



TANZANIAN COTTON & TEXTILES SECTOR

Rapidly creating tens of thousands of decent textiles jobs while ensuring more than 500,000 cotton farmers can access the quality inputs and training they need to increase yields, boost quality and raise incomes

THE OPPORTUNITY

Across the world, textiles industries have repeatedly been engines for development, kickstarting periods of rapid job creation and economic growth.

Wages in textiles sectors across Asia are rising – particularly in China, which is predicted to shed millions of labour-intensive manufacturing jobs in the coming years. This presents a huge - albeit short-term - opportunity for countries with competitive labour costs and other conducive conditions to attract new investment, transfer in technology, and create hundreds and thousands of jobs.

Importantly, there is increasing global focus on ethical and sustainable textiles and garments, meaning countries have an opportunity to become destinations for responsible investment that generates decent jobs.

This creates a compelling opportunity for Tanzania, where the cotton & textiles sector has further poverty-reducing potential, given that more than 500,000 smallholders - concentrated in some of the poorest and least fertile regions of Tanzania - grow cotton.

However, farmers with limited to no savings struggle to invest every year in the land preparation, improved seed, pesticide and fertiliser needed to boost yields and quality. This means their average yields are less than half those of smallholders in West Africa, and they receive low returns for their low quality crops.

Learning from across the world shows multiple models for boosting farmer investment in cotton, plus lessons for how to turn initial investments in garment manufacturing into a thriving textiles industry.

POTENTIAL IMPACT

Wide-ranging reforms in the cotton & textiles sector could have huge impacts on Tanzania's citizens and its economy, including:

- **Lifting 650,000 people out of poverty in cotton-growing areas by doubling household incomes from the current US\$540 per year**
- **Creating 50,000 decent textile and garment jobs by 2030**
- **Increasing textile and garment export revenues sixfold to US\$800 million by 2030**



A BIG NUMBER OF PEOPLE EARN THEIR LIVING FROM COTTON, SO IF YOU TALK ABOUT POVERTY ALLEVIATION, IF YOU STRENGTHEN THE COTTON INDUSTRY, IT WILL CONTRIBUTE GREATLY.

MARCO MTUNGA, DIRECTOR GENERAL OF THE TANZANIA COTTON BOARD

THE JOURNEY SO FAR

Gatsby has engaged in Tanzanian cotton & textiles for over 12 years through various activities. Progress has been far from linear, with a number of setbacks.

In cotton, significant progress has been made on raising competitiveness by increasing farmers' access to improved seed, which boosts productivity and quality. In the 2018/19 season, after a decade of work, improved seed called UKM08 was rolled out to every cotton farmer. This boosted the sector's income by an estimated US\$40 million – split evenly between farmers and processors.

Following this achievement, maintaining a pipeline of new seed varieties and the system to bulk them for dissemination is vital to the sector's future, otherwise the gains will quickly be eroded.

Different models to increase farmer investment in cotton have been trialled over the years. At certain times and in certain areas, incentives have been aligned and productive partnerships forged to deliver increased investment. However, this has yet to translate into sector-wide progress, and greater focus is needed on building stakeholder trust – which is crucial for the higher impact models that have been trialled.

Textiles has moved up the national agenda, and the government has highlighted the industry as a priority. There has been some progress towards developing investment-ready infrastructure, with Gatsby supporting efforts to develop large zones for garment manufacturing, given many investors have turned away due to a lack of serviced land. Such zones could see thousands of people employed in decent textiles and garments jobs. Thousands of jobs would also be created in local businesses supplying goods and services to these zones.

The ambition is to draw on the scale of international investment ready to move into Tanzania to manufacture garments, but to harness this investment to create demand linkages for smaller local businesses, for Tanzanian textile firms and, ultimately, for cotton and other fibres. Securing such linkages will help ensure foreign firms' long-term commitment to Tanzania and help build a locally-owned industry.

Learning from international examples shows this will need strong public investment in skills and business support services. Initial work on this in Tanzania has been promising, further demonstrating the potential.



GATSBY HAS DONE A LOT OF WORK HERE. THERE IS NOWHERE GATSBY HAS NOT STEPPED IN.

BOAZ OGOLA, CEO OF ALLIANCE GINNERIES





CURRENT MOMENTUM

The 2018/19 cotton growing season should have been a relative success, based on strong productivity increases. These were driven by the programme's huge achievement in securing universal coverage of improved UKM08 seed, plus more effective inputs procurement and distribution by the Tanzania Cotton Board (TCB). Total seed cotton output increased 55% to 350,000 MT from the previous season.

