

## Snapshot of Cotton, Textile and Apparel sector in EAC region

### a. Introduction

The cotton, textile and apparel sector industry is one of the key sectors in EAC countries. Significant population has been dependant for their livelihood on the CTA sector in these countries for more than a century. The EAC region accounts for significant cotton production in the world, which is sufficient to meet the domestic requirements as well for high level of exports. CTA sector enterprises in EAC region enjoy preferential market access and their products can enter most of the world's richer economies free of any customs duties and with limited quota restrictions. Two of the major agreements these countries have signed up for preferential market access includes African Growth and Opportunity Act (AGOA) and Economic Partnership Agreement (EPA) with EU. Despite that, the regions share of the global trade in cotton, textile & apparel sector has continued to shrink over the past 20 years. The effects of decline have continued to be felt across the value chain, leading to a reduction of trade, loss of employment and collapse of some industries.

### b. Key issues

The CTA sector in EAC region faces various challenges which include:

- Low Cotton yields & inconsistent quality
- High business cost
- Out-dated technology
- Limited availability & high cost of finance
- Lack of skill development programs
- Weak supply chain linkages
- Imports of second hand clothing
- Low Utilization level
- Lack of value addition
- Erratic and expensive power supply

### c. Value Chain Analysis

In terms of relative strength of CTA value chain, following is the situation in Kenya, Tanzania and Uganda:

	Cotton fiber	Ginning	Spinning	Fabrics	Apparel and made-ups
Kenya	WEAK	AVERAGE	AVERAGE	AVERAGE	STRONG
Tanzania	STRONG	STRONG	AVERAGE	AVERAGE	WEAK
Uganda	AVERAGE	AVERAGE	WEAK	WEAK	WEAK

From the analysis it is observed that individual countries are not self-sufficient across the value chain but have strength in selected sub segments e.g. Tanzania has a better fiber production and ginning sector and Kenya has a better finished goods production infrastructure. Hence, a synergetic approach will be to develop an integrated regional CTA value chain, where each country focuses on developing the segments in which it is strong and associates with other regional partners for complementary functions.

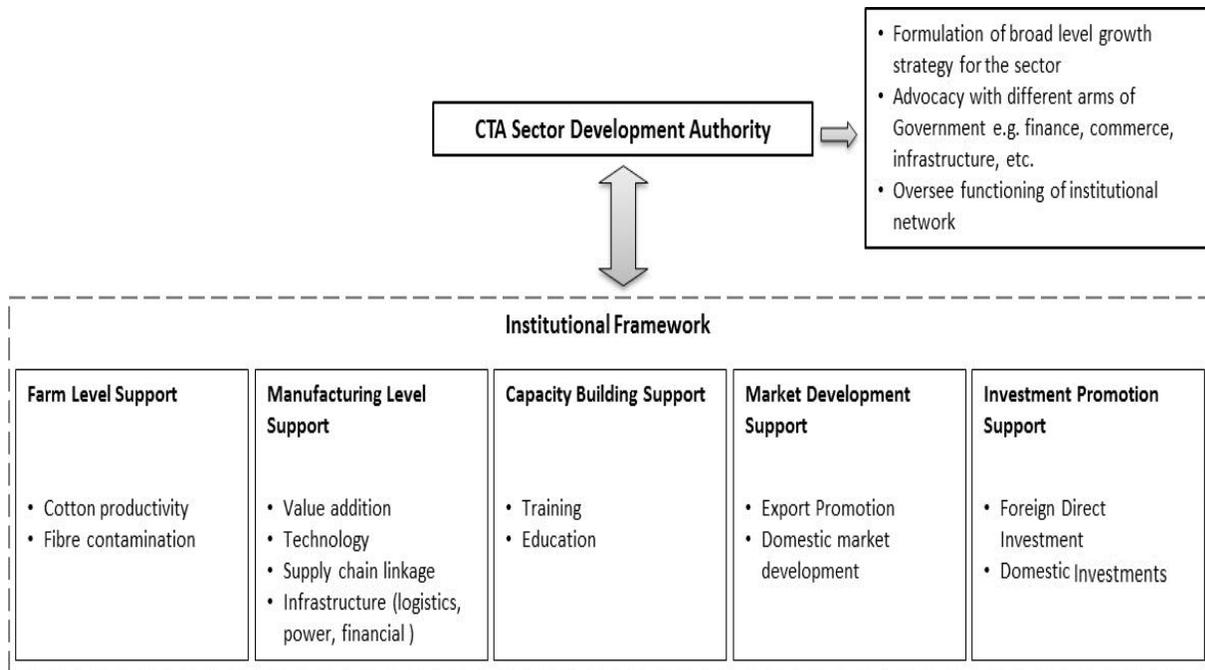
#### d. Regional SWOT analysis

<p><b>Strength</b></p> <ul style="list-style-type: none"> <li>• Climate and soil conditions support Cotton growing. Large scope for improvement in cotton crop exists in all countries</li> <li>• Authorities are focusing on the growth of the sector and are committed to revitalize the CTA sector</li> </ul>	<p><b>Weakness</b></p> <ul style="list-style-type: none"> <li>• Low Cotton yield</li> <li>• Lack of latest machinery</li> <li>• Lack of Skill development and Training programs</li> <li>• Absence of integrated supply chain</li> <li>• Limited value addition in terms of manufacturing of finished goods/garments</li> <li>• High cost of capital</li> <li>• Under developed domestic market</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Huge regional and domestic demand potential for cotton fabric and textiles</li> <li>• Region has preferential market access under agreements like: AGOA, SADC, EPA with EU, EAC, etc.</li> <li>• Scope of converting raw cotton into value added products</li> <li>• Investors across the globe are looking to invest in areas where cotton is available</li> <li>• Proximity to EU</li> <li>• Increasing costs in China</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Threats from import of second hand articles</li> <li>• Lack of sector specific incentive/ policy framework to promote CTA sector.</li> <li>• Limited focus on education and training in textile and fashion.</li> <li>• Farmers shifting to other cash crops which fetch better returns than cotton.</li> <li>• Competition from global textile manufacturers</li> <li>• Porous borders</li> </ul>

From the regional SWOT analysis, it emerges that though there are various weaknesses and threats to the CTA sector in EAC, yet with rising costs in China and increasing interests of investors in Africa, today is the right time for EAC region stakeholders to come together to take advantage of the regional strengths and take steps to revive and rejuvenate the sector.

#### e. Policy support for high growth

In order to attain a high level of growth in the sector, it is of utmost importance that a strong institutional framework be developed in the countries to address separate requirements of the sector and implement various interventions as illustrated below:



Such an institution framework can work towards addressing the prevalent issues and gaps in the sector by formulating and implementing interventions like:

- a. **Cluster based approach** - Establishment of industrial zones in the country to attract investments, by providing special incentives
- b. **Skill development initiative** - Imparting large scale vocational training and employment assistance at operator and supervisor level for textile and garment manufacturing processes
- c. **Upgradation of education institutes** - Improvement in delivery mechanism of fashion and technical institutes by improvement in course curriculum and international partnerships.
- d. **Enhancing international networking opportunities** - Providing opportunities to various stakeholders of the industry to interact with global and regional stakeholders others like buyers, investors, subject matter experts, etc.
- e. **Investment Promotion schemes** - Encouragement of investments in CTA sector by private players, both local and international by providing various benefits for the same