

West Africa Textiles and Garments Focus Report



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Foreword



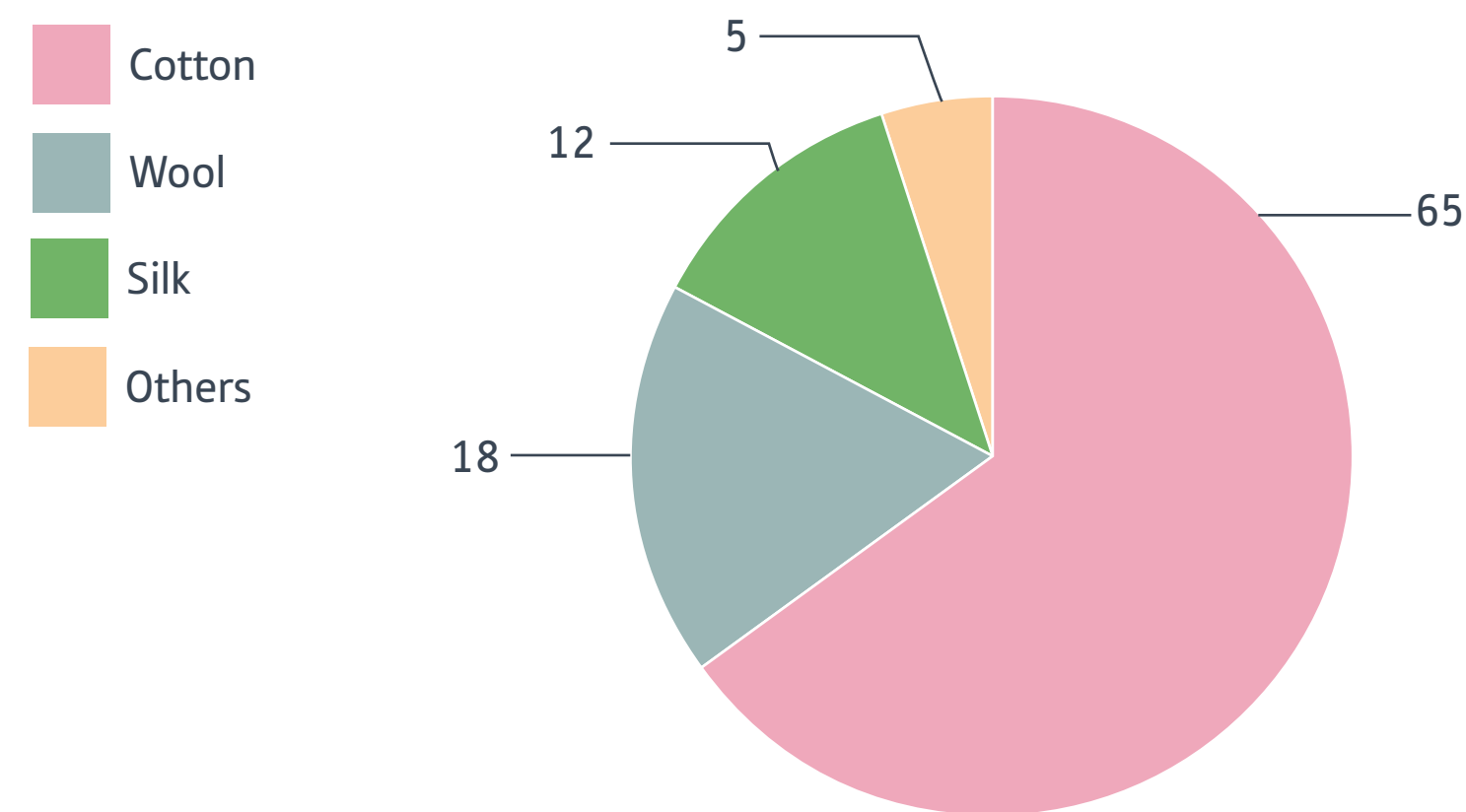
Gagan Gupta,
Founder and CEO, ARISE

Africa has long exported its natural resources and retained only a small percentage of the value generated. Cotton is no exception to this trend: while West Africa is the sixth-largest grower in the world, 90% of the raw product is exported to Asia to be transformed into finished goods, with just 2% processed locally. Investing in the industrialisation of West Africa is not only an opportunity to increase revenue through valued-added exports, but also a path to create hundreds of thousands of jobs and improve the livelihoods of local populations. In the wake of the Covid-19 pandemic and its impact on global supply chains, and at a time when the long-awaited African Continental Free Trade Area agreement has come into effect, we are presented with a strategically important moment to invest in the West African textile sector. We need more private-public partnerships to develop infrastructure and logistics and industrial zones like the ones ARISE has completed in Benin, Gabon and, more recently, Togo. In collaboration with the Togolese government, the launch of the Plateforme Industrielle d'Adetikopé (PIA) Textile Park is poised to achieve the objective to transform 56,000 metric tonnes of cotton fibre worth \$73m into garments valued at \$1.5bn. Reducing cotton exports from Africa to Asia and other regions and processing it locally could also significantly contribute to curbing carbon emissions, bringing supply chains closer to the raw materials, reshaping internal logistics and leveraging Africa's carbon endowment. Climate change needs immediate action, and as one of the fastest-growing regions in the world, Africa must be at the heart of this strategy. As part of our mission to promote sustainable industrialisation across Africa, environmental, social and governance (ESG) issues are at the core of ARISE's corporate strategy and operations. We aim to engage all relevant stakeholders and seek to ensure fair revenue for local communities. ESG will therefore remain a constant and critical consideration for future projects, just as it was for the PIA Textile Park, which we hope can serve as a benchmark for sustainable industrial development in West Africa.

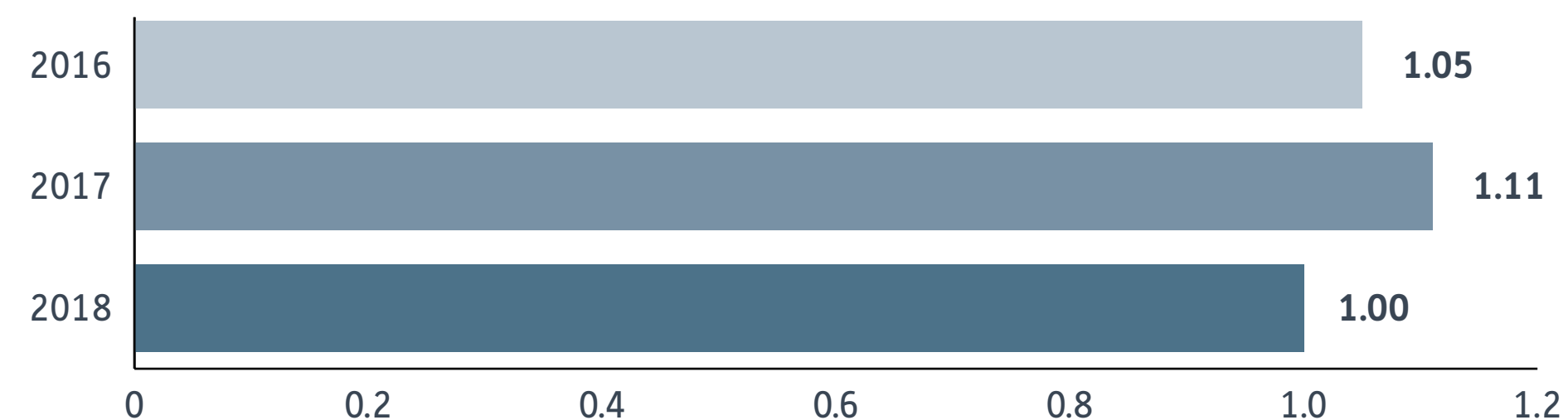
In this report, Oxford Business Group highlights investment opportunities in the West African textile and garment industry, and the steps we can take to strengthen value chains in the region in a sustainable way.

Facts and Figures

Natural fibres used in the global textile industry, 2019 (%)



West African cotton production, 2016-18 (m tonnes)



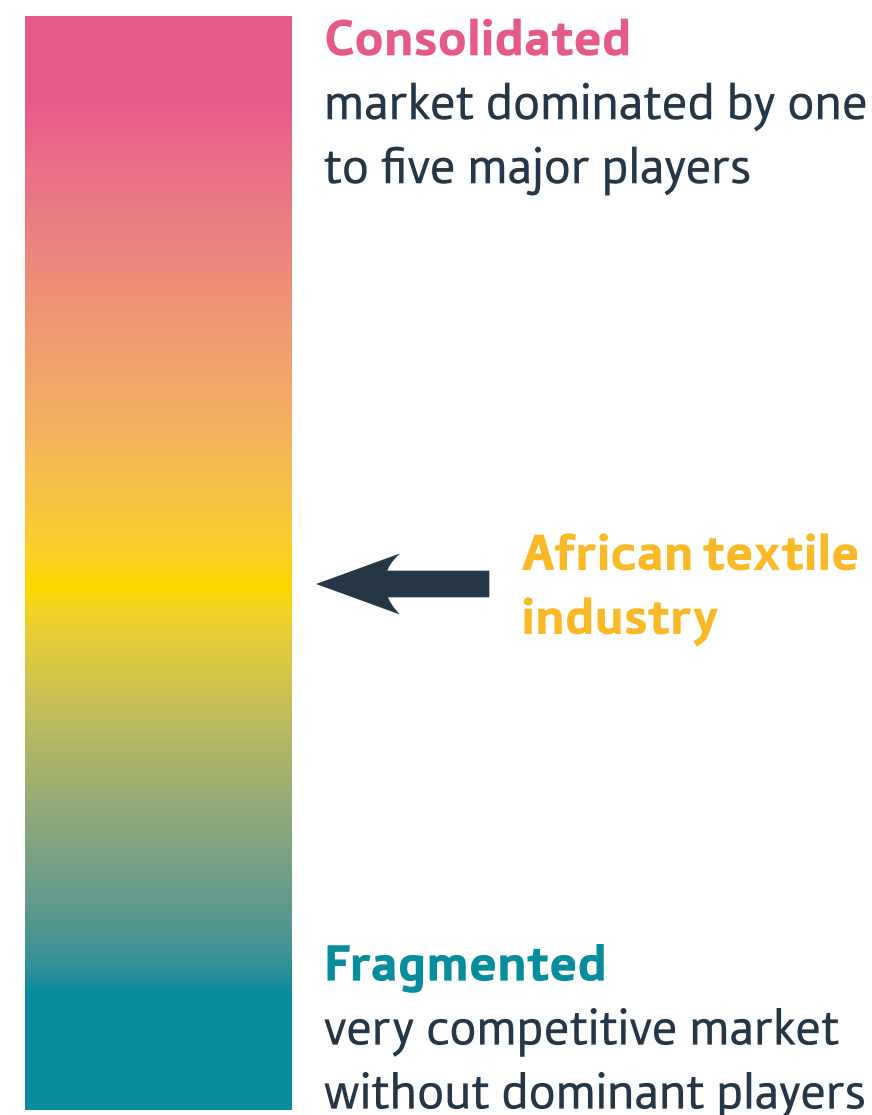
Data on the top-15 cotton-exporting countries, 2019

	Export value (\$ m)	Growth (%)	Average growth, 2015-19 (%)	Global share (%)
World	15,942.1	0.9	7.4	100.0
1. US	6220.9	-6.1	11.7	39.0
2. Brazil	2652.4	65.7	19.6	16.6
3. India	1147.0	-50.9	-12.3	7.2
4. Australia	1087.6	11.1	7.5	6.8
5. Greece	593.0	46.7	15.6	3.7
6. Benin	457.4	1.3	14.9	2.9
7. Côte d'Ivoire	362.2	26.2	11.3	2.3
8. Burkina Faso	352.1	10.0	4.3	2.2
9. Turkey	304.6	19.5	18.8	1.9
10. Uzbekistan	298.1	25.5	-17.0	1.9
11. Tajikistan	215.0	101.8	23.1	1.3
12. Cameroon	207.1	7.4	5.7	1.3
13. Sudan	178.2	14.0	46.0	1.1
14. Egypt	169.0	31.5	17.3	1.1
15. Spain	158.8	81.3	20.9	1.0

