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WEST AFRICA TRADE AND INVESTMENT HUB PROGRAM FOR EXPANDING APPAREL EXPORTS, TECHNICAL ASSISTANCE PERFORMED, AUGUST 2015

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Submitted to: Brinton Bohling, Chief, Office of Trade and Investment
(+233) 30-274-1317
No. 24 Fourth Circular Rd, Cantonments
Accra, Ghana

WEST AFRICA TRADE AND INVESTMENT HUB

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ACRONYMS

AGAM – Association of Ghana Apparel Manufacturers
AGOA – African Growth and Opportunity Act
ANC – Africa New Confection
APEX-CI – Export and Promotion Agency – Cote d’Ivoire
AVCS – Apparel Value Chain Specialist
AVCA – Apparel Value Chain Adviser
CdI – Cote d’Ivoire
COTVET – Council for Technical and Vocational Education & Training
EDAIF – Export Trade, Agricultural & Industrial Development Fund
EAA – Ethical Apparel Africa (formerly MiA – Made in Africa)
F2F – Fibre2Fashion
GEPA – Ghana Export Promotion Authority
GFZB – Ghana Free Zone Board
GIPC – Ghana Investment promotion Center
MOTI – Ministry of Trade and Industry
USAID – United States Agency for International Development
WATIH – West Africa Trade and Investment Hub

I. REPORT OF ACTIVITIES

I.1 KEY ISSUES ADDRESSED

The following is an outline of key activities performed with the AVCS, during the AVCA's STTA August 2015 trip:

- **Apparel Capacity Building Workshop**

Although originally scheduled for July, there were too many other activities to warrant a good turnout by the potential GoG attendees and the Capacity Building Workshop was thus rescheduled for the 11th and 12th of August at the Golden Tulip Hotel. The AVCS needs to be commended in garnering the support of **six key Government Agencies** (27 attendees) who were narrowly tailored to the interests of the apparel sector in Ghana, as well as other institutions and garment manufacturers.

The capacity building workshop was intended to make the GoG agencies (Ministry of Trade and Industry - MOTI, Ghana Investment Promotion Center - GIPC, Export Trade, Agricultural and Industrial Development Fund – EDAIF, Government Revenue Authority/Customs – GRA, Ghana Export Promotion Authority – GEPA, Ghana Free Zone Board – GFZB) more aware of the Ghanaian garment industry and the missed investment and promotion opportunities to date, how the industry operates locally and internationally, and the industry's needs, terminology, benchmarking and the current challenges facing Ghana. The opportunities come in the light of the very recent 10 year AGOA extension, with a focus on the advantages to Ghanaian manufacturers and WATIH support and interventions to improve the competitiveness of the apparel sector. **Other institutions involved** in the industry such as COTVET and Ghana Chamber of Commerce were also present. **Six garment manufacturers** were also in attendance on the first day, with a seventh present during the second day. Members of the **media** were also in attendance, resulting in at least three well written cover stories on the event, highlighting the advantages of the 10 year AGOA extension and third country fabric provision and the implications this could have for the Ghanaian apparel industry and employment.

After the necessary introductory remarks, a presentation on the **renewal of AGOA and its advantages to the Ghanaian industry** was provided by WATIH to set the tone of the workshop. This was followed by **GoG (MOTI)** presentation on the **current state of the apparel sector and Government Strategic Plan for the Sector**. This presentation was an eye-opener for WATIH and the garment manufacturing industry, in that MOTI was very candid that they had squandered a golden opportunity for the apparel industry between 2007 and 2014 by essentially being obstacles to the apparel industry, while only paying lip service to their needs, and thus contributing to the consequent loss of jobs and exports. This was immediately followed by their apparel export strategy and implementation plans for their 2015/19 National Export Development Plan. The WATIH apparel team was particularly pleased that MOTI had by and large adopted the entire apparel export and implementation strategy developed by WATIH for MOTI in October 2014. Some of their strategic action plans for the sector were already being implemented. The impact of one of their actions (factory space and rental agreements assessment) was evident from the reaction of some of the apparel manufacturers who had abused the system. The GoG (MOTI) was adamant that they will fast-track activities to provide

the apparel industry with a business enabling environment for investments and export led growth.

