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The Competitiveness and Trade Expansion Program

## East Africa Trade Hub

# USAID COMPETE Capacity Building – the story of African Cotton & Textile Industries Federation (ACTIF)

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The fiber, textiles, and apparel (FTA) industries in East and Southern Africa are considered by many to hold the key to regional prosperity; CTA represents the largest non-oil industry in the region exporting under the African Growth and Opportunity Act (AGOA). Farmers in several countries — including Uganda, Tanzania, Malawi, and Zambia — depend on cotton exports for their livelihoods. Other countries, such as Mauritius and South Africa, have sizeable textile sectors and make finished apparel for export. Because of its economic importance, FTA is one of the sectors targeted under the African Growth and Opportunity Act (AGOA), which seeks to increase economic growth in Africa by providing most liberal access to the U.S. market available to any country or region with which the United States does not have a free trade agreement. For this reason, both RATES and COMPETE have targeted the FTA value chain in its capacity building efforts. At the center of these efforts is capacity building for the African Cotton & Textile Industries Federation (ACTIF).

### A. About ACTIF

The African Cotton & Textile Industries Federation was incorporated in 2006 “to promote trade and increase market access for the cotton, textile, and apparel industry in Africa.” Although the federation was incorporated in 2006, conversations about the need for a pan-African advocate for the FTA sector, especially in light of advantages to be gained through AGOA, date to 2002. In particular, a 2005 summit with more than 200 representatives of the FTA sector on third-country fabric provisions that were set to expire illustrated the need for a regional or continent-wide body to serve as the voice of the FTA sector on AGOA in particular and trade-related issues in general.

This summit resulted in an agreement among attendees to form a regional African cotton and textile industry association to serve as the unified voice of the African FTA sector and address constraints to its development. With RATES’ support, ACTIF was born.

ACTIF was formed following a long market downturn with a mission of kick-starting growth throughout the FTA value chain, from subsistence farmers to major firms. The association describes its mandate as bringing together the “disparate needs of the cotton, textile, and apparel sectors into a cohesive and consensus-driven position at the regional and international trade and

#### AGOA Spurs Cooperation

“AGOA gave us a great gift—not just trade but the realization that no one African country will be a global player. We have to stand collectively to stand a chance, and AGOA was the catalyst for that.”

—Jack Kipling  
Export Council for the Clothing Industry  
South Africa

#### Creating Cohesion

“Our job is to create a common vision and a common goal. African countries and firms are not competitors; the competition is Asia.”

—Jas Bedi  
ACTIF Chairman

development forums; to be dedicated to the specific concerns of the industry; and to promote improved competitiveness in both the regional and global marketplace.”

ACTIF is one of three regional FTA associations; the other two are the African Cotton Association and the African Cotton Producers Association (not truly pan-African in scope or reach, and cotton sector specific), both of which represent cotton producers in West Africa, where ACTIF is seeking to increase its presence. In East and Southern Africa, there are no other regional associations working in ACTIF’s sphere of influence. ACTIF is the only organization on the continent that represents the full value chain, from cotton through to apparel.

## **B. RATES and COMPETE Support to ACTIF**

Both the RATES and COMPETE projects had a mandate of supporting the fiber, textiles, and apparel sector as a means of increasing regional trade and improving livelihoods in the region’s countries. However, there was a great divergence in levels of capacity within East and Southern African countries, with some countries focused on cotton cultivation and export and others emphasizing apparel manufacturing. In 2003, RATES analyzed the cotton value chains in East and Southern Africa and identified both farmers’ and manufacturers’ views of the constraints in the sector, as well as ideas for future development. The analysis made clear that there was a significant need for cotton-producing and cotton-finishing countries to work together on key policy, capacity-building, infrastructure, natural resources, human resources, and other constraints, as well as to increase linkages among the value chain at a regional level.

As a result of this analysis, RATES’ adopted a long-term strategy of strengthening the regional textile industry—the major buyer of cotton lint (which is mainly produced by smallholder farmers) and the beneficiary of preferential trade under AGOA. By focusing on the textile industry, RATES also hoped to increase regional demand for cotton and to create more market opportunities for smallholder farmers.

To support its efforts to strengthen the regional textile industry, the RATES program met with national trade associations and major companies to build consensus for a regional integration approach to developing the FTA value chain. RATES also facilitated the summit of more than 200 textile industry executives, described above, out of which ACTIF was born.

At the same time, the project began working on a trade networking website, [www.cottonafrica.com](http://www.cottonafrica.com), which was launched in 2004 to encourage vertical integration of the supply chain. Cotton Africa has been taken over by ACTIF now as its primary website and still hosts a trading portal that covers fiber, yarn, apparel, accessories and equipment.