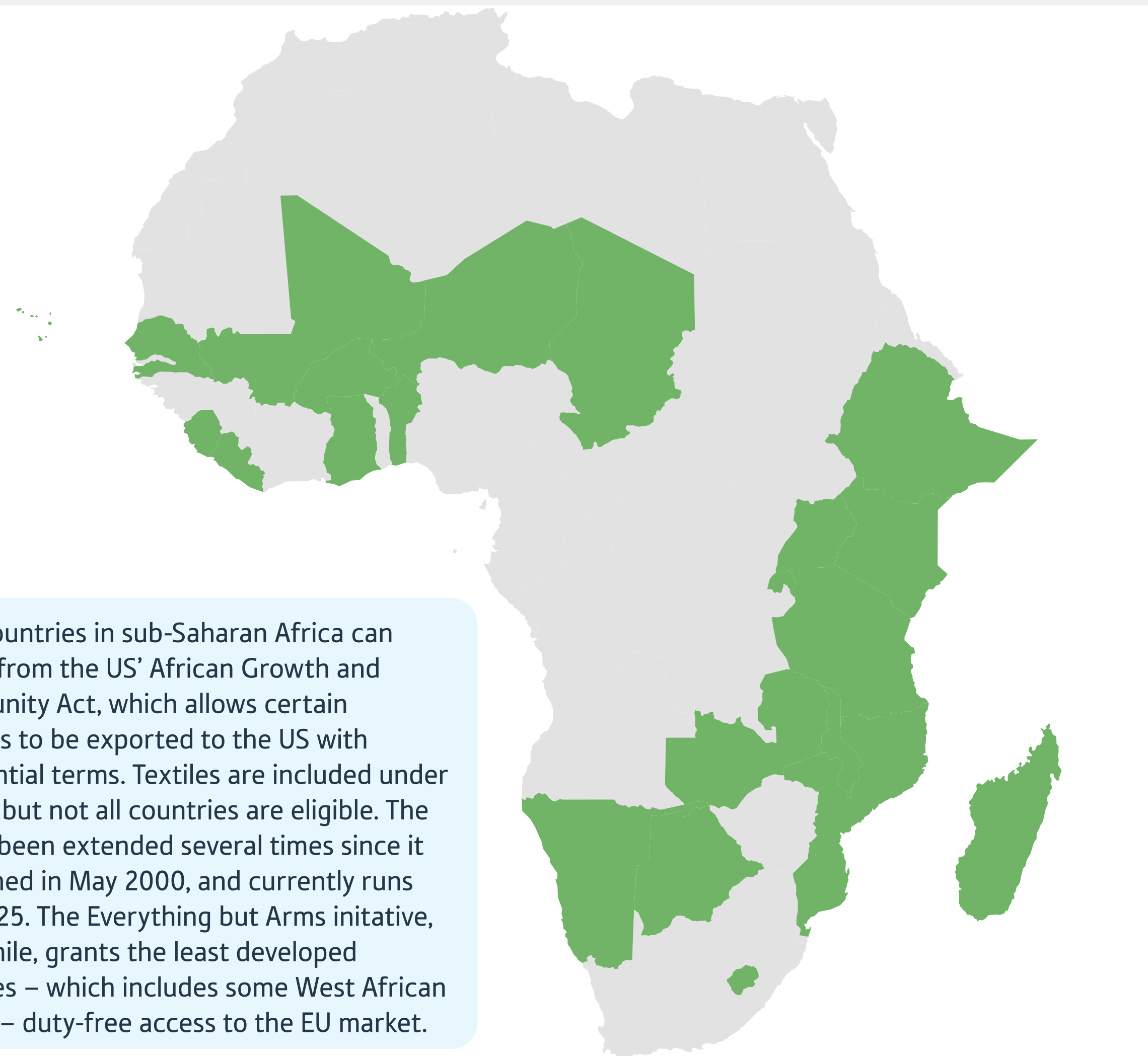
Facts and Figures

The African textile industry is
**forecast to grow by a compound
annual growth rate of over 4%**
between 2021 and 2026

Textile activity in Africa is neither highly
consolidated nor highly fragmented



Many countries in sub-Saharan Africa can benefit from the US' African Growth and Opportunity Act, which allows certain products to be exported to the US with preferential terms. Textiles are included under the act, but not all countries are eligible. The act has been extended several times since it was signed in May 2000, and currently runs until 2025. The Everything but Arms initiative, meanwhile, grants the least developed countries – which includes some West African nations – duty-free access to the EU market.



Qualified for the third-
country fabric rule as
of January 1, 2021

- Benin
- Botswana
- Burkina Faso
- Cape Verde
- Chad
- Ethiopia
- Ghana
- Kenya
- Lesotho
- Liberia
- Madagascar
- Malawi
- Mali
- Mauritius
- Mozambique
- Namibia
- Niger
- Rwanda
- Senegal
- Sierra Leone
- Tanzania
- Uganda
- Zambia

History of Cotton Activity

In order to study the current state and future opportunities of the textile industry in West Africa, the history of its primary input – cotton – must be understood. Africa produces roughly 100 species of cotton and hosts six cotton-growing basins, the largest of which is in West Africa. There are

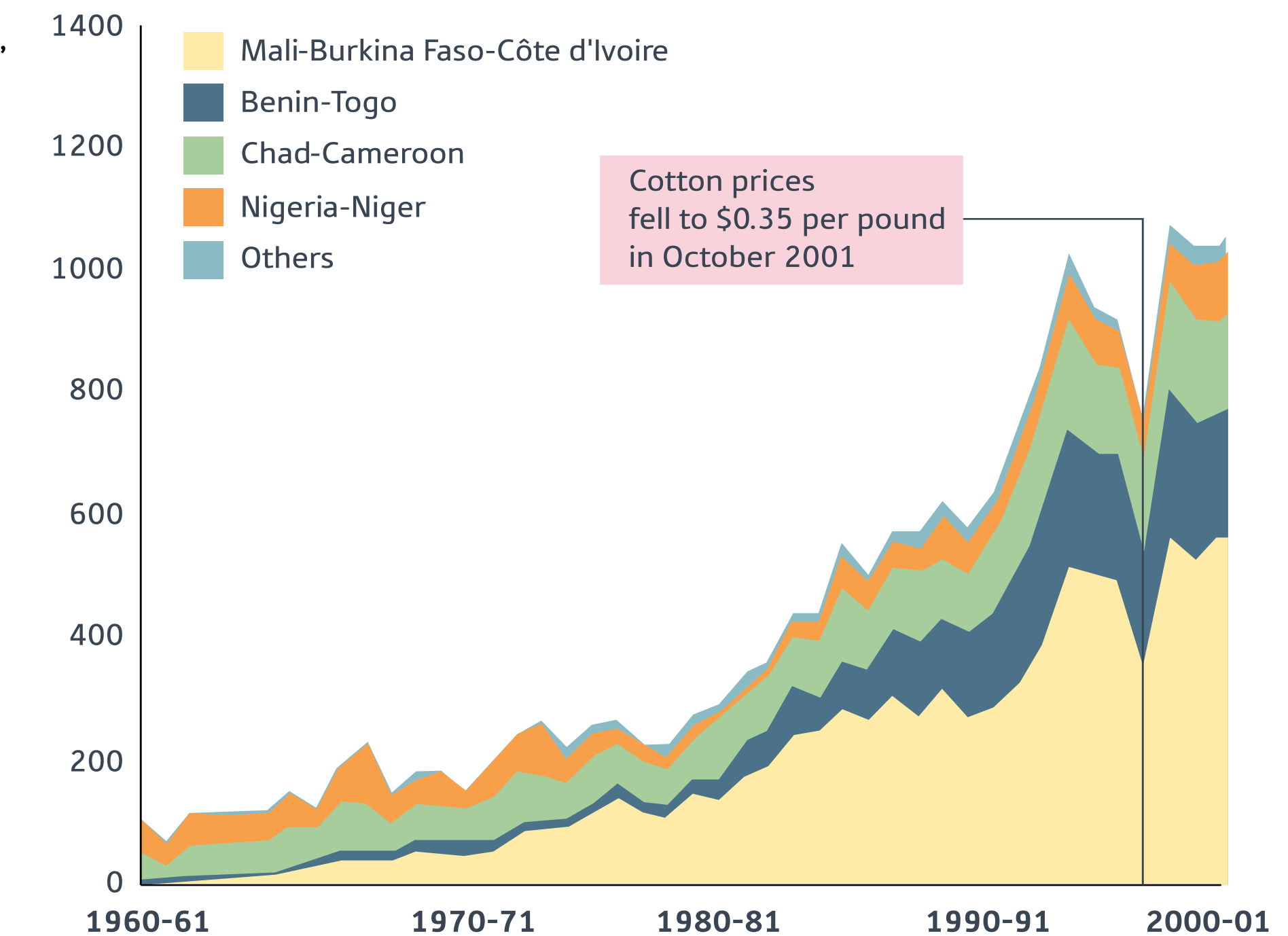


12 cotton-producing countries in the region, namely Benin, Burkina Faso, Cameroon, the Central African Republic, Chad, Côte d'Ivoire, Ghana, Mali, Niger, Nigeria, Senegal and Togo, which produce approximately 75% of the continent's cotton. Benin, Côte d'Ivoire and Burkina Faso have been the top-producing countries in recent years, occupying, respectively, sixth, seventh and eighth place globally for countries who earned the most from cotton exports in 2019, according to UN trade data.

The current picture was not always the case, however. Commercial cotton production in West Africa got its start in the late 1800s when Britain and France turned to their African colonies to source cotton amid the rapid development of the European textile industry, and supplement supply from India and the US. Planting trials took place in various parts

of the region throughout the following decades. In the early 1960s, when most of the 12 countries gained independence, West Africa produced only 15% of cotton on the continent; development began in earnest in the 1970s, particularly among francophone nations. That decade saw parastatal companies formed to oversee the growing and marketing of cotton in countries including Chad, Cameroon, Senegal, Côte d'Ivoire, Togo, Burkina Faso and Mali, with heavy involvement from Geocoton, formerly known as the French Company for the Development of Textile Fibres. Governments still have a large presence in cotton operations in French-speaking West Africa, while the approach is more hands-off in anglophone nations such as Nigeria. Between 1960 and the early 2000s annual cotton production in West Africa grew from approximately 100,000 tonnes to 1m tonnes, according to data from the OECD and ECOWAS.

Cotton production in West Africa, 1960-2003 (000 tonnes)



Textile Value Chain

The basic steps of the value chain for creating new textiles from natural fibre have remained largely the same over the past century, and most often begins with seed cotton production: cotton accounts for roughly two-thirds of all natural material used for fabric globally, with wool, silk, hemp, cashmere, and other plant and animal fibres making up the remainder. The cotton is collected from fields and distributed to factories at home or abroad, ginned into lint, spun into yarn, woven into greige fabric, dyed or printed and sewn into a finished garment. It is then transported to the consumer market –

whether in the same country or via exports – and sold in wholesale or retail environments.

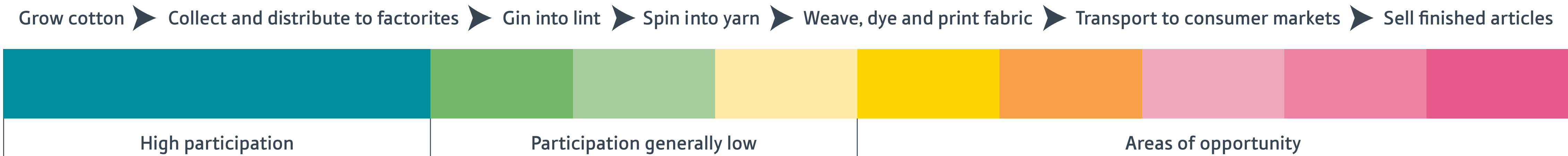
In current-day West Africa the majority of activity is concentrated on the first and second step of the value chain, with a smaller emphasis on creating yarn. However, while the participation of West African countries in the manufacture of textiles largely ends with the export of raw cotton – particularly to factories in China, Bangladesh, Vietnam and Malaysia – there is momentum in the region to establish more mills and, ultimately, to

produce finished clothing and industrial textiles on a broad scale. Indeed, West African markets have found themselves in the position of exporting lower-value spun or unspun cotton only to import finished textiles at higher prices. Investing in infrastructure that can transform local raw materials into finished products for domestic and export markets would strengthen West African economies and help to combat the influx of articles from Asia.

The industrial rise of China, in particular, has had a profound impact on the textile industry in

other nations, and West African countries are no exception. However, as labour costs in China rise and diplomatic tensions between the country and the US – which is a major source of clothing demand – continue, West Africa is well positioned to grow its textile industry due to relatively lower wages and proximity to abundant raw material. The latter is an especially important factor to ensure that finished products are competitively priced, since little transport between fields and factories would be needed, boosting the competitiveness of the region's textiles in the global garment trade.

