WEST AFRICA
COMPETITIVENESS PROGRAMME
REGIONAL INVESTMENT PROFILE

TEXTILE AND GARMENT VALUE CHAIN

Funded by
the European Union

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March 2022

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This investment profile has been prepared under the framework of the West Africa Competitiveness Programme (WACOMP) which is funded by the European Union. WACOMP is implemented by the International Trade Centre and the United Nations Industrial Development Organization (UNIDO) in collaboration with the Commission of the Economic Community of West Africa (ECOWAS). WACOMP covers all ECOWAS member States plus Mauritania. WACOMP focuses on four selected value chains, namely mango, textile/garments, information and communication technology and cassava. It aims to strengthen the competitiveness of West African Countries and enhance their integration into the regional and international trading system, through an enhanced level of production, transformation and export capacities of the private sectors in line with the regional and national industrial and SME strategies.

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Abbreviations & Acronyms

Unless otherwise specified, all references to dollars ($) are to United States dollars (USD) and all references to tons are to metric tons.

ACP	African, Caribbean and Pacific Group of States
AfCFTA	African Continental Free Trade Area
AGOA	African Growth and Opportunity Act
CBT	Benin Textile Company
CET	Common external tariff
COMESA	Common Market for Eastern and Southern Africa
CTA	Cotton and textiles
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
ETLS	ECOWAS Trade Liberalization Scheme
FDI	Foreign direct investment
GDP	Gross domestic product
HS	Harmonized System
IMF	International Monetary Fund
MSME	Micro, small and medium-sized enterprises
REC	Regional economic community
SADC	Southern African Development Community
SEZ	Special economic zone
SME	Small and medium-sized enterprises
SODECO	Société pour le Développement du Coton
UNCTAD	United Nations Conference on Trade and Development
VAT	Value-added tax
WAEMU	Western African Economic and Monetary Union

ECOWAS COMMISSION

The regional investment profile on the textiles and clothing value chain is being developed with the support of the International Trade Centre (ITC) under the West Africa Competitiveness Programme (WACOMP) funded by the European Union and implemented by the United Nations Industrial Development Organization (UNIDO) and the International Trade Centre (ITC) in Geneva.

The WACOMP programme aims to strengthen West Africa's economic competitiveness and develop various national and regional value chains, including cassava, mango, textiles and garments, and information and communication technology value chains, at the regional level and to improve the business climate in the region.

This investment profile is a resource to be shared and a compendium of information presenting the region's potential in the textiles and clothing value chain. It is designed to support the private sector in its search for new project ideas and facilitate investment decisions.

Its development is part of the implementation of the West African regional industrialisation policy, the EU investment policy and the ECOWAS trade policy.

With a production of over 3,000,000 bales of cotton per year, West Africa is the continental leader in cotton production. Only less than 10% of this cotton is processed into textiles, highlighting the many opportunities and the appropriate business environment for trade, investment and manufacturing of cotton and textile products.

West Africa's population now exceeds 397 million and the current supply of textiles is not yet sufficient to meet market needs. With the implementation of the African Continental Free Trade Area (AfCFTA), the aim is to satisfy an African market of more than 1.4 billion people.

The ECOWAS Commission welcomes the publication of this investment promotion tool for West Africa and takes this opportunity to thank its partners for their support and efforts in its design and publication.

To future users of these profiles, we wish them a very good use.

Mr. Mamadou TRAORE
Commissioner for Industry
and Private Sector Promotion

EUROPEAN UNION DELEGATION TO NIGERIA AND ECOWAS

At the EU, we are delighted at the dynamic cooperation between us, the Regional Economic Communities (RECs) and the private sector across the region. The investment profile study is being supported by West Africa Competitiveness Programme (WACOMP). This is one of our flagship programmes implemented in West Africa. As a programme dedicated to improving the competitiveness of the region in several value chains, it becomes imperative to showcase the potentials of some of those developed value chains. In order to boost investment (local and international), create jobs especially for the youth in a world struggling and recovering from the COVID pandemic, there is no better time than now to promote the investment opportunities in West Africa/ECOWAS.

We are therefore, wholeheartedly in support of the publications of the ECOWAS Investment Profiles for Mango, Information and Communication Technology (ICT), Textile and Cassava. With regards to textile, West Africa is the world's sixth-largest cotton producing region, with the vast majority of yield sent abroad as raw cotton, to be processed and turned into textiles and clothing. In fact, some 90% is sent to Asia, with just 2% being processed locally. Attracting investment in processing holds the key in transforming the textile industry in West Africa. At present, the West African cotton and textile industry is concentrated at the early stages of the global supply and value chain.

Attracting investment and creating a business enabling environment is key to the successful diversification and development of the economies in the region and indeed the whole continent. This is also true for the mango, ICT, textile and cassava value chains. Investment facilitation is at the heart of the EU Global Gateway initiative which aims at the EU institutions and EU Member States jointly mobilising up to EUR 300 billion of investments in selected sectors. The EU is also partnering with Africa under the EU External Investment Plan (EIP). With this, the EU is committed to creating jobs, boosting economies and offering people a brighter future.

This report will provide investors relevant information about how to take advantage of opportunities across the value chains, from production to the market. By taking strategic investment opportunities, investors will be contributing to the economic development of the region.

I would like to thank the ITC and our other WACOMP partners for undertaking this very useful study of the investment profiles in 4 critical sectors (Mango, ICT, Textile and Cassava) that will boost and support investment in the public and private sectors, the governments and the people of West Africa.

Cecile TASSIN-PELZER
Head of Cooperation, European Union Delegation
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1. ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS) AS AN INVESTMENT DESTINATION

1.1. INTRODUCTION: REGIONAL INTEGRATION IN AFRICA AND ECOWAS

There is a wide and longstanding recognition within African leadership that economic prospects in most African countries are limited by small national markets. Approximately one-third of African countries have a gross domestic product (GDP) of less than $10 billion, nearly half have a per capita income of less than $1,200 and one-third have a land mass of less than 100,000 km^2. Accordingly, ever since independence in the 1960s, national leaders have consistently made efforts to secure regional integration, a grouping of national economies intended to create a liberalized single market through harmonized economic policies and the removal of tariff and non-tariff restrictions on trade within the corresponding bloc. The expectation is that this would allow member countries, especially smaller ones, access to scale efficiencies and to exploit any existing synergies among economies that would materialize into rapid economic transformation and growth and development.

The Economic Community of West African States (ECOWAS) was the first post-independence regional economic community (REC) to be established following the Treaty of Lagos on 28 May 1975 (with a Revised Treaty on 24 July 1993).[1] Other countries and regions followed suit, creating as many as 14 RECs. As a result of various initiatives to unite African countries into regional markets, the overlapping of the African RECs offers a visual depiction of a 'spaghetti bowl'. Eight of these regional bodies constitute the building blocks of the African Economic Community established by the 1991 Abuja Treaty, the overarching framework for continental economic integration.[2]

Table 1: Extent of economic integration in the eight major African RECs	
Economic Community of West African States (ECOWAS)	Free trade area; customs unions; common currency in force for the Western African Economic and Monetary Union (WAEMU) subset, in progress for the whole region
Common Market for Eastern and Southern Africa (COMESA)	Free trade area; customs union; currency union in progress
Economic Community of Central African States (ECCAS)	For the Central African Economic and Monetary Community (CEMAC) subset: free trade area, customs unions and currency union
Southern African Development Community (SADC)	For the Southern African Customs Union (SACU) subset: free trade area and customs union; currency union in progress for the whole region
East Africa Community (EAC)	Free trade area; customs union; currency union in progress
Community of Sahel –Saharan States (CEN-SAD)	No free trade; no customs union; no currency union
Intergovernmental Authority on Development (IGAD)	No free trade; no customs union; no currency union

Source: United Nations Economic Commission for Africa (UNECA).

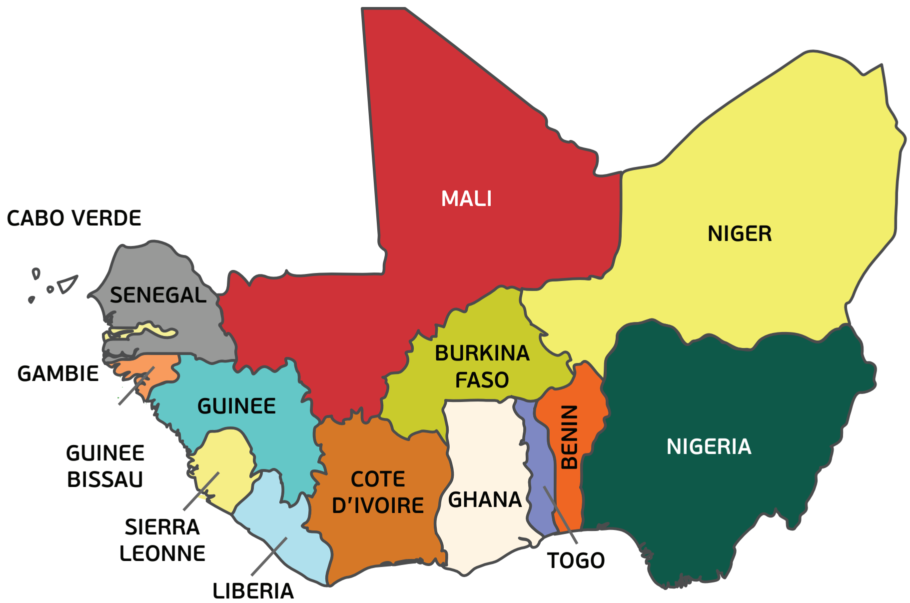
1 The signatories included all current 15 West African countries, except the Republic of Cabo Verde, which joined the following year. The Islamic Republic of Mauritania withdrew in 2000, but applied for a new associate membership in August 2017. The Kingdom of Morocco has also shown interest in joining the community since February 2017.

2 The remaining regional blocs are the Mano River Union (MRU) in Western Africa, the Indian Ocean Commission (IOC) in Southern Africa, the Economic Community of the Great Lakes Countries (CEPGL) in Central and Southern Africa, the Liptako-Gourma Authority (LGA) in Western Africa, the Greater Arab Free Trade Area (GAFTA) between North African and Middle Eastern states, and the Southern African Customs Union (SACU).

One of the region's advantages is its geographical location, as it stands at the crossroads of important routes linking Europe, the Americas and the rest of Africa. This relative proximity to some of the world's economic epicentres undoubtedly makes the region a true hub, making trading with these parts of the world relatively less costly. This uniquely favourable geographical position, combined with ever-improving living conditions and an increasingly attractive business environment, helps explains the 13.3% increase in international arrivals from tourism, both business and leisure, in the recent period (2015–18). The figure is more than twice the 5.7% average in the rest of Africa.

The region also enjoys a vast array of natural resource endowments, in a general climatic context ranging from the northern arid and semi-arid Sahara Desert and the Sahel to the southern tropical monsoon and rainforest. It is estimated that the region in effect hosts more than 29% of total proven oil reserves in Africa, and more than 36% of natural gas reserves.[3] The resource portfolio also includes minerals such as diamonds, gold, uranium, platinum, copper, cobalt, iron, bauxite, silver, iron ore and phosphate, to name a few. This largely untapped wealth provides limitless opportunities for industrialization and economic development, in the face of ever-increasing world demand of such commodities.

Figure 1: ECOWAS member states



Source: Retrieved from ECOWAS.

Table 2: ECOWAS in the context of some major African RECs

	ECOWAS	AMU	COMESA	ECCAS	SADC
Establishment date	1975	1988	1994	1983	1980
Number of member countries	15	5	19	11	15
Landmass (million km^2)	5.1	5.8	12	6.5	10
Population (million)	386.9	102.5	553.8	198.5	353.1
Regional integration performance (UNECA, 0–1)	0.43	0.49	0.37	0.44	0.34
Trade integration	0.44	0.48	0.45	0.36	0.34
Productive integration	0.22	0.45	0.33	0.32	0.24
Macroeconomic integration	0.47	0.57	0.37	0.68	0.42
Infrastructure integration	0.30	0.51	0.32	0.37	0.21
Free movement of people	0.73	0.44	0.39	0.47	0.49

Source: Author's calculations, from World Bank and United Nations Economic Commission for Africa.

3 Source: http://www.bp.com/statisticalreview.

The drive towards a common regional market that would effectively provide the basis for greater economic efficiency has progressed along the following steps:

i. The free movement of goods and services through the removal of tariff and non-tariff barriers, under the framework of the ECOWAS Trade Liberalization Scheme (ETLS), adopted in 1979;

ii. The same year, the adoption of the Protocol on the Free Movement of Persons and the Right of Establishment and Residence, further facilitated since 2014 by a common biometric ID card to be used as a travel document within the region in place of the ECOWAS travel certificate; the Protocol, in particular, pertains to non-national investors, including those outside the region, who can start and do business anywhere in the region and hire workers from any nationality;

iii. A common external tariff (CET), effective since 1 January 2015, with a simplified code made up of five tariff bands;

iv. Macroeconomic stability surveillance mechanisms through convergence criteria;

v. A single currency (CFA franc) for the subgroup of eight countries that make up the WAEMU, with a common central bank (in charge of monetary policy) and a fixed exchange rate regime against the euro[4] and, in the future, for the whole ECOWAS region – with ECO being the official name of the regional currency.

The dynamism has been reaffirmed through Vision 2020, adopted through a resolution in June 2007, which actively seeks to 'create a borderless, peaceful, prosperous and cohesive region, built on good governance and where people have the capacity to access and harness its enormous resources through the creation of opportunities for sustainable development and environmental preservation'.[5]

The ensuing collective and national efforts are meant to further raise the region's attractiveness, which rests on improved peace, security and stability, strong institutions, ease of doing business, high-quality infrastructure, strong economic performance, intraregional and international trade performance, as well as large foreign direct investment (FDI) inflows.

1.2. ECOWAS: A PEACEFUL, SECURE AND STABLE REGION

The region has become a more peaceful place to live and do business. The World Bank ranks countries in the region among the most politically stable and least violent on the continent. The World Governance Indicators (2020), in its 'political stability/no violence' dimension, ranked the region as a very peaceful place compared to the rest of the continent. The region averages of 37.5/100, which represents a 1.6% differential with the rest of the continent's average.[6]

There are, however, some concerns related to political and religious turmoil. They include instability and violence that quite often mars national election processes, such as recently in Cote d'Ivoire and the Republic of Guinea, or military coups that undermine the democratic process, such as in Mali. Religion-based violence and terrorism are also prevalent, most notably in the Sahel region of Mali, Burkina Faso, the Niger and the Federal Republic of Nigeria. The Sahel is the transition region between the Sahara Desert to the north and the Sudanese savanna to the south, stretching between the Atlantic Ocean to the west and the Red Sea to the east. If the West African Sahel has indeed experienced instability in recent decades, the region outside the Sahel, which is larger (except in the Niger), is more of a haven, being spared from such instability. As a result of national and collective efforts, with support in many cases from Western powers, the situation is improving, although the way to lasting peace, security and stability proves relatively long.

Additionally, the June 2015 establishment of the Mediation Facilitation Division (MFD), a directorate within the ECOWAS Directorate of Political Affairs, Peace and Security (PAPS), constitutes an important instrument for conflict prevention, management, resolution, peacekeeping and security. It aims to promote 'preventive diplomacy in the region through competence and skills enhancement of mediators, information sharing and logistical support'. Specific interventions include the creation of an enabling environment for the resolution of pre-electoral/political disputes prior to holding elections (such as in Guinea in 2015 and in the Niger in 2015–16) and providing technical support to ECOWAS' special envoys tasked with the resolution of political and institutional crises (such as in Guinea Bissau in 2015). These are all further indications of the region's strong commitment to greater peace and stability.

4 The eight WAEMU countries are the Republic of Benin, Burkina Faso, the Republic of Guinea Bissau (joined in May 1997), the Republic of Cote d'Ivoire, the Republic of Mali, the Republic of the Niger, the Republic of Senegal and the Togolese Republic.

5 Source: https://www.ecowas.int/about-ecowas/vision-2020/.

6 Source: https://info.worldbank.org/governance/wgi/.

1.3 INSTITUTIONAL DEVELOPMENT

The quality of the institutional setting has also been on the rise as populations and governments across the region (and the whole continent) resolutely embrace democratic principles and rule of law. Almost all related indicators have shown significant improvement across the region, often at a faster pace than the rest of the Africa. For example, ECOWAS countries rank higher in the Index of Economic Freedom[7] that captures:

- Countries' ability to promote economic opportunity;
- Individual empowerment and prosperity through the rule of law (property rights, government integrity and judicial effectiveness);
- Government size (government spending, tax burden and fiscal health);
- Regulatory efficiency (business freedom, labour freedom and monetary freedom);
- Open markets (trade, investment and financial freedom).

In the last decade, countries across the region gained 2.3% to reach the average score of 55.8/100 in 2020. More than half of them (8) make up the 20 African countries with the highest scores. Overall, the region is second to SADC, which scored 57.5/100 the same year.

The region is also consistently ahead of the rest of the continent when it comes to the World Bank's governance quality indicators. They comprise voice and accountability, government effectiveness, regulatory quality, rule of law and control of corruption, in addition to political stability and absence of violence. In each of these dimensions, the 2019 survey reveals positive and significant differentials in favour of ECOWAS countries, ranging from 1.6% (political stability and absence of violence) to 5.5% (regulatory quality) and 12.7% (voice and accountability).[8] These differences are indicative of how far traditions and institutions, by which authority is exercised, have been accommodating business activities in the regional context, as opposed to other parts of Africa. In fact, investors tend to be very sensitive to 'the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them'.[9]

When it comes to dispute settlements between an investor and a State, the Protocol on the Community Court of Justice established the ECOWAS Court of Justice in 1991, based in Abuja, Nigeria. Since a Supplementary Protocol in 2005, any private person can access the judicial organ for disputes arising under ECOWAS community law. In particular, under Article 9 of the Protocol, the court has jurisdiction 'over any matter provided for in an agreement where the parties provide that the Court shall settle disputes arising from the agreement'. Its rulings supersede national legislations and have to be automatically enforced by national courts. Disputes can be between a private party (investor or business, etc.) and a member State, or between two private parties. One case between two private parties involved Nigeria-based Petrostar Ltd and Blackberry Ltd, in which the court was willing to determine a contractual dispute between two private parties on the basis of a forum selection clause in their agreement that provided that disputes should be settled by the court.

Table 3: Institutional quality in ECOWAS and other major African RECs

	ECOWAS	AMU	COMESA	ECCAS	SADC
Global Innovation Index – score 0–100	20.2	26	23	22.6	24.5
Political stability/no violence – score 0–100	37.5	28.7	35.0	32.8	43.6
Rule of law – score 0–100	38.3	36.7	35.4	27.6	38.4
Control of corruption – score 0–100	40.4	36.2	34.6	29.7	40.0
Regulatory quality – score 0–100	38.3	29.8	33.0	29.5	38.0
Index of Economic Freedom – score 0–100	55.8	55.3	54.8	52.6	57.5

Source: Author's calculations, from World Bank and World Intellectual Property Organization.

7 Source: https://www.heritage.org/index/ranking.

8 Source: https://info.worldbank.org/governance/wgi/; ensuing quotes are from the same source.

9 World Bank. 'Governance Indicator: Where Are We, Where Should We Be Going?' Available from https://info.worldbank.org/governance/wgi/pdf/wps4370.pdf.

In addition to the judicial organ, the administrative structure includes the ECOWAS Commission, the administrative governing instrument that is viewed as the 'engine room of all ECOWAS programs, projects and activities'.[10] Headquartered in Abuja, Nigeria, it is mainly tasked with implementing regional programmes and protocols through the adoption of rules that have legal force. The commission also makes recommendations, gives advice and provides support to country members to develop their capacities for national appropriation of regional agreements.

The ECOWAS Bank for Investment and Development (EBID) is another important regional institution.[11] Since its establishment in 1999, as a replacement for the Economic Community of West African States Fund for Cooperation, Compensation and Development (ECOWAS Fund), the EBID has contributed to the 'financing of infrastructure projects relating to regional integration or any other development projects in the public and private sectors', and 'assisting in the development of the Community by funding special programs'. It has two subsidiaries: the ECOWAS Regional Development Fund (ERDF) for financing the public sector and the ECOWAS Regional Investment Bank (ERIB) for financing the private sector.

One of its corporate objects pertains to 'carrying out any commercial, industrial or agricultural activity, in as much as such activity is secondary to its object', and among the beneficiaries of EBID financial and technical assistance are 'corporate bodies from ECOWAS member States or from foreign countries desirous of investing in the ECOWAS zone, in sectors within EBID's areas of intervention'. For private sector project funding, requests submitted to the bank's president can top $22.5 million, insofar as they fall within the scope of its areas of intervention. The latter include industrial activities such as agribusiness, mining industry, other industries, technology transfer or technological innovation, and services sectors such as financial services and services related to information technology, financial engineering or hotels.[12]

1.4 EASE OF DOING BUSINESS

Doing business in the region is becoming easier. The overall score has in effect increased by 10.6 points in the last decade to reach 53.4 points in the 2020 survey. The increase is the largest in Africa: it is more than double the changes in other RECs. The corresponding strong pace of reforms would, in the short term, make doing business in the region equally easy or even easier than the rest of Africa.

The current business environment makes starting a business much easier and less costly in the ECOWAS region, on average, compared to other African RECs. For example, it takes less time to register a business, there are fewer procedures involved and the corresponding fees are also among the lowest in Africa.

When it comes to legal rights protection, the region provides the strongest system in Africa as far as the credit market and minority shareholders are concerned.

Trade costs, as related to border and document compliance, are among the lowest on the continent, as well as the recovery rate when it comes to resolving insolvency.

Additionally, the region is also well perceived by domestic and international business communities when it comes to market prospects such as size, growth, intensity, consumption capacity and receptivity, as well as commercial infrastructure, economic freedom and country risk. According to the 2020 Market Potential Index, three out of the 15 African countries were located in the region: Cote d'Ivoire, Nigeria and the Republic of Ghana. They scored an average of 19/100, which was more than their fellow Africans (15.5).[13]

Moreover, when it comes to the ranking of countries that are best for business, Ghana, Senegal, Cabo Verde, Nigeria, Cote d'Ivoire and Benin are ranked among the top 20 African countries, as a combination of GDP growth, the level of development (GDP per capita), trade performance (trade balance/GDP) and market size (population).[14]

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10 More details about the specific responsibilities and functions of the ECOWAS Commission and how it is manned can be found here: https://www.ecowas.int/institutions/ecowas-commission/.

11 Additional intuitions include the Authority of Heads of State and Government, the Council of Ministers, the Community Parliament and specialized technical committees. Besides these institutional bodies, there are ECOWAS specialized agencies, such as the West African Health Organization (WAHO), the West African Monetary Agency (WAMA), the West African Monetary Institute (WAMI), the Inter Governmental Action Group Against Money Laundering in West Africa (GIABA), the ECOWAS Gender and Development Centre (EGDC), the ECOWAS Youth & Sports Development Centre (EYSCD), the ECOWAS Centre for Renewable Energy and Energy Efficiency (ECREEE), the ECOWAS Regional Electricity Regulatory Authority (ERERA), West African Power Pool (WAPP), the Regional Agency for Agriculture and Food (RAAF), the ECOWAS Infrastructure Projects Preparation and Development Unit (PPDU), the Water Resources Coordination Centre and the ECOWAS Brown Card Insurance Scheme. Overall, the general structure resembles that of the European Union.

12 Additional details, including specific private sector projects already funded at national or regional levels, can be found here: https://bidc-ebid.org/en/home/aboutus.

13 Source: https://globaledge.msu.edu/mpi/2020.

14 Source: https://www.forbes.com/best-countries-for-business/list/#tab:overall.

Table 4: Doing business in ECOWAS and other major African RECs					
	ECOWAS	**AMU**	**COMESA**	**ECCAS**	**SADC**
Overall score 2020	**53.4**	**54.9**	**54.9**	**44.5**	**58.2**
Change – since 2010	**10.6**	**4.9**	**6.6**	**4.7**	**5.0**
Starting a business					
Starting a business – procedures (number)	5.5	6.6	7.6	7.6	7.8
Time (days)	9.6	15.4	23.1	22.3	25.7
Paid-in minimum capital (% of income per capita)	3.5	6.0	7.5	25.8	0.3
Dealing with construction permits – score	**58.7**	**58.6**	**56.9**	**57.4**	**65.0**
Procedures (number)	16.1	14.8	13.9	14.3	14.0
Time (days)	137.2	106.5	137.0	154.0	149.7
Cost (% of warehouse value)	11.1	4.5	8.0	10.4	7.0
Getting electricity – score	**49.9**	**70.0**	**54.4**	**46.8**	**59.7**
Procedures (number)	5.3	4.4	4.5	5.5	5.3
Time (days)	124.3	73.0	100.1	94.1	111.1
Reliability of supply and transparency of tariff index	15.0	45.0	24.3	12.5	31.7
Price of electricity (US cents per kWh)	21.0	10.5	13.7	14.2	14.1
Registering property – score	**53.4**	**58.8**	**60.6**	**50.0**	**56.7**
Procedures (number)	5.8	5.0	6.0	5.7	6.3
Time (days)	51.1	31.8	36.7	58.5	51.1
Cost (% of property value)	7.4	4.8	4.6	8.8	6.7
Reliability of infrastructure index	15.8	43.8	35.8	18.2	30.0
Getting credit – score	**47.3**	**29.0**	**51.3**	**37.7**	**53.7**
Strength of legal rights index	50.6	15.0	47.9	42.4	41.7
Credit bureau coverage (% of adults)	7.0	6.3	12.0	1.4	23.9
Protecting minority investors – score	**40.5**	**40.4**	**46.4**	**27.8**	**47.3**
Extent of shareholder rights index	45.6	33.3	38.5		38.9
Extent of corporate transparency index	23.8	31.4	29.5		34.3
Strength of minority investor protection index	40.5	40.4	46.4	27.8	47.3
Paying taxes – score	**56.2**	**63.3**	**67.5**	**45.0**	**70.6**
Payments (number per year)	40.7	18.6	28.1	42.0	31.3
Time (hours per year)	268.7	344.6	239.8	458.8	206.5
Total tax and contribution rate (% of profit)	46.9	54.4	35.4	53.3	31.8
Trading across borders – score	**56.7**	**64.7**	**55.7**	**39.0**	**61.1**
Time, border/doc compliance, export/import (hours)	91.8	66.9	100.6	144.0	78.7
Cost, border/doc. compliance, export/import (USD)	388.7	340.1	426.0	657.4	419.4
Enforcing contracts – score	**50.1**	**58.3**	**51.4**	**41.1**	**49.2**
Time (days)	658.9	553.0	632.6	777.4	694.7
Cost (% of claim)	42.0	24.1	40.1	50.2	43.6
Quality of judicial processes index	39.3	37.2	41.3	33.6	43.7
Resolving insolvency – score	**38.5**	**52.1**	**45.6**	**36.4**	**44.6**
Time (years)	3.1	2.0	2.5	3.9	2.2
Cost (% of estate)	20.9	10.7	19.1	33.5	16.7
Recovery rate (cents on the dollar)	25.1	43.6	30.5	15.3	34.9

Source: Author's compilations, from Doing Business 2020, World Bank (https://www.doingbusiness.org/en/data).

1.5 INFRASTRUCTURE (HARD AND SOFT)

According to the African Infrastructure Development Index, the region is surely trailing other RECs when it comes to physical or hard infrastructure, but there is noticeable improvement that suggests it is catching up, as it has embarked in ambitious regional and national infrastructure development programmes.

As far as logistics performance is concerned, the overall World Bank ranking puts the region third among Africa's RECs. The dimension in which the region comes first is the 'ability to track and trace consignments'. For the remaining sub-components of the overall index, the region comes second for the 'ease of arranging competitively priced shipments'.

Furthermore, from the perspective of the Global Cities Index, Abidjan, Accra and Lagos are ranked among Africa's most vibrant and competitive cities in 2015–19.[15] These rankings are indicative of high competitiveness in key areas ranging from business activities to culture to human capital, political engagement and information exchange. They are suggestive of the general state of personal well-being, the economy, innovation and governance, which are 'important factors multinational corporations to non-governmental organizations should consider as they decide where and why to invest'.

Further to the region's dynamism and vibrancy, the 2020 Global Innovation Index ranked four West African countries (Senegal, Ghana, Cote d'Ivoire and Nigeria) among the top 15 most innovative economies in Africa.[16] This favourable outcome is a result of high-quality and fairly supportive 'institutions, human capital and research, infrastructure, market and business sophistication and the scope of knowledge and technology and creative outputs'.

As a way to attract FDI, increase exports, create jobs and generate productivity spillovers, each of the West African countries has developed at least one special economic zone (SEZ). The general goal is to strengthen the tendency for manufacturing and service industries to geographically concentrate in cities and industrial clusters, as a way to 'build resilient infrastructure, promote sustainable industrialization and foster innovation'.[17]

Table 5: Infrastructure quality in ECOWAS and other major African RECs

	ECOWAS	AMU	COMESA	ECCAS	SADC
Logistics Performance Index (WB): Overall score	**48.9**	**48.0**	**49.7**	**47.8**	**50.0**
Ability to track and trace consignments	51.4	48.3	49.5	46.5	50.7
Competence and quality of logistics services	46.7	45.7	49.7	47.4	49.4
Ease of arranging competitively priced shipments	50.4	46.6	49.6	50.9	49.5
Efficiency of customs clearance process	44.1	44.0	46.4	43.6	46.9
Frequency with which shipments reach consignee within scheduled or expected time	56.3	57.3	56.3	54.0	57.5
African Infrastructure Development Index (African Development Bank): Overall	**20.6**	**58.5**	**34.0**	**18.2**	**33.3**
Transport	6.9	16.8	15.7	6.1	13.9
Electricity	17.0	32.5	19.7	13.0	25.0
ICT	17.0	32.5	19.7	13.0	25.0
Water and sanitation system	63.1	90.2	66.5	61.3	67.0

Note: Values are between 0 and 100, and higher scores indicate better performance.

Source: Author's calculations from World Bank's Logistics Performance Index, and from the African Development Bank (http://infrastructureafrica.opendataforafrica.org/hwkjvvf/national-infrastructure).

15 Source: https://www.kearney.com/global-cities/2019; the following quote is from the same source.

16 Source: https://www.globalinnovationindex.org/analysis-indicator; the following quote from the same source.

17 This is one of the UN Sustainable Development Goals (SDGs, the 9th), and it is said to have been adopted at the urging of African delegations.

The functionality of these SEZs is diverse, in line with the main objective assigned to them by law. They range from export processing zones to free zones, international business centres, technology villages, business parks, industrial parks, gas parks and economic cities. As of 2018, 56 SEZs were located in West Africa. Each ECOWAS member country has at least one SEZ, either fully operational or under development, and the most recent includes the cross-border SEZ between Cote d'Ivoire, Burkina Faso and Mali in 2018.[18] The smallest SEZ is in the Republic of Sierra Leone (less than 100 ha) and the largest, from an African perspective, is in Senegal and Ghana (more than 1000 ha).[19] Additionally, these SEZs tend to be multi-activity platforms (53 of them), as they are open to a large variety of business activities, often interrelated, while only three are specialized in specific activities.

While the qualitative performance of SEZs in the region and in Africa in general tends to be limited, these schemes still remain attractive and viable instruments for industrial policies.[20] Past experience and lessons from success stories around the world tend to underlie the design of the most recent SEZs across the region (14 since 2000). The expected greater potentials for industrialization mean that investors established in these specific locations can definitely enjoy a host of fiscal and regulatory incentives and infrastructure support.

18 So far, the shared SEZ has yet to be effective and various aspects such as related its governance or management, issuance of licences or permissions and tax collection have not yet been formally developed. Lack of significant political will and insecurity in the region are some reasons often mentioned.

19 Source: United Nations Conference on Trade and Development (UNCTAD): World Investment Report 2019 – Special Economic Zones. Retrieved from https://investmentpolicy.unctad.org/publications/1204/world-investment-report-2019---special-economic-zones.

20 Additional discussions can be found in Newman, C. and Page, J. (2017): 'Industrial clusters: The case for Special Economic Zones in Africa'. Wider Working Paper 2017/15. Retrieved from https://www.wider.unu.edu/publication/industrial-clusters-1#:~:text=The%20case%20for%20Special%20Economic,to%20learning%20and%20technology%20transfers.

Table 6: Economic performance in ECOWAS and other major African RECs					
	ECOWAS	AMU	COMESA	ECCAS	SADC
GDP (nominal, USD billion)	689.2	387.2	746.1	246.3	691.2
Share of agriculture (%)	27.1	14	18.6	19.8	10.4
Share of industry (%)	19.2	29.6	23	31.9	25.8
GDP growth, real, 2010–19	4.7	1.7	3.6	2.6	3.8
GDP per capita (nominal, USD)	1 301.6	3 966.3	3 244.2	2 460.2	4 089.5
Competitiveness score, 0–100	47.3	53.4	48.6	37.0	48.2
Population (million)	386.9	102.5	553.8	198.5	353.1
Population growth (%)	2.6	1.7	2.2	2.7	2.0
Urban population (% of total)	45.9	68.1	38.4	51.6	43.5
Labour force (% of total population)	37.4	32.0	41.5	39.8	42.9
Literacy, adults (+25 years, %)	48.6	69.6	75.8	68.1	83.7
Literacy, youth (15–24 years, %)	63.0	86.4	87.4	75.9	90.4
Male	69.0	88.9	88.0	79.3	91.3
Female	57.1	83.8	86.8	72.8	89.6
Unemployment, youth (% of total labour force, 15–24 years)	8.6	30.6	14.2	12.1	21.4
Self-employed, total (% of total employment)	78.8	34.2	61.1	69.1	57.7
Inflation – consumer prices (%)	3.4	2.8	9.3	3.4	5.5
External debt stock (% of gross national income)	38.2	58.3	50.6	38.6	42.7
Domestic credit to the private sector (% of GDP)	20.2	48.0	24.3	15.1	36.8
FDI stock (current, USD billion)	171.7	137.0	253.1	75.0	316.3
Domestic private investment (% of GDP)	23.6	35.4	23.1	20.8	23.8
Trade balance (% of GDP)	-15.6	-5.2	-6.7	-0.5	-13.5
Poverty rate, $1.9, 2011 purchasing power parity (PPP) (%)	33.9	2.4	33.7	41.0	33.4
Access to electricity (% of population)	48.5	82.3	52.1	46.8	52.3
Account ownership (% of population, ages 15+)	36.5	39.0	49.4	32.9	50.3

Source: United Nations Conference on Trade and Development, 2012.

1.6 ECOWAS' ECONOMIC PERFORMANCE

Prior to the global COVID-19 pandemic, the ECOWAS region performed well above other RECs when it comes to economic growth. Since 2010, the region has grown an average of 4.7%, which is almost 1% higher than the closest region (SADC, with 3.8%). Moreover, the region is home to six of the 10 fastest-growing African economies in the last decade, with an average growth of 5.6% (Togo) to 6.7% (Cote d'Ivoire).

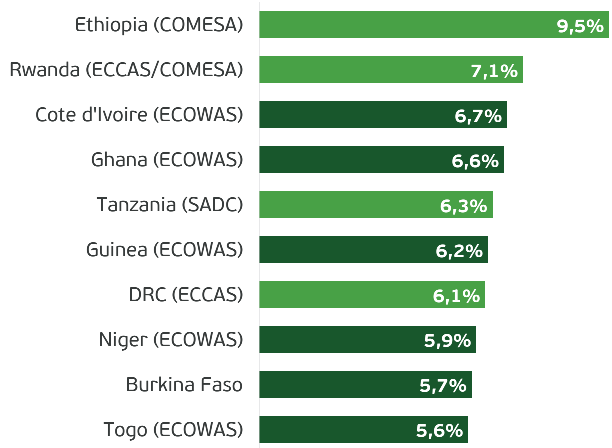
Moreover, with respect to key macroeconomic indicators, the region has performed relatively well. It has the lowest unemployment rates, especially for youth, and inflation rates and public debt burden are also very low. All of these point to a greater macroeconomic stability, a key driver to reduced risk and uncertainty for businesses.

Economic growth has also been relatively inclusive, as poverty has been on a significant decline. Most of the countries in the region have gone from high rates of 60% on average in the early 2000s to an average of 30% (32.6% in Senegal and 33.5% in Cote d'Ivoire).[21]

Population dynamics has also benefitted economic growth. Total population has increased an average of 2.7% faster in the region than on the whole continent, which averages 2.5%. In 2019, it reached 386.9 million, or 28.9% of the total African population of 1.34 billion, making the region the second-largest consumer market in Africa.

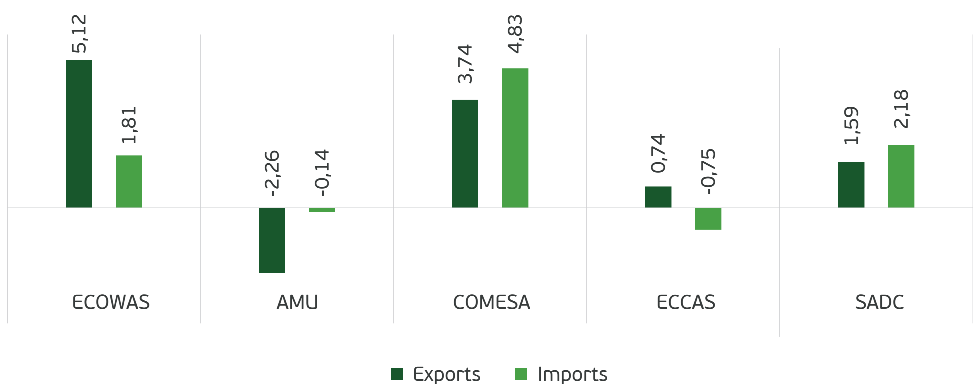
As a result of improved living conditions, urban population has increased by 9.7% since 2000 above the continental average of 8.9%. Of the 48 African metropoles with a population of more than one million in 2019, more than one-third (14) are located in West Africa, the largest being Lagos, Nigeria, with 21.3 million. Furthermore, ownership of an account at a financial institution or with a mobile money service provider has also increased to reach between 38.5% (Benin) and 58.6% (Ghana). At the same time, access to electricity has almost doubled in the last two decades to reach 48% in 2019. Human capital has also improved, with literacy rates averaging 48.6% among adults in 2019. Among youth (15–24 years old), the average is much higher, at 64%, with a significant difference across gender: higher for young males (69%) than their female counterparts (57.1%).

Figure 2: Real GDP growth rates of the fastest-growing African economies (2010–19)



Source: Author, based on World Bank data.

Figure 3: Export and import growth (%) in ECOWAS and other RECs (2010–18)



Source: Author calculations, based on World Bank data.