Both RATES and COMPETE had a full-time FTA specialist supporting ACTIF in its day-to-day activities. RATES served in a “caretaker” role from the time of the ACTIF’s incorporation in 2006 until its establishment of a secretariat and board of directors in 2009. The projects’ specialist still sits on the board of directors in a non-voting, advisory role. One significant difference between the RATES and COMPETE programs is that the East and Central Africa Trade Hub was housed under the COMPETE project, while the trade hub was a separate project under the RATES period. The integration of the trade hub under COMPETE was particularly

beneficial to ACTIF, as the program was working not only to build capacity in the value chain but also to promote that value chain's exports, especially through AGOA.

In addition to day-to-day consultation provided by the projects' FTA specialist, RATES and COMPETE provided grants to ACTIF to build its institutional capacity and to fund activities that help the association to achieve its mandate. Exhibit A details the grants provided to ACTIF under the RATES and COMPETE program.

**Exhibit A: Grants ACTIF under the RATES and COMPETE Programs**

<b>Grant Dates</b>	<b>Amount</b>	<b>Objectives</b>	<b>Results</b>
October 2008 to March 2009 (RATES)	\$175,000	<ul style="list-style-type: none"> <li>Establish a formal ACTIF secretariat, establish “bricks and mortar,” and to take the organization to the next level of operational functionality by strengthening its institutional capacity, including its administration and financial management systems</li> <li>Represent the regional membership at national, regional, and international forums and leave advocacy actions for the best interests of ACTIF members and the region at large</li> <li>Complete ACTIF’s strategic plan and hold a consultative workshop on it.</li> <li>Establish a private sector agreed-upon position on the Common External Tariff structure to enhance intra-regional trade across the value chain and promote investments, which will be adopted by COMESA governments.</li> <li>Establish a COMESA regional industry strategy for the cotton, textiles, and apparel sectors, ready for implementation.</li> <li>Inclusion of private sector position in the modifications to the EPA interim agreement.</li> </ul>	<ul style="list-style-type: none"> <li>ACTIF Secretariat was established, but was not staffed during the grant period.</li> <li>Administrative and financial management systems, largely adopted from those used by the RATES project itself, were established.</li> <li>Office space, equipment, and supplies were procured.</li> <li>Strategic planning was initiated but not completed during the grant period, due to delays encountered on other activities.</li> <li>The ACTIF website was merged with the cottonafrica.com website developed earlier by RATES.</li> <li>A private sector consensus position on the EU Economic Partnership Agreement was reached (except on the “Home Textiles” category).</li> <li>A regional industry strategy for FTA sector was developed with COMESA and the International Trade Center, and an implementation committee was established.</li> <li>ACTIF developed a position paper for COMESA Customs Union’s negotiations on a Common External Tariff</li> <li>Regional briefings for ACTIF members were held.</li> <li>ACTIF held one of two planned board meetings.</li> <li>ACTIF subscribed to the International Textile Manufacturers Federation.</li> <li>ACTIF’s chairman of the board participated in the Prime Source Forum in Hong Kong.</li> </ul>
July 2009 to December 2010 (COMPETE)	\$754,472	<ul style="list-style-type: none"> <li>Strengthen ACTIF’s institutional capacity to carry out its mission and provide services to its members.</li> <li>Be the catalyst for effective public/private partnerships, promotion of regional dialogue, consensus building, increased communication, and creating an enabling environment for the growth of the cotton, textile, and apparel industries that will positively impact on trade and development.</li> <li>Promote the regional value chain approach to the development of intra-regional trade, create market linkages, exploit the opportunities afforded by existing trade agreements, develop effective use of market and economic data, and create an</li> </ul>	<ul style="list-style-type: none"> <li>Secretariat staff hired, including an executive director, trade policy and ICT manager, accounts manager, administrative assistant, and office assistant. Office procurements were completed.</li> <li>ACTIF representatives participated in regional and international meetings, including AGOA Forums in Kenya and the United States, the ICAC Plenary meeting in South Africa, IMTF conference in China, the ITC training program on trade with China, the first international conference on the Nigerian textile industry, and a south-south cooperation training in Thailand. The meetings helped to enhance ACTIF’s profile both regionally and internationally.</li> <li>ACTIF developed a white paper on AGOA sustainability that was circulated to all members following numerous meetings to develop a common position.</li> </ul>

