

# The Impact of Second Hand Clothes and Shoes in East Africa



Esther Katende -Magezi

This study is published as part of the project “Promoting Agriculture, Climate and Trade linkages in the East African Community – Phase 2” (PACT EAC2). Led by CUTS International Geneva in collaboration with CUTS ARC Nairobi, the project aims to build the capacity of individuals, networks and institutions to identify and promote appropriate policies for climate-aware, trade-oriented, food security-enhancing agro-processing in the EAC region.

---

Authored by:

Esther Katende - Magezi  
EK Consulting Group Ltd,  
[www.ekconsultinggroup.com](http://www.ekconsultinggroup.com)

Published by:



**CUTS INTERNATIONAL, GENEVA**

Rue de Vermont 37-39  
1202 Geneva, Switzerland  
[www.cuts-geneva.org](http://www.cuts-geneva.org)

Funding support



This publication should be cited as: KATENDE-MAGEZI, E. (2017). “The Impact of Second Hand Clothes and Shoes in East Africa”. Geneva. CUTS International, Geneva.

© 2017.

The material in this publication may be reproduced in whole or in part and in any form for education or non-profit uses, without special permission from the copyright holders, provided acknowledgment of the source is made. The publishers would appreciate receiving a copy of any publication, which uses this publication as a source. No use of this publication may be made for resale or other commercial purposes without prior written permission of the copyright holders.

# Table of Contents

Acknowledgments.....	5
Executive Summary.....	6
Abbreviations .....	8
<b>1. Introduction.....</b>	<b>9</b>
1.1. Background .....	9
1.2. Overall Purpose.....	10
1.3. Specific Objectives & Scope of Work .....	10
1.4. Methodology .....	10
1.5. Study Limitations .....	10
<b>2. The Position of Second Hand Clothing in the World and in EAC.....</b>	<b>11</b>
2.1. Second Hand Clothing Trade in the World .....	11
2.2. Second Hand Clothing in the EAC Region .....	12
2.3. Capacity of the EAC Region in the Cotton, Textile, Apparel and Leather sector .....	13
<b>3. The Position of Second Hand Clothing in the EAC Partner States.....</b>	<b>14</b>
3.1. Kenya.....	14
3.2. Uganda.....	18
3.3. Tanzania .....	21
3.4. Burundi.....	24
3.5. Rwanda .....	26
<b>4. Implications of the Ban on the EAC.....</b>	<b>28</b>

4.1.	Impact of the Ban Within the EAC .....	28
4.2.	Implications of the ban in light of Existing International Agreements.....	30
4.3.	But What are the Pertinent Issues With Respect to the Ban? .....	30
4.4.	Impact of the SHC ban on Agro Processing for Textile and Leather Sectors .....	32
4.5.	Environmental and Climate Change Implications for the Region.....	33
4.6.	How are Other Countries in the World Addressing Issues Relating to SHC Imports? 33	
<b>5.</b>	<b>Conclusions and Recommendations.....</b>	<b>35</b>
5.1.	Conclusions.....	35
5.2.	Proposed Recommendations.....	35
	<b>References.....</b>	<b>39</b>

## Acknowledgments

This Study Report has been produced by Esther Katende-Magezi on the instructions of CUTS International. The consultant is a trade law and policy analyst. The work has been accomplished with assistance from the EAC Secretariat and CUTS international. The contents of this document are the sole responsibility of the author and can under no circumstances be regarded as reflecting the position of the EAC Secretariat or CUTS international.

The consultant would like to express her most profound gratitude to Mr. Julian Mukiibi and Mr. Clement Onyango of CUTS, Mr. George Ndira, Ms. Jennifer Gache and Mr. Johansein Rutaihwa of the EAC Secretariat, Ms. Lilian Awinja and Mr. Adrian Njau from the East African Business Council for the open discussions, the invaluable support and assistance and for the efficient organization, coordination and availing of information to the consultant.

The consultant further gratefully acknowledges the research and analysis availed by the entire research team especially Mr. Isaac Arinaitwe, Mr. Boniface Otieno, Mr. Gilbert Niyongabo and Ms. Annette Mukayiranga.

## Executive Summary

In the 1960's to the early 1980's, the clothing and shoes industrial sector in East Africa was thriving and producing for both the local markets as well as the export market, and employing thousands of people. Value chains in the sector were well established right from the production of raw materials to the finished products. However, over the years, the clothing and shoes manufacturing industries have collapsed with the emergence of an informal sector dealing in second-hand clothes and shoes (SHC). At present, the majority of the population in East Africa source their clothing needs from this informal sector, which has curtailed efforts in revamping the clothing and shoes industrial sectors in the region.

The overall objective of this Study is to review the state of play of used clothing and shoes imports within the region, analyze the implications of the EAC Heads of States ban on Second Hand Clothing (SHC) imports in the EAC Community and examine practical approaches to implementing the ban. A dual approach of literature review and gathering first-hand information through interviews of stakeholders in the EAC was utilized.

Overall, the importation of SHC has been growing in all the EAC Partner States with the value imported in the EAC in 2015 amounting to \$151 million. SHC are deemed to be cheaper and of better quality than the new clothing available on the market, hence the demand for SHC is quite high in all the Partner States. The SHC are cheaper than the new clothing in all the EAC States and the largest importers of SHC into the EAC are from USA, UK, Canada and China.

There is generally a negative impact of SHC trade on the textile and leather industry of any country. This was proved by a model created by Garth (2008) that showed that there is a negative relationship between a recipient country's textile production and textiles imports, with a 1 percent increase in SHC imports resulting in a 0.61 percent reduction in apparel production. The EAC Partner States are not exempted from Garth's findings. On the environment, research (Farrant, Olsen & Wangel, 2010) shows that the purchase of 100 second-hand garments can save between 60 and 85 new clothing and collecting 100 garments for reuse would lead to between 14 percent decrease of global warming for the cotton T-shirt to 45 percent reduction of human toxicity for the polyester/cotton trousers. However, when this is compared to the cost of SHC in the EAC region, especially regarding the growing decline of the textile, apparel, leather and related sectors, (such as cotton in Uganda and Tanzania and silk in Rwanda), it can be argued that the environmental cost is minimal.

### A Phased Approach

This Study has recommended that a phased approach is used in implementing the ban. SHC are not entirely used clothing. Some of the clothing in the bales are as good as new, but sold as second hand and imported in the same bales with the second hand. So the ban cannot be implemented in a blanket manner without taking note of this fact since the new clothing therein is usually durable good clothing. As such, in the execution of the phased approach, there is need to establish a code of practice and acceptance criteria for different grades of SHC. At present, SHC in the EAC is typically organised into three grades: Grade A - new and as good as new with minor bruises/stains, Grade B - bad odor, dripped strides, some bruises, Grade C - serious bruises, holes, tears and stains. The EAC could decide to first ban grades C and B, while imposing higher

tariffs on grade A with the intention of a total ban for all grades over a period of 5 to 8 years. This phased approach would soften the impact of the ban on the domestic consumers, as well as the source countries and would make implementation of the ban easier, by putting in place relevant standards that support only the importation of Grade A clothing. The standards would, in turn, be enforced by the bureaus of standard and the customs officials of the different Partner States.

## Alternative to the Phased Approach: SHC Purely for Charity

There are views that SHC should be totally and immediately banned, save for charitable purposes via licensed importers like churches or foundations, with clear quota allocations. It is argued that as long as there is no commercial drive for SHC, the level of imports will drop significantly and only those truly committed to humanitarian causes will find them worthwhile to import. Further, that since the overarching objective is for the EAC is developing industrialization; the region should not concern itself with processes such as the grading of SHC. This Study however finds otherwise due to the fact that making an exception for only charitable purposes will compromise the ban on SHC substantially, with importers claiming the clothing is a donation. Moreover, originally SHC was admitted as donations, but over time evolved into highly commercial trade and thus putting the EAC in the situation where it is – with SHC importation being so high that the local industries are affected substantially.

## Tariffs

Tariffs for new clothes should be equally addressed. SHC purchasers are both well to do middle class and the have-nots. When the ban is implemented, the middle class will still be able to afford new clothing but the poor may not necessarily. Therefore the ban should put the same tax measures on new imported clothing so that the price of the new imported clothing is as high as that of the SHC ban. That way, the burden of the ban will not only be felt by the poor, but by all clothing consumers, who will, in turn, buy the locally made products. Further, competition against the industrial sector is not only from SHC but also from imported clothes from foreign companies. So the implementation of the ban so as to boost industrial production should also address the increasing establishment of foreign importing clothing businesses in the EAC. Otherwise, the SHC ban will end up promoting the growth of the foreign multinational companies that have the capacity to produce on large scale, and not necessarily support local production.

## Addressing challenges facing industrialisation

The factors affecting industrial production in Africa are not mainly SCH, but the unfavourable conditions for industrial growth and development in the Partner States. If these conditions such as high electricity tariffs, the absence of real tax incentives, among others, are not addressed, the ban will not achieve its intended goal of boosting industrialisation in the region.

## EAC Vision 2050

The study has noted that the SHC ban may not be popular for some interest groups, but on the whole, it is pushing the EAC in the direction of its Vision 2050. Its implementation can be justified under the international laws, and in the big picture, it will improve the livelihoods of the people in the EAC region through improved industrialisation.

# Abbreviations

CET	Common External Tariff
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EPZ	Export Promotion Zone
ESRF	Economic and Social Research Foundation
FDI	Foreign Direct Investment
LDC	Least Developed Countries
SADC	South African Development Cooperation
SHC	Second Hand Clothing
SME	Small and Medium Enterprises
UK	United Kingdom
USA	United States of America

# 1. Introduction

In the 1960's to the early 1980's, the clothing and shoes industrial sector in East Africa was thriving and producing for both the local markets as well as the export market, and employing thousands of people. Value chains in the sector were well established right from the production of raw materials to finished products. However, over the years, the clothing and shoes manufacturing sectors have collapsed with the emergence of an informal sector dealing in second-hand clothes and shoes. At present, the majority of the population in East Africa source their clothing needs from this informal sector, which has curtailed efforts in revamping the clothing and shoes industrial sectors in the region. The question, therefore, is, how do these clothes find their way to the region?

Clothing consumption all over the world has increased over the years principally due to the fast changing fashions and the existence of cheaper clothes with reduced quality. As a result, consumers in the developed world have found themselves with more clothing than they need, with a purchase going out of style in a matter of weeks. Since they can readily afford to buy new clothes, they get rid of outgrown, unfashionable or worn out garments and discard them as waste, or dispose of them for recycling or donate them to charities (Cline, 2012). This has led to an overwhelmingly more supply than there is demand, hence the need to transfer the clothes and shoes, as donations, to developing countries. What is not known to the donors, however, is that their clothes are not just handed over to the needy, but they are sold in local markets, in the developing world, with 70 percent of these global donations ending up in Africa (Cline, 2012).

Since the 1990s, this trade in Second Hand Clothes and Shoes (popularly and hereinafter known as Second Hand Clothing) in the world has grown tenfold to reach a value of about 2.8 billion pounds annually (Cline, 2012). The primary source of Second Hand Clothing (SHC) to Africa is the United States, Canada and the United Kingdom, with the United States and the United Kingdom as the largest exporters. In 2013, the United States SHC exports were worth more than \$685 million, according to United Nations data. Much of it went to Central and

South America, Canada and Mexico, Tanzania and Angola. The United Kingdom is the second largest SHC exporter, with more than \$600 million worth of discarded fashion overseas in 2013. The top United Kingdom export destinations were Poland, Ghana, Pakistan, Ukraine, Ghana, Benin, Kenya, and Togo. Germany was the third largest exporter in 2013 at about \$500 million, with the largest exports going to Cameroon and Angola. The other main SHC exporters are South Korea, The Netherlands, Belgium, Canada, Poland, Italy and Japan. South Korea and Canada together exported \$59 million worth of SHC to Tanzania while the United Kingdom exported \$42 million worth of SHC to Kenya. In other words, SHC is a big business in these developed nations, but a huge challenge to the African clothing and shoe sectors, which have failed to compete, over the years, as a result of readily available SHC.

Cognizant of these facts, the EAC countries in a bid to re-establish an enabling environment that would incentivize the development of the clothing and shoe manufacturing sector in the region, considered a number of options, among which was a phased ban of imports of Second Hand Clothes and Shoes in the region.

## 1.1. Background

On 2nd March 2016, in a Joint Communiqué at the 17th Ordinary Summit of the East African Community Heads of State, the Summit, desirous of promoting vertically integrated industries in the textile and leather sector, directed the Partner States to procure their textile and footwear requirements from within the region where quality and supply capacities are available competitively, with a view to phasing out the importation of used textile and footwear within three years [2019]. The Summit also took note of the progress made in promoting the cotton, apparel, textile and leather industries in the region and directed the Partner States to ensure that all imported second-hand shoes and clothes comply with the sanitary requirements in the Partner States.

