



African Cotton & Textile
Industries Federation

ACTIF Newsletter

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Cotton to clothing Stakeholders meeting in Egypt

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On behalf of the ACTIF Executive Board, I would like to welcome all dignitaries and delegates to the launch of ACTIF and Origin Africa Designer Showcase being held in the beautiful city of Nairobi.

As many of you are aware, ACTIF was set up in June 2005 by the cotton, textile and apparel sectors from across Africa

with the single mandate of forging a unified and recognized voice in both regional and global trade affairs.

The organisation initially operated under the RATES umbrella until last year when the fully fledged secretariat was established in Nairobi. The launch of ACTIF therefore marks a milestone in the organisation's life.

In many ways, ACTIF's formation is the clearest manifestation of a general consensus by individual African countries that they can no longer act in isolation or remain fragmented in this globalised world. Our members recognise the need for regional integration that would in turn lead to market enhancement, increased business linkages, trade and investment.

It is gratifying that barely 5 years since its establishment ACTIF has a strong membership of 29 National Associations drawn from 18 countries in Africa.

Our members continue to enjoy a wide range of services including access to a website with relevant industry information, access to an online trade link and access to a comprehensive trade directory, all of which are imperative in equipping business people with trade and market information. There are also other opportunities which members can take advantage of such as participation in

regional and international meetings and capacity building workshops.

Over the last five years, the ACTIF team has been aggressively involved in promoting regional integration in collaboration with key partners such as COMESA, EAC & SADC. We have also been actively involved in promoting market access across the region as well as to the United States through the African Growth and Opportunity ACT (AGOA). Indeed our contribution to the AGOA extension and efforts to push this trade preference program to permanency beyond its current life cannot be overemphasised.

These are important achievements and I must pay my sincere gratitude to the staff of ACTIF, board members, ACTIF members, our partners, collaborators and donors who have remained steadfast in ensuring that ACTIF realises its long term vision. Special mention goes to USAID and its COMPETE program for the seed money and technical backing, without which we would not have come this far.

Before I end my statement, I would like to welcome our newest member from West Africa, Nigeria, to the ACTIF family. Nigeria becomes the 18th member of ACTIF and the Nigerian Textile Manufacturers Association (NTMA) and Nigerian Textile Garment and Tailoring Employers Association (NTGTEA) the two new national associations from West Africa. This now gives ACTIF presence in every part of the continent and makes ACTIF a truly Pan African Federation. It is also a vital step towards creating a powerful lobby and trade voice for the African cotton and textile value chain.

Finally, I wish all our delegates, designers and service providers, a safe and successful stay in Nairobi.

I thank you.....Asante Sana

Jaswinder Bedi
Chairman

Egypt: Enhancing Sustainable Partnership

ACTIF Executive Director, Mr. Rajeev Arora, and Program Manager, Mr. Fred Kong'ong'o attended a round table meeting for stakeholders in cotton, textile and garment industry in Cairo, Egypt. The theme of the meeting was "Enhancing sustainable partnerships to promote regional Farm to Fashion value chain."

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Swaziland Focuses on Full Integration of Cotton, Textile and Garment Value Chain



Cotton to clothing stakeholders meeting in Swaziland

Stakeholders in the cotton and textile industry met at the Royal Villas, Ezulwini, Swaziland on March 29 2010 to deliberate on the status of the cotton-to-clothing value chain. Participants included 17 from the public sector and 16 from the private sector.

The Executive Director of the African Cotton and Textile Federation (ACTIF), Mr. Rajeev Arora, welcomed the participants to the meeting and called for open and interactive debate.

ACTIF Program Manager Mr. Fred Kong'ong'o, made a presentation in which he described ACTIF as a regional trade body in the Cotton, Textile and Apparel sector with a mission of promoting trade and increasing market access for the Cotton, Textile and Apparel Industry in Africa.

Mr. Kong'ong'o observed that ACTIF has a strong membership of 29 National Associations drawn from 18 Countries in Africa. Nigeria, he noted, was the latest country to join ACTIF and efforts are underway to attract more members.

ACTIF members benefit from a range of services including but not limited to access to website with industry information, access to an online trade link, access to a comprehensive trade directory, access to trade and market information, participation in regional and international meetings and capacity building meetings.

ACTIF is actively involved in promoting regional integration in collaboration with key partners such as COMESA, EAC & SADC. It is actively involved in promoting market access across the region as well as the United States European Union market.

