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Value Chain Assessment Report: Apparel

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TRADE HUB AND AFRICAN PARTNERS NETWORK

VALUE CHAIN ASSESSMENT REPORT: APPAREL VALUE CHAIN

Contract No.: AID-624-C-13-00002-00

DISCLAIMER

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development (USAID) or the United States Government.

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ACRONYMS

ACTE	Africa Competitiveness and Trade Expansion Initiative
AGOA	African Growth and Opportunity Act
ANC	New Africa Confection
BDSF	Business Development Services Fund
CAD/CAM	Computer-aided design/computer-aided manufacturing
COTVET	Council for Technical and Vocational Educational Training
EBA	Everything but arms
EDIF	Export Development and Investment Fund
EU	European Union
FDI	Foreign direct investment
FTF	Feed the Future
GAMA	Ghana Apparel Manufacturers Associations
IFDC	International Fertilizer Development Center
kWh	Kilowatt hour
m²	Square meters
MOTI	Ministry of Trade & Industry
MSME	Micro-, small, or medium enterprise
mt	Metric tons
OE	Open-end
PCCI	<i>Programme de Compétitivité et de Croissance Intégrée</i>
PET	Polyethylene theraphelate
PSI	President's Special Initiative
RS	Ring-spun
SSA	Sub-Saharan Africa
SUG	Superior Uniform Group
SWOT	Strengths, weaknesses, opportunities, threats
UN	United Nations
USAID	United States Agency for International Development
WACIP	West Africa Cotton Improvement Program

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I. INTRODUCTION AND BACKGROUND

I.1 APPAREL VALUE CHAIN

This report focuses on the apparel value chain in the West Africa region, within the framework of the newly launched West Africa Trade Hub and African Partners Network. It summarizes the current structure, competitiveness, socio-economic importance, and dynamics of the value chain in the region. The report briefly describes the key challenges and growth options facing the value chain, and suggests strategic directions that will lead to sustainable growth and competitive upgrading of the value chain, enabling West Africa to firmly establish a vibrant apparel manufacturing sector that generates investment, exports, and thousands of jobs.

I.2 VALUE CHAIN ASSESSMENT

Following the submission of a Value Chain Selection Report, the Trade Hub is producing a set of Value Chain Assessment Reports. During May 2014, the project carried out assessments of each value chain that the selection report recommended for targeted support from the Trade Hub. The assessments are the second step in planning activities for the project.

The Value Chain Selection Report provides a brief overview of each value chain; the assessment reports offer deeper perspectives about the current status, structure, performance, and challenges of the value chain. They update previously available information where possible. Based on this information and analysis, they recommend a vision and upgrading strategy for each value chain, and outline possible support roles for the Trade Hub in helping value chain stakeholders achieve their strategy.

As the first opportunity for the Trade Hub team to resume interacting with industry stakeholders and to begin identifying lead firms and areas where the project can have a positive impact, the value chain selection and assessment process also provides an initial basis for dialogue, brainstorming, and planning with key sector and value chain stakeholders. This phase, nonetheless, provides only a brief glimpse of each value chain and serves as a vehicle to commence discussion and idea-sharing with partners. Given the very limited time that was available for this process, the assessments do not constitute detailed value chain analyses.

I.3 ABOUT THE TRADE HUB AND AFRICAN PARTNERS NETWORK

USAID/West Africa's strategic goal is to support the emergence of a politically stable and economically prosperous West Africa. The Trade Hub's goals are to promote increased regional trade in key agricultural commodities (a goal of Feed the Future, or FTF) and to reduce poverty through value-added exports (a goal of the Africa Competitiveness and Trade Expansion Initiative, known as ACTE).

The overall objective of the Trade Hub and African Partners Network is to increase Africa's share of world trade by increasing exports at a faster rate than the rate of growth in overall trade, and by

improving West Africa's international private sector competitiveness in targeted value chains other than extractive industries.

The project will achieve two intermediate results: 1) improve the private sector capacity of the region's farmers and firms by addressing constraints to targeted value chains; and 2) improve the business enabling environment by addressing economy-wide constraints such as the transport and trade barriers that affect the efficiency of the region's ports, corridors, and borders.

At its heart, USAID/West Africa's Trade Hub and African Partners Network is a capacity building effort that will entail working with several key groups of African partners. The project's focus will be on developing associations and regional alliances that can act independently from donor support and take on a greater leadership role in promoting reforms, attracting buyers and investors, and adopting improved practices. The project will also work with individual companies that have a regional scope and could serve as lead firms in targeted value chains.

The Trade Hub will achieve its objectives by improving the private sector competitiveness of certain value chains. Based on the initial assessments made in USAID/West Africa's Feed the Future Multi-Year Strategic Plan, five value chains were pre-selected for the project: rice, maize, millet/sorghum, livestock (cattle), and livestock (sheep and goats). They were selected based on the following criteria: importance to intra-regional trade, high potential for value addition, production by a large number of stakeholders, and synergies with other supported value chains.

The Trade Hub team also examined the development potential of a number of value-added value chains and selected several for possible inclusion in the project's portfolio. This selection was based on six high-level criteria:

1. Potential to increase trade
2. Potential to create jobs
3. Potential to attract investments (including from the U.S.)
4. Number of households participating
5. Extent of geographic dispersal in West Africa
6. Current level of exports to global markets

The assessment phase thus focuses on the following short list of value chains:

FTF value chains:

- Maize
- Millet-Sorghum
- Rice
- Cattle
- Small ruminants

Export-oriented (value added) value chains:¹

- Apparel
- Cashew
- Honey
- Mango (and possibly other cut fruits/vegetables)
- Sesame
- Shea

¹ The home décor value and fashion chain was handled differently. Only a limited Trade Hub initiative is recommended for home décor and fashion. An assessment was not conducted for this value chain, since it was no longer considered for a core Trade Hub focus.

West Africa is on the verge of a transformative change—if it can create a new dynamic for intra-regional and export trade. At present, intra-regional trade is inefficient, characterized by unpredictable distortions and uncompetitive practices, and subject to overly restrictive regulatory regimes. West African exports have limited success in the global marketplace due to poor quality, inconsistent supply, and high delivery prices, which can be traced back to the absence of economies of scale, high transaction costs, and a poor enabling environment.

The Trade Hub and African Partners Network aims to promote broader, more sustainable growth by improving both private sector capacity and the policies, rules, and practices that govern regional and external trade. This will achieve sustainable and measurable increases in regional and international exports, jobs, and investment by strengthening vertical and horizontal integration within value chains, assisting representative associations to become more effective and inclusive, and improving the enabling environment for trade. The project will also mount a cross-cutting effort to increase the professionalism of all major participants by providing role-specific competency training, facilitating access to modern technologies, and improving market linkages. The Trade Hub will:

- **Leverage and strengthen already-identified or new private sector and public sector partnerships for commercial and development activities.**
- **Target the highest-impact opportunities in the value chains and policy regimes, to alleviate specific constraints hindering private sector growth.** The cornerstone of our structured approach to value chain development is identifying, in collaboration with our for-profit value chain partners and our public and nongovernmental organization (NGO) partners, where high-impact change can be achieved to maximize the return on project resources. Our trade and transport enabling environment staff will target specific policy and regulatory constraints which, once changed, will open up regional and external markets, reduce seasonal blockages, lower supply chain friction, and encourage trade-based investment and growth. They will work closely with stakeholders to advocate and enforce reforms.

The Trade Hub’s higher level results targets are summarized in Table I below.

Table I: Highest Outcome-Level Results

Results	Through Year 3	Through Year 5
Increase in the value of global and regional transactions, on average, in targeted sectors of livestock, grains, and value-added products in West Africa	30%	50%
Creation of new jobs in Trade Hub-assisted West African firms	15,000	23,000
Facilitation of new investment in targeted sectors	\$62.5m	\$102.5m

Because different partners have different needs and levels of maturity, the project will tailor upgrading activities to each partner. We have recommended and will select value chains that offer opportunities to substantially contribute to achieving these objectives. We will choose value chains that can benefit from Trade Hub-supported activities such as:

- Improved buyer-seller intermediation
- Expanded use of grades and standards
- Increased access to and use of market information
- Increased access to and use of financial services
- More competitive transport and logistics enabling environment
- Reduced legal and regulatory barriers to trade

2. METHODOLOGY

Value chain assessment is the second of three phases that will lead to agreement on the Trade Hub’s target value chains:

1. Phase I: Select (recommend) value-added value chains
2. Phase II: Assess selected value chains
3. Phase III: Vet and obtain feedback, leading to confirmed selection

Eleven separate Value Chain Assessment Reports—one for each value chain—present the results of the project’s assessments.

As part of the research for the assessment reports, subject matter experts collected and updated data and trend information relevant to each of the value chains. The value chain assessments use a common set of criteria to describe the short-listed value chains and update information about them. In contrast to the selection process, which used subjective measures of only certain criteria based on expert opinion, the assessment process utilized the full set of criteria, quantifying them as much as possible. Based on this analysis, the reports discuss strategic approaches that could be supported by the Trade Hub to achieve the value chain’s vision.

Existing value chain studies and their conclusions were strongly considered in the assessments; the Trade Hub team held meetings and phone/Internet discussions with knowledgeable stakeholders.² The assessment team also began to analyze and discuss with stakeholders the opportunities and challenges facing each value chain and to make initial proposals for an upgrading strategy. If the stakeholders and the Trade Hub are able to identify a clear path for upgrading the value chain, it is more likely that the value chain will be ultimately included in the project’s set of focus value chains.