West Africa's participation in the textile value chain



Supply and Demand in ECOWAS

Sustainable Inputs

With West Africa serving as a major centre of cotton production, the region follows demand trends and has made certain adjustments in line with consumer expectations. Consumers around the world, and especially those in developed economies, are becoming more environmentally conscious and increasingly seek to purchase items that are natural and sustainably made. After decades of steady growth in synthetic fibres, which are made from petrochemicals, imports of synthetic apparel to the US surpassed cotton articles for the first time in 2014. However, growing awareness of the negative environmental impact of oil activity is supporting renewed demand for cotton as a natural, hypoallergenic and breathable material. Specifically, demand for organic cotton grown

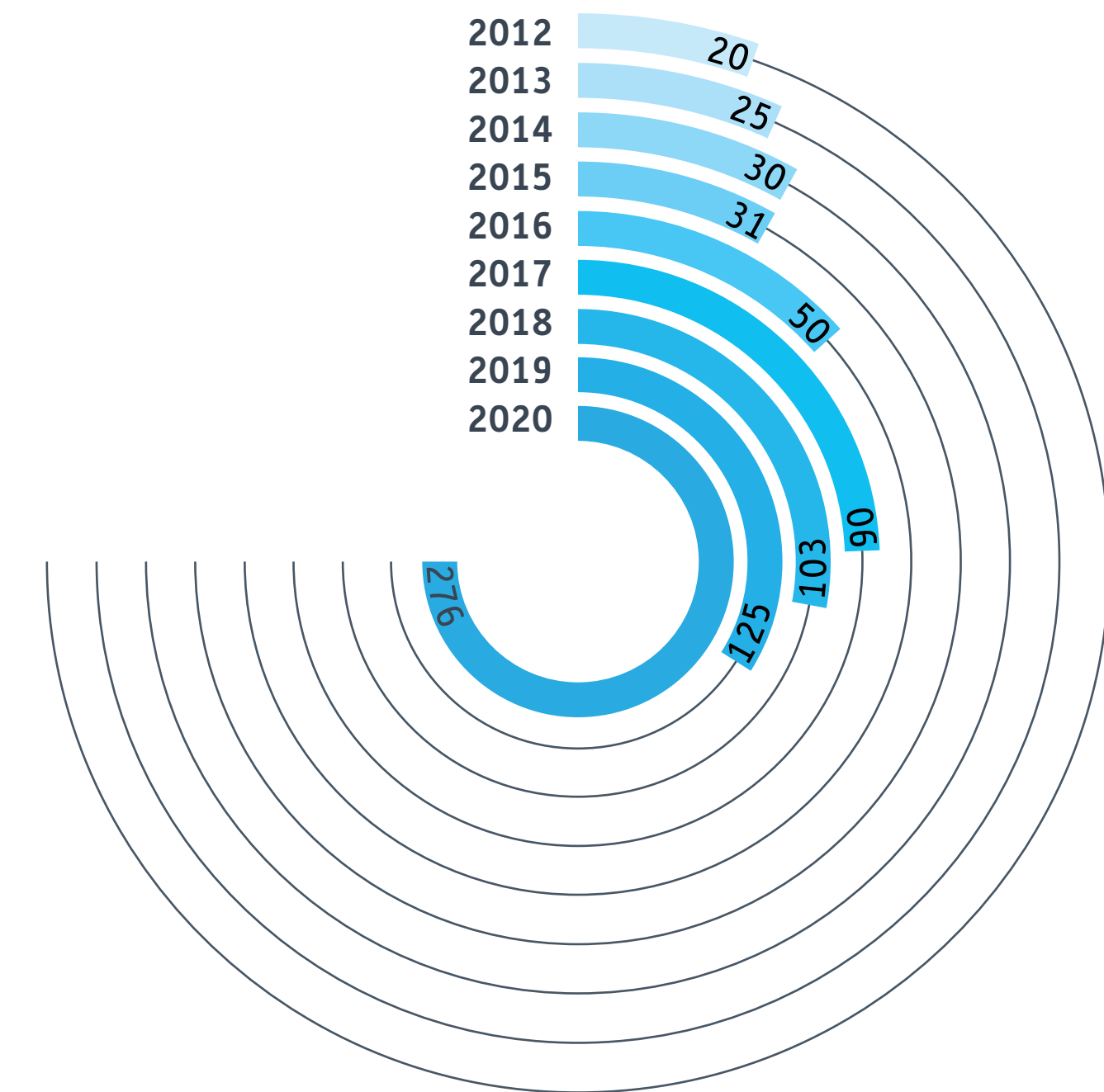
in a sustainable and fair manner is a trend that West African producers are looking to capitalise on.

In 2005 the Hamburg-based Aid by Trade Foundation launched the Cotton made in Africa (CmiA) initiative to sell sustainably produced cotton and improve the standard of living of farmers. CmiA has grown into an internationally recognised label of quality, environmental friendliness and fair treatment. As of April 2021 roughly 1m smallholder farmers across 10 countries were active in the initiative, including growers in Benin and Burkina Faso. The total amount of CmiA cotton that had been ginned as of that date was 630,000 tonnes. The network includes 217 spinning mills and fabric producers, and in 2020

some 276m articles of clothing with the CmiA label were sent to market. Overall, one-third of cotton grown across the continent is CmiA-verified.

In the organic cotton segment, Burkina Faso inaugurated the region's first organic cotton ginning plant at the end of January 2020 – about 15 years after organic cotton was first commercially grown in the country. The 5000-sq-metre facility was created with a direct investment of around CFA4bn and is operated by the Organic Cotton Ginning Company. It has a ginning capacity of 17,500 tonnes of cotton seed per season, or 125 tonnes per day. Employing around 40 permanent workers and 200 seasonal staff, the plant is also helping to combat youth and female unemployment in the area.

CmiA-labelled textiles on the market, 2012-20 (m)



Supply and Demand in ECOWAS

Supply Hurdles and Opportunities

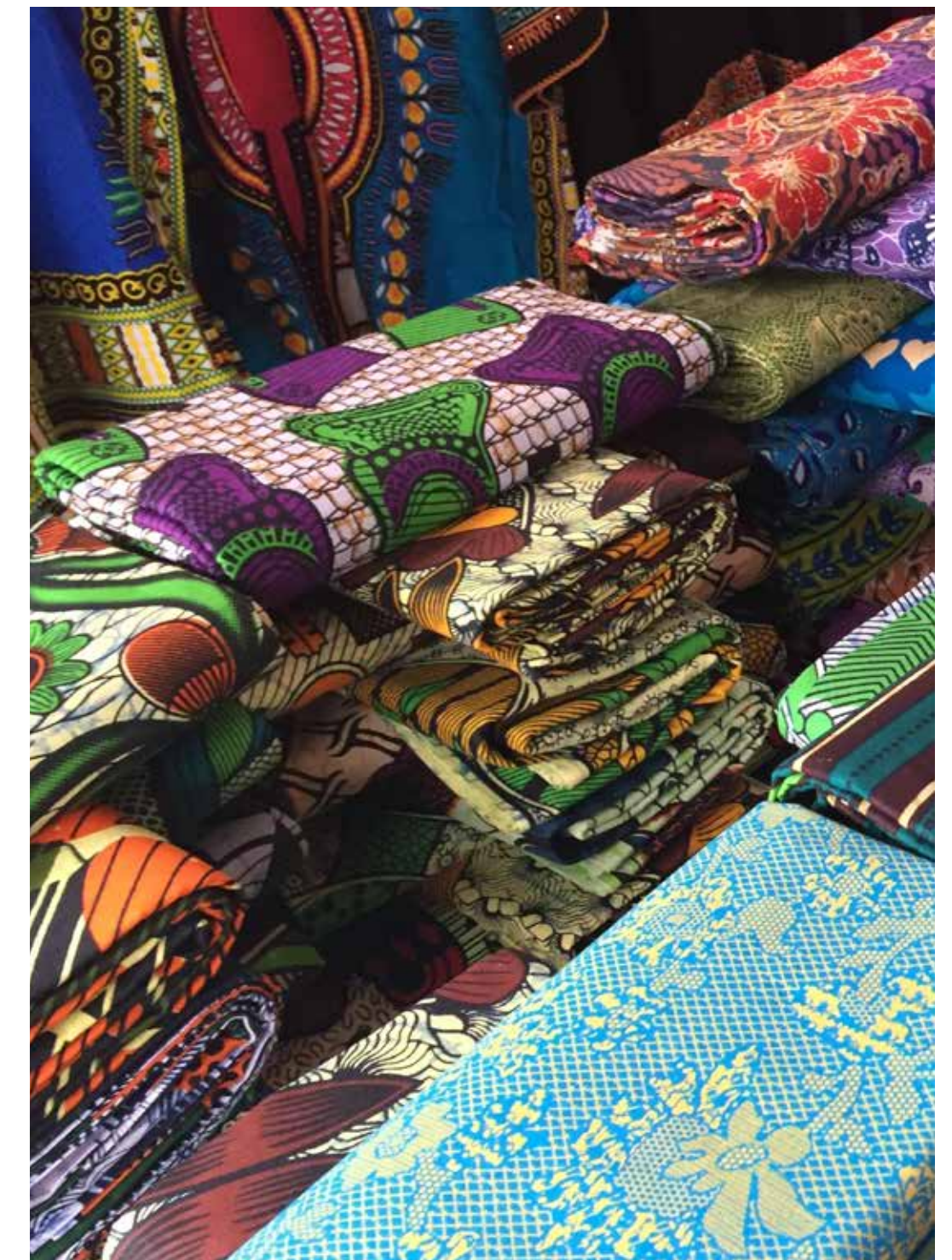


When it comes to finished articles, West Africa is up against large volumes of imported second-hand clothing or smuggled substandard fabrics. Commercial trade in used clothing from Europe and the US began in the 1990s due to growing demand for Western fashion from African markets. Spurred on by the fast fashion industry and overbuying in developed countries, donated or discarded articles are often purchased at low prices by intermediaries and exported to local traders in emerging economies around the world. This, coupled with the influx of relatively cheap garments from China and other Asian nations, has slowly taken its toll on a once vibrant West African textile industry that is now struggling to compete.

One opportunity, however, is the local manufacturing of African wax prints: 100% cotton fabric in colourful patterns. As West Africans wear this fabric for a variety of occasions – from work, to weddings and funerals – the market is large. The material is gaining popularity beyond the region as well, including in European high fashion. The

majority of African wax print is currently made in the Netherlands – an industry that dates back to the late 1800s – and exported to West Africa. Traders sell the bulk fabric as a luxury product and local tailors create finished articles requested by clients. Since the turn of the century, however, lower-quality fabric – often with imitation designs – has increasingly been coming from China, India and other Asian markets, often costing up to 10 times less than European-made fabric.

Regional production of wax print, which is currently limited to Ghana and Côte d'Ivoire, presents a significant opportunity for job creation and export earnings, particularly if the fabrics are sold to the US under the preferential African Growth and Opportunity Act by eligible countries (see Facts and Figures). Investors seeking to gain a foothold in the West African textile industry can look to wax print to capture advantages at both ends of the value chain – through abundant cotton supply and a large consumer market – while minimising risk and cost from transportation.



Goals, Programmes and Initiatives

At a September 2020 virtual meeting held by the Accra-headquartered West Africa Competitiveness Programme (WACOMP) – created as a partnership between the EU and ECOWAS – the textile and garment industry value chain was highlighted as a key part of economic development in the region, especially in the wake of the Covid-19 pandemic, in the context of ECOWAS’ efforts to revitalise the region’s economy. Group members noted that a lack of recent investment in West Africa, in addition to increased global competition, had led to a decline in the region’s once-thriving textile and garment industry; the programme aims to support value chains at the regional and the national level to accelerate sector transformation, improve competitiveness, create jobs, and facilitate access to local and global markets. Furthermore, over the 2021-22 period WACOMP – in partnership with the International Trade Centre (ITC) and the UN Industrial Development Organisation – is hosting a series of business-to-business matchmaking events called West Africa Connect, which will focus on textile and garment

value chains, among other strategic sectors, with the aim of promoting local enterprises at the regional and the international level.

Capacity-building activity is also taking place at the national level. In an effort to enhance local textile production capacity, for example, the Nigerian government established the N100bn Cotton, Textile and Garment Fund in 2009. In 2020 the Central Bank of Nigeria announced it had invested a further N120bn in the fund, which has so far benefitted some 320,000 farmers and allowed the sector to develop significantly. In other moves, the government imposed a 10% levy in order to combat a rise in textiles imported to the country.

In Côte d’Ivoire, meanwhile, the government has supported the sector by providing farming resources such as fertiliser to cotton farmers; introducing a national pricing scheme; and implementing capacity-building programmes to encourage higher productivity, which have led to a greater contribution of the industry to GDP.