Presentations from GEPA, GIPC, EDAIF and COTVET followed, setting out their contributions to growing the apparel industry. From these presentations, the lack of knowledge of how the industry operates and what Government Agencies need to do for industry was evident. The capacity building workshop and WATIH presentations were thus timely interventions.

The Association of Ghana Apparel Manufacturers (AGAM) presentation set out where they believed there was a lack of Government support, in particular in areas of training and inability to expand due to a lack of available serviced factory shells. On a positive note, they also showed the Government and its agencies what strides some of the companies had been able to make, despite the absent enabling environment that have in one particular case, prevented a firm from being able to double and then triple employment and exports. The **wake-up call** to the government and its agencies was that this firm would, like Lucky 1888, need to close their doors if the enabling environment is not addressed soon. This message to the Government is by all accounts being heeded.

The presentation by the **Fair Trade** driven organization indicated clearly what their (and buyers/brands') expectations were and the benefits manufacturers can reap. To continue working with Ghanaian second tier factories (not yet ready for mass production of exports) they also stressed to the GoG the need to support the major mass production exporters as they were the key sources for brands/buyers to explore additional sourcing options from Ghanaian manufacturers.

- **Dignity DTRT factory tour**

A number of the delegates attending the capacity building workshop were taken on a factory tour of the Dignity DTRT operations and were amazed to see what a mass production, export geared garment factory looked like, let alone absorb the number of people (1,300) trained and gainfully employed by Dignity DTRT. A considerable number of the delegates had never been on a garment factory tour and had no idea, prior to their visit, of the potential this sector represented for the Ghanaian economy.

- **FY 2016 workplan for Cote d'Ivoire**

A USAID Mission is to be set up in Cote d'Ivoire. In so doing, one of the sectors to be covered in more detail is Apparel. While addressing the opportunities in the textile sector was advocated, the cost of revitalising an essentially defunct (and mostly historic machinery park – equipment) textile industry would not be advisable¹. While acknowledging that an African Print mill exists, the market for this commodity fabric is diminishing and under constant threat from cheap imports from the East. Although not an area in which WATIH is involved, the GoCdi should not neglect its cotton growing and ginning sector.

¹ Based on vertical textile mill investments in Ethiopia, the average of just five investments ranged between \$80 and \$120 million per company.

The presentation on the workplan for Cote d'Ivoire was also attended by the outgoing and incoming USAID COTR and USAID Cote d'Ivoire's Economic Growth Officer.

- **FY 2015 Feedback and 2016 Workplan**

Considerable time was spent by the Apparel team condensing the achievements of FY 2015. After 7 years of Government lip-service to the apparel industry, the biggest single achievement has been the incorporation of the apparel industry in to their National Export Strategy for 2015/19 and the start of implementation of some of the key strategies in their workplan. The implementation of some of the strategies, such as factory space and rental agreements evaluation, by an independent company, to unlock expansion plans and potential investments, has had the unintended consequence of galvanising AGAM to action and arranging a schedule of regular meetings with the Deputy Minister of Trade and Industry, to be followed by meetings with the Minister of Trade and Industry. The final presentation was attended by the USAID and on conference call by USAID Washington representatives for the WATIH.

Other Activities

- Other activities included
 - Doctoring the WATIH AGOA Advisor's presentation for the AGOA Forum in Gabon.
 - Corresponding with the Ethical Apparel Africa team regarding their attendance (registration forms, budget etc) of Origin Africa in Ethiopia in October, where they will be representing and showcasing the products and capabilities of four Ghanaian and one Beninois garment manufacturer.
 - Corresponding with Orabank in Benin regarding ANC's sustainability and financial assistance request.
 - Corresponding with Gelvenor, an RSA synthetic fabric weaver, coming to Ghana the last week in August to attend the Ghanaian Defence Force Trade show. Gelvenor was then also put in contact with one of the Ghanaian garment manufacturers with a view to making Defence Force uniforms.