2.1 VALUE CHAIN ASSESSMENT PROCESS AND SUBSEQUENT STEPS

Table 2: Steps in Value Chain Assessment and Final Selection

Task	Method
Assess short-listed value chains	Assess the five preselected value chains and the other short-listed value chains against a full set of criteria through desk studies, review of existing value chains studies, and key informant interviews with members of partner network
Obtain USAID/West Africa’s feedback on Value Chain Selection Report	Review Value Chain Selection Report; meet with Value Chain Development Specialist and value chain team
Submit Value Chain Assessment Reports	Assess all VCs, obtaining data and information through value chain studies, desk research, and key informant interviews; include discussion of potential value chain vision, upgrading strategy, and Trade Hub interventions

² Given time constraints, we did not collect primary market data from the field or hold extensive interviews with a full roster of key informants.

Task	Method
Prepare facilitation guide for value chain stakeholder vetting	Based on the assessments, prepare summary presentation and process for vetting value chains
Vet value chain selection and assessment with stakeholders	Hold session within Project Partners Kick-off Workshop with Trade Hub stakeholders
Refine value chain selection and assessment, based on stakeholder feedback and suggestions	Continue interacting with key stakeholders and USAID as needed

The final selection will only take place after the official Project Launch event, which will take place on or shortly after July 15, 2014. Immediately following the Launch the Project will engage individual value chain partners to discuss and vet the Assessments and come to a common vision of the value chain and how the Project will work with them. The final action plans for each value chain will be set after the engagement meetings, and will take into account the stakeholder feedback.

2.2 SOURCES OF INFORMATION

The team obtained data and information for this value chain assessment through:

- Desk research from value chain analyses, studies, reports, and web-based materials (see Annex I)
- Meetings and interviews with key stakeholders in Ghana
- Phone calls, Skype conversations, and interviews with stakeholders throughout the region
- Phone calls, Skype conversations, and interviews with representatives of manufacturers and buyers outside of the region who are potential investors, buyers, or others who are knowledgeable about the strengths, weaknesses, and perceptions of West Africa's apparel value chain

2.3 DATA LIMITATIONS

Timely communication has long been a problem in the West Africa apparel and textile value chain. Emails and telephone calls remain unanswered for lengthy periods. For this study, when no replies were forthcoming, the author relied on updates from companies in the value chain that did respond and were available for interviews. The author also used his own extensive database and communications with companies in the region and those that have an interest in West Africa.

3. DESCRIPTION OF THE VALUE CHAIN

3.1 PRODUCTS INCLUDED IN THE VALUE CHAIN

The textile and apparel value chain in West Africa consists of the products and processes described below.

3.1.1 SYNTHETIC AND NATURAL FIBERS

The value chain includes two major synthetic and natural products:

- **Polyester.** The only country that produces polyester fiber is Nigeria. The bulk of it is produced from recycled PET bottles. It is mainly suited for fiber fill (pillows and duvets—often called “inners”) and not ideal for spinning.
- **Cotton lint.** The textile industry in West Africa is primarily based on an abundance of cotton lint. To date, at least 95 percent of this raw material is exported, mainly to Asia. The major producers and exporters are the C4+ countries (Benin, Burkina Faso, Chad, Mali, and Senegal). The Trade Hub will not focus on cotton, except through collaborative linkages with the West African Cotton Improvement Project (WACIP).

3.1.2 TEXTILE PROCESSES

Textiles in West African undergo a number of different processes, as summarized below:

- **Non-woven processing.** The only processing of non-wovens that takes place is in Burkina Faso (stitch-bonding of carded cotton wadding for cleaning rags and bags) and in Mali (cotton delinting³ and bleaching that is exported for medical end-use as cotton wool buds, face cleaning pads, etc.). This process involves carding and spinning cotton waste. The volumes are relatively small, with little value added. For this reason, non-woven processing will not form part of the Trade Hub’s key product portfolio, except where opportunistic linkages are identified.
- **Spinning.** In West Africa, cotton is carded to produce fiber uniformity for the spinning (yarn formation) process. This includes ring-spun (RS) carded cotton yarns and open-end (OE) yarns for local and regional markets and some exports to the European Union (EU). This sector of the industry is currently relatively small, even though some expansion and factory revival has taken place. The Trade Hub may intervene where opportunistic linkages can be identified with yarn end-users (weavers and knitters).
- **Weaving.** This process involves using warp (longitudinal) and weft (horizontal) yarns to produce woven fabrics. In West Africa, these are essentially base fabrics for African prints, some cotton baler bags, cotton-picking bags, and canvas fabrics. Some apparel fabrics are produced, but due to old equipment (weaving looms) dating mostly from the late 1960s and early 1970s, quality is low and not suitable for garment exports. Some weaving of towels and bed linen also takes place. As with

³ The process of removing, after ginning, the remaining short cotton fibres from the seed (mote)

apparel fabrics, the quality is not suitable for export. The Trade Hub will provide limited, if any, coverage for this sector, since there are not suitable apparel fabrics for export-quality garments.

- **Knitting.** Circular knit fabrics are produced by very few companies in West Africa. After the dyeing–coloring-up process, these fabrics are used by garment manufacturers to produce T-shirts, golf shirts, and polo shirts. For the most part, they are all forward-integrated into garment manufacturing. Because these yarn-to-garment opportunities do exist, knit fabrics will be included in Trade Hub activities.
- **Dyeing and printing.** Very few companies in West Africa dye woven fabrics. Those that do, such as Printex in Ghana, use imported greige (natural state) fabrics. Coteb, in Benin, uses its own woven fabrics, but the dyeing and finishing equipment is old and quality is suspect. Three companies have knit fabric dyeing facilities in Côte d'Ivoire. These companies, as part of semi-vertical integration, will be covered under Trade Hub activities. Some carousel printing (as opposed to flat-screen fabric printing) of knit garments also takes place at the garment manufacturing level. The bulk of printing on woven base fabrics is for African prints and is done by vertical mills and stand-alone printing companies. The African print fabric market in West Africa is swamped by illegal and under-invoiced printed fabrics from China and Thailand. There is a dwindling demand for these fabrics as the younger population becomes more attuned to western apparel.⁴

3.1.3 APPAREL

In West Africa a clear distinction needs be drawn between commercial or mass garment production facilities (which have over 100 modern industrial sewing machines set up in production lines of 20, 30, and even 40 machines) and designer-wear, fashion, and artisanal African print garment producers (even if they have a twist of western style added). With a few exceptions in Ghana and Benin, many companies of the second type still use old, non-industrial sewing machines.

- **Woven garments.** There is production of work wear; uniforms for schools, hospitality, security, army, police, etc. (trousers, shirts and jackets, dresses and skirts); and hospital scrubs and other medical garments for local, regional, and export markets. They are mostly produced in Ghana, although some activities also take place in Benin and Côte d'Ivoire. Some promotional garment manufacturing also takes place.
- **Knit garments.** This segment consists mostly of T-shirts, polo shirts, and golf-shirts produced by commercial garment manufacturers for export and for local markets, although some regional exports take place from Côte d'Ivoire. Knit garments produced for local and regional markets are mostly promotional garments for cell phone companies, banks, and company and country events such as soccer tournaments, public anniversary (Independence Day) celebrations.
- **Value addition.** At this time, value addition in West Africa is generally in the form of embroidery and garment printing. In Ghana, however, one company is adding value by using performance fabrics and “sustainable” (imported waterless-dyed knit) fabrics.⁵ There are currently no companies adding value in commercial garment export manufacturing by going more up-market.

⁴ The demise of the West African print industry and garments made therefrom was dealt with in detail in “Adding Value to West African Cotton,” a 2006-07 report prepared by USAID’s West Africa Trade Hub (WATH) project.

⁵ This is an area to be exploited further, in combination with sustainable manufacturing processes, to save energy, water, and environmental resources.

3.1.4 TRADE HUB EMPHASIS

The Trade Hub will emphasize *woven* and *knit* commercial and mass garment manufacturing and the *value added* sector.⁶ The project will take advantage of any opportunistic interventions that can enhance regional trade and export of yarns and fabrics. The following key categories may be included:

- **Woven.** This includes protective-wear such as workwear/overalls, hospital scrubs, hospitality trade uniforms (chefs' jackets, trousers, and aprons), and food and beverage industry uniforms. The companies producing woven garments also have the capability to produce chinos, cargos, shorts, constructed trousers, shirts, and blouses. Some have the capability to produce jeans (they have wash plants), but this is not yet advisable as water in Ghana is a scarce resource and not always available.⁷
- **Knit.** This essentially entails T-shirts, polo shirts, and golf shirts. Fleece hoodies have also been produced in the past.

In West Africa, products in both of these categories (woven and knits) should ideally be made from synthetic-rich fabrics, which have the highest duty-free benefit (32 percent compared to a maximum of 20 percent for cotton-rich garments). Two companies in Ghana are now prepared for synthetic-rich garment exports.

