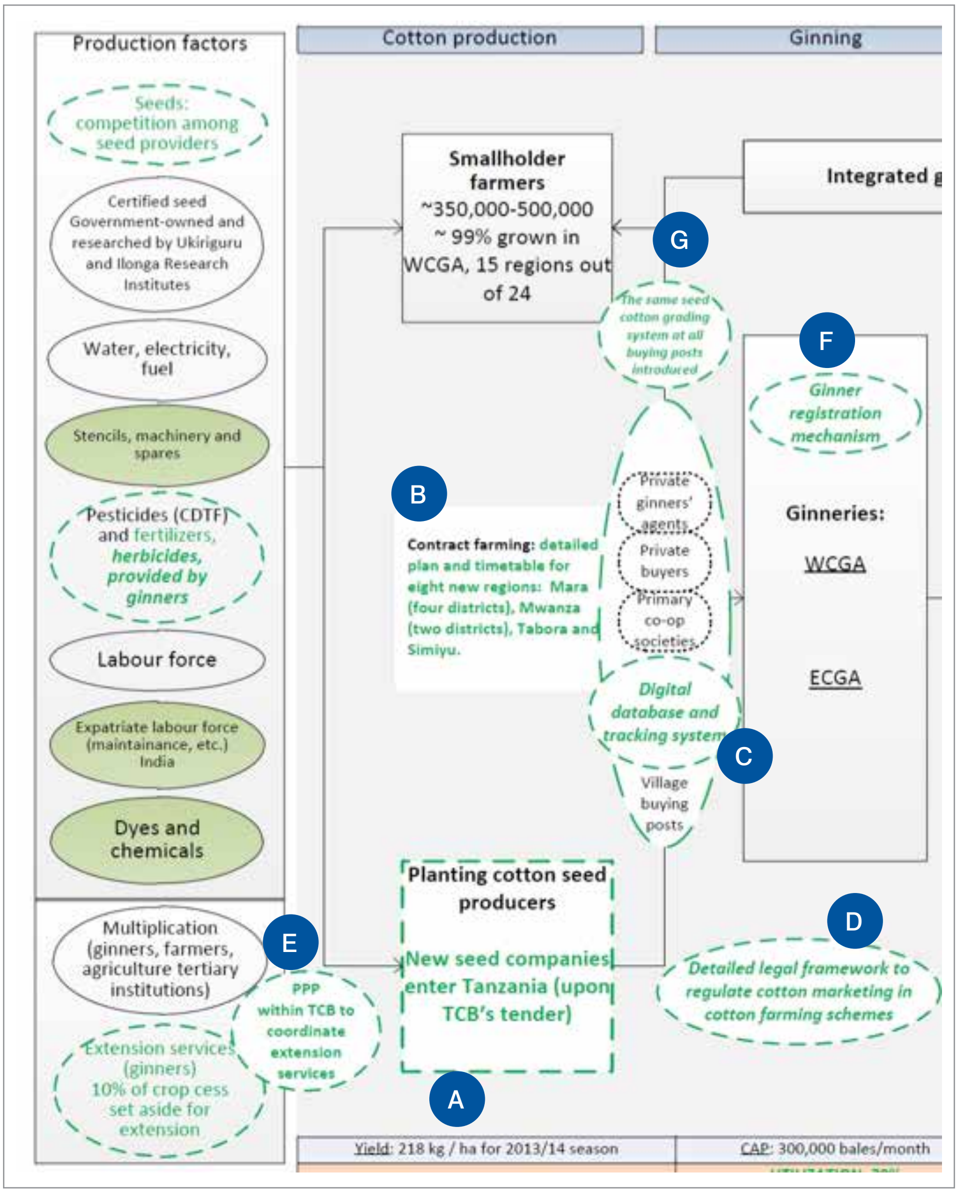
FUTURE VALUE CHAIN

Unlocking the potential of the C2C sector will require transformations throughout the value chain. These adjustments, as reflected in the future value chain schematic (see figure 22), are the result of targeted efforts to address the competitive constraints identified and capitalize on opportunities to add value. The future value chain will be characterized by: (i) reinforced and streamlined institutional support; and (ii) improved cotton competitiveness, and product and market diversification.

Figure 22: Future value chain diagram



MAPPING OF THE MAIN STRUCTURAL ADJUSTMENTS IN THE VALUE CHAIN



A – A strategy to secure the delivery of effective new seed into the industry and to archive the old seed is agreed and implemented.

B – Contract farming is put in place between ginners and farmers, leading to an increase in quality and yield in cotton production.

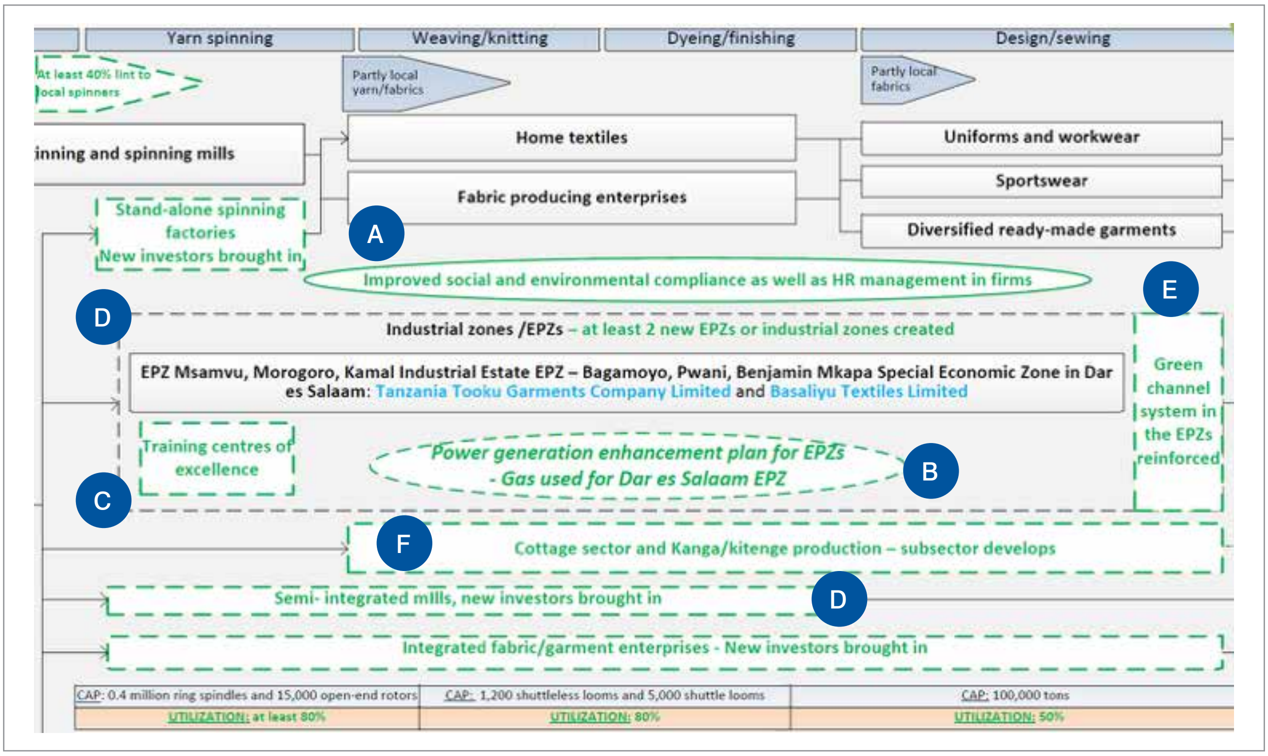
C – A traceability system is put in place through provision of collection bags to registered farmers.

D – A legal framework for contract farming is established to ensure contract sanctity between farmers and ginners.

E – A PPP is established to improve extension services coordination.

F – Ginners are officially registered.

G – Harmonized quality parameters for cotton are established across districts in order to limit quality variation.



A – An awareness-raising programme about compliance standards is established for the T&C industry to train workers and employers on labour, social and environmental standards, to improve quality management and conformity assessment through certification processes.

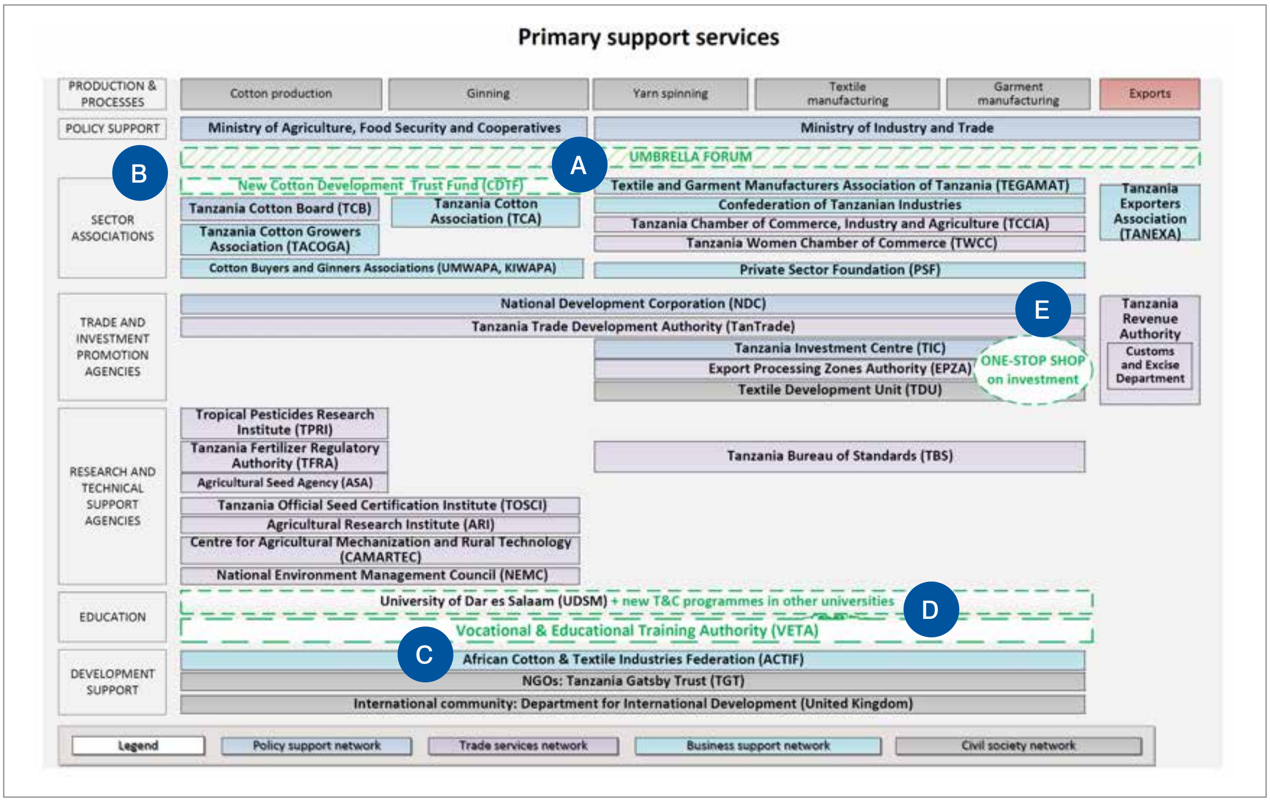
B – EPZ power supply is stabilized and electricity costs are reduced. At least one T&C industrial park is built within five years and two new EPZs are built in the five-year period (with proper access to energy and water).

C – Training centres of excellence/programmes on T&C are set up in the EPZs or in other industrial basins as required, in order to train local textile firms on new technology, factor pricing, quality control and labour productivity, with the support of international expertise. This should be financed through the SDL.

D – An FDI promotion and attraction programme resulting in the first spinning and fabric projects is developed, and two new garment factories result from TDU, EPZA and TIC targeting campaigns.

E – The green channel system in EPZs is reinforced to streamline exports and sensitize Customs officers to the privileges to be applied to EPZ companies (including tax remissions, site inspections, etc.).

F – Tanzanian kanga and kitenge are promoted in the region and exported to neighbouring countries. Handloom and cottage industries are revived and target tourists as potential buyers.



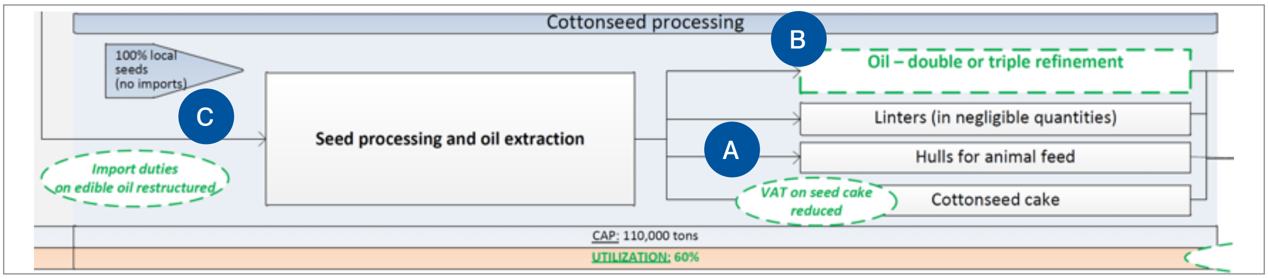
A – An umbrella forum representing the entire C2C sector is established, led by TCB, TDU and TEGAMAT.

B – CDTF has a new mandate to support contract farming and prevent double-taxation, and to work with ginners undertaking contract farming.

C – Following a skills gap and needs assessment; the Skills Development Levy is more efficient and reinforces the development of new sector-specific trainings.

D – New T&C curricula are created in other universities.

E – A coordinated programme of investor aftercare between TIC and EPZA is created to provide a one-stop shop for T&C foreign and national investors' enquiries and support.



A – VAT on seed cake reduced.

B – Upgrade of oil mills to double or triple refinement.

C – Improved import duty mechanism on edible oil.

Photo: (CC BY-SA 2.0) World Bank Photo Collection.

REINFORCE INSTITUTIONAL SUPPORT AND TRAINING SERVICES

Effective institutional support will play a key role in ensuring the sector's sustainable development. Stakeholders must be able to rely on policy, trade and business institutions to assist them in their efforts to expand production, add value, improve quality and connect with new markets. Institutions are currently unable to provide adequate support due to a lack of coordination and weak capacities.

The first step towards improving institutional support will be to create an **umbrella forum**. Coordinated by TDU, TCB and TEGAMAT, the forum will include all stakeholders and policy institutions that represent (or cater to) the entire C2C value chain. It will coordinate the sector's response to strategic issues, advocate for necessary reforms and secure necessary government support.

In order to promote productivity in the cotton segment, the Strategy will create a PPP platform that will allow for the coordinated provision of extension services. This will help harmonize the currently disparate efforts in order to avoid duplication of efforts and ensure adequate coverage. Similarly, the mandate of CDTF will be reformed in areas where contract farming is established. At the moment, contract farmers must still pay CDTF for input procurement even though they receive inputs from contractors. As contract farming becomes more widespread, the services of CDTF will become even more superfluous. The CDTF mandate must be adjusted accordingly so that its role is provision of extension and research services only.

The technical capacities, coordination and access to key policymakers of TEGAMAT must also be enhanced. This institution is quite new and their skills still require upgrading. In addition, efforts are required to ensure a sound cooperation framework and mechanism by which to feed recommendations to relevant authorities in order to support sectoral development.

Another area in which streamlined institutional support is required is investor targeting. TDU, TEGAMAT, EPZA and TIC all play important roles in the attraction of foreign investments: TDU brings sectoral expertise, TIC offers one-stop shop services, and the EPZA-administered areas will likely play host to most foreign factories. Yet the roles of these organizations need to be clarified for the T&C sector, and coordination is lacking. TIC, for example, has no expertise in the area of T&C, and it is therefore unable to effectively engage in sector-specific investor targeting activities. In this case, greater coordination with TDU and, in the medium term, TEGAMAT, would surely bring welcome results (see the paragraph: Coordinating effective investment promotion for T&C).

Lastly, **education and training services in support of the textile and garment segments must be improved**. This will firstly involve adjusting the Skills Development Levy so that it is more efficiently used to support the sector. In addition, the sector needs training centres to be established in EPZs in order to facilitate the dissemination of best practices, particularly to textile firms. At the same time, existing TVET and UDSM capacities must be enhanced. A key task will be to establish highly specific short-term courses that are adapted to the needs and time constraints of the sector. Within this framework, the efforts of VETA will be focused more specifically on the T&C sector in line with its prioritization at the national level.

Box 10: Mitumba imports

Along with many other second-hand products imported into the EAC region such as cars, tyres and even medical devices, imports of second-hand clothing ('mitumba') have been gradually increasing since the 1980s. After the 1980s, mitumba progressively gained popularity in the United Republic of Tanzania due to the economic difficulties the country was facing and the declining competitiveness of the local textile industry. Used clothes were not just purchased by the poor; they also became very popular among the middle and high income classes.

This has retarded the development of the local T&C industry. However, until recently the product gap that was filled by second-hand clothing was still out of reach for Tanzanian clothing producers and the purchasing power of the local population was still too low to buy local equivalents to some of the most complex second-hand clothing items (such as work suits). But as the Tanzanian economy develops, the purchasing power of the population will grow. In some areas the transition from necessity clothing to leisure or fashion clothing is already occurring. This opens a clear market opportunity for the local industry. A new approach towards second-hand clothing imports must be taken in order to untangle the development of the local manufacturing industry.

Currently, there are two different forms of mitumba imports in the United Republic of Tanzania: charity and business-based. Business-based imports handle second-hand clothing with commercial value and businesses derive benefits from its sale. Firms specialized in such imports need import licences and pay taxes on imports of these products. Charity imports, on the other hand, are managed by non-profit organizations that do not need import licences and are tax-exempt. Charity second-hand clothing is distributed for free, with no profit margin.

While charity is still needed to cover the basic needs of the most disadvantaged populations, the distribution of these items needs to be strictly controlled, and targeted at the poorest people and victims of natural catastrophes. Regulation should become even stronger concerning second-hand 'traders' that are gaining profit from second-hand retail.