The regional body played a crucial contributor to the AGOA extension. Efforts are underway to push for a further extension beyond the present third country fabric provision that is set to expire in 2012.

The foregoing, among other issues, will dominate debate at the upcoming ACTIF AGM and official launch slated for April 27th and 28th this year. Plans are also underway to hold a Southern Africa Market Access workshop on 25th – 26th May 2010. Swaziland was invited to nominate some participants to this workshop.

Status of Swaziland Cotton Industry

The Swaziland Cotton Board made an exciting presentation on the status of the cotton industry in Swaziland.

Swaziland's history with cotton dates back to 1922 when the first crops were planted. Ginning was initially done in Johannesburg, South Africa. The first ginnery in Swaziland was set up in 1965. The Swaziland Cotton board was a key institution in the process offering numerous services including extension services, provision of certified seeds and credit finance, transportation of seed cotton to the ginnery, ginning and marketing lint and seed, directing activities of the cotton breeding and entomology units of the Agricultural division.

Today, however, cotton is faced with numerous challenges, chief among them being the high cost of inputs, persistent droughts, unfavorable world prices and lack of advanced technologies in cotton research. Others are the absence of irrigation facilities, insufficient cotton put through the ginnery and lack of sufficient funding for extension services.

These challenges have led to a massive decline in the industry with average production falling from 16,000 tons in 1989-1998, to a meager 4,210 in 1999-2008.

Multiple interventions have been put in place to revive the industry. A turn-around strategy published last year sets out to increase production to 10,800 MT of high quality seed cotton by 2014. Also central to the strategy is the efficient purchase and processing of seed cotton to create high quality lint and obtaining the highest value for cotton lint and seed produced. The strategy proposes

to strengthen links between all sectors of the value chain.

The expected outcomes of this initiative include a sustainable cotton industry, a fully integrated cotton, textile and garment value chain that maximizes AGOA benefits and increased income for cotton farmers in drought prone areas.

Left to Right: Barry Fisher of USAID COMPETE, Rajeev Arora of ACTIF, Earl M Iving, US Ambassador to Swaziland and Fred Kongongo of ACTIF during the Stakeholders meeting in Swaziland



Possible Areas of Collaboration

- 1. Cotton product diversification:** The meeting was informed that seed cotton production and earning has reduced drastically in Swaziland due to drought and cotton production and marketing systems respectively. ACTIF advised the meeting that the best way to increase incomes for ginners and farmers is to diversify into other products like edible oil and cake production. ACTIF can share information on cotton systems applied by its members/ countries across the region to Swaziland cotton stakeholders to pick the best practices that maybe applicable to the local conditions.
- 2. Trade Linkage:** The spinning sector in Swaziland has the capacity to supply good quality yarn to the regional and international market. However there is limited information on the regional yarn supply and demand. ACTIF in collaboration with USAID-COMPETE is currently carrying out a study on this area.
- 3. Trade Association Institutional Capacity Building:** During the discussion it was revealed that there is no textile and apparel trade organization in Swaziland. The Textile and apparel sector used to have a labor organization that collapsed. This is a key area where ACTIF can assist in providing the information needed for institutional formation. It can also organize a follow up capacity building programs aimed at assisting stakeholder in the textile and apparel sector to form an association that can cater for the interest of the stakeholders.
- 4. AGOA Collaboration –** ACTIF is currently working on a policy position paper aimed at lobbying the USA government to enhance AGOA provision and not to provide similar preferential market access to the Asian super competitive duty free and quota free market access (DFQF). This is a key area of collaboration with all the stakeholders in Swaziland to ensure that there is a common position from the Sub-Saharan Africa to the USA government
- 5. Provision of Market information:** This is another key area of possible collaboration. Stakeholders in Swaziland expressed their interest in receiving the latest market data and market intelligence. ACTIF has been and continues to provide this information through its highly rated www.cottonafrica.com website mailing. This will provide the industry with the much needed information to make investment and production decision.



Group Picture taken during Cotton to clothing Stakeholders meeting in Egypt

Egypt: Enhancing Sustainable Partnership

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Huge Potential for Value Addition

Mr. Arora emphasized ACTIF'S goal of having a unified voice in the region in order to promote Trade in the cotton, textile and apparel value chain. He noted that numerous opportunities existed in the region considering that African countries grow 12% of world cotton demand but export 90% of raw cotton.

"A huge potential exists for value-addition on regionally grown cotton and in securing a greater share of the US market with a competitive advantage ranging between 16% and 32% on tariff from cotton to polyester under duty free market access," said Arora.