		<p>interactive trading platform to enhance trade in both regional and global markets.</p> <ul style="list-style-type: none"> <li>• Assume a regional leadership role in regional and global trade policy deliberation, help establish an enabling policy environment that will exploit the latent potential in intra-regional trade, build the capacity of the private sector in policy formation, increase its ability to negotiate and seek trade advantages, and to develop unified regional positions.</li> </ul>	<ul style="list-style-type: none"> <li>• ACTIF secured funding from Danida to attend the AGOA Forum in the United States. At the forum, ACTIF voiced its recommendations to make AGOA more effective. The funding also provided ACTIF with an opportunity to study the CTA sector in selected Asian countries.</li> <li>• The organization drafted its first multi-year development strategy and operating plan.</li> <li>• The first Origin Africa Designer Showcase was held, launching one of ACTIF's key annual activities, during the annual general meeting.</li> <li>• ACTIF met with the Center for the Development of Enterprise (CDE) and Proinvest in Brussels to learn how to apply for assistance from these groups. ACTIF later applied successfully for funding from these groups.</li> <li>• National-level meetings with stakeholders were held in Tanzania, Swaziland, Mozambique, Ethiopia, Uganda, and Nigeria to introduce ACTIF, learn about national-level constraints, and identify potential linkages.</li> <li>• Two board meetings were held, one in Nairobi and one in Addis Ababa.</li> <li>• Second annual general meeting was held and attended by the Kenyan prime minister. The Board of Directors was elected.</li> <li>• <a href="http://www.cottonafrica.org">www.cottonafrica.org</a> was re-launched as ACTIF's website.</li> <li>• Validation meetings on COMESA industry strategy implementation meetings were held in Uganda, Malawi, and Kenya.</li> <li>• ACTIF facilitated meetings between Danish investors and actors in the Kenyan textile and value chain.</li> </ul>
<p>February 2011 to December 2011 COMPETE</p> <p>(Note: this grant originally was scheduled to end in October 2011 but ACTIF received a no-cost extension to the grant.)</p>	<p>\$274,000</p>	<ul style="list-style-type: none"> <li>• Promote trade in African cotton, textiles, and apparel (CTA).</li> <li>• Expand market access regionally and internationally under AGOA and the European Partnership Agreements (EPA).</li> <li>• Develop the sustainability of ACTIF for its continuity, to assist in the development of the CTA sectors in Africa and to assist in the development of competitiveness and trade.</li> </ul>	<ul style="list-style-type: none"> <li>• Planning and staging the Origin Africa Designer Showcase in Mauritius in March 2011.</li> <li>• Secured funding from TradeMark East Africa (TMEA) to travel to the United States to advocate for extension of AGOA and its third-country fabric provisions before the U.S. Congress.</li> <li>• Participated in the AGOA Forum in Lusaka, Zambia, where ACTIF continued to advocate for the extension of the third-country fabric provisions.</li> <li>• Attended the 7<sup>th</sup> International Cotton and Textile Conference at the invitation of the China National Textile and Apparel Council (CNTAC). ACTIF's Chairman delivered a presentation to introduce the association to attendees and held separate meetings with CNTAC representatives to discuss linkages and promoting Chinese CTA investments in Africa.</li> <li>• Organized a CTA value chain conference in Mombasa in</li> </ul>

			<p>collaboration with Kenyatta University and the Kenya Association of Manufacturers. The conference’s theme was “Addressing Issues Impacting the Competitiveness of the Cotton, Textile, and Apparel Value Chain in Eastern Africa: Exploring Opportunities for Trade, Capacity Building, and Investment.”</p> <ul style="list-style-type: none"> <li>• Te board of directors approved ACTIF’s strategic plan for the period of 2010-2014.</li> <li>• “Cotton Africa” magazine was launched.</li> <li>• ACTIF promoted its online trade linkages platform through various channels. As a result, the number of hits on the website increased.</li> <li>• ACTIF moved to new offices to reduce overhead costs.</li> <li>• The association sent representatives to the International Cotton Advisory Committee conference and the International Textile Manufacturers Federation (ITMF) conference to promote ACTIF and identify potential participants for the upcoming Origin Africa event.</li> <li>• ACTIF held its third Annual General Meeting in Uganda and held elections for its board of directors. Chairman Jas Bedi was re-elected for a second term; most of the other board members also were re-elected.</li> <li>• ACTIF secured funding from the CDE for a supply-side survey and to attend a Pan-African Cotton meeting in Benin; from Danida for a strategic corporate social responsibility and capacity building project; from the EU Cos Cotton Program to attend regional stakeholders meetings in East and Southern Africa; and from ProInvest to hold a training-of-trainers workshop in Nairobi.</li> </ul>
<p>January 2012 to February 28, 2013 (COMPETE)</p> <p>(Note: this grant originally was scheduled to end in December 2012 but ACTIF received a no-cost extension to the grant.)</p>	<p>\$486,731</p>	<ul style="list-style-type: none"> <li>• Provide a leadership role in the implementation of the COMESA “Cotton to Clothing” (CTC) strategy.</li> <li>• Improve the regional business environment, improve trade policies, and enhance opportunities.</li> <li>• Strengthen ACTIF’s institutional capacity.</li> <li>• Develop and enhance value-added products and services for members.</li> <li>• Hold the Origin Africa 2012 even in Ethiopia in partnership with COMPETE, the Ethiopian Textile Industry Development Institute (TIDI), and the Ethiopian Textile and Garment Manufacturers’ Association (ETGAMA).</li> </ul>	<ul style="list-style-type: none"> <li>• Established an implementation committee for the CTC strategy and coordinated with the Southern Africa Trade Hub (SATH) to align regional focus areas and activities.</li> <li>• Conducted an analysis of the revised rules of origin under the EU EPA and the proposed market access and rules of origin under the Tripartite Agreement (among COMESA, EAC, and SADC).</li> <li>• Developed private sector industry positions and recommendations on trade policy issues impacting market access and trade — including the EU EPA, the EAC’s rules of origin and the free trade agreement, and the Tripartite Agreement — and disseminated them through the association’s website and “Cotton Africa” magazine.</li> <li>• Scheduled its first assessment using the COMPETE</li> </ul>