However, the sector was once again plunged into crisis in the wake of a global cotton price shock. A desire to protect Tanzanian farmers led to the local cotton price being set higher than the global one. Yet this made cotton-buying unattractive to processors, and inadvertently penalised those who had invested in farmers. The resulting lower sales volumes also stopped the TCB collecting the loans it had provided farmers for inputs. This has severe implications for the TCB and other sector institutions' finances.

Positively, 160,000 farmers are now purchasing inputs for cotton and other crops from a Gatsby-supported village-based agro-dealer network.

This year progress on developing serviced land for textiles slowed. However, government agencies have strengthened their work on textiles, attracting interest from foreign investors (see table). The positive signals from government have also convinced IFC/World Bank to reformulate their strategy and identify textiles as a priority in Tanzania. A Gatsby-run pilot skills development programme also generated good results this year, and is being further developed with the IFC – with the aim of building local capacity to assess and address skills gaps.

Textiles and garments remains a compelling opportunity, with output and exports rising (including to the demanding US and EU markets) despite the number of active firms falling to 9 from 12 in 2016. This suggests the more viable businesses have survived and diversified, setting solid foundations for the future.



BEFORE, I HAD LITTLE FOOD OR MONEY AND LIMITED BUSINESS SKILLS – NOW I HAVE INVESTED IN MY OWN FARM, HAVE A HOUSE WITH 6 ROOMS AND HAVE ATTENDED RELEVANT TRAININGS. I AM NOW TRUSTED BY THE LOCAL COMMUNITY.

ADAMU M, A VILLAGE-BASED AGRO-DEALER SUPPORTED BY GATSBY IN SHINYANGA

FIVE PROGRAMME HIGHLIGHTS IN 2019/20

ACHIEVING FULL COVERAGE OF IMPROVED SEED

The programme enabled the development, multiplication and distribution of improved UKM08 seed, resulting in 100% coverage in the 18/19 season (ending September 2019).

REGISTERING ALL COTTON FARMERS

For the first time, all cotton farmers were brought onto a registration system, providing a foundation for future service delivery models.

AGRO-DEALERS REACHING MORE THAN 160,000 FARMERS

The programme has developed a commercial village-based agro-dealer network from scratch. More than 500 self-employed input dealers - linked into the supply chains and distribution system of large agri-input companies - have now achieved estimated combined sales of \$13.8m across the Lake Zone to 160,000 farmers.

ATTRACTING INVESTORS

A Hong Kong-based textile and garment manufacturer - C&D - signed an MoU to invest in the Benjamin William Mkapa Special Economic Zone in Dar es Salaam. It is expected to start operations in 2021, growing to 7,000 employees and US\$12m of exports. A Turkish investor also announced it wanted to relocate its garments operation from Turkey to Simiyu region.

PILOTING INDUSTRY TRAINING PROGRAMME

The programme organised and co-financed training for Tanzanian supervisors at Mazava Fabrics. This improved technical and leadership skills and increased the factory's productivity, with other firms now seeking to draw in such training in future.



MOST OF THE FARMERS HERE ARE RELUCTANT TO ADOPT BEST FARMING PRACTICES AND TECHNOLOGIES SO AS TO REAP BIG FROM THE SECTOR. I HOPE THAT THIS STRATEGY WILL ADDRESS THE CHALLENGE THUS TRANSFORMING THE FARMERS' ECONOMY.

ANTONY MTKA, REGIONAL COMMISSIONER OF SIMIYU

WHERE NEXT?

- As the cotton sector seeks to recover from crisis, the government has an exceptionally ambitious plan revolving around co-operatives playing a central role in input distribution and marketing. This offers a potential way forward, but will be challenging to implement given governance and capacity issues.
- This year our programme will focus on supporting Simiyu Region - which accounts for 50% of Tanzania's total cotton production - to implement its new cotton strategy, with exciting technology-based solutions playing a lead role. Success could offer a model for the whole industry to replicate. We will also explore options to ensure the long-term commercial sustainability of our village-based agro-dealer network. Crucially, we will support the government to develop a sustainable cotton seed system, protect the pipeline of future seed varieties and deliver more certified and delinted seed.
- In textiles, the government is to create a new National Textiles Industry Development Strategy. This offers Tanzania an opportunity to clarify its preferred pathways for the industry's growth and rally stakeholders behind a shared vision for its future.
- This year our programme will offer learning and evidence to help guide stakeholders developing the strategy, while continuing our support to the investment promotion agencies' crucial work in textiles and garments.
- Overall, the cotton & textiles sector is at a crossroads. Tanzania has the potential to be a leading producer of textiles and garments for domestic, regional and global markets, generating hundreds and thousands of decent jobs and doubling the incomes of more than 500,000 cotton farmers. Fulfilling this potential is possible, but will require consistent and coordinated efforts from all stakeholders to pull together towards a shared vision and common purpose.

