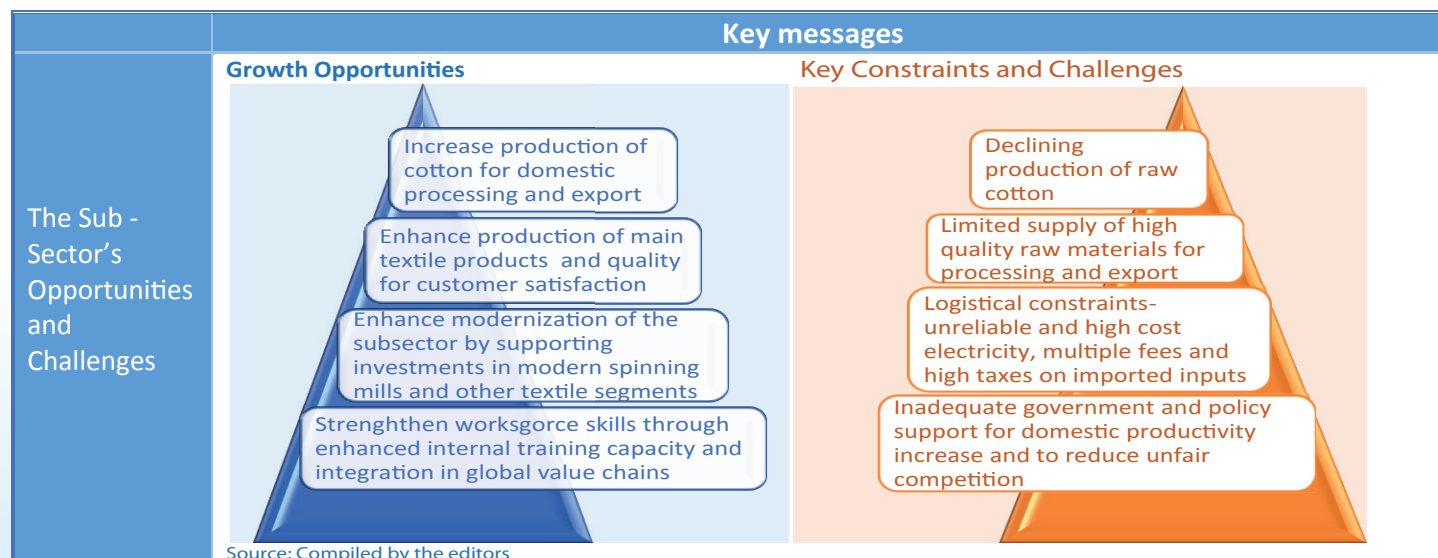


Building productive capacities - opportunities and constraints in the cotton, textile, and garment sub-sector

By Donald Mmari and Ahmed Ndyeshobola



Objective	To explore the underlying opportunities and constraints for enhancing the expansion of productive capacities in the cotton, textiles and garments sub-sector.
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Baseline definitions on productivity capacities and growth are drawn from the relevant multilateral agencies:

Baseline Definitions – Productive Capacities and Productivity Growth

UNCTAD	Defines productive capacities as <i>the productive resources, entrepreneurial capabilities and production linkages which together determine the capacity of a country to produce goods and services and enable it to grow and develop.</i>
NEPAD	Defines productive capacity as <i>the ability to produce goods that meet the quality requirements of present markets and to upgrade in order to tap future markets—to ensure a sustainable participation in the new global production system based on production networks.</i>
World Bank	Defines productivity growth as <i>the key driver of sustainable income growth and poverty reduction—the efficiency with which societies combine their people, resources, and tools—and is the central driver of the development process.</i>
UNIDO	Defines productivity as <i>the ability to transform inputs into outputs—a key to poverty reduction as it generates skilled jobs which are sources of income and social participation.</i>
OECD	Productivity is considered <i>a key source of economic growth and competitiveness.</i>

Significance of the cotton, textiles, and garments sub-sector

The cotton, textiles and garments sub-sector can be a critical source of employment and export revenues in Tanzania. The country has substantial untapped resources for growing cotton and developing a vibrant export-oriented textile and garments sub-sector.