			<p>Institutional Sustainability Maturity Model.</p> <ul style="list-style-type: none"> <li>• Expanded activities into firm-level interventions to strengthen networks and build linkages among businesses.</li> <li>• Continued to promote ACTIF and industry news through the association's website and magazine.</li> <li>• Undertook an EU end-market analysis to establish alternative market options and spread market risk.</li> <li>• Began development of an online textile directory, incorporating Harmonized System code classification features, as part of its efforts to increase inter-regional trade and provide a source of manufacturing information for regional and global retailers and brands.</li> </ul>
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## C. ACTIF's Institutional Capacity Development

The following section describe ACTIF's institutional capacity development during its years of assistance by the RATES and COMPETE programs is described. This section is organized along the major measurement areas of the COMPETE Institutional Sustainability Maturity Model (CISMM): organizational operations, financial management, human resources management, stakeholder relationship management, and knowledge management.

### C1. Organizational Operations

Organizational operations in the context of the CISMM refer to the processes and procedures used by an institution to promote operational productivity and effectiveness, to innovate, and ultimately to create and deliver value to the stakeholders. Under the model, the constituent elements of organizational operation are: leadership and vision; planning; program management; monitoring, reviewing, and reporting; and accountability.

*Leadership and vision.* Leadership and vision require not only a well-functioning board and high-performing senior management; it also requires articulation of organizational vision, mission, and operating principles, as well as a business case for and commitment to initiatives.

The vision for ACTIF's founding was clear: to serve as a unified voice of the African FTA sector; advocate for its interests, especially vis-à-vis AGOA; and to address constraints to its development. By all accounts, ACTIF is succeeding in this mission: all stakeholders consulted during the preparation of this paper underscored the value of the "unified voice" that ACTIF provides. From its beginning, the association has invested significant time and resources into promoting the African FTA chain in Europe, Asia, and the United States, even testifying to the benefits being realized under AGOA on Capitol Hill.

Despite the clear vision for ACTIF's purpose, actually getting the association up and running was a slow process. Although ACTIF was incorporated in 2006, the association's secretariat was not formed until 2009. In the intervening period, ACTIF functioned largely as an implementing partner for RATES and COMPETE, carrying out activities using grant funds, rather than an institution with its own mission and program. Indeed, during the interval between ACTIF's first grant and second grants (a period of nine months), the association ceased to be active.

Until a secretariat could be formed and institutionalized, RATES and COMPETE served in a caretaker role for the association. The projects' FTA specialist, Barry Fisher, served as the association's executive director and led its technical activities. Through Mr. Fisher, RATES and COMPETE shaped the operational foundation for ACTIF, including establishing administrative and financial systems necessary for the association. Many of the systems established for ACTIF were largely adopted from those used by the RATES project itself.

#### **Time and Commitment Necessary**

"One cannot underestimate the amount of time it takes to stand up an association like ACTIF."

—Jack Kipling  
Export Council for the Clothing Industry  
South Africa

During this early period, ACTIF was largely a two-person organization, with Barry Fisher serving as its acting executive director and another staff member serving as the program manager. Other ACTIF efforts were carried out by its Board of Directors and technical committees in global trade initiatives; investment and finance; inter-regional trade and supply chain issues; and production, ginning, and lint trade. The first board of directors was elected in 2008. Jaswinder Bedi, the managing director of a large textile manufacturing company in Kenya, was elected as ACTIF's founding chairman.