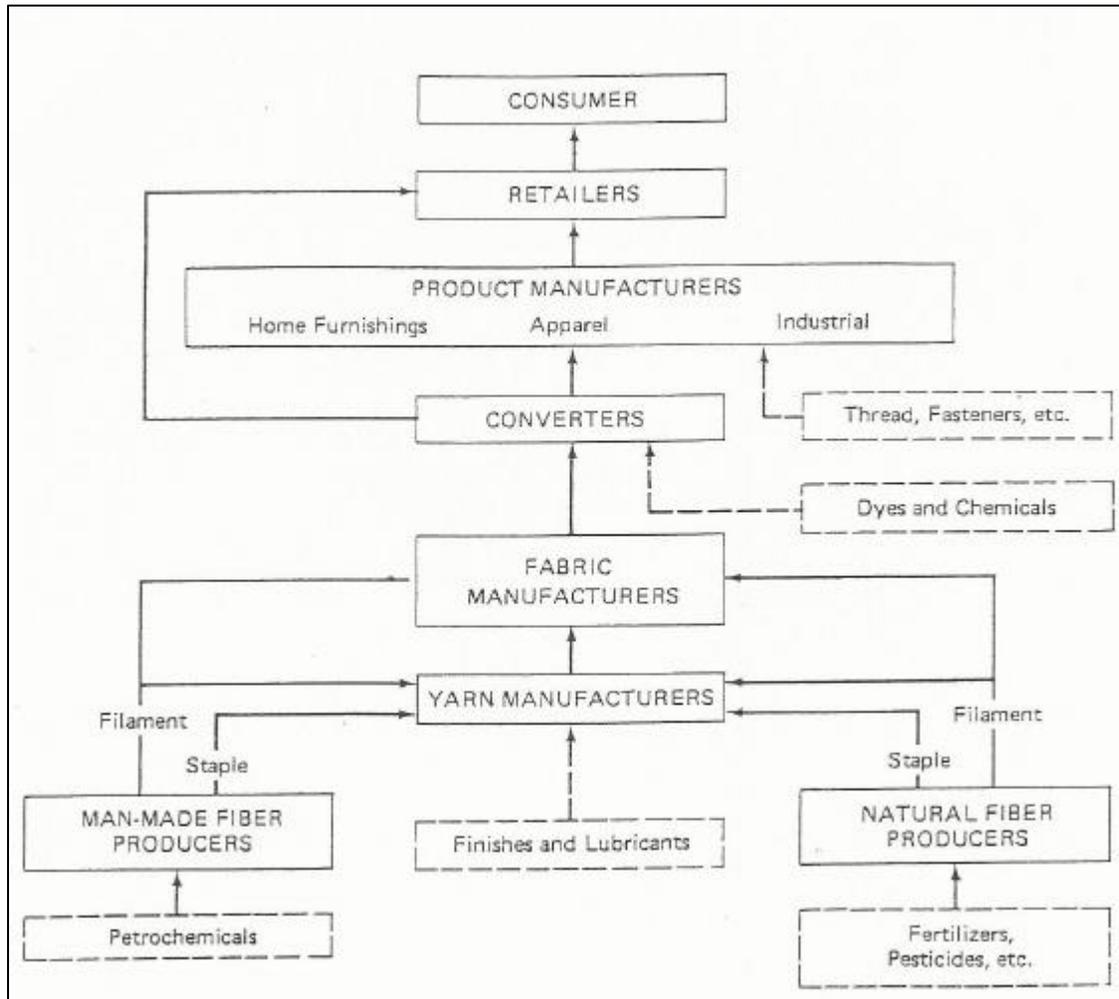
Value added. There are currently a considerable number of companies (particularly in Ghana) with multi-head embroidery machines. Also, in addition to flat-screen printing, there is now at least one company with carousel garment printing facilities. Value Chain Map

The value chain map shown in Figure 1 illustrates how raw product moves along the value chain to be processed into different types of finished apparel products.

⁶ The designer-wear/fashion and westernized African print garment sector will not be ignored, but rather dealt with in an opportunistic manner through linkages with buyers where demand arises.

⁷ For the immediate future, this precludes the garment industry from going higher up the value added chain (garment washing and garment dyeing). One garment manufacturer for export has overcome this obstacle (as indicated above) by using performance fabrics and "sustainable" (imported waterless-dyed knit) fabrics.

Figure 1: Map of Apparel Value Chain



3.2 PRODUCT FLOW MAP

All fabrics for mass production of woven garments for export are imported, as there are no suitable-quality woven apparel fabrics produced in West Africa. The fabrics are mostly sourced from Asia (China, Pakistan, Bangladesh, India, etc.), although some are sourced from Madagascar and South Africa. Trims and other accessories are also imported.

To produce knit garments, companies with their own knitting machines in Côte d'Ivoire are not yet exporting to the U.S. Côte d'Ivoire's African Growth and Opportunity Act (AGOA) visa was also only instituted in March 2013. Some of these companies were exporting before the country's civil war. There may be potential for these fabrics to be exported to Ghana for garment manufacturing for export, but companies that are vertical (doing knitting, dyeing, printing, and garment-making) prefer to add value in-house.

3.3 APPAREL DATA AND INFORMATION

This section describes operations in each of the West African countries engaged in the value chain. Cape Verde, Niger, and Togo are not included because they do not have a textile industry or a commercial apparel sector.

- **Benin**

The **textile** sector consists of vertical mills engaged in spinning and weaving. Its capacity far exceeds actual production performance (by a factor of two or three). For this reason, it will not be covered by the Trade Hub.

On the **apparel** front, two formal wear manufacturers (trousers and shirts) have a combined capacity of approximately 30,000 units per month (in 2013) on 135 machines. They have the ability to employ around 200 people. The Trade Hub team did not receive any response from the two companies concerned. A third company has obsolete 1970s machinery that is not suitable for garment exports. In 2010, around 70 of its 315 machines were quasi-operational. There is also a small children's wear producer that sources fabrics from Madagascar. The Trade Hub's efforts in Benin would initially target the two commercial garment manufacturers.

- **Burkina Faso**

For **textiles**, a major OE cotton yarn spinning mill is operational, with a capacity of approximately 8,000 metric tons. It supplies the local market (in the hand loom and crochet sector), as well as regional and export markets. This company does not need interventions from the Trade Hub, except for help with potential opportunistic linkages with possible additional regional weavers and knitters. In the **apparel** sector, there are no commercial garment manufacturing operations.

- **Côte d'Ivoire**

One of the vertical **textile** mills (in woven fabrics) is closed and the other has recently been put up for privatization. It would cost a fortune to try and modernize these very old (1960s) mills, and even more to modernize the buildings with the modern air conditioning needed for today's equipment, which is sensitive to humidity and temperature changes. Serious textile industry investments in this country would have to be Greenfield investments and would need to be fully vertical (yarn to garment). There is a stand-alone African prints mill that is still operational, but it—like all the others in West Africa—faces a diminishing market with intense competition from Asia. The knitting industry will form part of the garment industry, since it is semi-vertical.

There are three **apparel** companies with their own fabric knitting machines. One, which was new in 2012, was previously a fabric dyeing and printing and embroidery facility. Two of the companies employed 600 people in 2010; the newcomer employed an estimated 60 to 80 people. If fully operational, the two established companies would have the capacity to produce 400,000 units per month, employing about 1,000 people. At the end of 2010, one of the companies was operating well (i.e., there was more than enough local and regional demand). The other was at 40 percent of capacity. No updates were forthcoming at time this report was prepared. Bearing in mind Côte d'Ivoire's recent AGOA visa, the Trade Hub should explore this sector in more detail, looking at future export opportunities under AGOA. The project should also explore linkages to new, revitalized, and expanded spinning mills, to increase regional trade.

- **Gambia**

The **textile** sector is artisanal. As yet, there is only one commercial **apparel** manufacturer (expanded to 75 machines and housed in a new building in 2012), which produces woven and knit

garments. With only one garment manufacturer, this country is unlikely to attract much attention from U.S. buyers.

- **Ghana**

On the **textile** front, the country has a vertical mill geared to African prints and two African print mills. One has fabric-dyeing facilities⁸ but imports all fabrics.

Ghana has the potential to become the **apparel** export powerhouse of West Africa. The country boasted 12 operational apparel factories in 2013, with almost 3,000 modern sewing machines, some with value-added facilities (garment screen-printing and embroidery). However, in 2013 only 10 were fully operational (one having commenced in mid-2013) with a total of only 2,650 sewing machines available for production. By the end of the first quarter of 2014, there were still 10 companies fully operational (one closed and one had re-opened). There were 4,100 available machines, but 1,850 of them had been mothballed or stored. These figures still exclude firms such as Sixteen47, Global Mamas, Afrodeasiac, and others, where volumes are relatively small, although some of these firms are exclusively geared for export.

In 2013, employment was only between 1,100 and 1,200 people, of which 500 were engaged in manufacture for export. Although other companies made some attempts to export, their test volumes remained just that, as access to finance (working capital and fabric/trims purchases) proved elusive. In 2014, the number of people employed is anticipated to increase to 1,650, as two companies that are now geared exclusively to exporting will expand production volumes. They will then employ close to 55 percent of the total number of employees engaged in the sector.

AGOA exports reached \$2.7 million in 2013. If all goes according to plans for export expansion,⁹ this could reach \$5.5 million by the end of 2014, with the two companies employing 900 people.

If all available machines were fully operational for exports, the mass production-gearred companies could employ a little more than 2,000 people. The companies currently geared to local markets and fashion (five more companies with 870 machines, currently employing 360 people) could employ a further 900 people. Based on local market constraints, however, this is unlikely to happen.

- **Liberia**

Currently, there is just one relatively small **apparel** factory operational in Liberia. It produces Fair Trade knit garments for export. It may, however, be joined with a subsidiary (located until recently in Ghana) to produce trousers. It does not require marketing assistance.