The decision of the Summit arose from the deliberations of the 33rd Meeting of the Council of Ministers and the Meeting of the Sectoral Council on Trade, Industry, Finance and Investment that was held on 26th February 2016, which addressed the

progress that was being made in promoting the cotton, apparel, textile and leather sectors and the continuing challenges in the said sectors, key of which was the massive importation of SHC into the EAC.

Article 79 of the Treaty Establishing the EAC requires the Partner States to take necessary steps in the field of industrial development to promote self-sustaining and balanced industrial growth, and to improve the competitiveness of the industrial sector so as to enhance the expansion of trade and export of industrial goods within and by the Community. In so doing, it is anticipated that the Community would be able to achieve structural transformation that would foster overall socio-economic development in the Partner States, as well as encourage the development of indigenous entrepreneurs. The ban is an execution of Article 79 of the Treaty.

The ban is also an implementation of Article 80 of the Treaty. The Article outlines the EAC strategic and priority areas to include among others SME industries, agro-industries, basic capital, and intermediate goods industries and the development of an EA Industrial Development Strategy, among other things. One of the strategic industries that were earmarked for priority development by the East African Industrialisation Policy (2012-2032) were the agro-processing industry which has been identified as the biggest direct employer of all manufacturing industries with a huge indirect employment potential in the services sector through backward and forward linkages. It was however noted in the Policy that at present, this agro-processing industry only produces mainly basic food and cash crops which are traded with little or no processing. Thus Section 4 of the Industrialisation Policy lays down the principles that are to govern the implementation of the Policy as promoting targeted industry value chains with widespread linkages and economic benefits extending across the region and promoting industrialisation on the basis of comparative and competitive advantage. In the EAC, the cotton, apparel, textile, and leather sectors are such sectors. The goal of the SHC ban was therefore to boost the cotton, apparel, textile and leather sectors whose industries could not effectively compete with the influx of SHC into the region.

## 1.2. Overall Purpose

The overall objective of this study is to review the state of play of used clothing and shoes imports within the region and to analyze the implications of the SHC ban so as to inform policy discourse on effective approaches in implementing the ban in the EAC community.

## 1.3. Specific Objectives & Scope of Work

The study aims at addressing the following specific issues within the available time and resources:

1. How imports of second-hand products have been growing over the recent past in the region (10-15 years).
2. The pricing of second-hand clothes and shoes vis a vis prices of new clothes and shoes from the East/West.
3. The major source countries for second hand clothing and shoes, the trade implications of instituting a ban and the policy positions of the source countries.
4. The market size growth and the impact of the trade on the development of agro processing in the two sectors of textile and leather in the EAC.
5. Environmental climate change implications for the region/or source countries.

## 1.4. Methodology

At the inception stage the team reviewed background documentation and met with the EAC Secretariat to clarify the objectives of the study and to identify the main concerns for the Secretariat. In developing the study, a dual approach of literature review and gathering first-hand information through interviews of stakeholders in the EAC was utilized. Interviews were conducted with major stakeholders in the EAC including major importers of SHC, local manufacturers of similar products, relevant government ministries and agencies as well as ordinary SHC consumers. The team also collected data on SHC from the different Partner State import/export databases.

## 1.5. Study Limitations

It should be pointed out from the onset that the researchers were not able to obtain disaggregated data for second hand clothes and second hand shoes. All the data obtained from the different Partner States, the EAC Secretariat and existing literature was aggregated data which was identified as Second Hand Clothing data.

## 2. The Position of Second Hand Clothing in the World and in EAC

It is important to first of all get the overall picture of Second Hand Clothing (SHC) trade in the world, so as to appreciate the dynamics involved in the implementation of the EAC SHC ban. This section will therefore briefly profile the state of play of SHC globally and then in the EA Community as a whole, so as to understand where the Community falls, in the general world picture.

### 2.1. Second Hand Clothing Trade in the World

Second Hand Clothing (SHC) are collected from donors by commercial companies abroad which specialize in sorting them into different categories for export. This sorting process involves first dividing the clothes into rags, clothing, and fiber, and then these are further classified according to the type of product. In the USA for example, one large company sorts used clothes in more than 400 different categories (Rivoli, 2005) which are then packed into 45-55kg bales of the same type of clothes. The bales are then loaded into containers and shipped overseas (Brooks, 2012). The key thing to note here is that this clothing originates as a donation, it is then commercialized by particular companies and legally sent to its export destination, as formal trade from one country to another. To obtain a clear picture of how big this trade is, and who dominates it in the world, the

tables below summarize the percentage share of SHC in the world.

**Table 2-1: Global Share of Second Hand Clothing Exports, 2015**

Rank	Country	Percentage
1	USA	19.5%
2	UK	13.3%
3	Germany	11.5%
4	China	7.9%
5	Netherlands	5.4%
6	Belgium	4.0%
7	Canada	3.9%
8	Poland	3.7%
9	Italy	3.6%
10	Others	27.2%

Source: UN Comtrade

As noted from table 2-1 above, the four key influencers in the world SHC trade are USA, UK, Germany and China. This, therefore, means that the countries that are going to be most affected by the proposed EAC ban are these four countries, especially if the EAC is one of their biggest markets. Table 2-2 on the other hand shows the world's largest consumers of SHC.



**Table 2-2: Global Share of Second Hand Clothing Imports, 2015**

Rank	Country	Percentage
1	Pakistan	10.2%
2	Malaysia	7.1%
3	Russian Federation	5.8%
4	India	5.5%
5	Tunisia	4.6%
6	Guatemala	4.3%
7	Netherlands	3.4%
8	Germany	3.4%
9	Hungary	3.3%
10	Uganda	3.2%
11	Poland	3.1%
12	Mozambique	3.1%
13	Chile	3.1%
14	Tanzania	3.0%
15	Canada	3.0%
16	Others	33.9%

Source: UN Comtrade

Table 2-2 shows that Uganda and Tanzania are among the top fifteen world importers of SHC. This implies that a lot more work is going to have to be done by these two countries within the EAC to effectively implement the ban and create viable alternatives for their consumers. It also means that the ban is likely to be opposed by the key exporters, hence the need for the EAC to adequately prepare to address any contentions that may arise from the implementation, in 2019.

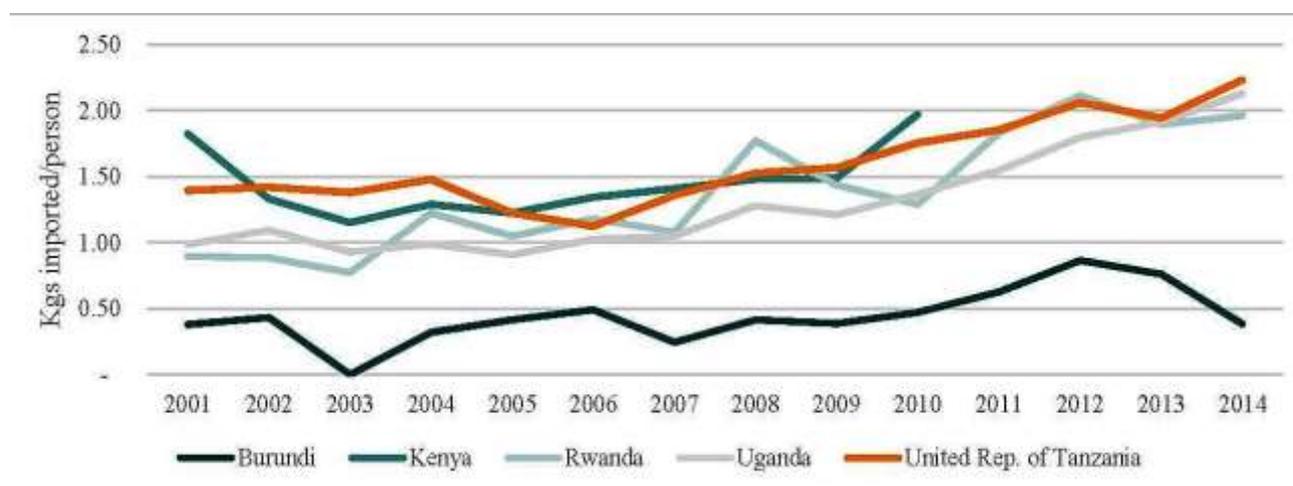
This Study will now investigate the situation of SHC in the EAC region as a whole, to establish the actual impact of this trade on the region.

## 2.2. Second Hand Clothing in the EAC Region

At present, second-hand clothes are part of the EAC Sensitive List and they attract a CET rate of 35 percent or \$0.20 per kg, whichever is higher. This means that the existing EAC regime already discourages the importation of SHC into the EAC owing to the higher duty imposed on its importation, unlike other goods that enter the EAC at the normal CET rate of 25 percent or less. This notwithstanding, the importation of SHC into the EAC has been on the rise. This is because even with the application of the CET as above, the final cost is still so small because the clothes originate as donations before they are sorted and officially exported as trade items. As such, their importation cost is quite low.

In Africa, the EAC is one of the biggest importers of SHC. In 2013, the EAC total percentage of global SHC trade amounted to 8 percent, with 3 percent for Kenya, 1.9 percent for Uganda, 1.9 percent for Tanzania, 0.6 percent for Rwanda and 0.2 percent for Burundi. In 2013, Kenya was the biggest importer of SHC in EAC, however by 2015, (refer to table 2-2 herein), it is seen that in EAC, it is Uganda and Tanzania that dominate world SHC imports. (The change in SHC demand in Kenya is accounted for by the general decline in trade in Kenya, as noted in chapter three herein, which deals with the EAC country specific position of SHC). By 2015, the EAC alone was importing \$151million of SHC with the demand for SHC per person increasing over the years, as noted in figure 2-1 below.

**Figure 2-1: EAC Imports of SHC per Person, 2001 - 2014**



Source: Odi Report, 2016; UN Comtrade data

The figure shows that even Burundi whose demand per person is not as high as for the other Partner States has a growing demand for SHC over the years. When this trend is projected over the next ten to fifteen years, in the absence of serious intervention towards importation of SHC into the region, the EAC textile and apparel sector will not stand a chance of serious, successful revival. The EAC region, like other developing countries, has reached a point where it is ready to transition into an industrial block with a higher level of production quality and manufacturing practices. It is therefore expected that the ban will benefit industry and increase access to locally manufactured products in the region and create more employment opportunities.

Most of the SHC imported into the EAC is clothing that is collected by charities and recyclers in Europe and North America. The US Secondary Materials and Recycled Textiles Association (SMART) estimates that the EAC accounts for one-fifth of total U.S. exports of used clothing, with the annual U.S. exports of SHC to the EAC totaling \$147 million. Clearly, the EAC is one of the key markets for U.S. exports of SHC. The SMART further state that as many as 40 U.S. used clothing exporters are directly involved in trade with the EAC, most of which are SMEs and SHC trade accounts for an estimated 40,000 working class Americans, with an additional 150,000 indirect jobs in the charity sector. This clearly indicates that the ban is likely to be an issue of serious debate

between the EAC and the USA. Indeed, the SMART have already indicated that they are going to challenge the SHC ban in the EAC.

## 2.3. Capacity of the EAC Region in the Cotton, Textile, Apparel and Leather sector

As already noted, the goal of the SHC ban is to boost the cotton, textile, apparel and leather sector in the EAC. The question, however, arises as to whether the EAC would be able to meet the regional demand for clothing and shoes. It is, therefore, pertinent to discuss the EAC's capacity to provide alternative clothing and shoes, in the face of the ban. This section briefly addresses the current capacity of the EAC region in the cotton, textile, apparel and leather sector.

### 2.3.1. Cotton, Textile and Apparel

Cotton in the EAC is grown to commercial scale in all Partner States except in Rwanda. 70-85 percent of the cotton lint produced in the region is exported, and the spinning and textiles mills in most Partner States operate between 40-50 percent capacity partly due to unavailability of cotton lint. The main products from the textiles mills are *khanga* and *kikoi* which are mainly exported in the region and partly to SADC and

COMESA. Most of the apparel industry in the EAC uses imported fabrics partly due to the low quality of locally available fabric. A detailed analysis of the cotton, apparel and textile sector is provided in the study by Shuma (2016).

