ZIMBABWE

COTTON-TO-CLOTHING STRATEGY • 2014-2019

Republic of Zimbabwe

International Trade Centre

With the financial support and collaboration of:

The EU-Africa Partnership on cotton:

http://www.coton-acp.org/

The cotton-to-clothing strategy of Zimbabwe was developed on the basis of the process, methodology and technical assistance of ITC. The views expressed herein do not reflect the official opinion of ITC. This document has not been formally edited by ITC.

Unless indicated otherwise, all pictures were provided by the private sector.

The International Trade Centre (ITC) is the joint agency
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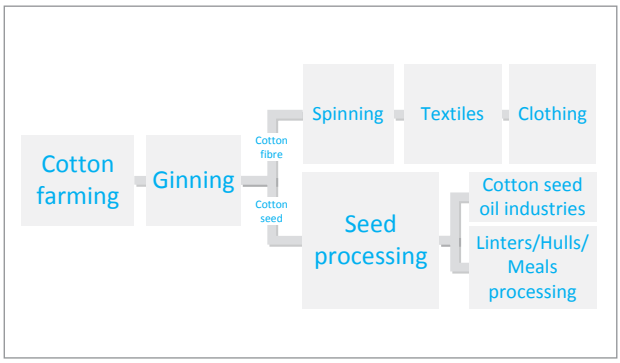
NOTE TO THE READER

This document contains the export strategy for the Cotton-to-Clothing (C2C) sector of Zimbabwe. The C2C sector, which is under analysis in the strategy, encompasses the following segments:[1]



The present strategy essentially follows the sequence of analysis below:

i. An overview of the global product map for the C2C sector, segmenting the universe of cotton products into broad categories.
ii. An overview of the current state of the sector, including details on the historical context, production structure and export performance of sector enterprises. This introductory segment serves to clarify growth and trends in the sector. Existing export market characteristics and key buyer requirements are also identified at this stage. This section also maps out the sector's value chain in a detailed fashion.
iii. Following the situational assessment, a section is dedicated to the institutional framework in place in the country, providing a thorough analysis of the trade support network (TSN) in the sector.
iv. The issues affecting export competitiveness are fully listed here, categorized along the four gears framework and by subsector (farming activities including research; ginning activities including oil expressing and animal feed; textiles comprised of spinning, weaving / knitting, and finishing; apparel, fashion and retail).
v. The development support framework section details the national policies and development plans active in the sector, as well as key development projects (past and present) that have contributed to growth in the sector. It aims to identify existing institutional and policy frameworks to enable the best possible integration and alignment of the strategy to these structures.
vi. Following the diagnostics section and based on current restricting factors, strategic orientations are identified in the future perspective section, which provides direction for expanding sector exports in target markets along both a short-term and medium-term time frame. New untapped opportunities (i.e. value options through product or business line development) for the sector are identified, as well as investment opportunities along the key value chain segments. Opportunities for sustainability and social inclusiveness are also discussed.
vii. The road map section elaborates on the identified strategic objectives for the strategy, as well as on operational imperatives required for the realization of these objectives.
viii. The strategic plan of action (PoA) follows the road map section. The PoA is a detailed matrix that contains a comprehensive set of activities, grouped by strategic objectives and operational objectives. Each activity of the PoA includes information on: its beneficiaries; its target measures and means of verification; the institutions that will lead its implementation; the supporting actors that possess expertise in the field; existing related programmes; and an estimated cost.
ix. The strategy culminates in the implementation management section, which lays out the proposed mechanism for managing implementation in a sustainable and effective manner.

1. A comprehensive scheme of the full sector value chain is represented in figure 23.

ACKNOWLEDGEMENTS

In its continuous efforts to place trade and socio-economic development at the heart of its national policy agenda, the Government of Zimbabwe developed the Cotton-to-Clothing Strategy (2014-2019) as a part of its Industrial Development Policy. The Strategy was elaborated under the leadership of the Ministry of Industry and Commerce with the technical assistance of the International Trade Centre (ITC) in conjunction with the Common Market for Eastern and Southern Africa (COMESA) in its role as facilitator of the region's economic integration. This initiative was supported and sponsored by the European Commission and the ACP Secretariat under the EU-Africa Partnership on Cotton.

Zimbabwe's Cotton-to-Clothing Strategy initiative was spearheaded under the tutelage of Hon. M.C. Bimha, Minister of Industry and Commerce. Mr. S. D. Mangoma, Director Enterprise Development, provided leadership and overall guidance. The Strategy was developed under the oversight of Anton Said, Chief of the Export Strategy section at ITC whereas Eric Buchot, Senior Officer, provided overall coordination and technical lead. Frederick Kong'ong'o, Head Science, Technology & Innovation / Industrial Cluster Development programme at COMESA, provided strategic and sector expertise while ensuring the alignment of the Strategy with regional priorities. The valuable support of Hazel Magumise and Alexandra Golovko helped steer the work throughout the strategy design process.

All decisions and deliberations were led by the National Strategy Core Team, composed of public and private sector actors representative of the entire value chain. This Strategy is the result of collaboration between many individuals, institutions, and enterprises. We would like to express our deep gratitude to all contributors for their dedication and support in developing this strategic document.