- **Mali**

Two vertical **textile** mills (geared toward African prints) and one spinning mill (which restarted in 2011 to supply regional and export markets) are currently operational. The Trade Hub may be able to assist the stand-alone spinning mill with opportunistic linkages to customers in the region. No commercial garment **apparel** manufacturers remain in Mali.

- **Nigeria**

The only reliable information available was from a 2009 Gherzy/United Nations study. The Nigerian **textile** and **apparel** value chain is a shadow of its former self, with employment having dwindled

⁸ This may present a potential opportunity for improving speed to market for apparel manufacturers. This is discussed separately.

⁹ Based on a factory visit and in-depth discussions with management and the head office (overseas), there is no apparent reason this should not materialize.

from 137,000 people in the late 1990s to a mere 24,000 people in 2009. The key problems have been a deluge of cheap imports (African prints and garments) and second-hand clothing, coupled with high energy costs and unreliable supplies (diesel generators make up 70 percent of the industry's power supplies). One major garment manufacturer anticipated exporting a major order to the U.S., but this did not seem to materialize.¹⁰ With a lack of up-to-date information on the value chain in Nigeria, it is difficult to judge whether textiles and apparel in this country warrant Trade Hub support. This area will need further investigation.

- **Senegal**

The latest available data on the **textile** industry is from 2010, at which time the the industry was not functional. There are a number of **apparel** companies with 50 to 100 machines each, but they are geared to the local market, making African print fashion, workwear, and uniforms. They are not in a position to prepare for U.S. markets.¹¹

- **Sierra Leone**

There is only one relatively small **garment** manufacturer, although another company has put a business plan forward to start up. Lack of finance is holding this industry back. The industry is currently too small to warrant support from the Trade Hub.

Looking at this information, it is clear that the **apparel** industry would gain the most from Trade Hub interventions. Key targets should be Ghana, Benin, and Côte d'Ivoire, although developments in other West African countries should not be ignored.

3.4 MAIN ACTORS IN THE APPAREL VALUE CHAIN

There are, as indicated in the section above, effectively no commercial apparel manufacturers in Burkina Faso, Cape Verde, Niger, and Togo.

3.4.1 BENIN

- **Lolo Andoche**

C/o: Charlemagne Andoche (owner); email: loloandoche@yahoo.fr

For years, this company has been exporting (to South Africa, Italy, and Germany) small quantities of up-market westernized African shirts (1,000 pieces at a time). It has three shops in Benin as well. It now has 60 industrial sewing machines. Capacity is 15,000 pieces per month. Mr. Andoche has been to Magic for market research purposes. The company is working with the Government of Benin and the World Bank's *Programme de Compétitivité et de Croissance Intégrée* (PCCI) to finance a \$500,000 building in the new Free Zone, including additional machinery that would enable the firm to employ 250 people.

New Africa Confection (ANC)

C/o: Kouton Isodore (owner); email: anconfection@hotmail.fr

¹⁰ Its updated 2014 website only has local garment clients listed. Any exports that materialized would be expected to have been shown prominently.

¹¹ A confidential U.S. buyer's feedback on the garment manufacturers is that wages in Senegal are too high and productivity is low, and thus not competitive. In addition, the country lacks the critical mass of machinery (particularly modern machinery) needed to provide the volumes required by the U.S. market.

ANC was established in 2010 with 25 machines. In 2012, it expanded to 75 machines in new factory premises. It produces constructed trousers (wool blends) and formal shirts (cotton). ANC has a capacity of 15,000 pieces per month, and is trying to access the export market. There was no response to emails by the authors of this report.

- **Gretta Luce**

This small designer wear and children's wear manufacturer was also working with PCCI to expand its factory. The Trade Hub team was unable to get updates.

3.4.2 CÔTE D'IVOIRE

- **Challenger**

C/o: Mr. M. D. Kone (Director) and Elliott Harding Kouakon (Production Manager); email: Chall@aviso.ci

Challenger employed 250 people in late 2010, but has 380 machines and could potentially employ 600 people. The firm knits, dyes, prints, and produces knit garments and embroidery, all for the local market. It also produces woven garments (uniforms/workwear) and produced jeans before the civil war (when it exported to the U.S. and the EU).

- **Seritex**

C/o: Hassan Yassine (Director General); email: Seritex@afnet.net

Seritex employed 350 people in 2010. The firm knits, dyes, prints, and makes knit garments and embroidery. According to the owner, there is more than enough demand from the region to keep Seritex busy.

- **Dimo**

C/o: Moustapha Diouf (Owner); email: mdiouf@dimoci.net

Dimo was a printing company. In 2010, it invested in knitting machines capable of using 10 metric tons per month (equivalent to 40,000 T-shirts per month).

Because no new information was forthcoming from the industry at the time this report was written, the data and details provided here should be understood as the most current status in Côte d'Ivoire. With Côte d'Ivoire having obtained its AGOA visa so recently (2013), there are very likely to be opportunities to explore the U.S. market, in particular as all three companies are the semi-vertical entities that U.S. buyers prefer. This may especially be true if the Trade Hub can create linkages with new, re-started, and expanded spinning mills in Burkina Faso and Mali.

3.4.3 GHANA

- **1888 Lucky Mills**

C/o: Jonathan Simon (Managing Director), who is based in the U.S., and Ayez Merchant (Chief Operating Officer), who shuttles between Karachi and Accra; emails: JSimon@1888mills.com and Ayez@luckytextilemills.biz

1888 Lucky Mills has 400 machines and currently employs 320 people (420 in 2012). With management changes in Ghana and shipping/sourcing issues, the company lost some orders due to production inconsistencies. It is currently actively re-employing retrenched staff, as order books

have filled up again substantially¹² and production inconsistencies have been worked out. By June 2014, the firm will be back up to 400 to 420 employees. It produces medical scrubs, chefs' jackets, etc., and is geared to export to the U.S. At height of production, 1888 Lucky Mills produced approximately 200,000 units per month. It sources fabrics from its own textile mills in Pakistan and Bangladesh. Its main clients are healthcare companies, laundries, and hospitals. It is a volume market with relatively low margins (because of the volumes).

- **Dignity DTRT Apparel**

C/o: Salma Salifu (Dignity, Ghana) and Skip Richmond/Marc Hansult¹³ (DTRT Apparel, the SLR Company USA); emails: salma6360@yahoo.com and skip@theslrcompany.com

This a joint venture company with ownership that is 51 percent Ghanaian and 49 percent U.S. The firm currently has 160 machines, of which five lines have been used for training since February 2014. This capacity will be increased by a further 290 machines (in batches¹⁴ of 145, the first of which will arrive in the summer of 2014). This will increase the total to 450 machines. The first shipment is for 35,000 units in July 2014. The company is preparing to export 200,000 knit garments per month from September 2014 onward. It employs 500 people (800 by the end of 2014). Fabrics are being sourced from Asia. The company intends to ramp up these volumes considerably in 2015 (additional machinery, factory space, and training permitting) and to employ 1,000 people. It has been granted tenancy in an additional factory in Accra. However, the current occupant of that factory is refusing to move its machinery out, even though it is standing idle. Dignity's main client at present is the SanMar Group in the U.S.

- **KAD Manufacturing**

C/o: Linda Ampah (owner)

For many years, Ms. Ampah owned Cadling Fashions, a small manufacturing company with 25 machines that produced mainly fashion garments for the local market. In 2012, she created KAD Manufacturing with 150 machines in new premises. In 2013 the firm employed 75 people. While producing for the local market, it also commenced exports to the U.S. (Anthropologie and a host of boutiques) through Osei-Duro in the U.S. It outsources designs to manufacturing companies in Ghana. KAD is also a manufacturing outsource facility for Global Mamas.

- **Global Garments**

C/o: Philomena Appiah (Managing Director)

This company has been operating in Ghana for many years, producing uniforms and workwear for the army, customs, and private companies. Its factory has 300 old sewing machines, only 130 of which were operational in 2006. In 2007/08, the firm ordered 600 machines from Germany to set

¹² This may necessitate a third factory building.

¹³ The Swedish-owned Winds Enterprises started as a trading company in sportswear and accessories in 1985. Mr. Hansult (Vice President) and Mr. Richmond joined in the early 2000s and transformed the company by sourcing from their own factories (Mazava) in Mauritius and Madagascar. In 2009/10 they set up Mazava Tanzania. This company alone now employs 3,000 people. Mr. Hansult and Mr. Richmond subsequently left Winds Enterprises and started the SLR Company/DTRT Apparel USA. They are now looking to replicate the Winds Enterprise manufacturing and sourcing model in Ghana.

¹⁴ The machines would have all been purchased at once but, due to the Export Development and Investment Fund (EDIF) and Council for Technical and Vocational Educational Training (COTVET) stalemate, owner finances have to be used, slowing the company's growth rate down.

up for exports in two factories in Accra. In 2009/10, it acquired machinery from California Link and by then had accumulated 1,200 sewing machines. Global Garments has attempted to export to the U.S., but to no avail. Today, one of its factory shells in Tema is occupied by another manufacturer (1888 Lucky Mills); the other shell is closed. The tenancy of one of its Accra factories has been given by the Ministry of Trade and Industry (MOTI) to Dignity, but Global Garments is refusing to move its equipment out. The company now operates out of just one factory, employing 40 to 60 people (depending on orders) to produce uniforms, workwear, and African print garments for the local market. Based on past experience, this is a very difficult company to work with.