ACTIF's Board of Directors is made up of six directors who represent associations in the subsector categories of production/ginning, yarn/fabric, apparel, and two directors from the FTA corporate sector. Members in each subsector category elect two directors at the association's annual general meeting. Candidates must be the chairperson or other elected official of a national association or FTA firm. Board members serve two-year terms on a rotational basis and can stand for reelection. The chairperson, vice-chair, and other officers are elected by the directors, also for two-year terms.

It was not until 2009 that ACTIF formed a permanent secretariat, which operates out of Nairobi, Kenya. The secretariat is currently staffed with six people: an executive director, a policy and ICT specialist, a membership development specialist, a finance specialist, an administrative officer, and an office assistant. The level of staff has remained static since the formation of the secretariat, with consultants providing project-related surge capacity when needed. In addition, the staff has remained constant: no one has resigned their position since the secretariat was formed. The COMPETE project continues to provide salary support for all ACTIF staff, but is working to reduce the level of that support.

*Planning.* Planning is essential for an organization to determine the direction that it intends to pursue into the future and also provides a means of determining the organization's current needs.

ACTIF developed a four-year strategic plan in 2010. The plan provides a realistic assessment of the strengths, opportunities, weaknesses, and threats to both the nascent organization and the FTA sector it is seeking to represent through five steps:

- Understanding the environment within which the organization operates and the past performance of the FTA sector.
- Gaining insights into the needs and expectations of members and other key stakeholders.
- Setting out strategic priorities and choosing activities, bearing in mind the organizations resource constraints and its mission.
- Translating strategic priorities into work plans and budgets.
- Reconfiguring the organizational setup to ensure focus on the implementation of strategic priorities.

Although ACTIF's strategic plan is impressive in its detailed analysis, it does have some shortcomings. For example, membership and stakeholders were not surveyed as part of the strategy development process. Instead ACTIF relied on input gained through consultations as the association was developing a regional FTA strategy for COMESA. Although these consultations had been performed relatively recently before the strategic plan was developed, the lack of a

survey means that ACTIF does not have a quantitative baseline against which it can measure its success when evaluating its progress. In addition, its financial analysis was perhaps too optimistic on how quickly the organization would be able to wean itself off grants and develop its own, self-generated revenue streams.

*Program management.* Program management under the CISMM is defined as “the execution of the institution’s strategies through projects, requiring the performance of program/project activities and tasks with the aim of achieving the organizational objectives.”

Since its incorporation, ACTIF has sought to diversify its base of revenue generation beyond the RATES/COMPETE program by taking on consulting projects for other funders. Since 2010, it has succeeded in winning contracts from ProInvest, Danida, TradeMark East Africa, the EU Center for Development of Enterprise, COMESA, the Southern Africa Trade Hub, the U.N. Economic Commission for Africa and the West African Trade Hub, and the All-Africa Agricultural Commodity Program through the EU Cos Cotton Program. ACTIF also works in collaboration with the Kenya Association of Manufacturers to implement a \$1 million Innovative Project Development project to build capacity in Kenya, Tanzania, and Ethiopia. All projects provide some benefit to ACTIF as an association in addition to the fee it generates (presently, about 6 percent to 7 percent of total contract value).

*Monitoring, reviewing, and reporting.* Continuous monitoring, reviewing, and reporting of activities and progress toward organizational or project goals is essential to control performance, to apply appropriate corrective actions when needed, and to incorporate feedback into strategic and operational reviews.

ACTIF’s systems for reporting its progress toward achievement of its objectives for its COMPETE grants are well-honed. As far as organizational objectives are concerned, since ACTIF is such a young organization, it has performed a strategic planning process only once; its next strategic planning session is scheduled for 2014. And, as noted above, the association failed to set a quantitative baseline by surveying stakeholders during its 2010 strategic planning process. (It does perform ad hoc surveys during its annual general meetings). However, ACTIF does have several other means of reporting its work to its members and target audience, including annual reports, its quarterly “Cotton Africa” magazine (previously, a quarterly newsletter), its website, and through annual general meetings.

*Accountability.* The principle of accountability represents the relationship that an organization has with the outside world – with its stakeholders and for its stewardship of the organization’s resources. In conversations with senior management, it is clear that ACTIF takes seriously its responsibility for stewardship of the organization’s resources. In interviews for the development of this paper, Board Chairman Jas Bedi repeatedly referred to return on investment being of primary importance to him in determining which activities ACTIF should pursue and emphasized that if ACTIF cannot demonstrate its value to stakeholders, then the organization will cease to exist. This is particularly true of non-African stakeholders — primarily firms in China, Vietnam, India, and Bangladesh, whom ACTIF increasingly is courting. This is particularly important because the association’s African members are not able to pay a reasonable fee that will allow ACTIF to recover its costs.