We wish to thank the following key contributors:

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FOREWORDS

FOREWORD OF THE **MINISTER OF INDUSTRY AND COMMERCE**

In the late 1980s and early 1990s, Zimbabwe used to boast of a full functional Cotton-to-Clothing value chain, contributing to 5% GDP and employing over 35 000 people. This chain has regrettably been broken in the last decade, primarily due to the financial collapse of 2008 and the autonomous economic liberalisation measures that we undertook under the Economic Structural Adjustment Programmes (ESAP). The painful autonomous adjustment measures under ESAP were exacerbated by the overarching but binding global trading commitments under the multilateral trading system (WTO) as well as regional and bilateral ones, which ultimately led to sector's contribution to GDP shrinking from 5% to just below 2% and employment plummeting to 6,800 currently.

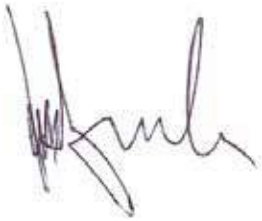
Clearly these ruthless adverse effects demand that Government undertakes concrete and resolute remedial measures to address these challenges. The Industrial Development Policy (IDP) 2012-2016, buttressed by the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET: 2013-2018), serve as a solid blue prints for the revival and development of the industry under which this strategy was designed and crafted. The strategy is, "entire value addition chain based", intended to improve production capacity, boost employment and exports as well as increasing the sector's contribution to GDP.

Given the abundance of the quality natural fibre; cotton, as well as highly skilled manpower in Zimbabwe, I believe that implementation of this strategy will bear the necessary rewards in terms of not only generating the much needed foreign currency but repositioning Zimbabwe as a global competitor.

The Government of the Republic of Zimbabwe is very appreciative and thankful for the technical assistance rendered by ITC on the development of this strategy which was made possible by funding by from the EU through COMESA and ACTIF.

I therefore call upon our regional and global cooperating partners, in particular, from developed countries to join my Ministry and indeed the Government of the Republic of Zimbabwe to unlock their development finance needed to enable us to realise our cherished and imperative development goals.

Once again let me thank both the private and public sector for the collective hard work put towards the preparation of this document, which will undoubtedly enable the successful launch of yet another visible and concrete milestone in our quest for achieving enhanced implementation of ZIMASSET.



HON. M. C. BIMHA (MP)
MINISTER OF INDUSTRY AND COMMERCE

FOREWORD FROM **THE PRIVATE SECTOR**

The cotton value chain has turned into a global industry, particularly so since the coming into being of the World Trade Organization (WTO) and the end of the Multifibre Agreement. Dismembered by events, the root causes of which are both internal and external, all of the segments in the value chain have gone through periods of severe distress and decline. The opening of the economy has destroyed the integrated nature of the value chain leaving stakeholders to fend for themselves without Government support.

This strategy represents the integrated work of all links in the value-addition chain and all relevant government departments, and presents a framework for us to implement the Plan of Action to achieve the combined objectives we have set. By successfully combining and coordinating our efforts and focusing our attention on the greater good of the whole chain, we have already achieved a significant milestone in joining the links of the chain back together again. The objectives and targets committed to in this strategy are agreed amongst ourselves and it will be up to us to implement them successfully.

The targets we have set ourselves are realistic and achievable in the short-term period of five years, which is the strategy's time frame. While many constraints can be resolved only in the long term, we have deliberately focused on tasks that can be completed by us in this five-year period and for which resources are realistically available.

Overall, we need to become more competitive. We must build on synergies that exist within the links of our chain, rather than treating them as stand-alone units. Although we will not be able to utilize all our national production within the value chain, we can focus on regional linkages. This regional extension of the value chain can have a reciprocal effect back into our own economy via trade linkages and subsequent investment opportunities.

There is already movement in enabling factors to foster confidence in the achievability of our strategy.

Namely:

1. Government and private sector have improved their dialogue and working partnerships with greater consultation and involvement of stakeholders in policy formulation. The economy is growing and inflation is insignificant and under control.
2. Industry players in the value chain are beginning to find each other and are beginning to present a unified position for the sector.
3. Subsequently, we are witnessing new developments across the chain. We have seen foreign direct investment in the ginning, contract farming and textile sectors. There has been significant local investment in the clothing sector.
4. Zimbabwe's cotton still has the potential to meet top international quality standards.

5. The textile industry, given its reduced capacity, has visibly re-adjusted and has of late recorded impressive growth in exports of cotton yarn and fabric.
6. Garment manufacturers are also adjusting their business models to get closer to their consumers and market their own branded goods on a larger scale.
7. There are existing policies such as the Industrial Development Policy and ZIMASSET, which this strategy neatly dovetails into.

Zimbabwe itself has many unexploited competitive advantages. With our geographic location and a transport infrastructure capable of expedient distribution, we have the potential to act as a hub for trade. The country is peaceful, has good and abundant skilled workers who are well educated and are productive. The country has a great climate for cotton production.

While we will still need to address the negative perceptions which have kept investors, both local and foreign, from entering the economy to any great level, it is hoped that this strategy will play a role in forming a platform of attractive investment opportunities. This will lead to further development and eventually drive investment not only in the cotton chain, but in all areas of the economy.

We have started down the road we must travel. Most importantly, the players in the C2C sector have come together and agreed to create a unified position in addressing the revival of the entire chain. This has been facilitated by the Government of Zimbabwe, COMESA, ITC and the European Union, and we are grateful for this opportunity.

We see stability within a short period and, then, rapid growth as and when the strategic objectives detailed in this document are achieved.

FOREWORD OF THE SECRETARY GENERAL OF COMESA

The COMESA Secretariat is pleased be part of the Zimbabwe Cotton-to-Clothing value chain strategy development, the value chain that has always been a priority for economic transformation in the region.