- **Global Mamas**

Although Global Mamas recently purchased an additional 60 machines for its operations in Southern Ghana, it is not a commercial mass producer. It is essentially geared for exports. In 2013, Global Mamas applied for premises at the Tema Garment village, with a goal of employing 200 people. All attempts to contact the manager of the company were unsuccessful.

- **Sleek Garment Exports**

C/o Nora Bannerman; email: norabannerman@norabannerman.com

A designer by trade, Ms. Bannerman started her company in 2002. With support from AGOA and the President's Special Initiative (PSI), she moved into her current premises with 240 machines, then expanded to 340 machines in 2010 in a well-laid-out factory. Sleek Garments exported from 2004 to 2006/07 to such companies as Superior Uniform Group (SUG), Clipper Corporation, Haggard, and others. The financial crisis saw exports evaporate, and SUG concentrated on the local market. Ms. Bannerman is resourceful, managing over this period to produce flak jackets for the United Nations, flour bags for milling companies, workwear, uniforms etc. In 2014, it targeted local markets once again. On a visit to Accra Garment Village, the company's factory floor was not operating except for training. Ms. Bannerman is very independent and does not trust the Trade Hub.¹⁵

- **Precious Garments & Textiles**

C/o: Dr. Joseph Mainoo; email: precioustextile1@gmail.com

Precious Garments & Textiles is essentially the only apparel factory that was fully funded through private funds and finance. The company was established in 2012; in late 2013, Dr. Mainoo secured his own expatriate factory management team to help train machine operators. The firm has 250 sewing machines, with a capacity of approximately 50,000 pieces per month, as well as a multi-head embroidery machine. Currently, however, it is only producing for the local market. The company can be classified as a mass production facility, as it was inspected and cleared for outsourcing by Cintas (U.S.).

- **Nallem Clothing**

C/o: Gregory Kankoh; email: nallemceo@gmail.com

This is a company set up before AGOA began. Today, it has 150 machines, although only 60 are set out in production lines—one line for fashion garments and one line for mass production. The company employed 140 people in 2013. The capacity of the fashion line is 2,500 units per month.

¹⁵ This stems from some digging by WATH regarding funds for GAMA and her refusal to provide the necessary GAMA documents resting with the Registrar of companies.

Nallem Clothing has not yet tested its capacity on the mass production line (orders ranged from 1,000 constructed trousers to 5,000 tote bags). Exports to the EU and the U.S. (Dupies, Inc) account for 10 percent of turnover, and export to Africa (mainly Uganda) another 20 percent. The balance is geared toward the local market (five shops in Accra, including Accra Mall). The company is not yet geared for mass production for export, but is evaluating options to do so. It is led by a progressive, forward-looking owner and management team.

- **Rim-Artex**

C/o: Karim Issaka; email: rimartex@hotmail.com and info@rimartex.com

This company was originally a printing company that moved into garment production. It has between 150 and 200 machines, as well as carousel printing facilities. Rim-Artex was one beneficiary of the Business Development Services Fund (BDSF) “Flying Squad” program,¹⁶ and had orders for 10,000 coveralls in 2013. The company’s preference, however, is to produce Afro-centric clothing, although its facilities could potentially be converted to a mass production unit.

- **Oakbrook**

This company has been closed for almost three years, but is preparing to restart again as soon as its expatriate work permit has been finalized, which is expected in May or June 2014. Oakbrook was originally one of the PSI’s four core factories. It was subsequently privatized. It has 240 machines and a capacity of 40,000 to 50,000 garments per month. From 2004 to 2007, the company exported to the U.S. (SUG and Hagggar, among others). It could be classified as a mass production facility.

- **Manise Designs**

C/o: Essinam Adjirackor and Vivianne Dzifa Adgu (owners); email: dzifaadugu@yahoo.com
This company was set up in 2007 with 100 employees; in 2010, it expanded to 140 machines but employed only 60 people. Today, the status quo is similar. The company has embraced fashion rather than mass production. It is catering to the local and regional market, and cannot be classified as having mass production facilities.

- **Royal Dennis Designs**

C/o: Dennis Doodoo (owner); email: Rd6767@yahoo.com

Although the company has 75 machines, it only employed 40 people in 2013. Royal Dennis Designs is a fashion garment-oriented company and has sold some garments to the U.S. and regionally. The bulk of its production, however, is for the local market. It is too small for mass production.

¹⁶ In 2012, the World Bank’s BDSF and WATH financed (on a 50/50 basis) a program that supported two garment manufacturers by bringing in the technical expertise that was proving to be a key shortcoming in their operations. This “Flying Squad” of experts included a factory manager, a quality controller, a pattern-maker, and two supervisors. Two companies benefitted. One of them, Dignity, was able to form a joint venture with a U.S. company, since it had the basic team in place. As the program was coming to an end in March 2013, the Council for Technical and Vocational Educational Training (COTVET) was approached about continuing it. At first, the idea was enthusiastically received, but COTVET then decided that it would build a training center to provide the expertise that had been provided by the Flying Squad. At that point, the program died.

- **Sixteen47**

Sixteen47 is a very small company that caters exclusively to the high-end EU (United Kingdom) western-style fashion market and to web-based customers. It utilizes an array of high-value fabrics.

- **Ethical Fashion**

The owner of Ethical Fashion died on May 10, 2014. It was a small operation. Dignity had an option to lease its premises for expansion, but it is no longer certain what will happen.

- **Afrodesiac**

This company is run by a designer who outsources his production to a local fashion manufacturer.

In addition to these firms, there are a number of companies that have not started up or have been closed.¹⁷ They include Lemdor (350 machines), Maa Grace (350 machines), and Premier Quality (240 machines). The key reason is a lack of funds. Premier Quality premises in Tema were leased by Liberty and Justice (formerly in Liberia) in mid-2013, with a vision of producing 60,000 trousers per month (Haggar orders were in place) and employing 700 people by the end of 2014. By early 2014, however, the firm had disappeared without a trace. No one can adequately explain why the company shipped its additional machines to Liberia, where it has a small knit garment manufacturing plant. There has not yet been a response from Liberty and Justice.

There are currently two companies exporting and gearing up for volume exports to the U.S.—1888 Lucky Mills and Dignity DTRT. They will, by the end of 2014, have in place almost 800 machines and a capacity of 400,000 knit and woven garments per month. These volumes are anticipated to increase significantly in 2015. By then, employment will have increased to approximately 1,250 people, even without planned further expansions.

There are three more companies—Sleek, Oakbrook, and Precious Garments (with a combined 750 machines)—whose factories are prepared for mass production and have the capacity to produce 150,000 to 200,000 knit and woven garments per month. If these companies had full order books, they could employ 1,200 people, compared to approximately 100 to 150 people currently.

Total mass production volume potential is thus 550,000 to 600,000 garments per month, with close to 2,500 people being employed.

3.4.4 DESCRIPTION OF THE VALUE CHAIN ACTORS

3.4.4.1 Lead (Champion) Firms

The most notable lead (champion) firms are 1888 Lucky Mills and Dignity DTRT in Ghana (see section 3.5.3 for company details). While the two companies do not require major interventions in marketing/merchandising, manufacturing know-how, or sourcing (fabrics and trims), there is room to help them to diversify their client bases. More importantly, these firms' role should be seen as catalytic in attracting additional buyers to Ghana, as there will be a spin-off effect, through increased buyer interest when volumes from Ghana take off under AGOA. This has been the case, for example, in Ethiopia.

There is always potential for other garment manufacturers in Ghana to handle outsourcing by these two companies, if orders have tight delivery deadlines. This would enhance the skills and capabilities of other manufacturers. Having two full-scale, commercially viable mass garment exporters is important for other

¹⁷ Due to lack of finance, lack of technical/expatriate staff.

potential suppliers in the region. Other management teams or companies that wish to go into mass production could visit these firms to learn about factory lay-out, equipment requirements, middle managements skills, and other factors (computer-aided design [CAD] pattern-making/marketing, sampling, quality control, productivity, production efficiencies, merchandising, sourcing, etc.).

Recently, however, support from the public sector has been lacking, including support from MOTI, which provides policy and public backing;¹⁸ the Export Development and Investment Fund (EDIF), which provides funding for trade shows and exhibitions and handles subsidized investment loans for equipment and expatriate staff; and the Council for Technical and Vocational Educational Training (COTVET), which delivers grants and loans for training.¹⁹

3.4.4.2 Micro-, Small, and Medium Enterprises

Medium-sized enterprises have opportunities to emulate the lead firms. Their main hurdles are access to finance (working capital and raw material finance) and a lack of technical or expatriate skills (due to the funding issue). Micro- and small enterprises may be able to exploit niche markets for designer wear, fashion wear, or artisanal wear.

3.4.5 RELATIONSHIPS BETWEEN KEY ACTORS

There are as yet few relationships between key actors in the apparel garment industry in Ghana, and few with other regional manufacturers. The only vertical relationships that exist are between 1888 Lucky Mills in Ghana, its parent company textile mills in Pakistan and Bangladesh, and its head office (for marketing/merchandising) in the U.S.; and between Dignity DTRT and DTRT Apparel in the U.S., which handles raw material sourcing and marketing.

Some of the smaller designer wear or fashion companies have managed to forge relationships with buyers in the U.S. and the EU and regionally. Others have invested downstream in their own outlets, shops, and boutiques.

There is also a lack of full cooperation between the public and private sectors concerning the apparel value chain.