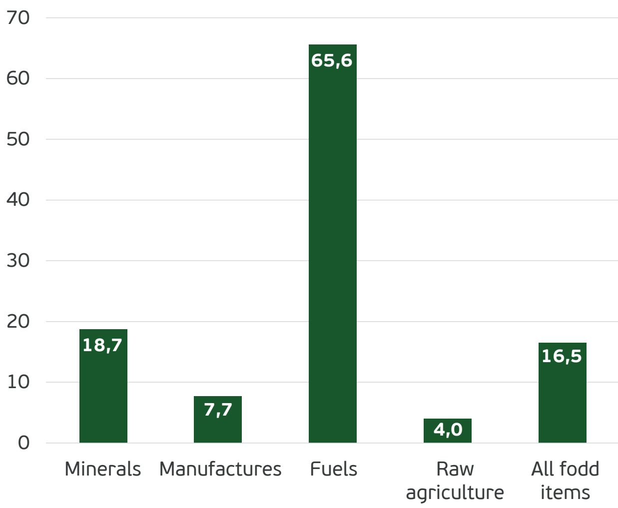
21 Sources: https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2018AEO/African_Economic_Outlook_2018_West-Africa.pdf and http://www.uemoa.int/sites/default/files/bibliotheque/indicateurs_de_pauvrete_monetaire_et_dinegalite_de_la_premiere_enquete_harmonisee_sur_les_conditions_de_vie_des_menages_dans_les_etats_membres_de_luemoa.pdf.

11.7 TRADE AND FOREIGN MARKET ACCESS

The region traded 12% with itself in 2016, only second to SADC (21%). This is up from the 1980's figure of 3.9% when the ETLS entered into force.[22] Current major trading partners are outside the continent and represent 83.7% of the region's total. African partners outside the region account for only 5.6%.

Trade composition, which has changed relatively little in the last decade from the perspective of commodities, shows a noticeable concentration of the export portfolio along the regional (revealed) comparative advantages. Fuels and minerals represented 58.3% and 16.6% respectively of total merchandise exports of the region in 2018.

Figure 4: Commodity exports composition of West African countries (USD billion, 2018)



Source: United Nations Conference on Trade and Development (UNCTAD) (https://stats.unctad.org/handbook/MerchandiseTrade/ByProduct.html).

Table 7: Comparative advantages of ECOWAS member countries (2018)

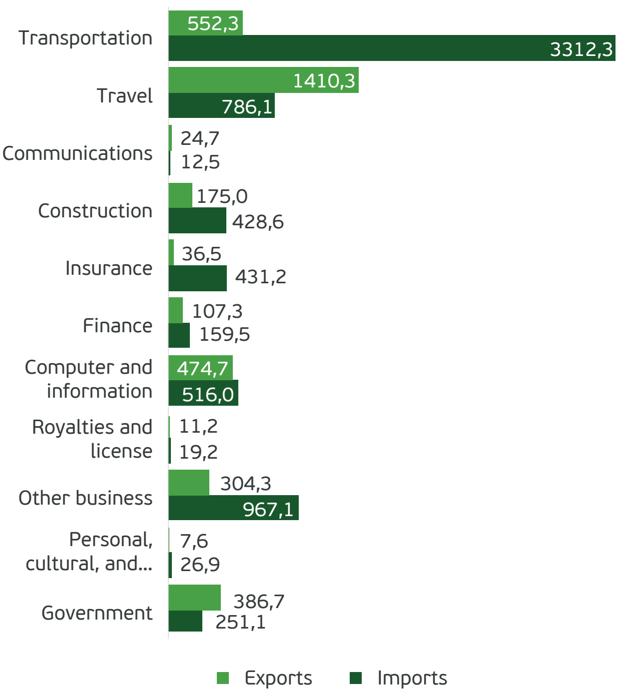
Member countries	Products
Benin	Cotton; oilseeds and oleaginous fruits; fruits and nuts (excluding oil nuts), fresh or dried; wood in the rough or roughly squared; fixed vegetable fats and oils, crude, refined
Burkina Faso	Cotton; gold, non-monetary; oilseeds and oleaginous fruits; zinc; fruits and nuts (excluding oil nuts), fresh or dried
Cabo Verde	Fish and crustaceans; non-ferrous base metal waste and scrap; textiles; animal oils and fats; ferrous waste, scrap; re-melting ingots, iron, steel
Cote d'Ivoire	Cocoa; natural rubber and similar gums, in primary forms; cotton; fruits and nuts (excluding oil nuts), fresh or dried; coffee and coffee substitutes
Gambia (the)	Wood in the rough or roughly squared; fruits and nuts (excluding oil nuts), fresh or dried; fuel wood and wood charcoal; fabrics, woven, of man-made fabrics
Ghana	Cocoa; gold, non-monetary; wood in the rough or roughly squared; fruits and nuts (excluding oil nuts), fresh or dried; natural rubber and similar gums, in primary forms
Guinea	Aluminium ores and concentrates; gold, non-monetary; iron ore and concentrates; natural rubber and similar gums, in primary forms; fish, dried, salted or in brine and smoked fish
Guinea Bissau	Fruits and nuts (excluding oil nuts), fresh or dried; fish, fresh (live or dead), chilled or frozen; fish, dried, salted or in brine and smoked fish; wood in the rough or roughly squared; cotton
Liberia	Natural rubber and similar gums, in primary forms; wood in the rough or roughly squared; ships, boats and floating structures; iron ore and concentrates; silk
Mali	Cotton; gold, non-monetary; live animals; fixed vegetable fats and oils, crude, refined; wood in the rough or roughly squared
Mauritania	Crustaceans, molluscs and aquatic invertebrates; animals oils and fats; works of art, collectors' pieces and antiques; fish, fresh (live or dead), chilled or frozen; iron ore and concentrates
Niger (the)	Ores and concentrates of uranium or thorium; rice; fixed vegetable fats and oils, crude, refined
Nigeria	Petroleum oils, crude; fuel wood and wood charcoal; natural gas, whether or not liquefied; petroleum gases; cocoa
Senegal	Crude fertilizers; inorganic chemical elements, oxides and halogen salts; fish, fresh (live or dead), chilled or frozen; crustaceans, molluscs and aquatic invertebrates; lime and cement
Sierra Leone	Aluminium ores and concentrates; cocoa; iron ore and concentrates; wood in the rough or roughly squared; sugar, molasses and honey
Togo	Crude fertilizers; cotton; lime and cement; hides and skins, raw

Source: UNCTAD.

22 Source: UNCTAD (https://unctad.org/system/files/official-document/ditctab2019d3_en.pdf).

The services trade is also relatively important, and has picked up speed in the last decade to reach 7.1% of GDP on average across the region. Structurally, except for travel, communications and government-related services, the region is a net importer of services, especially for transportation, where the deficit is the largest. The trend has been towards a deterioration of trade balances overall, similar to the rest of the continent, while it is the opposite in the rest of the developing world. These trends are indicative of the relatively large potential for expansion of domestic production and trade to meet increasing demand. This is especially the case for insurance, financial, intellectual property, other business and travel services, which registered the fastest-growing exports at rates of 3.2%–6.9% in the 2013–18 period.

Figure 5: ECOWAS services trade composition (2018)



Source: Author's calculations, from United Nations Commodity Trade Statistics Database (UN-Comtrade) data.

Foreign market access is key to international trade promotion for the region. With the European Union (EU), ECOWAS member countries and other African countries have ease of access to the European market through the overall political and economic relations with the African, Caribbean and Pacific Group of States (ACP).[23] This privilege has contributed to making the EU the main export destination for West African transformed products from sectors such as fisheries, agribusiness and textiles.

The existing framework is set to evolve into economic partnership agreements (EPAs), through which West Africa and other ACP countries will have to remove import tariffs on EU-originated goods, but only partially in a 20-year transition period.[24] The new scheme, essentially centred on reciprocity of preferential treatments between the two zones, is intended to assist all ACP partners, including West Africa, to better participate in the global trading system, and it is expected to 'support investment and economic growth in the region', to 'increase exports to the EU, stimulate investment and contribute to developing productive capacity, with a positive effect on employment' and to 'provide a competitive advantage to West African producers especially on transformed products', while at the same time being 'coupled with strong development cooperation programs towards private sector'.[25]

The EU–West Africa economic cooperation also includes aid for trade and trade-related assistance. Under this framework, the ECOWAS region has effectively benefitted from the development of (i) trade-related infrastructure, which includes transport and storage, communications, and energy generation and supply; and (ii) productive capacity in the forms of business development and activities aimed at improving the business climate, privatization, assistance to banking and financial services, agriculture, forestry, fishing, industry, mineral resources and mining, and tourism. The framework also includes trade- and non-trade-related capacity building. The corresponding total aid-for-trade efforts amounted to €1.2 billion in commitments as of 2017.[26]

23 The EU–ACP agreements constitute the overarching framework first set up in 1975 by the Lomé Convention (replaced in 2000 by the Cotonou Agreements, which introduced the economic partnership agreements). This cooperation scheme, the largest of its kind between developed (EU countries) and developing countries (79, of which 48 are in Sub-Saharan Africa), evolves around three main pillars: development cooperation, economic and trade cooperation, and a political dimension.

24 The economic partnership agreements were enacted in 2000 (Cotonou Agreements), then revised in 2005. There have been concerns about the potentially negative impacts of the removal of tariffs on EU products, given the less competitive production systems and the loss of government tariff revenues in ACP economies, which explained the slow pace of the negotiations to implement the agreements, at both national level and regional level (jointly between the WAEMU and ECOWAS). For example, 'stepping stone' agreements with Côte d'Ivoire and Ghana entered into provisional application on 3 September 2016 and 15 December 2016 respectively.

25 Source: https://trade.ec.europa.eu/doclib/docs/2014/july/tradoc_152694.pdf.

26 Source: https://ec.europa.eu/international-partnerships/system/files/eu-aid-for-trade-progress-report-2019_en.pdf.

With respect to the US market, the region has benefitted from the African Growth and Opportunity Act (AGOA) since 2001 (renewed in 2015 for another 10 years) and the trade and investment framework agreements (TIFA) since 2014.[27] The former is a non-reciprocal trade preference programme that offers duty-free and quota-free access to the huge US market for selected Sub-Saharan African products.[28] TIFA are more of an institutional platform that 'provides strategic frameworks and principles for dialogue on trade and investment issues between the United States and the other parties', mostly around 'issues of mutual interest with the objective of improving cooperation and enhancing opportunities for trade and investment'. TIFA councils' yearly meetings include discussions on topics such as 'market access, labor, the environment, protection and enforcement of intellectual property rights, and, in appropriate cases, capacity building'. There are currently various TIFAs both at the regional level with ECOWAS and the WAEMU, and with individual countries such as Ghana, the Republic of Liberia, and Nigeria.[29]

1.8. FDI IN ECOWAS: INFLOWS AND INCENTIVES

The region has always been an attractive place for foreign investment, as shown by relatively large inflows of FDI that have positively responded to the improving regulatory environment. In the past decade, the FDI stock in the region has increased at record pace to reach $191.5 billion in 2019, the third-largest behind the SADC ($316.3 billion) and COMESA ($302.9 billion). The increase by a factor of 2.2 in the region, or equivalently, at an annual rate of 9%, is by far the largest in Africa.

When it comes to investment promotion, especially FDI, one of the key frameworks at the regional level is the ECOWAS Common Regional Investment Code (ECOWIC), which applies to the rights and obligations of member States and investors. Enacted in July 2018, the code aims to 'establish in the ECOWAS territory transparent, harmonized and predictable legal and institutional framework that applies to investment and to any investment-related measures'.[30] More specifically, under the monitoring of a regional body to be established by the ECOWAS Common Investment Market Council and to work with national advisory committees, the provisions of the code seek, among others, to: (i) 'promote, facilitate, and protect investment that foster sustainable development of the region'; (ii) 'promote the adoption of common regional rules on investment'; (iii) 'improve investment and trade relations within the region and between the region and foreign investors, conducive to regional stability and sustainable development'; and (iv) 'enhance the role of both domestic and foreign direct investments in reducing poverty, increasing productive capacity, furthering growth, creating jobs, expanding trade, improving technology and transferring technology'.

Several provisions of this landmark code set the conditions for a viable business environment that would mutually benefit both investors and the host country. For example, member States are encouraged to provide relatively strong incentives to investors, domestic and foreign alike. These provisions are expected to take various forms, such as: (i) 'financial incentives in the forms of investment insurance, grants or loans at concessionary rates'; (ii) 'tax holidays, pioneer status and reduced tax rates'; (iii) 'subsidized infrastructure or services and market preferences'; (iv) 'development-oriented incentives to encourage preferential market schemes and specific investors within the region'; (v) 'incentives for technical assistance, or technology transfer'; and (vi) 'investment guarantees'.

Foreign investment is generally viewed as a part of the overall development of local economies. Investors are indeed expected to promote technology transfer and comply with international transfer pricing standards. When considering the investment, they are also expected to account for: (i) the participation in the implementation of national or regional economic and social plans; (ii) the creation of employment and vocational training; (iii) the priority of use of local raw materials and, in general, local products; and (iv) environmental and social impact assessment of their economic activities.

27 All member countries are currently eligible for the AGOA provisions, except Mauritania (since 1 January 2019). Eligibility for product category specific compliance can be different across benefitting countries. For example, since 1 January 2020, Gambia and the Niger are not eligible under the 'wearing apparel' provisions. See here for more details: https://agoa.info/about-agoa/country-eligibility.html.

28 See here for the detailed listing of products: https://agoa.info/about-agoa/products.html.

29 Source: https://ustr.gov/trade-agreements/trade-investment-framework-agreements.

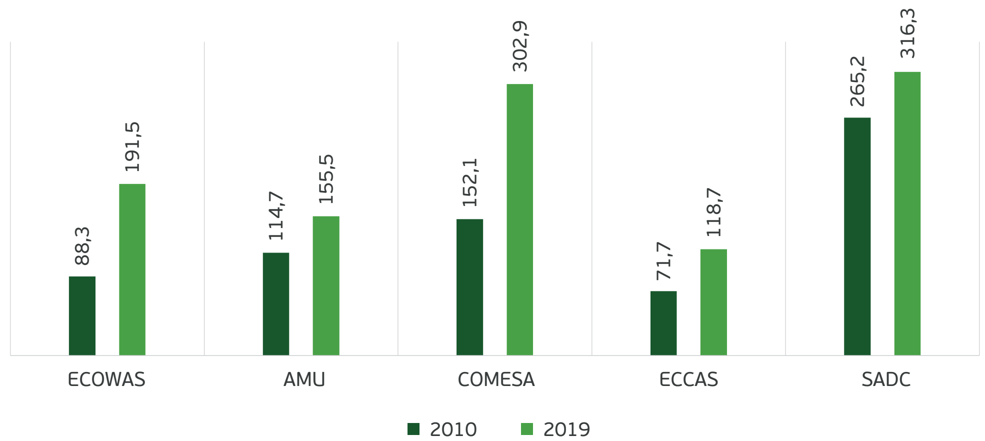
30 Source: https://wacomp.projects.ecowas.int/wp-content/uploads/2020/03/ECOWAS-COMMON-INVESTMENT-CODEENGLISH.pdf; same source for the next quotes.

Two additional components of regional and national approaches to further making the region an attractive place for FDI are:

(i) National investment promotion agencies that provide up-to-date information regarding the process by which investors, particularly foreigners, can settle into the host country, as well as a guidance through the procedures for investment and setting up a business activity; the set of information generally relates to starting a business, legal obligations, obtaining an investment certificate, foreign taxpayer registration, dealing with local banks, import/export registration, land/building ownership, rules and regulations for foreigners, and investing in any existing SEZ;

(ii) 'Single windows' at national levels for: (i) starting a business, with the aim to streamline and speed up the administrative process; and (ii) engaging in foreign trade, generally through an electronic platform used by all operators and users of the foreign trade community (import, export, transit and transhipment), providing a single entry point for all customs and collection procedures and formalities.[31]

Figure 6: FDI total stock in ECOWAS and other African RECs (USD billion, 2019)



Source: Author, from UNCTAD data.

31 As of 2019, single windows for cross-border trade existed in five West African countries: Burkina Faso, the Niger, Nigeria, Senegal, and Togo (source: https://rammap-swim.wcoomd.org/).

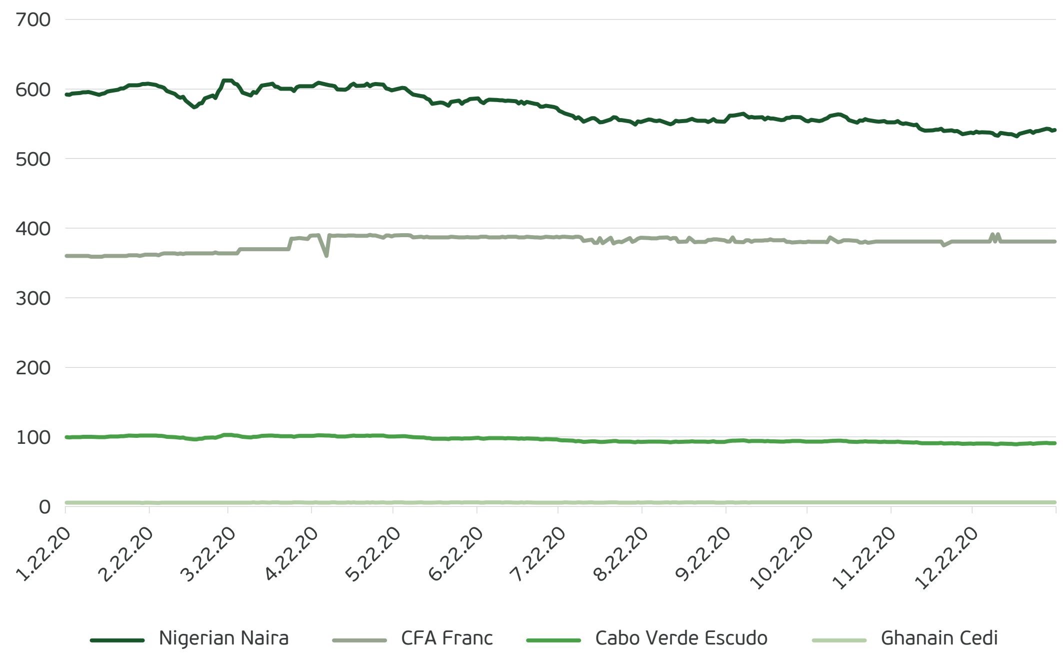
1.9. STRUCTURAL REFORMS ACHIEVED/PLANNED

Ongoing ambitious and profound reforms are rightly expected to structurally change the region's trade and investment landscape. These reforms are part of well-thought-out programmes. The West Africa Competitiveness Programme (WACOMP) seeks to strengthen the performance, growth and contribution of industry, regional trade and exports of selected value chains, and improve the business climate at national and regional levels. The West Africa Common Industrial Policy (WACIP) aims to accelerate the region's industrialization. The West Africa Quality System Program (WAQSP) seeks to strengthen the quality infrastructure for greater effectiveness, enhanced competitiveness and better intraregional and interregional trade participation. The Strategic Framework for Private Sector Development Strategy aims to make the private sector a vibrant engine of economic growth.

More specific action plans include the multimodal transport infrastructure and the implementation of policies to promote physical cohesion among country members and to facilitate the movement of persons, goods and services within the region, with special emphasis on increased access to landlocked countries. These harmonized national efforts, mainly through the West Africa Regional Road Transport and Transit Facilitation Project, a common initiative developed by ECOWAS and its subset, WAEMU, to speed up the road transport facilitation, include:

- The erection of joint border posts and controls along the interstate corridors;
- The simplification and harmonization of national rules, procedures and documents related to road transport;
- The harmonization of standards and procedures for the control of dimensions, weight and axle load of goods vehicles within ECOWAS member States;
- The update of the road transit information system;
- The development of transport corridors, such as the Nigeria–Cameroon multinational highway as part of the Trans-Africa Highway programme, the Praia–Dakar–Abidjan highway (capital cities of Cabo Verde, Senegal and Cote d'Ivoire), the Trans-Gambia Road Transport Corridor, and the Abidjan–Lagos Corridor;
- A deposit system to guarantee transit operations in the absence of such State-sponsored guarantee mechanisms.

Figure 7: Daily exchange rates of selected West African currencies against the USD (365-day period)



Note: The XOF is shared among eight countries that make up the WAEMU. The small volatility of the exchange rate appears in the small coefficients of variation (standard deviation over average), which range between 0.02 and 0.04 in the considered period.

Source: Yahoo Finance.

The regional single currency project is also expected to further rationalize cross-border movement of goods (and capitals and persons). While the eight WAEMU countries share a single currency (CFA franc), each of the remaining ECOWAS countries has its own independent currency, with individual central banks. While the CFA franc is fixed against the euro (at a constant exchange rate of 655.957 CFA franc/euro), the remaining currencies in the region are governed by flexible exchange rates.[32] Against the US dollar, though, each currency shows some very moderate volatility, as suggested in Figure 7, which depicts the daily exchange rate behaviour for three major currencies encompassing 10 of the West African countries (the rest tends to exhibit similar patterns).

The process of unifying the region around a common currency is still under discussion, and the pace is marred with a great deal of political uncertainty. It involves first a common currency among ECOWAS non-CFA countries. In 2000, the latter formed the West African Monetary Zone (WAMZ). The agreement establishing WAMZ led to the set-up of the West African Monetary Institute (WAMI) in 2001, located in Accra, Ghana, and tasked with the establishment of the West African Central Bank (WACB) and the launch of a single monetary unit, which will later be merged with the CFA franc to create the ECOWAS common currency (the ECO). The process has been plagued by multiple delays and missed deadlines, most notably the WAMZ single monetary unit currency that has yet to be created.[33] However, the political commitments of all member States suggest that the monetary union is still a significant part of regional integration. From foreign investors' perspective, the move to the ECO would mean reduced cross-border transaction costs (associated with currency conversion and exchange rate volatility), enhanced market predictability, and, it is hoped, increased flows of capital, goods and persons.

When it comes to trade liberalization, mostly through the removal of tariffs and non-tariff barriers, the formal process has been designed and conducted under the framework of the ECOWAS Trade Liberalization Scheme (ETLS).[34] To benefit from the free trade regime, products and companies have to be registered with national approvals' committees (NACs), except enterprises from and goods produced in export processing zones or free zones and any other special economic schemes or customs territory. In 1988–2018, the number of registrations reached 6,212, and nearly half of them (48.2%) happened in the last decade. This indicates a renewed interest by local, regional and international investors, who are increasingly incentivized by the corresponding trade and business potentials.

The harmonization of customs procedures, under the common external tariff (CET) that entered into force on 1 January 2015 as part of the ETLS, has brought simplification and clarity across the region, with only five tariff bands and a common customs declaration form. While the CET's actual implementation at national levels is the obligation of member States, the ECOWAS–UEMOA Joint Committee on CET has been tasked to first finalize the adjustment of the CET tariff structure and statistical nomenclature.

The ECOWAS CET's strategic design aims to ensure:

- The availability of social goods, such as health and medical products, which are tariff-free (Category 0);
- The reduced cost of production, through relatively cheap input materials not available in the region, with 5% tariff (Category 1) and those with limited supply, at 10% (Category 2);
- Some protection of domestic industries, namely final goods that are at their ultimate stage of transformation, with a tariff at 20% (Category 3) or those that are strategic due to their level of vulnerability and potential for domestic production, regional integration, industrialization and value chain development, taxed at 35%.

This structure of the CET is expected to promote investment and business activities by providing fiscal incentives that guarantee the availability of cheap inputs of foreign origins and some protection to final output markets.

Trading across borders also benefits from the ECOWAS Trade Information System (ECOTIS), an initiative set to 'provide timely and reliable access to trade information within and with the region, serve as a reference tool for economic players, diversify the region's market and satisfy the region's single-window trade information needs'.[35] It is an electronic platform designed by the ECOWAS Commission. The general aim is to 'leverage on existing information

32 In addition to the West African CFA franc, there is the Central African CFA Franc shared by six countries that make up the Economic Community of Central African States (CEEAC), a subset of ECCAS. Both were created in December 1945, with similar profiles (fixed exchange regime against the euro, same rate of 655.9, with separate governing body – central bank). In exchange for CFA countries depositing 50% of their foreign reserves with the French Treasury, the latter guarantees an unlimited convertibility of common currencies. The regional currency project is expected to come into force in 2027

33 Since its first introduction in 2003, the regional single currency was postponed several times (2005, 2010, 2014, 2015 and 2020). Discussions are still ongoing.

34 Additional details found here: http://www.etls.ecowas.int/.

35 Source: https://ecotis.projects.ecowas.int/.

systems within the region in order to provide a unique point of entry to support the promotion of intra-regional/continental and global trade'. With up-to-date, instantaneous and relevant trade- and business-related information, investors are able to fully appreciate the region's trade and business landscape, as well as gain valuable insights into existing and potential business opportunities.

At the continental level, the African Continental Free Trade Area (AfCFTA) will further reduce trade barriers, facilitate the free movement of people and labour and the right of residence and establishment, as well as increase investment. The various wide-ranging protocols pertain to trade in goods, trade in services, rules and procedures on the settlement of disputes, investment, competition and intellectual property rights. Effective implementation of the agreements started in January 2021, for a 10-year period for relatively advanced African countries, and 13 years for least developed countries.[36] It is estimated that the AfCFTA will provide valuable and unique opportunities for businesses operating in a liberalized and unified market that is projected to reach 1.7 billion consumers by 2030, with a middle class of 600 million individuals and a cumulative GDP of $3.4 trillion. By 2022, intra-continental trade is projected to increase by as much as 52.3%, while trade with the outside world would increase by 6%.[37] The many expected benefits for trade investment would profoundly reshape the continent's economies, as they could collectively emerge as a key player on the global trade and investment arena.[38]

Additionally, the World Trade Organization's trade facilitation agreements are expected to further improve trade and economic proximity among West African countries and between the region and the rest of the continent (and beyond). Corresponding measures, which all West African countries are currently implementing at various levels, aim to simplify required paperwork, modernize procedures and harmonize customs requirements. By addressing the vast amount of red tape that discourages the flows of goods across borders, the ensuing reduction in trade costs and in the time needed to export and import has the potential to improve external market access, in the process providing greater opportunities for trade and investment.[39]

Most member countries are strongly engaged in the process of domesticating regional provisions for a competitive and conducive business environment, although to various degrees. The corresponding harmonization and unification of national investment policy regimes would crucially add more predictability and readability of the overall regional business environment, as the region is becoming increasingly accommodating to FDI.

36 The agreements aim at full liberalization for 90% of products, while 7% will need more time and 3% will not be liberalized. During the implementation process, national implementation committees will come up with a list of products across these three categories.

37 Source: https://unctad.org/system/files/non-official-document/tdb65_2d_pres_AUBramdeo_en.pdf.

38 Source: https://openknowledge.worldbank.org/bitstream/handle/10986/34139/9781464815591.pdf.

39 The costs reduction as a result of trade facilitation is estimated to be equivalent for developing countries, especially in Africa, to a reduction in tariff by 219%. Source: https://www.wto.org/english/res_e/booksp_e/world_trade_report15_e.pdf.

1.10. CONCLUSION

In the face of increased competition to attract international businesses, West African countries arguably have a strong card to play. Being the first region in Africa to effectively embark on economic integration, the region has developed a sufficiently conducive and attractive environment for trade and investment. This is largely thanks to its natural hub status, strong economic growth, the vibrancy and innovative drive of its cities, great market potentials, an increasingly peaceful, secure and stable environment, high-quality soft and hard infrastructure as well as strong institutional quality (rule of law, control of corruption, and regulations).

Ongoing and planned structural reforms, at both regional and national levels, are indicative of the strong political commitment to further improving the business environment's conduciveness and attracting FDI. These individual and collective efforts have earned countries across the region the status of best African reformers. To the extent that investors are well aware of these positive developments, international businesses ready to settle in the region will undoubtedly enjoy great returns, while being part of a collective journey towards greater economic and social vibrancy and the emergence of a dominant economic player in Africa and beyond.

2. TEXTILE SECTOR IN ECOWAS REGION

2.1 TEXTILES AND APPAREL VALUE CHAIN IN WEST AFRICA

The cotton textile industry is a key sector contributing to the economic growth of many West African countries. Although West African cotton producers are small players in the world production and exports, raw cotton is among the top exports of many West African countries. The cotton sector provides income, education, food and transportation for West Africa's large population. Currently, most West African cotton is exported in raw format to Asia, Africa and the rest of the world with no or minim value additions. In the past, efforts have been made to improve the supply side of cotton growing in terms of quality, yield and image.

2.2 COTTON WORLD MARKETS

Global cotton trade was 9.3 tons in 2019, approximately one-third of global production. Export growth was registered for the United States of America (the world's main exporter), the Republic of India and the Federative Republic of Brazil, the latter increasingly supplying cotton to South and East Asia. By contrast, Australia's exports shrank markedly. On the demand side, imports decreased in the People's Republic of China, but increased in the Socialist Republic of Viet Nam and the People's Republic of Bangladesh.

The Cotlook A Index, the main reference for international cotton prices, showed an increase as it touched 84.6 cents per pound in December 2020. Cotton prices continue to be high compared to prices of polyester, the main substitute for cotton.

2.3 COTTON IN WEST AFRICA

None of the Sub-Saharan countries today play a major role in international cotton trade. However, considered as a regional entity, West Africa is the world's third-largest exporter (18% of global cotton export, behind the USA (35%) and Brazil (22%). Cotton exports from West African countries developed quickly. The annual growth rate of West African cotton exports has been higher than in other regions of the world. Nevertheless, a short-term analysis of the international market trend presents a somewhat different picture. In the past five years, South America, the USA and Africa are the most active regions on the international market, with Brazil recently appearing as a dynamic market.

Figure 8: West Africa cotton production

Source: International Trade Centre.

2.4 COTTON PRODUCTION IN WEST AFRICA

Table 8: Cotton production in West Africa (tons, 2010–19)

	Countries	Cotton production		Countries	Cotton production
1	Benin	170.4	9	Liberia	0.0
2	Burkina Faso	230.7	10	Mali	224.9
3	Cabo Verde	0.0	11	Mauritania	0.0
4	Côte d'Ivoire	157.7	12	Niger (the)	1.8
5	Gambia (the)	0.0	13	Nigeria	59.1
6	Ghana	5.8	14	Senegal	7.4
7	Guinea	3.4	15	Sierra Leone	0.0
8	Guinea Bissau	0.0	16	Togo	40.1

Source: Organization for Economic Co-operation and Development (OECD), Atlas on Regional Integration in West Africa.

2.5 THE TEXTILES AND APPAREL VALUE CHAIN IN WEST AFRICA

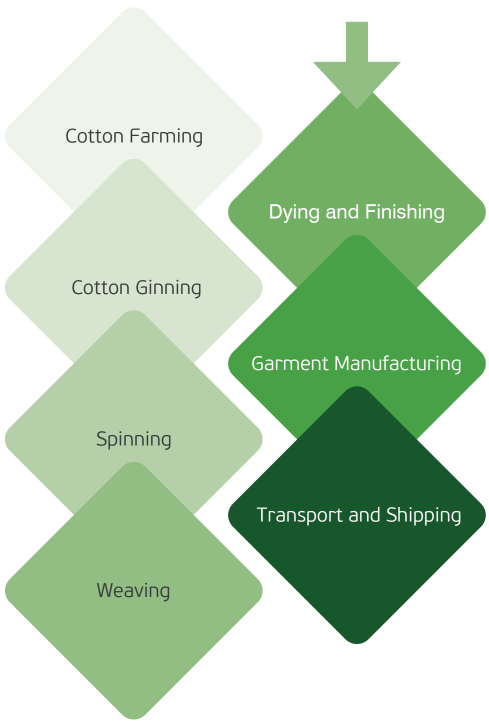
The textile and apparel value chain in West Africa consists of the products and processes described in Figure 9.

SYNTHETIC AND NATURAL FIBRES

The value chain includes two major synthetic and natural products:

- **Polyester:** The only country that produces polyester fibre is Nigeria. The bulk of it is produced from recycled polyethylene terephthalate (PET) bottles. It is mainly suited for fibre fill (pillows and duvets – often called 'inners') and not ideal for spinning.
- **Cotton lint:** The textile industry in West Africa is primarily based on an abundance of cotton lint. To date, at least 95% of this raw material is exported, mainly to Asia. The major producers and exporters are Benin, Burkina Faso, the Republic of Chad, Mali and Senegal.

Figure 9: Cotton textile and apparel value chain



Source: UNCTAD, 2014.

TEXTILE PROCESSES

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

- **Non-woven processing:** The only non-woven processing that takes place is in Burkina Faso (stitch-bonding of carded cotton wadding for cleaning rags and bags) and in Mali (cotton de-linting and bleaching that is exported for medical end use, such as cotton wool buds and face cleaning pads, etc.). This process involves carding and spinning cotton waste. The volumes are relatively small, with little value added. For this reason, non-woven processing will not form part of this document's discussions, except where opportunistic linkages are identified.
- **Spinning:** In West Africa, cotton is carded to produce fibre uniformity for the spinning (yarn formation) process. This includes ring-spun (RS) carded cotton yarns and open-end (OE) yarns for local and regional markets and some exports to the European Union (EU). This sector of the industry is currently relatively small, even though some expansion and factory revival has taken place.
- **Weaving**: This process involves using warp (longitudinal) and weft (horizontal) yarns to produce woven fabrics. In West Africa, these are essentially base fabrics for African prints, some cotton baler bags, cotton-picking bags and canvas fabrics. Some apparel fabrics are produced, but, due to old equipment (weaving looms) dating mostly from the late 1960s and early 1970s, quality is low and not suitable for garment exports. Some weaving of towels and bed linen also takes place.
- **Knitting:** Circular knit fabrics are produced by very few companies in West Africa. After the dyeing–colouring process, these fabrics are used by garment manufacturers to produce T-shirts, golf shirts and polo shirts. They are mostly all forward-integrated into garment manufacturing.
- **Dyeing and printing:** Very few companies in West Africa dye woven fabrics. Those that do use their own woven fabrics, but the dyeing and finishing equipment is old and quality is suspect. Companies do have knit fabric dyeing facilities in Côte d'Ivoire. The bulk of printing on woven base fabrics is for African prints and is done by vertical mills and stand-alone printing companies. The African print fabric market in West Africa is swamped by illegal and under-invoiced printed fabrics from China and the Kingdom of Thailand. There is a dwindling demand for these fabrics as the younger population becomes more attuned to Western apparel.

APPAREL

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

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

2.6 TEXTILES EXPORTS IN WEST AFRICA

Textiles exports from West Africa can be represented by the Harmonized System (HS), Chapters 54 and 55 corresponding to *man-made filaments and staple fibers*, Chapter 56 covering *wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables*, Chapters 61 and 62 for *articles of apparel and clothing accessories*, as well as Chapter 63 for gathering *other made-up textile articles; sets; worn clothing and worn textile articles; rags*.

Using ITC's Trade Map data, exports are considered both in static and dynamic terms through trade values (see Table 9).

Table 9: West African textile exports (USD thousand, 2015–19)

	Countries	HS: 54–55: Man-made filaments and staple fibres (2015–19)	HS 56: Wadding, felt & non-woven; special yarns; twine, cordage, ropes and cables & articles (2015–16)	HS 61–62: Articles of apparel & clothing accessories (2015–16)	HS 63: Other made-up textile articles; sets; worn clothing and worn textile articles; rags (2015–16)
1	Benin	20.5	1.7	332.6	225.2
2	Burkina Faso	2.0	3.7	454.4	918
3	Cabo Verde	3.5	0	6 289.3	0.6
4	Côte d'Ivoire	1 982.1	1 242.3	2 505.4	45 346.6
5	Gambia (the)	1.8	0	4.3	16.8
6	Ghana	1 026.4	15 322.6	12 417.5	12 624.6
7	Guinea	0.5	1.9	8.7	30.2
8	Guinea Bissau	0	0	0	0
9	Liberia	0	0	0	0
10	Mali	89.4	0.2	105.8	407
11	Mauritania	2.9	0	25.7	15.1
12	Niger (the)	295.4	9.2	155.5	12 434.6
13	Nigeria	785.2	130.1	59.5	6 386.7
14	Senegal	30 069.6	2 502.7	824.4	3 139.4
15	Sierra Leone	0	0	40.5	26.8
16	Togo	255.5	4 258.1	1 519.0	14 759.6

Source: Trademap.org.

Finally, the sector-specific analysis made use of ITC Export Potential Map and methodology, which allows to identify products, markets and suppliers with *untapped export potentials for particular sectors*. For each country, it looks specifically at the export potential indicators (EPI) for *apparel and textiles products* and for *textile fabrics* respectively.

For the corresponding sectors, Table 10 presents the *export potential* (i.e. potential export value (in USD) in 2024 based on projections of supply, demand, market access conditions and bilateral ease of trade), as well as the *untapped export potential*, which signals the room that remains for export growth. Untapped potential can arise from a number of factors, such as the exporter's lack of awareness or difficulty in complying with product-specific market entry requirements, its inability to match consumer preferences in a specific target market, difficulty to find buyers in a specific target market, rules of origin that prevent exporters from using existing preferences, or seasonality, implying time differences in supply and demand and related storage problems.

Table 10: Untapped export potentials

Country	Sector-specific – textiles		Sector-specific – apparel	
	Actual	Untapped	Actual	Untapped
Benin	212.2	116.6	0.0	0.0
Burkina Faso	202.0	65.9	0.0	0.0
Cabo Verde	0.0	0.0	6.6	8.5
Côte d'Ivoire	304.6	237.6	35.2	55.1
Gambia (the)	0.0	0.0	0.0	0.0
Ghana	14.1	45.6	13.1	14.1
Guinea	3.7	3.6	0.0	0.0
Guinea-Bissau	0.0	0.0	0.0	0.0
Liberia	0.0	0.0	0.0	0.0
Mali	181.6	102.4	0.0	0.0
Mauritania	0.0	0.0	0.0	0.0
Niger (the)	0.0	0.0	0.0	0.0
Nigeria	19.4	10.4	0.6	0.7
Senegal	34.1	20.1	2.8	3.5
Sierra Leone	0.2	0.2	0.2	0.2
Togo	71.4	50.3	3.7	2.7

Source: International Trade Centre, 2020.

3. TEXTILES AND GARMENT VALUE CHAIN AND PRODUCTS BY COUNTRY

3.1. NIGERIA

COUNTRY OVERVIEW

Nigeria is the largest African economy and the 26th worldwide. As such, it represents a major economic and political player in the region and in Africa. It is a federation of 36 states, in addition to the Federal Capital Territory of Abuja. It shares land borders with Benin to the west, Cameroon to the east, Niger to the north and Chad to the north-east. It has maritime borders with Equatorial Guinea, Ghana, and Sao Tomé and Príncipe on the Gulf of Guinea. Nigeria has a tropical climate with variable rainy and dry seasons, depending on the location: the south is hot and wet most of the year, the inland tends to be dry and the far north is dominated by a semi-arid climate with little precipitation. The length and precipitation of the rainy season follow this climatic pattern, with short-period rainfall averaging 500 mm per year in the north and longer-period rainfall of 3,000 mm on average in the south-east.

Nigeria's rich history is marked by many ancient African civilizations, such as the Kingdom of Nri, the Benin Empire and the Oyo Empire. The Songhai Empire that dominated the Western Sahel in the fifteenth and sixteenth centuries also occupied part of the region known today as Nigeria. British colonization started in 1851 with the invasion and later formal annexation of Lagos, and lasted until 1960 when the country gained independence. In 1999, the advent of the Fourth Republic and a new constitution mark a democratic renewal of the political system. The latter occurs within the framework of a federal, presidential, representative democratic republic, in which executive power is exercised by the government, and legislative power by the federal government and the two chambers of the legislature: the House of Representatives and the Senate.