The cotton to clothing value chain has been the base for industrialization in many regions starting from Europe & America, Japan, South Korea and now India, China and Brazil. It is projected that in the next 8-15 years basic textile and clothing manufacturing activities will migrate to Africa. That is why the so called 'white gold', cotton, enjoys a predominant position amongst all cash crops in most leading emerging economies.

Thus the expansion of the textile and clothing industry in Africa and Zimbabwe in particular is of special significance because of its potential to retain wealth and Jobs in the continent. Note that in the course of the 2012/2013 season , total global cotton fibre demand stood at 26 million tonnes; Africa contributed about 5%, with over 65% coming from West Africa (C4 countries), of which over 80% was exported in raw form. The ICAC Secretariat projects that the world fibre demand will rise as per capita fibre consumption in Asia continues to rise due to favourable GDP growth in China. The estimated Chinese fibre consumption per capita per annum is 15kgs. Therefore, in the near future China may be a net importer of basic textile and clothing products. Hence, the importance for Africa to position itself to claim an incremental portion of this large market.

According to the International Cotton Advisory Committee (ICAC) Secretariat, world textile fiber consumption will reach 87 million tons in 2015, 106 million tons in 2020, and 130 million tons in 2025. Thus, the implied average annual rate of growth between 2013 and 2025 is estimated 3.9%. World cotton consumption is projected to expand at an average annual rate of 2.5% over the same period, to reach 27 million tons in 2015, 30 million tons in 2020, and 34 million tons in 2025. However the share of cotton in the world textile fiber market is therefore projected to decline to 28.5% in 2020 and 26.8% in 2025. This projection is on account of many factors, key among which is the growth of polyester filament which has advanced by nearly three times the average of all fibers during the last five years (7.9% vs. 3.1%).

As this strategy is, there is a concomitant need for Zimbabwe to consolidate and strengthen existing cotton fibre driven production and market base while at the same time plan to leapfrog into the rapidly growing man-made fibre driven technical textiles market. For instance, in the past five years the overall global growth rate of the technical textiles market stood at about 4.0% per annum, whereas the growth rate for apparel and home textiles turned out to be only 1.0%. With the possible addition of technical textiles into the Zimbabwean product mix the textile and clothing industry can generate additional opportunities for unskilled, semi-skilled and highly skilled employment for many Zimbabweans. The employment opportunities in related service industries are also potentially enormous as witnessed in Kenya, Lesotho, Mauritius, Swaziland and Madagascar in AGOA export apparel manufacturing before the end of the MultiFiber Agreement in 2005.

In view of the above potential economic benefits, it is plausible to believe that the Government of the Republic of Zimbabwe is committed to the implementation of this strategy which has been aligned to the COMESA regional cotton to clothing value chain strategy that is designed to enhance economic transformation in the region. It is common knowledge that the Zimbabwean economy needs

to grow at a faster rate than it is performing now in order for it to generate employment opportunities for the millions of the youth. However for that growth momentum to materialize a credible and powerful growth driver will be required to funnel the process and this can only be transmitted through the industrial sector. With its strong forward and backward linkages that together can help to heighten potential for growth, the activities of industry can be the compelling and overriding engine for growth and improved welfare for all.

I would therefore like to float a challenge and propose an industry-led development pattern for Zimbabwe to move the entire economy forward to its full potential. This development pattern must become enshrined in all policy frameworks for development and be championed by the Ministry of Finance and the Reserve Bank in collaboration with other technical ministries in order to facilitate and support SMEs to drive the conduct of economic growth in Zimbabwe. In this regard, COMESA Secretariat has disbursed a total of €4.2 million in funds allocated to Zimbabwe under the COMESA Regional Integration Support Mechanism (RISM) programme (funded by the EU) of which €1.2 million was allocated specifically for the implementation of this Strategy. It is my hope that this will help the Government to step in to create an enabling environment for the private sector to expand the textile and clothing Industry.

In this context, the underlying cotton to clothing strategy puts forth a vision for the Zimbabwean industry that defines strategic targets, and carefully identifies the instruments through which public policy can contribute to value chain and industrial development. All goals and means set by this strategy are within our reach, and in the end it will all depend on the performance of stakeholders especially, the Government .The future of the Zimbabwe cotton to clothing Industry is now in the making, and we have a long way to go. But, with determination, a strong will and sustained stamina, success will only be the natural and desired result.

Sindiso Ngwenya
COMESA Secretary General

FOREWORD OF THE **EXECUTIVE DIRECTOR OF ITC**

To achieve growth in increasingly competitive international markets, a country needs to identify where it can add the most value to its goods and services. The path to trade-led development is paved by providing businesses with greater access to regional and global value chains, which dominate most of international trade today. For the Republic of Zimbabwe and its Cotton-to-Clothing (C2C) sector, this strategy serves as a compass on this journey. Through rigorous implementation of the strategy, the government can achieve its goal of a vibrant, self-sustaining and competitive economy through the promotion of viable industrial and commercial sectors.

Cotton is special in that the sector provides a livelihood for more than a million Zimbabweans, including farmers and their families. Cotton holds tremendous potential for broad-based economic growth as well as for in-country value addition. Moreover, there are opportunities to create a regional approach to refining the production, processing and marketing of cotton, which would allow countries in the subregion to develop economies of scale and provide scope to overcome national limitations.