3.4.6 OPPORTUNITIES AND ISSUES

The gap in the value chain (yarn to garment) may be bridged if regional spinners and knitters in Burkina Faso, Côte d'Ivoire, and Mali could better linked (quality, price, transport and lead time considerations).

In Ghana in particular, a key issue is the lack of institutional memory in the public sector, which effectively slows down the development of an export-led apparel industry. A reconstituted or revitalized Ghana Apparel Manufacturers' Association (GAMA) and the Trade Hub could potentially make a difference by getting the private and public sectors to coordinate more closely.

¹⁸ There has been a loss of institutional capacity through the loss of the Trade Minister and the Chief Executive Officer of EDIF, both of whom backed the industry and were impressed by what they saw at the Source Africa Trade Show and Business-to-Business Events in April 2013. COTVET also needs to further develop its understanding of opportunities in the industry, to support its allocation of training funds.

¹⁹ As their institutional capacity (i.e., knowledge of their own and the international industry and markets) has diminished, these government departments need education and knowledge about the needs of the mass-production export garment industry and markets.

4. DISCUSSION OF THE VALUE CHAIN ASSESSMENT CRITERIA

4.1 MARKET INFORMATION

4.1.1 THE U.S. MARKET

The U.S. market for apparel and textiles was worth \$1,001 billion in 2012. For apparel alone, it was \$770 billion. Demand in the U.S., however, has slowed down since the 2008–2012 financial crisis and is anticipated to increase by a modest 2 percent per annum going forward to 2020.²⁰ Thanks to AGOA, the U.S. is the key target market for the apparel value chain in sub-Saharan Africa (SSA), but in the many years that AGOA has been in existence, SSA has never captured much more than 0.01 percent of the U.S. apparel market (approximately \$1 billion of the \$770 billion market). West Africa’s share of this is miniscule.

Unlike most SSA apparel exporters, Madagascar and Mauritius traditionally target the EU market. While SSA does have a trade agreement with the EU (called Everything but Arms, or EBA), which is similar to AGOA. The EU is a highly fragmented market with smaller volumes and quicker required turnaround times. For these reasons, it is out of reach of most SSA suppliers, even though it is attractive because margins are higher—5 to 8 percent, compared to 2 to 3 percent in the U.S.

The main market requirements in the U.S. are consistent quality and reliable delivery. Over the last few years, speed to market has increased in prominence (price being equal). In addition, buyers over the last few years are giving preference not only to full package suppliers,²¹ but also to vertical (yarn-to-garment) or semi-vertical (fabric-to-garment) manufacturers.

Access to the U.S. market is not an issue, since buyers have shown keen interest²² in recent years. For these buyers, the stumbling block has in many instances proven to be manufacturing, due to African firms’ lack of access to finance and lack of skills in factory management and leadership.²³ Because of these weaknesses, the manufacturers are often unable to take large test orders for export.

Key buyers from SSA manufacturers include Walmart, the Jones Apparel Group (\$4 billion),²⁴ SanMar Group, Cintas, Miller, SUG, American Eagle Outfitters (\$3.5 billion), PVH (\$6 billion), the Gap (\$15.5 billion), and H&M (\$19 billion).

²⁰ “Apparel Market Outlook 2013.” Global and U.S. presentation by Dan Huy Bin.

²¹ Where the supplier sources and pays for its own fabrics and trims.

²² Based on buyer trips from SUG, Cintas, Miller, TNO, etc.

²³ The situation can at times be likened to “absentee landlords,” where the owner lives abroad and lets the team they have selected run the factory, with some disastrous consequences such as large financial losses and closures. The Government of Ghana’s PSI has in some cases made cheap loans available to Ghanaian investors, many of whom have never been inside a clothing factory, let alone understand how to manage it.

²⁴ Figures denoted in brackets (\$) are 2012 revenues.

4.1.2 SUPPLY IN SUB-SAHARAN AFRICA

While the demand for cotton and cotton-rich garments still dominates in SSA, the advent of new performance fabrics for sports and casual wear, as well as for medical end use, means that demand for these products is on the increase.

The bulk of the garments sourced from SSA are woven bottom and tops (trousers and shirts) and knit tops (T-shirts, polo shirts, and golf shirts) and pants. SSA's product portfolio does include knit garments and, to a lesser extent, woven garments. One of the reasons for this is that there are fewer apparel fabric weaving mills in the region than knit fabric producers. This is in part due to the much larger capital expenditure requirements for weaving mills than for knitting mills. SSA is thus more suited to supply knit garments. However, SSA has been able to supply woven commodity garments such as work wear, hospital gowns, and scrubs (using imported fabric sources), because these garments allow for much longer lead times.

As indicated, the opportunities are abundant. Based on existing developments and future plans for 2014–2015, Ghana alone could reach exports of some \$7.5 to \$10 million by end of 2015. Ghana has factories with existing machinery parks set up for mass apparel production for exports, but access to finance and to management and factory skills (mainly through expatriates) are still lacking. A further issue holding back growth of the sector is factory owners' pride.²⁵

In Ghana, the government needs to target foreign direct investment (FDI) to attract companies that might relocate their existing factories from Asia (where wage costs are rising) and even elsewhere in Africa, where wages are also rising sharply in some countries. Such relocating companies would bring with them access to markets and manufacturing know-how.

Should the semi-vertical companies in Côte d'Ivoire prove to be of export caliber (with machinery in good condition and adequate management and factory skills and mindsets) the value of exports from that country could expand by a further \$2.5 million.²⁶

If the Trade Hub could attract FDI based on current developments and further factory shell availability—either for Greenfield projects or joint ventures with existing factory owners whose factories are not running at capacity—export turnover could potentially double.²⁷ This would, however, still be a tiny portion of market share in the U.S.

²⁵ Some owners of factories (not the buildings, which are rented from the Ghana Free Zone Board) are unwilling to vacate the premises since they perceive that this would cause them to lose face in the eyes of their peers. Another issue, of course, is the cost of moving the equipment out of the building and having to find suitable (and costly) storage space. This is one of the reasons the Trade Hub is inclined to look at potential FDI joint ventures/partnerships similar to the Dignity/DTRT venture.

²⁶ Factory visits are needed in Côte d'Ivoire to determine the state of the factories' equipment and capabilities. Given the very short time allotted to prepare this report, this was not possible. Attempts to contact the companies have so far proved elusive.

²⁷ If MOTI, EDIF, COTVET, and a potential GAMA were willing and able to be proactive, rather than simply talking without acting (which has been the case over the last couple of years), Ghana's potential could be greatly facilitated and reached much more quickly.

4.2 CONTRIBUTION TO ECONOMIC GROWTH

4.2.1 POTENTIAL TO INCREASE TRADE

The potential for the apparel industry in Ghana and a few other select countries (Benin and Côte d'Ivoire, in particular) is considerable. The U.S. apparel market is worth \$770 billion. As pointed out above, West Africa has not yet managed to even scratch the surface (Ghana's exports in 2013 were \$2.7 million). With the right approach—which would include FDI (through joint ventures or other projects); buyers' missions and trade fairs with exposure and visible policy support from MOTI; subsidized loans and trade missions from EDIF; training grants and subsidies from COTVET; and possibly assistance from the World Bank (through the Flying Squad)—the apparel sector could see its 2015 potential of \$12.5 million in exports double to \$25 million by 2018.

An effort was made to complete a Revealed Comparative Advantage analysis for the shea sector. Unfortunately, this was not possible as the available data is too old and unreliable for this purpose.

4.2.2 POTENTIAL TO CREATE JOBS

Recent developments at two Ghanaian companies, combined with the potential of the other existing factories geared to mass production (three relatively idle factories at present), could mean utilization of 1,650 machines. This would translate into 2,300–2,800 direct factory jobs in Ghana's apparel sector alone. Indirect employment (transport, housing, catering, etc.) would add another 900 to 1,100 jobs. In addition, if the owners of Dignity DTRT are able to replicate the Winds Enterprises model²⁸ (and there is no reason it should not be able to do so), a further 1,000 direct jobs could readily be created.

4.2.3 POTENTIAL TO ATTRACT INVESTMENTS

Once the two existing export-gearred factories are up to full capacity at the end of 2014, the needed structure will be in place attract further FDI for the sector. The key will be for the owners of companies that are geared toward mass export production but currently operating well below capacity to be willing to enter into joint ventures similar to the one at Dignity DTRT. Two of the companies interviewed would be willing to entertain this concept. A third may be willing, based on the success of the others. If not, this third company is capable of going it alone, as long as it can get access to finance for fabrics, trims, and working capital.²⁹

Recent political uncertainties in Asia (Vietnam, China, and Thailand) may motivate manufacturers to relocate; this is an opportunity for West Africa. In addition, with wages in the Far East rising rapidly (now between \$225 and \$290 per month in China and \$150 per month in Bangladesh),³⁰ and U.S. buyers perceiving Africa as the next sourcing frontier, the time is ripe to explore with buyers efforts to

²⁸ Winds Enterprises has factories in Mauritius, Madagascar, and Tanzania. The factory in Tanzania was started in 2010 from scratch and today employs 3,000 people. Some of the technical staff who helped set up and start the Mazava factory in Tanzania are under contract with Dignity DTRT.

²⁹ The Trade Hub may need to explore with MOTI and EDIF the possibility of setting up a revolving fund that would make loans (based on actual purchase orders and a payment system) to companies for working capital and raw materials at more suitable interest rates than the commercial banks. Payment of shipped orders would then revert to EDIF, for example, which—once it deducts its loan amount—would forward the proceeds to the company (bridging finance).