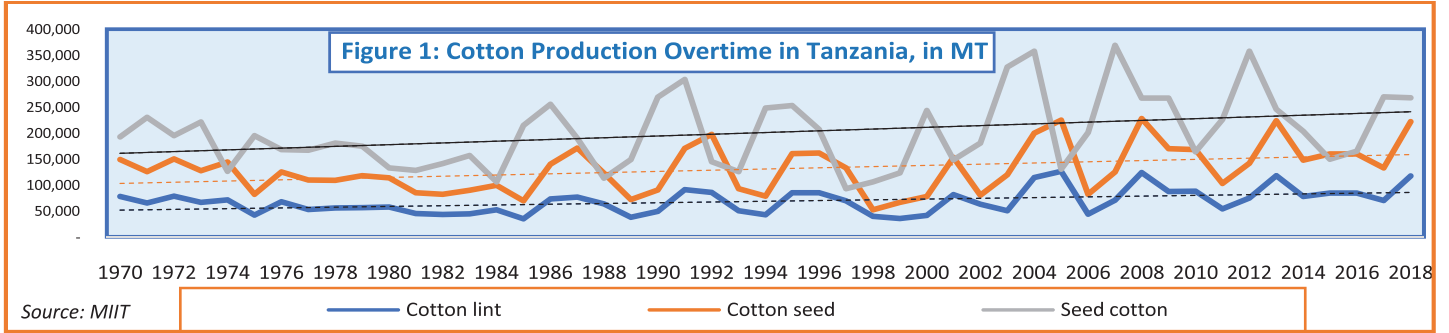
Cotton, Textiles and Garments

- Tanzania produce cotton but only 20 percent is locally processed;
- The sub-sector has great investment potential in establishing fully integrated textile mills including cotton ginning, yarn fabric production (spinning, weaving and printing) and cut, make and trim (CMT units) to produce for the internal and expansive export markets

The sub-sector is composed of a majority of micro, small and medium-sized enterprises, generating large-scale employment – both for skilled and unskilled workers – in the two main cotton-growing zones:

	The Western Cotton Growing Area (WCGA) --97 -99% of total cotton production in the country	• - Shinyanga • - Mara	- Simiyu - Geita	- Mwanza - Tabora	- Kigoma - Singida
	The Eastern Cotton Growing Area (ECGA)	• - Manyara • - Coast	- Morogoro - Kilimanjaro	- Tanga - Iringa	
	Emerging Cotton Growing Regions	• - Katavi			

Overall, there is high volatility in the cotton production trend as shown in figure 1. Recently, the highest volume of harvested seed cotton was 356,262 Metric Tons (MT) in 2012 and 348,775 MT in 2019, but thereafter it decreased to 122,000 MT in 2020. According to the recent data from the Tanzania Cotton Board, the production of cotton for the year 2021 was 145,000 MT.



The textiles and garments value chain

Tanzanian’s textile and garments value chain is well integrated with a mix of processes and products, which includes ginning, spinning, weaving, bed sheets, garments, knitting, woven blankets and related clothing items. It has begun to integrate into global production networks, though regional linkages are limited. It also benefits from targeted preferential access to global markets—the duty-free market access to the European Union (through the Everything but Arms initiative) and to the United States (under the African Growth and Opportunity Act). The scope of the country’s textile and garments industry and the inherent value chain (seven out of the ten factories with an export capacity) is indicated in Table 1 and the related SWOT analysis is indicated in Table 2.