It is from this perspective that the International Trade Centre (ITC) has worked with COMESA over the last six months to assist the Ministry of Industry and Commerce of Zimbabwe in reviving a sector that has long been a significant driver of economic growth, wealth creation and national development.

More than 100 stakeholders from the C2C sector, including representatives from the public sector, rural communities, small and medium-sized enterprises and civil society, have defined a series of market-led development priorities. This strategy delivers a unifying roadmap with an ambitious set of targets, including a steep increase in yields to 1,200 kilograms per hectare that will benefit 250,000 smallholders. This document also embodies a commitment to increase production of cotton lint to 450,000 tons per year and for exports of textiles and garments to reach US$ 7.5 million by 2019.

The potential socioeconomic impact of this strategy is evident in the stakeholders' pledge to have Zimbabwean companies comply with international standards related to working conditions, quality management and sustainability in the next five years. The strategy identifies key markets in Africa, Asia and Europe for expanding the country's C2C exports across a variety of products. The aim is to exploit the value, diversity and attractiveness of 'Made in Zimbabwe' products in these untapped markets.

At ITC we acknowledge the dedication of all who have worked to produce this strategic document, which is an important tool to support Zimbabwe's trade-led development. In particular, we thank the European Commission and the ACP Secretariat, under the EU-Africa Partnership on Cotton, for the generous support that has made this initiative possible.

ITC stands ready to provide assistance in the strategy's implementation and to accompany Zimbabwe on this road to greater opportunities through enhanced trade.

Arancha Gonzalez
Executive Director, ITC

THE **EUROPEAN UNION** DELEGATION TO THE REPUBLIC OF ZIMBABWE

The Delegation of the European Union to the Republic of Zimbabwe is delighted to welcome the launch of the Cotton-to-Clothing Strategy for Zimbabwe, a project that has always been a priority for us and our partners, namely the local cotton industry and the Government of Zimbabwe. We consider it a huge success that this strategy has been developed and refined within such a short timeframe thanks to the coordination and fully involvement of the Ministry of Industry and Commerce which provided leadership and overall guidance and the work led by a National Strategy Core Team set up for this specific purpose and composed of key actor from the public and private sector representing the whole value chain. We are confident that it will play an essential role in enhancing development and competitiveness of the cotton sector in Zimbabwe.

The Cotton-to Clothing Strategy, which was funded by the EU and implemented by the International Trade Centre (ITC), will provide Zimbabwe not only with an improved policy framework, but also a detailed implementation plan to ensure the achievements of our envisaged aims.

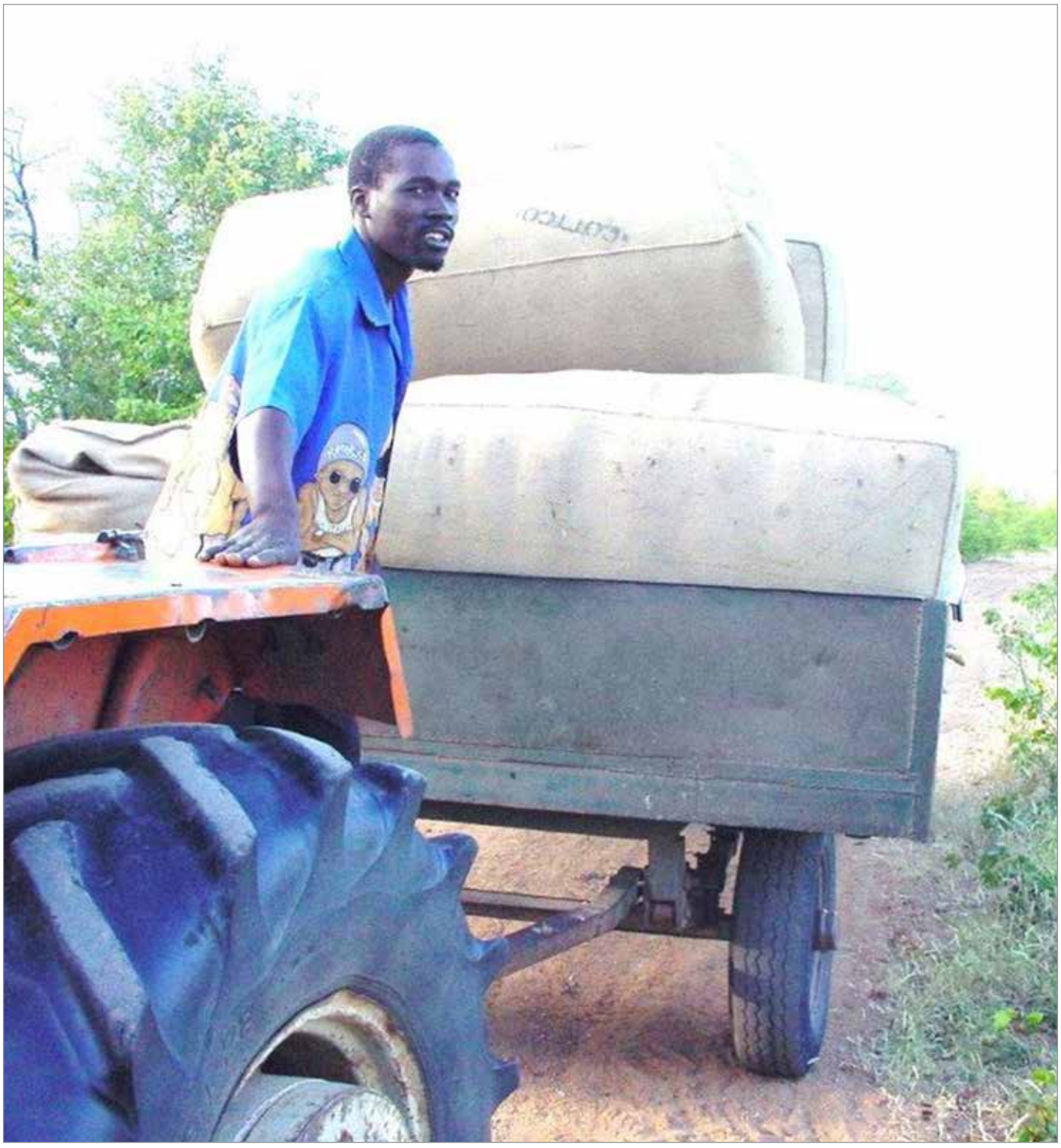
The strategy development process was launched in April 2014 during a joint workshop comprising all relevant stakeholders along the whole value chain from cotton to clothing. Follow up consultations were held in June to define the orientation of the sector strategy.