1.2 OUTCOMES

- The major outcome from the capacity building workshop was **the GoG's (MOTI) adoption of the apparel strategy and implementation workplan**. Concrete steps are being put in place, with the following reporting of their plans in the international industry newsletter F2F of August 28th (Fibre2 Fashion):

Ghana

Ghana's Ministry of Trade and Industry says it will begin restructuring the country's textile and apparel industry in an effort to attract more foreign investment and establish sustainable trading ties. The ministry says it plans to establish a new program that will identify ideal locations for new production facilities as well as make the process of establishing utility connections on these sites more efficient. This initiative is part of a larger national plan that aims to grow export revenue to US\$5 billion. ([Fibre2Fashion](#))

It is hoped that the Ghana Investment Promotion Center (GIPC) will evaluate the WATIH presentations regarding what it takes to attract apparel investments and realize that one of the tasks they are trying to undertake (finding a Joint Venture partner for a specific company) is effectively a waste of time and resources.

Similarly, it is hoped the person at the Ghana Export Promotion Agency (GEPA) responsible for implementing MOTI's apparel industry strategy has also realized from the presentations that pushing just the "fashion designers/artisanal" garment producers is not going to create considerable employment and help industry exports grow exponentially. Higher up the corporate ladder in GEPA, the issues the industry faces are well understood, but until recently, the activities lacked the backing at Ministerial level. This, as indicated, has now changed.

- **AGAM** has for the first time been able to call for a meeting of their own accord with most members attending, instead of relying on AVCS to call the shots. This was in response to what initially was seen as a "crisis", namely an independent company evaluating factory space and rental agreements as many companies had not paid rent for years or had let-out factory space to third parties without forwarding payments to MOTI. The move to organize their own meeting and future meetings with the Deputy Minister, on a regular basis, bodes well going forward.
- **The FY 2015 workplan** targets have for the most part been achieved, although the closure of Lucky 1888 will reduce the target value of garment exports and employment. With MOTI having sprung in to action to make factory space available for manufacturers – in particular Dignity DTRT – its expansion plans should see garment exports to the USA increase significantly in FY2016. One of the lessons learned has been that while GoG/MOTI's and its agencies inaction are highly frustrating and at times demoralising for the apparel team, perseverance is crucial. While embracing the Hub's core strategy of heavily supporting the "lead" companies, through collaboration with and encouragement of Ethical Apparel Africa (formally Made in Africa) sourcing and assistance endeavours, the Apparel team has been able to see a number of second-tier companies succeed in producing samples and initial orders for buyers and brands in the US. This has benefitted not only Ghanaian companies, but also a company in Benin.
- **FY 2016 workplan** for Cote d'Ivoire should see the AVCS initiate a more in-depth scouting trip to pinpoint those areas where WATIH intervention initiatives could produce results. A key aspect is expected to be to convince the Cdi Government/Ministry of Trade and Industry to strengthen its resources in the Apparel sector rather than the Textile sector.
- **The Dignity DTRT factory tour** was an eye opener to many of the delegates who had never visited a mass production garment export facility. Judging by the comments, the apparel sector is viewed with renewed interest and acknowledgement of what support for this sector can do for the economy of Ghana and employment.

2. ANALYSIS AND RECOMMENDATIONS

In its July Technical Trip Report the Apparel team indicated that it was high time to vigorously re-engage the Government and MOTI to prioritize the apparel industry as its number one employment creation opportunity. The extension of AGOA and the third country fabric provision for the next 10 years, together with the Government orientated Capacity Building Workshop, proved to be the catalyst required. The Trade Hub's efforts since October 2014 have paid off, with the Apparel team's export strategy and workplan set to be incorporated in MOTI's National Export Development Strategy 2015/19. The presentation by MOTI at the Workshop saw not only MOTI take ownership of the strategy, but also iterate key steps for implementation of the workplan. This, combined with the presentations provided by WATIH and the subsequent Dignity DTRT factory tour, appears to have catapulted the apparel industry as a key sector for the GoG employment creation plans, and it appears that the GoG understands that the AGOA extension now offers Ghana a major opportunity to drive investments in to the industry.