Other West African nations have enacted innovative strategies to promote their local textile and garment sectors. In Ghana, for example – where the government has highlighted the textile industry as one for strategic investment under its 10-Point Industrial Transformation Agenda

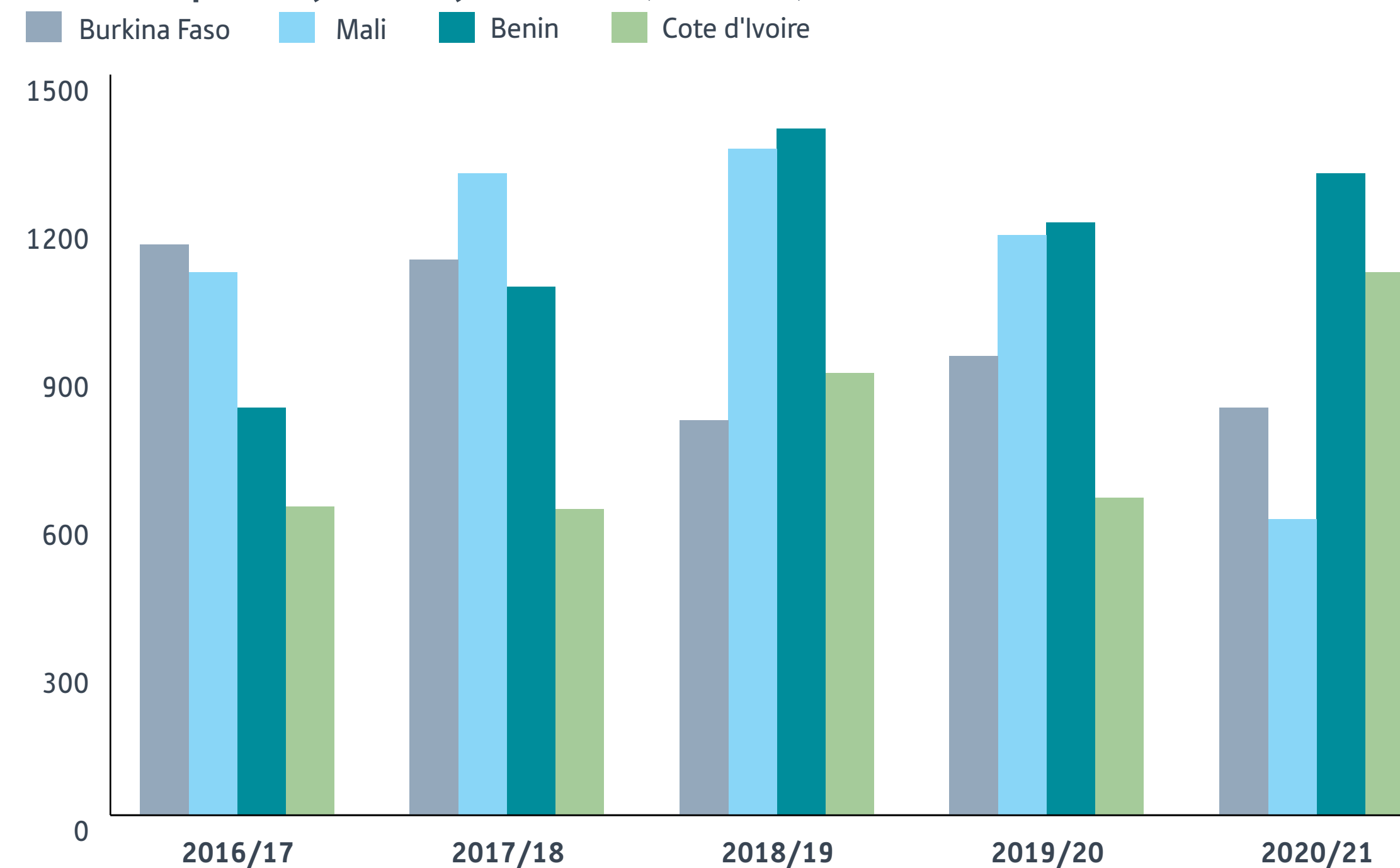
introduced in 2017 – various partnerships between the private sector and international stakeholders, including the German development agency, GIZ, are under way to strengthen the sector and increase cost-effectiveness, in addition to promoting social and environmental responsibility.

How WACOMP can boost the textile value chain

-  Build the capacities of small and medium-sized enterprises (SMEs) through training programmes in priority areas (including supply, quality control and marketing of textiles)
-  Prepare investment profiles to attract foreign direct investment in the textile sector
-  Provide information for micro-enterprises and SMEs in the region and buyers outside of Africa
-  Provide SMEs and trade and investment support institutions (TISIs) with the necessary expertise to benefit from other support programmes and initiatives in the regional textile value chain
-  Strengthen the type of support provided by TISIs to SMEs, particularly in organising networking events
-  Train TISIs in accessing the necessary financial resources for a networking and sharing platform for SMEs in the textile sector
-  Provide commercial online monitoring tool for all textile operators in the region

Textile and Garment Exports

Cotton exports by country, 2016-20 (000 bales)



International demand for textiles from the continent – and West Africa specifically – has grown significantly in recent years; African garment patterns have gained worldwide recognition, and West African influences are incorporated more into fashion houses and collections.

The region has become a notable exporter of cotton. Between 2000/01 and 2004/05 West Africa exported an average of almost 1m tonnes of cotton fibre, or 13% of global production, making it the third-largest exporter of the material, behind the US with 2.5m tonnes (37%) and Central Asia with 1.2m tonnes (17%). With an annual average growth rate of almost 6% in 1960, the speed at which West African cotton exports developed was unmatched, except by Australia, who registered nearly 11%.

Currently, the EU is West Africa's largest trade partner – thanks to preferential market access agreements – and the primary export market for West African ready-made, transformed products, which include textiles and garments.

West Africa is the world's sixth-largest grower of cotton, with approximately 90% of the raw product exported to South and South-east Asia for spinning and weaving into finished goods. Meanwhile, 2% of raw cotton is processed locally in the region, highlighting significant opportunities for regional industrial development.

The largest export markets for cotton are Bangladesh, accounting for 34.1% of exports; Vietnam, with 17.2%; China, with 11.8%; Indonesia, with 7.4%; Egypt, with 6.6%; Turkey, with 4.7%; Thailand, with 2.7%; India, with 2.5%; Singapore, with 2.3%; and Switzerland, with 2.1%.

According a report published by the US Department of Agriculture in May 2021, Benin, Mali, Côte d'Ivoire and Burkina Faso are among the top-10 largest cotton-exporting countries in the world. Together, these four countries exported 3.7m bales of the product in the 2016/17 harvest; 4.2m bales in 2017/18; 4.4m bales in 2018/19; 3.9m bales in 2019/20; and 3.8m bales in 2020/21.

Supply and Demand in ECOWAS

The AfCFTA and the Garment Sector

Spearheaded by the African Union (AU), the African Continental Free Trade Area (AfCFTA) agreement was signed in March 2018 and aims to substantially reduce both tariff and non-tariff barriers to trade.

The new trading agreement came into effect on January 1, 2021, connecting 1.3bn people under a single market valued at \$3.4trn, which, according to the World Bank, could increase Africa's exports by \$560bn and lift more than 30m people out of extreme poverty. Furthermore, according to figures from the Brookings Institution, a US think tank, the implementation of the agreement has the potential to double the size of the manufacturing industry, creating 13m-16m new jobs and helping to bridge the employment gap.

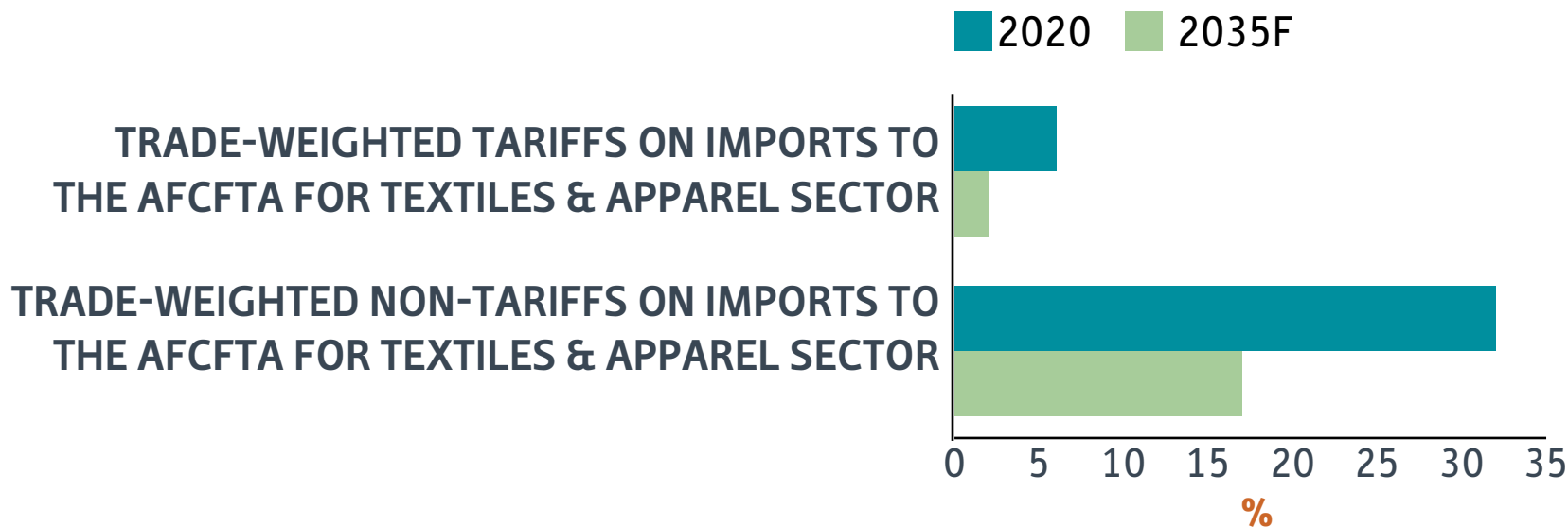
In regards to the textile and garment sector, African policymakers are looking to lower the cost, and enhance the

production and distribution of clothes through liberalised tariffs, with the goal of attracting new investment and creating more competition. Sourcing more textiles from local suppliers is expected to lead to the formation of regional textile-manufacturing clusters and attract more foreign direct investment.

African member countries hope that the reduction and elimination of tariffs on 90% of goods traded within the AfCFTA will unlock market potential for the region's textile companies and create more integrated global supply chains, similar to the AGOA. The AGOA is a piece of US legislation that allows sub-Saharan African countries to export duty-free to the US as long as they meet a list of requirements, including establishing market-based economies and policies to reduce poverty and protect human rights, which resulted in significant growth in apparel exports. Moreover, anticipated

regional growth also means a growing consumer market, bolstered by Africa's rising middle and upper classes and their preferences for luxury brands, apparel and fast-moving consumer goods.

However, a number of challenges must be overcome before the textile and garment sector can realise its full potential in West Africa. "The two most critical issues facing the development of a long-term textile industry in West Africa are affordable electricity and qualified human resources. Energy in Africa is expensive; a cost-effective industry would need to pay at most \$0.10 per KWh for electricity to be competitive in the global market," Jacky Riviere, manager of ARISE Chad and Togo, told OBG. "Second, to create viable levels of added value and develop a textile brand, West Africa must upskill its workforce and create an attractive environment for cotton industry workers to forge their careers and specialise."



Impact of AfCFTA agreement on textile and apparel trade of member countries, deviation from baseline, 2035F

AfCFTA			
Exports		Imports	
%	Value (\$ bn)	%	Value (\$ bn)
195	22	240	29
Non-AfCFTA			
Exports		Imports	
%	Value (\$ bn)	%	Value (\$ bn)
47	39	43	31
World			
Exports		Imports	
%	Value (\$ bn)	%	Value (\$ bn)
64	62	70	60

Supply and Demand in ECOWAS

Country Focus: Gabon

Gabon's economic growth has been driven in large part by its abundant natural resources, and the country has one of the highest per capita GDPs on the continent.

Though the Gabonese economy was disrupted by the Covid-19 pandemic in 2020, it is forecast to grow by 2.1% and 3.8% in 2021 and 2022, respectively, according to the African Development Bank. Gabon is Africa's fifth-largest oil producer, and the sector accounted for around 80% of exports, 45% of GDP and 60% of fiscal revenue between 2016 and 2020.

However, oil price volatility in recent years has led the government on a path of economic diversification, with a number of non-oil sectors – such as manufacturing and its subsectors, which include textiles and garments – highlighted as strategic industries for development and investment.

The Emerging Gabon Strategic Plan is the government's guiding strategy. It focuses on the sustainable development of the manufacturing sector, among others, and includes efforts to improve the business environment, stimulate private investment, create more job opportunities, and enhance skilled labour and productivity. Textiles and garments, in particular,

offer promising possibilities for employment creation going forwards, especially for women and lower-income communities.

The Gabon Special Economic Zone – which started in 2010 as a joint venture between the government, Olam International and Africa Finance Corporation – has a mandate to develop infrastructure and manufacturing, enhance competitiveness and build a business-friendly ecosystem in the country.

More than 141 investors from 18 countries are currently based in the 1126-ha zone, which is emerging as a major manufacturing centre in West Africa, offering competitive tax rates and investment incentives for businesses.