This initiative is part of the 2012-2016 €11 million Support Programme for the Consolidation of the Action Framework under the EU-Africa Partnership on Cotton, which emerged as a response to the historical drop in cotton prices at the beginning of the 21st century, and the concerns about the poverty impacts on cotton producers in Africa. The partnership is divided into two aspects: with respect to trade, it focuses on a more equitable trading system within the Doha Development Agenda; with respect to development aspect, the partnership aims at improving the competitiveness of African cotton and reducing stakeholders and cotton to clothing value chain vulnerabilities. As part of the partnership the ACP (Africa, Caribbean and Pacific) Secretariat has played a key role at the Joint ACP-EU cotton steering committee for the coordination and monitoring of the implementation of the Action framework

The EU's support does not end here: implementation of the strategy will be further supported by another EU funded programme, namely COMESA's Regional Integration Support Mechanism (RISM). And the are also synergies with two activities of the on-going “EU Support to Trade and Private Sector Development in Zimbabwe (TPSDP)”, which will contribute to the strategy’s implementation like: training on garment identification for customs clearing and the developing of an SME spread sheet based manufacturing production planning and forecasting programme.

As the European Union, we welcome initiatives such as this one that have a strong focus on the development of a promising local industry. We believe that the strategy is a valuable tool in which to help resuscitate the cotton-to-clothing value chain and to promote high quality “Made in Zimbabwe” products that are able to compete in regional and international markets. The EU is one such important market. The interim Economic Partnership Agreement ratified with the ESA countries, of which Zimbabwe is part, grants Duty Free Quota Free access to Zimbabwean products and more advantageous rules of origin in particular for the clothing industry that gains access the EU market (28 countries) on a single transformation basis.

A strategy is of course only as good as the commitment of all stakeholders to its implementation. Thus it is our hope and wish that we will continue working together to see the cotton sector in Zimbabwe thriving once again.



ACRONYMS

AAACP	All ACP Agricultural Commodities Programme
ACVAZ	Association of Cotton Value Adders of Zimbabwe
AGRITEX	Department of Agricultural Research and Extension Services
AMA	Agricultural Marketing Authority
AU	African Union
BCI	Better Cotton Initiative
C2C	Cotton-to-Clothing
CBI	Centre for the Promotion of Imports from Developing Countries
CGA	Cotton Ginners Association
CIF	Cost, Insurance and Freight
CmiA	Cotton made in Africa
COMESA	Common Market for Eastern and Southern Africa
CRI	Cotton Research Institute
CTC	Competition and Tariff Commission
CZI	Confederation of Zimbabwean Industries
ECA	Economic Commission for Africa
EPA	Economic Partnership Agreement
EPZ	Export Processing Zone
ESA	Eastern and Southern Africa
EU	European Union
GHG	Greenhouse Gases
GM	Genetically Modified
HOS	Heads of State
IDP	Industrial Development Policy
ISO	International Organization for Standardization
ITC	International Trade Centre
MIC	Ministry of Industry and Commerce
MOAMID	Ministry of Agriculture, Mechanization and Irrigation Development
MoFED	Ministry of Finance and Economic Development
NEC	National Employment Council
NSSA	National Social Security Authority
PoA	Plan of Action
RBZ	Reserve Bank of Zimbabwe
REACH	Registration, Evaluation, Authorization and Restriction of Chemicals
SA	Social Accountability
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAZ	Standards Association of Zimbabwe
SEZ	Special Economic Zone
SHC	Second-Hand Clothing
SI	Statutory Instrument
SME	Small or Medium-sized Enterprise
SPB	State Procurement Board
T&C	Textile and Clothing
TSI	Trade Support Institutions
TSN	Trade Support Network
WRAP	Worldwide Responsible Accredited Production
ZCMA	Zimbabwe Clothing Manufacturers Association
ZIA	Zimbabwe Investment Authority
ZIMASSET	Zimbabwe Agenda for Sustainable Socioeconomic Transformation
ZIMRA	Zimbabwe Revenue Authority
ZITMA	Zimbabwe Textile Manufacturers Association

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BACKGROUND AND LINK TO COMESA REGIONAL STRATEGY[2]

Africa's commitment to industrialization of the continent has been made abundantly clear. The 10th Ordinary Session of the African Union (AU) Assembly of Heads of State (HOS) and Government held in Addis Ababa in 2008 was devoted to the theme of African Industrialization. More recently, the United Nations Economic Commission for Africa (ECA) has stressed the need for a rethink of trade and integration priorities towards a more strategic approach and, in March 2014, the 7th AU-ECA Joint Annual Meeting in 2014, was dedicated to 'Industrialization for inclusive and transformative development in Africa'.