The Tanzanian Government has long been aware of this issue and initiated measures in the early 2000s. As a result, TBS banned the import of second-hand underwear in 2003 for health and ethical reasons. A Textiles Divisional Standards Committee was created in 2004 by TBS to propose new standards for second-hand imports. However, the Committee's propositions have not yet been approved by the Government.

The situation has become more critical now that the United Republic of Tanzania is on the way to industrial and economic development. Building on previous initiatives, this Strategy recommends a number of measures to address the problem in a more specific manner.

1. **Customs:** Build the capacities of Customs officers to recognize second-hand products.
2. **Adjustment of charity to actual requirements:** Conduct a study about the economic effects of second-hand clothing imports on the industry, intended for the main charitable providers of second-hand clothing.
3. **Exit policy:** Develop an exit policy from second-hand clothing: after underwear, identify the next product categories for which imports will be sequentially banned.
4. **Sensitization campaign:** Target the domestic market, focusing on second-hand clothing's impact on local industry and its hygienic hazards.

Source: Kinabo, Oliva D. (2004). The textile industry and the mitumba market in Tanzania. Paper presented at the Tanzania–Network.de Conference on Textile Market and Textile Industry in Rural and Urban areas in Tanzania. Potsdam, 23 October.

IMPROVING COTTON COMPETITIVENESS

Enhanced cotton competitiveness will be the pillar from which a more dynamic C2C sector can develop. Increases in productivity will allow the sector to capture greater profits from the sale of cotton fibre through expanded volumes and margins. Improvements in quality meanwhile will help cement the United Republic of Tanzania's reputation as a premier supplier of cotton in Africa, while at the same time expanding the supply of raw material available to local manufacturers and allowing the domestic T&C industry to produce higher value added goods. In addition, a stable and quality supply of raw materials will help attract investors to the T&C segment.

To realize this goal, the Strategy will target a number of interventions in the input, production, ginning and spinning segments of the value chain. The first step will be to improve the quantity and quality of seeds for planting. This will be done by improving research and regulatory capacities, improving the seed multiplication and distribution frameworks, and raising awareness of key issues among farmers, contractors and other stakeholders. In parallel, the input supply scheme will be improved and efforts will be made to enhance the dissemination and upgrading of best agricultural practices and technologies. The strategy will also work to improve the delivery of extension services.

Improvements in quality will be furthered by developing a cotton grading system based on adjusted quality parameters and improving cotton classification capacities at laboratories. At the same time, efforts to reduce cotton contamination will also be pursued.

Lastly, market structure and the relationship between farmers and ginners will be improved by reforming regulatory issues and fostering transparency. All of these interventions will result in a more productive cotton sector that is characterized by higher-quality products, enhanced coordination and greater profit capture for sector participants.

LEVERAGING COTTON-TO-CLOTHING EXPORT OPPORTUNITIES

Initial efforts should focus on increasing the productivity of cotton cultivation and expanding the export of cotton fibre to existing markets including China, Indonesia and Viet Nam. The United Republic of Tanzania can also leverage its production of organic cotton by marketing it to the EU.

Even so, by exporting large quantities of cotton in lint form, the United Republic of Tanzania is missing out on job creation and value addition opportunities. The country should leverage its raw material strength to develop the successive steps of the manufacturing value chain, starting with yarn. Yarn exports could be targeted towards Asia (namely China and Indonesia), as well as SADC and COMESA markets (namely Kenya).

Another immediate target could be to expand exports of home textiles – particularly mosquito nets – to regional markets, as well as penetrating South Asian markets. Producers could also diversify into new, related products such as agronets and postharvest handling products (see box 11).

In order to promote the export of finished goods (apparel and home textiles) during the initial phase of industry growth, the hassle-free import of inputs (fabrics, trims and accessories) should be facilitated. Upstream capacities should then be developed simultaneously. In light of the country's current capacities, the sector should look to produce garments that do not require a very high skill level, and which can be produced at an acceptable quality. Markets for consideration include SADC, COMESA, the United States and the EU.

In the longer term, efforts can be made to develop higher-value textiles for the domestic industry and for export. Products such as woven fabrics, knitted fabrics and synthetic yarn can be exported to China, Indonesia, Kenya and other regional and African markets. The following matrix illustrates the most attractive product and market opportunities that are open to the United Republic of Tanzania's C2C sector.

	Existing products	New products
Existing markets	**Market penetration** • Cotton fibre – China, Indonesia and Viet Nam • Home textiles – Mozambique, Burkina Faso and Kenya • Mosquito nets – regional	**Product development** • China – cotton yarn, woven fabric & knitted fabric • Kenya – spun yarn, woven fabric • Indonesia – woven fabric & knitted fabric, synthetic yarn
New markets	**Market development** • Cotton fibre (focus should be on conversion rather than exports in lint form) • Home textiles – United States and EU • Organic cotton – EU • Mosquito nets – India and South-East Asia	**Diversification** • Apparel – SADC, COMESA, the United States and EU • Yarn and fabrics – SADC and COMESA markets • Agronets – Tanzanian smallholder farmers and those in COMESA and SADC

Box 11: Agronets

One of the most efficient methods of preventing malaria is to sleep under a bed net to avoid mosquito bites. The same protection mechanism applies to plants, which, like human beings, are not only exposed to diseases transmitted by insects but also to direct damages, as many pests feed on them.

The BioNetAgro project is an initiative launched jointly by a French research centre (CIRAD) and A to Z Textile Mills Ltd, a Tanzanian manufacturing company, and supported by a research project funded by the United States Agency for International Development involving stakeholders in Kenya, the United Republic of Tanzania, Benin, France and the United States. The project has established that the use of netting in horticulture is a promising method for the control of crop pests.

Agronet is a family of clear netting products developed by A to Z for use in horticulture (vegetables, fruit and ornamentals). Agronet was developed to control pests with the aim of significantly reducing quantities of pesticides. With technologies developed for mosquito nets, insecticide incorporated into netting is present at the surface of the yarn only in very small quantities, just enough to get the desired biological effect on target pests. Furthermore, this very small amount is tightly bound to the yarn and cannot be easily removed and migrate to the crop. Agronet products provide farmers with affordable alternatives to generally expensive conventional protected cultivation in greenhouses or tunnels. Today A to Z is able to manufacture and distribute not only a range of agronet products but also shade nets for coffee seedlings and ornamentals. The Tanzanian company also manufactures postharvest handling products including plastic crates, polypropylene bags for cereals, pulses, salt and sugar, and leno woven mesh bags for onions and potatoes.

Source: HortiNews (2015). Tanzania-based consortium to start manufacturing agronets, 22 December. Available from http://www.hortinews.co.ke/article.php?id=212.

LEVERAGING INVESTMENT TO DEVELOP T&C PRODUCTION AND COMPETITIVENESS

FDI has long been a driver of growth in the T&C sector as investors look to capture the comparative advantages offered by low-cost destinations. Global greenfield FDI in the T&C sector reached US$24 billion in 2013, an all-time high and more than double the level achieved in 2012. Moreover, Africa is receiving a greater share of this investment as rising wages in China, compliance issues in Bangladesh and labour unrest in Cambodia, together with other factors, have accelerated a shift to new locations. Total FDI inflow to Africa in 2013 was valued at US$57 billion, of which US$1.75 billion was in the T&C sector.

FDI can lead to transformative effects in a country's home-grown sector, as international investors are likely to possess and transfer a wide range of assets otherwise unavailable to local enterprises. These may include technologies, skills, management practices, operational experience, economies of scale and international distribution channels.

If the Tanzanian T&C sector booms, it will do so as an efficient producer of quality low- and middle-end garments for export markets. Globally, some of this production has begun to shift away from China and South Asia, and several AGOA-eligible African countries are likely to become new hosts. Top candidates include well-established garment exporters such as Madagascar and Kenya, and rapidly emerging ones such as Ethiopia. FDI in garment assembly has been the chief driver of output and export growth in these countries, and the ability of second-tier garment-producing countries such as the United Republic of Tanzania to take advantage of an African boom in T&C will depend on their success in attracting the adequate levels of FDI.

INVESTMENT SEQUENCING AND TARGETING

Large numbers of FDI projects would not be expected in the capital-intensive textile sector without a solid link to customers in a strong, high-volume garment segment. The more historically common evolutionary path for FDI-led development of the T&C sector would have the United Republic of Tanzania first achieve competitiveness in export-oriented garment assembly, which uses less skilled labour and less capital-intensive technology than textile manufacturing. As such, the sector's development and investment may be pursued according to the following two phases.

- **Phase 1:** Parallel development of a globally focused, FDI-driven garment sector; a regionally focused, domestic-investor-driven textile and accessories sector; and higher quality cotton.

In its early stages, the garment sector would use new sector-focused SEZs, proximity to an expanded port of Dar es Salaam, an export-promoting incentive regime, and improved port clearance times to import garment inputs, assemble them, and export garments to low- and middle-end retailers and department stores in the United States, South Africa and the EU. They would be enabled and supported by public policies and organized stakeholders that recognize the T&C sector as an important stepping stone to national industrialization.

Simultaneously, secure supplies of higher-quality cotton would start making their way to domestic Tanzanian textile producers. This would be the result of a coordinated stakeholder effort, with donor support, to improve: seed quality; the practices and technologies used in farming; postharvest handling; ginning; and mechanisms for farmers to better share in quality premiums. In this phase the Tanzanian garment and textile markets would remain largely disconnected, except in the continued service of domestic and regional markets.

In this initial phase, domestic investors would focus on better penetrating regional markets and supplying garment factories with low-technology, non-capital-intensive inputs like buttons, tags, zippers and elastics. The United Republic of Tanzania would strive to be a leading regional supplier of traditional fabrics and fabrics with local prints, targeting the Democratic Republic of the Congo and Kenya. The resulting improvement in finances would better allow them, in the longer term, to make some of the investments needed to participate as fabric suppliers in the Tanzanian global garment export chain: Tanzanian textile producers will require updated machinery in order to compete with the likes of Bangladesh and Viet Nam. These eventual investments would start with the yarn segment and then move into fabrics.

- **Phase 2:** FDI evolves from CMT to Free on Board and domestic investors start to link with foreign markets.

In the second phase, the Tanzanian workforces of recently established foreign-invested garment manufacturers would achieve experience and productivity levels that allowed a transition from CMT to Free on Board. By this time domestic textile manufacturers would have managed (potentially with the help of government and donor support) to: gain some experience in meeting the requirements of export markets; streamline and improve their books through a rationalization of idle and outdated assets; improve rates of worker absenteeism and productivity; and would perhaps have some modest capacity to produce knit fabric.

This would allow some domestic textile producers to participate in the new Free on Board operations, thereby helping to entice investors into joint ventures. Large-scale, internationally competitive and integrated textile–garment factories would then become feasible.

Throughout the first and second phases, the cost and reliability of electricity would be brought down through public investment and policy, and value chain connectivity would be improved through a stronger rail system between WCGA and Dar es Salaam and a better road network in Mwanza. These advancements would put the Tanzanian C2C sector in an extremely strong position to compete internationally.

Subsector investment targeting

Cotton	**Products:** cotton lint, organic cotton lint, cottonseed products such as oil, soap, etc. **Target investors:** local
Textile manufacturing	**Products:** kanga and kitenge, cotton yarn, basic fabrics (for uniforms etc.) **Target investors:** existing fabric companies
Mosquito nets and agronet products	**Products:** mosquito nets, related products like shade nets, agriculture nets, fish nets, sports nets, etc. **Target investors:** local
Garments	**Products:** basic garments including T-shirts, men's shirts, jerseys **Target investors:** FDI (India, Turkey)

Investment targeting priorities

Priority level	Subsector
Very high priority	Product diversification of existing fabric units Garment companies
High priority	Take up two to three sick/closed mills and try to revive them
Medium priority	Yarn spinning, knitting/weaving, dyeing and finishing
Low priority	**Medium term:** fully integrated T&C factories **Long term:** T&C production branded as green or sustainable for niche markets (it can be done along with the above point)

IMPROVING SECTOR ATTRACTIVENESS FOR INVESTMENT

As a candidate to participate in a new, imminent wave of T&C FDI, the United Republic of Tanzania enjoys a number of major advantages, including competitive wages (only slightly more than Ethiopia but well below Kenya), an industrial region around East Africa's second-largest port, and the largest cotton output in Eastern and Southern Africa. The key to Tanzanian success in this sector will therefore be the existence of supportive public policy. Indeed, the path to realizing this sector Strategy's future value chain for Tanzanian C2C is paved largely with measures under the control of the Tanzanian Government and sector stakeholders. All measures within this Strategy's PoA to improve competitiveness will also increase the attractiveness of the sector for investors. The following issues, however, will be of particular interest to investors.

- **Land access for foreign buyers must be ensured.**

- **Development and management of industrial parks specific to T&C (and possibly leather goods).** The provision of space and facilities not far from the port of Dar es Salaam at competitive rates further supports the bottom lines of garment manufacturers, but it also establishes poles around which more manufacturers, their suppliers and TVET partners can cluster. In addition, it allows the Government to cost-effectively target the provision of critical infrastructure to a large number of companies in a priority sector. To that end, priority sectors with overlapping needs might be developed synergistically in a shared industrial park. This could be the case for the T&C and leather goods sectors in the United Republic of Tanzania, where both are government priorities: both have similar needs in terms of water and water treatment, and single companies might deal with both textiles and leather, such as companies dealing with home furnishings, footwear, personal accessories and luggage. This is another area where FDI might be mobilized for sector development.

- **Provision of dedicated electricity substations, water supply and effluent treatment facilities to each of the T&C-focused industrial parks**. Whether provided directly by the Government, as a condition of the tender for private development of an industrial park, or as a joint initiative, these are three of the most critical infrastructure needs for T&C success and environmental sustainability.

- **Target uninterrupted electricity supply and electricity tariffs of under US$0.06 per kWh for tenants of T&C industrial parks.** Cheap and stable electricity is important to the competitiveness of the sector, particularly for textile producers. The T&C industrial parks should target electricity rates of under US$0.06 per kWh, whether through dedicated generation (which would also substantially reduce power interruptions), reduced industrial tariffs, an industrial park design that facilitates the use of steam and industrial by-products for power generation, other means, or a combination. This would make Tanzanian rates competitive with those in neighbouring countries. Tanzanian rates would then also be set to keep pace with anticipated improvements in Kenya: whereas Kenyan electricity rates are currently comparable to Tanzanian ones, they are set to decrease by one-half to one-third with the coming arrival of new generating capacity.

- **Extension of SEZ incentives to all garment manufacturers, regardless of location.** Incentives allowing duty-free import of raw materials, duty-free exports of garments and 100% tax deductions on capital expenditures will help to stimulate export-oriented FDI in an environment where local input supplies are inadequate.

- **Apply effectively zero rate to locally procured textiles and any other garment inputs from VAT** when they are used in export-oriented production. As EPZs offer duty-free import of raw materials, this step would put local textiles on an equal footing.

- **Substantially reduce the time spent queuing, unloading and clearing imports at the port of Dar es Salaam.** Inefficiencies at the port and long lead times contribute significantly to the United Republic of Tanzania's competitive disadvantage in total production cost per unit.

- **Establish a Government-supported industrialization fund.** With interest rates of about 19%, the United Republic of Tanzania is among the most difficult countries with T&C potential in which to access finance. This fund would provide low-interest loans for start-up and machinery upgrades, both major obstacles to domestic entrepreneurs. This will help ensure that domestic textile companies are capable of meeting international standards and supplying foreign garment manufacturers that establish themselves in the country.

Box 12: Technology Upgradation Fund Scheme (TUFS)

TUFS is the flagship scheme implemented by the Ministry of Textiles, Government of India to promote modernization and capacity addition in the T&C sector. TUFS was introduced in 1999 with the goal of providing access to timely and adequate capital to the T&C industry at internationally competitive rates. Realizing that the single most important factor inhibiting technology upgradation and capacity addition in India was the relatively high cost of capital, even in real terms, especially for an industry usually squeezed for margins, TUFS was launched with three components – Interest Reimbursement, Capital Subsidy and Margin Money Subsidy.

In order to access benefits under TUFS, the project has to be financed by a commercial bank, and only a specified technology level is provided with subsidy. Different subsegments of the value chain are provided with different levels of incentives and coverage, which are fine-tuned as per industry requirements at suitable intervals.

TUFS has played a major role in the growth of Indian T&C production, with a large part of investments coming through this scheme. Those investments contributed significantly to the capacity addition and technology upgradation of all segments, thereby helping to improve the competitiveness of Indian industry. Modern machinery has been installed across all segments with the help of the scheme. This has helped spur improvements in the productivity, quality standards and sales performance of beneficiaries.

Source: ITC.

COORDINATING EFFECTIVE INVESTMENT PROMOTION FOR T&C

Effective FDI promotion by public bodies will be more essential to Tanzanian T&C sector development than in most sectors and in most countries, considering both the centrality of FDI to garments and the United Republic of Tanzania's weak reputation as a destination for such FDI. This means clarifying roles and coordination among TDU, TIC and EPZA for investor targeting, facilitation of decision-making, facilitation of company start-up, and the aftercare and policy advocacy work that is needed to proactively develop the sector.

Considering TDU's intense sector focus, TIC's one-stop shop for investor start-up in any sector, and the fact that EPZA-administered zones will likely host most garment factories and many of their suppliers, each has clear strengths and complementarities. At first glance, and pending closer analysis of the Tanzanian investment promotion landscape, one possible model of cooperation is as follows.

TDU would target investors, following up with the information and assistance needed to facilitate the decision-making of interested investors.

At the point of investment decision, TDU would hand over responsibility to TIC for legal establishment and EPZA for physical establishment. The key at that point would be to put a single official in the role of account manager, giving the investor a single point of contact who takes ownership of the investor's problems and is personally committed to seeing them through to resolution and the start of company operations.

That same account manager, especially if assigned by sector specialization, would then be well-positioned to act as the investor's aftercare manager for the life of the investment project. Through aftercare, the account manager helps to ensure investor retention and expansion, and linkages to the domestic economy.