### 2.3.2. Leather and Footwear

The EAC region is relatively endowed with raw materials for leather and footwear. Tanzania has a total of 22.8 million cattle, Kenya 17.5 million, Uganda 12.8 million, Rwanda 0.991 million and Burundi, 0.74 million. All the EAC Partner States process leather up to the wet blue stage. Between 80 to 90 percent of the wet blue leather is exported and only 10 percent is left for processing to finished leather, which caters for the footwear and artisanal shoemakers. All the Partner States currently apply 80 percent export tax on raw hides and skins which has enabled tanneries to get raw materials for processing to wet blue. There is a significant demand for footwear in the region, but 80 percent of the demand is met through imports out of which 60 percent are second-hand shoes. Clearly, the footwear industry in the East African region is still underdeveloped and suffering greatly from the importation of second-hand shoes and synthetic imports.

This shows that if given sufficient support, the cotton, textile, apparel and leather sectors in the EAC can develop. At present, the sector is not at zero, which means that if external competition in the sector is controlled, the industry stands a chance to progressively grow to effective performance, over the years.

## 3. The Position of Second Hand Clothing in EAC Partner States

The foregoing section analyses stakeholders perspectives based on consultations undertaken in all the partner states with regard to the prevailing state of play of SHC.

### 3.1. Kenya

#### 3.1.1. State of Play of Second Hand Clothing in Kenya

**Table 3-1a: State of Play of Second Hand Clothing in Kenya**

	Issue of Analysis	Response from Consultations
1.	Who buys the SHC?	SHC are a source of affordable clothing to the middle and low income earners.
2.	Who sells the SHC?	SMEs consisting of Kenyans, Chinese and Tanzanians. Chinese mainly import the SHC and sell them at wholesale prices to retailers. Kenyans dominate both the wholesale and retail activities. Large Kenyan businesses import the SHC and sell them to retailers, who in turn sell to consumers. Retailers consist of formal and informal traders and hawkers who sell in small quantities. Tanzanians also participate in the market as retailers.
3.	What is the SHC demand like?	SHC demand is very high evidenced by the continued growth of the industry over the years. The respondents in Kenya stated that low prices and high quality are the main reasons for the high demand. Additionally, they are readily available in rural and urban areas where customers can easily buy them.
4.	What are the types of SHC sold and where	A wide variety of clothes and shoes are sold in the SHC market: Men's, children's, and women's clothes and footwear. Other articles include household items such as beddings, curtains, and towels among others. The clothes are

	are they sold from?	<p>mainly sold in open markets in urban areas. They are also sold on the streets by hawkers. High-quality SHCs are also sold in mid and low-end shopping malls in the main towns.</p> <p>In rural areas, sales are high on market days when most people visit marketplaces to make purchases. In urban areas, there is little variation in sales during the week. However, sales tend to be high during weekends and public holidays when people have more time for shopping. Gikomba market, just north of Nairobi's downtown, is the largest market for SHCs in Kenya. It serves as a retail and distribution center where traders from all over the country get their supply.</p>
5	Are there any existing laws and regulations governing SHC?	<p>There are no major laws and regulations that currently govern wearing and selling of SHCs in Kenya, except the ban on second hand underwear. In the past however, the government has had a number of interventions. Importation of second-hand clothes in Kenya was banned between the 1960s and early 1980s when the government pursued import substitution policies. During this period, the government promoted domestic production of textile and apparel for local consumption to protect its cotton industry from foreign competition. The ban was implemented through industrialization policies enshrined in the Sessional Paper number 10 of 1965 and regulations on importation. In the 1980s, SHC were allowed into Kenya as long as they were donations for refugees from neighboring countries, which gradually led to trade in SHC. From the early 1990s, the government lifted the ban on SHC as it focused on liberalization and export promotion. By 2000, most of the domestic textile companies in Kenya had collapsed due to among other factors increased competition from SHC. As a result, there have been calls from the private sector (textile) and government to reintroduce the ban. However, the high reliance on SHC by the majority of the citizens as a source of affordable clothing and income for traders has prevented the government from reintroducing the ban. Currently, the government intends to eliminate the importation of SHC progressively over a three year period. This will be accompanied by policies aimed at developing the textile industry to produce cheap clothes and more jobs in the sector to prevent resistance from the public.</p>

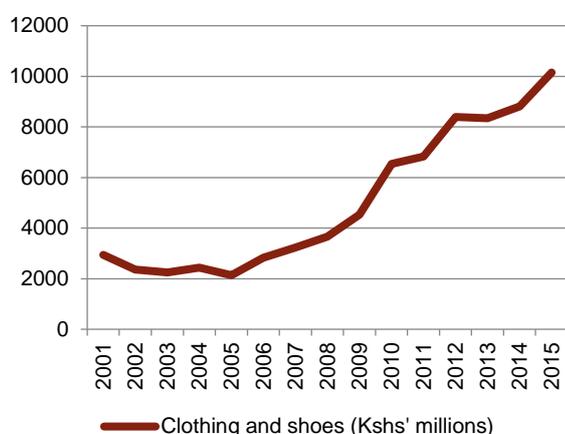
Source: Stakeholder Consultations

### 3.1.2. Growth of Second Hand Clothing in Kenya

SHC imports to Kenya have grown steadily since 2001 as shown in figure 3-1 below. The growth is attributed to the high demand given that they are more affordable than new garments, and are considered to be of better quality as well as being readily available in both rural and urban areas. Other factors that are likely to have led to the increase in SHC imports include improved economic growth that increased household incomes, trade liberalization that

allows for importation of SHC, and increase in population. The decline in SHC imports between 2001 and 2003 is explained in part by low economic growth which led to a reduction in income. Real gross domestic product declined from 3.8 percent in 2001 to 0.5 percent in 2002, before rising to 2.9 percent in 2003.

**Figure 3-1: Growth in Value of SHC Imports to Kenya (in Millions, Ksh)**



Source: Kenya National Bureau of Statistics  
 Note: Exchange rate: 1\$ = 100 K. Shs

### 3.1.3. Pricing Issues of SHC vis-a-vis Brand New Clothes in Kenya

There is general consensus amongst stakeholders (as per consultations conducted) that SHCs are much cheaper than brand new clothes. Additionally, their quality and durability is very high as compared to the new clothes in Kenya. Although some locally made clothes and shoes are of high quality, they are very expensive and out of reach for many citizens. A spot survey and interviews with traders in Gikomba market and manufacturers at the Export Processing Zone (EPZ) in Athi River indicated that SHCs are nearly 3 to 5 times cheaper than brand new clothes and shoes as shown in Table 3-1 below.

**Table 3-1b: Prices of SHCs vs. Brand New Clothes/ Shoes in Kenya**

Brand New (average prices)			Second Hand Clothes (average prices)		
Item	Kshs.	USD	Item	Kshs.	USD
Men's shirts	1,500 to 5,000	15 to 50	Men's shirts	200 to 1,000	2 to 10
Men's trousers	2,500 to 8,000	25 to 80	Men's trousers	300 to 1,500	3 to 15
Men's suites	6,500 to 45,000	65 to 450	Men's suites	2,500 to 4,000	25 to 40
Men's footwear	1,000 to 15,000	10 to 150	Men's footwear	400 to 1,500	4 to 15
Children's wear	500 to 2,500	5 to 25	Children's wear	50 to 500	0.5 to 5
Women's skirts/ trousers	1,000 to 4,000	10 to 40	Women's skirts/ trousers	200 to 1,000	2 to 10
Women's tops	1,000 to 3,500	10 to 35	Ladies' tops	100 to 800	1 to 8
Women's footwear	1,000 to 8,000	10 to 80	Women's footwear	200 to 1,000	2 to 10

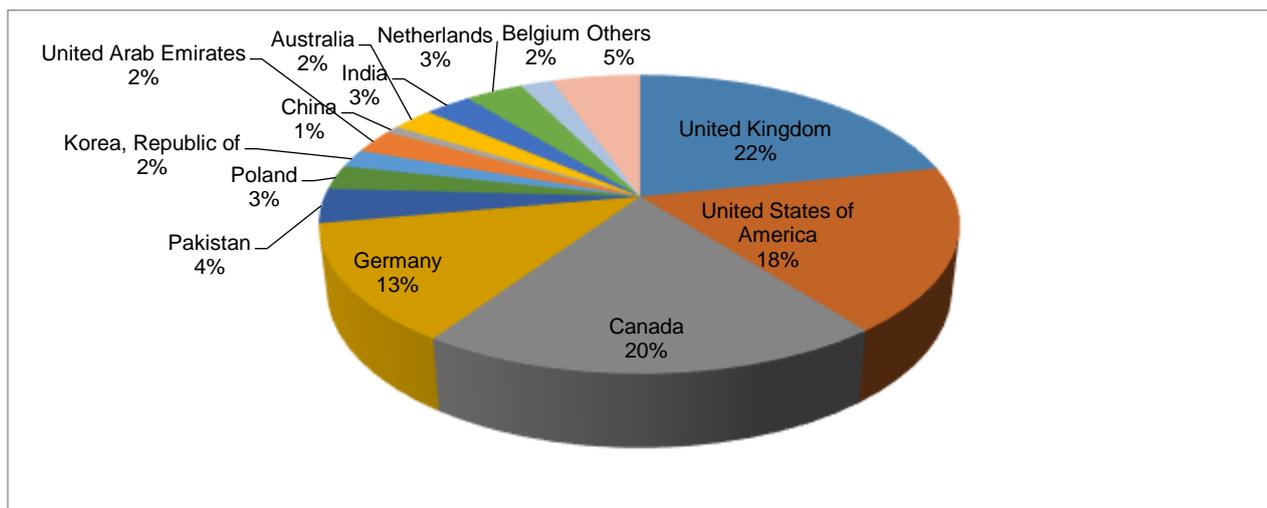
Note: Exchange rate is at USD 1 = K Shs. 100  
 Source: Stakeholder Consultations

It was established that although there is no standard pricing mechanism for SHCs traders consider several factors when pricing their SHC products. These include factors such as trading/ operating costs, the level of demand/ supply, quality, market location, target customers, and profit margins. The trading costs include transportation fees, importation charges, the cost of the products, and rent for business premises where applicable. Seasonal variation in demand and supply determine pricing levels. Further, SHCs sold in rented premises or markets/ streets where traders have to pay high fees including bribes to operate are highly priced. In addition to cost and

profit margins, wholesalers and importers consider the weight and the contents of a bale of SHC when setting their prices.

SHC imports in Kenya mainly come from Europe and North America. The United Kingdom accounts for 22 percent of the imports followed by Canada at 20 percent. Other major sources include the United States of America and Germany which account for 18 percent and 13 percent respectively. There is high demand for these clothes due to the popularity of western fashion in Kenya. Figure 3-2 below shows sources of SHC imports in Kenya.

**Figure 3-2: Sources of SHC in Kenya**



Source: Kenya National Bureau of Statistics

## 3.2. Uganda

### 3.2.1. State of Play of SHC in Uganda

**Table 3-2a: State of Play of Second Hand Clothing in Uganda**

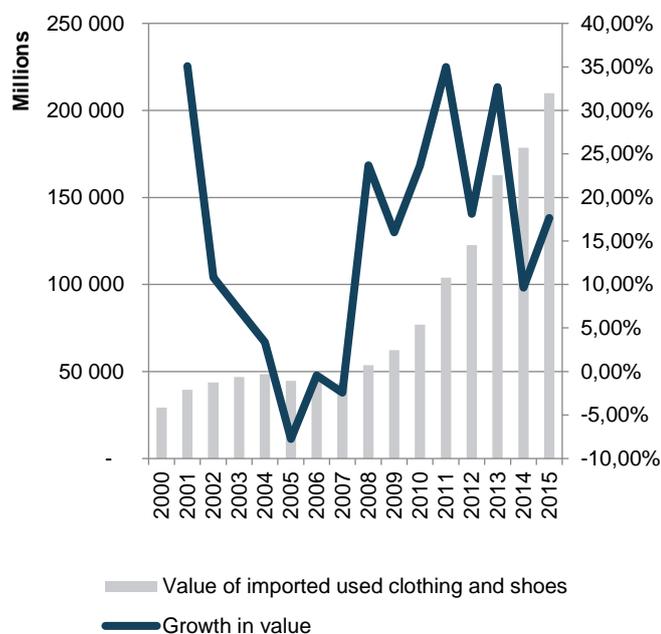
Issue of Analysis	Response from Consultations
1. Who buys the SHC?	SHC in Uganda are bought by the middle income/ working class and the low income earners.
2. Who sells the SHC?	<p>The sellers vary widely in their socio-economic status as well as in the factors which brought them into the SHC trade. One of the characteristics of the sellers is that they had on average been in the business of selling SHC for about seven to eight years. Though a wide range of start-up dates were specified, one seller had been involved in the business since 2000.</p> <p>The vendors noted that direct job creation in the sector is limited. Few sellers (only five of those interviewed had employees). A typical informal trader employed a maximum of two people, and three in shops. Help in the SHC business is occasionally solicited from family members instead. Some sellers mentioned business partnerships which involved sharing responsibilities in the transport and sale of the goods as well as sharing the costs of purchasing the stock. In other words, SHC trade is mainly SME trade, and in some instances, family business.</p>
3. What is the SHC demand like?	Demand for SHC is very high as it serves both the poor and working class. It was noted that a typical SHC bale (imported packaging) includes three levels of quality; i) clothing that is as good as new, ii) those that are of fair quality and iii), poor quality clothing. The middle class readily buys the "as good as new" clothing, which are deemed to be of good quality with brand name, and which are cheaper than the equivalent brand that comes into Uganda in the form of new clothing. They are also of better quality than the new clothing from China.
4. What are the types of SHC sold and where are they sold from?	<p>Various products are sold, including items for women, men, children, sportswear, sweaters, carpets, winter clothing for use when traveling abroad and beddings, etc, but women and children dominate the portfolio of the sold goods.</p> <p>SHC are sold in all markets (both in rural and urban areas); on streets on market days (for example in Namuwongo, clock tower, Kulambiro - Ntinda Bypass area) by hawkers, as well as in shops located in arcades in the city, in lock-up shops in towns, and in uptown malls. The working class / middle-income population receive them from vendors who bring them to their workplaces or homes after calling them by telephone, and who are known to the buyers through word of mouth (personal reference). The biggest market for SHC in Uganda is Owino market.</p>
5. Do you know any existing laws and regulations governing SHC?	All the SHC traders in Uganda are licensed by the Local Governments to operate. In the Finance Act of 2008, Uganda introduced an environmental levy on worn clothing, worn shoes, and other worn articles at 5% of CIF value and used undergarments were banned in Uganda.