As part of the implementation of the Abuja Treaty of Africa Economic Community, and using the Regional Economic Communities as the building blocks, the COMESA Secretariat is supporting its member states to design and implement strategies to achieve this ambition. The strategies seek to reinvigorate the productive sectors from which most of the region's people derive their livelihoods. This initiative is timed so that enterprises, trade support organizations and governments in COMESA member countries can take advantage of improvements in the trading environment arising from their stable economies and from a harmonized Customs zone.

Cotton is one of six sectors prioritized by COMESA for value chain strategy development and implementation. The COMESA C2C strategy was developed through a stakeholder participation facilitated by COMESA with technical support from the International Trade Centre (ITC). The process was funded by the European Commission through the All ACP Agricultural Commodities Programme (AAACP). The strategy document was the outcome of various private, public and civil society sector stakeholder roundtables.

The strategy was officially launched during the COMESA Business Council and Heads of States Summit on 4 June 2009. After the official launch, a strategy implementation committee was selected by stakeholders to oversee the implementation process. In alignment with this regional initiative and based on the success of the regional strategy as a private–public platform for improved policy formulation, Zimbabwe requested the COMESA Secretariat to support the development of a national sector strategy. Following the ITC approach, a national core team composed of private and public sector representatives was appointed and, for the first time in the history of the C2C value chain, all the stakeholders came together to decide on the future of their industry through a participatory process in 2014.

2. COMESA (2009). *Regional Strategy for Cotton-to-Clothing Value Chain.* Available from www.coton-acp.org/docs/strategies/Regional_COMESA_Strategy.pdf.

Box 1: Methodological note

The approach used by ITC in the strategy design process relies on a number of analytical elements, such as TSN analysis, value chain analysis, problem tree and strategic options selection, all of which form major building blocks of this sector export strategy document:

TSN analysis

The TSN constitutes the support services available to the primary value chain actors. It is comprised of a policy support network, a trade services network and a business services network. An analysis of the quality of service delivery and constraints affecting the constituent trade support institutions (TSIs) is an important input to the strategy development process.

Value chain analysis

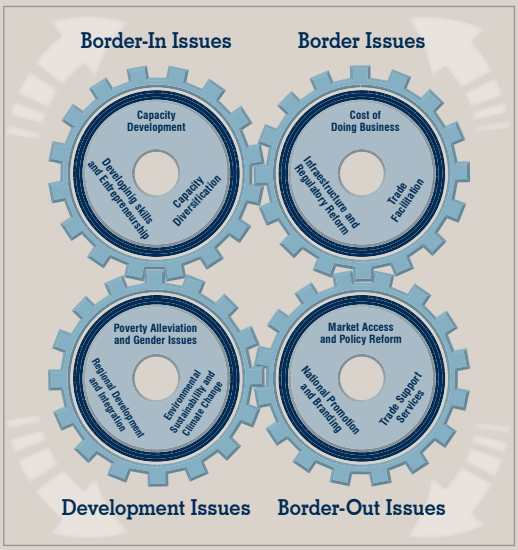
A comprehensive analysis of the sector's value chain is an integral part of the sector strategy development process. This analysis results in the identification of important actors and linkages in the value chain. The mapped value chain also serves as the basis for analysing the current state of the value chain and deliberating on options for a future value chain.

The first part of the analysis charts the main stages involved in the sector export value chain, navigating from inputs sourcing to distribution in market segments. This is followed by the identification of key stakeholders who include not just the primary actors (e.g. producers, processors, distributors etc.) but also supporting actors with direct linkages to the primary actors. These support services include input providers (seeds, equipment suppliers, etc.), transportation service providers, packaging houses and financial service providers, among others.

The next step in the value chain analysis identifies linkages between the actors (both primary and support services). Both critical and non-critical linkages are identified and mapped. This exercise facilitates the identification of important support needs and input/output needs of the actors in the value chain. In other words, it identifies a range of needs for actors in the value chain, which can be assessed and further analysed for gaps and constraints through the problem tree analysis as well as the TSN analysis.

Competitiveness constraints analysis/problem tree analysis

Traditionally, the scope of export strategies has been defined in terms of market entry, such as market access, trade promotion and export development. This ignores several important factors in a country's competitiveness. For an export strategy to be effective it must address a wider set of constraints, including any factor that limits the ability of firms to supply export goods and services; the quality of the business environment; and the development impact of the country's trade, which is important to its sustainability. This integrated approach is illustrated by the four gears framework schematic on the right.



Box 1: Methodological note

To increase the specificity of constraint analysis for the C2C sector in Zimbabwe, a detailed constraint overview is provided for each subsector of the industry, namely: cotton production, cotton ginning and cotton by-products, yarn, and textiles and clothing.

The problem tree approach is based on the principles of root cause analysis and the Pareto principle. This exercise results in an inverted tree-like structure with high level constraints at the top level and related root causes placed at subsequent levels. Critical root causes are identified following the Pareto principle. The basic rationale behind the problem tree exercise is to gain a deeper understanding of what is causing the high level constraints, and where the focus of solution-seeking activities should be directed. This exercise involves a two-step process:

First, constraints identified as part of the value chain analysis during the first consultation with key public and private stakeholders results in the identification of constraints affecting the value chain. These constraints are generally abstract, and a more thorough breakdown is required to identify the root causes of the constraints. Multiple levels of root causes are identified for each high level constraint in order to gain specific insights into the causality: i.e. the relationship between the root causes and the constraints currently affecting the export competitiveness in the sector. Complex root causes are further divided into atomic root causes until a satisfactory level of detail is accomplished.