## C2. Financial Management

As noted above, ACTIF keeps a close eye on maximizing results with the resources at hand. To that end, the association has taken advantage of cost-cutting measures — such as moving to less expensive office space and holding its board meetings via Skype to reduce travel costs — where it can. However, such measures can only make so much of an impact on the association’s bottom line.

ACTIF is well aware that USAID support through COMPETE and RATES may be coming to an end and that USAID may not choose to continue to support the FTA sector in the succeeding project. Therefore, the association has developed a plan for future financial sustainability that it hopes will see the organization be 80 percent self-funded by 2014. To be 100 percent self-funded, the association foresees that its revenue stream would break down as follows:

- 50 percent of revenues will come from ACTIF’s “go-to” event, the Origin Africa Designer Showcase, which is held every year.
- 15 percent of revenues will come from its membership dues (from both African members and international members).
- 25 percent to 30 percent of revenues will come from fees on consulting projects.
- 10 percent to 15 percent of revenues will come from advertising in ACTIF’s “Cotton Africa” magazine and on its website.

To achieve this plan will be a tremendous challenge for ACTIF. In 2011, only 11 percent of ACTIF’s revenues were self-generated. In 2010, that figure was 3 percent.

Like many associations, ACTIF’s financial sustainability depends on its “go-to” event, or an annual event that is viewed as a “must do” by the association’s stakeholders on the continent and abroad. For ACTIF, that event is Origin Africa, which brings together manufacturers, designers, small businesses, exporters, buyers, and retailers to promote African trade in textiles and apparel. The event includes a fashion show, trade exposition, and a seminar series and draws buyers and sourcing agents from major brands in the United States, Europe, and elsewhere. More than 200 delegates, 20 international buyers, and 30 designers attended the most recent Origin Africa event, held in Ethiopia in April 2012.

To date, three Origin Africa events have been held: in Kenya, Mauritius, and Ethiopia. Each was staged with significant planning and financial support from the COMPETE project, and it remains unclear if ACTIF has the commitment or resources to be able to execute an Origin Africa event by itself. However, the association has ambitious plans for Origin Africa; in addition to relying on the event to generate 50 percent of its annual budget, ACTIF would like the event to generate \$50 million in trade and \$150 million in investment each year. While the trade and investment goals are not unrealistic, continued interest in investment in Africa will depend upon AGOA being extended, and for a timeframe that will allow investors to feel confident that they will be able to recoup their costs.

While Origin Africa is ACTIF's best means for generating revenues in the short term, this will only be the case if exhibitors and others who benefit from the trade show pay for the service. To date, securing paid participation in the Origin Africa events has been troublesome, and as a result, the shows have not been profitable. In the long term, financial sustainability will require ACTIF to increase its membership base with more international members and increase its membership fees. Currently, membership fees make up only 7 percent of ACTIF's self-generated revenues or less than 1 percent of the association's annual budget in 2011. (In 2010, those numbers were 52 percent and almost 2 percent, respectively.) However, there are concerns that even more members will not pay their fees if they are raised. As a result, ACTIF's financial situation remains perilous if USAID support is not continued, either through the successor project to COMPETE or through the USAID Forward initiative.

### **C3. Human Resources Management**

Human resources management is a challenge for many nascent associations, which often cannot pay salaries that attract and retain high-quality staff. However, ACTIF has excelled in building and retaining its secretariat team. In fact, ACTIF has a perfect staff retention rate: No one has resigned from the association.

The secretariat has six staff: an executive director, a finance manager, a membership development officer, an administrative officer, and office assistant. Given the importance of Origin Africa to the association's future, the association may hire an event manager, who would be 100 percent dedicated to planning the annual event, in the future. However, ACTIF has focused on keeping its secretariat staff "lean and mean," in the words of its executive director, Rajeev Arora, as a way of keeping costs down. While this is important for the association's financial health, a lack of human resources puts a greater burden on the association's board of directors, who must dedicate significant time to ACTIF's day-to-day operations. A stronger secretariat would allow the board to play a less important role.

ACTIF is approaching a very vulnerable stage in its development: The association's founding chairman, Jaswinder Bedi, will potentially step down in late 2013. A succession plan is in place (per the association's corporate governance structure, the deputy chairwoman will become the chair), but the loss of Mr. Bedi, who is a particularly engaged leader, will be difficult for the association — especially given the importance of the board of directors to the association's day-to-day work. Although the transition of leadership is an important milestone for the association, it is the source of some anxiety among ACTIF's staff and stakeholders.