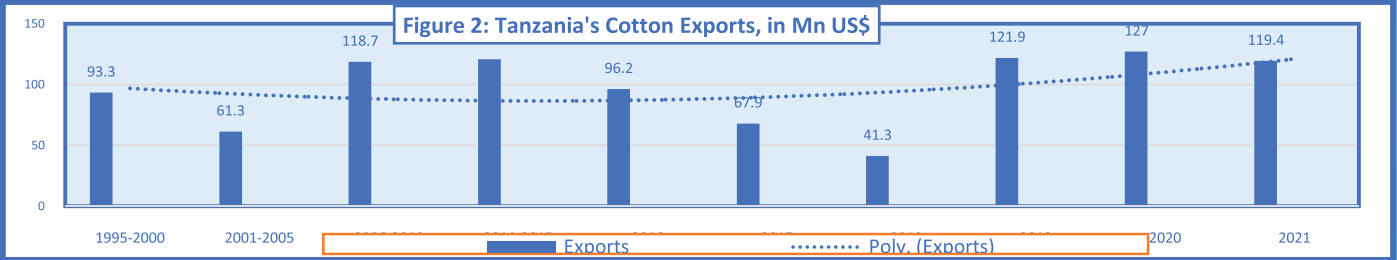
Table 1: Status of the textile and garment industry—by market orientation		
Textile Industry	Products	CGA Location
Namera LTD/ Nida Textiles LTD	Production of fabrics for local and export sales	Dar es Salaam
21 st Century LTD/Metal Afritex LTD/MUTEX	Yarn and woven fabric for local and export sales	ECGA—Morogoro
Mwanza Textiles Mills LTD (MWATEX)	Spinning, weaving, local fabrics for domestic use	WCGA -- Mwanza
Sunflag Tanzania	Yarn, fabrics, and garments for local and export sales	ECGA—Arusha
A to Z Textile Mills	Mosquito nets; Other (mainly packaging), Knitting of cotton fabrics, Tees, and polos for export and local sales	ECGA – Arusha
Mazava Garments/Fabrics LTD	Producing sportswear for export, mainly through AGOA	ECGA—Morogoro
Open Sanit Enterprise	Trading in security products and workwear with some sewing and also boot-making—for local sales	Dar es Salaam
Tanzania TOOKU Garments LTD	Men’s jeans, T-shirts, and polo shirts for export to USA market under AGOA	Dar es Salaam
DahongTextiles Tanzania LTD	Cotton yarn for export to China	WCGA—Shinyanga
Urafiki Textile (suspended production)	Local fabrics for domestic use	Dar es Salaam
The majority of the textile mills have a good export capacity—seven out of ten.		