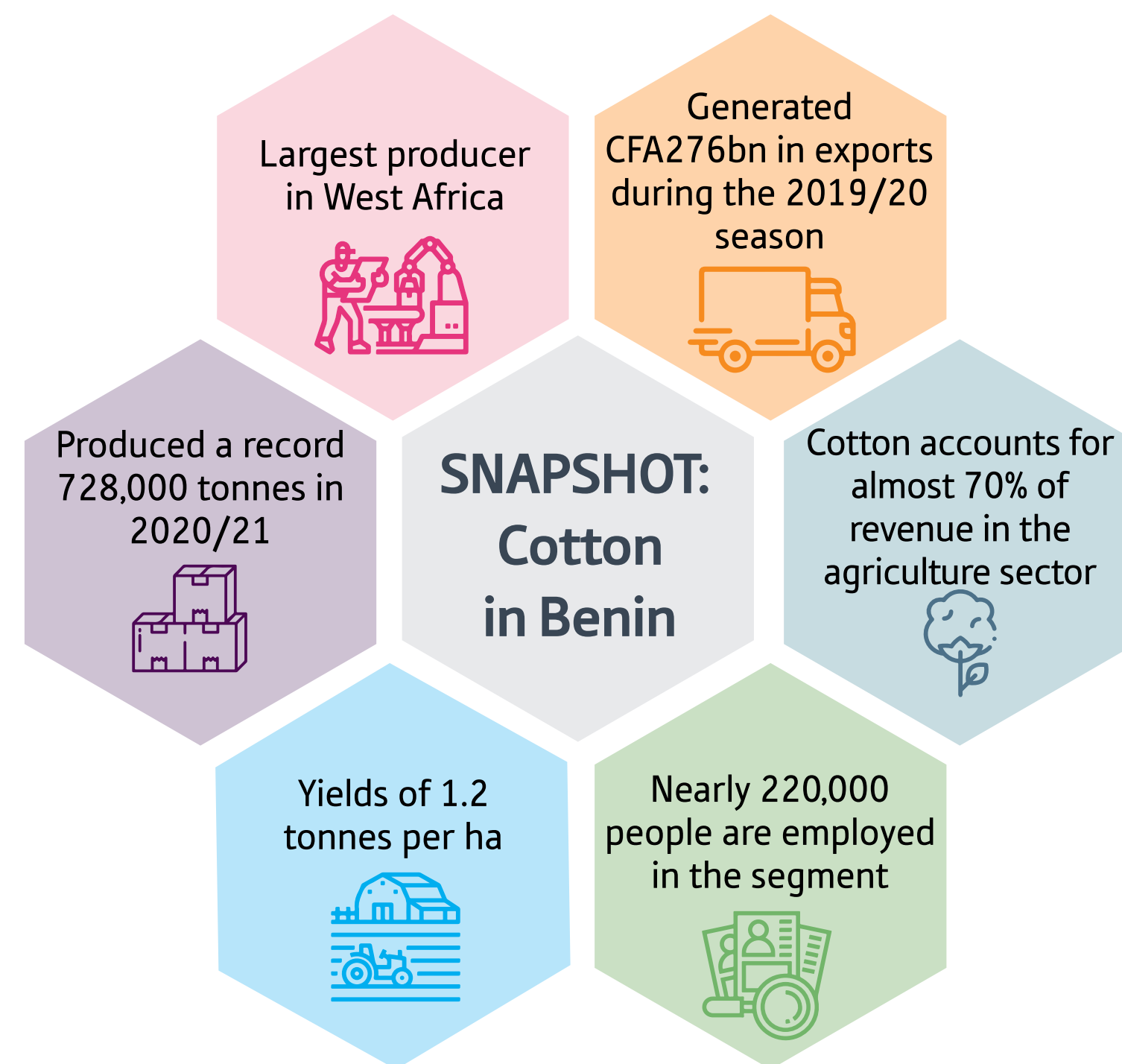
The zone is located 30 km from Libreville, with direct road and rail connections to the Port of Owendo, which make it ideally situated for textile and garment exporters.

At the same time, the Gabonese fashion industry is attracting more attention on the international couture scene in recent years. Designer Teddy Ondo Ella, who created the streetwear label Only Made in Gabon in 2012, debuted his eponymous label at the 2017 New York Fashion Week.



“ The Emerging Gabon Strategic Plan is the government's guiding strategy. It focuses on the sustainable development of the manufacturing sector... Textiles and garments, in particular, offer promising possibilities for employment creation going forwards, especially for women and lower-income communities. ”

Cotton Production in West Africa



While India, China, the US and Brazil are the largest producers of cotton in the world, West African countries combined would be the sixth-largest grower, with the largest producers being Benin, Côte d'Ivoire, Burkina Faso and Mali. Indeed, the region accounts for over 75% of Africa's total cotton exports.

In West Africa the commodity is largely grown by small-scale farmers and often in rotation with other basic crops such as maize, soy and groundnuts to reduce mineral loss and deter pests. This is in contrast to other major producers, where the commodity is mostly grown on plantations. Africa's cotton industry is set to expand at a compound annual growth rate of 3.5% between 2020 and 2025, especially as consumer preference turns away from synthetic fibres to natural, hypoallergenic and organic materials that tend to be less harmful to the environment, while at the same time being less toxic and more profitable to farmers.

Benin: After recording three consecutive years of increased output, Benin became the continent's top cotton producer after it harvested approximately 1.4m bales in the 2018/19 season. Production remained steady in 2019/20.

In part to sustain this expansion amid a challenging global economic environment, in July 2020 the government allocated CFA100bn to the National Agricultural Development Fund to provide liquidity to financial institutions that provide funding to the sector, as well as guarantee up to 50% of loans provided by qualifying institutions to farmers, cooperatives, and small and medium-sized enterprises. This helped the country maintain its top position after the 2020/21 season, producing 1.4m bales despite low levels of rainfall. This was partially attributed to improved yields, up 10.3% from the previous season, as well as a government advance fund of CFA3.4bn to support the harvest. The Ministry of Agriculture, Livestock and Fisheries has set a production target of 1m tonnes for the coming 2021/22 season.

The cotton segment's performance has benefitted both export activity and government coffers, as the commodity accounts for over 50% of exports and nearly half of tax revenue. The improved performance proved advantageous ahead of the Covid-19 pandemic, as Benin – like many countries around the world – worked to finance stimulus packages and other measures of support during the crisis.

Cotton Production in West Africa

Côte d'Ivoire: The second-largest cotton producer in the region is Côte d'Ivoire. The country is expected to see production increase, from 1m bales in 2020/21 to 1.1m bales in 2021/22, in what will be the fourth consecutive year of record output. While harvested area grew along with production over that period – from 445,000 ha to 450,000 ha – exports fell, from 1.20m to 1.15m bales.

Recent performance has been supported by a national pricing scheme, an effective seed multiplication and distribution programme, and the development of higher-quality seeds by the National Centre for Agricultural Research (Centre National de Recherche Agronomique, CNRA). Moreover, agriculture authorities have prioritised improving the quality of the domestic harvest with an eye on developing a wider value chain, from seed research to post-harvest infrastructure





and processing. The segment is facing pressure, however, from intensifying variability in weather patterns that has resulted in shorter and less predictable rainy seasons, and more frequent extreme temperatures and drought.

Burkina Faso, Mali and Senegal: The 2020/21 harvest in Burkina Faso, Mali and Senegal was hampered by a cotton producers' boycott in Mali, security issues in Burkina Faso and flooding throughout the region. It was initially estimated that the 2020/21 season would see harvested area increase by 3% to 1.4m ha and production rise by 4.5% to 2.3m bales; however, later the USDA estimated that 739,000 ha produced a yield of 1.2m bales. Even so, the three countries are set to see cotton production improve: in Mali production is expected to increase from 285,000 bales in 2020/21 to 1.3m bales in 2021/22; Burkina Faso from 915,000

bales to 985,000 bales; and in Senegal from 38,000 bales to 40,000 bales. It is predicted that Mali will have the largest increase in cultivated area, from 165,000 ha to 700,000 ha, compared to Senegal (18,000 ha to 19,000 ha) and Burkina Faso (556,000 ha to 590,000 ha).

Indeed, production in the three countries is expected to rebound significantly in the 2021/22 marketing year. The combined harvested area is set to expand by 77% to 1.3m ha, while production is forecast to increase by 87% to 2.31m bales under the assumption that farmers in Mali will end their boycott and the season will see healthy levels of rainfall and low pest pressure, according to an April 2021 report from the US Department of Agriculture (USDA). The majority of cotton is forecast to be exported on the back of increased demand and competitive international prices for the commodity.

Cotton production is growing across West Africa

	2020/21	2021/22F
 Côte d'Ivoire		
Area harvested (ha)	445,000	450,000
Production (bales)	1,010,000	1,100,000
Export (bales)	1,200,000	1,150,000
 Burkina Faso		
Area harvested (ha)	556,000	590,000
Production (bales)	915,000	985,000
Export (bales)	1,085,000	960,000
 Mali		
Area harvested (ha)	165,000	700,000
Production (bales)	285,000	1,290,000
Export (bales)	374,000	299,000
 Senegal		
Area harvested (ha)	18,000	19,000
Production (bales)	38,000	40,000
Export (bales)	41,000	41,000

Impact of Global Market Volatility

Cotton has historically been among the most volatile commodities, with its price shaped by trade disputes, weather patterns and growing conditions, among other factors. Prices fell in 2010/11 as China stockpiled the commodity, and again in 2018/19 as textile producers shifted to polyester – a cheaper alternative – but recovered by 2019/20. Global prices fell again in late February 2020 as demand collapsed and value chains were disrupted due to border and factory closures around the world. This affected West Africa in particular, as Asian countries are the region's largest purchasers of raw cotton.

Although volatility in prices affected the commodity, worldwide production grew by an estimated 1% in the 2019/20 season, led by India, the US and countries in sub-Saharan Africa, according to a March 2021 report from the UN Food and Agriculture Organisation (FAO). This trend is expected to continue in the medium term, with world cotton production increasing by 1.5% per year between 2020 and 2029, ultimately reaching 30m

tonnes. By that year, sub-Saharan Africa is projected to be the third-largest exporter of raw cotton, according to the OECD and FAO.

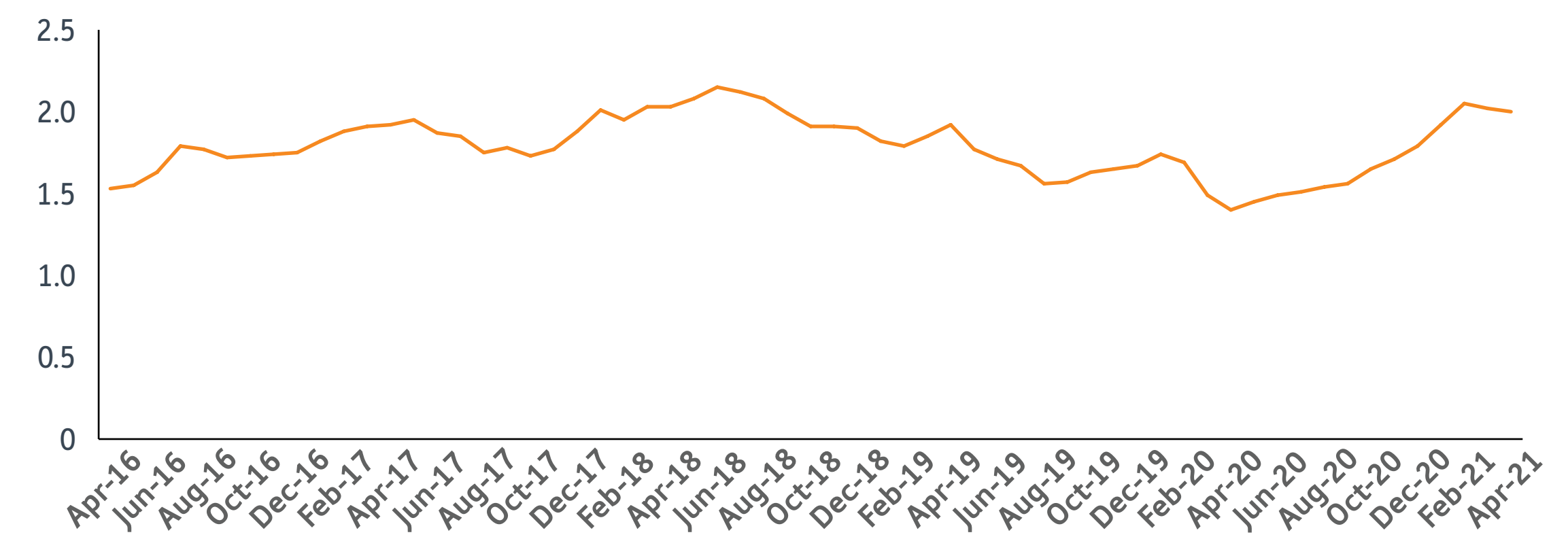
Regional governments have worked to hedge against volatility by storing portions of the harvest when prices are low. For example, as of February 2021 around 30-35% of the cotton produced in Africa during the 2020/21 season – or 1.7m bales – had yet to be sold. This proved beneficial when cotton futures reached their highest point since August 2018 that month. While such actions are advantageous for government revenue and the longer-term performance of countries' cotton segments, smaller-scale producers often remain vulnerable in the short term.

Commodity price volatility has a significant impact on farmers, especially small-scale growers who are more likely to have labour-intensive operations, less likely to have savings and crop insurance to help them weather price drops, and who are less able to

afford machines and other technological tools to better manage their operations. In markets such as West Africa, price volatility is a major consideration when determining planted area and production levels, and results in unpredictable sales revenue for farmers. Small-scale farmers base their operations and investment in inputs on anticipated sale prices,






and it is difficult to make such plans for commodities with high levels of price fluctuation. Moreover, these producers are more vulnerable to production risks such as unpredictable rainy seasons, extreme weather patterns and drought, especially as they are less likely to have a diverse portfolio of crops located in different growing regions.