The Nigerian population is estimated at 210.1 million, representing close to half of the total West Africa population, and the largest in Africa. More than half of Nigerians live in urban areas, mostly in the States' capital cities such as Kano, Lagos, Abuja, Kaduna, Katsina, Oyo and Rivers. The rich multicultural setting consists of an estimated 250 ethnic groups in Nigeria, each one corresponding to a specific language. The major ethnic groups are the Hausa-Fulani, the Yoruba and the Igbo. English remains the official language.

Cote d'Ivoire – key facts	
Capital city	Abuja
Area	910,770 km^2
Population, total	201 million
0–14 years	*43.7%*
15–65 years	*53.6%*
Youth literacy (15–24 years)	75%
Male (%)	*81.6%*
Female (%)	*68.3%*
GDP (nominal, billion USD, 2019)	448.1
GDP growth (real, 2014–19)	1.18%
FDI, inflows (million USD, 2019)	3,299 (73.6% of GDP)
Gross domestic private investment (million USD, 2019)	110,233 (24.6% of GDP)
Employment to population ratio (+15 years)	48.6
Employment to population ratio (15–24 years)	25.3
Exports of goods and services (million USD, 2019)	63,630 (14.2% of GDP)
Main exported products	*Crude petroleum; petroleum gas; refined petroleum; cocoa beans; gold*
Imports of goods and services (million USD, 2019)	88,723.8 (19.8% of GDP)
Main imported products	*Refined petroleum; wheat; non-fillet frozen fish; rubber tyres; raw sugar*
Inflation (2019)	11.4%
Bank credit to private sector (million USD, 2019)	46,602 (10.4% of GDP)
Government expenditure (million USD, 2019)	57,805 (12.9% of GDP)
Government revenue (million USD, 2019)	35,400 (7.9% of GDP)
Total public debt (million USD, 2019)	130,397 (29.1% of GDP)
Currency	Nigerian naira (NGN)
Languages	English (official), Hausa, Yoruba, Igbo, Fulfulde, Ibibio, Kanuri, Tiv

Source: World Bank, IMF, UNCTAD and Comtrade.

BROAD ECONOMIC OVERVIEW

AMONG THE MOST COMPETITIVE AND INNOVATIVE AFRICAN ECONOMIES

The World Economic Forum's 2019 Global Competitiveness Index ranks Nigeria 116th worldwide, 12th in Africa and 4th in West Africa. This performance owes to the sheer size of its economy and population (1st in Africa), the strength of its business dynamism (1st in West Africa; 6th in Africa) and the functioning and outcomes of its labour market (2nd in the region). Additionally, the country comes 117th in the world, 18th in Africa and 5th in West Africa according to the Global Innovation Index, jointly published by Cornell University, INSEAD and the World Intellectual Property Organization (WIPO). This is largely due to the level of business and market sophistication, respectively ranked 2nd and 3rd in the region.

FAIRLY GOOD INSTITUTIONAL QUALITY

When it comes to the strength of the political institutions, the country is ranked 182nd globally, 37th in Africa and 15th in the West African region, according to the World Bank's Governance Indicators. The dimension in which the country is ranked the highest is voice and accountability, at the 10th position in the region.

RELATIVELY GOOD INFRASTRUCTURE NETWORK

The level of development of the country's overall infrastructure comes 23rd in Africa and 6th in the region, with a score of 23.3/100, according to the African Development Bank's 2020 Africa Infrastructure Development Index. Moreover, the quality of the country's logistics system is ranked 110th globally, 19th in Africa and 6th in the West African region, with a score of 2.53/5, according to the World Bank's Logistics Performance Index. For the dimension related to trade and transport-related infrastructure, the country comes 2nd in the region.

AMONG THE GREATEST MARKET POTENTIALS AND BEST COUNTRIES FOR BUSINESS IN AFRICA

From the perspective of the Market Potential Index, developed by the Michigan State University International Business Center (MSU-CIBER), the Nigerian economy is ranked 72nd worldwide, 5th in Africa and 2nd in West Africa. The driving factors are its market size and intensity, and consumption capacity.

In addition, *Forbes Magazine* considers Nigeria as the 110th best country for business globally, the 15th in Africa and the 4th in West Africa, as a result of its GDP growth, GDP per capita level, trade balance and population size.

As far as the World Bank's Ease of Doing Business is concerned, Nigeria is ranked 131st globally, 22nd in Africa and 6th in West Africa, with a score 56.5/100. The country ranks among the top regional countries with the cheapest paid-in minimum capital to start a business ($0), in addition to being top-ranked when it comes to getting credit and protecting minority investors.

INVESTING AND DOING BUSINESS IN NIGERIA

THE LARGEST ECONOMY IN AFRICA

The Nigerian economy, which accounts for more than two-thirds of the regional GDP, grew at an annual average rate of 1.18% in the five years prior to the COVID-19 pandemic, the 13th highest in West Africa. In 2019, growth settled at 2.21%. The economy relies heavily on its abundant natural resources: it is Africa's biggest oil exporter and has the largest natural gas reserves on the continent. The COVID-19 pandemic, which led to a significant decline in oil prices, and the containment measures that affected aviation, tourism, hospitality, restaurants, manufacturing and trade, reduced growth to -1.79% in 2020. However, thanks to stimulus measures and an expected recovery in the crude oil market, the economy is expected to bounce back, and growth is projected at 2.5% in 2021.

A COMPETITIVE BUSINESS ENVIRONMENT

In 2019, Nigeria attracted $3.3 billion worth of FDI, by far the largest in the region, representing one-third of total regional inward **FDI**. The quality of business-related administrative procedures has been one of the key contributors to the country's attractiveness to foreign investors.

Starting a business in Nigeria requires a total of seven procedures, the 5th lowest number on the continent. They include:

(1) Reserve a unique company name with the Corporate Affairs Commission (CAC);

(2) Prepare the requisite incorporation documents and pay the stamp duty using the Federal Inland Revenue Service (FIRS) e-stamping portal;

(3) Sign the declaration of compliance before a Commissioner for Oaths or a public notary;

(4) Register the company at CAC, pay registration fees and receive the income tax and VAT registration numbers;

(5) Make a company seal;

(6) Register for personal income tax at the State Tax Office;

(7) Register business premises with the government and pay the business premises levy.

These procedures take an average of seven days to complete, and the corresponding fees are at least NGN 15,900 ($30).

When it comes to **construction**, obtaining a permit involves 16 procedures, mostly with agencies such as the Lagos State Building Control Agency (LASBCA) or the State Physical Planning Permit Authority (LASPPPA), or similar agencies in other states. The whole process takes 111 days, and it costs approximately NGN 1,420,374 ($3,696), representing 4.8% of a standardized warehouse value of NGN 31,365,220.7 ($88.24).

Nigerian laws guarantee **equal rights and treatment** to all investors, national and foreign alike, and visa rules allow foreign investors and workers to operate in the country for the duration of their activities.

The Nigerian **labour force** is estimated at more than 62 million individuals, representing 30.2% of the total population. The country scores 0.35 on the 0–1 scale of the World Bank's Human Capital Index (45th in Africa), and 40.1 out of 100 according to the Global Competitiveness Index (47th in Africa). Workers are typically paid **salaries** ranging from NGN 85,700 ($209) to NGN 1,510,000 ($3,670) per month, and the average is NGN 339,000 ($824). The monthly minimum wage has recently been raised to NGN 30,000 ($73).

Electricity consumption is tariffed at different rates across states. For example, $0.11 per kWh in Lagos (the cheapest in West Africa) or $0.14 in Kano (4th). Approximately seven procedures are required to get connection from the state company (Eko Electricity Distribution Company in Lagos or Kano Electricity Distribution Company in Kano), and the corresponding fees are approximately $4,500. Access rate is 55.4% nation-wide and 83.9% in urban areas.

Water tariff varies also across states. For example, the cubic metre is priced at $0.55 in Lagos and $0.30 in Oyo. It is estimated that 77.6% of the population are using at least basic drinking water services, and 92.4% in urban areas.

The country's **infrastructure network** consists of 32 airports. Eight of them are international, mainly located in largest cities (Abuja, Lagos, Kano, Kaduna, Port Harcourt, Enugu, Ilorin and Sokoto), and 10 are major domestic airports. The Murtala Muhammed International Airport in Lagos is the country's biggest airport, with 60% of international flights in Nigeria, operated by major African, European, Asian and American carriers. The average capacity is estimated at more than 5.5 million passengers annually.

The country has approximately 108,000 km of surfaced roads, of which 32,000 km are called federal highways. Approximately 35% of the road network is considered to be in excellent condition. Some of the roads reach the national borders and allow movement of goods and persons with neighbouring countries (such as Benin).

The railway network, operated by the Nigerian Railway Corporation, consists of an estimated 4,174 km of tracks. The dense web of branches links the major states and cities. Long-distance, express passenger services are offered, including between Lagos and Ibadan, Abuja and Kaduna, and Warri and Itakpe. Freight services are also available, with linkages to the ports.

The major ports in the country are operated by the Nigerian Ports Authority (NPA). They are located in the states of Lagos, Cross River, Delta and Rivers. Referred to as Premiere Port (Apapa Quays) and located in Apapa, the Lagos Ports Complex is the largest. It has a capacity to handle up to 22 thousand TEUs of containerized cargo, and is responsible for a large share of the country's international trade.

The **tax system** in Nigeria comprises several taxes and mandatory contributions for businesses. They include corporate tax (30%), social security contribution (10%), capital gain tax (10%), value-added tax (5%) and contribution to National Housing Fund (2.5% of gross salaries). In total, 48 payments are made annually, and their cumulative value represents 34.8% of corporate profit.

As a member of ECOWAS, Nigeria applies the regional CET. Imported goods from third-party countries are categorized into five tariff bands, going from 'essential social goods' (0% tariff) to 'specific goods for economic development' (charged at the maximum of 35%). Safeguard, anti-dumping, anti-subsidy and countervailing measures as well as supplementary protection measures are applied with the aim to protect vulnerable industries and promote fair competition in the liberalized regional market.

The soundness and the low level of risk of the **banking and financial system** in Nigeria are shown in the regulatory capital to risk-weighted assets at 15.4%, and the non-performing loans ratio to total gross loans at 6%. The Nigerian Stock Exchange (NGX) offers investors possibilities to levy funds as well as to seek returns. A total of 106 banks operate in Nigeria, including some Nigerian Pan African banks such as the United Bank for Africa (UBA). Their credit offering to the private sector reached 10.4% of GDP in 2019. The openness of the system allows anyone to hold a **foreign currency account**, and international transfers are unrestricted. The **exchange rate** has been on a downward trend in the last five years, against the US dollar. However, since May 2021, it has settled at approximately 411.

The Nigerian Investment Promotion Commission (NIPC) is charged with the promotion of the country as an international investment and business destination. The wide range of **government incentives** include: (i) free transferability of capital, profits and dividends; (ii) protection against nationalization and expropriation; (iii) recourse to international arbitration; (iv) exemption of interest on loans granted by banks for any agricultural trade or business and the fabrication of any local plant and machinery; (v) tax exemption on gain arising from take-overs, and absorption or merger; and (vi) tax exemption on proceeds reinvested. These are in addition to bilateral investment treaties that include many European countries and pertain, for example, to double taxation agreements and investment promotion and protection agreements.

The incentive scheme also includes a large number of special economic zones (SEZs) of various types: 29 free zones, three industrial parks, three economic cities, two export processing zones, and one oil- and gas-free zone located in Onne, Port Harcourt. Businesses operating within those zones can benefit from a host of advantages, including full tax holiday from federal, state and local governments, duty-free and tax-free on import of raw materials for goods destined for re-export, and waiver on all import and export licences and all expatriate quotas.

Nigeria definitely has a lot to offer to foreign investors. The sheer size of its economy, the friendliness of its business climate and the wide range of government incentives are key reasons for investors to do business in the country.

TEXTILES AND APPAREL INDUSTRY OVERVIEW IN NIGERIA

Historically, Nigeria has the second-largest and vertically integrated textile industry in Africa, after Egypt. According to the Nigerian Textile Manufacturers Association (founded 1967), in the mid-1980s, there were 175 textile units employing 250,000 people. A sector study sponsored by the United Nations Industrial Development Organization (UNIDO) and carried out by Gherzi Textil Organisation for the Federal Ministry of Industry, Trade and Investment noted that the number of functional textile mills had declined to 25 in 2009, employing 24,000 people. The mid-1990s was a watershed period for Nigeria's textile industry. According to The Economist, as much of the continent opened up to imports in the 1900s, manufacturers struggled to hold their own against hyper-competitive Chinese firms with the scale to drive down costs.

The industry is agro-allied, as it uses local raw materials such as cotton and employs hundreds of thousands of people directly and indirectly across the value chain from cotton cultivation to the industrial sector, as well as a large number of small and medium-sized enterprises (SMEs) engaged in garment production. Due to its favourable demographics, Nigeria represents the largest market for textiles and garments in the ECOWAS region, with domestic demand estimated at $7 billion (2019). However, as the bulk of demand is supplied by imports, there is a huge potential to attract investment in manufacturing of textiles and garments to meet the demand/supply gap. Nigeria also enjoys preferential market access to the regional ECOWAS market and the US market under AGOA. The AfCFTA's entry into force also presents a huge opportunity to boost regional trade in textiles across the continent.

Nigeria is a cotton-producing country with an output of 51,000 tons in 2019/20 (International Cotton Advisory Committee), of which approximately 28,000 tons is consumed locally, while the rest is exported. Cotton cultivation is concentrated in the north-western states such as Katsina, Zamfara and Sokoto. According to the International Cotton Advisory Committee (ICAC), the area under cotton cultivation in Nigeria amounted to 250,000 ha (2018/19). There was a drop in production in 2019/20 and it is projected to increase to 264,000 ha in 2020/21. The recent government efforts spearheaded by the country's central bank have led to a renewed interest in boosting cotton production.

Table 11: Nigeria: Cotton production trends					
Description	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Area under cultivation ('000 ha)	253	253	261	250	130
Production '000 tons	52	51	53	51	44
Yield kg/hectare	205	202	204	205	205
Consumption '000 tons	23	25	28	28	25
Import '000 tons	1	1	1	1	1
Export '000 tons	37	31	20	29	23

Note: Cotton balance sheet figures do not tally due to opening and ending stocks.

Source: International Cotton Advisory Committee.

Cotton farming is done by small farmers in Nigeria, with farm sizes of 1.5–2 hectares. There are an estimated 345,000 people engaged in growing and related activities (International Cotton Advisory Committee). Nigerian cotton is handpicked, with the resultant low trash content. The cottons produced are mostly rain fed, and planting is done during the rainy season in July/August and harvested in October/November.

The majority of cotton produced in Nigeria is 1.1/16″ and less compared with staple length of 1.1/8″ for cottons produced in West Africa, suitable for spinning of coarse and medium yarn counts up to Ne 30s.

COTTON GINNING

According to the Nigerian Textile Manufacturers Association (NTMA), Nigeria's 20 active ginning mills have an installed capacity of approximately 350,000 tons p.a. (based on 300 days of output). The saw ginning mills are mainly located in cotton-producing areas in the north. Most of the integrated textile mills that have spinning mills have backward integration into ginning to ensure raw material security.

TEXTILE INDUSTRY

Broadly, the textile and garment industry is divided into the organized mill sector operating on an industrial scale and the fragmented decentralized sector consisting of a large number of micro, small and medium-sized enterprises (MSMEs).

The organized mill sector consists of large-scale enterprises that are vertically integrated from spinning to weaving/knitting and dyeing/finishing. They supply their finished output (fabrics) to the downstream sector comprising SMEs (business-to-business) and business-to-consumer channels. The primary textile industry's presence is vital for the efficient functioning and productivity of downstream MSMEs.

The mill sector has backward linkages to the agro-allied sector, as it sources raw materials such as cotton locally and supports the livelihoods of hundreds of thousands of farmers.

According to the International Textile Manufacturers Federation (ITMF), the total installed capacity in 2018 was 290,000 ring spindles, 5,000 shuttle looms and 3,500 shuttle-less weaving machinery. The industry mainly caters to the domestic and regional market. The spinning mills have invested in retooling, and export cotton yarn. The industry's technical textiles segment produces non-wovens and floorings. The industry's capacity use is undermined by an influx of illegal imports. With further government policy support, there is a potential to revitalize the industry.

GARMENT INDUSTRY

Nigeria does not have an industrial garment manufacturing industry similar to other countries in North Africa (the Republic of Tunisia, Morocco and the Arab Republic of Egypt) and East African countries such as the Republic of Kenya, the Federal Democratic Republic of Ethiopia, the Kingdom of Lesotho, the Republic of Madagascar and the Republic of Mauritius. These countries mainly export ready-made apparel to the European Union and USA under preferential trade agreements. In contrast, the Nigerian garment sector is populated by many MSMEs that cater to the domestic market for tailored clothing, both for consumers and the industrial and corporate sector for uniforms. The four major clusters are Aba, Onitsha, Kano and Lagos. In fact, Aba is the largest cluster, with several MSMEs.

Nigeria also has a thriving fashion industry due to the creativity of its fashion designers and artisans, mainly MSMEs.

TEXTILES PRODUCTION

Nigeria produces a wide range of textiles, although production has declined in the last two decades due to lower capacity use and change in consumer dressing habits, largely met by imports. The estimated current production of various categories is stated in Table 12.

Table 12: Production of various textile products (2019)

Product category	HS code	Product range	Quantity (2019)
Short staple yarn	5205, 5503, 5508, 5509		
	Cotton yarn (average count Ne 24s), 100% polyester spun yarn, blended yarns, sewing thread	25 000 t	
Long staple yarn	5503	Acrylic yarn, hand knitting yarn	2 000 t
Woven fabrics	5208, 5407, 5514, 5515, 5516, 6301, 6304, 6306	African prints, suiting and shirting fabrics, home textiles, tarpaulins	200 million m^2
Knitted fabrics	6004	Single jersey, pique knits	3 000 t

Source: International Textile Manufacturers Federation (ITMF)/Gherzi estimates.

Nigeria's finished fabric output was estimated at 200 million m^2 of woven fabrics and 3,000 tons of knitted fabrics. The country's processing sector consists of dyeing, printing and finishing machines for batch processing. The range of processing machines include pre-treatment machines such as singeing, de-sizing, bleaching and mercerizing, rotary printing, jet dyeing and post-treatment and finishing machines such as loop agers, washing, sanforizing, stenter and calendaring machines.

Domestic production in the textile industry is stagnant. As is evident from the global cotton consumption pattern, there has not been any growth in local textiles production since 2015. On the contrary, imports of finished goods have grown at a compound annual growth rate (CAGR) of 9%.

INSTALLED CAPACITY

The total installed production capacity in the primary textile industry in 2018 comprised three major segments: spinning, weaving and knitting (see Table 13).

Table 13: Installed textile capacity in Nigeria's textile industry (2018)

Subsector	Unit	No. installed (2018)	Cumulative shipments (2010–19)
Spinning	Ring spindles	290 000	2 160
	Rotors	12 000	600
	Worsted	2 900	Nil
Weaving	Shuttle looms	5 000	Nil
	Shuttle-less weaving	3 500	368
Knitting	Circular knitting	45	–
	Flat knitting	74	–

Source: International Textile Manufacturers Federation (ITMF).

Table 14: The prevailing prices of major textile articles produced in Nigeria in March 2021				
Article	**Description**	**HS code**	**Unit of measure**	**Price (USD)**
Yarn	Ne 24/1 carded cotton yarn	5206	kg	2.50
Woven fabric	African printed fabric	5208	m^2	2.40
Knitted fabric	Single jersey fabric (polyester/cotton 65/35 blended fabric)	6004	kg	4.00

Source: Industry survey.

PRICES OF TEXTILE MATERIALS

Table 14 shows the prevailing prices (ex-mill, excluding value-added tax (VAT)) of major textile articles produced in Nigeria in March 2021.

GEOGRAPHICAL LOCATION

In terms of regional production, 70% is concentrated in Lagos in the south-west, with the remaining 30% in the northern region (Kano, Kaduna and Katsina). Lagos and Kano are the two major textile clusters where the textile mills are located and from where textile materials are distributed. Aba in the south-east is a major cluster for production of garments produced by MSMEs.

INFRASTRUCTURE AND TRANSPORTATION NETWORKS

Infrastructure in Nigeria remains a main challenge for the manufacturing sector. In particular, the power supply, although having improved over the years, remains deficient. This forces manufacturers to install captive power plants that run on diesel or natural gas, thereby adding to production costs. Textile mills in Lagos mostly run on natural gas, but mills in the north (Kano and Kaduna), where gas through pipeline is yet to be made available, rely on grid power and/or captive generation through diesel and furnace oil. Water is available in Lagos region, but it is deficient in Kano and needs to be procured.

In terms of logistics, the main ports are Apapa and Tincan Island ports in Lagos, which are used for containerized cargo for imports and exports. The ports are heavily congested and shippers face delays to clear their cargo. Nigeria is ranked 113 out of 163 countries in the World Bank Logistics Performance Index (LPI) 2018, indicating significant room for improvement of trade logistics. For the textile mills, raw materials are transported by truck from the north, whereas the other imported raw materials such as dyes, chemicals and machinery are imported via seaports in Lagos. For exports to major European ports with direct shipping routes, it takes approximately three weeks. The ocean freight fluctuates according to demand and supply, and have witnessed a steep hike due to the pandemic. The prevailing freight for a 20-foot container of cotton yarn to Antwerp port is approximately $1,500.

Inland freight by road from Lagos to Kano is approximately $1,850 for a 20-foot container and takes an average of three days.

Nigeria's main international airports include Lagos, Abuja and Kano. They are connected to international destinations in Asia, Africa, Europe and North America. Most of the major airlines, such as Ethiopian Airlines, Emirates, British Airways, Lufthansa and Delta, operate from Nigeria.

Table 15: Per unit cost of resources			
Factor	**Unit**	**Tariff/cost(USD)**	**Remarks**
Power	Per kWh	0.15	Can differ by region
Furnace oil	Litre	0.42	
Natural gas	M3 (million standard cubic feet)	7.98	Available in Lagos
Diesel	Litre	0.68	Used for captive generation of power
Water	Cubic metre	0.15	
Wages for skilled workers	Per month (gross)	150	

Source: Industry survey.

HUMAN RESOURCES

Nigeria has a young population with 50% of the population younger than 19 years old. There is an abundant supply of labour, but Nigeria lacks the vocational skills required for the industrial sector. The responsibility to train the workforce rests with manufacturing firms. The two technical education schools that have historically offered courses suitable for the textile and garment industry's needs are Kaduna Polytechnic and Yaba College of Technology, Lagos. These institutes offer two-year courses for vocational education in textile and fashion technology.

EXPORT POTENTIAL

Nigeria's exports of cotton, textile and apparel are still insignificant, at $20 million (2019). The country has the potential to take advantage of its preferential market access to the United States under AGOA, as well as the regional market under the ETLS and the AfCFTA when it is operationalized.

Among the products, successful examples are exports of raw cotton, cotton yarn and synthetic fibre. Nigeria could also become the regional hub for production of institutional uniforms for the public and private sectors.

Apapa and Tincan Island Ports in Lagos are the country's two main seaports, which are a gateway to international trade. Lagos, Abuja and Kano are the main airports for shipments by air.

TEXTILES AND APPAREL VALUE CHAIN AND KEY STAKEHOLDERS

COTTON GINNING MILLS

There are 20 active ginning mills in Nigeria. Capacity use is low due to a decline in supply and demand for cotton from the domestic textile industry. The central bank tries to support the ginning mills by providing concessional loans.

TEXTILE MILLS

There are only 10 active integrated textile mills. Capacity use is low due to an influx of cheap foreign goods that occupy 90% of the market share. Government supports the mills through concessional loans to finance their working capital and upgradation needs.

GARMENT FACTORIES

There are 26 active garment factories (mostly MSMEs) that are recognized by the Nigerian Textile Manufacturers Association (NTMA). They mainly supply uniforms for the public and private sector and a few produce fashions articles for domestic consumption.

TECHNICAL TEXTILES

There are 10 major manufacturers of industrial textiles used in industrial packaging, flooring and clothing.

ACCESSORIES AND PACKAGING MATERIAL

This survey identified 16 firms engaged in production of trims such as non-woven interlining, sewing thread and packaging material in Nigeria.

There are several public and private institutions relevant to the cotton and textiles (CTA) sector.

INDUSTRY ASSOCIATIONS

The Nigerian Textile Manufacturers Association (NTMA) is among the oldest industry associations in Nigeria. It was founded in 1967 and represents the textile and garment industry's interests. The secretariat is established in Lagos. The NTMA has more than 50 active members, which include traditional textile firms, garment manufacturers and industrial textile manufacturers. The association also represents the employers in collective bargaining of wages with the labour union.

The National Cotton Association of Nigeria (NACOTAN) was established in 1990 and represents the primary cotton sector comprising cotton growers, ginners, merchants and exporters.

The Manufacturers Association of Nigeria (MAN) is the apex body of the manufacturing sector. It was established in 1971, its secretariat is in Lagos and it has more than 3,000 members. It is recognized by the government for policy matters relating to the entire manufacturing sector. Various sectoral groups are represented at the MAN council. This includes the textiles, wearing apparel, carpet, leather and footwear sector.

The Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA) is the umbrella body representing various chambers of commerce. It was founded in 1960 and its national secretariat is in Lagos. NACCIMA comprises 57 city/state chambers, nine business/professional associations, four bilateral chambers and 302 corporate members. It is recognized by the government for various policy issues, including non-oil export policy.

The Organised Private Sector Exporters Association (OPEXA) represents the non-oil export sector's interests. Its members include cotton exporters and textile mills. It has a vocal policy advocacy department and is consulted by the government for policy matters relating to non-oil exports.

MINISTRIES, DEPARTMENTS AND AGENCIES

The Federal Ministry of Industry, Trade and Investment (FMITI) is the main industry association with a dedicated directorate responsible for the policies and programmes relating to the CTA sector. The following FMITI parastatal agencies are relevant to the CTA sector.

The Nigeria Investment Promotion Commission (NIPC) provides the single window for establishment of new investors and administration of incentives.

The Nigerian Export Promotion Council (NEPC) is responsible for implementation of policies relating to non-oil exports such as the Export Expansion Grant (EEG) and Export Development Fund. It participates in international trade fairs and exhibitions.

The Nigerian Export Processing Zones Authority (NEPZA) is the lead agency for formulation of policy and establishment of free zones in the country.

The Standards Organisation of Nigeria (SON) is relevant for establishment of and compliance with quality standards for products. It is also the nodal agency for implementation of quality certification systems such as those of the International Organization for Standardization (ISO).

The Federal Ministry of Finance, Budget & National Planning is responsible for formulation of budgets to back policies and programmes. It also supervises tariffs and taxes. Nigerian Customs Service and Federal Inland Revenue Service, its two parastatals, are responsible for implementation of direct and indirect taxes.

The Federal Ministry of Agriculture and Rural Development is relevant for policies relating to cash and food crops. Through its parastatals, it handles the research and development of cottonseed.

The Central Bank of Nigeria (CBN) is important for formulating and implementing policies for the CTA sector's development. In particular, it provides concessional funds across the value chain through its development finance department.

The Bank of Industry (BOI) is the nodal agency under the Federal Ministry of Industry, Trade and Investment that implements development projects relating to provision of concessional funds for improving the textile and garment industry's competitiveness.

INTERNATIONAL ORGANIZATIONS

Some international organizations in Nigeria are the World Bank Group, the IMF, the United Nations Industrial Development Organization, the United Nations Development Programme (UNDP), the United States Agency for International Development (USAID), GIZ, the Foreign, Commonwealth and Development Office (FCDO), ECOWAS and the AfCFTA.

SWOT ANALYSIS FOR KEY STAKEHOLDERS

The most important opportunity available to the Nigerian textile industry is the large domestic and regional market of approximately 400 million consumers. With favourable demographics, there are long-term growth prospects for textile consumption. There is a potential to strengthen the linkages between the primary textile industry consisting of yarn and fabric production to the downstream garment industry. In terms of regulatory environment, the government has a role to provide a level playing field to the domestic industry by providing an enabling environment.

Strengths	Weaknesses
▪ Large domestic and regional market of 400 million consumers ▪ Existing industrial base with experienced textile enterprises ▪ Raw material (cotton) availability ▪ Abundant availability of manpower at competitive wages ▪ Presence of a vibrant creative fashion industry	▪ Cost competitiveness: high cost of energy and logistics ▪ Technological obsolescence ▪ Lack of skilled workforce ▪ Short staple cotton suitable for limited end uses (coarse yarn counts) ▪ Weak downstream value chain linkages
Opportunities	**Threats**
▪ Duty-free market access (ECOWAS, AGOA and potentially AfCFTA) ▪ Technology upgradation ▪ Establishment of an industrial garment capacity ▪ Revitalization of idle textile mills ▪ Product diversification ▪ Improving cotton yields ▪ Establishment of dedicated textile and garment industrial parks to attract FDI ▪ Supportive government policy ▪ Skill development	▪ Cost competitiveness: high cost of energy and logistics ▪ Technological obsolescence ▪ Lack of skilled workforce ▪ Short staple cotton suitable for limited end uses (coarse yarn counts) ▪ Weak downstream value chain linkages ▪ Threats ▪ Informal imports through grey channels and ineffective enforcement at borders ▪ Infrastructural deficiencies (energy; port)

RECOMMENDATIONS FOR VIABLE PROJECT OPPORTUNITIES

Textile consumption in Nigeria offers long-term growth prospects. With the current miniscule share (5%) of locally produced textiles, there is a tremendous potential to build up local manufacturing capacity. This will require investment in existing as well as greenfield textile and garment facilities. Government policy supports diversification of the economy and cotton, textile and garment (CTG) sector has been identified as a priority area.

Growing pressure from international brands and retail towards circular production systems presents an opportunity for Nigeria to become the recycling hub in West Africa. Establishment of world-class industrial parks dedicated to textile and garment production for the domestic and export markets also presents an opportunity to attract FDI. Further due diligence should be conducted to evaluate the techno-economic feasibility of the identified projects.

Table 16: List of projects

	Category	Description	Market segment
1	Cotton	▪ Production of certified seeds of high-yielding variety ▪ Certified sustainable cotton (Cotton made in Africa – CmiA; Fairtrade; Organic)	▪ Domestic ▪ Exports
2	Yarn	▪ Production of cotton and blended yarn for domestic and exports ▪ Recycled yarn from post-consumer waste	▪ Weaving and knitting ▪ Exports
3	Fabric	▪ Production of woven fabrics for domestic and regional market	▪ Workwear ▪ Denim/jeans ▪ Home textiles ▪ Fashion
4	Garment	▪ Woven and knitted garments at industrial scale for fashion and functional garments used for institutions (defence; oil and gas; industrial safety)	▪ Workwear ▪ Athleisure ▪ Exports (USA)
5	Technical textiles	▪ Med-tech ▪ Non-wovens ▪ Geo-tech	▪ Surgical cotton; gauze ▪ Hygiene, home textiles ▪ Infrastructure
6	Cluster development	▪ Integrated textile and garment industrial parks	▪ Domestic and exports

Source: Industry survey.

3.2. BURKINA FASO

COUNTRY OVERVIEW

Burkina Faso, the 'homeland of upright men', is at the heart of West Africa. This large landlocked country shares borders with six countries, making it a naturally strategic transit point in the West African subregion.[40] The climate is divided into tropical, with a rainy season between May and September, mostly in the southern part, and Sahelian and dry in the northern part. The country is divided into 13 administrative regions and 45 provinces. Important cities, population-wise, are Ouagadougou, the capital (centre region, with a population of 1.1 million), Bobo-Dioulasso (Hauts-Bassins, south-east, with a population 360,106), Koudougou (Centre-Ouest, with 87,347 residents), and Ouahigouya (north, with 61,096 residents). Approximately 70 languages are spoken in the country, of which about 66 are indigenous (the dominant is Mossi, spoken by nearly half of the population). Diversity and openness are the trademarks of the country's rich culture and welcoming people. Politics and governance are articulated around a presidential system and democratic principles of free and fair elections, and active participation of citizens in politics and civic life.

Burkina Faso – key facts	
Capital city	Ouagadougou
Area	273,600 km^2
Population, total	20.3 million
0–14 years	*44.7%*
15–65 years	*52.9%*
Youth literacy (15–24 years)	58.3%
Male	*61.8%*
Female	*54.7%*
GDP, nominal	$15.7 billion
GDP growth (real, 2014–19)	6.2%
FDI, inflows	$208 million
Gross domestic private investment	$4.1 billion
Employment to population ratio (+15 years)	62.3%
Employment to population ratio (15–24 years)	47%
Exports of G&S, 2014–19 (billion USD, 2019)	27.7% of GDP (4.06)
Main products	*Pearls, precious stones and metals; cotton; edible fruits and nuts*
Imports of G&S, 2014–19 (billion USD, 2019)	32.5% of GDP (5.01)
Main products	*Mineral fuels and oils; vehicle; electrical machinery and equipment*
Inflation	-3.2%
Bank credit to private sector	28.9% of GDP
Govt. expenditure	$3.8 billion
Govt. revenue	$3.1 billion
Total public debt	$6.3 billion
Currency (common to eight WAEMU countries)	CFA franc (XOF)
Languages	French (official), Mossi, Mooré, Dioula, Peul, Fulfuldé, Gourmantché

Note: Date is shown for the most recent years.

Source: World Bank, IMF, UNCTAD and Comtrade.

40 'Subregion' refers to West Africa, and 'region' to the whole continent.

BROAD ECONOMIC OVERVIEW

A FAIRLY COMPETITIVE AND INNOVATIVE WEST AFRICAN ECONOMY

The 2019 Global Competitiveness Index ranks the economy's overall performance 130th globally, 26th in Africa and 10th in West Africa, with a score of 43.3/100.[41] Of the contributing factors, the country fares relatively well with respect to macroeconomic stability (2nd in West Africa), institutional quality (4th in West Africa), market size (6th) and the financial system (7th).

The Global Innovation Index, co-published by Cornell University, INSEAD, and the World Intellectual Property Organization (WIPO), positions the country at 118th in the world, 19th in Africa and 6th in West Africa, owing particularly to its enabling institutions and the extent of human capital adequacy and research capacity.

GOOD INSTITUTIONAL AND LEGAL FRAMEWORK

The World Bank's Governance Indicators rank Burkina Faso 106th worldwide, 12th in Africa and 4th in West Africa. This institutional performance rests on the relative low incidence and strong control of corruption (4th in West Africa), the extent of rule of law (5th) and government effectiveness (6th).

GOOD INFRASTRUCTURE QUALITY

The African Infrastructure Development Index ranks the country 30th on the continent for overall infrastructure development, and 7th in West Africa, with a score of 18.5/100. The road infrastructure is the 3rd most developed in the subregion and 16th in Africa. Furthermore, the quality of the logistics systems is 91st in the world, 10th in Africa and 3rd in West Africa, with an overall score of 2.62/5, according to the World Bank's Logistics Performance Index. More specifically, the country fares relatively well when it comes to arranging competitively priced shipments, the 2nd easiest in the subregion.

CONDUCIVE ENVIRONMENT FOR DOING BUSINESS

The ease with which business is conducted in the country is ranked 151st in the world, 29th in Africa and 10th in West Africa, with an overall score of 51.4/100, according to the World Bank's Doing Business. Starting a business, dealing with construction permits and trading across borders are the business environment dimensions in which the country is better positioned against its subregional counterparts (at least 5th). Additionally, when it comes to *Forbes Magazine's* ranking of the Best Countries for Business, Burkina Faso comes 129th in the world, 23rd in Africa and 8th in West Africa. The ranking is based on its economic growth, level of development (GDP per capita), trade balance and population size.

INVESTING AND DOING BUSINESS IN BURKINA FASO

THE 4TH FASTEST-GROWING ECONOMY IN WEST AFRICA

Burkina Faso's economy has embarked on a strong growth trajectory. In the five years prior to the COVID-19 pandemic, the growth rate was 6.2% on average, the 4th largest in West Africa and 8th in Africa. The main drivers of this economic dynamism have been the mining sector (especially gold, which accounts for 12% of GDP and three-quarters of the country's total export earnings), and agriculture (mostly cotton, the country being the largest producer in the subregion). The ongoing pandemic has reduced growth to 2.0% in 2021, but the economy is forecast to recover faster, with GDP growth projected to reach 5.8% in 2021.

DOING BUSINESS MADE EASY AND AT REDUCED COSTS

Investors considering doing business in Burkina Faso will add to the growing trend of inward FDI. In the last decade, incoming flows have increased by 22% on average, the second-fastest growth in Africa, and reached $208 million in 2019, with a cumulated stock of $2.66 billion. Various factors contributed to the attractiveness of the economy and its business environment.

Starting a business in Burkina Faso involves three procedures (the lowest figure across Africa):

(1) Deposit subscribed capital of XOF 25,000 ($45.5) in a bank or any other credit or microfinance establishment;

(2) Have a public notary notarize the declaration of capital subscription and deposit the proof of capital deposit and declaration of capital subscription with the notary office; although the use of notary services are no longer required by law, most companies still use them;

41 For all the rankings used, the most recent data is considered.

(3) Register at one of the many branches of the *Centre des Formalités des Entreprises* (CEFORE), the country's single window, for company registration, tax number (IFU), labour and social security; in July 2015, an e-registration was launched by CEFORE, called *Systeme Integre des Guichets Uniques* (SIGU) and, since then, companies can register via an online portal. In practice, most entrepreneurs still prefer to do it over the counter at the CEFORE office.

The entire process takes approximately 13 days and costs $48.8.

Acquiring or registering **property**, for business or residential purpose, requires four procedures, takes 67 days and costs 11.9% of the property value. Furthermore, obtaining **construction permits** involves 15 procedures, a maximum of 121 days and fees amounting to 7.6% of the warehouse value, with a standard warehouse priced at more than XOF 19.7 million ($35,818.2) on average.

Equality of treatment between national and foreign investors is guaranteed by law for all administrative requirements, including acquisition or registering property, forest and industrial rights, concessions, administrative authorizations, access to permits or participation in state contracts.

Labour force is abundant and readily available, with 7.4 million active individuals. The World Bank's Human Capital Index ranks the measurement of the contributions of health and education to worker productivity 0.39/1. Investors can easily have access to foreign workers from the ECOWAS subregion and elsewhere, and these expatriate workers enjoy a similar treatment as their national counterparts.

Moreover, the **visa rule** allows foreign investors a duration of stay that spans that of their business activities, with no specific limitations.

Minimum wage is XOF 34,664 ($63.0) per month. The average salary for the typical worker is XOF 331,000 ($601.8) per month, and the highest average is XOF 1,480,000 ($2,690.0), with actual maximum salaries being higher, depending on the skills and industry.

Electricity cost averages XOF 130.9 ($0.24) per kWh, and it takes four days to get a connection. However, the access rate for the general population is low (14.4%).

Water supply for residential and business use is mostly continuous in urban areas. Access rate to at least basic water is estimated at more than 79%, against 43% in rural areas. Tariff grid ranges from XOF 407 ($0.74) per cubic metre (for total monthly consumption of less than 15 cubic metres) to XOF 1,083.5 ($1.97) (more than 100).