### **C4. Stakeholder Relationship Management**

With a vision of working "from farm to fashion," ACTIF has a diverse base of stakeholders that it needs to keep engaged. As an umbrella organization, ACTIF draws its members from national trade associations, related agencies, and organizations engaged in the cotton lint, fabric, and apparel value chain. In countries without such associations, a private company may become a member to represent its nation's FTA sector within ACTIF. In addition, ACTIF has a special "Associate" membership category that allows both regional and international associations and organizations, as well as representatives from relevant industries such as banking or equipment

manufacturing, to participate in the organization. In 2013, ACTIF extended its membership to include private FTA firms, thus expanding its membership base.

ACTIF relies on its members to carry on its issues at the national level. However, some of its members are weak, with little or no secretariat support or organizational strategies. In part, this is directly related to the status of the industry in each country; for example, in countries where cotton production is strong the cotton associations also are strong, and vice versa. ACTIF has offered capacity building assistance to national associations during regional stakeholder forums, which have provided an opportunity for weaker associations to link up with stronger groups both regionally and internationally to exchange information on how to develop value for their members. This is important because a lack of capacity among national-level associations inhibits the development of the regional value chain.

ACTIF aspires to be pan-Africa, and its membership has moved beyond national associations in East and Southern Africa to include Nigeria, Ghana, Cote D'Ivoire and Mali. In addition, the association is placing strong emphasis on recruiting international members, especially from textile powerhouses such as China, India, and Bangladesh, as a means of promoting the investment possibilities in Africa. Indeed, with limited potential to expand its membership on the continent because it is an umbrella association, the future focus of ACTIF's membership-building activities must be non-African firms and organizations, which can become associate members of ACTIF. The association's value proposition to potential associate members is that it can serve as a matchmaker or gateway to the African sector for international firms. Already, ACTIF has developed a memorandum of understanding on investment with the China National Textile and Apparel Council (CNTAC) and has reciprocal membership with the Textile Export Promotion Council of India.

<p style="text-align: center;"><b>FTA Sector Vulnerable</b></p> <p>Currently, the cost of producing apparel in Africa is higher than in Asian super-producers such as China, Bangladesh, Vietnam, and Cambodia. The AGOA third-country fabric provision makes Africa cost-competitive, but if it's allowed to expire, the African apparel sector will be devastated.</p>
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ACTIF also participates in international forums on the cotton and textile industries; it is a member of the International Textile Manufacturers Federation (ITMF) and the International Cotton Advisory Committee (ICAC). Membership in these international associations has been key to ACTIF's own capacity development by allowing insight into the latest development and trends, establishing linkages for regional events such as Origin Africa, and identifying new potential members from outside the continent. For example, through its membership in the ICAC, ACTIF has been able to access information on best practices for boosting production and quality; obtaining market, production, and price trends; mitigating cotton price risks; and other types of information that it can share with its members. In addition, ACTIF's chairman, Jaswinder Bedi, now sits on the board of the ITMF, which allows ACTIF to further reinforce its role as the voice of the African FTA value chain.

Despite its outreach to international stakeholders, ACTIF must ensure that it remains relevant to its African members. The association, which carries out membership surveys at its annual general meetings, has identified the following priorities that it believes are key to maintaining its relevance:

- Strengthening the supply chain, as linkages, are still weak.
- Increasing membership. ACTIF has set a goal of having 60 textile firms and 60 apparel manufacturers as members by 2015.
- Reducing exports of raw cotton. Seventy percent of the 1.2 million tons of raw cotton produced in Africa is exported with no value addition. ACTIF estimates that if all the raw cotton were converted into apparel, the total contribution to Africa's GDP would increase about 15-fold, which would have an immense impact on employment.
- Increasing global competitiveness. ACTIF works with key regional bodies, including the EAC and COMESA, to represent its members' interests at the regional and international level in an effort to improve the policy environment.
- Emphasizing value addition. ACTIF is promoting investment in textiles to stimulate greater FTA growth and diminish dependence on the AGOA third-country fabric provision.

These priorities will help ACTIF complement the work of national associations and accomplish what country-level organizations cannot do—work on regional trade agreements, facilitate relationships among actors throughout the value chain in different countries, and serve as a gateway for international firms entering the African market. However, given the nature of ACTIF's work, it continues to face a common problem for associations: non-members receive the benefit of ACTIF's work, which has effects through the African value chain, without necessarily having to pay for it.

## **C5. Knowledge Management**

Knowledge management should be at the center of member services, as specialized knowledge management products targeting its members concerns could illustrate ACTIF's value to its members — value that is worth paying for. ACTIF currently produces a quarterly magazine for members called “Cotton Africa.” However, the magazine can be downloaded from ACTIF's website, which does have a password-protected section for members. The site also hosts a trading platform, which requires registration to use.