However, he noted that several challenges affect the sector in most African countries. These include poor logistics and infrastructure support; high costs of doing business; limited access to markets; declining prices; declining buyer interest; challenges of predictability and sustainability beyond 2015; unfair competition owing to subsidy programs offered by competing countries and competition from other US trade preference programs and FTA agreements.

He also highlighted the importance of joining ACTIF in order to synergize with the other members with the objective of promoting trade in Africa. Some of the services available to members include access to a trade directory of the regional stakeholders; news and updates on regional and global trade developments; B2B Linkages; Access to trade and market news to members via a newsletter, e-flashes and on the website; and invitations to participate in regional and international events.

Egypt's Cotton, Textile and Garment Industry Looking Up

Mr. Ahmed Ezz el-Din, Treasurer, Textile Export Council (T.E.C E) said the textile industry accounts for 3% of the GDP, 27% of industrial output and about 14% of non petroleum exports. Careful supervision by the government has enabled the sector to rank second in production after agro industry and first in terms of jobs in the country (30% of the labor force). The strength of the industry lies in three main areas: Raw materials that are locally available including natural fibres (extra long staple cotton) and manmade fibres (acrylic); low prices of utilities such as energy and water costs; Human resources with low labor costs and highly trained personnel. Another advantage of the Egyptian cotton and textile sector is its larger population of about 83 million people. Egypt is also strategically located with an average 4 hour flight time

to most European capitals; its close proximity to North America as compared to the Asian countries; availability of direct vessels to USA East Coast; proximity to Gulf of Asia and Africa. The conducive environment in Egypt has led to massive investment in the industry and currently some major International brands are manufactured there including: GAP, LEVIS, MARKS and SPENCER, Liz Claiborne, TOMMY HILFINGER, POLO RALPH LAUREN, GUESS, C&A, NEXT and HUGO BOSS.'

For his part Mr. Iman Hosny, Executive Director, Home Textiles Export Council (H.T.E.C), said the total export value for 2008/2009 financial year was estimated at over 5.2 billion USD with 172 companies and a labor force of 127,997. The bulk of the exports comprise knotted fabrics and textile floor coverings accounting for 53%. The other sectors include cotton towels 25%, bed sheets and towels 15%, man-made carpets 3% and the rest of the textiles sector accounting for 4% of the exports. The main export destinations include USA 44%, Italy 24%, UK 16%, Germany 8% and the Netherlands 8%.

Through H.T.E.C, members are able to take part in various local and international exhibitions including: China Home Textiles; Heimtextil, Germany; Global Home Textiles, USA; EVTEKS, Turkey; and Furnex, Egypt.

Eng. Sahar Youssef, Textile Sector Manager, Industrial Modernization Center (IMC) said his organization has been instrumental in supporting the textile sector in Egypt. Specific projects that it runs for the textile sector include: textile development strategy; export readiness assessment; establishment of the textile technology center; waste water treatment study for textile cluster; Gap analysis for spinning & weaving; Dye house upgrading clusters; Environmental compliance & Oeko-tex certification cluster. IMC has set some new targets for the textile industry including increasing Textile and Ready Made Garments Exports from 15.4 billion EGP in 2010 to 23.4 billion EGP by 2013; adding 286 new exporters in the industry; attracting 21.2 billion EGP investments; offer training for 90,000 factory workers and adding 240,000 new jobs in the sector.

Possible areas of collaboration

During the meeting the industry expressed interest in collaborating with ACTIF in the following areas;

Lint Trade

Egypt produces long staple and extract long staple lint that is majorly for export market and a small portion consumed by the local textile mills. The local spinning industry is currently importing cotton from Syria, Sudan

and Greece to meet the local demand for medium staple length lint. Being a COMESA member country, the local spinners can import lint from within COMESA duty free.

However, the industry also faces a number of challenges notably, sanitary and phytosanitary requirements by the Egyptian Government Ministry of Agriculture and a lack of regional lint market information, among others. The Industry welcomed the ACTIF initiative and pledged to work with ACTIF to look at the possibilities of breaking some of the barriers to open up the Egyptian cotton market for the regional lint. This can be done through the Production Ginning and Lint trade committee. There were suggestions from ALCOTEXA to organize the mapping of the regional cotton growing areas as required by the Egyptian Government Ministry of Agriculture as this can allow the Egyptian spinning industry to import lint from other African countries.