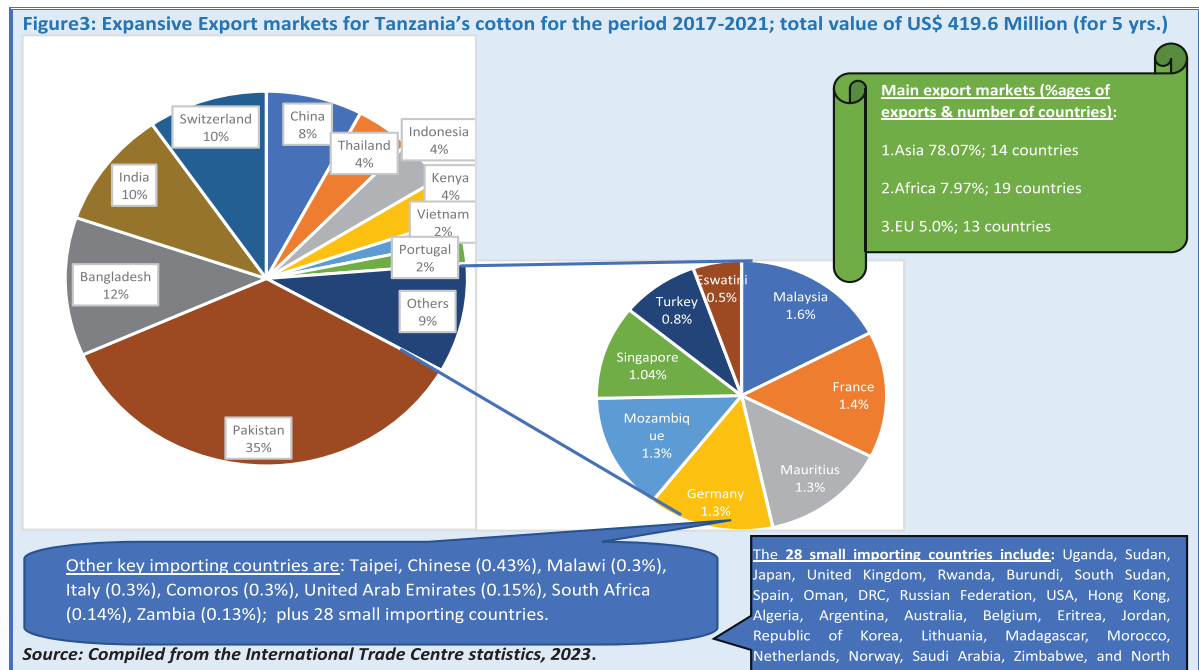
Source: MIIT

Table 2: Overview of promising regional and global value chains in Africa (SWOT)				
Value chain	Strengths	Weaknesses (Specific challenges)	Opportunities (For Growth)	Threats
Textile (East, Southern & West Africa)	Increasing global demandfor African textiles	Competitiveness is weakened by highduties (e.g. a 22% levy on fabrics)	Rapid increase of Chinese wages making the region more competitive	Toxic metals, dyes and bleaching agents making soil and sediment toxic
	Reinforced regional integration of textile and apparel value chains	Limited skills at technical and middle -management levels	Design, branding and marketing to move up in the high-value segments of the chain	Low entry barriers not incentivising worker upskilling and social upgrading
	Close proximity to Asian markets	Marginal capital investments, efficiency - enhancing processes and skill -training from textile-related foreign direct investment (FDI)	Sourcing fabric within the region possibly reducing transportation costs	Competition from the imported second -hand clothing and dumping of imported textile products
Source: Adapted from the OECD text and tables, OECD 2022 and updated by Authors				

Export of cotton and textile products and the inherent expansive market

Exports of all cotton and textile products for the period 1995 to 2021 is as indicated in Figure 2 below. The exports include the following products: cotton, jute, other textile bast fibre, and vegetable textile fibres. Exports of apparel and clothing have been increasing with time. The production of apparel remains very limited, with just six active factories currently producing apparel for export. The major destination for Tanzania’s apparel exports are USA, Mozambique, South Africa, Kenya, and EU.The respective and expansive export market for cotton is indicated in figure 3 for the period 2017-2021.





Opportunities for developing productivity capacities for industrial and trade expansion

The expansive markets as presented above, points to the significant opportunities in the subsector provided that the productive capacities are enhanced to allow for further industrial and trade expansion in the subsector. Table 3A provides a summary of the growth opportunities in the cotton and textiles subsector:

Table 3A:Growth Opportunities for the Productive Capacities in the Cotton/Textiles/Garments sub-sector	
Raw cotton	Increase production of raw cotton for industrial processing and for export.
Production of textile products	Enhance production of main textile products bylocal companies producing: Garments; ii. Lint and Yarns; iii. Knitted Fabric; iv. Mosquito Nets; and v. Woven Fabric.
Modernization of technology	Enhance modernization of technology at across the value chain-farms, spinning, weaving and others Investing in new machines to replace the bulk of the old machinery intextile factories.
Global marketing approach	Sustain enhanced global marketing approach -- the expansion of the export markets especially the EAC, SADC, CANADA, USA, and EU.
International competitiveness	Textile and garment companies enhance their respective core competencies to retain and strengthen their international competitivenessbased on productquality, price and service.
Customer satisfaction	Due to the stringent in-house quality control measures and close supervision, some textile and garment mills have strived for the high level of quality &customer satisfaction.
Strengthen the workforce	Build and strengthen internal capacity to train newly recruited workers for 4-6 months for basic inhouse training, through international training facilities and incorporating university internship.