Second, the problem tree uses the Pareto principle to identify critical root causes. This is especially important in the context of resource limitations that usually exist during the strategy implementation phase, thus necessitating focus on those 20% of the root causes which potentially result in 80% of the constraints affecting the sector. Critical paths through the problem tree are charted to select those root causes that play a majority role in constraining the sector. Identifying – and thus prioritizing – the root causes in this manner is expected to focus efforts while developing solutions – i.e. the PoA – in following stages.

The steps outlined above are expected to result in a comprehensive problem tree, detailing the constraints affecting the sector export value chain, along with characterizations related to the granularity and intensity of the root causes. This problem tree in turn guides the solution-seeking phase of the strategy design process.

Development of future perspectives

The future perspective for the C2C sector in Zimbabwe consists of three components:

- A market perspective involving identification of key markets in the short and medium-to-long term for Zimbabwean exporters.
- Identification of value options that hold the greatest potential, and the design of a future value chain based on these opportunities.
- The possible role of domestic and foreign investment to lift the sector's export potential.

EXECUTIVE SUMMARY

Cotton could rightfully be referred to as Zimbabwe's 'white gold'. A century of cotton cultivation has birthed numerous industries in Zimbabwe: ginning, oil pressing, textile and clothing. The socioeconomic and developmental importance of cotton, with its near inexhaustible international demand, cannot be overstated. A valued export commodity, cotton's foreign exchange earnings proved to be crucial to Zimbabwe in the early 2000s. At its peak, 'white gold' was grown by some 250,000 to 300,000 smallholder farmers in Zimbabwe. In the 1990s, the textile and clothing (T&C) subsector employed more than 50,000 workers, mostly women and young people. The significance of the textile and clothing sub-sector was such that even after the economic decline of 2000-2008, the sub-sector still employed more than 11,500 people.

Today, Zimbabwean cotton lint remains a highly competitive product due to the country's sustained commitment to quality and research-based investment. This focus on quality is evident in all products manufactured through the Cotton-to-Clothing (C2C) value chain. The Zimbabwean workforce is also characterized by an extremely high level of social responsibility, resulting in competitive advantages of real value in today's global market. Indeed, the sector has the potential to re-emerge as a significant driver of economic growth, wealth creation, and national development.

Nevertheless, the value chain continues to face a number of constraints. Zimbabwe's period of economic volatility resulted in significant fluctuations in the performance of key operators and disrupted the cohesion of actors along the value chain.

- On the supply-side, inadequate extension support to farmers, especially those in remote areas, undermines the flow of innovation and best practices across the value chain. Together with other factors, such as the limited availability of financial schemes and insufficient access to new seed varieties, this has negatively impacted the yields achieved by farmers. This in turn affects ginners, who operate under-capacity and are unable to achieve cost efficiency. Poor access to technology and equipment meanwhile remains a key weakness in the spinning and textile subsectors. As a result of the restricted range of locally produced inputs, the clothing subsector is constrained to rely on imported materials.

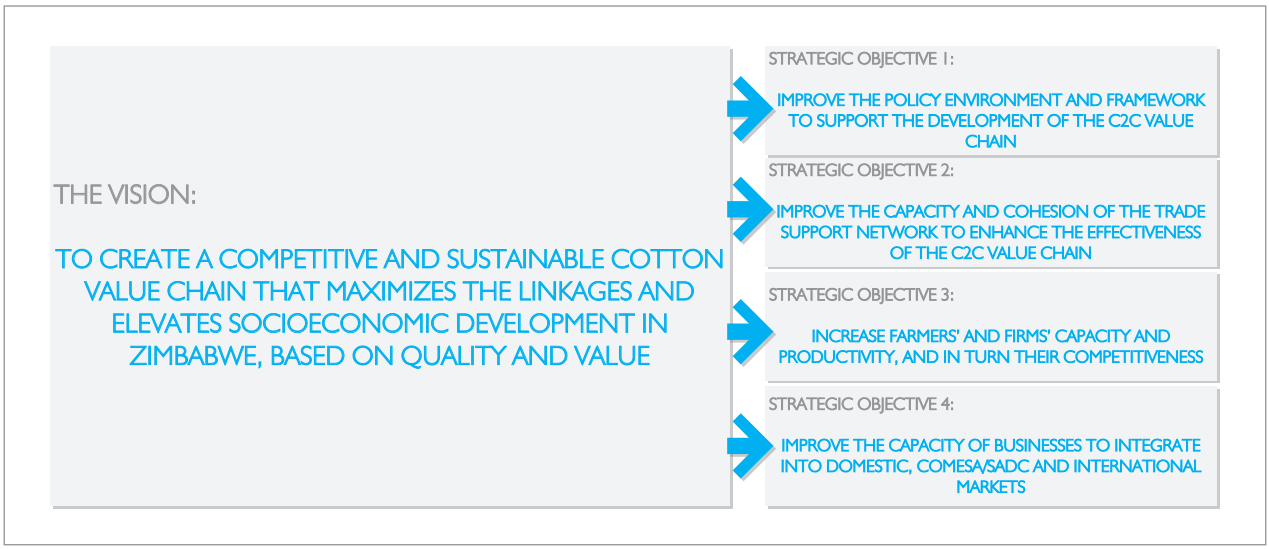
- With regards to the business environment, national policies remain fragmented, with different authorities responsible for the various C2C subsectors. This has resulted in disjointed policy that hinders collaboration and streamlined reform. Access to finance is also a major challenge; where financing is available, it generally comes at a cost that is too high to recover through competitively priced goods. In addition, limited transparency discourages investment in certain subsectors such as textiles and spinning. Moreover, the cohesion of the value chain is disturbed by inefficient and highly politicized marketing systems, resulting in significant volatility and uncertainty. Lastly, trade support institutions lack adequate human capital. As such, institutions are unable to offer the quality services required by exporters.