As far as **infrastructure** is concerned, there are an estimated 13,200 km of classified roads in Burkina Faso, of which 1,800 km are paved. There are highways linking the capital to neighbouring countries, such as the broad Dakar–Bamako–Ouagadougou–Niamey corridor. The country has two international airports: Thomas Sankara International Airport in Ouagadougou, which handles some 98% of all scheduled commercial air traffic in the country, and Bobo-Dioulasso Airport. Several regional carriers operate international services, including the parastatal Air Burkina, which has now been privatized. A third airport is under construction in Dossin and is expected to be operational by 2023. As a landlocked country, the nearest ports used for the country's international trade are located in Cote d'Ivoire, Ghana and Togo, with road corridor links to Ouagadougou. There is also a 1,260 km metre-gauge railway route between Burkina Faso (starting from Tambao, the most north-eastern part of the country, which has manganese deposits) to neighbouring Cote d'Ivoire (roughly 622 km are within Burkina Faso). Thanks to a modernization project agreed on in July 2019 between both countries (postponed due to the pandemic), freight capacity is expected to go from 800,000 to 5 million tons per year, and the number of passengers from 200,000 to 800,000 per year.

When it comes to **taxation**, companies are required to pay a standard corporate tax (27.5%), payroll tax (3%), social security contributions (16% of the gross salary paid), value-added tax (18%) and estate tax (0.1% on the value of the built or unbuilt property). In total, these business taxes and contributions amount to 41.3% of profits (and labour taxes and contributions represent 21.4% of commercial profits), and a total of 45 payments are made in a typical year. The tax structure also includes individual income tax ranging from 0% (monthly income less than XOF 30,000, or $54.5) to 25% (more than XOF 250,000, or $454.5).

Customs import duties are subject to the ECOWAS CET, and rates applied to the five tariff bands range from 0% (essential social goods) to 35% (specific goods for economic development). Further customs and excise duties include statistical royalty (1%), community solidarity tax (1%) and ECOWAS community tax (0.5%).

The **banking and financial system** is generally accommodating to business capital and financial needs. The system comprises approximately

18 banks of subregional, continental or international scope (up from 12 in 2011), and 129 microfinance institutions. Account ownership at a financial institution or with a mobile money service provider represents 43.2% of the population (ages 15+), and domestic credit to the private sector represents 28.9% of GDP.

The soundness of the banks is shown in their capital adequacy (capital to risk-weighted ratio at 12.7%) and assets portfolio quality (gross non-performing loans representing just 7.7% of total loans), as of mid-2019, according to the subregional central bank, the Banque Centrale des Etats de l'Afrique de l'Ouest.

The openness of the banking and financial system enables individuals and businesses to easily make cross-border **money and financial transfers** (in the form of remittances, for example) as well as maintain **foreign currency accounts**. Currency conversion is also readily available, both in formal and informal markets. The **fixed exchange rate** between the common subregional currency and the euro, at 655.96, reduces the risk associated with market fluctuations.

Additionally, there is an active **subregional stock exchange**, with 65 listed companies (as of June 2021), including FDI companies from various sectors (such as financial, banking, industry and transportation) that can raise capital easily.

Investor incentives include the country's two effective SEZs located in Ouagadougou and Bobo-Dioulasso, especially in opportunity filled sectors such as agribusinesses, which mostly transform products such as mango, corn and tomatoes, as well as the mining, energy and tourism sectors. The Agence Burkinabè des Investissements (ABI – National Agency for Investments), a member of the International Network of Francophone Investment Promotion Agencies (RIAFPI) and the World Association of Investment Promotion Agencies (WAIPA), is in charge of promoting investment, mostly from abroad. It provides valuable information to investors, such as specific details of the legal and institutional framework and investment and fiscal regimes.

Overall, strong growth and a stable macroeconomic environment in the general context of improving institutional quality and security are key contributing factors that make Burkina Faso one of the favourable subregional destinations for international investors.

INVESTMENT OPPORTUNITIES

MARKET OPPORTUNITY

Local market: Several proposals to switch school uniforms to Faso Dan Fani fabrics, as well as government workwear and uniforms, could double the size of the existing demand. In addition, the government is promoting traditional garments as part of the national identity.

Regional market: Other West African countries are also consumers of those traditional fabrics. Burkina Faso enjoys a solid

reputation in this sector and could create its own label for Faso Dan Fani, which would position the country as the regional manufacturer of quality Faso Dan Fani and other garments.

International markets: There is a growing demand in European and US markets for traditional African fashion. An opportunity exists for Burkina Faso to become the destination of choice for international buyers by establishing an organized and compliant artisanal industry.

ECONOMIC OPPORTUNITY

The artisanal sector consumes approximately 4,000 tons of cotton and employs more than 50,000 weavers. A switch from khaki uniforms to Faso Dan Fani would double the demand for this fabric. Moreover, the cost of a Faso uniform is 40% more than that of an imported khaki set.

Four possible strategic axes for Burkina Faso:

FDI in textiles

Characteristic: Transform Burkinabe cotton locally through a vertically integrated textile industry targeting export markets.

Objective: To develop at least one large-scale textile project.

Local textile projects

Characteristic: Promote the emergence of textile SMEs in Burkina Faso targeting local and subregional markets (not only focused on cotton).

Objective: To set up a project exchange and accompany candidate investors.

Handicrafts

Characteristic: Strengthen the craft sector and support its future development.

Objective: To meet the craft sector's expectations: promotion, training and financing.

Clothing platform

Characteristic: Attract FDI in industrial clothing and position Burkina Faso as a competitive clothing production platform

Objective: To attract one or two foreign garment manufacturers.

Projects in the pipeline in Burkina

Since 2019, several foreign investors from different origins have targeted Burkina Faso to possibly invest in new textile projects. This phenomenon is new, taking into consideration that the country has not attracted any textile investment.

Following are some textile projects that are at different stages of development. Not all the information is available for each of the projects, depending on how advanced they are in terms of implementation.

Project 1: A Star Textile Burkina Faso Co. Ltd.

- Focus: integrated textile plant (spinning and garmenting);
- Feasibility studies completed;
- Financial closure in progress;
- Located in Ouagadougou (main plant) – Bobo Dioulasso and Koudougou (cut-make-trim);
- Utilities required: 15 MW/5,000 m^3;
- Dedicated coal power plant; drilling and rainwater;
- Dedicated state-of-the-art effluent treatment plant;
- Cotton consumption: 20,000 tons/year;
- Spinning: 20,000 tons/year;
- Weaving: 12.5 million metres/year;
- Knitting: 7,600 tons/year;
- Garmenting: 16.5 million pieces/year;
- Expatriate employees: 425;
- Local workforce: 11,575;
- Investments: $450 million;
- Land required: 57 ha.

Conclusion: The securing of the production facility sites is in progress, but bureaucracy is slowing the project's implementation.

Project 2: Marubeni

- Focus: Cotton spinning unit;
- Feasibility studies not completed;
- Located in Bobo Dioulasso;
- Cotton consumption: 5,000 tons/year;
- Spinning: 5,000 tons/year;
- Investments: $80 million;
- Land required: 15 ha.

Conclusion: The envisaged project cost is very high. Marubeni's team needs to carry out the entire feasibility study in order for the government to make any decisions.

Project 3: Renaissance Textile (IMC Corporation)

- Focus: Finished woven fabric (including spinning);
- Located in Bobo Dioulasso or Boromo;
- Utilities required: 13 MW/3,000 m^3;
- Hybrid power plant (thermal and solar), and Mouhoun River, well and rain;
- Dedicated state-of-the-art effluent treatment plant;
- Cotton consumption: 16,000 tons/year;
- Spinning: 15,000 tons/year;
- Weaving: 64 million metres/year;
- Dyeing and finishing: 7,680 tons or metres/year;
- Expatriates: 60;
- Local workforce: 1,250;
- Investments: $220 million;
- Land required: 25 ha.

Conclusion: Selection and securing of the site is in progress, but the absence of a specialized industrial zone is a concern. The administrative red tape seems to significantly impact the project's implementation.

Project 4: Orient Textile

- Feasibility studies not completed;
- Focus: Integrated textile plant (spinning to garment);
- Located in Bobo Dioulasso;
- Gasoil aggregate (generator);
- Planned new effluent treatment plant;
- Cotton consumption: 15,000 tons/year;
- Spinning: 14,000 tons/year;
- Weaving: 30 million metres/year;
- Knitting: 1,000 tons/year;
- Dyeing and finishing: Volume unknown;
- Garmenting: 10 million pieces/year;
- Investment: $187 million;
- Land required: 50 ha.

Conclusion: The Burkinabe Government is waiting for the feasibility studies before making a decision.

Project 5: Sinotex

- Focus: Integrated textile plant (spinning to garment);
- Memorandum of understanding not yet signed.

Conclusion: A memorandum of understanding needs to be signed before the start of feasibility studies.

Project 6: Filature du Sahel (FILSAH)

- Focus: Extension of spinning capacity;
- Memorandum of understanding not yet signed;
- Located in Bobo Dioulasso.

Conclusion: A memorandum of understanding needs to be signed before the start of feasibility studies.

TEXTILE-RELATED PROJECTS

Burkina Faso does not have a strong base of national entrepreneurs with an interest in investing in the cotton, textile and garment sectors. This could be due to the sector's general competitiveness, further impacted by the high cost of power and other challenges to the investment environment. While imports from Asia could be another major challenge, there are projects that require strong local presence and cannot be easily challenged by cheaper imports.

Burkina Faso's Government has identified 16 textile-related projects that could be suitable for local and regional markets. These projects are intended to jump-start the textile industry, leveraging a natural and captive market for the local industry.

Table 17: Textile-related projects in Burkina Faso

		Project	Turnover (euro)	Capital (euro)	Employment
Confection	1	Cut-make-trim (CMT) unit for workwear uniform	2 600 000	2 110 000	125
	2	Embroidery unit	1 600 00	1 220 000	10
	3	CMT unit for T-shirts	1 200 000	860 000	100
	4	Integrated unit for T-shirts	2 400 000	3 740 000	200
	5	CMT + laundry unit for jeans wear	1 300 000	1 485 000	100
	6	CMT unit for bed sheets	3 250 000	1 877 000	60
Confection	7	Mattress production unit	9 000 000	6 150 000	75
	8	Needle-punched unit	6 000 000	7 500 000	70
	9	Polypropylene sacks	6 200 000	5 970 000	150
	10	Agro-shed fabrics	3 000 000	2 300 000	50
Weaving	11	Taffetas fabrics	2 400 000	3 950 000	200
	12	Gauze fabrics	1 950 000	3 880 000	150
	13	Grey fabrics for African prints	4 000 000	2 500 000	250
Misc.	14	Hard waste tearing lines	1 000 000	1 200 000	30
	15	Polyethylene terephthalate (PET) recycling	10 000 000	9 500 000	150
	16	Diapers and sanitary towels	13 000 000	7 700 000	50
	17	Medical and hygienic products	5 000 000	4 750 000	190

Source: Primary data collected by ITC expert.

KEY SUCCESS FACTORS FOR FDI

Nations that have been able to build a successful textile industry have often relied on international investors setting up their facilities in their countries. Foreign investors are attracted to a number of different factors that vary in importance from one subsector to another. While many consider that low labour cost is the main driver, the reality is much more complicated, and it is a combination of many factors that makes a country more attractive to international textile manufacturers. 'Textile parks' are one of the solutions that have become almost a prerequisite for any nation hoping to attract foreign investors in its textile and garment industries.

KEY SUCCESS FACTORS IN TEXTILES

Figure 10 lists the various factors that impact the decision to invest in a foreign country's textile industry. Whereas labour is critical for garmenting, energy cost is a far more impactful factor across the rest of the value chain. Availability of skilled labour and suitable infrastructure are relevant for all subsectors.

Figure 10: Factors impacting decision to invest

Key success factors		Relative importance in each segment: Filament	Spinning	Weaving knitting	Non-woven composites	Finishing	Garmenting
Factor costs	Labour	●	●●	●●●	●	●	●●●●●
Factor costs	Energy	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●
Factor costs	Capital/ financial	●●●	●●●●	●●	●●●	●●●●	●
Factor costs	Raw/ intermediate material	●●●	●●●●●	●●●●●	●●●●●	●	●
Proximity to raw material		●●●●●	●●●●●	●●●	●●●	●●●●●	●●●
Skilled labour		●●●	●●●	●●●	●●●	●●●●●	●●●
Product innovation		●●●	●●●	●●●	●●●	●●●●●	●●●
Active government support		●●●●●	●●●●●	●●●	●●●	●●●	●
Efficient infrastructure		●●●	●●●	●●●	●●●	●●●●●	●●●
Local supply (of intermediate products)		●●●	●●●	●●●	●	●●●●●	●

High ●●●●● Medium ●●● Low ●●●

Source: Primary data collected by ITC expert.

In addition to the physical environment, nations often complement the offering from textile parks with sets of incentives designed to facilitate business for investors, reduce their cost and improve their productivity. Such parks also shield investors from poor investment environments, corruption and bureaucracy. In recent years, textile parks have become a standard for attracting foreign investors. Most of these incentives run across the following seven key policies:

- **Textile policy/vision:** A clear policy/vision dedicated exclusively to the textile industry, with specific key performance indicators and deliverables to the sector;
- **Investment incentives:** Direct investment subsidy or waiving of investment-related costs (such as import duty on machinery);
- **Export incentives:** Often a tax rebate or a direct financial export incentive related to export volumes;
- **Fiscal incentives:** Tax exemptions on profit or other taxes such as VAT on machinery or import of materials as well as assurance on foreign currency flow;
- **Infrastructure:** Providing modern and efficient infrastructure, including direct support to vital projects such as water treatment plants;
- **Sector support:** Offering sector-focused support such as operator training or a favourable cost for raw material (cotton);
- **Market access:** Primarily free trade agreements (FTAs) with key markets and some logistical solutions to preferred markets.

CONCLUSION

Burkina Faso's Government is determined to push the transformation of local raw materials, with cotton fibre as the first priority. For this, since 2018, many crucial reforms have been implemented to encourage local and foreigner investors. Among them are:

- Massive investment in cotton production;
- Improving of cotton quality;
- Attractive investment code;
- Agreements for free exchange advantages such as AGOA, Cotonou Partnership Agreement and Zone of Libre Echange Continental Africain (ZLECAF), etc.;
- Training programme in technical school;
- Set up of a specialized institute for textiles;
- Set up of an incubator dedicated to textile transformation.

TEXTILES AND APPAREL INDUSTRY OVERVIEW IN BURKINA FASO

In Burkina Faso, cotton directly supports more than 4 million people and contributes significantly to inclusive growth and the fight against poverty. As per the 2019 report of the Balance of Payments Committee, established in December 2020, the five main products exported in 2019 are non-monetary gold, with a share of 73.3% in the total value of exports, followed by cotton fibre in mass with 9%, cashew nuts with 5.3%, zinc with 3.9% and sesame seeds with 3.5%. The cotton sector's average contribution to the national economy, especially for GDP, is estimated to be approximately 4% (CPC Learning Network, 2019).

Cotton production contributed approximately 20.3% to Burkina Faso's primary sector in 2019.

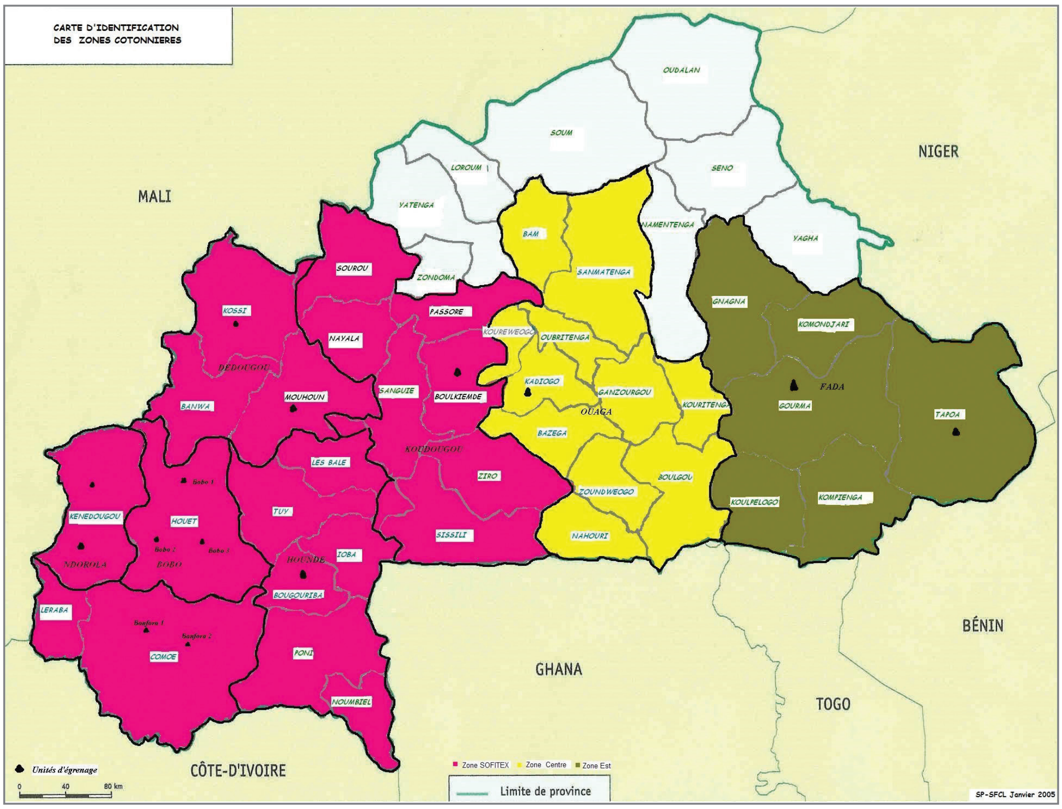
Since September 2004, Burkina Faso's cotton sector has been liberalized. This liberalization was carried out by the installation of two new private companies in the cotton zones of the centre and the east.

Table 18: Division of cotton zones in Burkina Faso

COTTON ZONES	OPERATORS	ZONE DELIMITATION
CENTRE	FASO COTON	Ganzourgou, Bam, Kadiogo, Boulougou, Nahouri, Zoundwéogo, Bazèga, Kouritenga, Kourwéogo, Oubritenga and Sanmatenga
East	SOCOMA	Gourma, Kompienga, Tapoa, Gnagna, Koulpélogo and Komandjari
West	SOFITEX	Balé des Banwa, Bougouriba, Boulkiemdé, Comoé, Houet, Kénédougou, Kossi, Léraba, Mouhoun, Nayala, Noumbièl, Poni, Sanguié, Sissili, Tuy, Ziro, Ioba, Sourou and Passoré

Source: World Bank, Cotton Cultivation in Burkina Faso, 2004.

Figure 11: Burkina Faso's cotton basin



Source: Research Gate.

INDUSTRIAL COTTON PROCESSING LEVEL

It is important to note that less than 1% of the cotton produced is processed locally. The only active industrial spinning unit in the country is Filature du Sahel (FILSAH), which transforms approximately 5,000 tons of fibres into yarn. It increased its production capacity to 10,000 tons of fibre into yarn in 2021.

The craft sector is very active in the field of clothing textiles. Textile crafts are a promising sector that employs a large number of people, especially women. The development of this sector should greatly contribute to improving the population's socioeconomic conditions, especially women and youth.

POLICIES AND STRATEGIES IMPLEMENTED FOR COTTON PROCESSING

The processing of local products, especially cotton, is a priority for the state. This priority is enshrined in the national development benchmark, namely the National Economic and Social Development Plan (PNDES). The conditions for attracting foreign and domestic direct investment are developed by the State, in particular improving the business climate, the investment code and the numerous investment and entrepreneurship promotion programmes. These include the biennial organization of the International Conference on Cotton and Textiles in Koudougou and the encouragement of the consumption of local products, including Faso Dan Fani.

Forces	Opportunities
1. Strong political will	1. Political and institutional stability
2. Availability of a national industrialization strategy	2. Non-saturated textile industry (only one operational spinning unit)
3. Favourable and constantly improving business climate (attractive investment code, ease of setting up a business and attractive labour code, etc.)	3. Lethargy of the industrial transformation component of textiles in the subregion
4. Availability of raw material (fibre) in quantity and quality (improvement of the fibre's characteristics)	4. Access to regional and subregional markets (WAEMU; ECOWAS; AfCFTA)
5. Abundant and accessible workforce	5. Preferential access to the European (Everything but Arms), American (AGOA) and Asian (India, Japan and China) markets
6. Well-structured cotton sector according to the 'integrated sector' approach	6. Surge of patriotism with regard to the consumption of local products
7. Sustainable revival of cotton production followed by the government, technical and financial partners and stakeholders	7. New ginning plants under construction for an increase in fibre production by 2021

Source: World Bank, Cotton Cultivation in Burkina Faso, 2004.

TEXTILES AND APPAREL VALUE CHAIN AND KEY STAKEHOLDERS

Cotton fibre processing

In order to increase the contribution of cotton to the country's socioeconomic development, it is envisaged to set up local cotton fibre processing units (spinning, weaving, dyeing and garment making, etc.) in six localities identified within the framework of the Accelerated Industrialization Plan.

These are:

- Banfora, Comoé Province, Cascades Region;
- Bobo-Dioulasso, Houet Province, Hauts-Bassins Region;
- Dédougou, Mouhoun Province, Boucle du Mouhoun Region;
- Fada N'Gourma, Province of Gourma, Eastern Region;
- Koudougou, Boulkiemdé Province, Centre-Ouest Region;
- Léo, Sissili Province, Centre-West Region.

These localities were chosen for their potential in terms of cotton production and for their proximity to the existing cottonseed ginning units in the national cotton basin.

Table 19: Number of ginning factories		
Location of cotton ginning factories	**Ginning capacity (tonnage of cottonseed per year)**	**Geographical location (province)**
SOFITEX zone		
Banfora 1	45 000	Comoé
Banfora 1	45 000	Comoé
Bobo 1	15 000	Houet
Bobo 2	25 000	Houet
Bobo 3	50 000	Houet
N'Dorola	45 000	Kénédougou
Kourouma	45 000	Kénédougou
Houndé 1	30 000	Tuy
Houndé 2	45 000	Tuy
Diébougou	45 000	Bougouriba
Diébougou	30 000	Mouhoun
Solenzo	30 000	Banwa
Bondoukuy	45 000	Mouhoun
Koudougou	25 000	Boulkiemdé
Leo	45 000	Sissili
SOCOMA zone		
Ouargaye	40 000	Koulpélogo
Fada N'Gourma	30 000	Gourma
Kompienga	45 000	Kompienga
Diapaga	40 000	Tapoa
Faso Coton zone		
Ouagadougou	30 000	Kadiogo
Tenkodogo	30 000	Tenkodogo
Société d'égrenage du coton biologique (SECOBIO) zone		
Koudougou		Boulkiemdé

Source: Primary data collected by ITC expert.

INVESTMENT NATIONAL PLAN IN COTTON SECTOR

The national plan aims to transform at least 25% of Burkina Faso's cotton fibre production by 2025. Specifically, it aims to:

- Increase the processing rate of the sector's products;
- Diversify and increase the country's exports;
- Reduce the degree of dependence on textile imports;
- Create decent jobs in this strategic sector of the economy;
- Improve the sector's contribution to the State budget.

Expected effects

- Improvement of the added value of 400 billion for approximately 600 billion CFA of turnover;
- Creation of more than 66,000 direct jobs (11,000 direct jobs per locality) and 600,000 indirect jobs (100,000 indirect jobs per locality);
- Improvement of the trade balance by approximately 350 billion CFA;
- Increase in the wage bill by approximately 1,440 billion CFA;
- Expansion of the tax base by approximately 240 billion CFA.

AVAILABILITY OF ENERGY, WATER AND SKILLED LABOUR

- Average energy price per kWh for industrial uses:
  - ✓ Full time: 17 hours; EUR 0.082317073 per kWh;
  - ✓ Peak time: 7 hours; EUR 0.179878049 per kWh;
  - ✓ Average price per hour: 24 hours; EUR 0.110772358 per kWh.
- Average water price by cubic metre for industrial uses:
  - ✓ For pure water: EUR 1.65 per cm;
  - ✓ For non-purified water (from the dam): EUR 0.57 per cm.
- Availability of skilled labour or vocational training institutions.

In the last 10 years, there is increasing enthusiasm in technical fields and many technical institutions have varied and rich training programmes.

SWOT ANALYSIS FOR KEY STAKEHOLDERS

A SWOT analysis of the artisanal sector shows that minimal investments in research and development on the technical and innovation levels can unlock opportunities to supply local and regional markets. This includes major consumers of Faso Dan Fani fabrics and the international market, which is currently developing a great interest in authentic African fashion.

Strengths	Weaknesses
▪ Unique and proprietary know-how ▪ Low capital expenditures (CAPEX) and operating expenses (OPEX) ▪ Easy to train labour and expand ▪ Large local/regional markets ▪ Growing interest in African fashion in international markets ▪ Availability of local raw material	▪ Primitive tools, leading to loss of quality and health and safety risks ▪ Limited innovation ▪ Little marketing efforts (both local and international)
Opportunities	**Threats**
▪ Create strong local brand ▪ Improve manufacturing process ▪ Address and expand local and regional markets ▪ Address international demand for African fashion ▪ At least double existing manufacturing	▪ Other West African countries appropriating this heritage industry ▪ Competition from Chinese manufacturers ▪ European buyers not accepting current practices for social and environmental reasons

3.3. GHANA

COUNTRY OVERVIEW

Ghana, whose motto is ‘Freedom and Justice’, is located between Cote d’Ivoire in the west, Burkina Faso in the north, Togo in the east and the Gulf of Guinea in the south. Ghana’s documented history dates back to the eleventh century. Since then, various kingdoms and empires have emerged, the most powerful and well-known being the Kingdom of Dagbon and the Ashanti Empire. The colonial period started in the fifteenth century, first with the Portuguese, then other European powers, and finally with the British. The latter divided Ghana into four separate British colonial territories: Gold Coast, Ashanti, the Northern Territories and British Togoland. These territories were unified when the country gained independence in 1957 (initially as an independent dominion within the Commonwealth of Nations). Since April 1992 when the country adopted a new constitution, an increasingly democratic, peaceful and stable subregional power has emerged within the political framework of a presidential constitutional democracy with a parliamentary multi-party system.[42]

The country’s location only a few degrees north of the equator is synonymous with a warm climate. Temperatures culminate at 30°C–31oC between December and March, corresponding to the harmattan (dry desert wind) blowing in the north-east of the country. The south enjoys a tropical climate with a longer rainy season (March to November).

Most of the 31 million Ghanaians (57%) live in urban areas, mostly in Accra (a population of 5.1 million), Kumasi (3.3 million), and Tamale (0.5 million). The richness of the culture and traditions rests in part on the warmth, friendliness and a strong sense of community of the people, as well as approximately 50 local languages, of which the 11 most widely spoken are taught in school (e.g. Akan, Ewe, Ga, Dagaare and Dagbani). This is in addition to English, Ghana’s official language.

Ghana – key facts	
Capital city	Accra
Area (sq. km)	227,540 km²
Population, total	30.4 million
0–14 years	*37.4%*
15–65 years	*59.5%*
Youth literacy (15–24 years)	92.5%
Male	*92.8%*
Female	*92.2%*
GDP, nominal	$67 billion
GDP growth (real, 2014–19)	6.1%
FDI, inflows	$2.3 billion
Gross domestic private investment	$9.6 billion
Employment to population ratio (+15yrs)	64.9%
Employment to population ratio (15–24 yrs)	37.5%
Exports of G&S, 2014–19 (billion USD, 2019)	36% of GDP (24.1)
Main products	*Pearls, precious stones and metals; mineral fuels and oils; cocoa*
Imports of G&S, 2014–19 (billion USD, 2019)	35.4% of GDP (23.7)
Main products	*Vehicles; electrical machinery and equipment; cereals*
Inflation	7.2%
Bank credit to private sector	12.4% of GDP
Govt. expenditure	$14.6 billion
Govt. revenue	$9.6 billion
Total public debt	$42.3 billion
Currency	Cedi (GHS)
Language	English (official), Akan, Ewe, Dagbani, Dangme

Note: Data is for the most recent years, since 2017.
Source: World Bank; IMF; UNCTAD; Comtrade.

42 ‘Subregion’ denotes West Africa throughout the text, while ‘region’ refers to the whole African continent.

BROAD ECONOMIC OVERVIEW

MOST COMPETITIVE ECONOMY IN WEST AFRICA

Globally, Ghana comes 111th in the 2019 Global Competitiveness Index, and 8th on the continent and 1st in West Africa, with an overall score of 51.2/100. This performance owes to its strong institutions and the largest extent of ICT adoption in West Africa, in addition to the depth of skills and innovation capacity where the country ranks 2nd in the subregion.

AMONG THE MOST INNOVATIVE AFRICAN ECONOMIES

Ghana is the 108th most innovative economy in the world, the 13th in Africa and the 3rd in West Africa, according to the 2020 Global Innovation Index (co-published by Cornell University, INSEAD and the World Intellectual Property Organization), with an overall score of 22.3/100. The contributing factors are a supportive infrastructure network and the extent of creative outputs, in which the country ranks 2nd in the subregion.

STRONG INSTITUTIONS

The strength of the political institutions is indicated by the World Bank's Governance Indicators, which rank Ghana 100th in the world, 11th in Africa and 3rd in West Africa. The country comes 1st in West Africa for regulatory quality, 2nd for rule of law, control of corruption and voice and accountability, and 3rd for political stability and no violence, and government effectiveness.

HIGH-QUALITY INFRASTRUCTURE

The African Development Bank's survey on infrastructure ranks the country 11th in Africa and 2nd in West Africa, with an overall score of 30.1/100. Water supply and sanitation, as well as transport appear to be the most developed segments of the country's overall infrastructure. Furthermore, the World Bank's Logistics Index puts the country at the 106th position worldwide, 16th in Africa and 5th in the subregion. The overall score is 2.57/5. The country comes 2nd in West Africa when it comes to the competence and quality of logistics services, and 3rd for the efficiency of customs clearance process.

STRONG MARKET POTENTIALS AND LOWEST COUNTRY RISK IN WEST AFRICA

According to the 2020 Market Potential Index, developed by the Michigan State University's International Business Center, Ghana is ranked 76th globally, 5th in Africa (with the Federal Democratic Republic of Ethiopia, the United Republic of Tanzania, and Morocco) and 3rd in West Africa. The contributing factors are the extent of economic freedom (the highest in West Africa), market receptivity (the strongest in the subregion) and country risk (the lowest in the subregion).

THE BEST COUNTRY FOR BUSINESS IN WEST AFRICA

Ghana is considered the 94th Best Country for Business worldwide, 9th in Africa and 1st in West Africa, according to *Forbes Magazine*. This performance is a combined result of the country's GDP growth, GDP per capita, trade balance and population size. In addition, the World Bank ranks the country 118th globally, 17th in Africa and 3rd in the West African subregion when it comes to the ease of which business is conducted, with a score of 60/100. The dimensions that stand out relate to getting credit (the easiest in West Africa) and protection offered to minority investors (the 2nd strongest).

INVESTING AND DOING BUSINESS IN GHANA

STRONG AND RESILIENT ECONOMY

Ghana's economy is the second largest in West Africa, and has enjoyed a robust growth averaging 6.1% in the last five years in the context of increasingly favourable macroeconomic and financing conditions. Large endowments of gold (Africa's biggest gold miner after South Africa), cocoa (world's second largest cocoa production) and, more recently, oil form the cornerstone of Ghana's economy have contributed to the economic boom. However, the ongoing COVID-19 pandemic has reduced growth to 0.41% in 2020, compared to the initial projection of 5.8%, as a result of 'lower oil production, weak global aggregate demand, global supply chain disruptions, and a steep decline in international travel, trade and retail and hospitality services'. However, the economy is expected to rebound in 2021, with a projected growth rate of 5.9%, suggesting a relatively strong resilience of the economy (the country is considered as the most resilient economy in West Africa, according to the 2018 African Attractiveness Index).

FRIENDLY AND LOW-COST BUSINESS ENVIRONMENT

Starting a business is among the least costly in Africa, with a paid-in minimum capital requirement of just 100 GHS ($17) and fees amounting to 390 GHS plus 0.5% of the stated capital as a commencement tax. The process involves eight procedures:

(1) Obtain a tax identification number (TIN) from the Registrar-General's Department (RGD) or Ghana Revenue Authority; although necessary to obtain before proceeding with the registration, it can be done at the time of the business registration by submitting the forms and required documents at the RGD; once validated, the applicant can collect the document;

(2) Check for availability of company name and submit company documents to obtain business operation permit and incorporation certificates at the RGD; applicants can request the search to be performed at the Companies Registry to ascertain the availability of the proposed name; the RGD can then reserve the name pending registration of the company;

(3) A Commissioner of Oaths, within the RGD, authenticates forms required for the certificate to commence business;

(4) Obtain, within 28 days, the certificate to commence business, the certificate of incorporation and temporary business operating permit certificates, all from the RGD;

(5) Receive inspection of work premises by the Metropolitan Authority, which has already automatically received information on the registered business (address and phone number); a visit is then scheduled to confirm the category of the business;

(6) Obtain final business operating permit upon payment of fees related to the permit at the Metropolitan Authority;

(7) Deposit the 100 GHS minimum paid-in capital in a bank account and the following documents are requested: copies of company regulations, the certificate of incorporation, the certificate to commence business and signatures of the authorized company representative; some banks may conduct physical inspection of the company's address, and most require introductory letters from the solicitors in order to open an account, as part of the 'KYC' (know your customer) procedures;

(8) Apply for social security at the Social Security and National Insurance Trust office; to do so, the company must provide a list of its employees, their respective salaries and social security numbers, and the company's certificate of incorporation.

These procedures take approximately 13 days to complete, well below the 21.5 sub-Saharan African average.

Furthermore, obtaining **construction permits** is also among the cheapest in West Africa, with an estimated cost of 3.5% of the warehouse value. For a standardized warehouse, the estimated value is 495,380 GHS ($84,215). **Registering property** involves five procedures, from obtaining a title transfer form to the issuance of title certificate at the Land Registration Division of the Lands Commission. The procedures take 33 days at a cost of 6.1% of the property value.

The rental price of a typical four-bedroom exclusive residential house is approximately 26,470.6 GHS ($4,500) per month. For non-residential properties, the price ranges from 58.8 GHS ($10) per square metre per month for industrial property to 235.3 GHS ($40) for retail space and 205.9 GHS ($35) for an office space.

Equal treatment is guaranteed by law to national and foreign investors when it comes to all business-related procedures, including the acquisition, registration or rental of any property.

The **labour force**, estimated at 12.9 million, is relatively skilled and vibrant. The country tops the World Bank's Human Capital Index in West Africa, with a score 0.44/1, which is suggestive of a large variety of relatively strong skill sets. **Visa rules** applied to investors and workers, similar to those in the ECOWAS region, grant a duration of stay that matches that of the business or the employment, with no further limitations.

The minimum **wage** is $45.1 per month. Salaries typically range between 1,280 GHS ($218) and 22,600 GHS ($3,842), depending on the skills and industries, and the average worker earns 5,070 GHS ($862) per month. These payments include housing, transport, and other benefits such as social security and pensions.

The country's **electricity system** is ranked 1st in the subregion by the World Bank (5th on the subcontinent), largely as a result the reliability of supply and transparency of tariffs. Obtaining a connection takes a typical business approximately 55 days, and the process involves hiring a registered electrical contractor and receiving an internal wiring inspection, submitting an application to Power Distribution Services Ghana Ltd, receiving site inspection by Power Distribution Services Ghana Ltd and awaiting estimate, and then receiving external works, meter installation and electricity flow. Total fees are 62,619.4 GHS ($10,645.3). Once connected, businesses pay a price of 1.39 GHS ($0.24) per kWh.

Water connection can be obtained within a month from Ghana Water Company Limited, at a total cost of 1,000 GHS ($170). At an average cost of 4 GHS ($0.68) per cubic metre applied to the bi-monthly consumption, basic drinking water services are accessible to more than 80% of the total population (93% in urban areas).

Business **tax and mandatory contributions** in Ghana include a corporate income tax (statutory rate of 25%), social security contribution (13% of employees' gross salaries), value-added tax (12.5%), tax on interest earned (8%), and contribution to the Ghana Education Trust Fund Levy (GETFL) and National Health Insurance Levy, municipal tax, fuel tax, and property tax at variable rates. These eight business-related taxes and contributions necessitate 36 payments in a typical year, take approximately 226 hours per year and cost an average of 55.4% of corporate profit.

In addition, individual income tax is 0% (annual chargeable income of less than 3,456 GHS – $587.5 GHS) to a maximum of 30% (240,001 GHS – $40,800.2 and more).

The **infrastructure network** is relatively dense and varied. There were 72,381 km of road network in Ghana in 2017, with 14,873 km being trunk road (used for long-distance travel), 15,463 km being urban roads and the remaining 42,045 km being feeder roads (turnpikes).

With more than 3 million passengers in 2019 and more than 23 passenger and cargo airlines, the Kotoka International Airport in Accra is the biggest airport in Ghana. In 2019–20, it was rated the Best Airport in Africa by the Airports Council International (ACI), a global trade representative of the world's airport authorities. The Kumasi Airport, more domestically oriented, is the second busiest airport, with an estimated 376,823 passengers in 2019.

The railway system comprises more than 900 km of tracks and is publicly managed by the Ghana Railway Development Authority. It connects major cities, resource-producing areas, the ports, and soon neighbouring countries such as Burkina Faso, as part of the ongoing 10-year rehabilitation and construction project that seeks to expand the network to 4,500 km.

Of Ghana's five major ports, the seaports and container terminals in Accra and Tema are the most important. Tema, the largest, is also home to one of the country's four SEZs, or export processing zones. The port system handles a combined transit traffic of more than 1.5 million tons, as well as a transhipment traffic of 602,778 tons. The corresponding soft infrastructure is well rated by the World Bank's Logistics Performance Index, with, for example, the customs clearance process being among the most efficient in the subregion. The regional scope of these port infrastructures (being used by landlocked countries such as Burkina Faso) contributes to making Ghana a trade and logistic hub in West Africa.

Customs duties are governed by the subregional CET, with five tariff bands: essential social goods such as medicines (0%); goods of primary necessity, raw goods and capital goods (5%); intermediate goods and inputs (10%); final consumption goods or finished goods (20%); and specific goods for economic development (35%). Additional trade-related measures aimed at protecting some industries and guaranteeing fair competition throughout the liberalized subregional markets include safeguard measures, anti-dumping measures, anti-subsidy and countervailing measures and supplementary protection measures.

Ghana's **banking and financial sector** is relatively sound, stable and open. It comprises 28 banks of national, continental and global scope, and the Bank of Ghana serves as the country's monetary authority. The system's soundness shows in the relatively low incidence of non-performing loans (NPLs) of banks, which represents 14.5% of total loans as of March 2020, down from 18.8% in 2019. While it is expected that the pandemic can derail the observed year-to-year slowdown in NPLs, prudent risk management policies are likely to help improve asset quality risks in the medium term. Further to the banking industry's solvency, the capital adequacy ratio is 21.1%, well above the revised regulatory minimum of 11.5%, while bank profitability has increased in the last three years.

The openness of the banking and financial industry means that any domestic and foreign business and individual can hold a **foreign currency bank account**, and international transfers (corporate revenue and remittances, etc.) are made easily. The country has opted for a **flexible exchange rate** regime and, in the last five years, currency has been on a depreciating trend, from $0.26 in April 2016 to $0.17 in April 2021, suggesting an increased price competitiveness of the country's exports that has resulted in trade surpluses.