Promotion of trade in regional fiber, textiles and apparel

Egypt is one of the few African Countries that has developed the full Farm to Fashion value chain. There are opportunities to work with other African countries to develop synergies in the value chain. For example, the demand for cotton yarn for the Egyptian home textile industry is on the increase to produce high quality home textiles and apparel that can be traded within and outside the region.

The industry is interested in developing a B2B event with ACTIF aimed at matching demand and supply across the region. The initial idea is to start with a bilateral B2B then upscale it to a regional B2B. This will stimulate demand and provide market data that manufacturers and buyers need to make decisions

Co-operation in developing Original African Brands

ACTIF team was informed that the Egyptian Chamber for ready Garments is currently working at developing original Egyptian Brands using the Egyptian cotton label. The initiative is being undertaken in collaboration with the Egyptian designers and local value chain stakeholders. Egyptian Fashion designers have been allocated space by the Paris Fashion week designers to promote the Egyptian original designs. Since ACTIF in collaboration with USAID-COMPETE program has launched the Origin Africa Brand to promote the regional Farm to Fashion supply chain by supporting and promoting upcoming designers, the chamber suggested that this can be an area for collaboration. The Egyptian Fashion designers through Ms Marie Louis Bishara who is the vice Chairman of the Chamber for ready garments would like to participate in the organization's activities to enhance information exchange and collaboration with other designers from the rest of Africa through ACTIF



Kenya: Growing Agriculture through Finance

On 17th March 2010, farmers, agri-based institutions, financial institutions, international development partners and Government representatives gathered at the Kenya School of Monetary Studies in Nairobi, Kenya at a forum sponsored by USAID COMPETE, Central Bank of Kenya and the Kenya School of monetary Studies.

The meeting had two key objectives:

1. How to make resources available to the agricultural sector
2. To advocate for innovative solutions that ensure financial instruments get to the farmer

Linkages between monetary policy and agriculture

Kenya's Central Bank Governor, Prof. Njuguna Ndung'u, reminded the forum that agriculture supports up to 80% of the rural population and contributes 24% of GDP. Food security, he said, is a key concern that cuts across all developmental issues.

Prof. Ndung'u was emphatic that financing agriculture is not just a matter for banks rather it was a matter that should involve all the institutions across all sectors of the economy. The Governor said small holder farmers have consistently filled in the gap with their immense contribution to food security over time towards food security. Unfortunately, however, they have not been supported across the value chain as they face numerous challenges including: lack of insurance; poor or lack of storage facilities; poor infrastructural support and limited or lack of access to credit. Appropriate monetary policy is needed in order to fully support the Agricultural sector. Support is needed in three key segments of the value chain i.e. efficient production, processing and storage.

Opportunities in Agricultural Finance

Kenya's Finance Minister, Hon Uhuru Kenyatta, observed that prolonged droughts and encroachment on water catchment areas as well as limited rural finance remain the primary challenges for Agriculture. According to him farmers needed to move beyond peasant farming and embrace value addition within the full value chain. He said his Ministry was set to increase the allocation for Agriculture to 4% of the GDP. Kenyan farmers are already benefiting from subsidized inputs such as fertilizer. Plans are also underway to team up with the other EAC countries to set up a fertilizer manufacturing plant. The government has also committed some funds for the revival of major irrigation projects.

His Agriculture counterpart, Hon. William Ruto, concurred that Credit and finance are key for the growth of the agricultural sector. Unfortunately, support for the sector has been declining from all fronts while financial institutions are recording massive profits. Support from the government is still well below the Maputo declaration.

More than 70% of Kenyan farmers are small scale yet only 30% of them use certified seeds. There is a lot of room for growth considering that more than 10 million Kenyans are still facing starvation. Close to 3.8 million hectares is available for production yet only 2.2 Million or 57% is being utilized. Plans are underway to establish an Agricultural Development Fund. The objective is to avail financing to the sector at less than 10%. There is a need for the government to increase its support beyond the allocation of 4% of the GDP. Financial Institutions should also direct at least 2 to 3 % of their financing to Agricul-

ture. The ministry of Agriculture is also collaborating with Equity Bank and Alliance for Green Revolution in Africa (AGRA) to avail financing to farmers by setting up a \$ 5 million credit guarantee facility. Numerous financing opportunities exist in other related areas such as security, insurance and climate change initiatives.