Cotton prices, 2016-21 (\$ per kg)



Strengthening the Value Chain

Fixed farm-gate prices for
grade-one cotton, 2020/21
(CFA per kg)

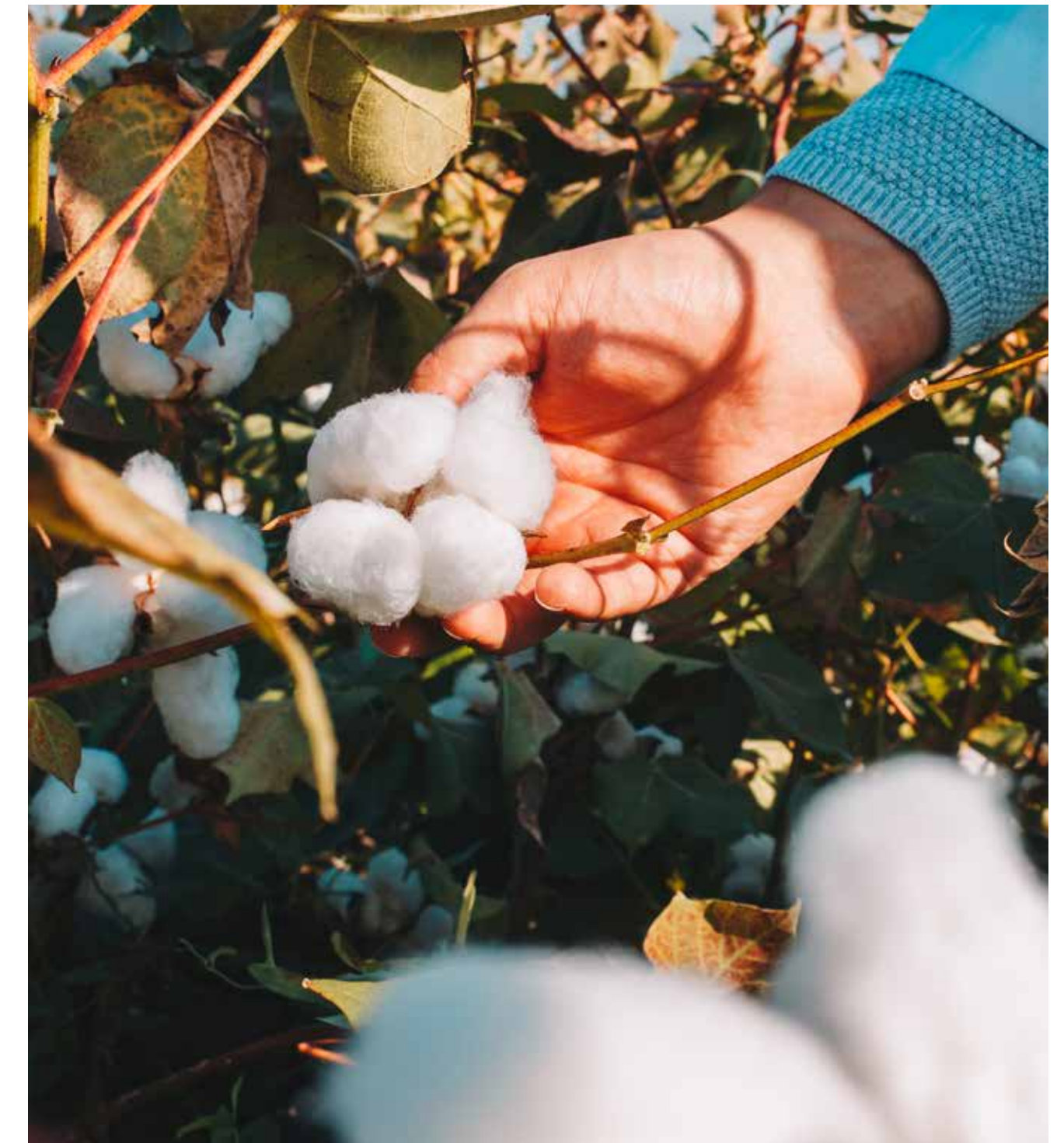
 Benin	265
 Côte d'Ivoire	300
 Burkina Faso	240
 Mali	250
 Senegal	300

Strengthening the value chain would not only attract investment, but also create jobs and sustainable economic activities at home. According to the West Africa Competitiveness Programme, establishing a garment supply chain in the region could boost the industry's value by as much as 600%. West African countries could increase their presence in value-added steps of the supply chain such as spinning cotton into yarn, weaving yarn into fabric, and dyeing, printing and designing finished articles.

Benin, for its part, has prioritised six agricultural segments – cotton, maize, rice, pineapples, manioc and cashew nuts – and aims to create development clusters to expand participation in the value chains for these goods. Moreover, the government announced plans in February 2021 to build a

special economic zone in Glo-Djigbé – around 45 km from the economic capital, Cotonou – focused on the processing of cashews, cotton, shea, pineapples and soybeans. The facility – a public-private partnership developed by pan-African infrastructure developer Arise IIP and the Agency for the Promotion of Industrial Investment – will be located near an international airport that is currently under construction and feature six units for processing cotton fibre.

The Glo-Djigbé facility will have the capacity to process around 100,000 tonnes of cotton fibre annually, and fit almost 30 factories for clothing production on-site. The authorities estimate that the project will create 300,000-350,000 jobs by 2030, including 200,000-250,000 positions in cotton spinning, weaving and clothing manufacturing.



Increasing Yields and Productivity

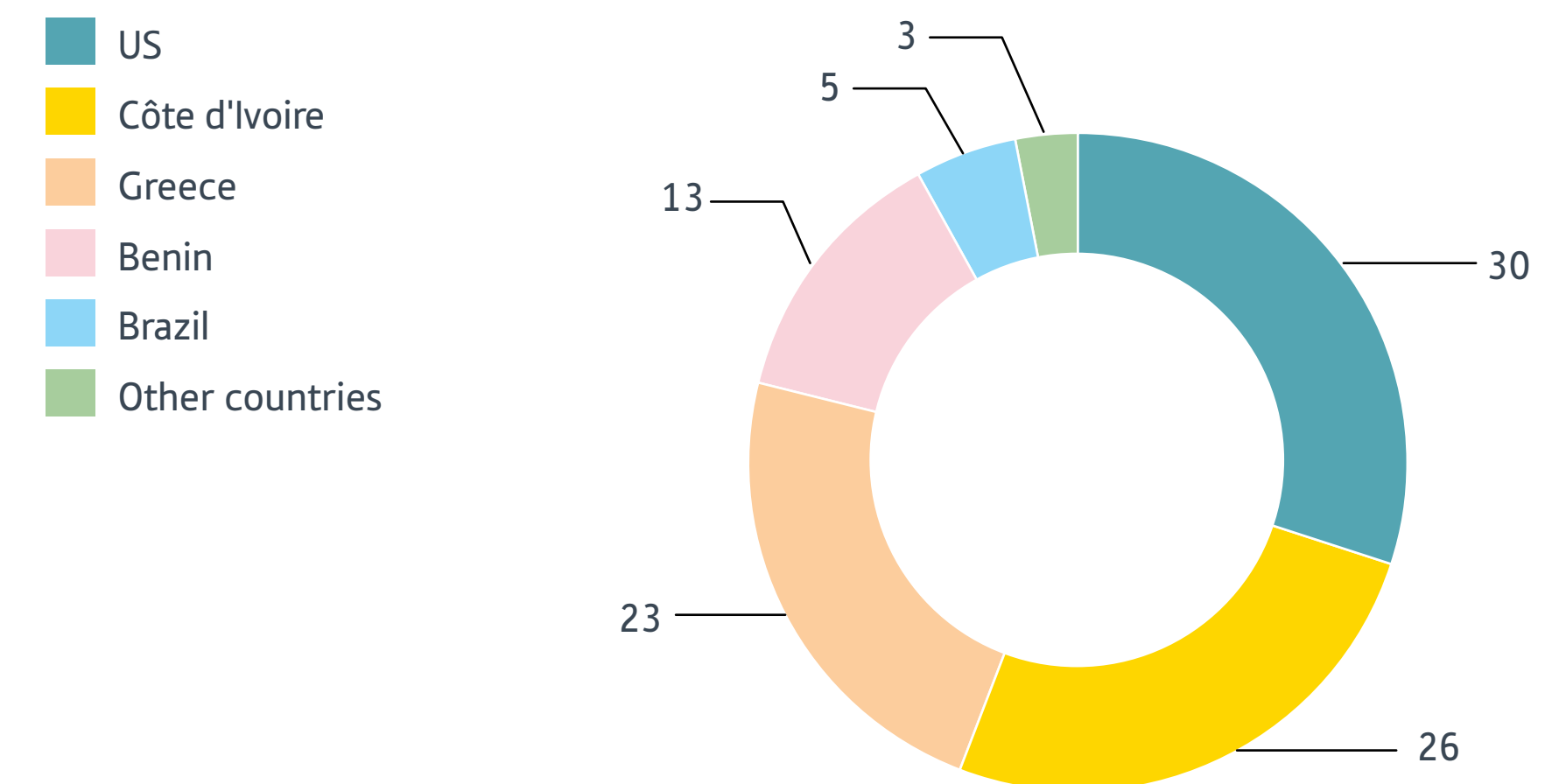
Fertiliser is key to increasing agricultural yields and productivity, and governments throughout West Africa have worked to promote its use through awareness campaigns, targeted training programmes and subsidies. As of April 2020, 80% of fertilisers used in Ghana and Senegal were subsidised, while between 50% and 79% of fertiliser used in Sierra Leone, Guinea, Mali, Niger and Chad was subsidised, according to the International Fertiliser Development Centre. The region was able to escape the large-scale disruptions to supply chains brought on by the Covid-19 pandemic, as Burkina Faso, Côte d'Ivoire, Ghana, Mali, Nigeria and Senegal imported a combined 1.1m tonnes of fertiliser by mid-May 2020, enough to meet 80% of their needs for the season.

The use of technology and targeted research represent other ways to boost yields. For example, the International Cotton Advisory Committee (ICAC) created the ICAC Cotton Expert app, featuring information on leaf health, pest

prevention, and soil and plant health. Moreover, performance can be improved through the development of higher-quality varieties of cotton, as the CNRA did in Côte d'Ivoire. In March 2021 the Ivorian research agency announced that it had created two new varieties of the commodity. The varieties were developed to meet international standards – boosting Côte d'Ivoire's competitiveness in global markets – and will enable the country to expand its annual production to meet higher levels of demand.

In addition to utilising fertiliser, adopting technology solutions and developing new varieties, moving into cotton by-products such as cottonseed oil, hulls and cake, as well as cotton stocks and linters, can create jobs and support wider economic growth. Working in these areas also helps farmers hedge against weather risks and the high volatility in cotton prices, as they can provide a source of income throughout the year. Cottonseed oil can be used for human consumption, soap, or in industries

Exporters of cottonseed, 2019 (% of global total)



such as plastics and pharmaceuticals, for instance, while cottonseed cake can be used as animal feed. Indeed, a 2020 report from the International Trade Centre found that cotton derivatives account for around one-third of cottonseed's

value, highlighting their potential to bolster farmer incomes. Some markets in the region have worked to tap these products: Mali is home to around 100 oil mills, Burkina Faso has 60 facilities, and Benin and Côte d'Ivoire have two oil mills each.

Sourcing Local Raw Materials

Country Focus: Côte d'Ivoire

Côte d'Ivoire posted robust, stable economic growth in 2012-19, averaging 8% per year, and is one of Francophone West Africa's major economic centres. The country is working to diversify revenue sources and create new employment opportunities by attracting private investment, encouraging industrialisation and boosting domestic processing of raw agricultural products such as cotton. Indeed, cotton is one of Côte d'Ivoire's most important exports, providing a major source of exports earnings, and the government has incentivised cotton production, which has positively impacted the country's textile and garment sector. According to WACOMP, between 2012 and 2020 the cultivation rate of cotton doubled, spurred on by private sector participation and government-led capacity-building programmes.

A small set of large companies dominate the cotton fibre production in the country. These firms include the Ivorian Company for Textile Development (Compagnie Ivoirienne pour le Développement des Textiles, CIDT), Ivoire Coton, Ivorian Cotton

Company (Compagnie Ivoirienne de Coton, COIC), Cotton Production Company (Société d'Exploitation Cotonnière Olam, SECO) and the Industrial Cotton Company of Savanes. According to Intercoton, the local cotton trade association, COIC was the top seed cotton producer in 2019/20, responsible for 35% of the total harvest, followed by Ivoire Coton (33%), SECO (15%) and CIDT (17%).

According to the African Development Bank, approximately 80% of firms operating in Côte d'Ivoire's fashion and textile sector are owned by women; almost half of the industry's entrepreneurs are under the age of 35; and most companies operating in the sector are small and medium-sized businesses, with 65% of firms employing under 10 employees. Notably, around one-third of firms in the country only work with local suppliers.



Between 2012 and 2020 the cultivation rate of cotton in Côte d'Ivoire **doubled**

Case Study



Created in Abidjan in 2000, Intercoton became the first interprofessional agricultural organisation recognised by Côte d'Ivoire in 2014. The association seeks to optimise synergies among the different stakeholders across the value chain in the cotton industry, while promoting Ivorian cotton domestically and internationally. In a country where there are more than 130,000 small farmers who are part of over 5000 cooperatives, Intercoton brings together cotton producers, crushers, ginnerers and spinners who play a central role in uniting the sector and advocating for better conditions for the industry as a whole. Thanks to combined efforts, Côte d'Ivoire increased its cotton grain production to 550,000 tonnes for the 2020/21 season, making the country the second-largest African producer after Benin.

Intercoton also plays a key role in driving innovation and modernisation in the cotton

industry through the development of new seed varieties and techniques such as spraying phytosanitary treatments using drone technology. Drones can reduce the treatment time of such sprays from more than one hour per ha, when applied manually, to less than 15 minutes.

The organisation also provides equipment and training for small farmers to improve their productivity and working conditions.