Source: Stakeholder Consultations

### 3.2.2. Growth of Second Hand Clothing in Uganda

According to Brooks (2015), SHC in Uganda accounts for 81% of all clothing purchases. The Uganda Revenue Authority statistics show that on average, the value in Uganda Shillings of imports of SHC have posted a year on year growth of 14.81 percent for the period 2000 to 2015 as noted in figure 3-3 below.

**Figure 3-3: Growth in Value of SHC Imports in UGX for the Years 2000 – 2015**



Source: Uganda Revenue Authority Customs Database  
 Note: Exchange rate 1\$ = 3300 UGX

Figure 3-3 above shows that the value has grown over time, as also noted in the consultations. This implies that a lot more has to be done by Uganda in providing alternative sources of clothing when implementing the ban.

### 3.2.3. Pricing Issues of SHC vis-a-vis Brand New Clothing in Uganda

From the consultations, it was noted that the majority of the people who buy worn clothing prefer it because it is cheaper than the new clothes and it is of good and durable quality. Customers select their purchases carefully and identified their price considerations as follows: First, fabric quality (defined in terms of durability). Secondly, customers look at the fabric type (defined as print pattern, colour and thickness) and the shape of the garment. Thirdly- possibly reflecting the age group and a well-developed retail scene in Uganda - customers look for labels/ brand names. The recognition of a familiar label or brand is a proxy for quality. Cleanliness also mattered explicitly for some buyers. If the product satisfied the above three criterion, then it would be bought from the SHC as it would be cheaper than the new clothes.

From the perspective of the vendors, the prices depended on several considerations: (i) the exchange rate; (ii) the number of items within a bale, (iii) the number of good quality pieces inside a particular bale. Since the content of a bale is not revealed to the sellers before purchase, it is a huge gamble for any seller as more than half of the bale could have poor quality clothing. (iv) The prices charged by other informal sellers; (v) rapport with the middlemen, (vi), time spent in the business as it guarantees some form of discount and credit facilities from the supplier depending on the product, (vii) any other world economic factors such as the cost of oil and gas in the economy.

For the direct importers, prices vary according to the quality of the item. Three qualities, specified by the sorting of goods in the exporting countries, are used as benchmarks in the pricing structure. The first quality includes items that are as good as new that have no alterations or stains; the second quality refers to items with minor alterations, missing buttons as well as light stains. The third quality being others not fitting within first and second categories. Though the overall initial appearance of the clothing defines the pricing structure, the sellers also improve their mark-up by modifying this appearance by mending, washing and ironing the goods. Owing to the fact that the cost of washing and ironing is high relative to

the price obtained for the goods, a strategy of product specialisation appears to be preferred by the sellers. Specialization is around a particular garment (jacket, shoes, sweaters, etc), a fabric type (leather, winter clothes) or a market segment (women or children's

wear). In the extreme, specialization and cost constraints entail the sellers selecting the garments one at a time, as is done by the sellers in the high-end malls or shops. A comparative analysis of the pricing structure is seen below in Table 3-2.

**Table 3-2: Prices of SHC in Uganda**

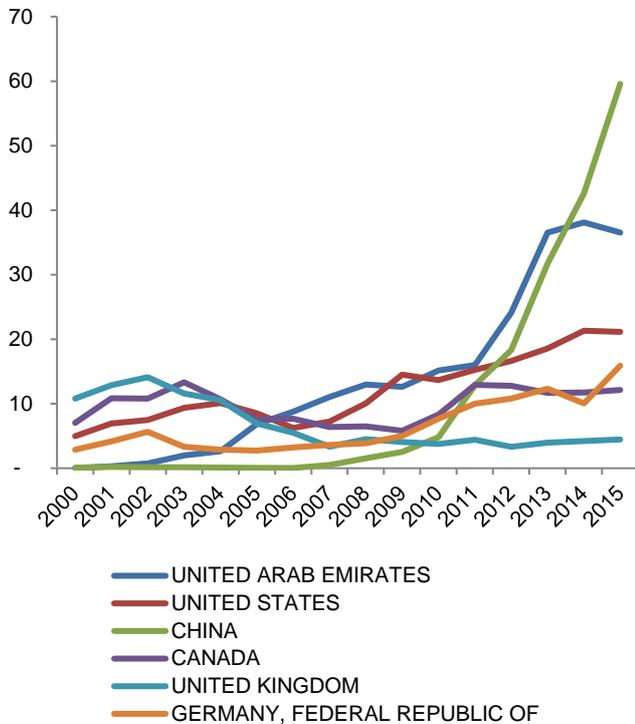
Brand New (average prices)			Second Hand Clothes (average prices)		
Item	UGX	USD	Item	UGX	USD
Men's shirts	30,000 60,000	– 9 – 17	Men's shirts	2,000	0.6
Men's trousers	30,000 60,000	– 9 - 17	Men's trousers	5,000	1.4
Men's footwear	50,000 150,000	– 14 - 43	Men's footwear	5,000	1.4
Children's wear	25,000 60,000	– 7 - 17	Children's wear	2,000	0.6
Women's skirts/ trousers	25,000 60,000	– 7 -17	Women's skirts/ trousers	2,000	0.6
Women's tops	25,000 60,000	– 7 -17	Ladies' tops	2,000	0.6
Women's footwear	50,000 150,000	– 14 -43	Women's footwear	5,000	1.4

Source: Consultations

### 3.2.4. Sources of SHC Imports in Uganda

Over the years, the primary six sources of SHC in Uganda are the United Arab Emirates, Canada, United States of America, United Kingdom, China and German as noted in figure 3-4 below.

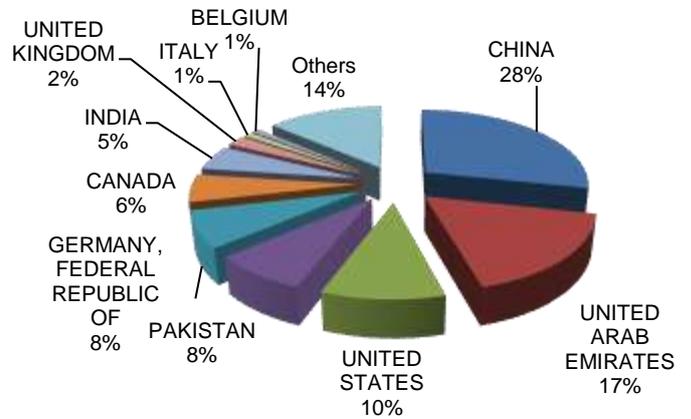
**Figure 3-4: Top Six Sources of Uganda’s SHC Imports for the Period 2000 to 2015 in UGX**



Source: Uganda Revenue Authority Customs Database  
 Note: Exchange rate 1\$ = 3300 UGX

It is not clear whether UAE is an actual source of SHC or only an assembling/ distribution hub. From the figure above, it is seen that from the year 2000 to 2006, Canada and the United Kingdom were Uganda’s biggest sources of SHC while China was exporting the least amongst the top six exporters to Uganda up to 2010. However, after 2010, SHC exports from China posted a year on year growth of 47 percent on average. In the year 2015, China was Uganda’s top source of SHC as seen in figure 3-5 below.

**Figure 3-5: Top Sources of Uganda’s SHC Imports for 2015**



Source: URA Customs Database

As noted from the figure, China accounted for 28% of the total value of imported SHC, followed by United Arab Emirates at 17%, United States of America at 10%, Pakistan and Germany at 8% each, Canada at 6%, India at 5%, United Kingdom at 2% while Italy and Belgium accounting for 1% each.

### 3.3. Tanzania

A detailed analysis of the state of play and implications of the SHC ban on Tanzania was done in a Study by Odi in August (2016) and the Economic and Social Research Foundation (ESRF) Report of 2016. In addition to other existing information, this section principally summarizes some key aspects of these two reports that relate to the scope of inquiry of this Study.

### 3.3.1. State of Play of SHC in Tanzania

Issue of Analysis	Response from Consultations
1. Who buys the SHC?	SHC in Tanzania are bought by the middle class and lower class people and it was noted that traders from different countries like Malawi and Zambia travel to Tanzania to participate in the bale auctions to resell in their countries. This shows that SHC trade is not only for domestic consumption in Tanzania, but it is also one of Tanzania's re-exports, which means that the other African countries that source SHC from Tanzania are going to be affected by the ban.
2. Who sells the SHC?	SHC are imported by individuals or companies who own warehouses where the bales are sold to retailers or wholesalers, the majority of whom are in Kitumbini and Kariakoo.
3. What is the SHC demand like?	The number of pieces sold per day depends on the item being sold, but generally they are between 10 – 50 pieces per day.
4. What are the types of SHC sold and where are they sold from?	The SHC bales contain particular items (for example shoes only, or clothes only that can include winter clothes only, or shirts, trousers, etc.), but retailers buy these bales without knowing the types of items (e.g. types of shoes) that are contained in the bales. A typical bale can, for example, contain 100kg of clothes that is purchased for TZsh. 150,000 (about \$70). The traders, however, specialize in selling only one product, for example, either clothes or shoes alone, as each bale contains only one particular product.
5. Do you know any existing laws and regulations governing SHC?	SHC in Tanzania is governed by the National Standards for Used Garments which specifies the code of practice and standards for inspection of SHC. In a bid to implement this law, in 2003, the Tanzania Bureau of Standards introduced a ban on imports of SHC underwear so as to ensure good health and to uphold the dignity of Tanzanians. In practice, however, Tanzania has found it hard to eliminate these underwear imports. From 2012, the government issued a notice to all dealers and importers of SHC to remove underwear from the local market within one month, and the Tanzania Bureau of Standards started conducting a nationwide campaign to stop the importation of the same. In the case of used underwear, the financial penalties for non-compliance are severe. Defaulting traders are subjected to fines which according to East African Business Week (2014), can reach up to TZsh. 50 million (nearly \$23,000).  By 2014, inspection of all SHC was instituted prior to shipment to Tanzania as part of the Pre-Export Verification of Conformity to Standards, as part of a Products Conformity Assessment Program. SHC traders are required to have a business license obtained from the local municipality and whole sellers obtain theirs from the Ministry of Trade and Industry.

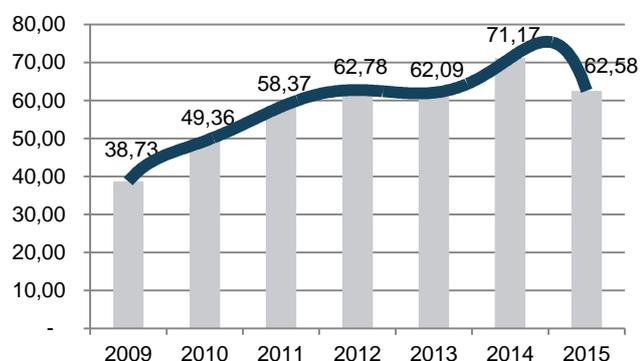
Source: Stakeholder Consultations

### 3.3.2. Growth of Second Hand Clothing in Tanzania

Tanzania is the 14th largest importer of SHC in the world, with almost \$63 million worth of imports in 2015. Tanzania's nominal value for SHC has increased in the past 20 years, from less than \$10 million in 1995 to more than \$60 million in 2015. In the recent years, however, the importation of new clothing has been increasing, and it has surpassed

the importation of second-hand clothing. For example, in 2015, Tanzania imported \$84 million worth of new clothing (70 percent of which was from China), compared to \$62 million worth of SHC. This is attributed in part to the policy changes towards SHC that have been discussed above. Figure 3-7 shows imports of SHC into Tanzania from 2009 to 2014.