³⁰ This compares to the “all-in” salary of \$112 per month in Ghana.

persuade some vendors to relocate. This will require the Trade Hub to have a key linkages person with access to brands, retailers, and sourcing houses at the highest level.

4.2.4 POTENTIAL TO GENERATE VALUE ADDITION

Currently, value addition comes essentially only from sewing and labor processes in Ghana, with possibilities for garment printing and embroidery operations. There is potential, not yet fully explored, to complete the vertical value chain through the use of yarns from Mali and Burkina Faso for knitting, and dyeing, garment-making, printing, and embroidery in Côte d'Ivoire.³¹

Printex in Ghana also has woven apparel fabric dyeing and finishing equipment. Thus, there is potential for woven garment exporters to import greige fabrics in bulk³² for rapid dyeing to meet buyers' coloring-up instructions, which would improve U.S. buyers speed to market.

4.2.5 POTENTIAL TO GENERATE MARKET-BASED IMPROVEMENTS IN PRODUCTION YIELDS

Most garment manufacturers can make improvements in fabric off-cuts (what is left after patterns have been cut from fabrics). The two main export-gearred companies in Ghana have invested in computer-aided plotters/markers³³ to minimize fabric waste, which reflects directly on the bottom line. The other mass production-oriented companies do not have them, but there may be an opportunity for them to outsource this function in the future.

4.3 SOCIAL IMPACT

Women (mostly sewing machine operators) represent approximately 80 percent of employees in the commercial apparel manufacturing industry in West Africa. This ranges from 65 percent in some countries up to 95 percent in others. Based observations made during factory visits, the majority of workers are between 20 and 35.

4.4 COMPETITIVENESS

The major success criteria for the apparel value chain in West Africa are economies of scale, consistency of quality, and on-time delivery (price being a given).³⁴ Some of the main bases for competitiveness are discussed below. The **quality** of garment stitching in Ghana is good, as has been mentioned by many buyers (such as SUG). In terms of cost, the industry is competitive.

- **Wages.** In Ghana, for example, wages (including benefits and social charges) are the equivalent of

³¹ Time and availability of key players did not permit the author to explore this concept in more detail, except to say the structure is in place to potentially do so.

³² Rather than sourcing container loads of different-colored fabrics (typically orange, blue, red, etc.) that will take longer to produce and ship, they could import two to three containers of greige fabrics (more readily available), and have them dyed as and when needed.

³³ Also referred to as CAD/CAM systems (computer-aided design/computer-aided manufacturing).

³⁴ Based on 1888 Lucky Mills operations and discussions with Dignity DTRT Apparel and factory management, they are competitive, as also illustrated by factor costs such as wages, shipping time advantages, low factory rental costs, and relatively good levels of productivity. The latter requires training, training, and more training and a management capability to explain and workers to fully comprehend the importance of productivity, consistent quality, and on-time delivery.

\$112 per month, compared to \$150 per month in Pakistan and \$225 to \$290 per month in China. In Lesotho (a major SSA exporter to the U.S.), labor costs are between \$110 and \$120 per month (depending on the currency exchange). Ghanaian wages are higher than those in Ethiopia (which are \$55 to \$65/month), but productivity in Ethiopia is still low and manufacturing suffers from major, frequent power outages that are worse than those in Ghana at present.

- **Productivity.** Productivity was last measured at 1888 Lucky Mills and another factory in Ghana in 2012; it was close to 80 percent of international factory standards. By comparison, Lesotho's productivity was about 75 percent and Ethiopia's was between 50 and 60 percent. Labor turnover in countries like Ethiopia is high and the availability of workers is another problem³⁵ as many people there go to the Middle East to find jobs. This is not an issue in Ghana.
- **Shipping.** Direct shipping between Ghana and the East Coast of the U.S. takes less than three weeks, whereas four weeks may be needed from Lesotho, since goods travel via Durban in South Africa. Shipping from Ethiopia also takes four weeks. According to a buyer from Itochu,³⁶ there is a 10-day advantage in shipping from Ghana to the U.S. East Coast compared to shipping from Asia.
- **Energy costs.** Information has not yet been obtained, but energy is not a major cost in apparel manufacturing in Africa.
- **Per-minute cost.** An indication of the competitiveness of the apparel industry is the per-minute cost to stitch a garment. It is between \$0.05 and \$0.06 in Ghana—the same as in Madagascar, which has a highly competitive apparel manufacturing industry.
- **Factory rentals.** In Ghana, Export Processing Zone factory shells³⁷ are competitive, costing \$13,500 to \$14,000 per year for a 2,000 square meter (m²) building. Some of the factories, such as those of Dignity DTRT, are bigger, but the companies pay the same price. This compares to \$20,000 per annum for similar existing factory shell and \$30,000 for a new building in Lesotho. In Kenya, a 2,000 m² factory shell costs \$43,000 per year in Mombasa and \$60,000 in Nairobi.

If they are to have competitive and comparative advantages, Ghana, Benin, and Côte d'Ivoire need more mass market garment export manufacturers. To warrant trip expenditures, buyers would like to be able to source more than one product type and to see more than one or two factories. The fact that companies like 1888 Lucky Mills and Dignity DTRT have their own marketing and merchandising teams in the U.S. gives them a considerable advantage. The Trade Hub should seek to attract existing export manufacturers to relocate (to Ghana in particular), as these companies already have in place fabric sourcing and a manufacturing and marketing skills base.

A key competitive weakness is lack of access to finance and the fact that when finance is available, interest rates are too high to maintain profit margins. FDI relocations would have financing of raw materials and working capital already in place. One possibility is for the Trade Hub to initiate a "revolving bridging financing fund" with MOTI and EDIF. The project should also explore the World Bank's new development plan/fund for Ghana.³⁸

³⁵ "Ethiopian Cotton, Textile and Apparel Value Chain Study." Prepared for the DIFD-funded Private Enterprise Project Ethiopia. September/October 2013 company interviews.

³⁶ MOTI/WATH/Industry Stakeholders and International Buyers Forum Workshop. January 2012.

³⁷ Rented from the Ghana Free Zone Board.

³⁸ Despite attempts, the author of this report was not able to meet with these bodies, as many of the people spoken to were no longer sure who was in charge of which portfolio. A considerable reshuffling of jobs at government institutions has taken place. As a consequence, a lot of institutional memory has been lost.

The apparel value chain would benefit from improved communication between MOTI, EDIF, COTVET and stakeholders about access to finance and training subsidies (especially for new joint venture entrants or Greenfield FDI). GAMA also needs to be resurrected, so the industry can speak with one voice.

The industry would also benefit from a renewal of the previously mentioned Flying Squad, which could assist several companies (three to six) in ensuring that factory lines are set up correctly, sampling is done correctly, quality control measures are implemented, and supervision and shipping deadlines are met. The Trade Hub should investigate whether the new World Bank-supported program would entertain a cost-share arrangement with the companies to re-establish the Flying Squad.

Public sector attention to the apparel industry in Ghana has diminished since the 2012 elections.³⁹ There are no real regulatory or legal constraints for the apparel industry. There is no dyeing and finishing involved in the apparel factories, thus no environmental issues. Before factories start up (including in the apparel industry), they have to be approved by the Fire, Health and Safety Inspectorate. Environmental impact assessments are also undertaken.

4.5 FACTORS THAT WOULD SUPPORT INDUSTRY GROWTH AND UPGRADING

4.5.1 CHAMPIONS FOR CHANGE

As described in section 3.5.3, I888 Lucky Mills and Dignity DTRT are industry leaders and innovators. Both have strong market access (through their own knowledge of markets and sourcing) and proven models of production (in particular, the example of the Winds Enterprise Mazava factories in Tanzania). They would be willing to support the emergence of other firms and—should orders warrant it—would consider outsourcing production to other suitably accredited⁴⁰ garment manufacturers in the region.

4.5.2 ACCESS TO FINANCE

Access to lending and finance is one of the key challenges facing the industry, especially in Ghana. Most companies in Ghana have exhausted their capital base (some many years ago) and are solely reliant on EDIF and COTVET⁴¹ funding and grants. With interest rates that reach 30 percent, conventional banking finance is prohibitive for the industry. Margins simply do not allow for such high interest rates.

4.5.3 PRODUCTIVE INFRASTRUCTURE

Productive infrastructure is a key strength of the apparel industry in Ghana. The first four commercial garment manufacturing entities (government-owned until privatization) were set up in 2000 and 2001, each with more than 240 machines. Many other investments in garment manufacturing followed, with varying degrees of success and failure. There are today nearly 4,300 industrial sewing machines in place in Ghana, but only about 800 will be in full production in 2014/15. Another 850 could quickly be brought on-stream. A further 1,300 to 1,600 machines might be available, but are currently housed in factories that are closed or not operational.

³⁹ There is a new Minister of Trade and Industry, new people at EDIF, etc.

⁴⁰ Accredited by buyers and existing local suppliers.

⁴¹ Both of these MOTI institutions need help to become more familiar with the opportunities and realities of commercial mass garment production, especially regarding funding of training.

Factory shell availability is, however, an issue. As described above, some tenants are unwilling to vacate their premises, even when they are non-operational.

A key factor in favor of Ghana's apparel industry is the fact that the vast majority of all clothing factories are single-story buildings. This is significant in light of building collapses and other issues in Bangladesh and Pakistan. Together with the existence of fire and safety certificates, this could prove an additional draw for buyers and potential investors thinking of relocating in Ghana.