Many of ACTIF's knowledge management products are developed as part of its work for international donors. For example, the association is currently working on a supply-side analysis for COMESA, the Southern Africa Trade Hub, and the Center for the Development of Enterprise. While donor-funded activities are important to ACTIF's financial sustainability and have a positive impact on the sector as a whole, they do not necessarily have value to members in and of themselves.

Where ACTIF has excelled in knowledge management and communications is in promoting the FTA sector and serving as an advocate for its members' interests vis-à-vis AGOA and the EPA. However, as stated above, these activities are a benefit to the entire FTA sector, and not only its members. To continue to attract members — and persuade them to pay their dues — ACTIF will need to dedicate the time and resources necessary to define the knowledge management products that it can develop and sell to its membership.

## **D. Challenges and Lessons Learned**

In ACTIF, the RATES and COMPETE projects have built from the ground up an association that already has had strong impact on the FTA value chain. The association, which coalesced around a mandate of maximizing benefits to the sector under AGOA, has done just that and is now working to make Africa a global player in textiles and apparel. Throughout, RATES and COMPETE have provided day-to-day assistance to the association, by giving it the basic building blocks for success and models to emulate. ACTIF's stakeholders and staff note that the projects have provided balanced mentoring and monitoring, and have not been afraid to apply pressure when it is needed. ACTIF also realizes that they must diversify their donor base to decrease reliance on one entity, in this case USAID.

The COMPETE project design of incorporating the ECA Trade hub with value chain work has allowed the project to increase its impact by strengthening the FTA value chain and enhancing linkages with AGOA. Origin Africa has been COMPETE's mechanism for achieving this, and the project has generated considerable value for the "Origin Africa" brand. However, the ownership of this brand is uncertain; technically, it is USAID's. The COMPETE project and its prime contractor, Chemonics International, have been exploring ways to trademark Origin Africa in a way that will allow that trademark to be transferred to ACTIF or to any successor project to COMPETE that will continue the efforts COMPETE has commenced under the Origin Africa brand. However, the uncertain status of the Origin Africa trademark is a considerable disadvantage for ACTIF, which is staking its future financial sustainability on annual Origin Africa events, to say nothing of the revenues it could generate using Origin Africa as a certification that denotes to consumers that any goods so marked are produced in socially and environmentally responsible manners.

On a related note, each of USAID's three trade hubs in Africa has developed their own brands for promoting African goods. The Southern Africa Trade Hub uses "Source Africa," while the West Africa Trade Hub has developed an "Africa Now" program. USAID and ACTIF are seeking greater collaboration among the Hubs in this and other areas to ensure individual projects' efforts are not detracting from larger, common goals.

Finally, it remains unclear if ACTIF has the necessary human and financial resources to sustain Origin Africa, which includes both international promotion of the brand and African producers through trade shows and the annual Origin Africa event. This could be a fatal flaw in the projects' development and support to ACTIF, unless assistance is continued by USAID or its projects until the association is able to carry on this activity independently and profitably.

## **E. Moving to USAID Forward**

Without USAID, the African Cotton and Textiles Industries Federation would not exist. Its successes are USAID's successes, and its impact is a testament to USAID's work. However, it is clear that the association, while focused on achieving sustainability, has a way to go before it is fully self-sufficient. Therefore, its future is also in USAID's hands.

In early 2012, USAID/East Africa released an Annual Program Statement calling for proposals to be funded under its USAID Forward initiative, which seeks to increase the amount of direct

funding USAID provides to local associations. The APS focused on the staple foods sector, which would exclude ACTIF. While staple foods are certainly key to the continent's food security and the prosperity of millions of Africans, other value chains, including FTA, are also engines of job creation, income security and economic development — perhaps even more so. ACTIF estimates that if all raw cotton currently exported without value addition remained in Africa and was processed into textiles and apparel by African producers, the FTA sector could be worth approximately \$45 billion a year, or about 18 percent of the continent's GDP.

ACTIF has undergone its first assessment using the COMPETE Institutional Sustainability Maturity Model, which seeks to measure an organization's capacity in organizational operations, financial management, stakeholder relationship management, human resources management, and knowledge management. Capacity in these areas is vital to ensuring that ACTIF will be a good steward of U.S. taxpayer dollars that it receives via USAID. Findings show that ACTIF's corporate governance framework is first-rate and that it has good administrative systems and procedures. The findings also underscore that ACTIF faces severe financial constraints. Therefore, it appears to be a good candidate for direct USAID funding if support is not continued through the follow-on to the COMPETE project. Continued support would ensure that USAID's investment to date is protected and reaps its intended benefits.