**Figure 3-7: Imports of SHC into Tanzania, 2009 – 2014 (US\$ million)**



Source: Tanzania Revenue Authority

### 3.3.3. Pricing Issues of SHC vis a vis Brand New Clothes in Tanzania

The cost of SHC in Tanzania is still cheaper than new clothing. Table 3-3 here below shows a comparative pricing of new clothing and SHC in Tanzania, according to consultations.

**Table 3-3: Prices of SHCs vs. Brand New Clothes/ Shoes in Tanzania**

Brand New (average prices)			Second Hand Clothes (average prices)		
Item	TZshs.	USD	Item	Tzshs.	USD
Men's shirts	25,000 to 50,000	12 - 23	Men's shirts	5,000 to 20,000	2 - 9
Men's trousers	25,000 to 70,000	12 - 32	Men's trousers	5,000 to 35,000	2 - 16
Men's footwear	30,000 to 150,000	14 - 69	Men's footwear	25000 to 45,000	12 - 21
Children's wear	30,000 to 60,000	14 - 28	Children's wear	5,000 to 15,000	2 - 7
Women's dresses	50,000 to 200,000	23 - 92	Women's dresses	10,000 to 25,000	5 - 12
Women's skirts/ trousers	25,000 to 50,000	12 - 23	Women's skirts/ trousers	5,000 to 15,000	2 - 7
Women's tops	15,000 to 80,000	7 - 38	Ladies' tops	5,000 to 10,000	2 - 5
Women's footwear	15,000 to 150,000	7 - 69	Women's footwear	15,000 to 35,000	7 - 16

Source: consultations

The table indicates that the pricing of new clothing and SHC is not alarmingly distinctive. It is noted that new clothing is also relatively affordable, which explains why the importation of new clothing is growing.

### 3.3.4. Sources of SHC Imports in Tanzania

The USA and the UK are the primary sources of SHC in Tanzania, covering almost 60 percent of Tanzania's imports in 1995. Together with the third largest exporter to Tanzania, the Netherlands, they used to cover 70 percent of the market. However, in 2015, the United Arab Emirates (UAE) overtook the US as the biggest exporter of SHC to Tanzania. In the same year, the five largest exporters to Tanzania (UAE, USA, Canada, South Korea and China) covered 67 percent of the Tanzanian demand for SHC.<sup>1</sup>

<sup>1</sup> Odi Report, 2016; UN Comtrade data

## 3.4. Burundi

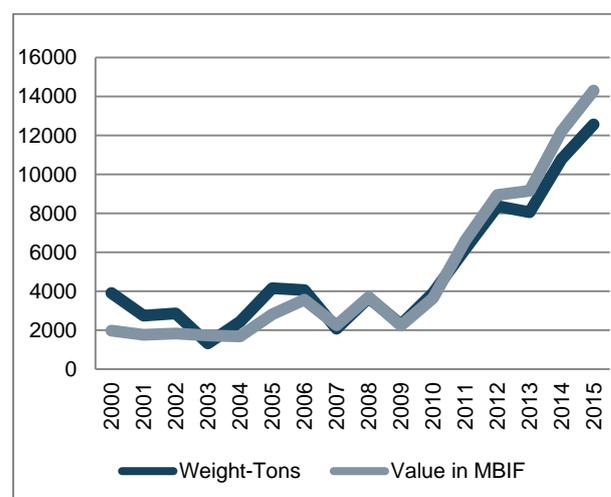
### 3.4.1. State of Play of SHC in Burundi

Issue of Analysis	Response from Consultations
1. Who buys the SHC?	SHC in Burundi are generally bought by all Burundians from all the social categories. However, it is mainly the low income group in cities and upcountry who wear used clothes and shoes, especially since 64.5 percent of Burundian are poor at the conventional level of \$1,25 (ISTEEBU, 2014 <sup>1</sup> ).
2. Who sells the SHC?	According to the president of the SHC Association of sellers in Burundi, there are two categories of importers: the first; the gross importers who sell only by secret ballot without any details. The whole sellers do not open up the ballots/bales, because they do not have much time to open each and every bale, so they sell them secretly (without knowledge of actual content), and it is up to the retailer to open each bale and sort out the clothes by categories. The secret ballot demand is not high since it requires huge amounts of money. The second category includes many sellers specialized in clothes and shoes. They sort them out and sell by category of age, sex, and income.
3. What is the SHC demand like?	The demand for SHC is very high because of the low prices of the products.
4. What are the types of SHC sold and where are they sold from?	SHC are sold at stands at the market places, but most of them are sold from the ground on the streets. There are also specialized marketplaces where people can find only SHC. All types of clothes are sold for the adults, women, men, teenagers, kids, sportswear, etc. SHC sales are made every day with more transactions after working hours (after 3:30 pm) and during the weekends.
5. Do you know any existing laws and regulations governing SHC?	There are no specific laws governing SHC in Burundi. They are governed by the general trade laws that are operational in Burundi.

### 3.4.2. Growth of Second Hand Clothing in Burundi

Imports of SHC in Burundi have grown over the years, as noted in figure 3-9 below. The figure shows that there has been an increase in the value and weight of the SHC imported into Burundi.

**Figure 3-9: Imports of SHC in Burundi**



Source: Burundi Revenue Authority, Burundi Central Bank

### 3.4.3. Pricing Issues of SHC vis a vis Brand New Clothes in Burundi

SHC in Burundi are far cheaper than the new clothes. For example, one can find a good quality shirt between 25.000BIF (about \$10) to 40.000BIF (about \$16) where the same shirt from the West or East is sold for 60.000 BIF (about \$24); with the

price of new clothing almost double. The SHC are priced according to their quality and the nature of their material. Clothes for adults and men are the most expensive, while those for children and women are cheaper, as noted in Table 3-4 below.

**Table 3-4: Prices of SHC Vs Brand New Clothes/ Shoes in Burundi**

Brand New (average prices)			Second Hand Clothes (average prices)		
Item	BIF	USD	Item	BIF	USD
Men’s shirts	25,000 to 40,000	15 to 24	Men’s shirts	5,000 to 15,000	3 to 9
Men’s trousers	35,000 to 60,000	21 to 36	Men’s trousers	15,000 to 25,000	9 to 15
Men’s suites	200,000 to 300,000	118 to 180	Men’s suites	100,000 to 150,000	60 to 90
Men’s footwear	120,000 to 200,000	72 to 120	Men’s footwear	30,000 to 60,000	18 to 36
Children’s wear	30,000 to 50,000	18 to 30	Children’s wear	5,000 to 15,000	3 to 9
Women’s skirts/ trousers	20,000 to 45,000	12 to 27	Women’s skirts/ trousers	10,000 to 15,000	6 to 9
Women’s footwear	30,000 to 40,000	18 to 24	Women’s footwear	15,000 to 20,000	9 to 12

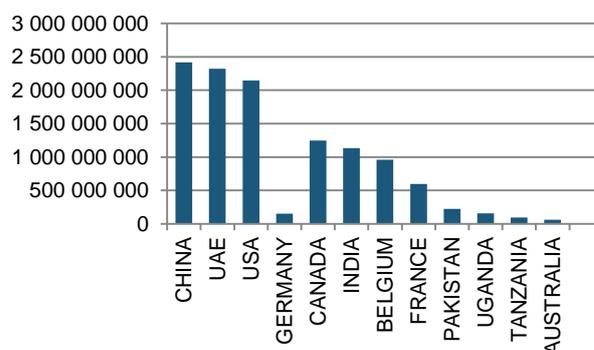
Note: Exchange rate is at USD 1 = BIF 1670  
Source: Stakeholder Consultations

### 3.4.4. Sources of SHC in Burundi

According to the stakeholders, SHC in Burundi are sourced mainly from China, Europe, and the USA. The shoes, (especially sports shoes) are mainly imported from the USA. The Burundi customs database, on the other hand, shows that the major source of SHC imports to Burundi is China, UAE, and the USA. (As already noted, it is not clear whether UAE is simply an assembly point for SHC). It is, however, interesting to note that Uganda and Tanzania are also one of the primary sources of SHC to Burundi and yet as already noted, Uganda is the 10th largest world importer of SHC and Tanzania, the 14th largest world importer of SHC. From the consultations, it was observed that Uganda and Tanzania are sources of SHC to Burundi through re-exportation. Therefore the implementation of the ban

in Uganda and Tanzania will also affect the players in Burundi.

**Figure 3-10: Source of SHC Imports to Burundi by Value, in BIF, 2015**



Source: OBR, Statistics of Imports (2015)

## 3.5. Rwanda

### 3.5.1. State of Play of SHC in Rwanda

Issue of Analysis	Response from Consultations
1. Who buys the SHC?	SHC in Rwanda is bought by middle and low income earners mostly but also to a small extent by the high income earners.
2. Who sells the SHC?	In Rwanda, SHC are sold by Small and Medium Enterprises operated by Rwandans, Chinese and Ugandans.
3. What is the SHC demand like?	The demand is pretty high in Rwanda. These clothes are considered unique, original and long lasting.
4. What are the types of SHC sold and where they are sold from?	Types of SHC sold range from women and men's clothes, children's clothes, bedsheets, bedcovers, and towels among others. They are sold in most markets in Rwanda, the major one being Nyabugogo Market where most retailers shop from and re-sell in other markets like Kimironko and others, plus clothing shops.
5. Do you know any existing laws and regulations governing SHC?	There are Ministerial Instructions/Guidelines to all procuring entities to give preference to local manufacturers and there is a duty increment on second-hand clothes from the previous tariff rate of 35 percent or \$0.20 per Kg (whichever is higher) to \$2.5 per kg or 170 percent of invoice value, (representing 16 percent-30 percent increase in price) by December 2016. \$4 per kg or 270 percent of invoice value (representing 25 -50 percent increase in price) by December 2017 and \$5 per kg or 335 percent of invoice value (representing 30-60 percent increase in price) by December 2018. This is a policy decision that has been adopted by Rwanda, following the pronouncement of the SHC ban.

### 3.5.2. Growth of Second Hand Clothing in Rwanda

Table 3-5 below generally shows a growth in the demand and value of SHC in Rwanda since 2001. As indicated in table 3-5, the import and value of SHC in Rwanda has been on the increase for the last fifteen years. The highest imports were in 2015 after the intention to ban SHC was announced.

#### Comparative Analysis of Import of SHC and New Clothing in Rwanda

The imports trend of SHC in Rwanda over the last five years, in comparison to new clothing, indicates a short-lived growth for SHC between 2010 and 2012, after which a decline is noted, as shown in Table 3-6.

**Table 3-5: Imports of SHC in Rwanda**

Year	Net Weight(Kg)	Cif(Rwf)
2001	7,469,347	3,109,873,598
2002	7,552,178	3,721,007,836
2003	6,710,922	5,095,731,163
2004	10,808,342	5,540,178,290
2005	9,550,485	4,570,238,711
2006	10,931,515	5,284,938,537
2007	10,385,839	6,116,250,487
2008	16,905,841	11,592,277,568
2009	14,503,929	7,440,180,696
2010	13,244,086	5,858,434,306
2011	19,256,915	8,061,672,100
2012	22,844,528	9,409,993,231
2013	21,077,904	10,944,691,668
2014	22,393,893	14,017,366,217
2015	29,431,630	17,359,023,984

Source: Rwanda Revenue Authority

**Table 3-6: Imports of Textiles, Apparel and Footwear, 2010 - 2015 (Usd)**

	2010	2011	2012	2013	2014	2015
Second hand textiles, apparel and footwear	10,711,960	13,429,557	25,294,807	16,355,417	20,768,862	28,530,170
New textiles	23,079,498	49,246,887	47,325,957	39,088,102	27,741,663	60,401,062
New footwear	8,759,724	11,600,016	10,623,084	11,570,702	12,427,939	18,803,338
New apparel	8,400,840	18,700,849	11,496,294	10,649,731	15,771,896	16,517,566
Total	50,952,022	92,977,309	94,740,142	77,663,952	76,710,360	124,252,136

Source: Rwanda Revenue Authority

As noted above, even though the SHC imports fluctuated in 2013 and 2014, they continued to grow substantially in 2015. In comparison, in 2015, the importation of new clothing was higher than that of SHC.

### 3.5.3. Pricing Issues of SHC vis a vis Brand New Clothes in Rwanda

As shown in the below table, the prices of new clothing in Rwanda are much higher than the SHC prices, which is the same position for all the other EAC States.