TIC would provide this type of priority account management for T&C investors based outsize of SEZs, and SEZs would do it for their tenants, even acting as a liaison with TIC's one-stop shop to preserve the best practice of a single point of contact.

Box 13: Investment targeting

Beyond creating a favourable business environment and addressing the sector's constraints, the Tanzanian Government must broadcast the advantages of doing business in the United Republic of Tanzania to those companies considering international expansion. Some companies will invest without any government information or assistance; some will not invest under any circumstances; and some are in between those two extremes, where they might be persuaded to choose the United Republic of Tanzania over other locations if the right information and assistance is provided to them at the right time.

Identifying investors in this last group, securing meetings with them and persuasively making the case for one's country over others is known as investor targeting, and it is arguably the most difficult function for the typical investment promoter to perform. One of the main reasons for this is the difficulty in identifying high-potential investors. Before each investor is approached, the investment promoter should take the time to 'qualify' the investor. This means researching the company to see that its products and markets correspond to the United Republic of Tanzania's strengths and that it is at a strategic and financial point where international expansion is likely. To this end, the following types of investors can be targeted.

- **Existing investors:** In developed economies, reinvestment from existing investors is recognized as the largest source of new FDI. Moreover, significant reinvestment is the only path to large-scale sectoral development and economic diversification. Reinvestments represent growing commitments from foreign investors to doing business in a country, often increasing production volume or moving the company into new value chain segments. This can bring levels of local sourcing, exports, technology, worker skills and general value added, which first-time investors might not. Furthermore, from the perspective of an investment-promoting institution, it is much less expensive to court the community of existing investors than to find new investors among the scattered global pool of companies with no demonstrated interest in the promoter's country.
- **Investors having expressed interest in the sector:** This category of investor is the low-hanging fruit; companies that have been in contact with the Tanzanian government at their own initiative. TDU, EPZA and TIC are among the stakeholders that have likely received many inquiries from interested investors. These should be consolidated by this Strategy's implementing team for direct follow-up or for tracking of the stakeholder's follow-up, as appropriate.
- **Potential investors:** Before potential investors can be 'qualified,' investment promoters need a 'long list' of investors in each of the countries where they think they might have success in targeting investors

WAYS TOWARDS GREATER SUSTAINABILITY AND SOCIAL INCLUSIVENESS

ENVIRONMENTAL OPPORTUNITIES

COTTON SECTOR

On one hand, sector development targets of the Tanzanian cotton sector are predicated on sound management of environmental resources. This calls for strategic measures to integrate environmental concerns into development planning of the sector. On the other hand, the high environmental impact of the cotton sector has drawn the attention of the industry and consumers to improving agricultural practices in developing countries as well as the level of social and environmental responsibility of firms. This increased global awareness represents an opportunity to diversify markets and raise profitability by integrating sustainability at the various points of the supply chain.

The large predominance of smallholder farming creates favourable ground from which to easily transit to environmentally friendly practices. Smallholder farmers already use fewer pesticides than large-scale commercial farming areas and therefore generate fewer hazards to the environment. The smallholder production system has less impact on biodiversity. Additionally, all the cotton produced by smallholder farmers is handpicked, limiting greenhouse gas emissions. Considering the favourable policy environment and existing predispositions, Tanzanian cotton production offers important potential to become a pioneering sector in terms of environmental sustainability in the region, as well as on an international scale.

ORGANIC COTTON

Organic cultivation or identity cottons may be viable approaches for many small-scale farmers as they require less expenditure on inputs, fully or partly eliminate health risks associated with pesticides, and farmers also receive a premium payment of about 10%–20% above the standard cotton price.[68] The organic agriculture movement aims for recognition of carbon sequestration through low external input agriculture, i.e. without the use of any synthetic fertilizers, herbicides or pesticides that use carbon-based fuels.[69]

The estimated value of the organic cotton market in 2013/14 was US$ 15.7 billion, and it is growing so rapidly that demand currently outstrips supply. Compared with the previous season, the market has grown by a substantial 67%. It is also notable that India, Bangladesh and China all saw a more than 100% increase in certified organic cotton textile facilities. With strong demand, organic cotton production not only offers a more environmentally and socially sustainable alternative but is economically viable.

As in other African cotton-producing countries, organic cotton production in the United Republic of Tanzania began in the mid-1990s. Initial efforts were a success at the production level because trial farmers readily got on board. The marketing side of the experiment, however, was less successful. Farmers eventually had to sell their output as conventional cotton, without the expected price premium. Today, organic cotton farming is practised in certain areas of WCGA, especially in the Meatu District, where it is controlled by one company, bioRe Tanzania Ltd. TCB has reported that in this project, extension services are more frequent; better crop and farm management practices are applied; and yields are correspondingly higher. Being a unique niche market product, organic cotton fetches, on average, a premium price of TZS 200/kg higher than traditional strains in the market for seed cotton.[70] A recurring challenge in any organic cotton farming project, however, is that it has few players; it tends to be monopolistic; and is essentially a buyers' market where the importing company controls the entire value chain from production to textile production in order to ensure quality and compliance with organic certification. The development potential of organic cotton production and exports seems only possible by attracting programmes and investment similar to that developed by bioRe Tanzania Ltd, such as large organic textile programmes managed by multinational companies such as C&A, H&M, Nike or Target.[71]

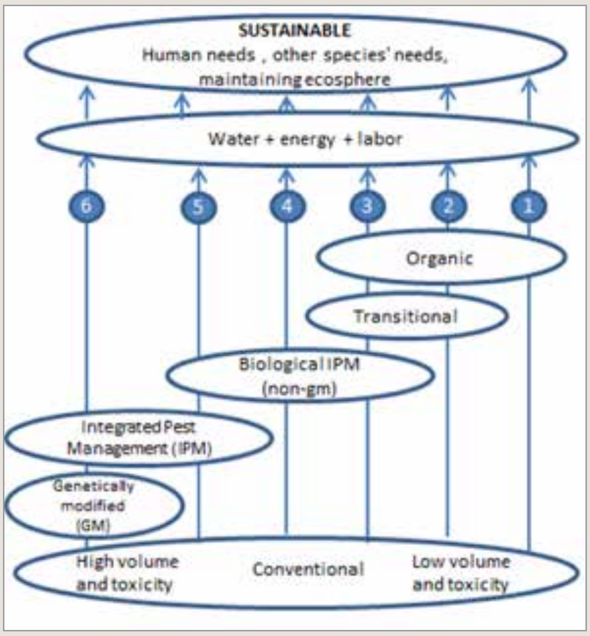
68. World Wildlife Fund (2013). *Cleaner, Greener Cotton: Impacts and Better Management Practices*. Available from www.worldwildlife.org/publications/cleaner-greener-cotton-impacts-and-better-management-practices.

69. Soth, J. (2009). Role of organic cotton in the cotton industry. Presentation at the International Cotton Advisory Committee 68th Plenary. Cape Town, 7–11 September. In this presentation, for example, it was calculated that West African organic cotton farmers would reduce their cotton carbon footprint with 1 to 3.2 tons CO2e per hectare. If no transaction and certification costs are considered, this would translate at current carbon market price (15 euros/ton) into an extra income per hectare of 4% to 14%.

70. Tanzania Cotton Board (2010). *The Second Cotton Sector Development Strategy (CSDS II) 2009–2015: A Stakeholder Roadmap for Increased Production, Productivity and Profitability of Cotton.* Dar es Salaam.

71. Textile Exchange (2015). *2014 Organic Cotton Market Report*.

Box 14: Expanded options for 'sustainable cotton' production.



Different production systems are often perceived as being in competition with each other, when they are in fact working towards the same goals. Organic production is one tool that is a stepping stone to more sustainable practices in cotton, especially in areas of low chemical use. Other biological systems broaden ecological goals through scalability and may initially provide a stepping stone in highly degraded areas where chemical use and toxicity is high but the risks of evolving genetic resistance in insects are real and acknowledged.*

* Blackburn, Richard, ed. (2009). Sustainable Textiles: *Life Cycle and Environmental Impact.* Cambridge: Woodhead Publishing Limited.

LIMITATIONS OF ORGANIC COTTON

Organic cotton is not the only opportunity in the 'sustainable' cotton market. Currently the global cotton market sees organic cotton as the pinnacle of sustainability. With only 0.2% of global cotton production, this perception creates a bottleneck in the market and restricts incentives for farmers to move to other sustainable production alternatives such biological and IPM systems. Furthermore, water issues and labour are not captured by organic standards, even though they represent a significant part of cotton's impact. Simply put, organic production is not so much the pinnacle of sustainability, it is rather a pillar. If certified organic is too narrowly defined, the market niche too small, or conversion of fields and farmers to organic practices too slow, then the sector has to look at scalable production under IPM, biologically intensive IPM (BioIPM) and Best Management Practices (BMP) in order to amplify ecological benefits.

IDENTITY AND FAIRTRADE COTTONS

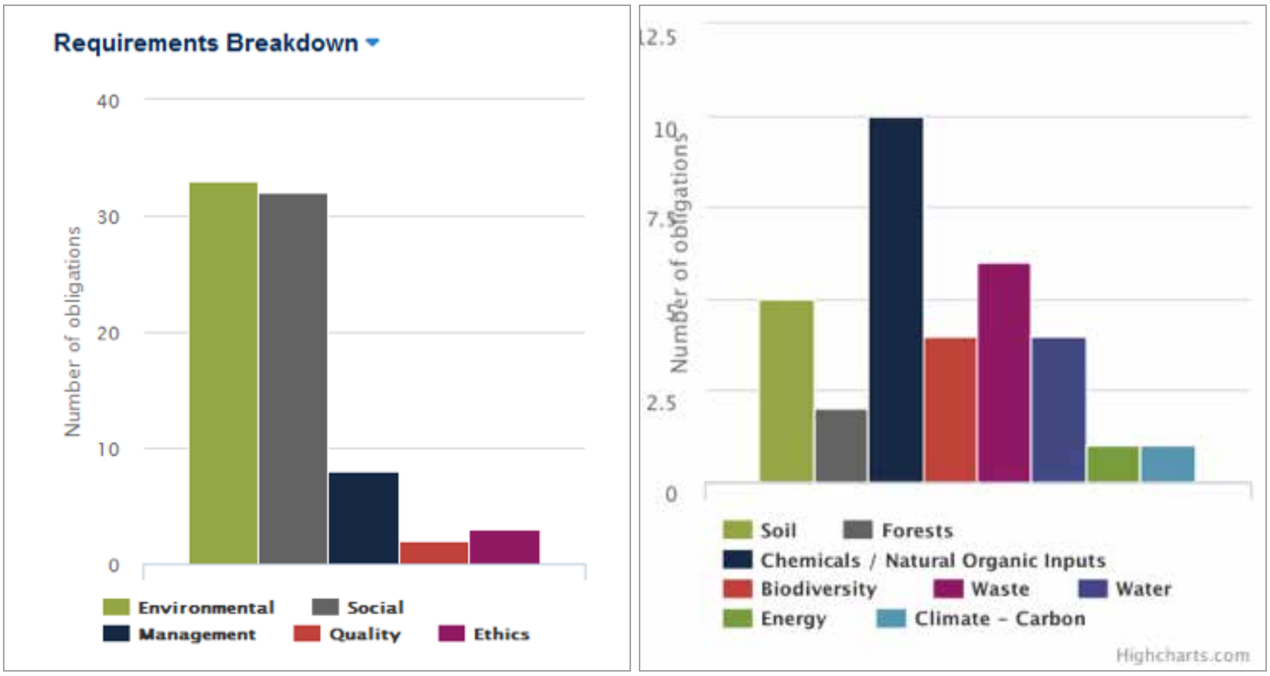
As explained in the global trends section of the Strategy, increased global awareness about rural poverty, climate change and sustainability have spurred the creation of projects to improve agricultural practices in developing countries, among these CmiA, BCI, Fairtrade International, Bayer's e3 Cotton Programme, BMP (myBMP), Cotton LEADS and CottonConnect.

BCI and CmiA

The BCI and CmiA certifications have spread throughout African cotton-producing countries, including the United Republic of Tanzania. Both certifications have now been 'merged' through a Strategic Partnership Agreement of BCI and the Aid by Trade Foundation (owners of CmiA). A benchmarking agreement was developed, whereby CmiA cotton can be sold as BCI in the majority of cases but not vice versa.

In the United Republic of Tanzania, 15,385 farmers were producing CmiA-certified cotton in the 2014/15 season. In order to get the CmiA label, smallholder farmers must comply with CmiA standards that ban the use of genetically modified cotton and restrict the use of certain agrichemicals, and commit to continuous improvement. Exact areas of compliance are illustrated in figure 23. Compliance is verified every two years by independent organizations.

Figure 23: *CmiA certification hotspots*



Source: International Trade Centre Standards Map (2015) (a).

Tanzanian farmers that are enrolled in the initiative benefit from training seminars where they learn about sustainable and efficient methods for cultivating their fields, thus increasing both yield and income. CmiA has built international alliances to facilitate cotton sales and collaborates with individual ginneries. In the United Republic of Tanzania, three ginneries have recently joined the CmiA/BCI certification: Alliance, Biosustain and Birchand/Kahama Cotton Company KCCL.

Due to increased demand for traceability of CmiA/BCI certified cotton through the entire value chain, CmiA now offers two systems to guarantee end product conformity with their sustainability and social principles, one of which is focused on spinning and the other on the entire value chain up to the manufacturing stage. The United Republic of Tanzania does not yet have any registered mills. There is a strong opportunity for Tanzanian mills to further benefit from locally available certified lint and pursue registration with one of the two available systems under CmiA certification. In the meantime Tanzanian ginneries can turn to the following mills available in the region: Ayka Addis and Else in Ethiopia, Formosa in Lesotho and Tianli in Mauritius. Broadening the market scope, India, China, Bangladesh and Pakistan have a variety of CmiA-certified mills that would represent further market opportunities for Tanzanian CmiA-certified ginners.

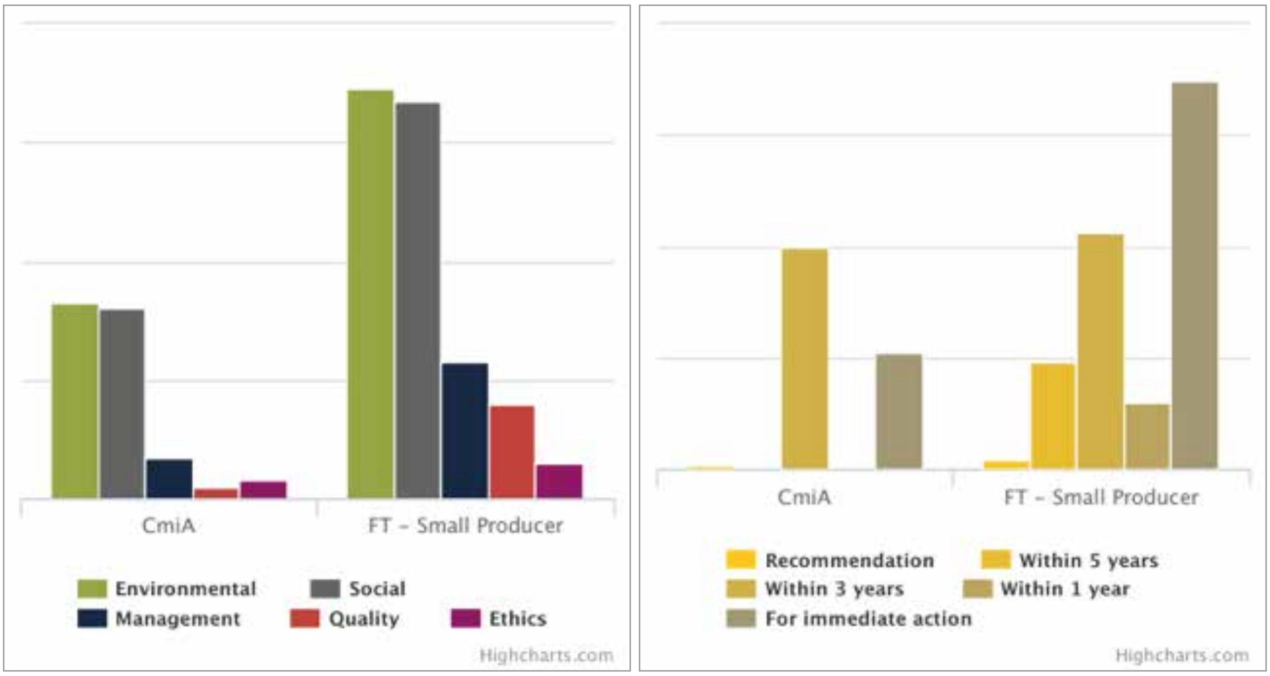
Fairtrade

FT is another identity cotton project and an alternative approach to conventional trade. It is based on a partnership between producers and consumers. The label covers a wide variety of products, including cotton. The main goal of FT regarding cotton is to offer producers a better deal and improved terms of trade, and consumers a way to reduce poverty through their everyday shopping. The additional FT Premium funds allow farmers to take charge of their own collective development,[72] As with CmiA/BCI, FT organizes a broad range of training programmes for producers, covering areas such as establishment of farmers' organizations and quality control.

Currently, the United Republic of Tanzania is not yet certified under FT. Mali, Senegal, Burkina Faso, Egypt and Benin are the only countries in Africa that produce cotton under the FT programme. FT could be within reach for Tanzanian producers that are already CmiA/BCI certified. FT would be a longer-term certification goal for Tanzanian cotton producers, as it has a stronger degree of obligation than CmiA/BCI, as illustrated by figure 24.

72. International Cotton Advisory Committee (2014). *Report of the Task Force on Cotton Identity Programs*. ICAC.

Figure 24: *Comparison of CmiA and FT certification areas and degree of obligation*



Source: International Trade Centre Standards Map (2015) (b).