The underlying productivity challenges and constraints

According to Tanzania Investment Centre (TIC), one of the reasons for the poor performance of textile and clothing sub-sector in Tanzania is aged spinning mills, thus production of good-quality yarn remains a challenge. As a result, many textilesmills that target export markets are forced to import fabrics or yarn.This is in addition to the fact that producers continue to grapple with challenges including power shortages, illegal textile imports and a shortage of high quality semi-processed goods like yarn and fabric, along with broader hurdles such as limited availability of skilled personnel. Table 3B provides a summary of key challenges and constraints to productivity in the subsector:

Table 3B.: Key Productivity Challenges and Constraints facing the Cotton/Textiles/Garments sub-sector	
Declining production of raw cotton	Declining production of raw cotton because of irregular supply of inputs; poor crop husbandry by farmers; varying weather due to climate change; and resource demands for production of other cash crops and food products.
Low supply of cotton raw materials	Limited supply of high-quality cotton raw materials from farmers,ginneries and spinning mills.
	This is paralleled by continued exportation of raw cotton by cotton sellers, who sometimesbreaches their contractual commitments to domestic textile firms.
	Low quality of local yarn not suited for textile products destined for the export markets.
Low-capacity utilization	Low-capacity utilization in most textile mills; necessitating borrowing to sustain operations mainly due to lack of sufficient cotton;

Logistical constraints	Chemicals are mostly imported from India and China—subject to stringent, costly, and sometimes complex import processing procedures.
	Power shading by TANESCO—which is quite often and without advance notification to textile mills.
	Electricity quite expensive at approximately USD 0.10/unit, raising the cost of production
Tax on imported yarn and undervaluation of imports	Yarns imported at 10% (further increased to 25% in 2021) import duty, thus negatively affecting exports of fabrics; some selected export orders were cancelled at different times because of the resulting high prices and thus uncompetitive relative to producers from competing countries
	Some final products are imported at an undervalued rates thus generating unfair competition in the local markets
Taxation by the regulatory authorities	The taxes and other costs of the respective regulatory authorities are negatively impacting on firms' competitiveness due to rising costs of the regulators.
	While the 2020 VAT hike on some textile products encouraged domestic production; the 2021 lowering of VAT contributed to undervaluation of imports.
Imported textiles	Unfair competition from importers of textiles especially those from the Asian markets;
	Second hand products are also a source of serious competition and failures of some textile mills.
Manpower	Lack of readily available skilled manpower paralleled by high costs of training.
Inadequate government and policy support	High turnover of Senior Officials at the MIIT creates policy instability and unpredictability of key policy decisions;
	Low trust between government officials and the private sector undermines the credibility and effectiveness of public-private dialogue;
	Lack of incentive packages for the local industries to effectively enable them compete in the international markets.

Conclusion and policy recommendation

Overcoming the identified productivity constraints and related challenges will help to enhance growth of Tanzania's cotton and textiles production, consumption, exports, and earnings to levels envisaged in the FYDP III targets (for 2025/26) and other policy documents. This will require various policy and institutional innovations, including:

- Effective collaboration between farmers and firms in sharing their best experiences, constraints and needs, and to initiate joint solutions
- Production inputs and equipments should be availed to farmers and firms as appropriate at competitive terms.
- Production technologies must be improved at both farm level and throughout the various segments of the textiles value chain

It is recommended that this framework of analysis is adapted to inform policy analysts, private sector practitioners, and decision makers in public institutions responsible for promoting economic growth; investments, trade and industrial development; private sector development; the respective crop board; and providing the requisite political champion for the cotton/textiles/garments sub-sector. It is the ability these actors to address the various constraints to productivity growth that Tanzania can sustain its growth momentum, realize its development potential, and achieve significant poverty reduction.

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