**Table 3-7: Prices of SHC in Rwanda**

Brand New (average prices)			Second Hand Clothes (average prices)		
Item	RWF	USD	Item	RWF	USD
Men's shirts	15,000 to 50,000	17 to 60	Men's shirts	10,000 to 20,000	11 to 23
Men's trousers	15,000 to 40,000	17 to 50	Men's trousers	300 to 1,500	0.7 to 2
Men's suites	35,000 to 150,000	40 to 160	Men's suites	2,500 to 4,000	3 to 4.8
Men's footwear	30,000 to 100,000	40 to 120	Men's footwear	400 to 1,500	0.8 to 2
Children's wear	7,000 to 30,000	8 to 40	Children's wear	5,000 to 10,000	5 to 11
Women's skirts/ trousers	15,000 to 30,000	17 to 40	Women's skirts/ trousers	6,000 to 15,000	6 to 17
Women's tops	15,000 to 30,000	17 to 40	Ladies' tops	5,000 to 15,000	5 to 17
Women's footwear	15,000 to 50,000	17 to 60	Women's footwear	10,000 to 30,000	11 to 40

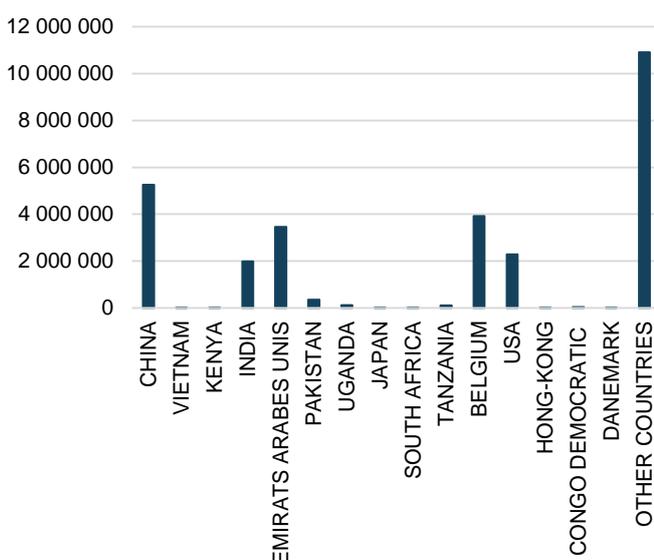
Exchange rate – 1 RWF = 0.0012USD

Source: Consultations

### 3.5.4. Sources of SHC in Rwanda

Among the largest import sources for SHC in Rwanda are Denmark and China, as seen in figure 3-11 below, with imports valued at \$5.2 million in 2015. This is followed by United Arab Emirates with a \$3.4 million, Belgium, U.S.A and India.

**Figure 3-11: Imports of SHC in 2015 (Usd)**



Source: Rwanda Revenue Authority

As indicated above, the majority of SHC is sourced from China. It should also be noted that the largest import partner for new clothing is also China, accounting for 58 percent of all new clothing imports in 2015. Uganda and Kenya are the second and third largest sources of new apparel imports, followed by the United Arab Emirates and India. This means that the ban will facilitate Uganda and Kenya's increase of trade of new apparel in Rwanda, thereby promoting regional growth. The fact that China is Rwanda's biggest source of SHC and new clothing also implies that China may be unlikely to seriously contend the SHC ban since they are still big suppliers of new clothing for Rwanda.

## 4. Implications of the Ban on the EAC

This chapter examines the potential implications/impact of the SHC ban within the EAC; in light of existing international [trade] obligations of EAC countries; the agro-processing industry; the environment (including potential climate change impacts) and examines how other countries have addressed the question of SHC.

### 4.1. Impact of the Ban within the EAC

#### 4.1.1. The local consumers and traders

Consumers of SHC believe that the ban is a huge mistake on the part of the EAC Summit. As noted in the previous sections, the majority of East Africans buy these products because of a seemingly double uniqueness; affordability and general good quality. It should be recalled that many of them have been purchasing these clothes for decades (since the 1980's). It is therefore also an issue of "this is what I know". From the consultations, the general sentiment expressed by many respondents was that "I have been wearing these SHC since I was a child and there is nothing wrong with them". Brand new clothes are viewed as expensive and where relatively affordable, of poor quality, (especially those saturating the East African market from China). Another concern presented by the stakeholders is that there will be little or no change in fashion for the consumers. They will not be able to buy clothes regularly in response to change in fashion due to limited purchasing power for new clothes. Furthermore, consumer choice will be limited. This is based on the fact that the local textile industries lack the capacity to produce and keep up to date with the trending clothes and shoes. Clothing requires "design capacity" not just raw materials and tailoring, and the harder part is designing the clothes competitively, to the level of the western world.

Traders expressed the view that banning SHC imports would cause loss of income to many of them who are small and medium-sized. They opined that the SHC industry in the EAC employs thousands of people, especially women, and the youth and that the ban would increase poverty levels, dependency, and a resurgence of anti-social behavior such as drug abuse and crime.

It should, however, be noted that the ban on SHC does not imply that consumers or traders would not have alternatives. For example, new clothes whether imported or made locally could be resorted to once made affordable. Parallel to implementing the ban would, therefore, need to be deliberate government interventions to make clothing as affordable as possible since the government can direct policy in a manner that ensures that cost of production which impacts the final price paid by the consumer is low. It is, therefore, pertinent for the governments to conduct massive sensitization campaigns in all the Partner States to ensure that all stakeholders and communities fully understand the vision of the EAC in implementing the ban. Otherwise, there is a likelihood of opposition to the implementation process, which will make it more expensive for the governments in the long run.

#### 4.1.2. The local textile manufacturers

The local manufacturers would benefit from less competition from cheaper SHCs. SHC imports have been found to have an adverse impact on apparel production in Africa, explaining roughly 40 percent of the decline in production and 50 percent of the decline in employment over the period 1981–2000 (Shuma, 2016). The ban would, therefore, provide an enabling environment for local textile manufacturers to sell more quantities, thereby making more profits. In fact, the local textile industry argues that one of the ways that could be adopted to soften the impact of the implementation of the ban would be to first get rid of under garments (for sanitary reasons), then SHC made from knitted fabrics (because there is sufficient capacity in the EAC in this segment) and then finally, woven SHC. They note that this would be done by requiring that SHC are correctly segregated from the source country and

standards and pre-shipment companies ensure compliance.

Employment could also increase in the textile industry as a result of increased product demand, especially if the supply side constraints have been addressed for local manufacturers to supply the market and compete with other imports. Textile manufacturers, however, operating from the Export Processing Zones (EPZs) do not expect to benefit from the ban because they are allowed to sell only a particular percentage of their annual output in the local market on duty-free and value added tax (VAT) zero-rated basis. There may, therefore, be need for revision of the Policy on EPZ domestic supply, to sell more in the domestic market and still earn tax benefits, since these industries in the EPZ have more capacity to meet export standards. This could enable the market to provide alternatives for consumers faster, in the transition period.

#### 4.1.3. The EAC Governments

For EAC governments, the immediate impact would be the need to boost the cotton, apparel, textile and leather sectors which would involve deliberate policy changes and related adjustment costs on the part of the Governments. The ripple effect of boosting these sectors would be an overall net increase in employment arising from increased industrialization. This would also have other knock-on effects, including reducing poverty levels and increasing living standards.

However, governments could also experience significant losses in tax revenue. For example, Kenya collected \$54 million in tariff revenue on 100,000 tons of imported used clothing in 2013. In 2016, Rwanda nearly tripled its import duty on imported clothing from 35 percent to 100 percent to encourage purchases from the country's limited textile mills. The ban on SHCs would potentially result in loss of this revenue

Another concern raised by some respondents is that banning SHC imports could lead to smuggling of the banned clothing into the EAC countries, especially in the short run due to shortage and the limited ability to

afford brand new garments. Smuggling would not only promote illicit trade and deny the governments' tax revenue but also put a higher burden on governments to address smuggling. Further, enforcement of the ban could be at a cost to the governments that would have to put in place measures to implement the ban in the different States.

## 4.2. Implications of the ban in light of Existing International Agreements

As all EAC countries are WTO Members and given that the EAC is an important market for many WTO members, the SHC ban could face some challenges at the international level. For example, for the United States, the EAC is an important \$147 million used clothing and footwear market (via both direct exports from the United States as well as indirect exports via third-country markets) for an estimated 40,000 working class Americans, with an additional 150,000 indirect jobs in the charity sector. The U.S. clothing and footwear industry could retaliate and likely file a petition to reconsider EAC Partner States' AGOA eligibility should the EAC take an explicit decision to ban used clothing imports or de facto limit imports via non-tariff barriers. This could have a potentially negative impact on the region's apparel and other exports to the United States as it would not be sympathetic to any restrictions imposed on U.S. exporters after offering the EAC AGOA trade preferences and support to build an indigenous textile export industry for more than a decade. It should be noted that this is only among the options that the United States could use to counter the ban, other measures including political pressure, in light of the substantial assistance to the region for example through the different USAID programs. Other preference-granting Members that export used clothing to the EAC could also consider similar measures. On the other side of the argument, however, is an inquiry into the real impact of AGOA termination. For Least Developed Countries like the majority of EAC States, it may be negligible given that most of their exports would still benefit from General Systems of Preferences such as Everything But Arms (EBA) to access important markets.

WTO law requires Members not to institute restrictive trade measures that negatively and unjustifiably impact international trade. Notably, Article XI (i) of GATT states that no prohibitions or restrictions other than duties, taxes or other charges, shall be instituted or maintained by any Member. This means that generally, the EAC are not to put in place a ban as it restricts the quantities of a product (SHC) that are imported into the EAC.

However, under the GATT General Exceptions, Article XX (b) permits States to put restrictions that are meant to protect human life and health, especially if such restrictions are not applied in an arbitrary or discriminatory manner and the measures are not a disguised restriction to trade. The SHC ban can therefore be justified as protecting the life and health of East Africans, as the clothes are usually of low grade and a threat to skin infections, as well as the fact that the bales are heavier than the ILO recommendations of 23kgs, which is a threat to the persons who carry the weight.

Further, under Article XVIII:C & D GATT, Members are permitted to impose quantitative restrictions necessary to the development of a particular industry by a WTO Member in the early stages of economic development or in certain other situations. Article XIX GATT also permits quantitative restrictions necessary to prevent sudden increases in imports from causing serious injury to domestic producers or to relieve producers who have suffered such injury. As such, the EAC can impose the ban on SHC so as to boost its domestic industries.

## 4.3. But What are the Pertinent Issues With Respect to the Ban?

### 4.3.1. What is EAC's Vision?

Whereas the ban may be perceived negatively by some stakeholders, the real issue should be where the EAC as a region wants to be in the next ten to twenty years. It is high time that the EAC reduced dependence on imported products. When the EAC was created in 1999, one of its goals was to boost the industrial sector of the community, through a vibrant industrial policy. This ban is part of the implementation measures for the created

Industrialization Policy. The real issue is how to effectively implement the desired Policy with minimal adverse consequences for the Partner State economies and their citizens.

The EAC Vision 2050 envisages an urban middle income prosperous, competitive, secure and politically united region by 2050, starting from the year 2016. The third pillar of the EAC Vision 2050 is leveraging industrialisation for structural transformation and improving intra- regional and global trade. The SHC ban is only one of the many policies required to realize this fundamental pillar of the EAC's Vision 2050. While not popular, in the long run, it will contribute to taking the EAC to where it wishes to be in the next years and decades.

#### 4.3.2. There is no ban on new clothing

The SHC ban does not include imports of new clothing, which also substantially affect the domestic garment producers. This is particularly true for clothes from China which are cheaper in all the EAC States. Therefore attention needs to be paid to the influx of cheap new clothing into the EAC region as well if real success is to be achieved in boosting the textile, apparel and leather sectors. In addition, however, the domestic industry has to boost its capacity not only to supply but also to develop competitive products, otherwise restricting the entire population to uncompetitive products and not putting in effort to boost competitiveness can lead to a relapse of the nationals to SHC importation.

#### 4.3.3. Different power relations in SHC trade

SHC is initially provided as a donation; thus it shares characteristics with food aid, which assists consumers but also has negative adverse effects on their economies. Secondly, the biggest “exporters” of SHC are the big power nations of the world. The EAC cannot ignore the existing trade relations with these countries and the possible implications of the manner of implementation of the ban on these trade and other relations. This notwithstanding, the EAC must

remain focused on its long-term objectives, even though it comes with short term pain.