IPM, BioIPM and BMP

BioIPM pushes farmers in managing biological systems and may provide a stepping stone to organic systems as market support builds. BioIPM presents less risk of both reduced yields and increased costs to the farmer and is therefore scalable, converting more farmers and more acres faster than organic systems. BioIPM also provides a useful function in creating biologically intensive buffer zones between organic and conventional fields, mitigating pest migrations resulting from different cultural practices and harvesting times on neighbouring conventional farms. BMP perhaps represents a more holistic approach since it addresses water and labour issues in addition to pesticide use. BMP and IPM that include genetically modified crops may provide a stepping stone into a BioIPM system, although they carry the inherent long-term systemic risks of genetically modified technology.

Some of the challenges to IPM, BioIPM and BMP are quite similar, the most profound being the lack of market incentives. While organic cotton currently commands a premium price, BioIPM, IPM and BMP are little known in the market. This is primarily because the term and label 'organic' is perceived as being the pinnacle of sustainable agricultural practice by the market, and any other systems or approaches are perceived as 'less than' or compromised.

In order to reduce the carbon footprint and increase the adaptation capacity of cotton, building environmentally friendly production in the United Republic of Tanzania is a strategic way to reach new niche markets.[73] Given the limits of a micro niche organic market on the one hand, and the wide-scale systemic risks of genetically modified technologies on the other, the best management practices proposed by BCI, and BioIPM in particular, seem to hold the most immediate potential for the future of sustainable cotton production in the United Republic of Tanzania.

T&C environmental opportunities

Environmental issues are playing an increasingly important role in the textile industry, and the United Republic of Tanzania can look to leverage good practices for branding and marketing purposes. Table 16 summarizes the main environmental impacts across the life cycle of clothing. As can be seen, wet processing (water), transportation (energy) and fabrication (wastes) lie at the root of the most substantial environmental impacts.

73. International Trade Centre (2011). *Cotton and Climate Change: Impacts and Options to Mitigate and Adapt*. Geneva.

Table 16: *Main environmental impacts across the clothing lifecycle*
(« Groupe d'étude des marchés du développement durable et de l'environnement » (GEM-DD), 2009)

	Water consumption & pollution	Air pollution	Energy consumption and greenhouse gas emissions	Solid waste
Fibre production	High	Significant	High	Significant
Spinning			Significant	High
Weaving–knitting			Significant	Significant
Wet processing	Very high	High	High	Significant
Cutting & manufacturing			Significant	Very high
Accessories	High	Significant	Significant	Significant
Packaging				Significant
Transportation & logistics		High	Very high	Significant
Maintenance	Very high	Significant	Very high	
End of life		Significant	Significant	Very high

Source: Textiles Human Resources Council (2011). *Best Practices in Green Manufacturing and Technical Textiles.* Ottawa.

Table 17: *Women's ownership and leadership along the cotton value chain in Africa*

	Average % of women in decision-making positions	Average % of women who own fields and businesses	Variation in decision-making positions on the African continent (low–high)	Variation in field and business ownership on the African continent (low–high)
Field	25	20	0–80	0–60
Ginning	15	15	0–45	0–70
Trading	10	10	0–45	0–50
Support services	30	20	0–95	0–90

Source: International Trade Centre (2011). *Women in Cotton: Results of a Global Survey.* SC-11-208.E Geneva.

POTENTIAL OFFERED BY THE SECTOR FOR WOMEN

The C2C sector offers potential for empowerment of women in both rural and industrial areas in the United Republic of Tanzania. However, to achieve positive returns a number of orientations need to be considered as priorities. These areas will provide women with immediate opportunities and are those with the lowest involvement of cultural perceptions.

POSITIVE IMPACT OF IDENTITY AND ORGANIC COTTON ON WOMEN'S HEALTH AND INCOME

The increasing production of identity and organic cotton is likely to have a positive impact both on women's health and incomes. Organic cotton allows women to work without risk to their health, especially when they are working in the fields during pregnancy, whereas in conventional cotton cultivation there might be health risks in the case of incorrect use of pesticides. In addition, organic or identify cotton makes more use of traditional knowledge.

Photo: (CC BY-SA 2.0) Textile Development Unit (TDU).

The introduction of organic cotton growing has increased the number of areas cultivated by women and continues to do so, particularly in Benin and Senegal. Similar developments have been observed in other African countries.[74] The advantages of organic cotton production for women include, for instance, the possibility to be directly involved in cotton campaigns and workshops and to grow cotton on their own land, making decisions on how to work it. The fact that organic cotton can be grown on small land parcels also represents an advantage for women usually limited by their access to assets and resources.[75]

EMPLOYMENT OPPORTUNITIES FOR WOMEN IN T&C SUBSECTORS

T&C is traditionally employing a high proportion of women. Women in developing countries with no income other than the household or the informal economy are very likely to enter the T&C industry as it requires a relatively low level of entry qualification.[76] T&C being a labour-intensive sector can thus also represent great employment opportunities for young women with low levels of education and work experience.

However, to be competitive, the T&C sector requires higher levels of skills and training in a wide range of career opportunities[77] for women. These not only include opportunities in manufacturing, but also in technical areas and managerial positions. By reaching a higher number of women, the T&C sector could gain a skilled labour force and contribute to integrating women into the economy at higher stages, guaranteeing inclusive socioeconomic development.

POTENTIAL OFFERED BY THE SECTOR FOR YOUNG PEOPLE

The Tanzanian youth (age 15–35) population is roughly 15.5 million (equivalent to 66.4% of the labour force). Given that youth unemployment is high compared with other age categories (13.4%),[78] promoting decent and productive employment opportunities for youth has become a national priority. The C2C sector has the potential to boost economic opportunities for youth due to being labour-intensive at both the farm and factory levels.

Enhancing the capacity of young farmers by introducing good practices can increase their productivity and therefore their earnings. This can play a significant role in reducing rural-to-urban migration. Capacity-building for

74. Hammer, J. and Baier, A. (2005). *Organic Cotton Empowering Women*. PAN Germany.

75. Assogba, Elsie (2015). In Benin, women cotton growers embrace organic agriculture. United Nations Development Programme. Available from http://www.undp.org/content/undp/en/home/ourwork/ourstories/Benin-women-cotton-growers-embrace-organic-agriculture.html.

76. Nordås H.K. (2004). The global textile and clothing industry post the Agreement on Textiles and Clothing. Discussion Paper No. 5. Geneva: World Trade Organization.

77. Zimbabwe National University of Science & Technology (2015). Textile technology. Available from www.nust.ac.zw/index.php?option=com_content&view=article&id=88&Itemid=184.

78. International Labour Organization (2014). Regional commissioners' youth employment forum in Tanzania, 20 November. Available from http://www.ilo.org/addisababa/countries-covered/tanzania/WCMS_321400/lang--en/index.htm.

young cotton growers has been introduced in Maganzo by the non-governmental organization, Organization of People Empowerment, through a project linked to the International Labour Organization and the Youth Employment Network.[79] This initiative has obtained positive results by improving young farmers' skills in best practices in cotton crops.

EMPLOYMENT OPPORTUNITIES IN TEXTILES FOR YOUTH

The textiles sector has been identified as a promising sector for employment growth in the United Republic of Tanzania outside of agriculture,[80] and can potentially represent employment opportunities for the thousands of new entrants the country's labour force receives each year. Moreover, creative industries linked to the textile sector – and often associated with young people's innovation capacities – also offer potential for wealth and job creation, provided that adequate policies are in place. These industries include fashion design and advertising, among others.[81]

CSR BRINGS COMPETITIVE ADVANTAGES AND MARKET OPPORTUNITIES

Consumers have become increasingly concerned about labour standards within the T&C supply chain. This has put pressure on the global brand producers and retailers of T&C products to be aware of breaches of workers' rights, human rights violations and environmental degradation, and to take more control over their supply chain in order to ensure the traceability of the end products. T&C producers and retailers have developed CSR programmes and implemented Codes of Conduct which require suppliers and subcontractors from developing countries to conform to certain social, environmental and safety norms. Garment factories need to be audited and certified in order to ensure compliance with these conditions. Some United States and EU buyers have begun excluding companies from their supply chain or refusing new suppliers when they do not meet such criteria.

A proactive approach on the part of T&C producers will make it easier for them to manage such standards and will also bring competitive advantages and more exporting opportunities. All companies interviewed in a United Nations Industrial Development Organization survey[82] indicated that their competitiveness has improved as a result of efforts to improve social and environmental conditions at their production sites, because the changes have enabled them to attract new clients. Many companies indicated that their efforts have boosted employee morale, with subsequent rises in productivity.

Instances of worker abuse (most recently in Bangladesh) are pushing large garment manufacturers to look for new manufacturing locations, and East Africa has become a new location attracting the interest of investors. Tanzanian companies could stake out an advantage by pre-emptively achieving certification widely recognized in the textile industry, such as WRAP and BSCI, at their production sites.

As WRAP apparel certification is now a requirement by most garment retailers in the United States, and BSCI in the EU, Tanzanian companies could find new business opportunities in its main destination markets (the United States market represented 50% of Tanzanian clothing exports by value in 2013) by proactively engaging in the WRAP certification process and the BSCI compliance system.

WRAP

WRAP is the world's largest independent social compliance certification programme for the T&C industry. In 2013 alone, over 2,300 facilities from 50 countries participated, and there are currently around 1,900 WRAP-certified facilities throughout the world, employing over 1,650,000 workers. WRAP certification encompasses 12 principles based on generally accepted international workplace standards, local laws and workplace regulations, which encompass human resources management; health and safety; environmental practices; legal compliance, including import/export and Customs compliance; and security standards.

BSCI

BSCI is a business-driven initiative for companies committed to improving working conditions in their international supply chains. BSCI unites hundreds of companies around one common Code of Conduct and supports them in their efforts towards building an ethical supply chain by providing them with a development-oriented system to improve working conditions throughout it. At the end of 2013, BSCI represented 1,252 retailers, importers

79. East African Business Week (2015). Tanzania champions youngsters in cotton farming, 27 September. Available from http://www.busiweek.com/index1.php?Ctp=2&pl=4184&pLv=3&srl=84&spl=463.

80. Mhede, Edwin Paul (2012). The growth of micro and small, cluster based furniture manufacturing firms and their implications for poverty reduction in Tanzania, p. 2. Research Report 12/1. Dar es Salaam: Research on Poverty Alleviation.

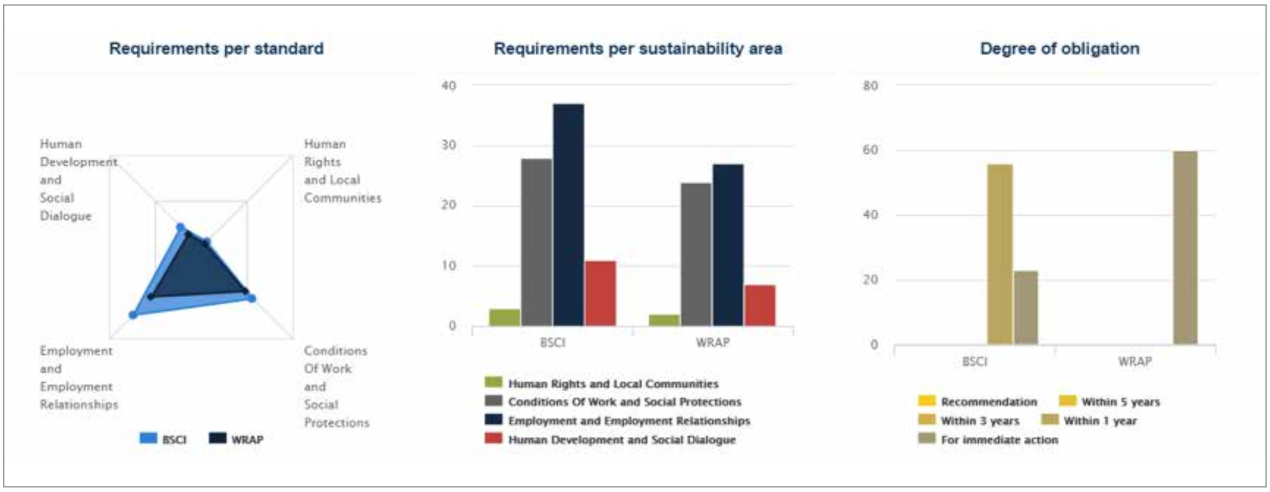
81. United Nations Industrial Development Organization (2013). *Creative Industries for Youth: Unleashing Potential and Growth*. Vienna.

82. United Nations Industrial Development Organization (2010). *Making Private Standards Work for You – A Guide to Private Standards in the Garments, Footwear and Furniture Sectors*. Vienna.

and brand companies operating in a diverse range of sectors from textiles to food, footwear and electronics, representing all sizes and types of organizations. BSCI manages active dialogue and cooperation with stakeholders in Europe and supplying countries in order to find sustainable solutions to complex labour challenges.

Obtaining WRAP certifications and/or complying with BSCI requirements can bring a competitive advantage in accessing North American and European markets, which are increasingly conscious of the negative environmental and social spillovers of T&C production, as well as improving working conditions. Moreover, as the Tanzanian T&C sector develops, the sector's environmental and social practices will set important precedents for the country as its economy grows.

Figure 25: *Social requirements of BSCI and WRAP*



Source: International Trade Centre Standards Map (2015) (c).

To achieve the vision and strategic objectives that have been discussed above, a robust, actionable and realistic strategic PoA is required. This is provided in the following section, and effectively constitutes the heart of this strategy.

STRUCTURE OF THE PLAN OF ACTION

The PoA of the Strategy is articulated around five strategic objectives. Each strategic objective is composed of operational objectives to answer specific constraints affecting the sector. Below is the structure followed by the PoA.

1. **Raise the profitability of cotton production through increased productivity and quality control.**
   - 1.1. Improve the quality and quantity of seeds for planting.
   - 1.2. Rationalize input supply schemes through the spread of contract farming.
   - 1.3. Improve dissemination and upgrade of agricultural practices and technologies.
   - 1.4. Improve delivery of extension services.
   - 1.5. Eliminate cotton contamination to increase prices captured.
   - 1.6. Develop a cotton grading system based on adjusted quality parameters and improve cotton classification capacity at laboratories.

2. **Improve the policy environment to raise the efficiency and competitiveness of the C2C value chain.**
   - 2.1. Improve institutional support and coordination.
   - 2.2. Reduce imports of second-hand clothing and improve Customs' capacity to enforce tax regulations.
   - 2.3. Improve the availability and reliability of utilities for industries.
   - 2.4. Improve existing training and educational offerings in line with the T&C industry's needs.
   - 2.5. Improve awareness about labour, environmental and social compliance standards.
   - 2.6. Ensure that national quality management infrastructure responds to industry's needs.
   - 2.7. Develop financial services adapted to the sector.

3. **Improve the competitiveness of T&C firms through raised productivity and product diversification.**
   - 3.1. Improve technical and supervisory skills as well as supply chain performance.
   - 3.2. Promote equipment modernization and new technology for T&C firms.
   - 3.3. Develop the existing cottage and handloom sector and increase focus on this segment's potential.
   - 3.4. Enhance quality management skills in line with regional and international standards.

4. **Strengthen the United Republic of Tanzania's focus on investment as a vector for growth and integration in the value chain.**
   - 4.1. Establish ideal conditions for investors.
   - 4.2. Introduce necessary reforms to include FDI in the C2C value chain as a priority.
   - 4.3. Increase institutional capacity to identify and attract the appropriate investments for the sector.
   - 4.4. Promote the United Republic of Tanzania as a key destination for FDI.

5. **Strengthen the capacity of firms to diversify markets to raise profitability**
   - 5.1. Improve regional and international market access.
   - 5.2. Promote Tanzanian products.
   - 5.3. Improve the availability of market intelligence for the entire C2C industry.

Photo: Tanzania Cotton Board (TCB), *Plantingm cotton.*

Photo: © A to Z Textile Mills Ltd., *Manufacturing in Africa*

Photo: © A to Z Textile Mills Ltd., *Tanzanie TDU.*

THE REPUBLIC OF TANZANIA
COTTON-TO-CLOTHING STRATEGY

THE PLAN OF ACTION

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
Strategic objective 1: Raise the profitability of cotton production through increased productivity and quality control.												
1.1 Improve the quality and quantity of seeds for planting.	1.1.1 Identify the most suitable new cotton varieties for production in the country based on benchmarking of the performance (yield, fibre and fusarium wilt resistance) of existing varieties in the United Republic of Tanzania and the varieties available in selected countries in Africa and India.	1	X	X				Cotton producers, ginners, research institutes	» Study report on cotton varieties submitted	**Ukiriguru and Ilonga ARIs**	TCB, CDTF MALF	GCF
	1.1.2 Prepare a seed multiplication framework which will ensure the release of a new batch of seeds after every four years (all the 32 tons required for multiplication, in the appropriate regions that are not affected by diseases, and register the farmers / ginners that possess seeds).	1		X				Cotton producers, ginners	» Seed multiplication framework in place	**Ukiriguru and Ilonga ARIs, seed companies**	TCB, MALF, CDTF	GCF
	1.1.3 Increase the funding of the Ukiriguru and Ilonga ARIs from commercial revenues and adjust service delivery to focus on industry needs. Build the capacities of lead researchers and specialists in both institutes to the level of the latest advancements in cotton research on the international level, including through exchange programmes with leading cotton-producing countries such as India, and lobby for sharing of germplasms.	1		X				Cotton producers, ginners, research institutes	» Based on the audit report, the target should be 50% funding from commercial sources by 2020	**MALF**	CDTF	GCF, ICAC, Indian cotton research institutions
	1.1.4 Prepare a detailed seed strategy for the delivery of improved seed varieties on a commercial basis multiplying, processing, packaging and marketing cotton seeds for planting. Ensure that the strategy also establishes pricing systems for cotton seed.	1		Q1				Cotton producers	» Strategy produced and agreed	**TCB**	CDTF, MALF (ASA)	
	1.1.5 Train TOSCI staff on monitoring, control and certification of cottonseed multiplication farms. Ensure exchange of best practices with leading cotton-producing countries (such as India).	2		X				TOSCI personnel	» TOSCI staff trained » 100% of their budget funded	**MALF**		
	1.1.6 Rationalize and rearrange the price structure of delinted seeds to ensure consistent year on year charge and make them affordable and predictable for farmers.	1	X					Cotton producers	» Cost structure of delinted seeds reviewed and 70% of farmers trained	**TCB, seed companies**	CDTF, MALF, TACOGA, TCA	GCF
	1.1.7 Enhance knowledge of farmers and ginners about the benefits of delinted seeds. » Conduct a sensitization campaign directed to TACOGA and to farmers in cotton-producing areas on certified delinted seeds, where and how to buy them, and their advantages for cotton growing and yield. » Sensitize ginners in the contract farming areas to advertise / facilitate supply of delinted seeds to the farmers they contract.	2	X	X	X	X	X	Cotton producers	» Fifty thousand cotton growers trained in the first year » Two thousand demonstration plots established throughout the cotton belt	**TCB**	CDTF, seed companies, district councils	GCF
	1.1.8 Enhance protection of crop seed in multiplication areas to ensure they are not used for other purposes, as mentioned in the Cotton Industry Act.	1	X	X	X	X	X	Cotton producers	» All seed multiplication areas gazetted in accordance with the Cotton Industry Act	**TCB**	MALF, district councils	
	1.1.9 Establish a partnership between a Tanzanian research institute and other leading countries' research, for instance an Indian seed research institute (Central Institute for Cotton Research) to exchange germplasm to test new cottonseed varieties.	2	X	X				Cotton producers	» MoUs signed	**Ukiriguru and Ilonga ARIs**	MALF	

Strategic objective 1: Raise the profitability of cotton production through increased productivity and quality control.