A constraint is the lack of an uninterrupted power supply for garment manufacturers to use in wash/dye plants (which add value). Interruptions in the power supply means that at times costly diesel generators must be used, especially when meeting tight delivery and shipping deadlines. A final infrastructure constraint is the lack of sufficient water to support, for example, a jeans manufacturing sector (the wash plants for jeans require copious quantities of water.) Water supply problems also limit the garment industry to shipping unwashed garments, even though many buyers prefer factory-level garment washing facilities. The limitations caused by water supply shortages squeeze margins and limit value added. One company, however, is seeking to overcome this problem as it gears up for exports by using fabrics made from dope-dyed continuous-filament polyester yarns (as explained earlier).

4.5.4 SYNERGIES WITH EXISTING PROGRAMS

Synergies remain to be explored, especially with the World Bank, MOTI, EDIF, and COTVET in Ghana.

4.5.5 POLICY ENVIRONMENT

The overall investment policy environment is relatively good in West Africa. It offers many of the same incentives offered in other African regions:

- Exemption of duties/levies on all imports for manufacture of products for exports
- Exemption (for 10 years) from income tax on profits
- No withholding taxes
- At least 70% of items produced in export processing zones must be destined for exports

Missing, however, is a key ingredient offered by countries such as Lesotho: training incentives for new factory start-ups and expansions. In Lesotho and Swaziland, the wages of trainees are subsidized to a value of 125 to 150 % of actual wages incurred during the training period, up to a maximum period of six months (most investors will find four months as sufficient). These training incentives were established to allow manufacturers to start commercial production more quickly, given the sheer volume of trainees required for a commercial garment export manufacturer. This is particularly important in a country such as Ghana, where exports have minimal lately, although they did take place up to 2006/07. Some garment industry investors do not want employees from former factories, because they believe that such employees may revert to previous "bad habits" that would slow down productivity, even if they are taught the new company's specific sewing procedures and standards.

4.6 SWOT ANALYSIS

The section summarizes the main strengths, weakness, opportunities, and threats (SWOT) related to the success of the apparel value chain.

Strengths

By the end of 2014, two companies in Ghana will be exporting 400,000 knit and woven garments per month. Three other factories could, in matter of four months, have a full labor force to produce up to 150,000 to 200,000 garments per month. Machinery exists—it is just waiting to be used.

Weaknesses

Key weaknesses include lack of access to affordable finance for raw materials and working capital. There is also not enough skilled expatriate technical factory management, even though the three factories mentioned in the paragraph above (which have mostly idle machines) do have some expatriate technical staff in place. Relevant government bodies lack a strong understanding of the industry, and there is a lack of cooperation (and active mistrust) among existing non-exporting factories. They see each other as competitors rather than seeing factories in Asia as their chief competitors. Although problems with the power supply and water availability are drawbacks, it is expected that the issues will be rectified over the next couple of years, as they were in Ethiopia.

Opportunities

Under AGOA, U.S. market availability is unlimited. The apparel value chain in West Africa is competitive, based on wage levels, productivity, shipping and lead times, and cheap factory shell rentals. With wage levels elsewhere (in China, India, Pakistan, Bangladesh, and now also some other SSA countries) rising more rapidly than ever, and in the light of the tragic factory building collapses and poor health and safety records in other countries, now is the time to flaunt the attractiveness of Ghana as an investment destination for the apparel industry. The fact that Ghana is English-speaking (compared with many other West Africa countries) is also an advantage, as is the fact that it is in a time zone closer to U.S. buyers. An additional factor is speed to market, which (as indicated earlier) is 10 days quicker from West Africa than from Asia.

Threats

The biggest threat is that the extension of the AGOA agreement (in a format similar to the current one) could be delayed. In 2004, and again in 2008, the agreement was extended late, with a devastating effect on the apparel industry in a number of countries. There is currently disagreement between U.S. Customs and AGOA—U.S. Customs is seeking to install a 35 percent value-added provision for duty-free access to the U.S. market, a move that is opposed by AGOA. Such a change could prove onerous to the SSA apparel industry, and may cause many companies to close down or redirect their exports to other markets. If the AGOA extension is not finalized by the end of 2014 at the latest, orders will start drying up, since lead time for sales to the U.S. is at least six months.

The availability of empty (unoccupied) factory shells may prove problematic for attracting FDI,⁴² unless the Government of Ghana can make more factory shells available by either building them or evicting existing tenants that are storing their machines in the factory buildings and not using them for their intended purposes.

⁴² Apart from Dignity DTRT Apparel, which is looking for additional factory premises, 1888 Lucky Mills will also be requesting a third building soon.

5. VISION AND UPGRADING STRATEGY

5.1 VISION

The Trade Hub's vision is a vibrant apparel manufacturing sector, consisting of at least 10 commercial mass production garment exporters. The objective is to export one million garments per month to the U.S. within five years' time and to employ 4,000 people through direct jobs, with a further 1,500 indirect jobs in Ghana (the Trade Hub's main recipient), Benin, and Côte d'Ivoire.

5.2 UPGRADING STRATEGY

The Trade Hub's main strategy will be to assist the two current export-gearred companies in all ways possible to reach their goals for mass export production. These companies can then be showcased as examples for other existing companies as models to become export-ready. This could trigger the semi-vertical knit garment factories in Côte d'Ivoire and the two factories in Benin to follow suit.

It is equally important to attract substantial FDI for re-locatable garment manufacturing entities. One way to do this would be to showcase these mass production export-gearred companies (following the adage that "seeing is believing").

Recommended role of the Trade Hub in achieving these strategies:

1. First and foremost, work with the two export-gearred garment manufacturers in Ghana: 1888 Lucky Mills and Dignity DTRT. This may require due diligence report to encourage COTVET to understand and focus on achieving potential investment and market success. It will be important to hold early meetings with MOTI, the Chief Executive Office of EDIF, and COTVET to develop collaborative strategies. Similar collaboration will be important in Benin and Côte d'Ivoire.
2. Seek to revive the expired BDSF Flying Squad program. A possible alternative would be for the Trade Hub to engage, as and when required, suitable consultants with hands-on experience running African garment factories targeting the U.S. market.
3. Instigate a search for manufacturers that might potentially be willing to relocate their production facilities from Asia to Ghana, with FDI. This will require short-term technical assistance from a skilled consultant who knows U.S. buyers, brands, and importers extremely well, so that he/she could identify which suppliers could benefit from operating in Ghana.
4. Seek opportunities for factories to relocate from certain non-West African countries where wages are higher to Ghana or to relocate manufacturers from Swaziland, which may lose its AGOA privileges by December 2014.
5. Ensure that actions to attract relocated investments are handled discretely by a consultant who knows the garment manufacturers exporting to the U.S., their management, and in some cases overseas owners. For factories to relocate, it is imperative that Ghana showcase the two

export-gearred companies that are operating at capacity and be able to talk positively⁴³ about the assistance these companies receive from government institutions tasked with growing and diversifying Ghana's economy. Another key task would be to re-activate the poorly functioning GAMA. The association could act as a strong voice for the industry, locally and possibly overseas (through buyer missions). Just as important, it could ensure that the Government of Ghana stays engaged and abreast of the apparel industry's challenges and opportunities.

6. Evaluate the following:

- Opportunities to bridge the “missing middle” by linking yarn spinners in West Africa (some of which are new) with knitters in Côte d'Ivoire, to provide West Africa with the equivalent of a vertical garment industry
- The woven apparel fabric dye house of Printex in Ghana, to assess possibilities for garment manufacturers to import greige fabrics (potential stock-holding of basic drill and twill fabrics) for rapid coloring-up, for potential use in workwear and trousers for export or local and regional markets

5.3 RISKS AND MITIGATION

Opportunities for the industry in Ghana and elsewhere in West Africa would be severely damaged if the two export-gearred garment manufacturers do not succeed.⁴⁴ To guard against this, every effort must be made to meet at least some of the demands of new investors, in large part by making the Government of Ghana fully aware of the needs of international garment exporters and investors.

⁴³ Under current circumstances, this would not be the case. This urgently needs to be addressed through greater private-public dialogue, in order to implement solutions to current problems.

⁴⁴ The author has not been to find out why the California Link Group (a large Sri Lankan factory in Kenya that was relocated to Ghana) disappeared overnight. Similarly, it is still a mystery why Liberty and Justice, having set up its manufacturing operations in a leased factory (with additional machinery) to produce constructed trousers for Haggard also disappeared overnight. Few people are able to shed light on this occurrence. The Trade Hub team will continue to try to contact the owners of Liberty and Justice.

6. ADDITIONAL INFORMATION NEEDED

An independent evaluation should be undertaken of the three semi-vertical garment companies in Côte d'Ivoire, looking at the age of the equipment (knitting, dyeing and finishing, printing, sewing machines, wash plant, and embroidery equipment); the suitability and quality of fabrics produced and dyed; and the companies' ability to mass produce. Prior to the civil war that ravaged Côte d'Ivoire in the early 2000s, only these companies, with the exception of, exported to the EU and the U.S.

Similarly, an independent dyeing and finishing expert needs to evaluate the apparel fabric dye house of Printex (in Ghana) to see if it is suitable for commission-dyeing purposes.

It would also be valuable to understand what triggered the sudden closure of the Liberty and Justice factory, after training machine operators for four to six months to produce their planned 60,000 trousers per month in 2014.

ANNEX I: BIBLIOGRAPHY

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ANNEX 2: PERSONS AND ORGANIZATIONS INTERVIEWED

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