The active **Ghana Stock Exchange** provides facilities and framework to the general Ghanaian and non-Ghanaian public for the purchase and sales of bonds, shares and other securities. As of June 2021, 37 companies are listed. They comprise national, regional and non-African companies, which can raise capital relatively easily.

There are great **incentives for foreign investment**, especially in opportunity-filled sectors such as agriculture and agroprocessing, and textiles and garments. They include: (i) reduced corporate income tax of 0%–22%; (ii) reduced excise duty for increasing the use of local raw material; and (iii) exemption from customs import duties for plant, machinery, equipment and parts.

The Ghana Investment Promotion Centre (GIPC) is the country's single window for all investors, domestic and foreign. It is the government agency in charge of showcasing Ghana as an influential leader for doing business in Africa. In addition to providing comprehensive and up-to-date information on the type of investment incentives, their eligibility criteria, and relevant laws and regulations, the centre is a place to register a business and most administrative procedures can be done there.

In summary, the Ghanaian economy's dynamism, resilience, vibrancy and innovative drive, along with the high quality and low cost of labour and energy and the business environment's friendliness and conduciveness (among the best in Africa), constitute key reasons why Ghana should undoubtedly be counted as one of the most favourable African destinations for foreign investors.

INVESTMENT OPPORTUNITIES

There are various investment opportunities in Ghana CTA value chain.

African textiles have gained an international reputation for their patterns, but national branding had not been promoted heavily in the past. Promoting high-quality, traditionally designed fabrics as 'Made in Ghana' would appeal to the niche US markets that manufacturers are beginning to serve (Ghana Investment Promotion Centre).

The main markets for the Ghanaian textile industry are the United States, Europe and West African subregion. These markets offer investment opportunities in the following sectors:

- **Commercial framing**
  - Currently, there are no decent commercial cotton farms in Ghana, but there is sufficient arable land and the right farming conditions in the north of the country.
- **Production**
  - Efficiently designed and operated cotton production facilities could be set up for production for the US market under the AGOA regime.
- **Marketing and distribution**
  - Globally respected textile and apparel markets are needed to take the Ghanaian CTA industry to the next level.
- **Technology and supporting services**
  - The right technology is needed to make the entire CTA industry more efficient.

Limited national data is available from Ghana Statistical Services on the country's capacity in the CTA value chain (see Tables 20–24).

Table 20: Ghana's knit fabric capacity (tons)

YEAR	CAPACITY
2018	8 262.32
2019	1 182.99

Source: Ghana Statistical Services.

Table 21: Ghana's dyeing and finishing output

YEAR	CAPACITY
2011	1 272
2012	19 254.45
2013	125.36
2014	10 801.19
2015	3 361.53
2016	2 877.08
2017	1 796.78
2018	Data not available
2019	4 134.64

Source: Ghana Statistical Services.

Ghana's finishing and dyeing capacity fluctuated in 2011–19. This is mostly due to other factors in the value chain, such as supply of raw material and demand for finished products, which govern the industry's production volume. Table 22 does not depict the actual capacity of the CTA sector, but its output as conditioned by economic and market forces.

Table 22: Ghana's dyeing and finishing capacity

YEAR	CAPACITY
2011	3 793.25
2012	2 742.15
2013	2 404.48
2014	1 416.63
2015	39 523.75
2016	267 569.86
2017	236 113.01
2018	54 180.54
2019	27 410.86

Source: Ghana Statistical Services.

Table 23: Ghana's cotton yarn (tons)

YEAR	CAPACITY
2011	15 834.75
2012	48 614.09
2013	33 822.27
2014	30 245.56
2015	51 677.16
2016	6 307.83
2017	6 542
2018	11 121.69
2019	7 174

Source: Ghana Statistical Services.

The volume of lint produced in Ghana has fluctuated since 2011 (Table 23). From its highest volume of 51, 677 tons in 2015, the total production declined to approximately 7,000 tons in 2019. The causes of the unstable production volume and constant decrease are not known. From our interview with stakeholders across the country, we ascertained that lint production is not a profitable business in Ghana for various economic reasons; chief among them is the strong competition the industry faces from cheap imported lint from China.

Table 24: Farming capacity

AREA FARMED	Area cultivated (ha)
2016/17	3 434
2017/18	4 599
2018/19	3 529
2019/20	3 643

Source: Cotton companies in Ghana.

Even though the total area of cotton farms cultivated in Ghana has been overall stagnant since 2016, 2017 saw an increase of 34% in the total farmed space, to 4,599 hectares. The average national area cultivated has remained less than 4,000 ha in 2018–20.

Table 25: Volume of cottonseed planted

SEEDS	Volume of cottonseed (ton)
2016/17	4 073
2017/18	3 492
2018/19	2 619
2019/20	2 439

Source: Cotton companies in Ghana.

The average area cultivated did not grow significantly in 2016–20. Thus, the total volume of cottonseeds planted has constantly declined in the last four years, from 4,000 tons in 2016 to 2,400 tons in 2019/20.

Table 26: Average yield kg/ha

YIELD	Average yield (kg/ha)
2016/17	1 186
2017/18	817
2018/19	807
2019/20	651

Source: Cotton companies in Ghana.

TEXTILES AND APPAREL INDUSTRY OVERVIEW IN GHANA

Ghana's modern textile industry began in the early 1960s. A number of textile manufacturing factories were established by both the state and private investors following the adoption of government policy of import substitution after independence. Initially, the industry was mostly in the hands of foreign-owned firms, but subsequent government policies, especially in the mid-'70s, led to increased state participation.

Textile firms in Ghana:

- Ghana Textile Manufacturing Company (GTMC), Tema;
- Ghana Textiles Printing Company (GTP), Tema;
- Akosombo Industrial Company Limited, Akosombo;
- Tema Textiles Limited (TTL), Tema;
- Juapong Textiles Limited (JTL), Juapong.

Ghana's textile industry is mainly concerned with the production of fabrics for use by the apparel industry and for the export market. The subsector is predominantly cotton-based, which goes through a process to be engaged by the textile industry (see Figure 12), although the production of man-made fibres is also undertaken on a small scale.

Figure 12: Cotton processing in Ghana

FARMING	GINNING	SPINNING	WEAVING AND DYEING	PRINTING	FINISHING

Cotton-based textile products					
African prints	Wax	Java	Fancy	Bed sheets	School uniforms

Cotton-based textile products				
Household fabrics	Curtain materials	Kitchen napkins	Diapers	Towels

Source: Primary information.

There are also a number of small firms that hand-print their own designs onto bleached cotton fabrics, also known as tie dye or batik cloth.

Also, traditional or indigenous textiles such as Kente cloth (traditional woven fabric), Adinkra cloth (traditional hand-printed fabric) and other types of woven fabrics used for various purposes such as smock making, etc. are offered on the Ghanaian market.

Ghanaian textile companies prefer to locate within designated industrial areas to take advantage of Ghana's free zone regime and stable operating environment. Ghana's textiles industry includes vertically integrated mills, horizontal weaving factories and the traditional textile manufacturing firms involved in spinning, hand-weaving and fabric processing.

The industry is supported by national vocational training institutes throughout the country. The institute provides basic practical and theoretical training in tailoring and dressmaking. There are also a growing number of private fashion design institutes and internationally acclaimed designers who teach latest techniques to aspiring textile designers.

The government initiated various policies aimed at restructuring and improving the textiles industry. The objectives include:

- Increase of employment opportunities for the growing population;
- Expansion and diversification of the economy;
- Promotion of domestic and foreign investment (http://www.gipcghana.com/2020).

Textile production activities have been transmitted from one generation to the next. Despite the advent of modern, more efficient technologies, archaic local technologies for spinning and weaving are still in existence.

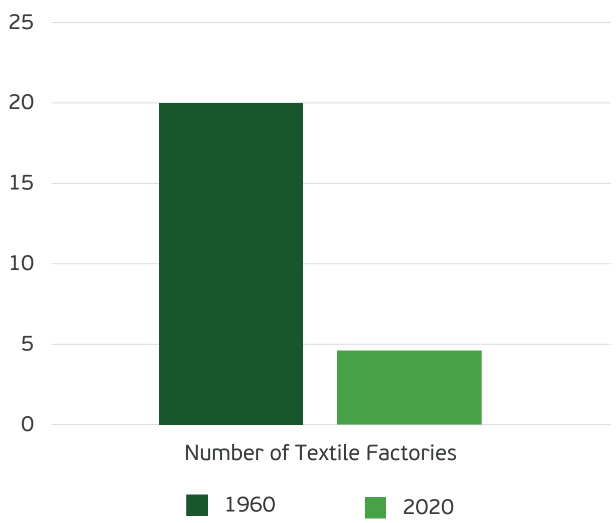
The CTA industry in Ghana has gradually declined in terms of growth and development. From more than 20 large-scale textiles factories established in the mid-1960s that employed more than 25,000 Ghanaians, the country now has only four textiles factories employing less than 2,500 workers. Available statistics from the Ghana Investment Promotion Centre indicate that the country's total industry output was 129 million yards in 1977. This declined to 44 million yards in 2009 and 42 million yards in 2011.

The textile industry was previously dominated by foreign-owned firms, but a shift of government policies in the mid-1970s led to increased state participation in the subsector. However, due to inconsistent government policies, textiles production declined in Ghana. As a result, since 1982, the textiles subsector started operating at extremely low capacity. Consequently, more than half of the factories in the industry closed, deteriorating the situation further under the trade liberalization policy, which formed part of the Ghanaian Government's Structural Adjustment Programme pursued in the 1980s and 1990s.

The trade liberalization reforms paved the way for increased importation of textiles and other apparel, which hastened the demise of many textile factories in Ghana. Maintained by increased trade liberalization, the Ghanaian textile and garment industry grew steadily during the first decade of the twentieth century, and the apparel industry experienced volatility in recent years, with exports falling to a historic low in 2016.

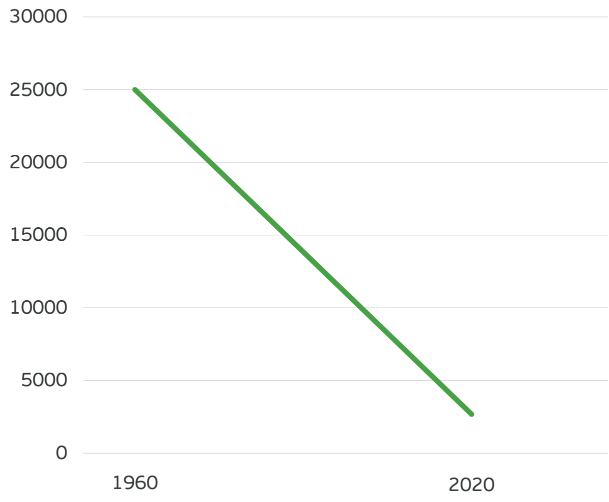
From the early 1960s to 2020 (Ghana Investment Promotion Centre; Figure 13), there was a sharp decrease in the number of CTA factories in Ghana. This caused the reduction of the labour force in the CTA industry across the country (Figure 14).

Figure 13: Number of major CTA factories in Ghana



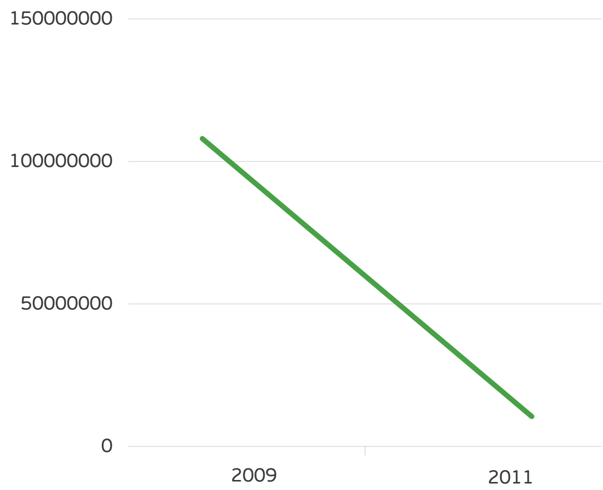
Source: Ghana Investment Promotion Centre.

Figure 14: Number of textile sector workers in Ghana



Source: Ghana Investment Promotion Centre.

Figure 15: Ghana CTA annual output



Source: Ghana Investment Promotion Centre.

REGIONAL PRODUCTION OF TEXTILES AND GARMENTS

Table 27: Textile production capacity of major textile companies

COMPANY	QUANTITY PRODUCED (YARDS)			
	2010	2011	2012	2013
Akosombo Textiles Limited (ATL)	5 000 600	7 123 000	7 320 000	5 600 000
Ghana Textiles Printing Company Limited (GTP)	8 542 000	9 885 000	8 650 000	6 500 000
Printex	10 000 000	13 500 000	9 000 000	7 000 000

Source: Ghana Ministry of Trade and Industry.

Textiles and garment production is common in the Ashanti, Greater Accra, northern and Volta regions of Ghana. Textiles production consists principally of a few large companies and many SMEs, and the apparel industry is mainly made up of SMEs across the country.

Kente weaving has the heaviest concentration in the Ashanti and Volta regions. Overall, Kente is generally worn on festive occasions.

The northern region is known for its production of Fugu, a heavy fabric that, like Kente, is woven on handlooms and produced mainly for making men's smocks and blankets, etc.

In Greater Accra, there are several ginneries and textile mills producing batik, wax cloth, fancy printed cloth and Kente cloth.

Ghana's textile industry produces fabrics for the local garment industry and for the export market.

GARMENTS

Ghana's garment industry has two distinct products: Afrocentric and standard. Afrocentric or traditional African clothing is made of local design and is produced by many small enterprises, tailoring shops and seamstresses. The cloth used for these standard garments is usually imported. Companies operating in the 'standard' category produce large volumes of specific garments such as shirts or trousers for export. Currently, there are only three garment companies operating under the Ghana Free Zones Authority.

Products the garment industry produces include shirts (T-shirts; long/short-sleeve shirts), blouse/skirt, overalls, police/army uniforms, trousers, caps/headgear and children's wear (woven and knit).

TEXTILES AND APPAREL VALUE CHAIN AND KEY STAKEHOLDERS

Reputable surveys rate Ghana as one of the most attractive locations for doing business in Africa. However, in view of the government's policy to make Ghana the gateway to West Africa, serious efforts are still being made to make the business environment friendlier, thereby reducing occupancy costs for commercial and industrial properties and the general cost of doing business in Ghana.

In the textiles and garments sector, Ghana has the advantages of a relatively cheaper raw materials base and expanding cotton production levels, and actively supports the sector's development, with facilities such as a garment village and training centres.

1. Stable political environment

Ghana is a politically stable country. There have been seven successful general elections since 1992, when the country returned to democratic governance.

2. Macroeconomic policies

The Government of Ghana has initiated several sound macroeconomic policies designed to accelerate the economy's process of growth and transformation under competitive conditions. Ghana's annual inflation rate was 10.3% in February of 2021, from 9.9% the previous month. Prices advanced faster for non-food products (8.8% vs 7.7% in January), housing and utilities (23.4% vs 19%). Meanwhile, food inflation slowed somewhat (12.3% vs 12.8%). On a monthly basis, consumer prices were up 0.8%, after increasing 0.9% the previous month (Ghana Statistical Services).

3. Foreign ownership

In the ongoing privatization programme, 100% foreign ownership is permitted.

4. Access to ECOWAS market

Ghana is easily accessible to the markets of all ECOWAS member States, with its population of approximately 250 million people. Ghana hosting the AfCFTA opens the market for the trading of goods and services with other African countries. This will ensure quality in production and services so that the Ghanaian trader will have the upper hand in the market.

5. Good physical infrastructure

Ghana possesses a well-developed seaport, airports and road networks. Upgrading of the rail network is currently ongoing to make it easy to get to the ports from inland. Telecommunication facilities are excellent, with more private service providers offering telephone, internet and other telecommunication services.

INFRASTRUCTURE AND TRANSPORTATION NETWORK

Basic utilities such as water and electricity are readily available relatively cheap.

Table 28: Electricity cost in Ghana

Public Utilities Regulatory Commission (PURC) approved electricity tariff as of January 2021:	
COMMERCIAL AND INDUSTRIAL BULK POWER RATE	
POWER USAGE in kWh	RATE in Ghs
0–100	0.7979
101–300	0.7979
301–600	0.8491
6001+	1.3398
Service charge/month	12.4283

Source: PURC, 2021.

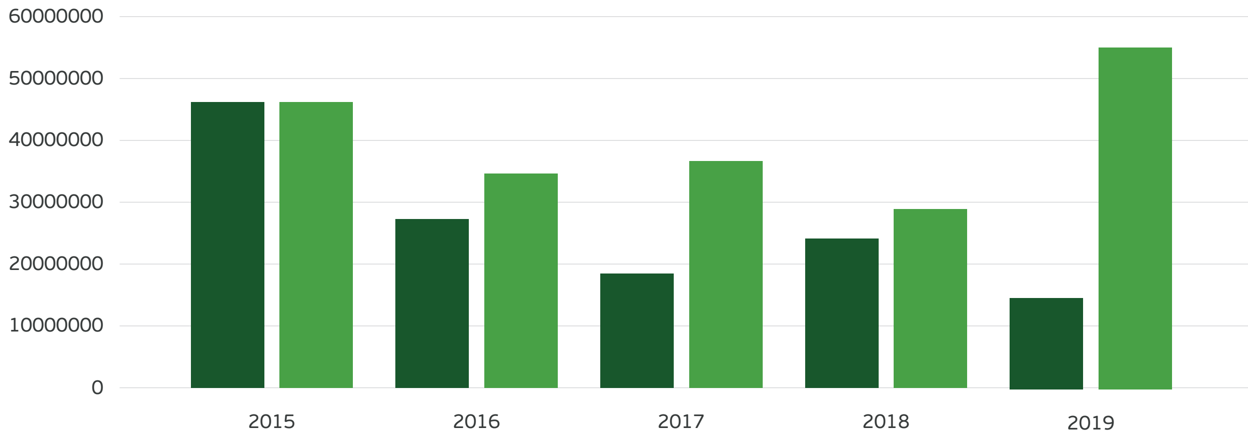
Table 29: Water tariff in Ghana

APPLICABLE TARIFFS FOR GHANA WATER COMPANY LIMITED (GWCL), DENOMINATED IN GHANA PESEWAS (GHp)		
CATEGORY OF SERVICE	SERVICE CHARGE/Month /GHp	COST/ 1000LITRES/ Month/GHp
COMMERCIAL	600.000	923.0390
INDUSTRIAL	600.000	1111.8338
SPECIAL COMMERCIAL	600.000	5607.5588

Source: Ghana Water Company Limited; effective January 2021.

The cost of electricity and water is relatively affordable compared to other countries in the region. The biggest challenge faced by businesses in Ghana is the lack of reliable electricity and water. Electricity and water are often disconnected, rendering business operations difficult and unpredictable.

Figure 16: Textile production in Ghana (export and import)



	2015	2016	2017	2018	2019
Weight: Kgs	46 749 206	27 819 822	18 737 228	24 300 285	15 453 166
Value: US $	46 536 855	34 973 034	37 043 252	29 263 349	55 717 012

Source: Ghana Export Promotion Authority.

AVAILABILITY OF SKILLED LABOUR AND CTA VOCATIONAL TRAINING INSTITUTIONS

The National Vocational Training Institute (NVTI) is the main government training institute that provides skills to the CTA sector. This provides demand-driven employable skills and enhances the income-generating capacities of basic and secondary school leavers, and other persons through competency based apprenticeship, master craftsmanship, testing and career development programmes.

There is also a National Trade Testing Committee, which advises the department on all matters related to standards, trade testing and certification in accordance with the National Vocational Training Board (Trade Testing) Regulation 1971 (LI 715).

There are other private institutions and individual workshop centres that also train skilled workers for the industry.

Textile and garments exports recorded a marked increase in value in 2019. The 2020 data is not yet available to explain this trend.

GHANA'S MAIN COMMERCIAL PARTNER COUNTRIES

The top partner countries to which Ghana exports textiles and clothing include the United States, Burkina Faso, Morocco, Cote d'Ivoire and Benin, and the top countries from which Ghana imports include China, India, the United Kingdom of Great Britain and Northern Ireland, the Kingdom of the Netherlands, and Viet Nam.

Ghana meets the AGOA eligibility criteria, including progress towards the establishment of a market-based economy, rule of law, economic policies to reduce poverty, protection of internationally recognized worker rights and efforts to combat corruption. While the US Generalized System of Preferences (GSP) covers approximately 4,600 products, AGOA expanded the list to approximately 6,400 products, including textiles and clothing.

Industrial stakeholders and textile manufacturers currently operating In Ghana

Volta Star Textiles Limited (VSTL)

In July 2015, as one of the action items after a meeting with Vlisco in Eindhoven, Netherlands, three officers from the Ghana Investment Promotion Centre visited Volta Star to ascertain the company's challenges and how the centre can help to attract an appropriate partner for the company. The company produces the grey baft on which Vlisco prints its textiles. Vlisco complained that the company was not producing enough to meet its demands.

Textiles Ghana Limited, now known as Ghana Textiles Printing Company (GTP) entered into a tolling agreement with Volta Star Textiles Limited to produce and supply their factories with high-quality grey baft for printing of their textiles. Most importantly, the GTP would supply Volta Star with the cotton for production, which is mostly purchased from Burkina Faso, Cote d'Ivoire and some stock from Ghana.

There are challenges with electricity, water, labour and fuel affecting the country. Amid increases in water, fuel and electricity cost, labour cost is also soaring, with employees demanding pay increases to offset the rising cost of living. For example, the average electricity cost per month for the entire facility (production factory, offices and living quarters) is approximately GHC 500,000, which represents up to 25% of its total revenue in a month. The factory's wage bill is similar every month.

To become profitable in the short to medium term and economically sustainable in the long term, Volta Star Textiles must purchase raw materials (i.e. cotton, chemicals and spare parts) for production. It cannot be overstated that the current agreement with the GTP keeps it in business, marginally breaking even every year. It requires a significant capital injection of approximately GHC 10 million or more, which management is still working on securing from a number of financial institutions.

Its total employment is 1,373, with approximately 200 expected to leave by the start of the academic year for tertiary institutions. Total installed capacity is 21 million yards annually, but it is currently operating at approximately 50% capacity.

In mid-May 2015, newspaper reports indicated that the Electricity Company of Ghana had cut power supply to Volta Star. Volta Star owned bills of more than GHC 20 million. The company's workforce of 1,373 faced imminent redundancy, as work had been stopped. Although there is huge potential for the company to grow, the challenges make it difficult for the company to make a profit. Help is needed to boost their activities and any interested investor will be welcomed to explore opportunities with them.

ARTISANAL STAKEHOLDERS

In Ghana, artisanal CTA stakeholders are mainly small Kente producers from the Ashanti and Volta regions.

Social changes led to significant opportunities in how Kente is used. It is no longer only the privilege of royalty; anyone who can afford it can buy it. Kente usage has found other forms, such as dresses, shirts or shoes. The popularity of Kente clothes brought new market segments to the sector. However, printed versions of Kente were introduced, which are mass produced in China and marketed in Ghana. The introduction of the cheap version of the real Kente has diluted its value and put a downward pressure on the local small stakeholders' profitability.

INFRASTRUCTURE AND TRANSPORTATION NETWORK

The transportation and communications networks are not evenly distributed. They are mainly located in the southern regions, especially the areas in which gold, cocoa and timber are produced. The northern and central areas are connected through a major road system.

Road: 'Road transport is especially important to the Ghanaian economy. It is estimated that road transport accounts for 96% of passenger and freight traffic in Ghana and about 97% of passenger miles in the country' (Ghana Investment Promotion Centre). Road transport in Ghana can be categorized into four main segments, namely urban, express services, rural–urban and rural. The demand for urban passenger transport is mainly by residents commuting to work, school and other economic, social and leisure activities. Most urban transportation in Ghana is by road and provided by private transport, including taxis, minibuses and state/private-supported bus services. Buses are the main mode of road transport, accounting for approximately 60% of passenger movement. Taxis account for only 14.5%, with the remaining accounted for by private cars (PwC: Africa Gearing Up, Ghana). The majority of the cotton produced in the northern region is transported by road to the capital, Accra, either directly or via water transport by Lake Volta to Akosombo, then to Accra by road.

Railways: A triangular rail network (of 950 km) links Kumasi in the heart of the country, Takoradi in the west and Accra–Tema in the east. The network connects the main agricultural and mining regions to the ports of Tema and Takoradi. It mainly serves the purpose of hauling minerals, cocoa and timber. Considerable passenger traffic is also carried on the network. The government has firm plans to develop the rail network more extensively to handle up to 60% of solid and liquid bulk cargo haulage between the ports and the interior and/or the landlocked neighbouring countries to the north and elsewhere. Once the railway network is improved and extended to the northern region, it will help to improve the efficient haulage of cotton products in Ghana.

Air travel: Ghana is at the hub of an extensive international (and national) airline network that connects Ghana to Africa and the rest of the world. Most major international carriers fly regularly to Kotoka International Airport (KIA) in Accra, the main entry point to Ghana by air. This is the result of Ghana's open skies policy, which frees an airspace regulator from the constraints on capacity, frequency, route, structure and other operational restrictions. In effect, the policy allows the Ghana Civil Aviation Authority (GCAA) to operate with minimal restrictions from aviation authorities, except in cases of safety and standards and/or dominant position to distort market conditions. Ghana is working to position itself as the gateway to West Africa. KIA remains the leading and preferred airport in the subregion, having attained Category One status by the US Federal Aviation Administration (FAA) audit as part of their International Aviation Safety Assessment (IASA) programme.

Water transport: Lake Volta is the largest man-made lake in the world, stretching 415 km from Akosombo 101 km north of Accra, to Buipe in northern Ghana, approximately 200 km from Ghana's border with Burkina Faso. As a waterway, Lake Volta plays a key role in the Eastern Corridor Development Programme by providing a useful and low-cost alternative to road and rail transport between the north and south. Ghana is in an advantageous position, by virtue of her seaports and inland lake transport system, to service the maritime needs of landlocked countries to the north. Volta Lake Transport Company (VLTC) uses a fleet of pusher tugs and assorted barges to provide regular north–south services for general cargo and liquid bulks, and tramping services for local traders. The VLTC carries 88,000 tons of cargo annually. Northbound, one of the most important cargoes is diesel oil, which is piped to Akosombo from the Tema Oil Refinery and taken to the final destination (Buipe) by barge. Other cargo includes alumina, sulphate, cement, fertilizer, stores and oil products, all of which are conveyed to Akosombo by truck.

Southbound, the barges carry a range of agricultural produce, including cassava chips, cotton lint, cottonseed and shea nuts. These items are trucked south (from Akosombo) to Accra and Tema, from where they are exported.

Tema Port: Both of Ghana's major ports, Tema and Takoradi, are undergoing expansion and upgrade programmes intended to support rising trade volumes and maintain their position as competitive ports for regional traffic. The Ghana Ports and Harbours Authority (GPHA) is also undertaking $423 million in upgrades to Tema and Takoradi. At Tema, this includes installing four rubber-tyred gantry cranes and additional container-handling equipment, character recognition systems that help monitor container and vehicle movement, improving security and efficiency, and a $450,000 trucking village satellite of the port, including parking, offices for processing documentation and maintenance warehouses.

Takoradi Port: Takoradi is Ghana's second port, handling 4.3 million tons of cargo in 2014, approximately 25% of total seaborne trade, according to the Ghana Shippers Authority. However, Takoradi remains Ghana's primary export port, accounting for approximately 70% of outbound seaborne trade, according to the GPHA. This is partly because it is the major port for bulk cargoes such as cocoa, and is located closer to Ghana's main cocoa, gold, bauxite, manganese and oil-producing areas.

Overall, ports in Ghana are still struggling to keep up with the demands of increasing economic activities. Prior to the pandemic, the ports experienced demands that were higher than their capacity, causing congestion and long lines of inbound vessels at the port entrance. If the congestion challenges are not addressed quickly, it could further expose vessels to pirate activities, which are increasing in the Gulf of Guinea waters.

OTHER STAKEHOLDERS IN THE CTA SECTOR

Association of Ghana Apparel Manufacturers (AGAM)	Vision is to make Ghana the preferred apparel, garments, textiles and related manufacturing hub in Africa for major global brands. Website: https://accrachamber.org/directory/association-of-ghana-apparel-manufacturers-agam/
Cotton Development Authority (CDA)	Vison is to promote the production, processing and marketing of cotton locally and internationally
Ministry of Trade and Industry (MoTI)	The objective is to help the sector develop its competitiveness internationally. Website: https://moti.gov.gh/
Ministry of Finance (MoF)	To ensure microeconomic stability and promote sustainable growth. Website: https://www.mofep.gov.gh/index.php/
Coalition of Textile Workers (CTW)	The industry leading CTW connects local SMEs with the most innovative firms and manufacturers. Website: https://ctwghana.com/about-ctw/
Ghana Investment Promotion Centre (GIPC)	Vision is to make Ghana the first destination of choice for investing in Africa by providing seamless one-stop shop high-value-added services. Website: https://gipc.gov.gh/the-centre/
Ghana Export Promotion Authority (GEPA)	The national export trade support institution of MoTI responsible for the facilitation, development and promotion of Ghanaian exports. Website: https://www.gepaghana.org/about-us/about-gepa/

ESTIMATED SECTORIAL COSTS	
COSTS DATA POINTS	COUNTRY DATA
Are there factories shells readily available? Are they for sale/rent?	Yes, and they are available both for sale and rental.
Are there joint venture operations?	Joint venture operations are allowed under Ghanaian business laws and there are many in operation.
Interest rate from banks for industry?	The average policy rate is 14.5% as of 31 March 2021 (Bank of Ghana).
Give a range of costs for industrial land	The cost of industrial land various depending on the location of the land, but the majority are priced in USD and are in the thousands and millions.
Cost of unqualified labour in CTA sector	\$152 per month (World Bank Group). Government data not available.
Cost of qualified labour: mechanics, electricians and quality controller	Data not available.
Fees for expat licences – the duration for processing work permits	Fees = \$1,000 Duration 5–6 weeks

MAIN TRAINING INSTITUTES FOR THE CTA SECTOR
Institute of Textiles & Fashion Professionals Ghana
Kumasi Technical University (Department of Fashion and Textiles)
Accra Technical University
Angilo Institute
GH Fashion School
BlueCrest College
Joyce Ababio College of Creative Design
Accra Technical Training Center

CTA POLICIES

Table 30: Cotton zones in Ghana		
Strategic investor	Zone	Districts
Olam Cotton	North Western	Wa, Nadowli, Kaleo, Jirapa/Nandom, Lawra, Sissala East and Sissala West
Armajaro Cotton Ghana Ltd	North Central	Yendi, Tolon-Kumbungu, Savelugu. Central Gonja, West Gonja, Bole, East Gonja
Wienco Cotton (WC)	North Eastern	West Mamprusi. East Mamprusi, Bunpkrugu, Saboba, Chereponi

To revive cotton production, the Government of Ghana launched the White Gold campaign in 2011 and adopted a policy where strategic investors are invited to assist in reviving the cotton industry, to create jobs and to increase smallholder farmer household incomes in northern Ghana. Three strategic investors were identified and the cotton zone in northern Ghana was divided into three – North Western, North Central and Eastern Zones and apportioned among the strategic investors (Olam, Armajaro Cotton Ghana Ltd (ACGL) and Wienco Cotton as per Table 30.

COTTON DEVELOPMENT AUTHORITY (CDA)

The most recent institutional arrangement that the government has put in place to revamp the cotton industry is the Cotton Development Authority (CDA) to regulate the cotton industry. More than a year after its inauguration, the CDA's impact is yet to be noticeable.

Favourable policy environment

Through the Ministry of Food and Agriculture (MoFA), the government developed the Food and Agriculture Sector Development Policy (II) (FASDEP) document, which outlines strategies and programmes to develop the cotton sector in the long term. In the medium term, the objectives are to increase the availability of improved planting FASDEP materials, adoption of improved agronomic practices and expansion of average farm size per holder. In addition, the outgrower–nucleus farmer linkage will be strongly promoted as a way of improving smallholders' access to credit. The government has also solicited the assistance of the French Government through the French Development Agency (AFD) to develop the sector.

The government initiated various programmes aimed at restructuring and improving the textile and garment industry. These programmes were intended to enable the industry to take full advantage of AGOA and increase employment opportunities for the growing population, expand and diversify the economy, promote domestic and foreign investment, and stimulate exports. Some of the national economic policies aimed at stimulating the sector include:

- Textile/garment cluster network: The SPINnet Textile and Garment Cluster was formed by the government in collaboration with United Nations Industrial Development Organization (UNIDO) to bring together micro, small and medium-scale operators in the textile industry. The cluster was formed to address the problems faced by the subsector. Since its inception, the cluster has assisted with training, mass production strategies, subcontracting, upgrading of technical and marketing/managerial skill of members, and financial support.
- Textile/garment training centre: This is a training centre or laboratory established by the government in collaboration with UNIDO to be used to upgrade the skills of textile and garment industries that take advantage of AGOA and exports in other destinations. The industry is also supported by 21 national vocational training institutes, which provide basic practical and theoretical training in tailoring and dressmaking.
- President's Special Initiative – Export Action Programme for Garments and Textiles: This is a special government initiative designed to enhance private sector growth and development within the president's vision of creating a 'Golden Age of Business' in Ghana.
- New administrative procedures: In view of the threat to Ghana's textile industry, new administrative procedures for importing textile print into the country were introduced. Takoradi port has been identified as the single designation for textile imports, which means that all goods will be physically examined by Customs Excise and Preventive Service. Also, an Economic Intelligence Task Force comprising security services and public and private sector institutions was to be set up to check trade malpractices, including textile products. The government has also proposed to establish a consumer protection authority and small claims courts to address consumer complaints.

SWOT ANALYSIS FOR KEY STAKEHOLDERS

Strengths	Weaknesses
▪ Increased government focus on the sector: This will provide additional momentum to the sector and will create increased interest from local stakeholders and potential investors. ▪ Advanced manufacturing facilities: The creation of a modern industrial park near Tema that will accommodate new and improved CTA manufacturing hubs. ▪ Export-oriented sector: Government's 10-year plan is to generate $100 billion in export and 200 thousand in jobs; AGOA offers important exports opportunities to toward the United States. ▪ Skilled labour development: Specialized training centres supplement national vocational institutes to sharpen the local CTA labour force's skills. ▪ Tax incentives: Elimination value-added tax (VAT) on all local CTA manufacturers.	▪ Inefficient farming practices: In Ghana, farming is still smallholder farmers' business, including cotton farming. There are low cotton yields due to poor-quality planting seeds, untimely land preparation, poor pest control and inadequate use of fertilizers and manure. ▪ High production costs: All the business costs are quite high with respect to farm inputs (spraying, weeding, harvesting and use of pesticides) or manufacturing costs (power and fuel). Thus, domestic product loses its competitiveness. ▪ Poor and unreliable infrastructure: The country still has a long way to go in developing reliable infrastructure. Some roads in the rural areas are in bad condition and create added costs to transport the goods to the capital. In addition, textile and garment factories face unreliable power supply with frequent power outages and high fuel cost needed to power backup generators. ▪ High cost of credit. ▪ Absence of integrated supply chain.
Opportunities	**Threats**
▪ High demand potential: Enduring demand for cotton fabrics and textiles due to rising population, increasing income, and changing consumer patterns in preference for cotton textiles and apparel. ▪ The African fashion revolution: The younger Ghanaian population is increasingly attracted to fashions and styles made in Ghana by local Ghanaian artisans. The fashion hub of Accra is bursting with local artisans and designers, all of whom specialize in reinventing traditional Kente or Fugu clothes with a modern twist. ▪ Value-addition opportunities: There are a lot of opportunities to make value-added products, particularly for the export markets targeting the African diaspora, specifically in the United States and Europe. These include items such as creative embroidery and other design elements that could not be easily counterfeited. This will bring in incremental revenue to the CTA sector and the Ghanaian economy. ▪ Changing demographic. ▪ Increased domestic consumption.	▪ Competition from second-hand clothing: High amounts of second-hand clothing are imported, which poses a big threat to the CTA economy. ▪ Smuggled and counterfeit goods: A lot of cheap textile products are smuggled from neighbouring countries, especially from Togo, to Ghana. Togo has free ports that have been invaded by counterfeits, mostly coming from China. ▪ High dependency of select markets on exports: Ghana's garment industry's strategy is mainly dependent on the US market thanks to AGOA. ▪ Foreign competition. ▪ Globalization and liberalization.

3.4. SENEGAL

COUNTRY OVERVIEW

Senegal, known as the 'land of hospitality', is the westernmost point of mainland Africa. This coastal hub stands at a crossroads between Africa, Europe and the Americas. It shares borders with Mauritania, Mali, Guinea, Guinea-Bissau and Gambia. As part of the Sahel, its climate is semi-arid, mostly in the north, although there is a rainy season between July and October. Senegal is divided into 14 administrative regions and 45 provinces. Most of the 16.3 million Senegalese (70%) live in the coastal part of the country, with 48% in urban areas. Important cities include Dakar, the capital (home to 23% of the population), Thiès (13.3%), Diourbel (11.1%) and Saint-Louis (6.7%). Saint-Louis, and then Dakar, used to be the economic and political capitals of the French West Africa Colony (*Afrique Occidentale Francaise*). After gaining independence in 1960, the country went on to become a peaceful and stable presidential republic, with a renowned democratic social and political system. The country prides itself on being one of the oldest and strongest democracies on the continent, with a multiparty system starting in 1975, and fair and free presidential elections have led to two peaceful transitions of power in 2000 and 2012. The cultural setting is rich and diverse. In addition to French, the official language, Senegalese speak 36 languages (that are also associated with ethnic groups), Wolof being the most widely spoken.

Senegal – key facts	
Capital city	Dakar
Area	192,530 km^2
Population, total	16.3 million
0–14 years	*42.8%*
15–65 years	*54.1%*
Youth literacy (15–24 years)	69.5%
Male	*75.6%*
Female	*63.5%*
GDP (nominal)	$23.6 billion
GDP growth (real, 2014–19)	6.4%
FDI, inflows	$4.2 million
Gross domestic private investment	$5.8 billion
Employment–population ratio (+15 yrs)	42.7%
Employment–population ratio (15–24 yrs)	25.8%
Exports of G&S, 2014–19 (billion USD, 2019)	22.8% GDP (5.4)
Main exported commodities	*Mineral fuels and oils; pearls, precious stones and metals; fish and crustaceans*
Imports of G&S, 2014–19 (billion USD, 2019)	37.7% GDP (8.9)
Main imported commodities	*Mineral fuels and oils; cereals; vehicles*
Inflation (%)	1.8%
Bank credit to private sector (% GDP)	29.3%
Govt. expenditure	$5.7 billion
Govt. revenue	$4.8 billion
Total public debt	$15.1 billion
Currency	XOF franc (XOF)
Languages	French (official), Wolof, Mandinka, Jola (Diola), Pular, Serere

Note: Data is for the most recent years.

Source: World Bank; IMF; UNCTAD; Comtrade.