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
1.2 Rationalize input supply schemes through the spread of contract farming.	1.2.1 Establish effective pilots of new contract farming models to test which contract farming mechanisms could feasibly be established across the whole Lake Zone. Develop a detailed plan for the pilots and timetable for evaluation and roll-out. Assist the creation of these pilots through provision of support and guidance on the international best practices in cotton farming.	1	X	X	X	X	X	Cotton producers, ginners	» Pilots designed and operationalized in the 2016-17 season.	**TCB**	GCF, MALF, local government authorities, TCA, TACOGA	GCF
	1.2.2 Adjust the mandate of CDTF in the areas where the cotton farming model is set up. Government, farmers and ginners (CDTF stakeholders) to meet to address the issue of double taxation in contract farming areas, and to decide on the role of CDTF in areas where cotton farming is implemented, e.g. by limiting its service provision to extension and research (by taking away its role in provision of pesticides and other inputs).	1	X					Cotton producers, ginners	» CDTF retains the role of funding shared functions, e.g. extension, research » CDTF levy reduced in accordance with the agreement reached with stakeholders	**TCB**	CDTF, Contract farming schemes, MALF	
	1.2.3 Elaborate a detailed legal framework to regulate cotton marketing in contract farming schemes to ensure contract sanctity between farmers and ginners. Establish a list of sanctions to dissuade farmers to side market their cotton. Establish a ginner registration mechanism to control unregistered ginners.	2	X	X				Cotton producers, ginners	» New regulation on cotton contract farming developed and approved » TCB's regulation is amended in order to take the responsibility to regulate contract farming schemes as they are created	**TCB**	MALF	
	1.2.4 Pilot and roll out ginner-funded and managed farmer registration systems in contract farming areas to track input provision, cotton purchase and loan recovery in conjunction with local government authorities.	1	X	X				Cotton producers, ginners	» All farmers in contract farming areas are registered for purpose » Loan recovery levels in contract farming areas averages over 65% of loan recovery.	**GCF**	CDTF, ginners	GCF, Supporting Indian Trade and Investment in Africa (SITA)
	1.2.5 Enhance the capacity of TPRI to monitor all entry points for all agro-chemicals. Review the procedures for pesticide testing, and approval and monitoring of agro-chemical dealers, in order to optimize the quality and relevance of imported agro-chemicals.	2	X	X				Farmers	» One hundred pesticide inspectors trained	**TPRI**	MALF	
	1.2.6 Engage ginners to provide herbicides and fertilizers (especially foliar fertilizers) in the contract farming input package.	2	X	X				Cotton producers, ginners	» Ten per cent provision of herbicides and other contract farming ginners » Ten per cent provision of fertilizers during the 2020/21 season	**Contract farming schemes**	TCB	GCF
1.3 Improve dissemination and upgrade of agricultural practices and technologies.	1.3.1 Provide capacity-building in GAPs and ripping at farm level in the following areas: » Comprehensive GAP training by illustrating the advantages with concrete success stories and regional examples; » Conservation agriculture practices with specific attention on ripping during dry season. Where possible, engage international cotton experts or lead firms.	1	X	X	X	X	X	Cotton producers	» 30,000 farmers adopt CA practices by 2020	**TCB**	GCF, CDTF	GCF, Competitive African Cotton Initiative

Strategic objective 1: Raise the profitability of cotton production through increased productivity and quality control.

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
1.3 Improve dissemination and upgrade of agricultural practices and technologies.	1.3.2 Promote the development of local manufacturers of rippers, oxen-driven planters and weeders, including reaching out to the key players in the industry to bring them on board.	1	X	X				Cotton producers	» Two to three manufacturers engaged	TCB		
	1.3.3 Promote the use of oxen-driven planters and weeders at the farm level, to address broadcasting and labour constraints. Involve ginners in contract farming areas to promote and provide sensitization about use of rippers, ox-planters and ox-weeders. Offer procuring this input as part of the contract farming arrangement.	1	X	X				Cotton producers	» Private contractor services available for any farmer in the Lake Zone for ripping, spraying and planting by 2020	Ginners	TCB, CDTF	GCF
	1.3.4 Establish demonstration plots in each district using best-performing farmers, and establish a regular farmers' field day in every district.	1	X	X				Cotton producers	» Two hundred demonstration plots	Ginners, local government authorities	TCB	
	1.3.5 Increase dissemination of research outputs and educate farmers on the use of new technologies at the farm level using the contract farming framework. » Develop partnerships with international experts to identify technology best suited to Tanzanian farmers.	2	X	X				Cotton producers, ginners	» Five cases of technology developed by research institutes transferred to farmers	Ginners, extension officers	CDTF, TCB, ARIs	GCF
1.4 Improve delivery of extension services.	1.4.1 Enforce a new directive issued by the Government for district councils to set aside 10% of the crop cess to increase financing of extension services.	1	X	X				Extension service providers, farmers	» Twenty district councils implement the directive during 2015/16 » A 100% increase the following year	Prime Minister's Office	MALF	
	1.4.2 Implement the guidelines on extension services provision as per government directives (about public and private extension services delivery) and rationalize the workplans of all extension services institutions in order to avoid duplication of efforts. Create a systematic approach of all extension services providers by geographic distribution.	2	X	X				Cotton producers, ginners	» Coordination of public and private extension service delivery enhanced	Ukiriguru ARI	MALF, district councils	TGT
	1.4.3 Capacitate the Weights and Measures Agency to prevent and regulate deliberate adulteration practices.	1	X	X	X	X	X	Cotton producers, ginners	» Weights and Measures Agency capacity increased	MITI, Weights and Measures Agency		
1.5 Eliminate cotton contamination to increase prices captured.	1.5.1 Reform the seed cotton marketing system in all areas by reducing the number of buying centres: establish better controls and oversights (Laws of Cotton act 2001) of village buying posts (possibly through collateral managers at each post) and involve and incentivize village and district task forces in order to eliminate contamination. Also, develop a series of pilots to adjust the implementation model. For reference, see models already in place in Igunga, Maswa and Meatu.	1		X	X	X	X	Cotton producers, ginners	» System put in place in all major marketing areas by the end of the five-year period	TCB	TCA, district authority, Contract farming schemes	EU, ITC
	1.5.2 Establish a cotton quality assurance mechanism and price incentivization at the ginners' level to reduce contamination of cotton. Get assistance on the finalization of the mechanism from international experts or lead firms.	1		X	X	X	X	Cotton producers, ginners	» Quality assurance mechanism in place	TCB	TCA, Contract farming schemes	EU, ITC

Strategic objective 1: Raise the profitability of cotton production through increased productivity and quality control.

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
1.5 Reduce cotton contamination to increase prices captured.	1.5.3 Conduct training on international best practice on means to minimize contamination from farm to ginnery during handling, transport and ginning of cotton. » Produce manuals for farmers and ginners on contamination reduction and disseminate them through TCB and extension services in district councils. » Conduct local visits of farmers to ginneries, in order for farmers get a better understanding about how cotton is processed and the challenges faced at the ginning level, and the impact of contamination on ginners' and spinners' operations. » Lead a mass media campaign on contamination reduction, aimed at farmers.	1	X	X				Cotton producers, ginners	» Thirty ginners trained » Ten mills trained » Twenty per cent gradual increase » Two manuals produced (one for farming level, one for the ginning process) » Media campaign carried out » At least five batches of 30 farmers visit ginneries each year	TCB	TCA	ITC, SITA
	1.5.4 Engage ginners to provide appropriate picking and collection bags to farmers through contract farming.	1	X	X				Cotton producers, ginners	» Number of bags distributed	TCB	TCA, Contract farming schemes	EU
	1.5.5 Establish a mechanism for getting feedback from end users of lint and devise ways to address their concerns. Involve Indian spinning mills to provide specific feedback on cotton quality.	1		X	X			Cotton producers, ginners	» Feedback mechanism in place	TCB	TCA	
	1.5.6 Communicate improved cotton quality and the traceability mechanism put in place through contract farming to the world market in order to reclaim the lost reputation of Tanzanian cotton. Host seminars in the United Republic of Tanzania to showcase efforts and improvements made on cotton quality to regional and international buyers.	3			X			Entire value chain	» Premium regained » Creation of audiovisual clips and printed material about the Tanzanian cotton sector for international buyers » Seminars organized	TCB	GCF	ITC
1.6 Develop a cotton grading system based on adjusted quality parameters and improve cotton classification capacity at laboratories.	1.6.1 Establish quality parameters for cotton produced by each district in order to limit quality variation within the bale, e.g. mixture of fibre length (length uniformity), fibre strength, micronaire, colour, trash and leaf.	2		X	X			Laboratories, cotton producers, ginners	» Audit report	TCB	TCA	
	1.6.2 Based on harmonized quality parameters, introduce the same seed cotton grading system at all buying posts. Link the grading with a pricing mechanism to incentivize well-performing farmers.	2		X	X			Laboratories, cotton producers, ginners	» Premium obtained » Price of cotton according to grades in place	TCB	TCA, Contract farming schemes	EU
	1.6.3 Advise on and facilitate the upgrade of equipment at laboratories' performing cotton classification: » Experts to assist in the selection, price negotiation and procurement of state-of-the-art classification equipment and accessories.	3		X	X			Laboratories, cotton producers, ginners	» One high-volume instrument installed at Kurasini laboratory	TCB	MALF	EU, SITA?
	1.6.4 Engage ginners to make use of public and private sector laboratories in order to raise the number of bales classed by high-volume instruments.	2		X	X			Laboratories, cotton producers, ginners	» Percentage of bales classed by high-volume instruments	TCB	TCA	
	1.6.5 Increase the number and capacity of classifiers to raise the efficiency of cotton classification.	1	X	X				Laboratories, cotton producers, ginners	» Twelve classers trained	TCB		SITA?

Strategic objective 2: Improve the policy environment to raise the efficiency and competitiveness of the C2C value chain.

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
2.1 Improve institutional support and coordination.	2.1.1 Set up a C2C umbrella forum representing the entire C2C value chain and including the following members: » MALF, MITI » TCB, TDU » TCA (including UMWAPA and KIWAPA), TACOGA, CDTF » TEGAMAT » TCCIA, Confederation of Tanzania Industries » TRA, Ministry of Finance and Planning (MoFP) » EPZA The forum will be coordinated by TDU, TCB and TEGAMAT. Upon the needs of meetings, specific participants will be added.	1	X	X	X	X	X	C2C industry	» Umbrella forum is formed » Governance, rules of procedure and terms of reference defined	MITI	MITI, MALF	SITA
	2.1.2 Seek ministry endorsement to designate the C2C sector and its strategy as a **national priority** and include it in key policies such as the NDV, the Five-Year Development Plan, and the next agriculture and industry development plans. In addition, clearly shift national priority to the export of finished goods rather than cotton lint.	1						C2C industry	» C2C sector a national priority » C2C Strategy integrated » Funds allocated for implementation of the strategy	TCB / TDU	MITI	
	2.1.3 Sensitize stakeholders' associations to use the existing coordinating desks within respective ministries to foster PPP dialogues.	2	X					» Trade and investment support institutions » C2C industry	» One association's desk reinforced at MALF	MALF		
	2.1.4 Reinforce TEGAMAT's capacities: 1. On the latest international best practice and technology; 2. On the latest training practices and tools; 3. On established professional standards, job profiles, qualifications, testing centres, and certifications; 4. To have greater bargaining power and advocacy to influence sector-related policies; 5. To reduce sourcing costs of its members through collective sourcing for non-competitive inputs (i.e. bulk orders to ensure the best possible prices for all the players); 6. To facilitate transfer of know-how from Indian institutions to improve vocational training programmes. 7. Lobbying for mandatory membership of T&C operators to TEGAMAT	1		X	X			TEGAMAT	» At least one training per year to TEGAMAT staff on points 1, 2, 3, 4, 5 and 6 » MoU signed with international partners	TEGAMAT	TDU	SITA, international expertise, including from India and other South-South cooperation opportunities
	2.1.5 Reinforce TDU's capacities to: 1. Develop a clear governance structure and efficiently plan and coordinate its activities; 2. Provide formal internal training on quality control, logistics, management, marketing and sales; 3. Raise funds and mobilize resources, directing public and donor funds towards priority activities for T&C development and overseeing funds are managed properly.	2		X	X			TDU	» At least one training per year to TDU staff on points 1, 2 and 3	TDU		TGT

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
Strategic objective 2: Improve the policy environment to raise the efficiency and competitiveness of the C2C value chain.												
2.2 Reduce imports of second-hand clothing and improve Customs' capacity to enforce tax regulations.	2.2.1 Advocate for the reduction of the following current levies and taxes: » Reduce the corporate income tax to 0% for a period of 10 years, in line with government priorities to revive the sector and attract investors. » Declassify machinery spare parts as 'consumables' and classify them under a duty-free import regime; » Non-locally produced inputs for T&C to be rated zero import tax, with EAC approval. A study on the question is to be prepared for EAC review. » Apply a zero rate on VAT on any investment on plant and machinery for T&C, irrespective of the amount of the machinery.	1		X	X			C2C industry	» Taxes reviewed	MITI / TCB, umbrella forum	TRA, MoFP, Ministry of East African Cooperation, TEGAMAT	
	2.2.2 Improve product identification and Customs duty classifications of imported T&C products at Customs: » Provide training to Customs officers to identify product country of origin based on the certificate of origin and apply new import regulation norms; » Provide training on identification of textile products' Customs classification.	1		X	X			» Customs officers » C2C industry	» At least 20 officers of TRA trained on the system	TRA		
	2.2.3 Institute measures to gradually decrease imports of second-hand clothing. » Build capacities of Customs officers to differentiate second-hand products from new clothing packed as second-hand, and to apply correct classification / valuation of imported textiles to ensure taxes are charged correctly. » Building on the existing ban on second-hand undergarments, have TEGAMAT advocate for an incremental ban of other T&C products, and promote new garments produced locally to ensure the industry's development. » Collaborate with EAC secretariat to conduct a study about the effects of second-hand clothing imports on the industry, intended primarily for charity second-hand clothing providers. The study should take into consideration the groups for which second-hand clothing is still a necessity but also the overall negative impact it has on the local industry. It should also make recommendations based on the best-performing examples in the region (looking at Mozambique and South Africa especially). » Develop a sensitization campaign targeted at the domestic market explaining why some specific items should be bought new and not second-hand (e.g. undergarments). » Establish best practices for tracking textile imports from source. » Taxes on new clothing and second hand-clothing to be applied at a differentiated rate per kilo, as a measure to be applied until the problem of undervaluation is resolved.	1	X	X	X			» Customs officers » C2C industry	» At least three product categories developed locally and imports restricted » Information available on TEGAMAT's website » One study on the impact of second-hand clothing conducted » Consensus on reduction of charity imports of second-hand clothes reached with organizations	TEGAMAT	MoFP, EAC	
	2.2.4 Lobby for the improvement of trade logistics conditions and support efficiency enhancement at the port of Dar es Salaam to ensure that both goods destined for export and incoming inputs are expeditiously forwarded and cleared, respectively, to improve the competitiveness of manufactured goods. » Reinforce the green channel system for T&C operators to streamline exports and sensitize Customs officers to the privileges to be applied to T&C companies. » Train producers' clearing and forwarding agents in modern systems of clearing and forwarding. » Define a clear list of imported items that are exempt from taxes. » Increase storage capacities of the ports and improve handling of exports for T&C products.	2	X					» Customs officers » EPZ T&C companies	» Green channel in EPZ established » At least 20 officers of TRA trained	TRA	EPZA, TEGAMAT	

Strategic objective 2: Improve the policy environment to raise the efficiency and competitiveness of the C2C value chain.