One of the key hurdles to facilitating investments, in particular FDI, as well as expansion by existing players, has been a lack of serviced factory space available. MOTI's initiative of appointing an independent company to audit factory space and rental agreements should see facilities being made available. As important in showing MOTI's commitment to this process has been that they are not limiting this to just the Accra and Tema Garment Village Free Zones, but also the Shama Free Zone near Takoradi. Shortly after the AVCA visit, MOTI informed the AVCS that they were accompanying a potential investor to the Shama Free Zone.

Following the Capacity Building Workshop, AGAM has also been invited to attend a meeting with the Deputy Minister of Trade and Industry, which is set to become a bi-monthly event, and will be followed by a meeting with the Minister of Trade and Industry. These are indeed encouraging signs that MOTI is taking the potential of the apparel industry seriously. Recommendations have been made to AGAM that the Hub's AVCS attend those meetings as an observer and that the MOTI Technical Advisor Export Trade Development² also be included. It will also provide the AVCS with the opportunity to meet and dialogue with decision makers at the highest level of Government, for which attempts to date have not materialized.

With the progress Ethical Apparel Africa (EAA) has been able to make so far, it is recommended that the Trade Hub continue to work hand-in-hand with EAA and support their efforts to bring the second tier garment manufacturers to the export market.

² The key person at MOTI to have taken the Trade Hub's proposed apparel export strategy to heart and incorporated it in to their National Export Development Strategy workplan.

3. FOLLOW UP

3.1 UPCOMING ACTIVITIES

- The AVCS to follow up with AGAM to attend their bi-monthly meetings with the Deputy Minister of Trade and Industry and subsequently the Minister as well.
- To persuade AGAM and the Ministry to also include MOTI's Technical Advisor Export Trade Development as one of the key people to have truly grasped the significance of AGOA and the contribution the apparel sector can make to the Ghanaian economy.
- To follow up with MOTI to obtain their "take-away and lessons-learned" from the Capacity Building Workshop. This would also give the Apparel team the opportunity to gauge where additional capacity building interventions/issues need to be addressed, e.g. GEPA and GIPC.
- The AVCS to initiate a "scouting trip" to Cote d'Ivoire to continue discussions with the Government and their stakeholders such as APEX-CI, Ministry of Trade & Industry, Chamber of Commerce and companies that could potentially be made export ready to emphasize the apparel sector (which would have greater returns for their efforts and resource inputs) in their development plans/strategy. The plan is currently still heavily biased towards the textile industry.
- To continue monitoring with EAA the developments at ANC in Benin, in particular financing and training needs, as well as key safety features to be addresses (such as a fire escape).
- Follow up with MOTI/Ministry on the outcome of the potential investor's interest in manufacturing garments in Ghana for the US market.
- Meet with the Ghana Investment Promotion Center (GIPC) and MOTI to discuss a potential investors/investment roadmap geared to the apparel industry and where the Trade Hub could be of assistance, in light of the presentation on buyers and investor's needs. This opportunity should also be used to make GIPC aware of "backing" the wrong companies through soliciting Joint Venture opportunities.
- Provide MOTI, based on their Public Relations/Communications Manager enquiry, with practical/user-friendly information on AGOA to incorporate in their website
- After some great media coverage of the Capacity Building Workshop, the Trade Hub needs to continue to liaise with the media whenever the renewed MOTI initiatives have had a positive effect on the apparel industry in terms of industry expansions and/or investments and improved garment export prospects.
- Continue, initially through Lucky 1888, to correspond with company from Latin America with a view to relocating their factory to Ghana.