#### 4.3.4. African countries have consistently failed to boost industrial production

As noted in the analysis in this Study, African countries are the biggest consumers of SHC. It is also known that African nations are at the bottom rung of the manufacturing sophistication ladder in the world. There are persistent challenges with industrialization in Africa that the EAC will have to contend with if it is to eliminate SHC and boost its textile and leather sectors successfully. Supply side and production challenges such as poor infrastructure, high power tariffs, among other already documented challenges, must be addressed head-on if any real and sustainable progress is to be made. There is also need to use tax policy to incentivize local production. For example, fabric is considered an intermediate good, but like Rwanda recently implemented, fabric could be classified as raw materials fetching zero import duty.

#### 4.3.5. Gender Perspective

SHC trade is a relatively sensitive sector because it is an area that has all sorts of players; from the educated and elite to people with little or no education, people from the grass-roots, persons with disabilities, widows, foreigners and in the majority of cases, women. Industrialisation, on the other hand, is a sector where businesses are perceived to be typically owned by men, with the women mainly being smaller players or not at all.

Further, women are strongly involved in smallholder cotton cultivation and face the same types of challenges that they face in trade. These include lack of easy access to credit, decision-making independence, property entitlement, representation and participation in collective organization, and disproportionate health risks from pesticide use, among others. Specific policies should be targeted at supporting women in the different Partner States in the implementation of the ban and concurrent promotion of the cotton, apparel, textile and leather

sector, to ensure that they are not marginalized in the transition process. Whereas one could argue that the gender challenges mentioned herein have nothing to do with industrialisation or the promotion of the ban, but rather the lack of effective policies for the integration of women into mainstream economic development, the point is that women in trade will have to be put into consideration, when implementing the ban.

#### 4.4. Impact of the SHC ban on Agro Processing for Textile and Leather Sectors

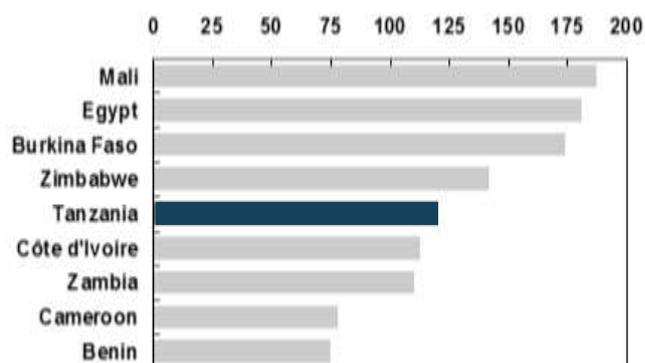
The EAC Vision 2050 and the Industrialisation Policy envisage an EAC with an enhanced manufacturing sector that contributes to the regional GDP at an average of 25 percent by 2032 (at present, contribution is only 8.7 percent), constituting a diversified base with raised local content of manufactured exports at 40 percent from the current estimated value of 8.62 percent, and an increased share of manufactured exports relative to imports to the region from the current 5 percent to about 25 percent by 2032.

In other words, the industrial sector transformation is poised to act as a growth driver over the period of Vision 2050. It is built on strong forward and backward linkages with other critical sectors such as agriculture and services. It offers high prospects for employment creation especially in labour-intensive industries, such as the textile and footwear industry; acts as a catalyst for technology transfer and attraction of FDI; and offers high prospects for deepening EAC drive to integrate further into the global economy. All of the above specific targets refer to the agro-processing sector, which shows that one of the key objectives/ visions of the EAC is to improve agro-processing, which is the underlying goal of the SHC ban.

The implementation of the SHC ban will necessitate alternative sources of clothing in the EAC, whose ripple effect will be the subsequent increase in domestic production of textile and leather, hence increased agro-processing for cotton and leather in the EAC. However, as already discussed, the relevant preparatory domestic factors would have to be put in

place, to achieve this. Africa accounts for 15 percent of the global cotton trade. As seen in figure 4-1 below, Tanzania is one of Africa's top cotton producers.

**Figure 4-1: Top African Cotton Producers 2011/2012 (000' tons of lint)**



Source: ICAC

Where there is deficit in the EAC region, it will be possible to import cotton from the other top African producers like Burkina Faso, which exported \$496 million of cotton in 2014, Côte d'Ivoire (\$322 million), Mali (\$314 million), Benin (\$287 million) and Cameroon (\$160 million). However, more priority should first be put on encouraging more cotton production in the country, as the demand to supply a textile/apparel industry would have been created. Governments would have to put in place all factors of production and the areas that have the right climate for cotton production could seek support for this. (For example, some of the C4 countries (Benin, Mali, Chad and Burkina Faso) have been beneficiaries of cotton-specific assistance to leverage their production). Thus agro-processing in the EAC is expected to improve substantially, with the implementation of the ban. This is because the permeation of SHC into the EAC has significantly affected the East African cotton industry.

According to industry experts, the cotton produced in Africa (EAC) is spun and woven in Asia, converted into apparels and shipped to USA and EU to be worn for 2-3 years and shipped back to Africa (EAC) as

used clothing, to clothe up to 70 percent of African population (Shuma, 2016). The spinners have consistently expressed concern that there is low demand for fabric because the EAC fabric market is choked with imported SHC, which has also led to the closure of several textiles mills that were, for example, performing well in Kenya and Uganda such as Raymond, KIKOM, Mulco, African Textile Mills, Rayon Textiles, and Lira Spinning Mill. While it is appreciated that SHC offer a cheap option for the poor populations of the region, it is a hindrance to the development of the cotton industry in the region.

Indeed, several studies have documented the negative impact of SHC imports to developing country economies. Frazer (2008) for example used an econometric model to conduct an analysis of the effects of donated clothes in the African market and concluded that: there exists a negative relationship between the importing country's textile production and textiles imports; with a 1 percent increase in SHC imports resulting in a 0.61 percent reduction in apparel production in the importing country. As such, the ban will improve agro-processing in the EAC.

## 4.5. Environmental and Climate Change Implications for the Region

It has been argued that clothes reuse can significantly contribute to reducing the environmental burden of clothing all over the world. Based on the survey conducted by Farrant, Olsen & Wangel (2010), the purchase of 100 SHC would save between 60 and 85 new garments and the reduction of impacts resulting from collecting 100 garments for reuse range from 14 percent decrease of global warming for the cotton T-shirt to 45 percent reduction of human toxicity for the polyester/cotton trousers (Farrant, Olsen & Wangel, 2010).

However, the fundamental question that should be of concern to the EAC is whether the tradeoff is worth it. Whether the alleged environmental benefits are worth the cost of SHC to the EAC region, especially in terms of the growing decline of the textile, apparel, leather and related sectors, (such as cotton in Uganda and

Tanzania and silk in Rwanda). This should be the real discussion point for the EAC. Should the EAC Vision 2050, and the Industrialisation Policy be compromised because of this environmental goal that benefits other world players, at the cost of the EAC? Further, there are several countries in the world that have instituted SHC bans and or other restrictions on SHC trade, as seen in the table in Annex 1. Therefore the decision of the EAC to institute the ban should be as good as the other nations that have SHC trade restrictions and or bans, even in the face of the alleged environmental implications.

The real point of concern for the environment for the EAC should be about the impact of increased industrialization and cotton production in EAC resulting from the growth of textile and leather industries and commercial cotton farms. Potential environmental issues here may include increased water consumption, pest management, and labor conditions. As new efforts to increase the production productivity are implemented, there will be need for greater awareness on some environmental related issues which in the long run can contribute to damaging the very environment that is necessary to sustain the lives of poor farmers and the people in East Africa. This is particularly because the East African Countries have a poor waste-handling infrastructure and they lack awareness of the environmental impact of improper disposal of waste.

## 4.6. How are Other Countries in the World Addressing Issues Relating to SHC Imports?

Different countries are using various mechanisms to curtail the influx of SHC into their economies with varying success. Annex 1 in this Study shows the position adopted by some countries on SHC trade. It is noted therein that several countries have imposed bans on SHC trade and others have created different types of restrictions such as the need to have Ministerial authorization for importation, need for a certification or approval for final importation, need for an import license or fumigation certificate, etc.

In South Africa, importation of SHC has been banned. Outside the continent, countries such as India have

embraced their cultural attire which is manufactured/ designed locally and therefore reduces demand for SHC imports. However, using this strategy in EAC would be a challenge given the absence of widely accepted cultural attire and the popularity of Western fashion in the Partner States. Developed countries have focused on improving the competitiveness of their local textile industries and the incomes of their citizens to discourage importation of SHCs. And they have done this, not overnight, but the industry has been built and developed over the years and in some cases, through family generations, where it is now paying off highly. There is also the simple approach of changing the mindset of the youth seeking to always wear trendy clothes so as to be deemed stylish, something that affordable SHC provides.

Within the EAC, Rwanda has increased taxes/ charges on SHCs to discourage their importation, and focus has been shifted towards deliberately growing the cotton, apparel, textile and leather sector, to meet the gap. The following part of this chapter examines the measures that have been put in place by Rwanda to phase out the importation of SHC. These could form a good benchmark for the other EAC States, in the journey towards the elimination of SHC.

#### 4.6.1. The path taken by Rwanda

Several policy options have been adopted by Rwanda in the implementation of the Summit Decision so as to reduce the influx of SHC, and boost the growth of the textile, apparel and leather industry, as outlined in MTI (2016) as follows:

1. Fiscal Measures: Progressive phase out of SHC imports using the following tax measures to discourage SHC importation.

- Duty increment on SHC: beginning with US\$ 2.5 per kg by December 2016, \$4 per kg by July 2017 and \$5 per kg by July 2018.
- The introduction of a minimum charge of US\$ 5 for every pair of used shoes imported into the EAC region.
- Reduction to 0% on import duty on fabrics and accessories not produced in EAC by July 2016 to promote domestic production.

2. Public Procurement: Issue of Ministerial instructions/ guidelines to all procuring entities to give preference to the local manufacturers for highly demanded products such as school uniforms, police and army uniforms, school shoes, boots and others.

3. Enforcement of pre-shipment inspection for all imported SHC to comply with the sanitary requirements in the destination country.

4. The introduction of a ban on export of raw hides and skins outside the EAC region.

5. Support for the expansion plans of existing anchor garment firms in the garment sector. The anchor companies would in turn support local SMEs to improve quality and scale up production.

6. Increase domestic production of fabrics and support domestic production of finished leather.

7. Boosting organization and coordination of production units engaged in the apparel sector (tailoring, garment, fashion & design) to achieve economies of scale for small-scale producers.

8. Set-up a garment manufacturing company and an apparel manufacturing zone in Kigali to increase linkages and synergies within the value chain which results in limited domestic and regional competitiveness.

9. Create a training institute in Kigali to build a critical mass of skilled labour force within the apparel sector that will support the production of quality and competitive products. The Institute is to be an educational organization established through a PPP model to support the creation of a competitive garment industry in Rwanda by providing highly qualified tailors and designers with sufficient knowledge and skills required at international level. The institute will have Training branches in all Provinces.

The above initiatives are highlights of the detailed Action Plan that is currently followed by Rwanda in the implementation of the ban. The Action Plan is viable, and could serve as a benchmark for the other Partner States in implementing the ban in their respective countries.

## 5. Conclusions and Recommendations

### 5.1. Conclusions

On the whole, the EAC is a major import market for SHC from several countries mainly USA, UK, Canada and China. As such, the implementation of the ban is likely to face resistance from the above major exporting countries. The EAC States should, therefore, be prepared to address this resistance. Also, because the citizens of the EAC are big consumers of SHC, the EAC Partner States should be prepared to fill the consumption gap likely to result from the ban. To be able to do so, the EAC must boost its capacity in the cotton, apparel, textile and leather sectors, as this is the core foundation of the ban - to give these sectors an opportunity. The real question, therefore, is how to boost this capacity in the short, medium and long-term, while at the same time meeting the existing clothing and shoe demand in the region.

The findings from the stakeholder consultations show that the characteristics of SHC trade in the different EAC Partner States are similar. The demand for SHC in all the Partner States is not only from the poor but also from the middle class who can afford to buy new clothing. This means that the impact of the ban is going to be felt across all social status in the region, hence less likelihood of opposition from any one given social status level in the Partner States. This, however, does not rule out the probability of opposition from all social classes in unison, against the ban. Care should, therefore, be taken by the Partner States in implementing the ban, by using a phased approach, to avoid unwarranted civil rising.

It has also been noted that SHC trade, in most cases, is small business trade, with the sellers dealing in small quantities, in an informal way, with family support. They are principally SMEs. This is critical in determining the mode of implementation of the ban, as it is clear that the consumers of the trade are variant in affluence and the sellers are a fragile population. Another point worth noting is that the EAC States also re-export SHC. For example, from the consultations from Kenya and Tanzania, several other

African country nationals participate in the trade by buying SHC from Kenya and Tanzania and selling the same in their countries of origin. It was also noted that Uganda is a source of SHC for Burundi. This means that the ban is also going to have an impact on the other non-EAC African states that source SHC from the EAC.