BROAD ECONOMIC OVERVIEW

A COMPETITIVE AND INNOVATIVE ECONOMY

Senegal ranked 114th in the 2019 Global Competitiveness Index, with an overall score of 49.7/100. It is the 10th most competitive economy in Africa and 3rd in West Africa, largely thanks to its strong and historically renowned institutions (86th worldwide, 8th in Africa and 2nd in the West African subregion), its high-quality infrastructure network (2nd), the quality of the health system and the depth of its financial system (3rd).[43]

Moreover, the 2020 Global Innovation Index ranks Senegal the 2nd most innovative economy in West Africa (11th in Africa, 102nd globally), with a score of 23.7/100. Its top-ranked technology and institutional quality and knowledge outputs and 2nd-ranked market sophistication in the subregion, have contributed to this relatively strong innovative drive.

FAIRLY GOOD INFRASTRUCTURE QUALITY

The World Bank's Logistics Performance Index ranks the country 141st globally, 33rd in Africa and 10th in the West African subregion, with a score of 2.25/5. The logistics environment's most favourable dimension is the efficiency of the customs clearance process. The 2020 Africa Infrastructure Development Index of the African Development Bank ranks it higher, at 15th in Africa, and 4th in West Africa, with an overall score of 29.2/100. This is mainly due to the density and quality of its transport infrastructure system.

GOOD ENVIRONMENT FOR DOING BUSINESS

In terms of ease of doing business in the country, the World Bank ranks Senegal 123rd worldwide, 20th in Africa and 4th in West Africa, with an overall score of 59.3/100. While starting a business involves only four procedures (second fewest in Africa) and takes only six days (second lowest in the subregion), the time it takes to comply with border and documentary requirements when trading across borders is the lowest in the subregion (9th in Africa). However, *Forbes Magazine* ranks it higher, as the 100th Best Country for Business in the world, the 12th in Africa and the 2nd in West Africa.

INVESTING AND DOING BUSINESS IN SENEGAL

ONE OF THE FASTEST-GROWING ECONOMIES IN AFRICA

The Senegalese economy, with a GDP of $23.6 billion, is the fourth largest in West Africa and the 17th across the continent. It has enjoyed a relatively strong economic growth, averaging 6.4% in 2014–19 (the 3rd highest in the subregion and 4th in Africa). The services sector continues to be the largest contributor to GDP growth and, on the demand side, investment and exports are the strongest drivers of growth. The ongoing COVID-19 pandemic reduced growth to 1.1% in 2020, but the economy is expected to rapidly return to its buoyant growth trajectory, with GDP growth projected at 6% in 2021 and a historic 12.2% in 2022 when extraction of newly discovered gas and oil reserves starts, effectively opening up unparalleled opportunities for investment, trade, growth and economic development.

A COMPETITIVE BUSINESS ENVIRONMENT

The country's business environment has been greatly improved as a result of approximately 50 reforms in the last few years. They have resulted, for example, in a reduced cost of starting a business, with a paid-in minimum capital requirement of XOF 25,000 (less than $50), representing 37% less than the continental average. The process involves only four procedures with the one-stop shop (*Agence de Promotion de l'Investissement et des Grands Travaux* – APIX):

(1) Deposit the founding capital with a bank (*compte de société en formation*) or through a public notary; once the registration is complete, the account will be liberated;

(2) Check the availability of the company name;

(3) Notarize company by-laws and bank deposit of subscribed capital; the involvement of a notary is required, and he/she can be asked by the company to complete additional formalities requested during registration;

(4) Register the business at the one-stop shop, which specifically involves (i) registering the company bylaws with the tax authority and the commercial registry (*Registre du Commerce et du Crédit Mobilier* – RCCM); (ii) getting the company identification number (NINEA[44]); and

43 'Subregion' here means West Africa (ECOWAS), while 'region' refers to the African continent as a whole.

44 National Identification Number of Companies and Associations.

(iii) registering workers and commencement of operation with the labour authority. Two additional procedures are: registering with social security (*Caisse de Sécurité Sociale* – CSS) and the pension fund (*L'institution de Prévoyance Retraite du Sénégal* – IPRES).

Obtaining a **construction permit** generally costs 7.8% of the warehouse value. The latter is estimated at XOF 41 million ($74,500). A total of 14 procedures are involved and they take 177 days to complete.

As in all the other business-related formalities, foreign investors are guaranteed **equal treatment** compared to their national and West African counterparts, and **visa rules** guarantee a duration of stay for expatriates that matches that of the business or the employment.

Labour force is estimated at 4.26 million individuals. The country scores 0.42 on the World Bank's Human Capital Index (13th highest in Africa, 2nd in the subregion), which indicates the extent of labour productivity as a result of education and health. The minimum wage is XOF 89,730 ($170), and monthly salaries typically range from an average of XOF 88,600 ($161.1) to XOF 1,560,000 ($2,836.4).

Electricity supply is considered the most reliable and the tariffs the most transparent in West Africa (3rd in sub-Saharan Africa), according to the latest World Bank's Doing Business survey. It is priced at an average of XOF 100.1 ($0.18) per kWh.

Water is readily available, with an estimated 75% of the population having access to at least a basic water source (91% in urban areas). The average tariff is XOF 419 ($0.76) per cubic metre, with XOF 372 ($0.68) for household and XOF 639 ($1.2) for commercial use.

Infrastructure network in Senegal includes a new airport (Blaise Diagne International Airport – AIBD), which replaced the previous, smaller airport. It opened in December 2017 and is located near the town of Diass, 43 km east of Dakar. It is estimated to accommodate 3 million passengers and handle 50,000 tons of cargo and 80,000 aircraft movements annually.

The road infrastructure network is estimated at 14,500 km, of which 4,500 km are paved. It has been greatly improved in the past decade and a half, mostly in Dakar, with a toll highway linking with the nearby regions of Thiès and Diourbel.

The railroad network is made up of a cargo railway between Senegal and Mali, which has been operating since early the 1900s. It comprises 1,287 km, with 641 in Mali, and passengers admitted only on the Dakar–Thiès segment, a passenger train that provides regular commuter services between Dakar and Thiès via its suburb (a capacity of more than 4 million passengers per year), and the newly developed Train Express Regional, inaugurated in 2019, but not fully operating, and linking Dakar and the new airport (with a capacity of 531 passengers on its 1st and 2nd classes.

The port of Dakar is a major transit hub of subregional scope. It has tanker vessel loading and unloading terminals, and a container terminal with a storage capacity of 3,000 20-foot-equivalent units. It is also a cereals and fishing port, and has a dedicated phosphate terminal and a privately run ship repair facility.

The **taxation** system includes payroll tax (with statutory tax rate at 3%), social security contributions (10%) and retirement contributions (8.4%). Additional taxes paid by businesses include corporate income tax on taxable profits (30%), value-added taxes (VAT) (18%), local economic contribution (15% for rental or 20% on owned properties) and interest tax (16% on interest income). In total, taxes and contributions made by companies represent 44.8% of total profits, and involve 53 payments in a typical year. Furthermore, personal income tax is 0% (on annual income less than XOF 630,000) to 40% (more than XOF 13.5 million).

Customs duties follow the ECOWAS common external tariff (CET), which comprises five tariff bands, from 0% (essential social goods) to 35% (specific goods for economic development). Additional measures to protect vulnerable industries and guarantee fair competition in the liberalized subregion include safeguard measures, anti-dumping measures, anti-subsidy and countervailing measures and supplementary protection measures.

The **banking and financial system**, under the framework of the WAEMU, is relatively well structured, open, sound and stable, with: (i) almost 30 banks with a relatively dense web of local branches, moderate interest rates on loans (7.6% average), a system-wide regulatory capital to risk-weighted assets of 13.2%, and relatively low net non-performing loans (5.5% of total bank loans); (ii) a greater number of microfinance institutions; and (iii) a subregional stock exchange market with 65 listed companies (as of June 2021), including FDI companies.

Senegal's banking sector that offers credit to the private sector represents 58.7% of GDP, and has the largest contribution to the economy in the entire subregion. The openness of the banking and financial system means that foreigners and nationals alike can maintain **foreign currency accounts**, and international flows of capitals (including remittances and profit transfers) are relatively free. The **exchange rate** against the euro is fixed at XOF 655.96, reducing the risk and uncertainty associated with unpredictable fluctuations.

Incentives for foreign investors include special economic zones (SEZs). Companies located in one of the three newly developed SEZs in Diamniadio, Diass and Sandiara (on the outskirts of Dakar, close to the new airport, and accessible via the recently built toll highway and the national road) can enjoy special fiscal treatment. This includes an exoneration from all income taxes, 15% business tax in case of positive profit and no tax in case of losses (similarly to newly established firms since early 2020), as well as no import or export duties (except the ECOWAS solidarity tax of 0.5% on imports from third-party countries).

Overall, the competitiveness and innovative drive of the Senegalese economy, the strength and stability of the institutional and legal framework, and the conduciveness of the business climate contribute to making the country a viable destination for foreign investors seeking a favourable destination in Africa.

TEXTILES AND APPAREL INDUSTRY OVERVIEW IN SENEGAL

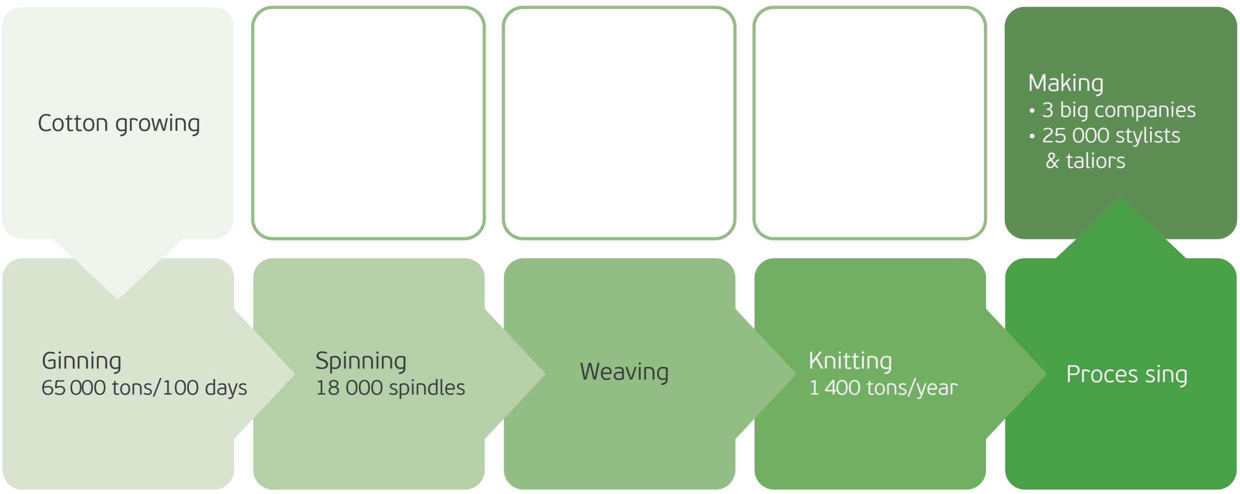
Senegal has a long cotton textile tradition, with a structure responsible for cotton production with, in particular, the supervision of cotton growers, ginning and fibre marketing. There are processing industries that are among the first in West Africa and, as such, exported a good part of their production to the subregion:

- Industrie Cotonnière Africaine (ICOTAF), COTONNIERE DU CAP VERT (CCV) and SOTIBA have produced and exported dyed and printed cotton fabrics in the West African subregion since the 1950s;
- The Industrial Clothing Company (SIV), in the field of artisanal clothing, subcontracted for major European brands;
- Handicraft clothing (tailors) present in all districts of all towns and villages in the country;
- Artisanal dyeing, which mainly occupies women.

With the end of the multi-fibre agreements in 2000 between China and the World Trade Organization, fabrics and textile articles from China have invaded the Senegalese and African markets, putting most of the textile industries in difficulty.

The fiscal and regulatory measures taken by the government to protect and revive the sector have not stopped the decline of some industries. These included the introduction of an import authorization to control competition, abolition of exonerations of import duties and taxes for unbleached fabrics, and raising of the customs indicative value tax for dyes and other auxiliaries.

Figure 17: Cotton value chain



Source: Primary data collected.

According to Association Interprofessionnelle There are very few processing industries and the difficulties encountered by these companies severely penalize the garment subsector. Nevertheless, with the Plan for an Emerging Senegal (PSE) and the government's new industrial policy, some new units such as C&H Garments Senegal and COMASET (Comapany Maroco-Senegalese de Textile) were created, specializing in clothing and mainly targeting the export market.

Table 31: Installations, production and capacities

Machines and installations	Characteristics	Production and capacities	Remarks
Ginning (STAM 129A)	5 ginning companies	65 000 tons/100 days Annual campaign	Yield = 42.5% fibre
Spinning (Marzoli)	18 000 spindles	2 000 tons of yarn	One-third combed Two-thirds carded
Weaving	79 weaving machines (MAV RPC ; 205 cm wide) 81 weaving machines (MAV ST6M ; 205 cm wide) Small artisanal weaving units	Speed: 235 strokes/MN	All weaving factories are shut down
Knitting (Mayer & Stoll)	12 circular machines (Mayer) Two straight line automatic machines (Stoll)	14 000 tons/year in four shifts	80% yield
Printing (Buser)	One rotary printing machine in six colours, with mesh printing device	18 000–22 000 m per eight-hour shift	Width: 200 cm
Piece dyeing	Two automatic jiggers (Funke)		
Knitting treatment (PEGG)	Two atmospheric Jumbos One By-flow	800 tons of knitted fabric per year	Cotton and blends
Yarn treatment	Two autoclaves (Super Hyflow 42) One wringer (whirlwind) One dryer (MITCHELL C/5–6 wagons)	300 tons/year	
Making	Three big companies for export National federation of 25 000 tailors and stylists		

Source: The textile sector in Senegal and Business: Opportunities for Indian industries, Cotton Textiles Export Promotion Council (TEXPROCIL).

Despite the capacities installed, all the weaving factories are shut down. This situation means that actors working downstream of weaving are obliged to import raw materials.

These include garment factories and the many tailors and stylists who continue to import fabrics for work clothes, school uniforms, clothing and furnishings. All sewing accessories like threads, buttons and trims, etc. are also imported. Senegal does not have any units to satisfy this segment of the value chain.

Global market situation

Senegal's textile trade balance is largely in deficit, since imports represent twice the value of exports each year since 2016.

Table 32: Imports of all textile products (2016–20, FOB value in CFA)				
Year	**Yarns, Grey, Fabrics and semi-finished products**	**Garments**	**Second-hand clothing**	**Total imports**
2016	8,634,745,823	7,851,663	4,515,587,264	1,315,818,4750
2017	7,671,946,221	7,341,506	3,419,866,808	11,099,154,535
2018	8,735,163,952	36,913,584	3,524,595,796	12,296,673,332
2019	9,827,774,651	18,173,724	3,813,951,296	13,659,899,671
2020	9,144,898,593	28,460,451	3,042,168,062	12,215,527,106

Source: Senegalese customs.

Table 33: Exports of all textile products (2016–20, FOB value in CFA)				
Year	**Yarns, Grey, Fabrics and semi-finished products**	**Garments**	**Second-hand clothing**	**Total imports**
2016	8,685,123,472	41,247,747	36,549,719	8,762,920,938
2017	8,472,553,181	49,566,334	23,058,785	8,545,178,300
2018	8,023,113,511	41,436,086	20,191,167	8,084,740,764
2019	7,360,570,184	61,047,381	5,840,000	7,427,457,565
2020	6,776,251,293	16,556,500	6,275,000	6,799,082,793

Source: Comtrade

Cotton cultivation employs approximately 19,300 producers grouped into cotton producers' groups (GPSs) (15% are younger than 30 and 9% are women). There are approximately 1,650 GPSs that form the National Federation of Cotton Producers (FNPC). Cotton is grown mainly in the south-eastern part of Senegal. Production and yields depend on climatic conditions, the quality of seeds and agricultural inputs, and the level of mechanization. For the 2020/21 campaign, an improvement in yield is expected, with approximately 1,115 kg/ha, representing a 12% increase.

The Société de Développement et des Fibres Textiles (SODEFITEX) is a para-public limited company with the Senegalese Government as a shareholder with 46%. It deals with the supervision of cotton cultivation, cottonseed ginning and fibre marketing.

Table 34: Production and yields in Senegal for the last six years			
Year of campaign	**Cultivated Area (hectares)**	**Production (tons)**	**Yield (kg/ha)**
2014/2015	20,171	26,546	910
2015/2016	30,578	20,273	663
2016/2017	20,572	15,162	737
2017/2018	19,781	16,379	828
2018/2019	20,744	15,123	729
2019/2020	15,812	15,828	1001

Source: SODEFITEX.

Table 35: Quality cotton – production and prices (2020)			
Cotton quality	**Quantity (2020; tons)**	**Producer price (CFA/kg)**	**Producer price (USD/kg)**
Standard cotton	15 800	300kg	0,55/kg
Organic cotton	35	370/kg	0,68/kg
Fairtrade cotton	700	333/kg	
Yearly turnover		3.5–4 million	6.5 million to 7.3 million

Source: The textile sector in Senegal and Business: Opportunities for Indian industries, Cotton Textiles Export Promotion Council (TEXPROCIL).

The continuous decline of cotton production in recent years is explained by competition from groundnuts, which offers a more profitable price to farmers. Added to this is the abandonment of cotton cultivation by young people in favour of gold panning, which seems less tedious and sometimes offers quick and more substantial gains.

Figure 18: Transport network and infrastructure in Senegal

Source: Netmaps.

SPECIAL ECONOMIC ZONES

Special economic zones are serviced areas dedicated to hosting economic activities designed to offer a range of infrastructure and services that ensure the best conditions for companies to carry out their activities. Businesses, including SEZ promoters/ developers, can benefit from an incentive package that entitles them to tax and customs exemptions. Exempted companies will particularly benefit from the following:

- Right of admission free of all duties and taxes levied at the customs cordon, with the exception of community levies on raw materials, equipment, other goods, and the right to export the same goods duty-free outside the national territory;
- Exemption from the payment of any income tax;
- A 15% tax rate on corporate income tax;
- The possibility to conclude fixed-term contracts for a five-year period;
- Exemption from the flat rate contribution payable by the employer or any other tax based on salaries paid by companies and borne by them;
- An exemption from the flat rate minimum tax on companies.

The Diamniadio Industrial International Platform (P2ID) SEZ brings together on the same site industries with an export vocation and all the necessary services and departments such as banks, customs, transit and logistics, the port, the airport and administrative services dedicated to product export.

There are also six land reserves totalling 750 hectares spread over the territory and intended for the future installation of industries. Industrial Domains and P2ID are managed by Agence d'Aménagement et de Promotion des Sites industriels (APROSI), and SEZs are managed by National Agency for Investment Promotion and Major Projects (APIX).

TEXTILE INDUSTRY

Processing industries include spinning, weaving, knitting and finishing (dyeing, printing and bleaching). In Senegal, processing industries constitute the missing link in the cotton textile/ garment value chain.

Senegal has only two large industrial companies operating in the textile sector: SOTEXKA, belonging to the government and taken on under lease management by the company Domaine Industriel et Textile de Kaolack (DOMITEXKA), and the NSTS Company.

SOTEXKA

The Societe.Testile de Kaolack (SOTEXKA) is the heritage company that owns the textile factory in Kaolack. This plant is currently leased and managed by the private company DOMITEXKA SALOUM. The State of Senegal is the majority shareholder, with 65% of the capital.

It is an integrated factory ranging from spinning to printing and dyeing, including weaving and knitting.

ACTIVITIES AND STRUCTURES

- It is made up of two industrial units located in Kahone (Kaolack Region) for the activities of spinning, weaving, knitting, dyeing, printing and finishing.
- The spinning department, with a capacity of 18,000 spindles, can produce combed and carded yarns.
- The weaving department is equipped with 160 looms with flying needles, allowing to work up to six colours in weft.
- The knitting department is equipped with 12 circular looms and two rectilinear looms offering wide possibilities in jersey, piqué knit and fleece.
- The finishing department is equipped to bleach and dye, print, mercerize and finish.
- The plant, which can be completely autonomous (generator set), has an integrated air suction system and maintenance workshops.

Despite the enormous potential installed, only one dyeing department operates for all other departments.

Table 36: Possible knitting qualities				
Knitted fabrics				
Items	**Descriptions**	**Weight**	**Possible**	**Remarks**
Single jersey	100% cotton yarn count 28/1	140 gsm 160 gsm	●	All weights
Single jersey	100% cotton yarn count 30/1	140 gsm 160 gsm 180 gsm	●	All weights
Single jersey	95% Cotton 5% Lycra or Elasthan	140 gsm 160 gsm	●	Elasthan/Lycra Need to import
Piquee	95% Cotton Yarn county 28/1 double	220 gsm 260 gsm	●	All weights
Piquee	95% Cotton Yarn county 30/1 double	220 gsm 260 gsm	●	All weights
Interlock	100% cotton yarn count 28/1	260 gsm 280 gsm	●	All weights
French Terry One side brunched	100% cotton yarn count 28/1	320 gsm 400 m	●	All weights

Source: African Development Bank.

GENERAL COMPANY INFORMATION

- The company has been under lease management several times without achieving the objectives.
- Tests carried out on the spinning mill at the end of 2020 with the support of the German Agency for International Cooperation (GIZ) proved that the spinning department is functional.
- The weaving department has not worked since 2005.
- Printing can be made to function again. It ran until 2010 with the end of the tenant's contract.

NSTS COMPANY

The NSTS is based in Thiès, 70 km east of Dakar. After a shutdown, it relaunched its weaving activities in 2015, with government support. Approximately 80% of its production is intended for export (mainly to Morocco and some European countries), and the remaining 20% is sold to the local textile industry and artisans. Currently, all production units are shut down and immobilized for economic reasons and financial litigation with the government.

Garment industry

Apart from two bigger companies, this subsector mainly comprises approximately 20 SMEs, moderately structured and grouped within Dakar's industrial area, small workshops operating in the fashion sector, and thousands of individual tailors.

COMPAGNIE TEXTILE DE L'OUEST AFRICAIN (COTOA)

COTOA is one of the oldest textile garment factories in Senegal. Founded in 1934 and specialized in textile clothing, including work clothes, table and toilet linens, COTOA has diversified its activities and excels in the manufacture of tarpaulins. COTOA is particularly distinguished in making work clothes for big companies and multinationals.

COTOA employs approximately 250 people and has a dozen SMEs working full time. It produces an average of 100,000 work clothes per year and has the advantage of belonging to an international group present in several West African countries, allowing for a substantial order portfolio. The major constraint facing this factory is the importation of all of its raw material from Asia, especially from China, India and the Islamic Republic of Pakistan. Senegal does not have an industrial unit for the supply of 100% cotton fabric and cotton–polyester blend. The company strongly wishes to have a local factory to supply raw materials.

C&H GARMENTS SENEGAL

It is a subsidiary of the famous Chinese brand C&H Garments. It is one of the companies already established in the Diamniadio International Industrial Platform installed 40 km from Dakar.

Factory

C&H Garments is a Chinese company that also operates in Ethiopia and the Republic of Rwanda. It covers an area of approximately 7,500 m^3, on which 26 production lines have been installed.

C&H employs 400 local workers on 10 production lines and plans to activate 16 of the production lines. The company expects to recruit a total of 1,000 workers when all the production lines are operating at full capacity.

The C&H factory in Diamniadio specializes in the assembly of T-shirts, coveralls and casual wear for the US market, fulfilling contracts for companies such as the Southpole brand.

Senegal's proximity to the US market makes it an attractive investment opportunity. Senegal also benefits from AGOA, which provides trade preferences for quota and duty-free entry into the United States for certain goods, including textiles and apparel.

The company already has an AGOA licence and has started exporting its sportswear and outfits to the United States.

C&H does not currently have local supplier and imports all of its raw materials and clothing accessories.

WEAVERS

- Strong production capacity, although the number of weavers is declining.
- Many are in the informal sector.
- Benefit from the national cultural value of weaving. There is a limited choice of yarns (material, colours and texture, etc.) and most products designed for the local market do not comply with the standards of quality and international trends.
- Lack of coordination and quality control.

The most well-known company in this subsector is the Atiss company. It has several artisanal weaving looms and is moving towards industrialization with the installation of a few weaving machines taken over from closed European mills. ATISS is totally oriented towards furnishings and interior decoration made with fabrics from its manufacturing workshops.

Textile treatment

Many MSMEs in this sector are informal and rely heavily on imported inputs, and are thus vulnerable to market fluctuations and relationships with importers.

Senegalese tailors and designers are renowned in West Africa for their production of ready-to-wear and bespoke clothing sold in small shops around Dakar. Locally produced clothing is less and less competitive with imported goods.

GOVERNMENTAL AGENCIES, SOCIO-PROFESSIONAL ORGANIZATIONS, STRUCTURES AND SUPPORT SERVICES

Senegal has decided to adopt a new development model to accelerate its march towards emergence. This strategy, called the Plan for an Emerging Senegal (PSE), constitutes the benchmark for economic and social policy in the medium and long term. Senegal relies on several agencies and directorates for the implementation of its industrial policy. The textile sector is one of the more important pillars on which the manufacturing industry's revival is based.

DIRECTORATES AND GOVERNMENT AGENCIES

Agency for the Promotion of Investment and Major Projects (APIX)

For any investor, APIX is the most important structure in terms of its powers and skills. It is the gateway and main contact for investors in Senegal.

All the ministries and the various administrative services are represented there to speed up the issuance of the articles of association, the trade register, the tax identifier and the declaration of existence. It has several departments, including the Investments Department, in which there is a certified one-stop shop.

The one-stop shop offers free services within one place, guaranteed in terms of deadlines and delivered in complete confidentiality. Its mission is to welcome, inform and advise private economic players on all stages of the life of their project. It offers guidance, advice and assistance in preparing their application for admission to the various incentive schemes.

The one-stop shop offers two incentive schemes to investors, depending on the business sector. These are:

1. Approval of the Investment Code: It provides customs and tax advantages for new businesses and expansion projects. Among the advantages provided by the Investment Code are an exemption from customs duties for machines, materials and accessories, suspension of VAT and reduction in the tax rate on profits.

2. Approval of the status of a free export company: Among the advantages provided by this status are a reduction in corporation tax (15%), exemption from tax on salaries, registration, stamp duties and the contribution of patents, and from duties and taxes on production equipment and raw materials. APIX also manages SEZs and issues approvals and authorizations for installations.

l'Agence d'Aménagement et de Promotion de Sites Industriels (APROSI)

APROSI is a government structure with autonomous administration and 80 employees.

It has the following missions:

- Development of parks and industrial areas to promote industrial and logistics platforms;
- Management of the country's five industrial areas and the Diamniadio International Industrial Platform to attract FDI skills;
- Identify, constitute and acquire land reserves in compliance with the legislation;
- Better structure the form of support for industrial companies in terms of site allocation;
- Manage the sites made available to it through sale or lease for industrial use;

Diamniadio industrial platform (with water, electricity and sanitation network):

- Three buildings of 10,000 m^2;
- One building of 7,000 m^2;
- Nine industrial units already installed and operational, including three textile mills.
- Criteria to settle on the new industrial platform: Minimum investment of $930,000 (500 million CFA); five employees/100 m^2; ecologically clean company with 50% of production for export;
- Nine other hangars for industrial use are under construction for Phase 2 of the project.

Agency for the Development and Supervision of Small and Medium Enterprises (ADPME)

ADPME's main missions are:

- Strengthen and densify the SME network;
- Assist and supervise MSMEs and micro-enterprises that request it or that benefit from state loans;
- Strengthen the competitiveness of SMEs.

Thus, in view of its missions, ADPME is the operational hand of the government for promoting SMEs by densifying the industrial network and strengthening the competitiveness of companies.

The services provided by ADPME affects all functions of an SME, whatever its stage of development, thanks to its tools, which include the Shared Cost Fund (Fonds à Frais partagés – FFP).

The Shared Cost Fund (FFP) is a grant scheme that facilitates access to consultancy services for SMEs. SMEs can benefit from grants of three types:

- Technical assistance: 50% of consultancy costs. This includes the establishment of an information system, the quality approach/certification, the implementation of management tools, commercial promotion, market studies and business strategy, etc.
- Training: 75% of the cost of the training.
- Employability programme: 70% for individual support and 90% for group support. This is a programme currently being implemented with the French Development Agency and concerns regions with high immigration.

SOCIO-PROFESSIONAL ORGANIZATIONS IN THE SECTOR

The various players in the textile sector are grouped into associations and groups to protect their subsector and, for some of them, to protect their activities. Thus, there are federations in cotton cultivation, processing industries, textile clothing and crafts, etc. and, ultimately, a union of all these federations.

National Federation of Cotton Producers (FNPC)

The National Federation of Cotton Producers (FNPC) brings together cotton producers' groups whose members, at the level of each village, are made up only of cotton producers.

National Federation of Clothing Professionals (FENAPH)

FENAPH brings together most of the individual artisans and SMEs operating in the subsectors of textile, clothing, fashion design, tailors and dyers.

The association has 25,500 members across the country and has several training centres for its members.

Members often bring their machinery and installations together to form a sizeable grouping able to bid on public procurement tenders. They often win public markets for the manufacture of military and security forces outfits, markets for the making of coats and uniforms for pupils and students, and sheets and gowns for hospitals.

FENAPH benefits from the supervision of government structures and agencies for the training of its members and the promotion of their activities. FENAPH organizes its members to participate in international fairs and exhibitions for the export of their products and promotion of their profession.

The major constraint they encounter remains the non-existence of a local supplier for their raw materials. All fabrics and accessories they use are imported.

Table 37: Production factor costs			
	SPECIFICATIONS	**Unit/average/value**	**Value in USD**
Wages	Guaranteed minimum interprofessional salary (SMIG)		
	Hourly SMIG	333,808 CFA	0,63
	Monthly SMIG	58 900 CFA	108
	Unskilled worker per month	75 000–90 000 CFA	135–160
	Skilled worker per month	15 000–200 000 CFA	265–355
	Technician and assimilated	250 000–350 000 CFA	446–620
	Engineers and related workers	650 000–1 200 000	1 160–2 140
	Land rental price (in industrial zone)	$0.15/m^2	
Lands and hangars	Rental price of a converted hangar (P2ID)	$4.65/m^2	
	Land sale price (in industrial zone)	$46.5/m^2	
	Minimum investment	500 000 000	930 000
Criteria to settle on the new industrial platform	Employees	5/100m^2	
	Ecologically	Clean company	
	Production conditions	50% production for export	
	Electricity price	$0.22/kWh	
Industrial electricity	Water price	$1.70/m^3	
Industrial water	Value-added tax	18%	
VAT	Fixed parity between the euro and CFA	€1 = 655.957 CFA	
Monetary equivalence			

Source: African Development Bank.

SWOT ANALYSIS FOR KEY STAKEHOLDERS

Strengths	**Weaknesses**
▪ Availability of high-quality cotton in large quantities ▪ Production facilities integrated, available, competitive and of good quality ▪ Installed capacities exceed local market needs ▪ Some units are profiled for the export market ▪ Growing development of organic cotton ▪ Most units can be operational immediately (spinning, knitting and finishing) ▪ The extraordinary creativity of Senegalese designers, tailors, artisans and workers	▪ Cost of the main production factors: electricity, fuel and labour ▪ Insufficient technical maintenance of the installations ▪ Difficulties faced by processing plants located upstream, which have repercussions on downstream manufacturing ▪ Technological obsolescence of certain units ▪ Insufficient middle management ▪ Lack of functional weaving (existing units shut down) ▪ Legal litigation and economic situation of owners
Opportunities	**Threats**
▪ Tax and economic advantage for investors ▪ Development of new SEZs and industrial zones ▪ Political and institutional stability ▪ Industry rehabilitation is possible ▪ Electricity prices will soon drop with the exploitation of oil and gas ▪ Good network in relation to sustainability ▪ Potential for a vertical textile industry	▪ Unstable cotton lint prices due to changing global prices ▪ Competition for cotton by peanut cultivation ▪ Abandonment of cotton cultivation by young people ▪ Counterfeiting from Asian countries ▪ Companies' social liabilities ▪ No access to financing ▪ No access to bank credit

3.5 BENIN

COUNTRY OVERVIEW

This West African country, formerly known as Dahomey until 1975, is located on the Gulf of Guinea. It borders Togo to the west, Nigeria to the east, and Burkina Faso and Niger to the north. The southern equatorial climate has two dry and two rainy seasons. The main dry season between mid-November and mid-March is followed by the longest rainy season, which last until mid-July. Temperatures tend to vary between 22°C and 34°C, while the relative humidity is often uncomfortably high. Toward the north of the country, the dry season is more prevalent, and the Harmattan (hot and dry wind) blows from the north-east from December to March. Temperatures average 27°C, although it can significantly vary between day and night. March remains the hottest month, with daytime temperatures reaching 43°C.

Benin was set up as a colony by the French in the nineteenth century as a political unit, and it played a significant role in the slave trade (the coastal Kingdom of Ouidah being a main departing centre for the Atlantic trade). The precolonial era was marked by a host of independent states, each one with its own language and culture. While the south was dominated by Ewe-speaking people originally from the town of Tado (now Togo), and mainly located in the Kingdoms of Allada and Dahomey, the largest group in the north was the Bariba, which could be found in the Kingdom of Nikki, part of a confederacy including other Bariba states located in what is today Nigeria.

Independence came on 1 August 1960, and the country embarked on an early experience of a multiparty regime, with three political formations. The last of a series of military coups, on 26 October 1972, marked the start of a communist and socialist experience. A shift in the political ideology occurred in 1989, when the country again embraced a liberal economy and greater democratization, including the promulgation of a new constitution in 1990 that enshrined the general principles of unity, liberty and power to and by the people. The country went on to become a stable African democracy, and the first multiparty elections were organized in 1991 and lost by the incumbent Mathieu Kérékou to Nicéphore Soglo.

Benin – key facts about	
Capital city	Cotonou
Area (km^2)	112,760
Population, total (millions)	12.5
0–14 years	*42.2%*
15–65 years	*54.5%*
Youth literacy (15–24 years)	60.9%
Male	*69.8%*
Female	*51.9%*
GDP (nominal, billion USD, 2019)	14.4
GDP growth (real, 2014–19)	4.9%
FDI, inflows (million USD)	230.2 (1.6% of GDP)
Gross domestic private investment (%GDP)	3067.2 (21.3% of GDP)
Employment to population ratio (+15years)	69.3%
Employment to population ratio (15–24 years)	40.3%
Exports of G&S (% GDP, 2019)	4,262.4 (29.6% of GDP)
Main exported products	*Cotton; cereals; meat and edible meat offal*
Imports of G&S (%GDP, 2019)	4,910.4 (34.1% of GDP)
Main imported products	*Cereals; mineral fuels and oils; animal and vegetable fats and oils*
Inflation (2019)	-0.7%
Bank credit to private sector (% GDP, 2019)	2,534.4 (17.6% of GDP)
Gov. expenditure (% GDP, 2019)	2,304 (16% of GDP)
Gov. revenue (% GDP, 2019)	1,857.6 (12.9% of GDP)
Total public debt (% GDP, 2019)	7,747.2 (53.8% of GDP)
Currency	CFA franc (XOF)
Languages	French (official), Fon, Yoruba, Goun, Bariba

Source: World Bank; IMF; UNCTAD; Comtrade.

Approximately 47.9% of the 12.5 million Beninese live in modestly-sized cities, none being more than 1 million inhabitants. They include Cotonou (the capital city, the most populous with 780,000 individuals), Abomey-Calavi (the former capital of Dahomey, with a population of 385,000), Djougou, Porto-Novo and Parakou, mostly located in the south. The cultural setting is relatively diverse. Benin is the birthplace of the Vodun (or Voodoo) religion, which is practiced alongside Christianity (almost half the total population) and Islam (approximately one-quarter of the population, mostly in the north and south-east). The large number of ethnic groups and languages, which resisted various governments' attempts to foster greater national unity and integration since independence, includes the Fon (representing approximately two-fifths of the population, mostly located in Cotonou), the Yoruba (approximately one-eighth of the population, mainly in the south-east) and the Bariba (in the north-east). French remains the official language.

BROAD ECONOMIC OVERVIEW

AMONG THE 10 MOST COMPETITIVE AND INNOVATIVE ECONOMIES IN WEST AFRICA

According to the World Economic Forum's 2019 Global Competitiveness Index, Benin is the 125th most competitive economy globally, with a score of 45.8/100. It came 21st on the continent and 8th in the West African region. This performance owes to the potentials and functioning of its product markets (2nd in the region), a stable and predictable macroeconomic environment (3rd), the availability and depth of the skill set (4th), and its strong institutions (6th).

Furthermore, the 2020 Global Innovation Index ranks Benin 126th in the world, 27th in Africa and 9th in West Africa. Enabling factors include the 2nd highest-quality human capital and research inputs in the region and the 3rd strongest institutions.

INSTITUTIONS AMONG THE STRONGEST IN THE REGION

According to the World Bank's Governance Indicators, the country comes 120th worldwide, 15th in Africa and 6th in West Africa. The component elements in which the country fares relatively well are voice and accountability (4th in the region), government effectiveness (4th) and regulatory quality (5th).

FAIRLY GOOD INFRASTRUCTURE AND LOGISTICS SYSTEM

The African Development Bank ranks the country 36th in Africa and 10th in the region for the overall quality of its physical and soft infrastructure, with an overall score of 16.5/100. Road quality is the dimension in which the country fares better, and it comes 9th in West Africa and 30th in Africa.

The World Bank's Logistics Performance Index ranks the overall quality of the logistics system in Benin 76th globally, 6th in Africa and 2nd in West Africa, with a score of 2.75/5. The country tops the ranking in the region for the component element of the frequency with which shipments reach consignees within the scheduled or expected time, and it comes 2nd for the efficiency of customs clearance process.

AMONG THE BEST WEST AFRICAN COUNTRIES FOR BUSINESS

Benin is ranked the 118th best country for business globally, 19th in Africa and 6th in West Africa, according to the *Forbes Magazine*. This owes to its economic growth, level of development, trade performance and population size. Additionally, the business environment comes 149th globally, 28th in Africa and 9th in West Africa, according to the World Bank's Ease of Doing Business, with an overall score of 52.4/100. The country fares relatively well in the regional context when it comes to trading across borders (3rd), dealing with construction permits (4th) and protecting minority investors (5th).

INVESTING AND DOING BUSINESS IN BENIN

AN INCREASINGLY DYNAMIC ECONOMY

In the five-year-period preceding the COVID-19 pandemic, the Beninese economy grew at an average rate of 4.9%, the 9th highest in the region. The pace even increased in 2018–19 to more than 6%. The main contributors to this growth dynamic are the trade sector (mostly informal re-export and transit trade with Nigeria, estimated at approximately 20% of GDP) and agriculture (especially cotton, the country's leading export commodity). The shock of the pandemic reduced growth to 3.8% in 2020, and the economy is expected to grow at 5% in 2021 and beyond 6% in the ensuing years, hence fully recovering from the pandemic.

A COMPETITIVE BUSINESS ENVIRONMENT

In 2019, the country attracted $230.2 million in **FDI** and, in 2010–19, total inflows increased on average by 3%, the 5th highest in the region. This undoubtedly speaks of the attractiveness of the business environment to foreign investors.