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
2.3 Improve the availability and reliability of utilities for industries.	2.3.1 Advocate for specific enhancement of utilities supplies to the T&C sector in industrial zones and EPZs and make a deliberate effort to minimize price fluctuations for them. The plan should aim at the following measures: » Improve access to continuous supply of electricity to industrial zones and EPZs; » Provide gas as an alternative source of energy for industrial operations – fast-tracking of the gas pipeline construction to Dar es Salaam; » Construct dedicated energy lines / gas infrastructure to industrial parks to ensure adequate and uninterrupted power availability; » Develop common effluent treatment plants for each industrial zone / EPZ in order to maximize efficiency and minimize costs of wastewater cleaning.	1	X	X	X	X	X	T&C industry EPZ T&C companies Ginners	» Percentage increase of power generation » Percentage of reductions in power cuts and fluctuations » Gas infrastructure to industrial areas constructed » Number of mills connected to gas network » Power rates reviewed » At least one dedicated water line per EPZ and industrial zone	Ministry of Energy and Minerals	Tanzania Electric Supply Company, MITI, Ministry of Water and Irrigation	
	2.3.2 Support firms to modernize equipment and increase training activities on energy saving and optimization.	2		X	X			Ginners T&C companies	» Ten company managers trained per year » At least 10 SMEs advised per year	MITI	Ministry of Energy and Minerals, Tanzania Electric Supply Company	World Bank (possibility of getting similar assistance to the Kenya textile firms' assistance programme)
2.4 Improve existing training and educational offerings in line with the T&C industry's needs.	2.4.1 Conduct a skills gap and needs assessment study covering the T&C value chain from workers up to managers, and develop course curricula, assessment standards and infrastructure requirements for training programmes. » The skills gap assessment should also factor in learnings from other leading T&C manufacturing nations and should consult widely with all stakeholders. » The study should specifically explore possibilities to develop new T&C-related programmes in other Tanzanian universities in addition to UDSM.	1	X	X				T&C industry	» Skills gap assessment study reports indicating specific numbers to be trained for various activities » Course curricula for each area, assessment standards for certification agency and identification of ways to train (on-job, theory, mixed)	TDU, umbrella forum	TEGAMAT, TDU, VETA, UDSM, regional support from ACTIF, Ministry of Education and Vocational Training (MoEVT)	SITA
	2.4.2 TEGAMAT to advocate to the Tanzanian Government to rationalize (i.e: off set training costs for in factory training and centers of excellence against paying SDL) the Skills Development Levy, or to ensure the use of these funds to carry out targeted training to meet the needs of the industry on demand, e.g. for carry out specific training programmes for the T&C sector. » Prepare a white paper to offer the Government an effective system for TRA and MoFP to implement / replace the existing system.	2		X	X			T&C companies	» One white paper developed and presented to TRA and MoFP	TEGAMAT	Umbrella forum	TDU
	2.4.3 Set up training centres of excellence and flexible training programmes based on skills gap assessment's needs identified on T&C in EPZs or other areas where international experts (including from India) could train local textile firms on new technology, factor pricing, quality control and labour productivity. » Led by and linked with the umbrella forum. Connection with National Institute of Fashion Technology (India) on the capacitation of the centre of excellence.	3			X	X		EPZ T&C companies	» At least two centres of excellence established » At least one MoU signed with the National Institute of Fashion Technology (India)	Umbrella forum	TEGAMAT, TDU, EPZA, MoEVT, regional support from ACTIF	

Strategic objective 2: Improve the policy environment to raise the efficiency and competitiveness of the C2C value chain.

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
2.4 Improve existing training and educational offerings in line with the T&C industry's needs.	2.4.4 Reinforce the existing TVET offering (related to study in 2.4.1) targeting both textile and clothing companies. » Specific technical areas requiring skill reinforcement are: – Spinning operations for ring spinning, open-end and air-jet – Weaving and weaving preparatory operations for major shuttleless technologies – air-jet and rapier – Knitting operations – Fibre / yarn / fabric dyeing, printing and finishing processes – Handloom weaving – Tie-dye and batik printing – Industrial sewing – List of skills to be completed based on the assessment study. In each of these areas, reinforce training institutions' capacities and create highly specific and short-term courses (one to three weeks), adapted to the time constraints of employees. For more specialized training, a higher period of four to six weeks may be required. The timeline should be decided while developing the courses. This activity is linked with activity 2.5.1, as capacity-building and courses will be designed based on the results of the skills gap study and related curricula. » VETA to develop a specific focus on T&C in line with the prioritization of the sector (activity 2.1.1) and to be trained: – In the latest international best practice and technology available to the T&C sector to ensure up-to-date capacity-building provision; – In the latest training practices and tools; – To establish professional standards, job profiles, qualifications and certifications; – To facilitate transfer of know-how from Indian institutions to develop vocational training programmes.	2		X	X			VETA T&C industry	» At least one new course created and available in each field within the five-year period. » MoU signed with one Indian institute – (Three to four months for coordination with Indian institutes) » VETA trained on latest pedagogical techniques per year » VETA trained in latest technical developments in the sector	Umbrella forum	VETA, TEGAMAT, TDU, EPZA, MoEVT	TDU, SITA
	2.4.5 Capacitate TVET institutions and UDSM with the required training equipment to teach trainees the proper handling of the new equipment used in the industry, and for conducting research. » Second-hand / small-scale models of machinery can be imported from current industry leaders (from India for instance). » Machinery suppliers can also be approached to donate some of the machinery for training purposes.	2		X	X			VETA T&C industry	» Letter of Support obtained from one to two companies or machinery suppliers	Umbrella forum	VETA, TEGAMAT, TDU, EPZA, MoEVT	

Strategic objective 2: Improve the policy environment to raise the efficiency and competitiveness of the C2C value chain.

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
2.4 Improve existing training and educational offerings in line with the T&C industry's needs.	2.4.6 Strengthen linkages between enterprises and UDSM (and other universities that may initiate T&C-related programmes based on the study in 2.4.1). » Based on the gap assessment in 2.4.1, support the updating of curricula and training programmes of UDSM (including students' apprenticeship and internship programmes). » Establish cooperation with selected leading T&C countries' universities. » Formulate internship programmes between the private sector and UDSM / TVET institutions. Needs to be jointly programmed. » Support UDSM to upgrade existing B.Sc. programmes on Textile Engineering, and Textile Design and Technology. » Integrate within courses guest speakers from the industry to deliver special training sessions to Tanzanian students. » Send teachers on national and international industry visits to provide them with first-hand learning experiences and to help build industry linkages. » Have TEGAMAT initiate, together with UDSM, research studies covering specific challenges faced by industry to generate thought leadership and find appropriate solutions (disseminate results through their networks and through universities). » Invite international professors in order to share best practices on TVET and improve inter-university partnerships. Linkages with industry need to start in the first year of the student's curriculum (and be systematic throughout) to ensure the knowledge is properly disseminated.	2		X	X	X	X	UDSM and other universities T&C industry	» New curricula developed » MoU signed with three to four experts or institutes » Requirement of one internship programme per diploma established » Development of course curriculum on Garment Technology & Lean Manufacturing » At least one industry representative visits universities per year » Requirement put in place to have a national or international industry visit per year » At least five new studies initiated » At least five professors invited per year	Umbrella forum	UDSM, TEGAMAT, TDU, EPZA, MoEVT	SITA (coordination with international institutes and experts); regional support from ACTIF, nationally supported by TDU.
	2.4.7 Promote the development of the fashion design profession. Attract leading foreign professors of fashion design to UDSM to present the discipline and interest students. » Establish connections with International fashion universities to develop relevant curricula.	3			X	X		T&C industry	» At least one curriculum for fashion design developed within the five-year period	Umbrella forum		
2.5 Improve awareness about labour, environmental and social compliance standards.	2.5.1 Raise awareness about international labour, social and environmental compliance standards applicable to the T&C sector in the United Republic of Tanzania and their implications for attracting FDI and global buyers. Organize seminars on major voluntary standards such as WRAP, BSCI, SA 8000, OEKO-TEX or Global Organic Textile Standard. Train stakeholders on compliance framework and Code of Conduct requirements.	2		X				T&C industry	» TDU and TEGAMAT develop sensitization campaigns for their members	TDU	TEGAMAT	

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
Strategic objective 2: Improve the policy environment to raise the efficiency and competitiveness of the C2C value chain.												
2.6 Ensure that national quality management infrastructure responds to industry's needs.	2.6.1 Streamline international accreditation of Tanzanian certification and accreditation bodies and implement the following measures: » Support the accreditation of laboratories for testing textiles and clothing for key tests for exports to ISO / International Electrotechnical Commission 17025; » Support the continuation of the development of national accreditation through the National Accreditation Focal Point and develop a national accreditation body; » Support the accreditation process for the national accreditation body to become a member of the International Laboratory Accreditation Cooperation Mutual Recognition Arrangement and the International Accreditation Forum Multilateral Recognition Arrangement; » Guidance on selecting foreign certification and accreditation bodies in the absence of adequate national certification and accreditation bodies.	3			X	X		Tanzanian quality infrastructure T&C industry	» One testing / certification body upgraded » One national accreditation body created » Accreditation body ready to apply for International Laboratory Accreditation Cooperation Mutual Recognition Arrangement / International Accreditation Forum Multilateral Recognition Arrangement » Guide on foreign certification and accreditation bodies available	TBS	MITI, TDU, TEGAMAT	
2.7 Develop financial services adapted to the sector.	2.7.1 Advocate for the creation of a sector-specific industrialization fund with reduced interest rates for industry operators, and recommend areas for its use in line with industry requirements, including capital subsidies for modernization and expansion, creation of common infrastructure, working capital support, creation of a credit guarantee corpus, etc. » Fund capitalization and coverage should be based on a sector assessment study to be undertaken by stakeholders (TCB and TDU) (2.1.1).	1		X	X	X	X	C2C industry	» T&C sector industrialization fund created	MITI	Umbrella forum, TDU, TEGAMAT, MoFP	
	2.7.2 Incentivize the development of financial tools and services tailored to the T&C sector, including leasing and small amount loans with low collateral.	2		X				T&C industry	» New financial product developed for one area of financing	MITI	MoFP	

Strategic objective 3: Improve the competitiveness of T&C firms through raised productivity and product diversification.

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
3.1 Improve technical and supervisory skills as well as supply chain performance.	3.1.1 Carry out a certification factory-based training programme across the T&C value chain (in line with the skills gap assessment in 2.4.1) to increase the skills of the following existing personnel within firms. » Operators and technicians: – Shift workers / machine operators, from spinning up to garmenting – Computer-aided design operators – Quality inspectors – Lab technicians – Industrial engineers – Garment designers and fabric developers – Merchandizers (to foster local merchandizers). » Line supervisors: – Provide on-the-job managerial training to line supervisors to ensure work flows expeditiously along the line (length: two to four weeks). » Mid / high-level managers: – Train production flow supervisors to best oversee the pace of the work and ensure stoppages are minimized, monitor production levels, train new workers and manage constant problem solving (length: two weeks); – Provide enterprise management training to firms on sourcing, financial management, supply chain optimization and marketing. Training programmes will be based on a systematic certification system for companies' personnel. (To be linked with activity 3.3.2.)	2		Q3	X	X		T&C industry	» Employees of three companies per year (to be refined based on the skills gap assessment under activity 2.5.1) systematically receive certificates once trainings are completed » Train managers of three companies per year on enterprise management	MITI, VETA	TEGAMAT, TDU	
	3.1.2 Reinforce internal training capacities of factories: » Train best-performing personnel in each training category (related to 3.1.1) to become internal trainers for their companies and conduct exchange programmes for them; » Develop a systematic induction training process for new operators, supported with training manuals on manufacturing operations – production, quality, maintenance and housekeeping – available for operators.	2		X	X			T&C industry	» Train five trainers under an exchange programme in one year » Train three companies per year to develop process and training manuals » Preparation of training manuals for all manufacturing stages	MITI	TEGAMAT, TDU	
3.2 Promote equipment modernization and new technology for T&C firms.	3.2.1 Provide an offer of technical support to companies on a cost-shared basis to conduct machinery audits of T&C production units in the United Republic of Tanzania and provide support, first to a list of identified companies and then to a wider group of beneficiaries. The audits should focus on machinery required for the production of new products and new markets identified in the market studies (carried out under 5.3.2).	1		X				T&C industry	» At least three firms advised and three technology plans developed	MITI	TEGAMAT, TDU	

Strategic objective 3: Improve the competitiveness of T&C firms through raised productivity and product diversification.												
Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
3.2 Promote equipment modernization and new technology for T&C firms.	3.2.2 Provide further support, through business-clinic consultancy services and the above industrialisation fund, for investment by local firms in the following specific machinery. » Spinning: modernize lagging spinning mills and promote further investment in the subsector. » Weaving and knitting: modernize all weaving looms to air-jet and rapier technology and install new technology, high-speed knitting machines. » Processing: use of continuous processing ranges for quality assurance and production uplifting.	1		X				T&C industry	» At least three firms accompanied through the machinery upgradation process by 2020	MITI	TEGAMAT, TDU	
	3.2.3 Conduct awareness training at firm level for middle-level and high-level managers on: » Knowledge of existing equipment and its advantages in order to ensure proper identification and purchase of equipment within companies; » Understanding the potential of the newly purchased equipment and training requirements for operators to ensure its full-capacity functioning; » Modern budgetary practices that account for regular equipment upgrading. This should be done by: a. Industry experience-sharing platforms b. Instituting technology comparison studies through universities or technical experts.	2		X	X			T&C industry	» Twenty company technical managers trained per year	MITI	TEGAMAT, TDU	
	3.2.4 Provide systematic on-site training to companies' operators on the use of newly purchased machinery and best practices in its handling (e.g. best practices in process control and machine maintenance).	3			X	X		T&C industry	» Three thousand workers trained per year	MITI	TEGAMAT, TDU	
3.3 Develop the existing cottage and handloom sector and increase focus on this segment's potential.	3.3.1 Revive and promote the handloom and cottage industries to focus on their potential for economic development at the government level. » Bring government officials to India to demonstrate how handloom can be promoted and developed internally.	1		X				T&C industry	» One official mission to be carried out in India in 2015 with government officials	TEGAMAT, TDU	Small Industries Development Organization (incubation and financing of machines), VETA (training), TDU, local government for registering	
	3.3.2 Ensure the representation of organizations of handloom and cottage sector firms and associations by including them as members of TEGAMAT and through the development of a cluster approach (following the models in Zambia and Burkina Faso).	1		X	X			Handloom and cottage sector	» Make all 240 handloom and cottage sector firms and associations part of TEGAMAT	Five to seven associations, Ifakara Women Weavers Association in collaboration TEGAMAT	TDU	
	3.3.3 Building on the study conducted by TDU on the handloom sector, provide appropriate training to small handloom weavers. Particular attention should be given to adding value in the form of block printing, batik and tie-dye.	2	Q4	X				Handloom and cottage sector	» Baseline is 240 persons. Target: 50 persons per year trained » TDU study to be finalized in November 2015	TDU	TEGAMAT	

Strategic objective 3: Improve the competitiveness of T&C firms through raised productivity and product diversification.

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
3.3 Develop the existing cottage and handloom sector and increase focus on this segment's potential.	3.3.4 Develop a Tanzanian branding strategy for the handloom and cottage sectors. The strategy should aim to create linkages between Tanzanian handloom producers and local leather production and sisal work. » Systematize integration of 'made in Tanzania' handloom products in the framework of tourism outlets, e.g. inclusion of small retail shops for kanga and kitenge and tailoring in hotels or close to resort areas. » Promote the Tanzanian handloom brand and products in the tourism sector. » Explore the viability of e-commerce for handloom products made in the United Republic of Tanzania. » Promote the handloom sector to cotton farmers to increase value addition to cotton produced and to maximize their revenue outside harvesting season.	2		X	X	X	X	Handloom and cottage sector	» Implemented within two years	TANTRADE	TCCIA, Small Industries Development Organization / MITI, TEGAMAT	
	3.3.5 Facilitate linkages with India to spur investment in handloom technology with institutions working on printing, design, and product and market development. Provide support to upgrade to advanced types of handlooms, accessories, and fashion and design technology. Particularly look at TUFS.	2		X	X			Handloom and cottage sector	» At least three linkages established with Indian partner training institutions	TEGAMAT		
3.4 Enhance quality management skills in line with regional and international standards.	3.4.1 Conduct sensitization workshops on mandatory and voluntary requirements in targeted markets (India, region, EU) for Tanzanian T&C enterprises and TDU / TEGAMAT. This would cover international and other requirements; buyers' requirements; labelling; packaging; clothing size; and the Registration, Evaluation, Authorization and Restriction of Chemicals regulation. » Breakout sessions to identify the quality-related needs of participating SMEs (and trade and investment support institutions). » Identification of a way forward for a pool of enterprises (ISO 9001, ISO 14001, ISO 50001, packing area securing standards, productivity improvement, Kaizen, 5S, basic quality tools, lean manufacturing, packaging, labelling). » Identification of a way forward for trade and investment support institutions (labs, certification bodies, inspection bodies, consultancy companies). » World Health Organization standards for mosquito nets.	1		X	X			T&C industry	» Increased number of Tanzanian based firms meet international standards	TDU / TEGAMAT, umbrella forum	TBS, VETA, UDSM	
	3.4.2 Conduct capacity-building for a pool of selected SMEs to pursue efforts to comply with mandatory and voluntary quality requirements and implement required certification schemes (ISO 9001, ISO 14001, ISO 50001, productivity improvement, 5S, basic quality tools, lean manufacturing, packaging, labelling). Specifically focus on different markets' requirements in terms of certification.	2		X	X	X		T&C industry	» Ten SMEs coached to implement appropriate certification schemes and management tools » Training materials available	Umbrella forum	TEGAMAT, TDU, TBS, VETA, UDSM	
3.5. Stimulate the development of the by-products sub-sector.	3.5.1. In line with the regional C2C strategy, raize awareness among ginners and potential investors about the economic value of diversification or investment into by-products through: » Trainings and study tours for ginners that already engaded or plan to engage in by-products. » Sensitization campaign to a broader group of ginners, in cooperation with ginners that are alrady involved in the by-products to demonstrate good practice examples. » Assist TIC to attract investment into the by-products area.	2		X	X	X			» Value of ginners' sales of by-products increases	Umbrealla forum	TCA, Contract farming schemes, TIC	UNCTAD
	3.5.2. Re view import duty of edible oil, including palm oil, and VAT on seed cake to raise competitiveness of the products.	3				X		Oil millers	» Reviewed import duty and VAT	MoF	MITI	TCA

Strategic objective 4: Strengthen the United Republic of Tanzania's focus on investment as a vector for growth and integration in the value chain.