Best practices in Agricultural Financing

Dr. Mutua Waema, Representative in Eastern Africa - Rabobank Foundation

Rabobank Group is an international financial services provider operating on the basis of cooperative principles. It offers retail banking, wholesale banking, asset management, leasing and real estate services. Focus is on all-finance services in the Netherlands and on food & agri internationally. It offers a lot of support to farmers including capacity building grants. It emphasizes on reduction of transactional costs in order to maximize on profitability. They only support initiatives that have a clear economic benefit to the farmers. All policy leaders involved must be farmer oriented. The banks acts as a link within the food and agribusiness chain by offering support to: primary producers seeking credit for crop development; global traders who want to cover commodity risks; investors seeking opportunities to profitably invest in Food & Agricultural funds or a processor with ambitions to expand internationally.

Partnership in Agricultural Finance

Ms. Fatima Yousif, Project Manager, International Advisory Services, Frankfurt School of Finance and Management

Frankfurt School of Finance and Management is a leading private business school based in Frankfurt am Main, with over 86 regional education centres spread across Germany and several joint ventures abroad – a business school with a difference.

In order to further contribute to increasing access to finance for the low-income population and to better serve our clients in Africa, International Advisory Services (IAS) opened its first regional office in Nairobi, Kenya, in June 2008. Among others, their services cover a broad spectrum of financial issues and include: market research and financial sector diagnostics as well as feasibility studies; development and implementation of technical assistance measures to improve the institutional capacity of commercial banks and microfinance institutions; assistance in major change processes, such as transformation and merger exercises. IAS has successfully implemented over 300 projects in more than 50 countries. One of its successful projects is found in the Turkish Commercial Banking Sector that has moved towards Agricultural Lending. The Small Enterprises Loan Programme (SELP II) was initiated by the European Union and implemented in co-operation with Turkish Under secretariat of Treasury, Council of Europe Development Bank (CEB) and KfW – Development Bank. More than 1,200 loans were extended to farmers for more than €7 million, which is 20% of the total loan portfolio in number of loans and approx. 11% of the loan amount.

The average loan amount is approx €5,700 and the average maturity is 15 months; 70% of the loans are for working capital; 37% of the loans extended to new clients; More than 1,900 jobs created and more than 4,200 jobs secured.

Agricultural value chain and turnaround of RIVATEX

Prof. Richard Mibe, Vice Chancellor - Moi University

Moi University is a unique institution that works directly with farmers in various projects. One of its unique achievements is the turnaround of RIVATEX, one of the textile companies that had collapsed in Kenya. They work with farmers and help them to grow high yield cotton varieties. Rivatex is currently a Moi University facility for Research, Product Development, Extension and Production. The University acquired the facility (New RIVATEX) for the purpose of enhancing the capacity of training more students on industrial techniques, and to facilitate industrial research for staff and students. The project has been very successful and has a major impact on University, the farmers and the textile sector as a whole in Kenya. They continue to engage more partners for the purposes of strengthening the facility and expanding beyond the current capacities.

Conclusion

Various banks along with Agricultural Finance Corporation indicated that they were already supporting the sector through numerous programs. However the farmers and farmer groups represented noted that the support fell well short of their expectations. Urgent and time based action needed to be undertaken so as to move beyond the discussion level to impact on the industry. It was unanimously agreed that there was a need to set up a networking group that draws representation from all the sectors of the Agricultural value chain. This group would then analyze the issues raised and propose specific measures that could be undertaken in the short term and long term. It was clear that the industry would only move forward if there is a clear private public sector partnership framework with a focus on developing Agribusiness. USAID COMPETE indicated its willingness to support the initiative in order to move the industry to the next step.

ACTIF, Education for Employment (EFE) Foundation Egypt explore areas of partnership

While in Egypt, The ACTIF Executive Director, Mr. Rajeev Arora, met with Ms. Shahinaz Ahmed, the Chief Executive Officer of the Education for Employment (EFE) Foundation Egypt. EFE Egypt is a local non-profit organization established through the cooperation with the EFE in the US. With affiliate foundations in Europe / Spain, Jordan, Palestine, Morocco and Yemen, the foundation has extensive outreach and exposure in youth employment.

Some of the Training programs that have been implemented by EFE Egypt include vocational, technical, and professional fields as accounting, air conditioner repair, land surveying, construction management, sales, and teaching, and critical soft skills such as leadership, interpersonal communications, and successful business behavior.

Mr. Rajeev and Ms. Shahinaz discussed the possibility of forging future partnership in order to develop special training programs within the Cotton, Textile & Apparel sectors. Capacity building is among the key objectives of ACTIF with an aim of enhancing the skills level in the Industry across the region.