Starting a business in Benin takes an average of eight days, and a total of five procedures are involved, the 3rd lowest figure in Africa: (i) verify the uniqueness of the company name at the country's one-stop shop (*Agence de Promotion des Investissements et des Exportations* – APIEX); (ii) deposit the minimum authorized amount in a bank and activate the bank account, and the paid-in minimum capital requirement is CFA 25,000 or $45; (iii) register the company at the one-stop shop; (iv) register the company and its employees with the social security (*Caisse Nationale de Securité Sociale* – CNSS); and (v) register the company with the tax authorities (*Direction Nationale des Impots et des Domaines*). An additional procedure that applies only to women is to obtain a marriage certificate for the national identification card from the municipal authority. The charges for all of these administrative procedures amount to CFA 17,300 ($32).

When it comes to obtaining a **construction permit**, approximately 14 procedures are required, including legalization of property title at a notary, approval and proof of membership from the country's Ordre National des Architectes et des Urbanistes du Benin, and obtaining a fire safety report, location map, building permit (at the municipality), and a certificate of conformity and occupancy. The corresponding charges amount to CFA 1,187,725 ($2,160).

As with all business-related formalities, the laws guarantee **equal treatment** to all investors, irrespective of their origins. **Visa rules** are very accommodative to foreign business needs, as investors and employees can enjoy a duration of stay that matches their activities in the country.

The **labour force** is estimated at 4,925,300 individuals, representing 40.6% of the total population. The quality and depth of workers' **skills** are ranked 21st in Africa and 5th in the region, according to the World Bank's Human Capital Index, which is a measure of a typical worker's productivity level. The monthly **wage** distribution ranges between CFA 86,000 ($157 – lowest average) to CFA 1,520,000 ($946 – highest average), the average being CFA 340,000 ($619). Since April 2014, the minimum wage is CFA 40,000 ($73).

Electricity is charged is $0.21 per kWh, the 9th lowest in West Africa. Obtaining a connection from the national provider (*Société Beninoise D'Energie Electrique* – SBEE) involves five procedures and takes an average of 90 days, at a cost of CFA 57,388,775 ($104,344). Electricity is available to 40.6% of the total population and 65.3% of those living in cities.

The **water** tariff is structured as $0.78 per cubic metre for monthly consumption of less than 15 cubic metres, $0.88 for up to 50 cubic metres and $1.11 for more. People using at least basic drinking water services represent 66.4% of the total population. In urban areas, it is 75.7%.

The **infrastructure system** comprises the Cardinal Bernardin Gantin International Airport of Cotonou, the largest in the country, mostly serving Africa and Europe. It handles more than 700,000 passengers per year and has an estimated cargo capacity of more than 25,000 tons of goods.

Roads in Benin are estimated at 20,000 km, of which 6,787 km are highways. Approximately 20% are paved. The network expands to the country's borders and provides connections with Togo, Burkina Faso, Niger and Nigeria, allowing cross-border movement of goods and persons.

The railway system has an estimated 578 km of single track. At least three links are planned with neighbouring countries as part of the Africa Rail project, which aims to link the railway systems of Cote d'Ivoire, Burkina Faso, Niger, Benin and Togo at an initial stage. While freight operates regularly, passenger services remain sporadic.

The Port of Cotonou handles more than 90% of traded goods with the outside. With an estimated cargo capacity of 10 million tons, it is the 3rd largest in the region after Lagos and Abidjan. It also serves landlocked countries such as Mali, Burkina Faso and Chad.

The **tax system** comprises various business taxes and mandatory contributions, such as corporate income tax (25%), payroll tax (4%), social security contribution (19.4%), single property tax (6%) and value-added tax (18%). A total of 54 payments is made yearly, and they add up to 48.9% of corporate profit.

As a member of ECOWAS, the regional common external tariff (CET) applies to imported goods. They are categorized into five tariff bands, ranging from 0% (essential social goods) to a maximum of 35% (specific goods for economic development). Safeguard measures, anti-dumping measures, anti-subsidy and countervailing measures and supplementary protection measures are also applied to protect vulnerable industries and promote fair competition.

The **banking and financial system** is part of the West African Economic and Monetary Union (WAEMU) integration framework. Overall, it is very sound, as suggested by indicators such as the regulatory capital to risk-weighted assets of 7.6% and the share of non-performing loans of 18.9% of total loans (prior to the pandemic). The 15 banks operating throughout the country contribute to providing credit to the private sector of approximately 17.6% of GDP, the 7th highest in the region. The system's openness allows anyone (including expatriates) to hold a foreign currency denominated bank account, and free movement of capital (including remittances) is guaranteed. The exchange rate is fixed against the Euro at CFA 656.

There are a host of **government incentives** to attract foreign investment. They include a one-stop shop for business information and support, modernization and professionalization of the public procurement system, a revision of the prices for transferring assets out of state ownership, the implementation of a simplified and more advantageous fiscal framework that is more adapted for SMEs (via a synthetic business tax), and measures to improve the energy infrastructure. A special economic zone (SEZ) was established in January 2020, located approximately 45 km from Cotonou. When fully operational, it will add to the wide range of advantages that foreign and domestic businesses can enjoy.

Overall, the country has robust arguments when it comes to attracting foreign businesses, ranging from a stable and dynamic economy to high-quality productive inputs such as a skilled workforce, and rationalized business-related administrative processes that contribute to significantly reducing the costs of doing business in Benin.

INVESTMENT OPPORTUNITIES

Benin has taken several initiatives to attract foreign investment, particularly in the electricity production sector. It recently implemented new reforms to boost investment, part of which include a simplified process of business creation, strengthened legal and judicial framework to secure investments, legally secure the public–private partnership framework and the introduction of multiple tax incentives to support private investments. The country is seeking to improve its agricultural productivity, develop its agriculture value chains (cashews, pineapple, cassava, corn, rice, meat and milk) and improve its electricity and port infrastructure. Digital economy and information and communications technology (ICT), animal husbandry and fishing, tourism and handicrafts, mines and hydrocarbons, the tertiary sector (commerce, service, and transport and logistics), and construction and building materials are also growth sectors for investment.

TEXTILES AND APPAREL INDUSTRY OVERVIEW IN BENIN

Benin's different economic sectors have a variable contribution to the national economy: the primary sector (30.1%), the secondary sector (17.3%) and the service sector (52.6%). In the primary sector, cotton has been the main export product in Benin for several years, followed by cashew nuts. This production has experienced a spectacular leap since 2016 and has placed Benin as the leading African producer since the 2018–19 campaign.

Benin annually exports 53% of its cotton fibre (Ton and Wankpo, 2004; Plateforme des Acteurs de la Société Civile Au Bénin (PASCIB), 2013).

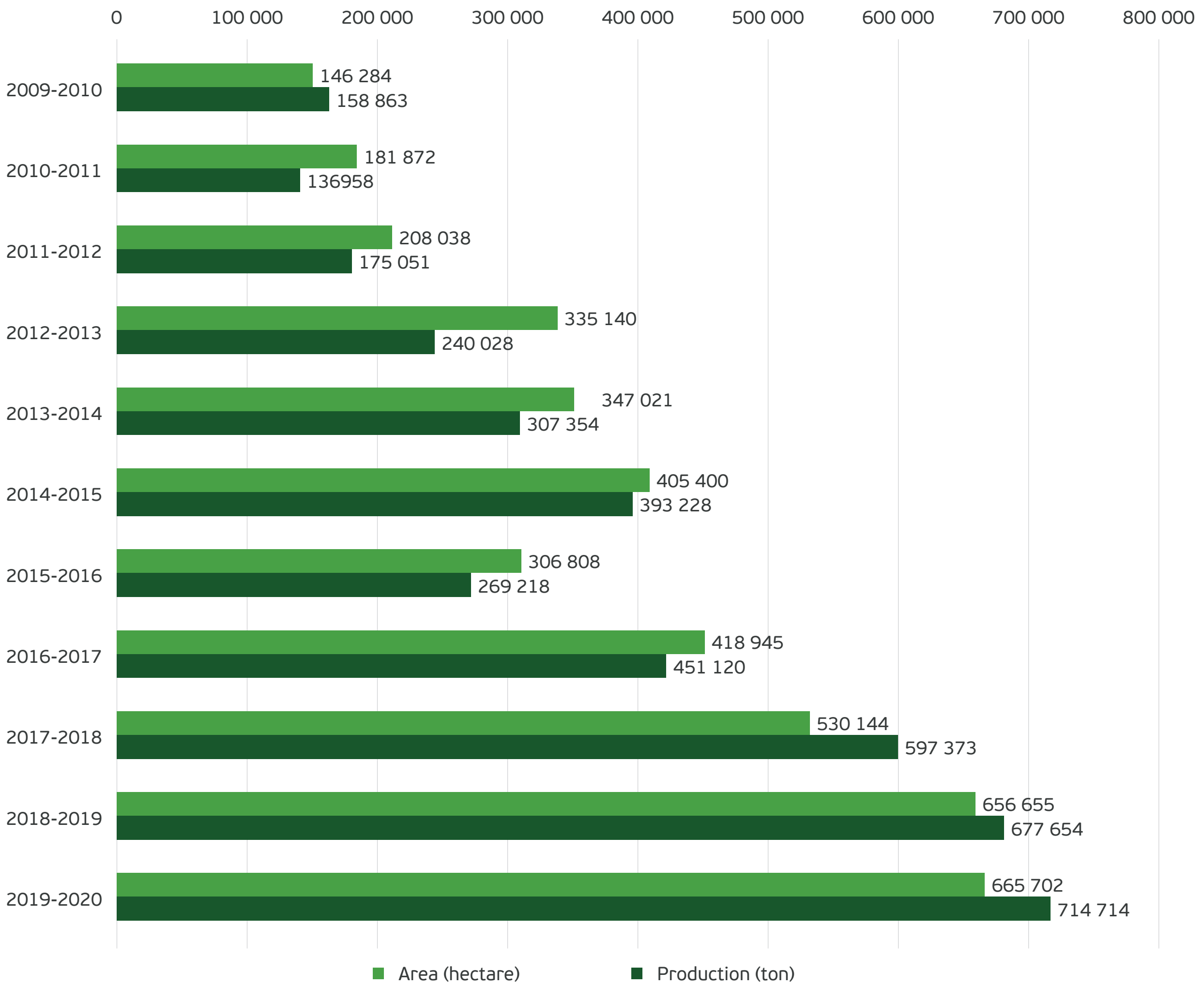
The existing textile industries that absorb approximately 2% of cotton fibre are not functioning well due to various reasons that include electricity costs and labour performance, and are struggling to be profitable and competitive (MEF, 2010).

COTTONSEED PRODUCTION

The production of cottonseed is ensured by several hundreds of thousands of cotton growers. We note an annual increase in the number of producers as well as their organizations. Cotton production at the national level evolved irregularly in 2009–16, when a record of 451,209 tons was reached. There are two types of cotton production: conventional production, which uses chemical inputs, and organic production, where the use of synthetic chemicals is prohibited.

The average cottonseed yield estimated in the last 10 seasons (2011–20) has increased from 0.753 tons per hectare to 1.07 tons per hectare.

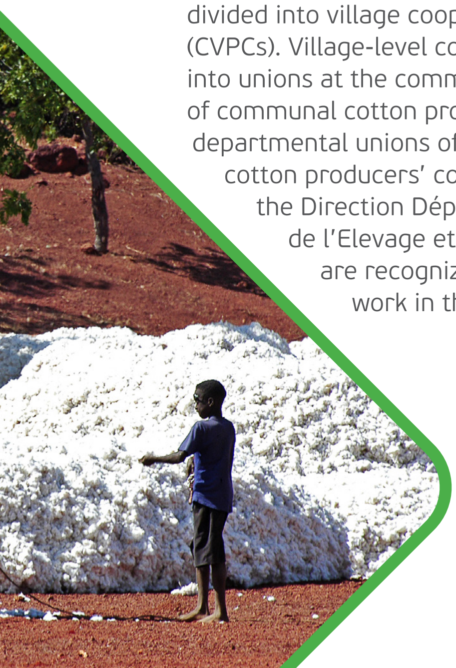
Figure 19: Evolution of areas and cotton production (2009–20)



Source: Office of National Statistics.

COTTON SECTOR'S STRUCTURE

Cotton production is carried out by producers divided into village cooperatives of cotton producers (CVPCs). Village-level cooperatives are organized into unions at the commune level and all the unions of communal cotton producers are organized into departmental unions of cotton producers. Most cotton producers' cooperatives are registered at the Direction Départementale de l'Agriculture, de l'Elevage et de la Pêche (DDAEP) level, are recognized by the state and do not work in the informal sector. These cooperatives have governance and monitoring and control bodies and regularly keep accounts. The institutional set-up of grassroots cotton production cooperatives recognized by the DDAEP is a factor in the sustainability of cotton production. For the penultimate 2019–20 campaign, Benin has 219,472 cotton producers, including 26,344 women, distributed in nearly 2,500 CVPCs with an area of 665, 702.54 ha and a production of 714,713.56 tons of cotton. There is an availability of raw material and a possibility of expanding the cotton areas.



GINNING MILLS' CAPACITIES AND OPERATIONAL FACE

Twenty-two ginning mills exist in Benin. Most of them (17) belong to the Société pour le Développement du Coton (SODECO), with an annual capacity of more than 600,000 tons of cottonseed. Three new ginning factories are under construction in N'Dali, Tanguiéta and Banikoara to strengthen the country's cotton ginning capacity. These new ginning plants will be operational in 2022.

However, all these ginning capacities are not exploited, which means that Benin has the potential to gin the cotton produced in its territory.

Table 38: Lists, locations and capacities of various cotton ginning factories

N°	Mills	Locations	Year of installation	Ginning capacity (tons)
		SODECO (Groupe TALON)		
1	SODECO Banikoara	Banikoara		37 500
2	SODECO Bèmbèrèkè	Bèmbèrèkè		37 500
3	SODECO Bohicon 1	Bohicon 1		14 000
4	SODECO Bohicon 2	Bohicon 2		25 000
5	SODECO Glazoué	Glazoué		37 500
6	SODECO Hagoumè	Djakotomé		37 500
7	SODECO Kandi	Kandi		25 500
8	SODECO Parakou 1	Parakou 1 and 2		37 500
9	SODECO Parakou 2	Parakou 3 and 4		50 000
10	SODECO Savalou	Savalou		10 500
Total 1				**312 500**
		ICA GIE (Groupe TALON)		
11	Comptoir Commercial du Bénin (CCB)	Kandi	1994	25 000
12	Industrie Béninoise d'Égrenage et de dérivés de Coton (IBECO) (Rachat 2008)	Kétou	2008	25 000
13	Industrie Cotonnière Béninoise (ICB)	Péhunco	1995	25 000
14	Société Cotonnière de N'Dali (SCN)	N'Dali	2008	40 000
15	Société Cotonnière du Bénin (SOCOBE)	Bohicon	1995	25 000
Total 2				**140 000**
		MARLAN'S		
16	Marlan's Cotton Industries (MCI)	Nikki		50 000
		L'AIGLON		
17	Label Coton du Bénin (LCB)	Paouignan		50 000
		KASMAL		
18	Société d'Egrenage Industriel de Coton du Bénin (SEICB) (inactive)	Savalou		25 000
Total capacities				**577 500**

Source: Cotton monographic study Annex 7, INSAE (Revised version of the monograph of the cotton sector in Benin October 2020)

There is a functional and organizational similarity between the different ginning companies. All the industrial equipment used for ginning in Benin are saws. It has two gin brands at the SODECO level: the Lummus brand (of American origin from the state of Alabama) and the Continental brand. The literature presents roller gin as being more efficient (producing longer fibres, fewer short fibres, and fewer shell fragments and neps). However, a detailed cost–benefit assessment would be required to establish whether roller gin is a valid alternative to the saw gin (Estur, 2008).

All the factories provide services to SODECO, which supplies them with raw materials and manages them. Plant supply and evacuation plans are drawn up by SODECO. The ginning periods last eight months (November to June) instead of three months due to the obsolescence of ginning equipment at certain factories, wear of ginning chains, and difficulties in maintaining and supplying high-performance spare parts lead to repeated breakdowns of the factories. The wear of the ginning chains can lead to a slight overrun in the consumption standards of industrial inputs (energy, diesel, petroleum, motor oil, hydraulic oil and quick link) and increases production costs. Investment in warehouses, maintenance and high-performance spare parts is essential for the timely ginning of cotton.

In summary, the good national geographical distribution of factories in relation to cotton production areas, the policy of setting up factories in new cotton-developing areas, and strengthening chains in areas of high cotton production constitute a policy that adapts to the rate of exponential progressive growth of cotton produced in Benin.

INDUSTRIAL TRANSFORMATION OF COTTON/ INDUSTRIAL LINK

Benin Textile Company (CBT)

Textile production involves several categories of actors such as spinners, weavers, dyers and garment assemblers. These actors are found in the industrial sector and the craft industry. The CBT is the only textile company still functional in Benin. It is located in Lokossa in Mono Department, approximately 110 km from Cotonou and employs an estimated 1,300 workers of all categories, divided into three departments: general services, spinning and weaving.

Products manufactured by CBT

The CBT specializes in the production of 100% cotton carded yarn and unbleached fabric. The fabric is the printing medium for the African loincloth. The wires are classified according to their thickness and resistance, with parameters also defining their price. A distinction is made between the threads 21, 25 and 30. It should be noted that the quantity of raw material (cottonseed) used varies according to the types of thread. From 100% cotton carded yarns, the CBT manufactures fabrics of varying qualities.

The CBT mainly sells unbleached fabrics to Cote d'Ivoire, Cameroon, Nigeria and Ghana for the benefit of the Vlisco group.

Apart from threads and fabrics, there is waste, which is also recovered. We also have spinning waste composed of wicks for stove, unglued warps, cotton fibre waste used for quilting craftsmen, unordered glued spinning waste and weft ends. In terms of weaving, the waste obtained is damaged fabrics.

Table 39: Fabric production by the CBT (2011–2016)

Designation	Width	Fabric quantities produced (in metres)					
		2011	2012	2013	2014	2015	2016
Categories: Light							
30*30/68*60 50"	127 cm	252 000	545 160	0	0	0	8 400
30*30/68*68 54"	137 cm	0	3 079 506.7	4 282 409.4	1 543 115.5	939 345.2	0
Categories: Medium-heavy							
30*30/80*80 54"	137 cm	0	7 395 031.2	6 813 095.1	6 700 706.4	7 953 734	8 986 724.5
25*24/72*60 51"	129 54 cm	0	1 204 560	76 440	1 656 825.9	295 235.9	0
Categories: Heavy							
21*20/60*63 54"	137 cm	2 046 240	1 039 131.6	698 074.2	2 154 248.2	2 011 554	1 543 047.8

Source: Badou, 2020.

Table 40: Yarn production by the CBT (2011–20)									
Quantity (tons) of yarn produced									
2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Yarn									
2 516	2 471	2 396	2 517	2 187	2 049	12 316	11 537	13 358	13 078
Quantity of fibre treated									
2 625	2 556	2 477	2 605	2 260	2 121	Not available	Not available	Not available	Not available

Source: Badou, 2020.

According to the standard, to produce an average of 1 ton of yarn, 1.03 tons of cotton lint is required. At the CBT, it takes 1.10 tons of fibre to produce 1 ton of yarn. This performance gap can be explained by the quality of cotton lint, electrical failures and delays in replacing imported charging parts. The CBT has a production capacity of 3,000 tons of yarn per year, but only 72% of the spinning unit is used.

CBT's cotton fibre supply

The CBT sources its fibre from SODECO. The basic supply problem is the fact that cotton lint is sold by campaign, while the CBT has to produce unbleached fabrics and yarns on a monthly basis. Consequently, the strategy developed to guarantee the availability of raw material throughout the year consists of building up inter-campaign safety stocks (for at least six months). It is obvious that this situation generates significant storage costs.

Table 41: CBT's fabric production (2017–20)											
Year	Variety				Previ sions (m)	Achieve ments (m)	Deli-veries (m)	TOTAL BALL	Yield (%)	1st quality (%)	Fall rate (%)
	32^S X 32^S 82 X 82 54"	30^S X 30^S 80 X 80 54"	21^S X 20^S 60 X 63 54"	30^S X 30^S 68 X 60 50"							
2017	2 584	8 932 577	1 332 139	828	12 838 822	10 366 564	10 268 128	12 223	68.6%	95.6%	0.9%
2018	7 832 973	1 168 050	32 193	754 452	11 844 922	9 052 018	9 033 217	10 757	65%	93.2%	1%
2019	–	8 689 416	2 659 816	3 441	13 531 144	11 509 563	11 352 673	13 489	72.3%	93.5%	0.9%
2020	–	9 894 638	1 129 676	122 565	12 890 933	11 182 496	11 112 647	13 233	73.7%	93.2%	1.1%

Source: Primary data collected by consultant.

Table 42: Policy analysis matrix indicators for the industrial spinning–weaving segment				
Yarn and fabrics	Products	Costs		Balance
		Exchangeable goods	Domestic factors	
Market price	6 015 110 917	1 944 021 057	3 306 900 315	764 189 545
Reference price	6 015 110 917	1 903 171 868	3 286 548 330	825 390 718
Difference	0	40 849 189	20 351 984	-61 201 173
Indicators				
CRI = G/E-F	0,79	Local fibre processing has a comparative advantage		
CPE = (A-B)/(E-F)	0,991	Equal to 1: there is no positive protection, no subsidy or penalty		
Profitability coefficient (PC)	0,926			
PBCA (A/B + C)	1,14			

Source: Badou, 2020.

Manufacturing process of yarn and unbleached fabric

The CBT products meet English standards and those requested by customers. The company is not yet committed to a quality certification process, but has a product analysis laboratory. Demand is high from June to August, which is the peak production period when humidity and temperature are optimal for processing. In unfavourable periods, fibre resistance is affected and yields drop despite the high technology used.

The weaving unit's average production capacity is 11,000,000 m of fabric/year and that of the spinning mill is 3,000 tons of yarn.

Further information on the CBT

- 768 looms;
- Production capacity: 13,000,000 metres of ecru (only 12,000,000 metres were achieved);
- The length of rollers produced by the CBT is 840 m x 1.57 m, while their clients are asking for rollers of 2,000 m;
- Cotton fire is supplied by SODECO and the cotton is produced by farmers engaged in Cotton made in Africa (CmiA);
- Countries for import of CBT products: Cote d'Ivoire, Ghana, Burkina Faso, Togo and Cameroun;
- Monthly electricity cost: CFA 90,000,000

Main constraints

- Cost of buying the cottonseed is very high, as they buy on the international market;
- Cost of energy is very high;
- Performance of labour is not competitive;
- Equipment is very old (third generation) and energy consuming.

Advantages

- Existence of quality and quantity of cotton fibre;
- There is a large qualified labour force;
- Existence of the market for their products.

Benin Textile Company (Société des Industries Textiles du Benin – SITEX)

SITEX is located in Lokossa, in the south-west of Benin. Its final products are yarn and woven, and its main clients are in Togo, Mali, Burkina Faso, Cote d'Ivoire, Ghana, Senegal and Nigeria. Its annual production is 12,000,000 m per year.

Main constraints

- Aged equipment;
- Labour too numerous and cost high compared to performance;
- High energy costs;
- Labour union disturbs the work;
- Lack of investments in modern equipment;
- Lack of training and absence of high-level qualified agents.

Advantages

- Existence of cotton fibre, which is in net positive increase in the country;
- Favourable investment code;
- Existence of cheap labour force, but need to improve the salary based on performance.

Some solutions

- Need to invest in the whole production from cottonseed to finished products such as shirts and trousers in order to add value to primary products. In effect, it is found that the country does not earn much through the actual system.
- To be competitive, there is a need to reorient the transformation to take advantages of the events occurring in Africa, such as baptism ceremonies, burial ceremonies and anniversary ceremonies.
- Need to adopt preferred energy rates for the promotion of the textile industry.

According to the company's general director, fiscal and custom measures that favour investment are vital, but, when applied to the textile sector, improvements need to be made. These measures are:

- Favourable geographic position;
- Political stability;
- Security and peace;
- Second position for doing business;
- Good financial and economic performance recognized by Standard & Poor (B+) Bloomfield Investment (A-), putting Benin in the top five African countries;
- Member of ECOWAS;

- Member of the African Continental Free Trade Agreement (AfCFTA)
- Beneficiary of AGOA, allowing Benin's enterprises to export finished products to the United States without customs taxes.

The textile industry (e.g. CBT) does not benefit from any favourable conditions for purchasing cotton from SODECO. There should be a policy favouring Benin's textile industry in purchasing cotton fibre produced in the country.

Main constraints

- The cost of energy;
- Qualification of labour.

Perspectives

- Integration of the whole system to reach the end product (garment); i.e. ginning, spinning, weaving, dyeing and making (confection);
- To be competitive, industries need to add public events products (birthdays, weddings, baptisms and funerals, etc.).

INFRASTRUCTURE AND TRANSPORTATION NETWORK

Availability of energy

Each factory has a thermal power station made up of generators that use diesel fuel. These factories oblige the Beninese Electric Power Company (SBEE) to ask them to leave its network between 19:00 and 23:00 to make electrical energy available to households whose needs are most important in the evenings. So, in this time slot, each plant goes into autonomous operation via the generators to supplement the SBEE's electrical energy. The use of generators is more expensive than electric power. The groups consume an average of 100–150 litres of diesel per hour, and a litre of diesel costs 525 CFA.

In Benin, the cost of energy is CFA 111/kWh, subject to VAT, while it costs CFA 40–50/kWh in Ghana and Côte d'Ivoire. A policy to reduce the price of energy would reduce cotton ginning costs.

Table 44 presents the standard elements of industrial inputs collected in the literature and from the SODECO S.A. plant manager in Kandi.

Table 43: Cost of electricity in some countries of the subregion

	Benin	Senegal	Côte d'Ivoire	Nigeria	Algeria
Domestics tariffs (in USD/kWh)	0.20	0.2	0.14	0.06	0.06
Domestics tariffs (in CFA/kWh)	109	111.4	77.98	33.48	33.42
Tariffs for SMEs (in USD/kWh)	0.199	0.14	0.17	0.09	Not available
Tariffs for SMEs (in CFA/kWh)	111	77.98	94.69	50.13	Not available

Source: World Bank.

Table 44: Consumption standards for industrial inputs per ton of fibre (TF)

Inputs	Standards in Benin for factories of the Industries Cotonnières Associées (ICA) group	Standards in Benin for factories of the SODECO group	Construction of the SODECO plant in Kandi	Professional rate for professional use in Benin
Energy	140 kWh/TF	100 kWh/TF	101,6 kWh/TF	111 CFA/kWh subject to VAT
Gas oil	39,5 l/TF or 0,28 l/kWh	0,32 l/kWh	0,30 l/kWh	550 CFA per litre
Oil	10 l/TF	10,5 l/TF	7,43 l/TF	550 CFA per litre
Engine oil	0,15 l/TF	0,12 l/TF	0 l/TF	2 200 CFA per litre
Hydraulic oil	0,05 l/TF	0,16 l/TF	0 l/TF	
Quick link	8,04 units/bale	8,01 units/bale	8 units/bale	N/A

Source: Badou, 2020 and field survey, March 2022.

Factories are big consumers of electrical energy, which obliges the Beninese Electricity Power Company (SBEE) to ask them to leave its network between 19:00 and 23:00 to make electrical energy available for households with greater needs in the evenings. In this time slot, each factory uses generators, which is more expensive. The groups consume an average of 100–150 litres of diesel per hour, and a litre of diesel costs 525 CFA.

QUALIFIED LABOUR

The workforce is relatively accessible and inexpensive. However, the qualifying workforce is ageing and old, and technicians working in the textile industry are trained on the job. The difficulties identified with regard to human resources are linked to:

- The instability of technical personnel in the textile industry linked to repeated production stoppages;
- The loss of qualification linked to the lack of training and retraining of agents and the discontinuity of the company's activity;
- The drop in output linked to the ageing of staff.

The workforce needs capacity building and maintenance of the technical skills of agents through regular qualifying training, including training of administrative staff.

Export

India, the Republic of Indonesia, Brazil, China and Thailand are the main destination countries for exports of Beninese textiles and clothing products. India was Benin's main client country in 2015, accounting for 23.3% of total goods exports. Besides India, other Asian countries can be noted as export partners, notably Viet Nam (11.2%), Malaysia (9.6%) and Bangladesh (9.6%). In Africa, Morocco, Nigeria, Cameroon, Senegal, the Niger, Ghana, Burkina Faso and Côte d'Ivoire are Benin's main customers for the export of textile products, but far behind Asian countries and India.

THE CBT IN BENIN

Table 45: Types of fabrics produced and exported by the CBT		
Categories	**Designation**	**Width**
Light	30*30/68*68 55''	137 cm
	30*30/68*60 50''	127 cm
Medium heavy	30*30/80*80 54''	137 cm
	25*24/ 72*60 51''	129 54 cm
Heavy	21*20/60*63 54''	137 cm

Source: Primary data collected by consultant.

The CBT mainly sells unbleached fabrics to Cameroon, Nigeria, Ghana and Cote d'Ivoire for the benefit of the Dutch group Vlisco. The price of fabrics depends on the density and thickness of the threads. Table 46 shows the price of the products and the main outlets.

Table 46: Price of the products and the main outlets					
Price/product per year	**Fabric prices (CFA/m)**		**Yarn price (CFA/kg)**		**Proportions sold on main destination markets**
	Export	**National market**	**Export**	**National market**	
2011	559	661	2 346	2 871	The fabric is exported 99.9% to Cote d'Ivoire, Nigeria and Ghana, etc. 62% yarn is exported to China and 38% to the domestic market
2012	510	623	1 740	2 342	
2013	480	543	1 594	2 100	
2014	505	578	1 607	2 102	
2015	503	479	No data	2 006	
2016	517	579	No data	1 800	

Note: On the export market, cotton yarn is sold per ton.

Source: National Institute of Statistics and Economic Analysis.

Import

In 2008–11, Benin imported more than 31,000 tons on average per year of printed fabrics such as basin, wax and others and of hosiery. Even if part of these imports is re-exported to the subregion, there is still space for real business opportunities for Benin's textile industries – 82%–90% of imported products consist of hosiery and thrift stores, which are articles of immediate use, with almost no prior processing. Considering the large volume of imported textile articles, it can be concluded that there is a potential import substitution market that the textile industries can exploit.

Table 47: Exports and imports of products derived from textile units in Benin							
Products derived from textile units	**Exports**			**Imports**			**Terms of trade**
	FOB value in billion CFA	**Volume in millions of kg**	**Unit price (1)**	**CIF value in billions of CFA**	**Volume in millions of kg**	**Unit price (2)**	**(1) (2)**
Yarn of cotton	0.93	1.23	754	1.08	1.97	547	1.4
Canvas and printed cotton fabric	8.21	1.82	4 500	200.28	114.79	1 745	2.5
Canvas and bleached cotton fabric	0.20	0.12	1 681	8.61	8.70	989	1.7
Canvas and dyed cotton fabric	0.09	0.04	1 979	5.10	4.32	1 181	1.7
Canvas and ecru cotton fabric	25.90	14.38	1 801	10.15	8.03	1 265	1.4
Cotton basins, damask and the like	0.22	0.15	1 490	70.91	66.43	1 068	1.4

Source: NInstitut national de la statistique et de l'analyse économique, 2020.

Import and distribution channel

Imports of textiles and clothing are free in Benin regardless of the nature of the importer and the country of origin.

Distributions of textile and clothing products are made from importing or producing companies to wholesalers and/or resellers.

Competition

Competition is fierce in textiles in Benin. Although the products' qualities differ, textile products from Asian countries circulate better than European products, especially real Dutch and English waxes, due to the difference in prices, which are high for textile clothing products on the national market. National products must also face barriers to the penetration of Ivorian, Ghanaian and Nigerian textile products. The competition is also noticeable at the level of imitations of design motifs, logos and inscriptions on sustainable fabrics.

With limited purchasing power, Beninese consumers favour imported textile products to the detriment of locally produced ones with higher prices (Badou, 2020). This situation has contributed to the closure of some local textile companies. However, local processing makes it possible to increase the creation of added value and also constitutes an alternative to reduce Benin cotton's dependence on fluctuations in world prices.

According to information gathered from fabric traders in the domestic market, prices vary from category to category. High-end products like Dutch wax are relatively expensive: 30,000–45,000 CFA francs for six yards against:

- 4,000–6,000 CFA francs for six yards for Asian textiles;
- 17,000 CFA francs for six yards for English wax;
- 15,000–20,000 CFA francs for Ghanaian wax;
- 7,000–10,000 CFA francs for Nigerian wax.

TEXTILES AND APPAREL VALUE CHAIN AND KEY STAKEHOLDERS

Not many companies producing unbleached and printed textiles operate in the formal sector. They are found in the public and private sectors. The only manufacturer in the public sector is the CBT, which produces and sells unbleached fabric and thread. Alongside these industrial manufacturers coexist many cottage industries (weavers and other artisans) whose activity is the dyeing of loincloths. There are more than 150 companies whose main activity is textile imports, representing approximately 8% of all importers, all products combined. There are approximately 20 ginners, with a production capacity greater than the national cottonseed production, which is currently 700,000 tons.

INFRASTRUCTURE AND TRANSPORTATION NETWORK

Truck transportation

It is the dominant mode of transport for domestic freight transport, and even more so for passenger transport. Urban public transport is embryonic. Since 2000, the public land transport sector has flourished in Benin. More particularly, coaches, buses, minibuses and buses criss-cross the country and connect the territory to neighbouring countries or to the West African subregion.

Rail transportation

The rail network includes a single metric track between Cotonou and Parakou (438 km), but it is dilapidated and non-functional.

Air transport

It is limited to the only international airport in Cotonou. There are seven aerodromes in the country, but domestic air transport is currently almost non-existent. Tourou International Airport in Tankaro is built on a reserve of more than 4,000 hectares, and is already declared a public utility. The international airport of Tourou in Benin has a landing strip with a length of 3,500 metres. In particular, it will facilitate the intensification of trade with the countries of the hinterland and other capitals of the subregion, but the airport is not yet functional.

Maritime and river transport

The Port of Cotonou is one of the most dynamic ports in West Africa for maritime transport. It is the fifth-largest port behind Lagos (Nigeria), Tema (Ghana), Abidjan (Côte d'Ivoire) and Dakar (Senegal).

One of the stakeholders in the CTA sector is Ethical Apparel Africa (EAA), an apparel sourcing company that provides expert technical guidance, independent quality control, sourcing, logistics and compliance assurance in West Africa. The EAA was founded based on the core belief that all manufacturing can and should be done ethically. In 2015, while working together in West Africa, they realized if ever there was a place to prove this, it was here. They focus on driving operational excellence at the factory level, reducing waste and steadily increasing efficiency. The resulting savings are invested in workers, through benefits, empowerment programmes, and steady progress towards living wages. They provide a transparent service from sampling and product development through to final export. By 2027, they aim to create 5,000 high-quality manufacturing jobs in West Africa.

CTA SECTOR POLICIES

Cotton and textiles are part of Benin's national sector development policy, which is part of the vision for the agricultural sector's development in the Plan Stratégique de Développement du Secteur Agricole (PSDSA). The PSDSA aims to enable 'a dynamic Beninese agricultural sector by 2025, competitive, attractive, resilient to climate change and creator of wealth, responding equitably to the food and nutritional security needs of the population of Benin and to the economic and social development needs of all segments of the population of the country'.

THE AGRICULTURAL SECTOR'S INSTITUTIONAL LANDSCAPE

The institutional guidance and monitoring provisions that frame the management of the agricultural sector specify the actors involved in the formulation and implementation of development policies and strategies in the sector. The main actors are:

- The central state, through the Ministry of Agriculture, Livestock and Fisheries and other ministries intervening in the sector;
- Local and territorial communities;
- Agricultural producers' organizations through the Paysannes et de Producteurs Agricoles du Bénin (PNOPPA);
- The network of chambers of agriculture in Benin;
- The private sector (Chambre de Commerce et de l'Industrie du Bénin (CCIB) and Patronage, etc.);
- Civil society through Plateforme des Acteurs de la Société Civile Au Bénin (PASCiB) and national non-governmental organizations through Réseau de Développement d'Agriculture Durable (Réseau de Développement d'Agriculture Durable – REDAD);
- Technical and financial partners.

For the cotton subsector, the Government of Benin has opted for a private sector integrated at the national level. This strategic choice is based on the following main principles:

- A guaranteed price for the purchase of cottonseed;
- A single transfer price per type of input;
- The obligation for producers to sell all their cottonseed production to national ginners;
- The obligation for ginners to purchase all cotton production.

In recent years, the government, in consultation with producer organizations and private operators in the sector and under the leadership of the World Bank, has proceeded as follows:

- The transfer to the private sector of the responsibility for organizing consultations for the supply of agricultural inputs (Decree No. 99–537 of 17 November 1999);
- The abolition of the monopoly of the primary marketing of cottonseed granted to Société Nationale pour la Promotion Agricole (SONAPRA) (Decree No. 2000–294 of 23 June 2000).

The private sector's assumption of responsibility of functions previously performed by the State has led the main professional families to create, with the approval of the government, three specific operational structures:

- The Interprofessional Cotton Association (AIC);
- The Cooperative for Supply and Management of Agricultural Inputs (CAGIA);
- The Centrale de Sécurisation des Paiements et de Recouvrement (CSPR).

EXPORT POTENTIAL

The Beninese textile industry mainly sells these products in and outside the subregion. This includes the sale of fabrics for work clothes on behalf of clothing companies such as, the towel and fabric market for companies such as Coopérative des Handicapés de Niamtougou (CODAHANI) in Togo, Société de Développement du Coton du Cameroun (SODECOTON) in Cameroon and Nagona in Nigeria.

Beninese textile industries' access to the external market is limited mainly to the market of the subregion, but part of the production is exported to the Kingdom of Belgium, the Swiss Confederation and the United States.

SWOT ANALYSIS FOR KEY STAKEHOLDERS

Strengths	Weaknesses

▪ Technological mastery of installed equipment;
▪ Existence of quality and quantity of cotton fibre;
▪ Large qualified labour force;
  ▪ Existence of cottonseed's production potential;
  ▪ The government's willingness to reform the cotton sector, putting in place several new reforms;
▪ Availability of good-quality local raw materials;
▪ Installation of three new cottonseed ginning plants;
▪ An excess ginning capacity of more than 600,000 tons;
  ▪ Existence of an autonomous port and an international airport for trade by sea and air;
▪ Fluid road network that services all 77 municipalities in the country;
▪ The country's geographical position in the Sub-Saharan region.
	▪ Obsolescence of material equipment;
	▪ Obsolete and low-efficiency equipment;
	▪ Ageing staff;
	▪ Low-valued clothing industry in the sector;
	▪ Difficulties in supplying cotton fibre;
	▪ High costs of production factors;
	▪ Type of looms preventing the supply of unbleached types of fabrics demanded by the international market;
	▪ The equipment is very old (third generation) and energy consuming;
	▪ Difficulties in mobilizing financial resources.

Opportunities	**Threats**

▪ Growing cottonseed production; more than 700,000 tons;
▪ Only 3% of national cotton production is processed by national companies;
▪ Existence of a targeted market for industries;
▪ Existence of a market for their products;
  ▪ International crisis in cotton sector, especially for organic cotton (case of China and India, the first leading countries in cotton production);
  ▪ The African Continental Free Trade Area (AfCFTA)
  ▪ AGOA facility to export finished products to the United States;
  ▪ Culture of allocating a design to each event in Benin and in the region (marriage, birthday, funeral ceremonies, and periodic events such women's days and father's days).
	▪ Financial distortion caused by the sale price of cotton lint;
	  ▪ The Chinese politic on the textile market;
	  ▪ Climate change could affect the production of the raw material at the farmer level;
	  ▪ Trade of used cloth, which prevents from valuing new textile products.