On the implication of the ban, it has been noted that the SHC ban may not be popular for some interest groups, but on the whole, it is pushing the EAC in the direction of its Vision 2050. Its implementation can be justified under the international laws, and whereas there may be an argument that the world will be environmentally affected by the reduction in consumption of SHC by the EAC as a result of the ban, the impact is neither fatal nor substantial enough to warrant declining to implement the ban. Several other countries in the world have imposed SHC bans, and there is no reason why the EAC should not do likewise. In the EAC, the steps taken by Rwanda are an excellent benchmark for the other Partner States on a phased elimination of SHC trade while at the same time boosting local production in the textile, apparel, and leather sector.

### 5.2. Proposed Recommendations

The recommendations are premised on the background that the Summit decision on the ban has already been made and this study is simply suggesting ways of implementing the ban effectively, with minimal disruptions.

#### 5.2.1. With Respect to Implementing the Ban: Phased Approach

##### ① A phased approach can be used in implementing the ban

SHC (both shoes and clothes) are not fully second-hand clothing. Several clothing in the bales are as good as new clothing, but sold as second hand and imported in the same bales with the second-hand clothing. So the ban cannot be implemented in a

blanket manner without taking note of this fact since the “as good as new” clothing therein is usually durable good clothing. As such, in the execution of the phased approach, there is need to establish a code of practice and acceptance criteria for different grades of SHC. At present, SHC in the EAC is typically organised into three grades: Grade A – for as good as new with minor bruises/stains, Grade B for bad odor, dripped strides, some bruises, Grade C – severe bruises, holes, tears, and stains. The EAC could decide to first ban grades C and B while imposing higher tariffs on grade A with the intention of a total ban for all grades over a period of 3 to 5 years. (This proposal is in relation to both shoes and clothes). This phased approach would soften the impact of the ban on the domestic consumers, as well as the source countries and would make implementation of the ban easier, by putting in place relevant standards that support only the importation of Grade A clothes and shoes. The standards would, in turn, be enforced by the bureaus of standard and the customs officials of the different Partner States.

## 2 Imposition of Quota Restrictions

Following the suggested immediate ban of Grade B and C above, the States should impose quota restrictions on the importation of Grade A SHC. The quantities permitted by the quotas should be determined by the capacity of the cotton, apparel, textile and leather industries and should change with the changing capacity of this sector to meet existing demand for clothing and shoes. Under the provisions of Special and Differential Treatment for Developing Countries (the EAC states are in this category, with Kenya being a developing country and the rest of the EAC States Least Developed Countries), States are permitted to put restrictive measures as long as they are aimed at increasing trade opportunities, especially for least-developed country Members. As such, the EAC can impose the ban on SHC so as to boost its domestic industries.

## 3 Strengthening standardization

Owing to the fact that grading of SHC would have been introduced, there would be need to strengthen standardization for the permitted Grade A SHC. A good example to benchmark is the situation in

Tanzania where SHC is governed by the National Standards for Used Garments which specifies the code of practice and standards for inspection of SHC. Under this law and standards, the Tanzania Bureau of Standards conducted a nationwide campaign to stop the importation of underwear and defaulters were made to pay a hefty fine.

Standardization can also be enforced before shipment, through a pre-shipment inspection policy for the exporter. In Tanzania for example, to implement the ban against underwear, in 2014, inspection of SHC was made part of the Pre-Export Verification of Conformity to Standards as part of the Products Conformity Assessment Programme.

Indeed one may argue that grading should not be encouraged as it can easily be manipulated by unscrupulous importers to defeat policy intention to eliminate used clothes in the market. However, it should be noted that manipulation of the system by importers is not dependent on whether there is grading or not, but rather on the weak systems of implementing the grading. As such, there will be need for stronger enforcement procedures, such as through the Pre- Shipment Inspection suggested above.

## 4 Aggregation of SHC by categories

To ease the work of the standardizing and customs agents as they address the importation of SHC, there will also be the need to sort/aggregate SHC by categories of goods sold (shirts, shorts, trousers, suits, undergarments, leather shoes, non-leather shoes, etc). This categorization will ensure that the region understands what is being imported and in what volumes. At the moment, it is hard to know what is in the bale of used clothes. Once this categorization is done, the process of providing for quotas for particular category of SHC would be easier and availed, depending on the available local production capacity

## 5 Massive awareness

The above-suggested steps would be well complemented with a massive campaign of the implementation of the ban to the EAC population. This will ensure buy-in and good will towards the

implementation process. The awareness process could also address the issue of encouraging the youth to move away from the need to always wear what is trending, as a means of seeming well off, which is readily satisfied by SHC.

## 6 Women in Trade must be given special attention

As already noted, the women in trade in the cotton, apparel, textile and leather industries would have to be given particular attention, especially because the business playing field when developing industry is not even, to ensure that they are not marginalized.

## 8 Flexibility of Implementation

It is important to note that the above-suggested measures to be taken towards the elimination of SHCs should be monitored closely to determine the actual impact. Remedial action should be taken in case the intended objectives are not attainable. The EAC Partner States have the option to apply an extension of the full implementation of the ban if the implementation process cannot be met within the agreed time.

### 5.2.2. Criticism of the proposed Phased Approach: SHC purely for Charity

The above proposed phased approach has been strongly criticized by some stakeholders who insist that SHC should be completely and immediately banned, save for charitable purposes. This group of thought argues that the SHC trade should only be allowed through legislation, only for charitable purposes, primarily for distribution to the 'poor', via licensed importers like churches or foundations, etc. And that even so, with clear quota allocations. They argue that as long as there is no commercial drive for SHC, the level of imports will drop significantly and only those truly committed to humanitarian courses will find them worthwhile to import.

They also justify their argument by noting that the EAC region is aiming for developing its

industrialization and is not necessarily concerned with the grading of SHC.

Whereas there could be some merit in the criticism, this Study finds otherwise. The above suggestion of permitting importation of SHC solely for charity, would likely compromise the ban substantially, with the possibility of importers claiming the clothing is a donation to the poor well as not. It is worth recalling that SHC was originally admitted as donations but evolved into commercial trade thus putting the EAC in the situation where it is – with SHC importation being so high that the local industries are affected substantially.

### 5.2.3. With Respect to Boosting the Cotton, Apparel, Textile and Leather Sectors

An EAC Study titled “Final Action Plan and Strategy for Cotton – Textile, and Apparels” by Shuma (2016) has already proposed an action plan on how to improve the textile and apparels sector for the EAC as well as by the Partner States to cater for regional demand. Some of the critical interventions are highlighted below:

## 9 Tariffs for new clothes and shoes should be equally addressed

SHC purchasers are both well to do middle class and the poor. SHC serves both the poor and middle class. When the ban is implemented, the middle class will still be able to afford new clothing but the poor may not necessarily if adjustment measures and programs are not immediately put in place. Therefore the ban should put the same tax measures on new clothing so that the price of new clothing is as high as that of the SHC ban. That way, the burden of the ban will not only be felt by the poor, but by all clothing consumers, who will, in turn, buy the locally made products.

In the same line, the industrial producers commented that competition against the industrial sector is not only from SHC but also from imported clothes from foreign companies (such as Pep, Woolworths, Bata, Edgars in Uganda as well as cheap imported new

clothing from China). So they suggested that the implementation of the ban so as to boost industrial production should also address the increasing establishment of foreign clothing companies in the EAC; otherwise, the SHC ban will end up promoting the growth of the foreign companies, and not necessarily improve local production. Thus if the proposed ban on used clothing imports is to succeed, governments must also tackle cheap clothing imports and offer more support to the local textile, apparel and leather industry.

### 10 Address the challenges facing industrialisation in the EAC

The factors that are affecting industrial production in Africa are not mainly SCH, but the unfavorable conditions for industrial growth and development in some of the Partner States. If these conditions such as high electricity tariffs, absence of real tax incentives, etc, are not addressed, the ban will not achieve its intended goal of boosting industrialisation in the region. The EAC study done by Shuma (2016) provides full details of the challenges of industrialisation in the EAC. Particularly the study discusses an Action Plan and Strategy for the development of the cotton, textile, and apparels in the EAC. It for example discusses improvements in transportation and power supplies to stabilize the distribution system as well as tax relief for factories and support for the sustainability of East Africa's cotton and silk sector, among others.

### 11 Increase local supply percentage for EPZs

The EAC may revise the Policy on EPZ domestic supply, to increase the percentage of products that can be sold into the EAC market specifically for the Cotton, apparel, textile and leather sectors.

### 12 Subsidies for the Cotton, Textile, Apparel and Leather Industries

There will be a need to subsidize the local industries to supply sufficient quantities, especially during the transition period. As already discussed, some countries in Africa are obtaining support from development partners for the growth of the cotton sector.

### 13 Benchmark Developed Countries

Developed countries have focused on improving the competitiveness of their local textile industries and the incomes of their citizens to discourage importation of SHCs.

## References

- Baden, S., & Barber, C. (2005). The impact of the second-hand clothing trade on developing countries.
- Brooks, A. (2013). Stretching global production networks: The international second-hand clothing trade. *Geoforum*, 44, 10-22.
- Brooks, A., & Simon, D. (2012). Unravelling the Relationships between Used-Clothing Imports and the Decline of African Clothing Industries. *Development and Change*, 43(6), 1265-1290.
- Caniato, F., Caridi, M., Crippa, L., & Moretto, A. (2012). Environmental sustainability in fashion supply chains: An exploratory case based research. *International journal of production economics*, 135(2), 659-670.
- Cooper, D. R., & Gutowski, T. G. (2015). The Environmental Impacts of Reuse: A Review. *Journal of Industrial Ecology*.
- Economic and Social Research Foundation (ESRF) (2016) 'First Draft Report on the Preliminary Findings of the Stakeholder Interviews on the SHC Phase-out Study', August 2016.
- Farrant, L., Olsen, S. I., & Wang, A. (2010). Environmental benefits from reusing clothes. *The International Journal of Life Cycle Assessment*, 15(7), 726-736.
- Frazer, G. (2008). Used-Clothing Donations and Apparel Production in Africa. *The Economic Journal*, 118(532), 1764-1784.
- Garth, Frazer (2008), "used clothing Donation and Apparel Production in Africa" *The Economic Journal* 118.532 (2008); 1764-784. *Print*
- Hoang, N. L. (2015). Clothes Minded: An Analysis of the Effects of Donating Secondhand Clothing to Sub-Saharan Africa. Scripps Senior Theses. Paper 671. [http://scholarship.claremont.edu/scripps\\_theses/67](http://scholarship.claremont.edu/scripps_theses/67)
- Kinabo, O. D. (2004, October). The textile industry and the SHC market in Tanzania. In *Tanzania-Network. de Conference on textile market and Textile Industry in Rural and Urban areas in Tanzania* (Vol. 23).
- Imo, B. E., & Maiyo, R. C. (2012). Lessons from thriving second-hand clothing businesses for Kenya's fashion industry. *Journal of Emerging Trends in Economics and Management Sciences*, 3(1), 32.
- Lobulu, W. (2016). Tanzania: Arusha Seems Better Off With Second Hand Clothes. <http://allafrica.com/stories/201603140415.html>
- Mangieri, T. (2006). African cloth, export production, and secondhand clothing in Kenya.
- MTI(a) – Ministry of Trade and Industry: Action Plan to Transform the Textile, Apparel and Leather Sectors, Rwanda. March, 2016.
- MTI (b)– Ministry of Trade and Industry: Progress Report on the Made in Rwanda Campaign, July 2016.
- Odi, (2016) – East African Community Phase-Out of Second Hand Clothing and Footwear. Tanzania
- Rono, P. K. (1999). *Women's and men's second-hand clothes businesses in two secondary towns in Kenya* (No. 521). Institute for Development Studies, University of Nairobi.
- Rivoli, P. (2005). *The travels of a t-shirt in the global economy: An economist examines the markets, power and politics of world trade*. Hoboken: John Wiley and Sons.
- Shuma, O (2016). Final Action Plan and Strategy for Cotton – Textile and Apparels.

Tanzania Bureau of Standards (TBS) (2016) 'Pre-Export Verification of Conformity to Standards (PVoC)', Available from: [http://www.tbs.go.tz/index.php/services/category/pre-shipment\\_verification\\_of\\_conformity](http://www.tbs.go.tz/index.php/services/category/pre-shipment_verification_of_conformity).

TBS (2013) 'Used Undergarments? No Thanks', Announcer, Volume XXXVI No. 2, July – December 2013.

The East African Community Industrialization Policy; 2012 – 2032.

The Treaty for the Establishment of the East African Community