"Manual labour in the cotton industry can be very difficult for small farmers. This is why the use of modern tools can not only improve Côte d'Ivoire's cotton and garment exports, but also improve the lives of thousands of local farmers," Jean-Baptiste Silué, executive director of Intercoton, told OBG. "By doing so, the country will also be raising its environmental and social standards, creating a more equitable and sustainable cotton sector as a whole."

The Logistics Challenge

Investing in logistics and trade infrastructure is key to boosting the competitiveness of the garment industry in West Africa.

Poor-quality roads and a lack of transport infrastructure have long been obstacles to trade in the region. Landlocked countries, in particular, incur high costs for the transportation of goods across borders due to the heavy reliance on road networks and the lack of railway infrastructure. Indeed, inland transportation costs – especially for road – make up the largest component of overall logistics costs, followed by gateway fees in second place.

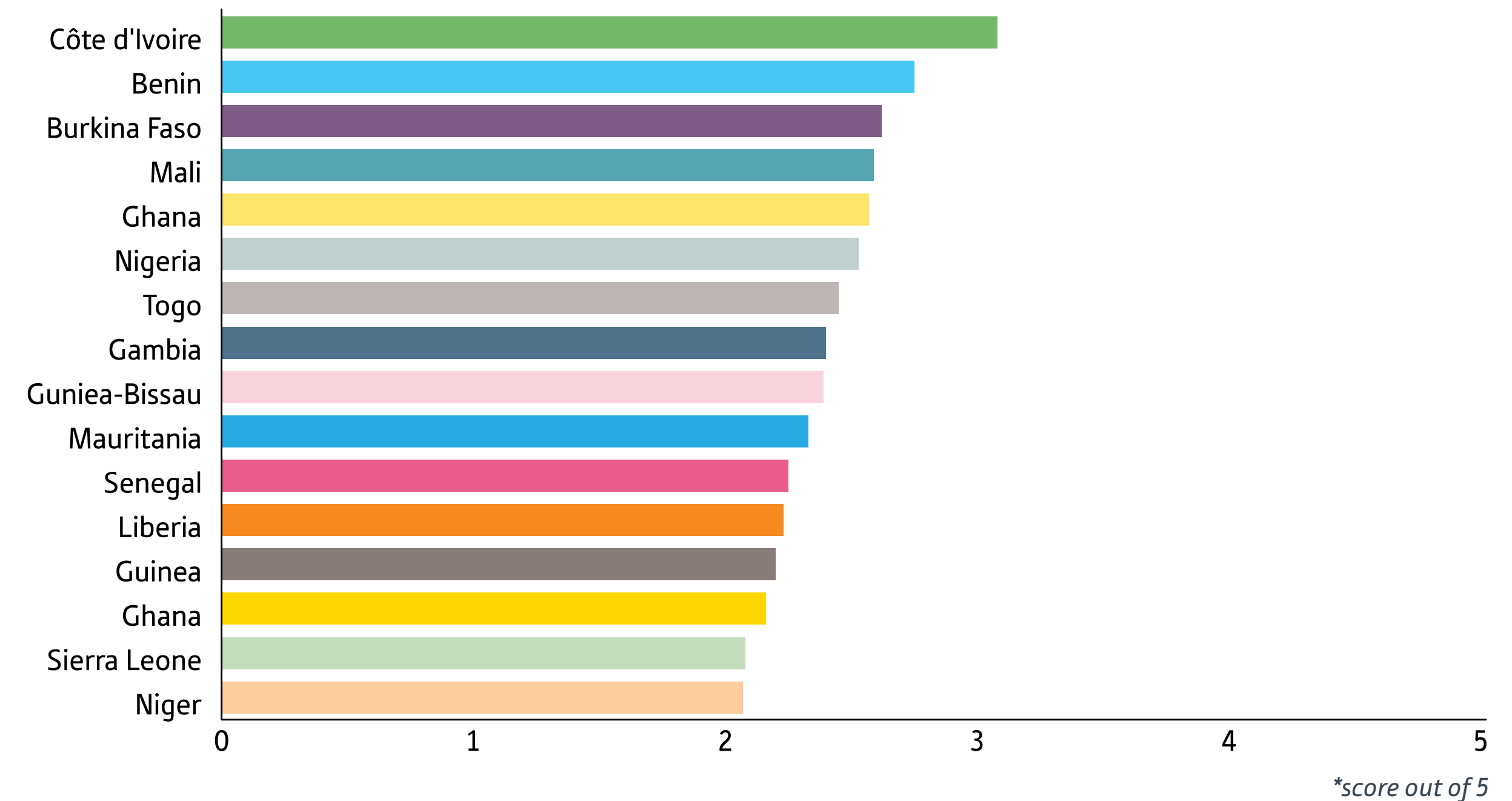
According to the African Development Bank, the continent needs \$130bn-170bn of investment in infrastructure such as roads and railway per year to meet baseline targets by 2025. This means that there is a financing gap of approximately \$68bn-108bn that can be filled by private investors.

There is also a lack of adequate logistics services in the subregion; however, in recent years local entrepreneurs have entered the space with much success.

Kobo360, a Nigerian tech-enabled start-up that connects truckers and companies to delivery services, launched in 2017 and has since expanded operations to six countries, namely Togo, Kenya, Ghana, Uganda, Côte d'Ivoire and Burkina Faso. Kobo360 has plans to establish operations in another 10 countries after securing a \$20m series-A round led by Goldman Sachs and \$10m in working-capital financing from Nigerian commercial banks in 2019.

The Nigerian cross-border freight service is also looking to leverage the African Continental Free Trade Area agreement, which seeks to accelerate inter-African trade as well as boost the continent's overall trade competitiveness in the global market.

Logistics Performance Index*, 2018



Transforming the Garment Industry

Country Focus: Togo

Togo's manufacturing industry accounts for roughly 6-8% of GDP, with the most important segments being textiles and the processing of agricultural products – including cotton ginning and weaving, as well as palm oil extraction and coffee. Between 2011 and 2015 the country's cotton exports more than doubled in volume, from 19m kg to 44m kg. In 2017 Togo's top import markets for textiles and clothing were China, accounting for almost 50% of the total; followed by Japan (18.9%), Vietnam (4.38%), India (4.04%) and Germany (3.26%).

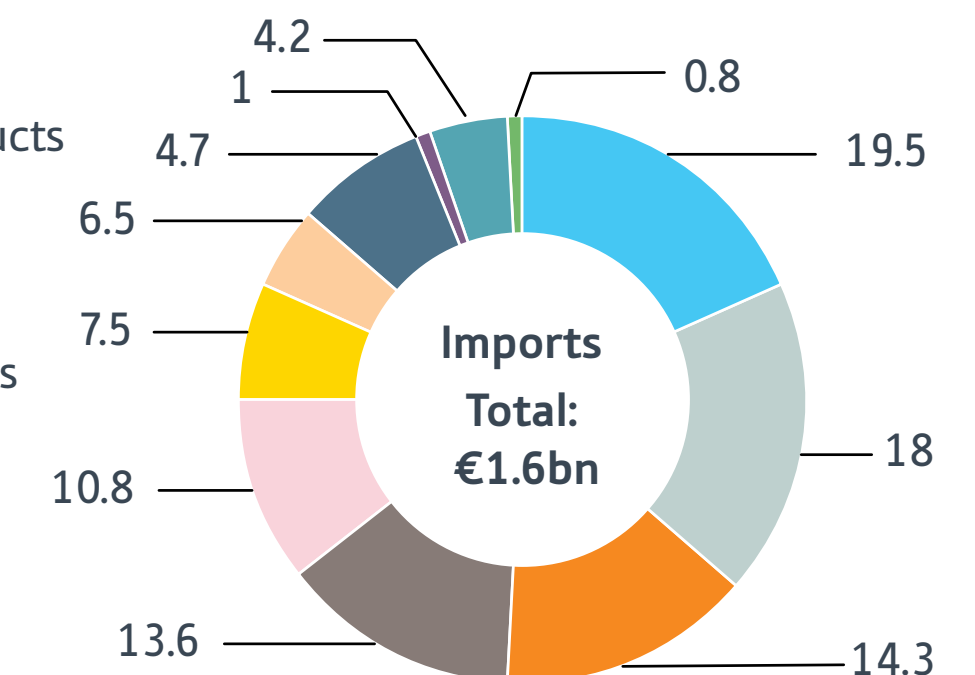
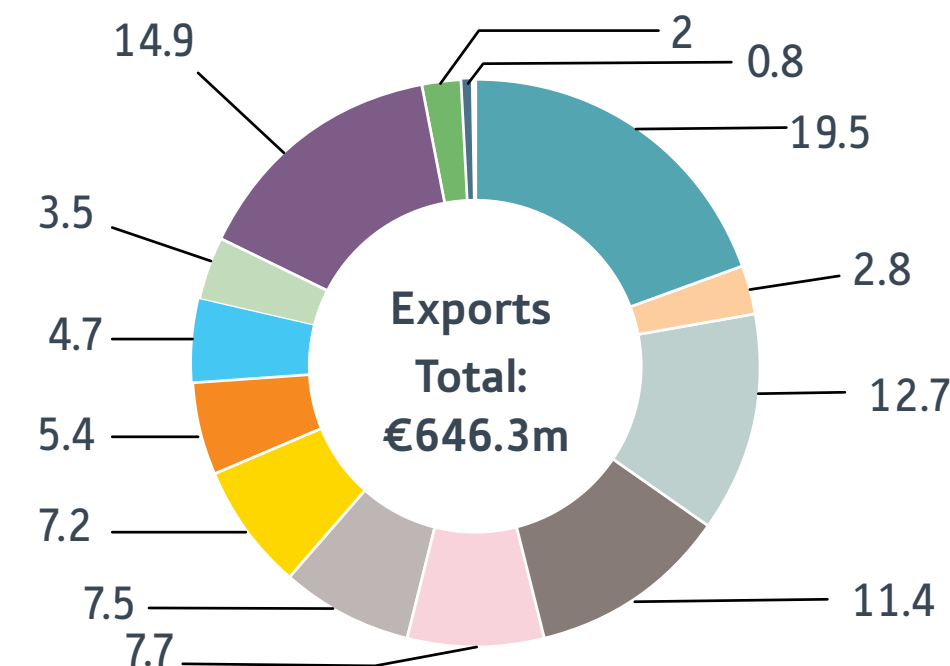
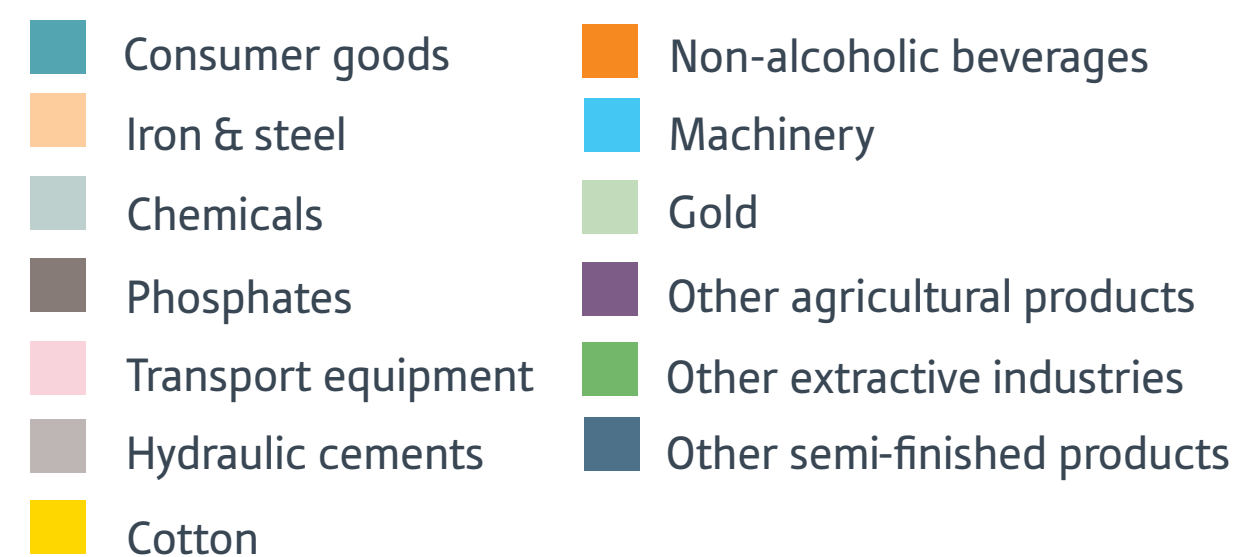
In the 1970s Togo was considered the centre of commerce in West Africa. It was referred to as West Africa's *petite Suisse* (little Switzerland) due to its ostensible prosperity, and economic and political stability. The *Nana Benz* ("Nana" meaning mother in Togolese, and "Benz" in reference to the Mercedes Benz they drove) were famous Togolese women entrepreneurs who positioned the country's capital, Lomé, as a regional centre of textile distribution and trade in wax prints. Between 1976 and 1984 at least 40% of the country's commercial business were run

by the Nana Benz, and during the 1970s the textile trade became so integral to the economy that it exceeded the phosphate industry, which was Togo's primary source of revenue.