LIST OF STAKEHOLDERS

Stakeholders include many cottage industries (weavers and other artisans whose activity is to dye loincloths, etc.) and the craft centres of Cotonou, Bohicon, Ouidah and Natitingou.

Table 48: Some actors in Benin's textile value chain		
Type of actors	**Name**	**Contact details**
Production of cotton and ginning	SODECO SA	Siège social: BLD CEN-SAD 95 05 97 67
	Federation des Unions de Producteurs du Benin (FUPRO)	Tel.: 22 11 18 51 E-mail: fuproben@yahoo.fr Bohicon
	Interprofessional Cotton Association	61 BP 18 Akpakpa Ex Zone des Ambassades, Rue 1142 Plan H3 Cotonou Tel.: (+229) 21 33 97 16 Fax: (+229)21 33 97 15 E-mail: amasalid@yahoo.fr
Fashion design and outfit distribution companies	Lolo Andoche	Vedoko Cotonou, 07 BP 0053 C/1361 Lot w, rue 157 Tel.: 97 01 04 90/66 51 15 68 E-mail: loloandoche@yahoo.fr
	Gretta Luce Sarl	SCOA Gbeto Cotonou Maison Ayedadjou Paul E-mail: grettaluce@gmail.com
	DIDIER FABRICE MENSAH SARL	Gbèdjromédé Cotonou Maison AMENSAH Didier Tel.: 97 08 88 10 E mail: didierfabrice87@gmail.com
	A'typic Touch Sarl	C/1975 Cotonou 04 BP 447 Cotonou E-mail: ableossi@yahoo.com
	Olabode Fashion	Ayelawadjè Akpakpa Cotonou Tel.: 96 62 53 43 E-mail: olabodefashion@gmail.com
	OK Fashion	Zogbohoue, Cotonou Maison AHONON Nestor E-mail: oslanassi@gmail.com
Standardization, inspection and certification body	Agence nationale de Normalisation, de Métrologie et de Contrôle Qualité	*Lot 185, Boulevard Saint Michel, Immeuble Ex-BRMN*, Dassouki ISSIFOU
Laboratory	Interprofessional Cotton Association	Alidou AMADOU SOULE, Chef Service Contrôle Qualité et Classement Coton, Ingénieur Agronome et Classeur Coton fibre 61 BP 18 Akpakpa Ex Zone des Ambassades, Rue 1142 Plan H3 Cotonou Tel.: (+229) 21 33 97 16 Fax: (+229) 21 33 97 15 E-mail: amasalid@yahoo.fr
Textile distributors	Benin Textile Company, Complexe Textile du Benin (COTEB) and the CTB	
Support actors	Agence Béninoise de l'Environnement (ABE)	Jean Paul VOGNITO, Personne Responsable des marchés publics Fidjrossè Cotonou Tel.: 00229 21 30 45 56/21 00 74 63/21 00 74 64 E-mail: abepge@intnet.b
	Chambre de Commerce et de l'Industrie du Bénin (CCIB), La Fédération Nationale pour l'Agriculture Biologique (FENAB) and Ministères et Association des Créateurs de Modes du Bénin (ACMB)	

Source: Primary data collected by consultant.

Benin is one of the largest cotton-producing countries in Africa. The cotton sector is well organized from research to ginning. A policy integrating the whole textile sector into one (from production to finished textile products) and a policy for energy costs for the industry will be beneficial to Benin's textile industry.

It is possible to envisage increasing the textile sector's contribution to GDP in the course of 10 years by taking exceptional, transparent and sustainable incentive measures concerning, in particular, the sale price of cotton and energy and taxation.

3.6 MALI

COUNTRY OVERVIEW

Mali is a large territory located in the heart of West Africa, sharing 7,243 km of land boundaries with seven countries. Approximately 65% of Mali's land area is desert or semi-desert, corresponding with a hot and dry climate, negligible rainfall in most of the country and frequent droughts. The Niger River, with 1,693 km in Mali, provides a large and fertile inland delta, and is rightly considered as the country's lifeblood for being a valuable source of drinking water, irrigation, as well as transportation and food.

Mali had an influential role in shaping the subregional history and culture. Starting with a small Malinke kingdom around the upper areas of the Niger River, it developed into a rich and prosperous Malian empire between 1240 and 1645, which controlled the trans-Saharan trade in gold, salt, slaves and other commodities. It spread its language, laws, faith and customs to almost the whole subregion. This provides a background for a rich, diverse and open culture, with various renowned historical sites considered as part of world heritage (such as Timbuktu and Gao). The richness of the multicultural setting also shows in the many local languages spoken in the country, such as Manding, Soninke, Bomu, Bozo, Dogon, Fula and Senufu, all of which consist of more than 60 dialects; French remains the official language.

Approximately 44% of the 20.7 million Malians live in urban areas, mostly in the capital cities of the eight regions and the capital district of Bamako. Other major cities include Segou, Sikasso, Kayes, Kidal and Mopti, mostly located in the south-west.

Since the early 1990s, Mali has embraced a democratic presidential political system. A national conference in 1991 gave the country a constitution, a charter for political parties that can be formed freely, and an electoral code, all of which form the guiding principles of the political and governance framework of a semi-presidential representative democratic republic.

Mali – key facts	
Capital city	Bamako
Area	1,2 million km^2
Population, total	19.7 million
0–14 years	*47.3%*
15–65 years	*50.2%*
Youth literacy (15–24 years)	50.1%
Male	*57.8%*
Female	*43.4%*
GDP, nominal	$17.5 billion
GDP growth, real (2014–19)	5.2%
FDI, inflows	$494 million
Gross domestic private investment	$3.9 billion
Employment to population ratio (+15years)	65.7%
Employment to population ratio (15–24 years)	51.2%
Exports of G&S, 2014–19 (billion USD, 2019)	23% of GDP (4.03)
Main products	*Pearls, precious stones and metals; cotton; live animals and animal products*
Imports of G&S, 2014–19 (billion USD, 2019)	34.2% of GDP (5.98)
Main products	*Mineral fuels and oils; vehicles; electrical machinery and equipment*
Inflation	-1.7%
Bank credit to private sector	24.2% of GDP
Govt. expenditure	$4 billion
Govt. revenue	$3.4 billion
Total public debt	$7.1 billion
Currency	CFA franc (XOF)
Languages	French (official), Manding, Soninke, Bomu, Bozo, Dogon, Fula and Senufu, etc.

Note: Data from the most recent years is shown.

Source: World Bank; IMF; UNCTAD; Comtrade.

BROAD ECONOMIC OVERVIEW

A FAIRLY COMPETITIVE AND INNOVATIVE ECONOMY

The Global Competitiveness Index ranked the overall competitiveness of Mali's economy 129th globally, 25th in Africa and 9th in West Africa, with a score of 45.6/100.[45] The contributing factors to this overall performance are macroeconomic stability (4th in West Africa), the large market size (5th), high-quality infrastructure and stable financial system (6th), and business dynamism and innovation capability (7th).

The Global Innovation Index ranks Mali as the 123rd most innovative country in the world, 24th in Africa and 7th in the subregion, with a score of 19.2/100. This ranking is due to the extent and quality of knowledge and technology outputs (2nd in the subregion), and the level of business and market sophistication (6th).

GOOD REGULATORY ENVIRONMENT

The World Bank's Worldwide Governance Indicators rank Mali's political institutions 153rd in the world, 24th in Africa and 10th in West Africa. The regulatory quality is the dimension in which the country fares relatively well in the subregional context, with 7th rank.

GOOD LOGISTICS SYSTEM AND INFRASTRUCTURE

When it comes to the quality of logistics, the World Bank's Logistics Performance Index ranks the country 96th in the world, 12th in Africa and 4th in the subregion, with an overall score of 2.59 out of 5.[46] The performance mostly owes to the ability to track and trace consignments, which is the 2nd strongest in the subregion. Additionally, the African Infrastructure Development Index ranks Mali's overall infrastructure quality 9th in West Africa and 35th on the continent, with a score of 16.7/100. The subcomponents of water supply and sanitation infrastructure are 5th in the subregion, while electricity and ICT infrastructure come 6th.

BEST ENVIRONMENT FOR CROSS-BORDER TRADING IN THE SUBREGION

The conduciveness of the business environment is ranked 148th globally, 27th in sub-Saharan Africa and 8th in West Africa, according to the World Bank's Ease of Doing Business, with an overall score of 52.9/100. The country fares better than its subregional counterparts do in the dimension of trading across borders, for example, with the lowest monetary cost of documentary compliance. Furthermore, the country is ranked the 132nd Best Country for Business by *Forbes Magazine*, 25th in Africa and 10th in the West African subregion, thanks to its economic growth, GDP per capita, trade performance and population size.

INVESTING AND DOING BUSINESS IN MALI

FAST-GROWING ECONOMY

Mali's economy has been on a sustained growth trajectory, with rates averaging more than 5% in 2016–20. This is largely thanks to a robust agricultural sector (2nd largest cotton production in Africa, estimated at 500,000 tons/year, and 1st largest livestock – mostly sheep and goat – in the subregion), and a thriving mining sector (the country is the 3rd largest gold producer in Africa, with 50 tons annually, and has large reserves of iron, bauxite and uranium). As a result of the COVID-19 pandemic, growth contracted by 1.65% in 2020, through a sharp decline in travel, trade, FDI and remittances. However, the economy is expected to bounce back in 2021 with a projected 4% growth rate, thanks to containment measures and a package of economic and social support responses, combined with improved security in the north that are expected to expand the country's productive base and help attracts more investment.

RELATIVELY LOW COST OF DOING BUSINESS

FDI has been flowing into the country at an average annual rate of 2.2% in the last decade, reaching $493.8 million in 2019.

Foreign investors considering investing in Mali would go through the relatively easy administrative processes of **starting a business**, consisting of five procedures:

(1) Deposit the initial capital with a bank or a notary, and then obtain the certification;

45 Most recent available years are considered for each ranking.

46 'Subregion' is used to denote West Africa (ECOWAS), while 'region' refers to the African continent.

(2) by-laws, sign an affidavit to certify the absence of criminal records and pay the registration fee at the notary; a public notary is required by law;

(3) Purchase legal stamps at the one-stop shop (*Agence de Promotion de l'Investissement,* located throughout the country, mostly in Bamako, Mopti, Sikasso, Kayes and Segou) needed for obtaining the authorization to operate, and the applications for the *impots* (taxes), the Tribunal de Commerce and the statistical office;

(4) Deposit all registration documents and forms at the front desk of the one-stop shop in order to register with all the services represented;

(5) Publication of the notice of incorporation in a press journal.

All of these procedures take an average of 11 days to complete, and the total fees amount to XOF 265,750 ($483.2).

A **construction permit** can be acquired in 124 days, and it requires 12 procedures and costs an average of 9.3% of the warehouse value. **Registering property** (land, commercial or residential) requires five procedures and takes up to 29 days, at a cost averaging 11.1% of the property value. National laws guarantee **equal treatment** between nationals and foreigners, whether investors or workers.

For **Visa rules**, expatriates from ECOWAS or elsewhere are entitled to a period of stay that matches their employment or business duration, with no extra limitations.

The **labour force** comprises 7.3 million individuals, of which two-thirds are employed – more than the continental average of 60.2%. On the World Bank's Human Capital Index, Mali scores 0.32. The country's guaranteed minimum wage (SMIG) has been at XOF 40,000 ($73) since 2016 and the salary distribution typically goes from XOF 83,500 or $151.8 (lowest average) to XOF1,470,000 or $2,672.7 (highest average), with actual maximum salary being higher, depending on the industries and workers' skills and education.

Energy is relatively cheap in Mali. Electricity is charged at a rate of XOF 78.1 ($0.14) per kWh, the 3rd lowest in the subregion. Obtaining a connection to the national grid takes approximately 120 days, and the process involves only four procedures (2nd fewest in Africa). Overall, 50.9% of the population has access to electricity.

Water is readily available, despite the country's arid conditions. The share of the total population using at least basic drinking water services is 78.3% nationwide, and 92.2% in urban areas. Water charges are XOF 110 ($0.2) to XOF 583 ($1.06) per cubic metre, depending on the interval blocks and on the type of use (commercial/industrial or residential).

Mali's **infrastructure** network comprises 15,100 km of roads (of which 1,827 km are paved), 729 km of meter-gauge railway that links Bamako to Senegal's railway through Kayes, 1,815 km of waterways that are navigable (mostly on the River Niger), one major port located in Koulikoro in western Mali on the River Niger, and Modibo Keita International Airport in Bamako-Senou (in addition to medium airports in Gao, Kayes, Mopti and Timbuktu).

When it comes to the **tax system**, businesses are expected to make up to 35 payments annually, which could take 276 hours. The tax structure comprises standard corporate tax (35%, tax on dividends at 10%), value-added tax (18%), payroll tax on the gross salary of each employee (3.6%), a 35% contribution to the social security funds paid by the employer on the employee's gross salary, and real property tax at an annual rate of 3% of the value of the real estate, whether developed or not. Furthermore, companies are allowed to carry forward tax losses for up to three years, but carry back of losses is not allowed, and holding companies are not subject to any corporate taxation in Mali. In addition, personal income tax is approximately 7%.

Customs duties are based on the ECOWAS CET, which is made up of five tariff bands. They range from 0% (essential social goods) to a maximum of 35% (specific goods for economic development). Additional measures destined to protect vulnerable industries while guaranteeing fair competition throughout the liberalized subregional markets include safeguard measures, anti-dumping measures, anti-subsidy and countervailing measures, and supplementary protection measures.

The **banking and financial system** is part of the West African Economic and Monetary Union's integration scheme which provides it with stability. The average bank lending rate was 7.7% in 2019, and total credit to the private sector represents nearly one-quarter of GDP, the 5th largest in the subregion. The extended reach of the 14 national, regional and international banks operating in Mali guarantees the availability of foreign currencies at a relatively predictable rate (partly thanks to the **fixed exchange rate** of the common XOF currency against the euro), free international money transfers (e.g. remittances), and the possibility for individuals and businesses to maintain **foreign currency accounts**.

As part of the financial integration in the WAEMU, FDI companies can access and raise capital in the subregional **stock exchange market** (*Bourse Régionale des Valeurs Mobilières*), which has 65 listed companies (as of June 2021).

When it comes to **incentives for foreign investment**, the *Agence pour la Promotion des Investissements* (API) has been set up to promote domestic and foreign investment. It provides up-to-date information, mostly on its website, including investment opportunities in sectors with high levels of profitability, such as agriculture, livestock farming, energy and infrastructure. Additionally, there are fiscal incentives that include:

- Tax exemption on dividends paid by subsidiaries to their parent of up to 95% of the amount paid, and on capital gains (realized during exploitation) after commitment to reinvesting them in a WAEMU member State within three years from their realization;
- Tax exemption from industrial and commercial profit taxes on half or two-thirds of capital gains realized at the end of operation; and an exemption from the minimum flat-rate tax for any fiscal year in deficit during at least the first five years, among many others.

Moreover, when fully operational, the cross-border SEZ, located in Sikasso (Mali), Korhogo (Côte d'Ivoire) and Bobo-Dioulasso (Burkina Faso) will provide further incentives for both local and foreign investors. The project, whose legal framework is yet to be developed, is part of the ECOWAS Cross-border Initiatives Programme launched in 2005 with the aim to increase cooperation frameworks along intra-community borders.

Overall, the readily available skilled labour force and energy at a competitive cost, the economy's dynamism, strong government incentives, its pivotal cross-border trade position in the subregion and sound and open banking and financial system represent key elements Mali's attractiveness for foreign capital seeking favourable business destinations in West Africa.

INVESTMENT OPPORTUNITIES

FDI flows to Mali are weak and unstable due to the country's fragile political and security situation. According to UNCTAD's 2020 World Investment Report, FDI inflows increased to $494 million in 2019, compared to $467 million in 2018. FDI stock has grown year by year and was estimated at $5 billion in 2019. Most foreign direct investments are oriented towards mining (gold exploitation), oil extraction, the textile industry, financial intermediation, telecommunication and infrastructure. Mali's leading investors are the United Kingdom, Australia, Canada, the Republic of South Africa, and Cote d'Ivoire (La Banque Centrale des États de l'Afrique de l'Ouest (BCEAO), 2018).

Mali benefits from substantial natural resources such as gold, bauxite and iron, and is Africa's main cotton supplier. In general, the law treats foreign and domestic investment equally, but state-owned enterprises distort the economy and limits on ownership in the mining and media sector persist (90% foreign ownership limit in the mining sector; 50% in media). In recent years, the Government of Mali has put in place FDI promotion policies aimed at encouraging competitiveness and private sector participation in almost all sectors. The specific focus is on agribusiness, fishing and fish processing, livestock and forestry, mining and metallurgical industries, water and energy, tourism and hospitality industries, communications, housing development, transportation, human and animal health, vocational and technical training, and cultural promotion. Furthermore, foreign companies can negotiate ad hoc incentives on a case-by-case basis. The Agency for the Promotion of Investments (API) is the authority that serves as a one-stop shop for potential investors. However, political instability and security concerns in the north of the country tend to dissuade investors. The judicial system is inefficient and prone to corruption. State authority in parts of the north is still tenuous, and corruption remains a problem throughout the government, public procurement, and both public and private contracting, where demands for bribes are frequently reported (Mali ranked 129th out of 180 countries in the 2020 Corruption Perceptions Index of Transparency International). Labour regulations, although not fully enforced, are relatively rigid. Mali ranked 148th out of 190 countries in the 2020 Doing Business report published by the World Bank, losing three positions compared to the previous year.

Table 49: Country comparison for the protection of investors				
	Mali	Sub-Saharan Africa	United States	Germany
Index of Transaction Transparency	7.0	5.0	7.4	5.0
Index of Manager's Responsibility	1.0	4.0	8.6	5.0
Index of Shareholders' Power	5.0	5.0	9.0	5.0

Source: Doing Business. Latest available data.

Foreign direct investment	2017	2018	2019	Germany
FDI inward flow *(USD million)*	563	467	494	5.0
FDI stock *(USD million)*	4 303.8	4 562.0	4 971.5	5.0
Number of greenfield investments	3.0	2.0	3.0	5.0
Value of greenfield investments *(USD million)*	205	65	203	

Source: UNCTAD. Latest available data.

TEXTILES AND APPAREL INDUSTRY OVERVIEW IN MALI

The importance of the cotton, textile and apparel sector in the country depends on its size and part in the creation of the nation's wealth formation, which is conditioned by the nature of the economy and its related functioning conditions and the performance of other sectors.

The semi-liberalized economy instituted after the political regime change in 1968 conserved the centralized and planned economy characteristics such as public companies, administered prices and protectionist customs duties with more economic freedom to the private sector in agriculture, trade and creation of private or mixed economy companies.

In 2016–20, GDP was up from $14.24 billion to $17.36 billion through an overall average annual growth rate of 4%. The economy still depends on the primary sector, driven by food, agriculture and livestock breeding, whose share in GDP was 39%–42%, while that of the tertiary sector was 38%–40%.

The secondary sector's share in GDP was 18% and 23% in 2016–20. The part of the textile subsector in that share varied between 6% and 5% following the years of the period. The increase in the secondary sector's contribution to GDP was due to the production of the gold foundries in the 2000s when the country became the third producer of gold on the continent behind Ghana and South Africa. The country's major export product and revenue provider became gold in replacement of cotton lint, which still played an important role in the economy.

Table 50: Share of sectors in added value creation (2018–20, USD billion)						
Sector/year and share	2018	%	2019	%	2020	%
Primary	**4.43**	**38%**	**4.61**	**34%**	**3.63**	**35%**
Food agriculture	1.91	43%	1.96	43%	1.72	47%
Exports agriculture	0.20	4%	0.21	5%	0.04	1%
Secondary	**2.19**	**19%**	**2.32**	**17%**	**1.72**	**17%**
Food industries	0.31	14%	0.33	14%	0.26	15%
Textile industries	0.22	10%	0.21	9%	0.11	7%
Tertiary	**4.95**	**43%**	**5.22**	**39%**	**3.91**	**38%**
Commerce	1.39	28%	1.43	27%	1.09	28%
Transportation and communication	1.03	21%	1.07	20%	0.93	24%
Gross national product market price	**11.57**	**91%**	**12.15**	**90%**	**9.25**	**91%**
Net taxes	**1.16**	**9%**	**1.29**	**10%**	**0.97**	**9%**
Gross national product factor's cost	**12.73**	**100%**	**13.44**	**100%**	**10.22**	**100%**

Source: World Bank, 2018.

The created added value decreased in 2018–20 from $12.73 billion to $10.22 billion, representing an overall drop of 20% from 2018–19. The decline of the added value in 2020 was due to the COVID-19 pandemic that affected all the economies of the world.

The primary and secondary sectors contributed for 81%, 73% and 74% of the added value creation in 2018, 2019 and 2020 respectively, while the secondary sector contributed 19%, 17% and 16% in the same period.

The share of the cotton lint subsector in the primary sector's contribution was of 4%, 5% and 1% in 2018, 2019 and 2020 respectively, while that of the textile and garment subsector in the secondary sector's contribution was of 10%, 9% and 7% in the same period.

The cotton, textile and apparel sector comprises three subsectors that represent three specific professions with its technical skills and know-how, but integrated by their production processes, whose implementation relies on cotton lint and its derived products.

The Malian cotton lint subsector is a monopolistic mixed economy with 18 cotton-ginning factories, which provide the textile subsector with part of its cotton lint production, with the rest being subject to export.

The textile subsector consists of a few private textile companies, ranging from industrial and semi-industrial textile units to artisanal workshops. The industrial textile companies have an integrated textile products production process, except one, whose production process was limited to yarn production.

The apparel subsector consists mostly of small private workshops, with the most important ones having approximately 20 tailors largely dependent on imported textile products to produce unlabelled garments on customers' orders.

The creative and dynamic subsector's handicaps are the lack of trained stylists and designers and its multiple small workshops, which cannot compete in a regional or globalized market.

The cotton subsector was confronted with three major crises in the marketing seasons of 2000/01, 2008/09 and 2020/21, showing its vulnerability to the fluctuations of cotton lint prices on the global markets.

The different crises were all triggered by producers' refusal to cultivate cotton due to its low purchasing price, which depends on the level of cotton lint prices on the international market and the high selling prices of fertilizers.

In the ginning seasons of 2001/02–2005/06, the cotton subsector, with higher cotton purchasing prices, expanded again, with a lint production of more than 223,000 tons in the period, except for season 20002/03 when it declined to 181,000 tons, while reaching 260,000 tons in the 2003/04 season.

Cotton fibre prices rose on the global markets, whose average price for Malian production increased in the respective ginning seasons 2009/10 and 2010/11, from $1.31/kg to $2.62/kg. This enabled Mali to implement incentive measures such as a higher basic purchasing price for cotton at $0.434/kg, the pursuit of a subsidy policy on delivered cotton input prices for an amount of $178,819 million in 2012–19, and the balancing of cooperatives' internal debts generated by a solidarity guarantee by a levy of $5,511 million on the cotton subsector support fund for their payment to commercial banks.

Table 51 shows the evolution of lint production and exports in 2011–20.

Table 51: Lint production and exports in Mali (2011–20)								
2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Production/seasons: Areas cultivated (ha)								
445 314	521 436	480 542	539 652	545 308	656 084	703 652	698 158	738 193
Production/seasons: Cotton production (ton)								
445 314	449 658	440 027	548 722	513 536	647 257	728 606	656 531	710 731
Production/seasons: Processed cotton (ton)								
336	156 518	156 518	156 518	156 518	156 518	156 518	156 518	156 518
Production/seasons: Cotton lint production (ton)								
186 750	191 626	184 189	232 748	215 447	264 376	298 586	275 759	295 158
Production/seasons: Gin motes (ton)								
1 383	1 495	1 574	1 726	1 712	1 862	2 342	2 769	3 838
Production/seasons: Cotton lint yield (kg/ha)								
419	367	383	431	395	403	424	395	400
Production/seasons: Cotton lint export (ton)								
177 985	186 282	180 899	180 899	211 436	256 789	291 317	272 267	276 094
Production/seasons: Average export price (USD/kg)								
2 042	1 616	1 582	1 415	1 517	1 788	1 792	1 842	1 615
Production/seasons: Export value (USD)								
363 445	310 032	286 182	255 972	320 748	459 139	522 040	501 516	445 892

Source: World Bank, 2019.

The COVID-19 pandemic that started in 2020 caused the closure of many textile factories around the world and created a drop in cotton lint demand and a fall of its prices on the global market. The cotton subsector went into another crisis with the producers' refusal of the first fixed cotton purchasing price and the prices of delivered cotton inputs. After negotiations, the purchasing price was fixed at $0.43/kg and the delivered inputs subsidized again, but by the time these decisions were announced producers had already cultivated other crops in replacement of cotton.

Cotton lint production fell in 2020/21, to 64,000 tons from 295,000 tons in 2019/20, and the cultivated areas to 165,000 ha from 738,000 ha.

Table 52: Cotton lint export sales margin in Mali (2009–20)										
2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Lint export margin/period: Cotton lint export costs (USD/kg)										
1.82	1.89	2.14	1.74	1.88	1.54	1.73	1.79	1.92	1.81	1.92
Lint export margin/period: Cotton lint export price (USD/kg)										
1.41	2.81	2.20	1.74	1.70	1.52	1.63	1.92	1.93	1.98	1.74
Lint export margin/period: Margin (USD/kg)										
-0.41	0.92	0.06	0.00	-0.18	-0.02	-0.10	0.13	0.01	0.17	-0.18
% of lint export price										
-29%	**33%**	**3%**	**0%**	**-11%**	**-1%**	**-6%**	**7%**	**1%**	**8%**	**-10%**

Source: Trade Map, ITC, 2020.

The cotton lint export margin represented 0%–8% of export prices; a margin of 33% was reached in 2010/11 when lint export was high. The cotton lint margin was non-existent when it was sold at a loss, with negative margins being 0%–11% of export prices. The lowest level was in 2009/10, with a margin of –29% of lint export price. The level of the margin depends not only on export prices, but also on production costs.

The cotton lint was also sold domestically to industrial textile companies' factories despite being exported to foreign countries. The textile companies purchased cotton lint at a forecast factory price with added value tax, from the Malian Company for Textile Development.

Table 53: Cotton lint domestic sales in Mali (2009–20)										
2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Lint sales/periods: COMATEX SA (ton)										
1 800	1 831	2 000	2 150	1 794	1 850	1 600	1 570	1 918	1 217	550
Lint sales/periods: FITINA SA (ton)										
0	500	1 000	432	100						
Lint sales/periods: Batex-CI SA (ton)										
79	500	632	650	1 782	200	400				
Lint sales/periods: Total										
1 879	2 831	3 632	3 232	3 676	2 050	2 000	1 570	1 918	1 217	550
Lint sales/periods: Cotton lint production (ton)										
96 488	103 403	186 743	191 626	184 189	232 749	215 447	264 375	298 586	275 757	295 158
% Cotton lint production										
1.9%	**2.7%**	**1.9%**	**1.7%**	**2,0%**	**0.9%**	**0.9%**	**0.6%**	**0.6%**	**0.4%**	**0.2%**

Source: Food and Agricultural Organization, 2020.

Table 53 shows the cotton lint quantities purchased by textile industrial companies in 2009–20.

In the period, the textile companies purchased less than 3% of the cotton lint production for their processing needs. The quantity of purchased cotton declined while the cotton production increased. The highest percentage of cotton lint sold to the companies was in 2010/11 and 2013/14, with respectively 2.7% and 2% of its production.

The share of domestic sales of cotton lint production was less than 1% for the following ginning seasons: 0.9% in 2014/15 and 2015/16, 0.6% in 2016/17and 2017/18, and 0.2% in 2019/20. The low level of domestic sales of cotton lint is due to its high price with value added tax and the terms of cash payment without any possibility of supplier credit.

Table 54 depicts the margin of the cotton lint supplier on its domestic sales to industrial textile companies.

Table 54: Margin evolution on domestic cotton lint sales						
Domestic margin/seasons	**2014/ 2015**	**2015/ 2016**	**2016/ 2017**	**2017/ 2018**	**2018/ 2019**	**2019/ 2020**
Production costs (USD/kg)	1 426	1 538	1 566	1 590	1 642	1 745
Domestic price (USD/kg)	1 521	1 503	1 471	1 804	2 021	1 903
Margin domestic sales (USD/kg)	0 095	-0 035	-0 095	0 214	0 379	0 158
Domestic price (%)	6%	-2%	-6%	12%	19%	8%

Source: Food and Agricultural Organization, 2014–020.

The collapse of the textile sector began in the 1985–95 period with the disappearance of the industrial factories under the directives of the International Monetary Fund and the World Bank structural adjustment programmes, and production growth ceased at the end of the decade.

These measures led to an increase of production costs and the influx of legal and fraudulent low-price imported fabrics of similar or better quality than those produced by the companies from Asia and some regional countries, as well as other textile products from regional countries and those of South-East Asia.

The 2015 census numbered 829 factories, among which 765 were still in activity, employing 30,438 workers against 13,127 in 2002. The added value created by the manufacturing sector had an overall growth of 97%, from $0.6911 billion to $1.358 billion in 2010–14. The created added value grew by 11% in 2010–11, with $0.768 billion in 2011, and by 191% in 2011–12 ($2.238 billion in 2012).

The growth of the added value creation was 14% in 2012 and 2013 for $2.238 billion and $2.544 billion respectively, but in 2013–14 it fell by -47% to $2.544 billion and $1.358 billion respectively.

Among the factories still functioning in the manufacturing sector in 2021, only four are textile factories, with only one industrial unit and three semi-industrial units.

The Malian textile subsector was composed of two companies with a cotton lint integrated industrial production process, both of which are now closed.

SEMI-INDUSTRIAL TEXTILE COMPANIES

The Malian textile subsector also comprises some semi-industrial companies with factories that process inadequate cotton fibres for exports or the textile industry. These consist of short silk and disqualified cottonseed or burnt and gin motes from lint cleaners' cleaning process.

The semi-industrial companies process these cotton lint sub-products by cleaning, carding and bleaching them for exports to countries such as the People's Democratic Republic of Algeria, Mauritania, France and the Kingdom of Spain, where they are used for the production carpets, upholsteries, cotton buds, sanitary tools and tissues.

Many of the companies want to increase their cotton sub-product processing by domestically producing some of these products, notably absorbent or hydrophilic cotton and fabrics for packing bags for agricultural products like cotton lint.

As of 2021, only three textile semi-industries are still active in the country, and only one processes carded gin motes to produce floor clothes and woven fabrics for packaging bags sold domestically.

The following companies are at the cleaning, carding and bleaching stage of the processing of cotton lint sub-products for production for exports:

- The Company for the Production of Hydrophilic Cotton (SOFACOH-SA), a public limited company under Malian law, was created in 2003 to clean gin motes from lint cleaners and to produce absorbent or hydrophilic cotton for the local market. It currently produces for export;

The only company that has advanced in the processing of gin motes into products with a real added value that will be marketable domestically and regionally in the future is South Cotton and Textile (Sucotex Sarl), a limited liability company that was created in 2003 with a process for cleaning and reconditioning gin motes and inadequate export cotton fibre. In 2011, the company purchased equipment to produce non-carded yarn with a mix of these cotton lint sub-products into woven fabrics used to produce floor clothes and packing bags for products. The package fabrics are sold to ginners, which use them to produce bags for cotton lint packaging.

Table 55 depicts gin motes and inadequate cotton sales to semi-industrial textile companies.

Table 55: Gin motes sales (2008–20)

Gin motes sales/ seasons	2008/ 09	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18	2018/ 19	2019/ 20
Sucotex Sarl (ton)				4	15	1	142	2	103	113	83	0
SOFACOH-SA (ton)	0	333	100	200	420	246	374	403	0	0	0	41
Maseda-SA (ton)	500	0	0	300	0	0	0	193	0	0	0	0
Total	500	333	100	500	456	324	323	596	103	113	83	41

Source: Primary data collected by the consultant.

The sales of gin motes and inadequate cotton fibres to semi-industrial textile companies have declined regularly, from 500 to 41 tons between 2008–09 and 2019–20.

Some quantities are also sold to other customers as national and foreign traditional artisans, because the term applied for purchase is cash payment and most of the companies have a cash flow shortage.

SWOT ANALYSIS FOR KEY STAKEHOLDERS

Strengths	Weaknesses
▪ Strategic geographical location as a gateway port for West African limited liability companies (LLCs) ▪ Existing joint border post with Burkina Faso ▪ Port of Lomé expansion project to accommodate third generation vessels ▪ Steady increase in Port of Lomé's annual throughput ▪ Political stability and Togolese Government's commitment to regional integration ▪ Togo is a member of the same regional trading bloc (Union Economique et Monétaire Ouest Africaine – UEMOA) as other West African LLCs	▪ Poor hinterland connectivity ▪ Limited port capacity ▪ Extensive bureaucracy and numerous checkpoints along the Lomé–Ouagadougou transit corridor ▪ Poor information and communications technology (ICT) and lack of effective synchronization systems ▪ Poor conditions of trucks along the Lomé–Ouagadougou corridor and high inland transport cost ▪ Dangerous faults at Aledjo and Défalé
Opportunities	**Threats**
▪ Subregional integration efforts between ECOWAS and UEMOA ▪ Rehabilitation and extension of existing rail network from Blitta to the Sahel region in Togo ▪ Deregulation and encouragement of public–private partnerships along the Lomé–Ouagadougou transit corridor	▪ Burkina Faso as a second transit country for Mali and the Niger ▪ Stiff competition from neighbouring corridors (Benin, Ghana and Cote d'Ivoire) ▪ Recent pirate attacks on ships along the Atlantic coast

4. KEY FACTORS AFFECTING FDI IN TEXTILES AND APPAREL

FDI in textiles and apparel is affected by many factors. We will examine these factors from international buyers' and investors' perspectives, as both buyers and investors affect the FDI inflow in a country. These factors are summarized in Table 56.

Table 56: Factors influencing FDI in textiles and apparel

Factors	International buyers	Investors
Trade		
International trade policies		●
Trade agreements		●
Time to market	●	●
Potential for new markets		
Political climate and natural endowments		
Politics and stability in the country	●	●
Geographic proximity to market	●	●
Presence of raw materials in the country		●
Labour		
Labour compliance		●
Labour quality		●
Labour costs	●	
Training of workers		●
Risk of strikes		●
Factory capacities		
Ability to carry on full package production	●	
Quality of garments produced	●	
Strong prior relationship with prior buyers in the country	●	●
Technology upgrade in the factory	●	
Costs		
Production cost	●	●
Financial environment		
Export credit schemes		●
Loans at lower rate		●
Infrastructure		
Quality of transportation and telecom infrastructure	●	●
Productivity	●	●
Policy environment		
Lack of restrictions on capital		●
Country tax policy and incentives		●
Existence of export processing zones or bonded warehouse facilities		●
Policies affecting labour force (wages, health and safety)		●

Source: Primary data collected by consultant.

As Table 56 shows, trade agreements and time to market are crucial factors for both investors and international buyers to source from a particular country. Quality of labour (productivity, cost and adoptability) is a key factor in attracting FDI. However, other studies have shown that both cost and quality are key factors in attracting investment. Buyers tend to source from countries where reliability and full package can be expected. The government's role in helping a country to be more attractive for investment is important in terms of tax policy, incentives, credit, infrastructure, trade facilitation, and the need to treat the textile industry as a priority and to be more responsive to the sector.

Overall, one of the main factors affecting FDI decisions is workforce. It is a country's main asset, provided that more efforts are made to increase their productivity. Other factors include infrastructure, ports, communications, lack of backward linkages and poor working conditions.

5. IDENTIFY PRODUCT AREAS THAT CAN BE HIGHLIGHTED

The textiles and apparel sectors are often treated as one industry with similar economic characteristics. However, they are two sectors with very different technological dimensions, particularly in factory intensity. They are connected through strong backward and forward linkages in a vertical production and distribution network. However, the textiles sector is generally much more capital-intensive than the apparel sector. The textiles sector (yarn and fabrics) comprises a wide range of products, which can roughly be classified into natural fibre-based products (such as cotton, wool, or silk yarn and fabrics) and synthetic fibre-based products (such as nylon or polyester yarn and fabrics), each with significantly different production technology and industrial organization attributes. The former is closely linked to the agricultural sector. However, the latter has strong backward linkages with chemical-oriented industries and is more capital intensive. As such, developing countries with abundant labour, but low levels of capital accumulation do not usually exhibit strong comparative advantages in the production of synthetic fibre and related products. As the production of textiles also requires higher levels of technological contents, workers' skill and knowledge base also become critical. The natural fibre subsector, on the other hand, is typically less capital and technology intensive. Natural resource endowments are clearly important to this subsector's development. However, resource endowments do not automatically translate into export competitiveness due to factors related to the business environment. Some least developed countries are also concerned about the impact of export competition on the competitiveness of their cotton-growing sector. The cotton sector connects with the traditional handicraft sector, which uses very labour-intensive technologies (although some highly skill intensive), supporting the livelihoods of many in both developed and developing countries. When textiles are used as input materials for the production of apparel, they must meet specific quality standards in terms of physical and chemical properties. These include, for example, quantifiable standards such as strength and dimensional stability of the fabric, abrasion and pilling resistance, and colourfastness (against light, crocking and washing). These qualities are normally tested in laboratories against the specific standards set by global buyers in relation to the final markets they serve. In comparison to the standards set for apparel products, these requirements are more elaborate, detailed and difficult to comply with, and deter entry of less experienced firms in developing countries into international production and distribution networks. The apparel sector, on the other hand, is generally more labour intensive, and variation in factor intensity according to products is much smaller than that of the textiles sector. As this sector is more downstream and closer to consumers, the designing, branding and marketing functions become crucial. These functions are undertaken by firms in developed countries, and fetch a substantial proportion of the total value added in the chain. Developing countries typically participate in these chains by catering for the labour-intensive assembly functions ('Aid for Trade and Value Chains in Textiles and Apparel', OECD/WTO/IDE-JETRO, 2013).

The textiles and apparel value chain is full of entry points for West African countries. On the one hand, cotton growing is the entry point at an upstream part of the chain for countries with appropriate climatic conditions. On the other hand, for those with large young and typically low-skilled populations, sewing at a downstream part of the chain is the entry point due to its labour-intensive nature. In addition, some middle-income developing countries play a critical role at a midstream scale, in activities such as spinning, weaving, knitting, dyeing and finishing, as well as producing synthetic fibres. Thus, the textiles and apparel value chain is 'fertile' for developing West African countries, in the sense that it bears fruits at many pieces of the chain. Above all, apparel is a commodity for which low-income countries have become indispensable parts of suppliers to the world market.

The apparel industry is a promising entry point, not only along the textiles and apparel value chain, but also for industrial development as a whole. In fact, many East Asian economies achieved industrial development and became high-income countries through this entry point. Some low-income countries have made remarkable progress in apparel exports in the past decade – success achieved without large-scale transfers of aid. The textiles and apparel industry is now one of the most globalized industries, providing employment opportunities to more than 60 million workers worldwide, most of them in low-income exporting countries.

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