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
4.1 Establish ideal conditions for investors.	4.1.1 MITI seeks to confer **top priority and expedite** the following projects in order to improve conditions for investment in the United Republic of Tanzania: » **Reduce electricity costs and increase power stability and quality:** from US$ 0.09 per kWh down to US$ 0.06 through ongoing projects; » Develop 'industrial zones' focusing on the textile and garment sectors with appropriate incentives; » Enhance the guidance and assessment services provided to the establishment of current projects in Bagamoyo, Kibaha and Tanga zones (and future industrial zones, e.g. Mkuranga or other areas with ample workforce available) to ensure that the most appropriate measures are set and that the most effective engineering is done for the layout of the zones, including the sourcing of water supply. » For enterprises that have internal medical facilities and annual employee testing, that comply with national requirements, the OSHA levy (medical test 80000TZS) and medical examination fee should be removed.	2	X	X	X	X	X	Foreign and national investors T&C industry	» Reduction of electricity cost to US$ 0.06 within and outside of EPZs » At least one T&C industrial park built within five years » At least two new EPZs built in the five-year period (with proper access to energy and water) » Database developed » Proper support infrastructure established for the first industrial zone	Tanzania Electric Supply Company (electricity), Tanzania Railways Corporation (train), EPZA	MITI, TDU, President's Office Planning Commission (Planning Commission)	
4.2 Introduce necessary reforms to include FDI in the C2C value chain as a priority.	4.2.1 MITI seeks to establish FDI attraction in the T&C sector and cotton processing as a national priority. » Integrate FDI attraction in key policies such as the NDV (Five-Year National Development Plan) and the next agriculture and industry development plans (in line with 2.1.2). » Review the current legislation governing FDI to indicate specific focus on the C2C value chain by providing a definition with specific criteria for strategic investor and super strategic investor profiles (investment threshold, job creation), and covering all current provisions regarding FDI (land lease, EPZ-based regulations, work permits, etc.).	2		X				T&C industry	» FDI in T&C is a national priority » Comprehensive and transparent FDI legislation is drafted and adopted, and easily accessible on government websites, in full version and through 'promotion factsheets'	EPAZ, TIC, TDU	Planning Commission, MITI, Ministry of Justice and Constitutional Affairs	
	4.2.2 Advocate to make available factory sheds on government land on cost-competitive terms. » Identify non-used lands and keep information updated and accessible to foreign investors. » Develop a land price reduction mechanism supported by the Government for strategic investors.	1		X				T&C industry	» Information updated and available on TDU website	TDU, National Development Corporation, EPZA	TDU; Ministry of Lands, Housing and Human Settlements Development	
	4.2.3 Develop a proactive approach to FDI attraction at the highest level of the relevant governmental institutions, such as MITI, TDU and MALF, ensuring one common message towards investors. Improve dialogue and accessibility of high-ranking governmental officials with potential investors through invitations to high-level tours to visit EPZs, etc. Define roles and responsibilities of key institutions in FDI attraction & retention and publish information on one common website.	2		X	X			T&C industry	» One website presenting key institutions, critical information and contacts for investors » At least 20 tours with government officials carried out for new potential investors in the five-year period	EPZA, Ministry of Justice and Constitutional Affairs, umbrella forum, TDU	MITI, MALF	TDU
4.3 Increase institutional capacity to identify and attract the appropriate investments for the sector.	4.3.1 Build the capacities of EPZA, TanTrade, National Development Corporation and TIC officers to effectively facilitate and target T&C investment. » Provide training on investment analysis and investment targeting capacity to identify potential investors based on investment requirements (subscribing to key information providers such as Dun and Bradstreet, Financial Times, fDi Markets). » Create a shared website to harmonize external messages and information about investment opportunities, including key focal points to be contacted for each enquiry type.	1		X				» EPZA » TIC » T&C industry	» First spinning and fabric projects come online as a result of TDU and TIC targeting campaigns	EPZA, TIC	MITI, TDU, TanTrade, National Development Corporation	Dexis

Strategic objective 4: Strengthen the United Republic of Tanzania's focus on investment as a vector for growth and integration in the value chain.

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
4.3 Increase institutional capacity to identify and attract the appropriate investments for the sector.	4.3.2 Develop a joint response mechanism to manage investors' enquiries, to share investor data and materials, and to promote a common message about investment opportunities in the United Republic of Tanzania between TDU, EPZA, TanTrade, the National Development Corporation, TIC and TEGAMAT.	2		X	X			» TDU » TEGAMAT » T&C industry	» Signed MoUs among the six partners and shared adoption of technically consistent and uniformly branded promotional materials for the sector	EPZA, TDU	TEGAMAT, TIC TanTrade, National Development Corporation	
	4.3.3 Implement a coordinated programme of investor aftercare between, TIC and EPZA, providing a one-stop shop for investors in order to: » Maximize benefits from existing investors by assisting their smooth operation and ensuring investor satisfaction with their experiences in the country; » Convert announced investments into operational projects, minimizing the number of investors who cancel investment plans because of unexpected problems during the start-up process; » Expand existing investment projects by production volume, number of employees, and number of local facilities.	2		X	X			» TIC » T&C industry	» One-stop shop for investor information is established online	EPZA, TIC	TEGAMAT	
4.4 Promote the United Republic of Tanzania as a key destination for FDI.	4.4.1 EPZA, National Development Corporation, TIC in collaboration with TDU and TEGAMAT to specifically advertise the following target areas for investments. » Very high priority: product diversification of existing fabric units. » High priority: garment companies. » High priority: take up two to three sick / closed mills and try to revive them. » Medium priority: yarn spinning, knitting/weaving, dyeing and finishing » Medium term: fully integrated T&C factories. » Long term: T&C production branded as green or sustainable for niche markets (it can be done along with the above point).	1		X	X			T&C industry	» TDU advertises and has prepared a strategic approach towards investors	TDU	TIC, TanTrade, TEGAMAT, National Development Corporation	
	4.4.2 Support the development of (existing and new) customized FDI promotional material, based on a message developed by TDU and other investment promotion institutions. » Develop well-crafted value propositions for potential investors, comprising feasibility study on threads, open-end yarn, integrated textile units, etc. » Develop comprehensive and up-to-date sector profiles. » Develop a centralized database on critical information and intelligence required by investors. » Streamline the current business / company registration process to be investor-friendly. The promotional material must emphasize the benefits of trade agreements available in the United Republic of Tanzania and the recent renewal of AGOA, securing United States market access for the next 10 years. Distribute the materials to embassies and United Nations offices.	2		X	X	X		T&C industry	» Publication of technically consistent, uniformly branded, and regularly updated promotional materials for the sector, including websites, PowerPoints, sector profiles, start-up roadmaps and supplier databases	TDU, TEGAMAT		

Strategic objective 4: Strengthen the United Republic of Tanzania's focus on investment as a vector for growth and integration in the value chain.

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
4.4 Promote the United Republic of Tanzania as a key destination for FDI.	4.4.3 Carry out investment promotion activities in target countries and towards target countries' representatives located in the United Republic of Tanzania – roadshows, facilitating direct interactions between Tanzanian firms and targeted investors, helping foreign representatives to promote the sector, etc. Use side events to showcase investment profiles developed. Examples of side events could be the Africa–India Conclave or Origin Africa. Invite potential investors to strategic locations to showcase the infrastructure and business climate.	1		X	X			T&C industry	» Roadshows conducted » Meetings with 8–10 investors in each location » Visits of interested investors (total 8–10) to the United Republic of Tanzania	TIC / EPZA		SITA: events in India; TDU: Viet Nam, Hong Kong (China), Pakistan, Bangladesh, China, Turkey / Israel
	4.4.4 Strengthen the investment promotion mandate / responsibility as part of the role of Tanzanian diplomats by providing regular promotional material and training to staff on investment promotion, identification of potential investors and business leads for the T&C sector overall. Subsequently develop the support provided by embassies prior to and during high-level government officials' trips and promotional visits to targeted international investors in the T&C sector.	3			X	X		T&C industry	» MoU and standard operating procedures drafted and agreed between TIC and the Ministry of Foreign Affairs and International Cooperation » Conclude investment promotion training for economic / commercial counsellors and secretaries at embassies and consulates in target countries » Finalize investment promotion manual for new diplomats at the time of boarding	Ministry of Foreign Affairs and International Cooperation		
	4.4.5 Support the organization of specific promotional activities for the T&C industry. » Organize and participate in local and international trade shows specific to the T&C industry. » Promote local designers by creating a fashion show competition where the winners would receive financial support to visit Asian firms and promote their products in the EU and United States.	1		X				T&C industry	» Organize two zonal shows per year on a rotational basis » Organize one show per year	MITI	TDU, TEGAMAT TanTrade, UDSM	

Strategic objective 5: Strengthen the capacity of firms to diversify markets to raise profitability.

Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
5.1 Improve regional and international market access.	5.1.1 Enhance awareness among Tanzanian firms of international preferential market access conditions, especially on the extension of AGOA (linked to a United States Agency for International Development study), the EU and Canada, and the Indian Duty-Free Tariff Preference scheme, as well as on the benefits in the region including South Africa, COMESA, EAC and SADC. » Train / coach the private sector to optimize utilization of these preferential markets. » EPZA to promote additional products with high potential that T&C companies could export under these schemes.	1		X				T&C industry	» Brochure produced to be disseminated to members of the umbrella forum	TDU	TEGAMAT, TanTrade, MITI, TCCIA, Confederation of Tanzania Industries, TIC	SITA
	5.1.2 Assess the impact of the tripartite agreement on the United Republic of Tanzania's T&C industry and identify ways to keep relative preferential market access with the revised and simplified SADC and EAC rules of origin (single transformation) and tariff rate quota.	2		X				T&C industry	» Study disseminated to stakeholders	MITI	Ministry of East African Cooperation	SITA
	5.1.3 Building on the recent extension of AGOA to promote the United States market among Tanzanian T&C companies and potential investors, assist selected Tanzanian companies to connect with the right buyers and partners in the United States through the promotion of successful Tanzanian products. » Support current exporters and export-ready firms to ensure compliance with American CSR standards such as WRAP (can be used for marketing, e.g. for product storytelling) (link with activity 2.5.1).	1		X	X			T&C industry	» At least two exporting companies are supported to diversify a buyers' base in the United States » At least three new exporting companies are supported to export to the United States » At least three new companies achieve compliance to CSR and environmental standards relevant to the United States market	TDU, East Africa Trade and Investment Hub	TEGAMAT, TanTrade, MITI	East Africa Trade and Investment Hub
	5.1.4 Train Tanzanian T&C firms on merchandizing and online marketing.	3		X	X			C2C industry	» Twenty-five company personnel trained per year	TANTRADE	TEGAMAT, TDU, MITI, TCCIA	
5.2 Promote Tanzanian products.	5.2.1 Develop a strong cotton quality communication campaign and promotional material to promote Gany (a Tanzanian cotton grade). Regularly communicate quality improvements to destination markets to change the perception of the damaged reputation of Tanzanian cotton. Improve marketing and branding of identity cotton made in the United Republic of Tanzania.	2		X				Cotton producers Ginners	Cotton quality communication plan developed Marketing strategy developed (CmiA, BCI, organic, etc.)	TCB	TanTrade	
	5.2.2 Identify and capitalize on niche markets for organic and identity cotton products such as CmiA and BCI. » Connect with regional organic buyers (Uganda). » Identify international buyers of organic cotton.	3		X				» Cotton producers » Ginners	» Four niche markets identified and utilized	Umbrella forum	TCB	SITA

Strategic objective 5: Strengthen the capacity of firms to diversify markets to raise profitability.												
Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period					Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
			2016	2017	2018	2019	2020					
5.2 Promote Tanzanian products.	5.2.3 Adjust public procurement regulations to provide national T&C products with additional local opportunities through the following measures. » Conduct an audit of the requirements for textile products of public institutions including hospitals, defence and armed forces, and school uniforms. » Engage textile millers to determine the internal production capacity for various textile products that could be sourced locally. » Engage the private and public sectors to reform public procurement such that textile products are sourced locally, unless the industry is unable to provide them at a competitive price.	2		X	X			T&C industry	» Audit report produced » Buy Tanzanian policy endorsed	MITI, TDU	TEGAMAT, MoFP, Public Procurement Regulatory Authority	
	5.2.4 Enhance coordination between TanTrade, TCCIA and diplomats to facilitate the flow of information from potential markets, and make use of TCCIA international linkages to obtain trade information.	3		X	X			C2C industry	» Frequency of flow of information	MITI, TDU	Ministry of Foreign Affairs and International Cooperation, TCCIA (links with International Chamber of Commerce (ICC)), TanTrade	
	5.2.5 Set up a fund to subsidize the cost of companies, specifically designers, to participate in important international T&C fairs such as Asian trade shows, Magic, Texworld Europe, ITMA (Italy), Prime Source, and Islamic Fashion. » In key events, the United Republic of Tanzania to have a country-specific pavilion where multiple manufacturers can showcase products.	2		X	X			C2C industry	» Fund established » Number of firms attending trade fairs	TDU, MITI, TanTrade	MoFP	
5.3 Improve the availability of market intelligence for the entire C2C industry.	5.3.1 Set up a cooperation framework involving ACTIF (and using the regional C2C monitoring cell developed in the institution) to exchange and disseminate C2C-specific trade information among Tanzanian government agencies, media, academia, research organizations, trade and investment support institutions, and the private sector, as well as exchange of company information among institutions.	2		X	X	X		C2C industry	» One network established involving ACTIF	ACTIF	TanTrade, MITI, TDU, TEGAMAT, umbrella forum	
	5.3.2 Introduce courses on market analysis tools (ITC Market Analysis Tools, Eurostat, and Port Import / Export Reporting Service) and methodologies to identify potential markets and assess preferential market access requirements, in order to develop sound business plans, into the curricula of educational institutions, business schools and universities.	2		X	X	X		C2C industry	» Number of courses introduced » Number of trained people	MoEVT	TDU, educational institutions, business schools, universities	SITA
	5.3.3 Build the capacities of, TanTrade and TCCIA to develop market profiles for selected target markets using market analysis tools and research techniques. The market studies should include information about consumption trends, market requirements, Customs duties, price, shipping and contracting practices, and potential business contacts.	1		X	X	X		T&C industry	» Number of profiles developed » Fifty people trained	MITI	TEGAMAT, TanTrade, TCCIA	SITA

Strategic objective 5: Strengthen the capacity of firms to diversify markets to raise profitability.

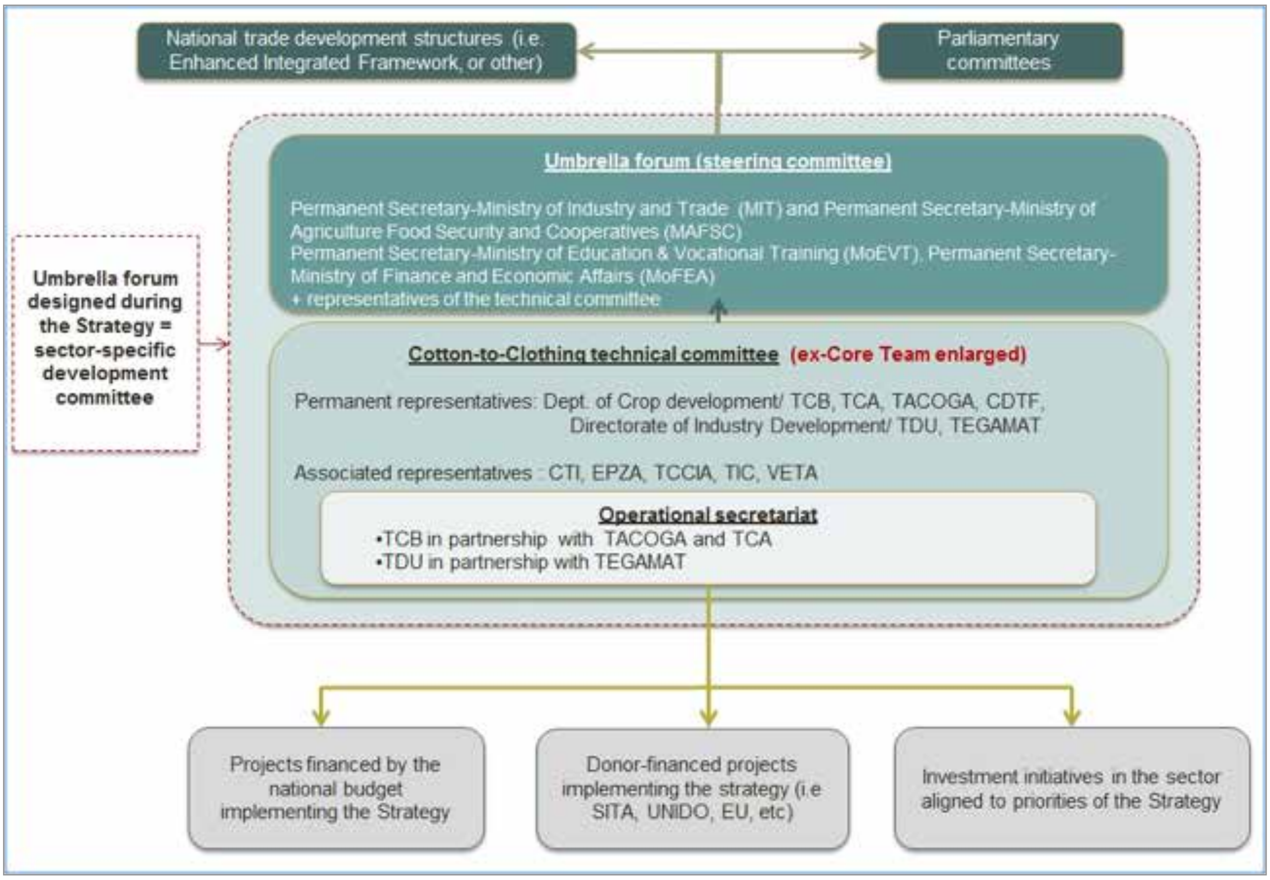
Operational objective	Activities	Priority 1=high 2=med 3=low	Starting period 2016	2017	2018	2019	2020	Beneficiaries	Target measures	Leading national institution	Supporting implementing partners	Existing programmes or potential support
5.3 Improve the availability of market intelligence for the entire C2C industry.	5.3.4 Assess the regional T&C market in order to identify regional opportunities for key Tanzanian products such as kanga, kitenge, T-shirts and technical textiles (including mosquito nets, agro nets, shade nets, fishing nets, medical cotton, packaging bags). Conduct market studies to understand: » The total size of the regional market for these products and the requirements; » The share that Tanzanian companies control for each product category; » The product categories that are dominated by imports; » The related product categories that offer potential for T&C companies to recapture the market from importers. Develop a specific regional market study for Tanzanian kanga and kitenge in the EAC region to assess competition, market access conditions and market opportunities. The studies should also conduct a competition / price analysis and recommend concrete steps that can be taken to allow Tanzanian firms to recapture market share.	1		X				T&C industry	» Comprehensive study of the regional market for kanga, kitenge and mosquito nets as per stated coverage	TDU	TEGAMAT, TanTrade	SITA

IMPLEMENTATION MANAGEMENT

The comprehensive C2C Strategy of the United Republic of Tanzania endeavours to generate the conditions for a favourable expansion of the industry so as to contribute to overall socioeconomic development. Nevertheless, a strategy in and of itself is not enough to ensure the industry's sustainable development. Such development will require the elaboration and coordination of various activities. While the execution of these activities will allow for the Strategy's targets to be achieved, success will depend on the ability of stakeholders to plan and coordinate actions in a tactical manner. Activities must be synchronized across the public sector, private sector and non-governmental organization communities in order to create sustainable results.