In the early 2000s, however, the Nana Benz's Dutch wax-printed fabrics faced strong competition from the Chinese market, whose fabrics were sold at one-tenth of Togolese produced textile. In more recent times, to help leverage the potential of the Togolese textile industry, Arise Integrated Industrial

Platforms partnered with the government of Togo to develop the Plateforme Industrielle Adetikopé (PIA) Textile Park. The project seeks to transform the country's apparel industry value chain model, and boost exports of cotton textiles and finished garments. More specifically, it aims to convert 56,000 tonnes of cotton fibre worth \$73m into apparel worth \$1.5bn. Furthermore, the PIA Textile Park project is expected to generate an estimated 20,000 direct and 80,000 indirect jobs, and contribute up to 21% to national GDP.

Breakdown of merchandise trade in Togo, 2016 (%)



Industrial Zones Drive Value Added

While West Africa is the third-largest exporter of cotton, averaging almost 1m tonnes over the 2000/01-2004/05 period, it is still reliant on imports for processed cotton; countries like Benin, Burkina Faso and Mali export 1.8m tonnes of unprocessed cotton, worth \$922m, while importing approximately \$2.8bn worth of cotton textile and apparels. Industrial parks can leverage the region's high demand for processed cotton and facilitate the local production of cotton textiles and apparels.

Benin is the largest cotton seed producer in the region and the 10th largest globally, with annual production volumes of 1m tonnes.

The 1640-ha Glo-Djigbé Industrial Zone in Benin, created in February 2020 by the government, is poised to capitalise on the high demand for cotton that has been spun, woven or manufactured into apparel. The industrial zone was officially handed over to ARISE a year later, with the goal of boosting Benin's total exports from \$5bn to \$10bn, and its GDP from \$4bn to \$7bn within a decade.

Industrial parks are easier to establish than special economic zones since they do not require any special legal or regulatory regime. Such locations can be especially useful for investors who wish to take advantage of the free trade regime for ECOWAS.

The importance of industrial zones for producing value-added textiles can be demonstrated by looking across the continent to East Africa.

Ethiopia, for example, aims to generate \$30bn in export revenue from the textile, apparel and accessories industry by 2030. To this end, the country is investing in industrial parks to boost its manufacturing capabilities by providing the necessary services and facilities. The Bole Lemi Industrial Park in the capital city of Addis Ababa, which is primarily involved with the manufacture and export of garments, together with the Kilinto Industrial Park, which produces pharmaceuticals and medical equipment, and is located some 20 km away from the Addis Ababa Bole International Airport, have helped to bring in \$20m in revenue annually.

The majority of cotton produced in West Africa is exported rather than processed locally, 2018/19 (%)



Transforming the Garment Industry



Case Study



ARISE Integrated Industrial Platforms is a global food and agriculture business and a subsidiary of Olam International operating in over 60 countries. However, its core business is developing industrial ecosystems in Africa.

Through its pan-African operations, ARISE designs, creates, finances and builds interconnected infrastructure and provides logistics solutions to industrial players on the continent, with a view to contributing to Africa's manufacturing competitiveness.

Through various public-private partnerships and joint ventures with local governments, multilateral institutions and private players, ARISE manages projects in Mauritania, developing the container terminal at the Port of Nouakchott; Gabon, via the Gabon Special Economic Zone; Benin, through the Glo-Djibé Industrial Zone; and Côte d'Ivoire, at the Akoupé-Zeudji Industrial Zone.

On June 6, 2021 ARISE inaugurated the Plateforme Industrielle Adetikopé (PIA), which was developed in partnership with the local government of Togo. The PIA includes a Textile Park that aims to boost local industrialisation by adding value in the textile industry. Due to long-standing issues such as high logistics costs, difficult access to land, and unreliable and expensive power, Africa exports low-added-value raw commodities; in the textile industry, for example, approximately 90% of the region's cotton is exported and only around 2% of the product is processed locally.

The PIA Textile Park's target is to convert 56,000 tonnes of cotton fibre worth \$73m into apparel worth \$1.5bn, transforming the value chain model and increasing the export of cotton textiles and finished garments.

The PIA provides manufacturing facilities and common infrastructure for sourcing raw

material, ginning cotton, and processing and manufacturing final products for export. The initiative could generate an estimated 20,000 direct and 80,000 indirect jobs.

In addition to strengthening the value chain through and generating added value in Togo's textile industry, ARISE is focused on fostering sustainable industrialisation and enshrining environmental, social and governance (ESG) principles. The PIA is powered by green infrastructure and will ensure fair revenue for local communities as part of its sustainability initiatives. "ESG will remain a priority consideration for the PIA Textile Park as it looks to become a benchmark for sustainable industrial development in West Africa," Gagan Gupta, founder and CEO of ARISE, told OBG. "The way cotton is sourced and traded, and the chemical control measures taken to process garments, are other aspects where we can ensure this long-term sustainability."

Transforming the Garment Industry

Investment: Key Developments

Greenfield investment in textiles, clothing and leather in Africa has been robust over the past years, reaching \$4bn in 2017 – double the amount recorded in 2014.

Between 2016 and 2017 announced greenfield foreign direct investment projects in Africa within the textile, clothing and leather industry amounted to \$5.1bn. While most of this investment was directed towards Ethiopia, recent investments have also flowed into West African countries, especially Ghana.

In 2019 Ghanaian fabric product manufacturer DTRT Apparel, West Africa's largest apparel manufacturer, received an undisclosed amount from investment firm Verod Capital Management and energy drink producer Red Bull. Verod Capital Management cited Ghana's rapid economic growth – due largely to its political stability – and competitive production costs as reasons underpinning its decision to invest in the country. DTRT aims to attract work that previously went

to Asia, particularly China, as well as to help transform West Africa into a major centre for apparel manufacturing.

More recently, West Africa Trade and Investment Hub, which is funded by the US Agency for International Development, is set to establish a model factory in partnership with companies Ethical Apparel Africa and Maagrace Garment Industries in Ghana, local media reported in February 2021.

The \$1.35m project, which will be financed by the Women's Global Development and Prosperity initiative, seeks to boost women's economic empowerment in apparel manufacturing and create 800 fair-wage jobs in the subregion – over 50% of factory middle managers will be women. Once the factory is fully operational, Ethical Apparel Africa estimates exports will reach \$19m over the subsequent three years, of which at least 80% will target the US duty-free market under the African Growth and Opportunity Act.

The West Africa Trade and Investment Hub project

Trained more than
11,000
West Africans

Facilitated
\$100m
of investment in
agriculture and apparel

Fostering the
**apparel export
manufacturing
sector**

Establishing linkages
between West African designers,
apparel manufacturers and US
sourcing companies

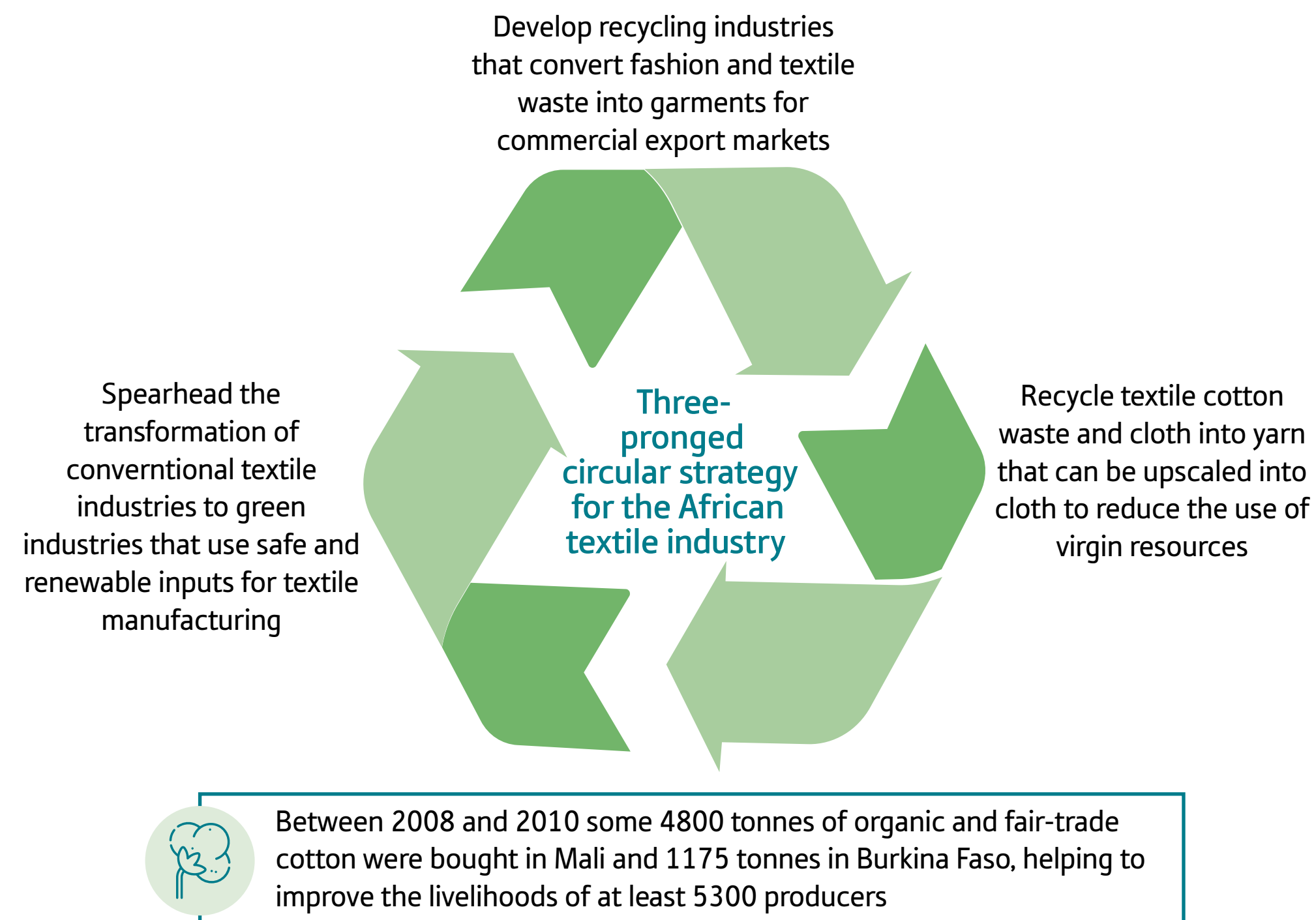
Promoting
fair trade
policies

Supporting fair
**employment for
women**

Collaborating with
government agencies
to **develop and
implement** export-
promotion strategies

Helping companies increase
apparel **production for
export to the US and
other markets**

Sustainability in Cotton and Textiles



Cotton is crucial to Africa's textile industry; however, it is also one of the most resource-intensive cash crops. To produce 1 kg of cotton, which is equivalent to a single T-shirt and a pair of jeans, 20,000 litres of water is needed. Globally, growing cotton requires 4% of the world's freshwater for irrigation, 200,000 tonnes of pesticides and 8m tonnes of fertiliser annually. As the continent looks to industrialise the textile industry, cotton production will increase. Thus, it is crucial to make the cotton-growing industry more sustainable and less resource-intensive.

Applying a circular economy approach to the existing fashion and textile industry could create new strategies to recycle and upscale material, generating new avenues of job creation. Since the industry is labour-intensive, it could create millions of jobs for African women and young people, according to the African Development Bank. Furthermore, organic and regenerative cotton growing could lower global warming by 46% and primary energy demand by 62% compared to traditional cotton production.

In West Africa there are three main regional programmes focused on cotton. The Agenda for the Competitiveness of the Cotton and Textiles Sector aims to increase the value addition of cotton in the region and generate jobs. The Support Programme for the Cotton-Textile Supply Chain seeks to improve revenue for stakeholders in the cotton and textile sectors, and to stimulate local cotton production. The third is focused on organic and fair trade production, and stems from the Agenda for the Competitiveness of the Cotton and Textiles Sector programme.



6 Key Takeaways

1

To bolster cotton yields and income, smallholder farmers could benefit from advanced inputs such as new cottonseed varieties and specialised fertilisers, in addition to training on soil health and information accessed via mobile app on key considerations such as cotton prices and weather patterns.

2

Strengthening West African countries' presence in the textile value chain beyond cotton production – even if just to intermediary steps such as spinning yarn and weaving bulk fabric – could provide stable, year-round employment for rural communities and add significant value to the unprocessed commodity.

3

Initiatives such as the West Africa Competitiveness Programme aim to support value chains to accelerate sector transformation, improve competitiveness, create jobs, and facilitate access to local and global markets. There are also innovative strategies happening at the national level to promote local textile and garment sectors.

4

With the African Continental Free Trade Area agreement in force, the textile and garment sector could see lower costs, and enhanced production and distribution of clothes through liberalised tariffs, with the goal of attracting new investment and creating more competition.

5

Establishing industrial zones with shared infrastructure and resources near cotton-producing areas is one way to turn the tide on West Africa's trend of exporting raw cotton and importing finished articles at higher prices. Garments from these zones could then help to supply the sub-region's rapidly growing e-commerce fashion market.

6

The textile value chain is resource-intensive at the cotton-growing stage and wasteful when it comes to creating finished garments. Instituting circular economy initiatives such as fabric recycling could create new jobs and lessen the industry's carbon footprint.