Indeed, the C2C Strategy is not the strategy of any specific institution; rather it is the strategy of the United Republic of Tanzania, and to ensure its success it is necessary to foster a conducive environment and create an appropriate framework for its implementation. The following section presents some of the key conditions considered necessary for the strategy to be effectively implemented and successfully achieve self-sustainability and long-lasting benefits for the United Republic of Tanzania.

Figure 26: *Proposed structure for cotton-to-clothing strategy implementation*



ESTABLISH AND OPERATIONALIZE A PUBLIC AND PRIVATE COORDINATING BODY AND ITS SUBSIDIARY ORGAN

A key criterion for the success of the C2C strategy is the United Republic of Tanzania's ability to coordinate activities, monitor progress and mobilize resources for the implementation of the Strategy. It is recommended that the country establishes an independent umbrella forum for public–private deliberations that acts in an advisory capacity to the Government and the private sector over issues related to or affecting the C2C sector and its Strategy.

UMBRELLA FORUM OR SECTOR DEVELOPMENT COMMITTEE

The formal dialogue platform will require high-level involvement by TSN members (public and private), as their role is crucial and will impact the effectiveness with which the Strategy is implemented. Likewise, the ability of the private sector to provide inputs to the strategy implementation process will significantly influence the success of the Strategy. The Strategy's activity 2.1.1 establishes an 'umbrella forum' or 'sector development committee' that will later fully take up this role.

The 'cotton-to-clothing development committee' or 'umbrella forum' representing stakeholders of the entire sector will meet once a year to review the progress achieved, discuss issues and plan operational objectives. As presented in figure 26, two entities will be created to oversee the implementation of the strategy: the umbrella forum (representing all stakeholders) and the technical committee (in charge of the implementation of the strategy), supported by an operational secretariat.

The main functions of the umbrella forum should be the following:

- **i.** Assess the effectiveness and the impact of the C2C Strategy;
- **ii.** Propose key policy changes to be undertaken, based on Strategy priorities, and promote these policy changes among national decision makers;
- **iii.** Elaborate and recommend revisions and enhancements to the Strategy so that it continues to best respond to the needs and long-term interests of the national business and export community;
- **iv.** Provide the steering committee and technical committee with the mandates and the necessary resources to fulfil their functions in an effective manner;
- **v.** Coordinate and monitor the implementation of the Strategy by the Government, private sector, institutions or international organizations to ensure implementation is on track;
- **vi.** Ensure consistency with the Government's existing policies, plans and strategies, and align institutions' and agencies' internal plans and interventions with the Strategy PoA;
- **vii.** Guide the Strategy secretariat in its monitoring, coordination, resource mobilization, and policy advocacy and communication functions to enable effective implementation of the Strategy.

THE COTTON-TO-CLOTHING TECHNICAL COMMITTEE (TC)

The core team set up for the Strategy design process is composed of a panel of representatives of key institutions, involving ministries and TSN members. It also comprises private sector representatives from all segments of the industry. As such, the current core team is a good initial framework to serve as the independent TC responsible for the coordination, monitoring and resource mobilization for Strategy implementation.[83] An operational secretariat will also be required to act as its subsidiary organ to coordinate and monitor the implementation of the Strategy in line with other export development plans. During the Strategy design process, it was agreed that the role of the secretariat will be shared by TCB, in partnership with TACOGA and TCA; and TDU in partnership with TEGAMAT.

The TC will directly coordinate and supervise the operational work related to the implementation management of the C2C sector strategy. The core responsibilities of the TC should be as follows:

- **i.** Develop annual workplans for implementation of the sector export strategy for approval by the umbrella forum;
- **ii.** Work closely with relevant ministries, trade and investment support institutions, private sector, and civil society to ensure coordination in the implementation of the Strategy;
- **iii.** Monitor the progress and impact of Strategy implementation: track the implementation and prepare monitoring reports to be submitted to the umbrella forum;
- **iv.** Provide inputs to, or elaborate, project proposals for the implementation of sector export development plans and policies;
- **v.** Mobilize resources to implement the Strategy and coordinate Aid for Trade partners for Strategy implementation;
- **vi.** Prepare communication plans and advocate for the inclusion of the sector trade development strategy in national development plans, as well as in line ministries' programmes and the national budget;

83. The core team will be transformed into the TC and will incorporate more representatives of other institutions as mentioned in figure 26.

vii. Follow up on policy advocacy recommendations from the umbrella forum;
viii. Support the functioning of the umbrella forum.

As discussed above, the TC should be supported by an **operational secretariat** to complete the daily operational work related to implementation management of the Strategy. The core responsibilities of the secretariat (TCB, TDU and TEGAMAT) should be to:

1. Ensure implementation of the umbrella forum's resolutions;
2. Execute the secretariat work of the umbrella forum: prepare TC and umbrella forum meetings (minutes, agenda, venue, etc.);
3. Collect information from project implementation and prepare regular monitoring reports to be submitted to the umbrella forum;
4. Collect, centralize and preserve all archives and documentation of the umbrella forum and the Strategy;
5. Prepare regular monitoring reports to be submitted to the TC and steering committee: track on a weekly basis the implementation of activities;
6. Prepare project proposals, including budget, for the implementation sector export development plans and policies;
7. Call on associated representatives required for the TC meeting, based on the agenda, and plan umbrella forum monitoring and evaluation meetings;
8. Implement communication plans and material to promote the Strategy.

The TC will be composed of two semi-permanent secretaries, respectively in charge of the supervision of the cotton subsector and the T&C subsector.

BUILD CAPACITIES REQUIRED FOR MANAGING THE IMPLEMENTATION

Even with institutional structures in place, the United Republic of Tanzania and its Strategy implementation framework will not be able to effectively fulfil their assigned functions without suitable capacity development interventions.

The ability and skills of the TC and operational secretariat need to be sufficient to ensure effective management of Strategy implementation. Hence, the secretariat and its partners should have knowledge of the ideas, challenges and best practices behind the Strategy when monitoring implementation progress, assessing overall impact, mobilizing additional resources, programming and communicating results. Without such skills they will not be in a strong position to assume their respective oversight and management responsibilities for Strategy implementation.

PRIVATE SECTOR SUPPORT AND PARTICIPATION

The private sector should benefit from Strategy implementation through improved productive capacities, reduced costs of doing business, facilitated administrative procedures, enhanced access to finance, etc. However, the private sector clearly expressed during the Strategy design process its willingness to contribute, directly or in partnership with public institutions, to the implementation of the Strategy. Their implementation efforts can range from providing business intelligence to institutions to contributing to development projects, establishing processing and transformation units, advocacy, etc. In brief, the private sector's practical knowledge of business operations is essential to ensuring that the activities of the Strategy are effectively implemented and targeted.

SENSITIZATION OF IMPLEMENTING INSTITUTIONS TO BUILD OWNERSHIP

The key implementing institutions detailed in the PoA need to be informed of the content of the Strategy and the implications for their 2016–2020 programming. This sensitization is essential to building further ownership, and it provides institutions with the opportunity to review the PoA in order to confirm the activities they can implement immediately, in both the medium and the long term. Such a programming approach will permit better resource allocation within the responsible agencies. This allocation can be formalized by integrating the activity of the Strategy in the programme planning of the institution. While the financial dimension is required, the human resource element is no less important.

FINANCIAL RESOURCE MOBILIZATION FOR IMPLEMENTATION

While resource mobilization is only part of the solution, it plays a crucial and indispensable role in supporting Strategy implementation. An integrated resource mobilization plan should be elaborated as soon as the Strategy is adopted. Resource mobilization involves planning the sequencing of communications with donors, project design, project proposals/applications, and resource collection and management. This should facilitate, leverage and strengthen the impact of diverse sources of finance to support sustainable and inclusive implementation, including national resources, development aid and private investment.

Photo: © A to Z Textile Mills Ltd., *Manufacturing in Africa.*

- **National resources through direct budget and support programme:** The Government will need to validate defined minimum budget support towards the implementation of the Strategy. Such support for the Strategy's activities will demonstrate the Government's commitment to the initiatives.

- **Alignment of donors' support and interventions with the Strategy:** Besides SITA, which will plan for the funding and implementation of a part of the activities outlined in the PoA, some priority areas of intervention will come out of the SITA and ITC mandates. These areas will therefore require specific resource mobilization efforts. The umbrella forum, TCB, TDU and TEGAMAT, together with the authorities, will have to capitalize on the significant momentum gained as part of the Strategy design process and leverage it for smooth and efficient implementation. International development agencies can use the Strategy as the logical framework for their programmes, as they will surely benefit from its favourable conditions for operation (i.e. political endorsement, private sector buy-in and improved collaboration with national institutions). The PoA of the Strategy should serve the umbrella forum as well as national institutions to improve communication and facilitate the negotiation, planning, coordination and evaluation of commitments made in the context of development aid, in particular through the development of programmes and project proposals aligned with the priorities of the Strategy.

- **National and foreign investment**: The current Strategy design core team is composed of representatives of national institutions, the TSN and the private sector. If the umbrella forum is created and becomes the coordinating body of the Strategy, the Strategy should benefit from a solid channel of communication capable of conveying reliable information to companies about the export-related opportunities in the industry, and in turn capable of communicating to the Government the needs that investors have identified in order to operate successfully. Investment flow in the United Republic of Tanzania could serve as a valuable driver of export development. Even so, it must be targeted at specific prospects in order to benefit the industry's development as detailed in the future perspective section of this Strategy.

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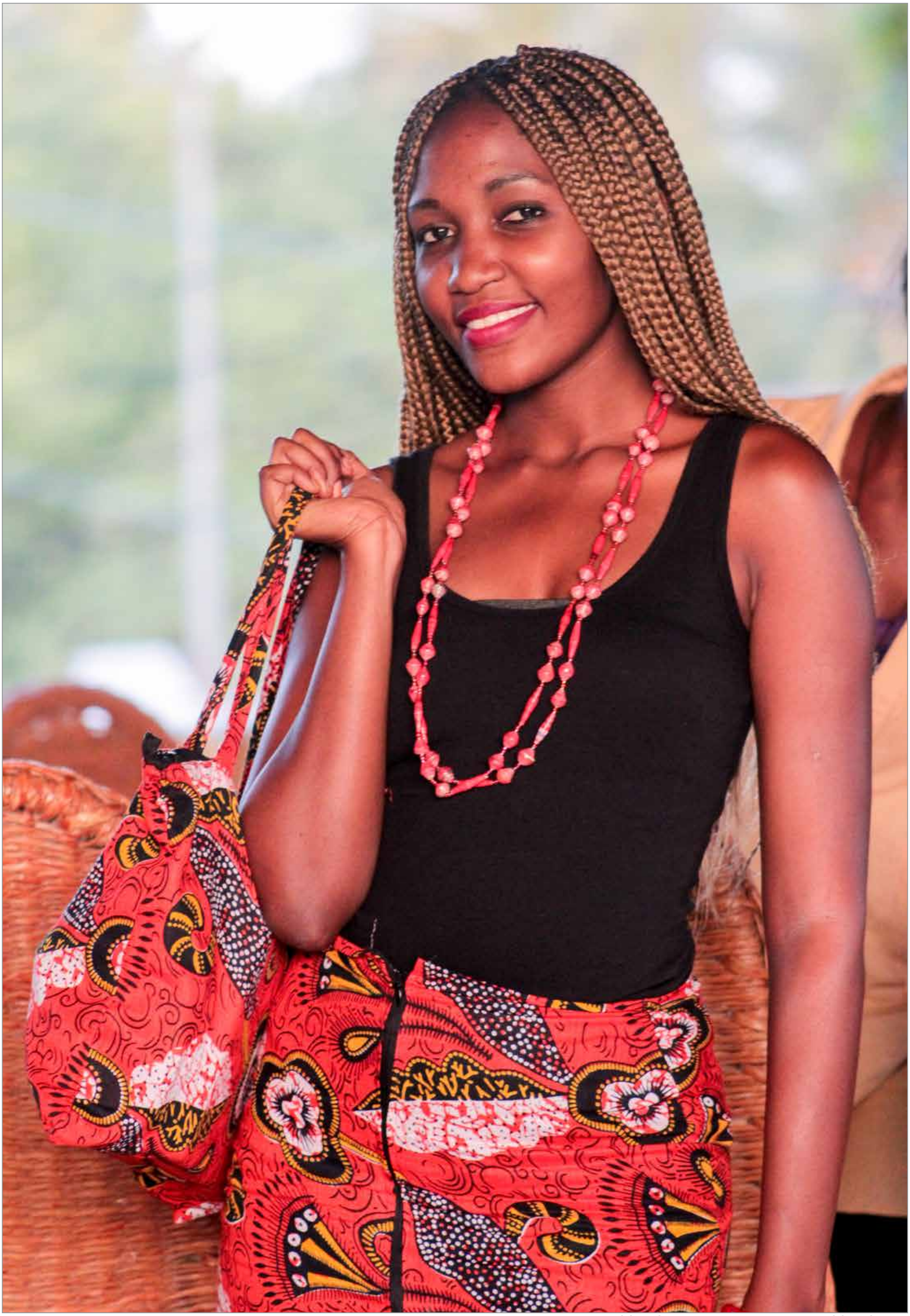

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LIST OF PARTICIPANTS TO THE PUBLIC/PRIVATE CONSULTATIONS

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5	Ministry of Agriculture, Livestock and Fisheries (MALF) - Crop development	Beatus A. Malema, AD CP
6	Ministry of Agriculture, Livestock and Fisheries (MALF) - Policy and planning	G. Mibavu, Ag. AD P
7	Ministry of Industry, Trade and Investment (MITI) / Textile Development Unit (TDU)	Johnvianney Ndyamukama
8	Ministry of Industry, Trade and Investment (MITI) / Textile Development Unit (TDU)	Tim Armstrong
9	Planning Commission	Dr. Philip Mpango
10	Planning Commission	Doto Nkonya
11	21st Century textile, Afritex , New Musoma Textiles	Mr. Mohammed Dewji
12	A to Z Textiles	Anuj Shah
13	ACTIF	Joseph Nyagari
14	Afrisian	Vilas Tawte
15	Biosustain	Dr. Riyaz Haider
16	Birchand Oil Mill Ltd.	Manish Aggarwal
17	BRAC	Secilia Bosco
18	BRAC	Stephanie Zighe
19	Confederation of Tanzanian Industries	Hussein Kamote
20	Cotton & Textile Development Program	Lindi Hlanze
21	East Africa Trade and Investment Hub	Prisca Mbaga
22	East Africa Trade and Investment Hub	Elizabeth Muange
23	Ellen Knit weave Mills	Mr. Bhavin Shah
24	EPZA	Col. (rtd) Joseph Simbakalia
25	EPZA	Zawadia Nanyaro
26	Karibu textiles	Al-Nashir Jetha
27	Kibotrade textiles Ltd	Mr. Iver Rosenkrantz
28	Marvelous Flotea	Flotea Massawe
29	NGS	Emmanuel Dandu
30	NGS	Njalu Silang
31	Nida	Muhammad Owais Pardesi

	Name of Institution	Name
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33	S&C Ginning Co	Ram Subramanyam
34	S.M. Holdings Ltd	Saleh Mbarak Nahdi
35	Sun flag (T&C)	Mr. Ajay Shah
36	Tanzania Bureau of Standards	Mr. Stephen Rwabunyenge
37	Tanzania Chamber of Commerce, Industry and Agriculture	Adam Zuku
38	Tanzania Cotton Association (TCA)	Boaz Ogolo
39	Tanzania Cotton Board (TCB)	James Shimbe
40	Tanzania Cotton Growers Association (TACOGA)	George Mpanduji
41	Tanzania Cotton Growers Association (TACOGA)	Mr. Mpanduji
42	Tanzania Gatsby Trust	Donald Sayi
43	Tanzania Gatsby Trust	Olivia Elliot
44	Tanzania Investment Centre	Juliet Rugeiyamu Kairuki
45	Tanzania Private Sector Foundation	Godfrey Simbeye
46	Tanzania Revenue Authority	Rished Bade
47	Tanzania Tooku Garments Company Limited	Rigobert P.
48	Tanzania Trade Development Authority	Mohamed Mkadarah
49	Tanzania Trade Development Authority	Jacquiline Maleko
50	Tanzania Women Chambers of Commerce	Susan Mtui
51	Tanzania-China Textile Friendship Mill	Nassoro Baraza
52	Textile and Garment Manufacturers Association of Tanzania (TEGAMAT)	Sylvester Kazi
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Printed by ITC Reprographic Service on FSC paper, which is environmentally-friendly paper (without chlorine) using vegetable-based inks. The printed matter is recyclable.

With the technical support of:

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