- On the market-entry side, stakeholders suffer from inadequate knowledge of markets and trends; the absence of timely and reliable sources of market information hinders the capacities of exporters to fully capitalize upon the opportunities offered by regional and international markets. In addition, limited promotion of the quality of Zimbabwean products has proven to be a detriment to market expansion.

With regards to development issues, the C2C sector has yet to embrace its full potential as an engine of sustainable growth in Zimbabwe. This is largely due to a limited awareness of the ways in which innovative practices could reduce environmental impact. The potential of the available female workforce is currently under-utilized to a significant degree. As such, there is still much room to expand employment to more women, especially in higher value added stages of the C2C chain.

Despite these constraints, a return to the production peaks of the 1990s is not out of reach. Industry revival will depend upon the ability of stakeholders to commit to a wide range of targeted measures.

The aim of Zimbabwe's C2C sector strategy is to address constraints in a comprehensive manner and define concrete opportunities that can be realized through the specific steps detailed in the Plan of Action. By uniting farmers, ginners, textile producers and clothing manufacturers, together with the public and private institutions that support them, the strategy will allow stakeholders to maximize value addition over the next five years. The strategy is articulated around a unifying vision and four strategic objectives:



The C2C export strategy was the result of extensive consultations with public and private sector stakeholders, leading to unprecedented levels of cooperation among sector operators. Key private sector stakeholders and leading institutions facilitated an exhaustive analysis of the cotton industry in Zimbabwe. Market-led strategic orientations, prioritized by stakeholders and embedded into a detailed five-year implementation plan, provide a clear roadmap that can be leveraged to address constraints to trade, maximize value addition, and support regional integration. In addition, the inclusive approach to strategy design ensured that all stakeholders were committed to the process and left with a clear understanding of each actor's role. The willingness of Zimbabwe's stakeholders to regain regional leadership in quality and value addition was on display throughout the strategy design process.

The strategy aims to deliver the following production, export-related and developmental targets by 2019:

- 71% increase in yields to 1,200 kg/hectare;
- Yearly seed-cotton production to reach 450,000 tons, from the current 145,000 tons;
- Usage of available ginning capacities to attain 69.5%, up from 20% currently;
- Volumes of cotton fibre processed locally to increase to 25%, from the current 3-5%;
- Zimbabwe's annual lint exports to reach 90,000 from current 55,000 tonnes;
- Exports of textile and garment to increase 390% to US$110 million;
- 250,000 of smallholder farmers benefit from revenues from cotton;
- More than 40,000 new jobs in the textile and clothing sector; and
- 100% of companies complying with international standards related to working conditions, quality management and sustainability.

This strategy is ambitious in its goals, however it is also meant to be realistic in terms of implementation. Indeed, not all identified constraints can be resolved within this strategy's timeframe e.g. unreliable electricity supply. Such limiting factors must not be ignored but rather accepted as given in the short term. In fact, as the strategy is implemented, some of the current restrictions will dissipate; for example, as capacity utilization rises, profitability will increase and the availability of working capital will improve. It is also assumed that future policies, such as the new Industrial Development Policy (IDP), which is due for review in 2016, will build on successes and therefore complement the strategy formulated here for further development of the C2C value chain.

In order for the strategic vision to become a reality, stakeholders must coordinate across a variety of fronts so as to ensure continued buy-in and guarantee implementation. As such, this strategy recommends that Zimbabwe establish an independent committee for public-private dialogue that serves to coordinate implementation among the various sector participants. This committee should be comprised of representatives of key institutions, ministries, TSN members, and the private sector.

Cotton_field_By Kimberly Vardeman (Flickr- Cotton Harvest)
[CC-BY-2.0 (http-//creativecommons.org/licenses/by/2.0)], via Wikimedia Commons

1. THE COTTON-TO-CLOTHING PRODUCT MAP

The global C2C industry represents an extensive value chain and creates a wide variety of product types, supplying different types of markets, each with their own sets of rules. Figure 1 attempts to map the product categories of the C2C value chain by categorizing market segments. Five categories were identified based on the product range:

- The first category of products is the one aiming at the end consumer directly, through the retail market. These products require high marketing and branding investments and include products as different as clothing items and oil for salads.
- The second category is products aimed at wholesale markets, but not for industrial uses. These types of products include soap or towels bought in large quantities by the hotel industry, for instance.
- The third category of products is oriented to industrial use, which means that these are utilitarian products that serve to create other products for which they are not the main component. These include products used for packaging of food, mechanical oils, fertilizers and even cattle food.
- A fourth category of cotton-based products is medical use products. These products require perfect sanitary conditions for their manufacturing and high investments in quality control, considering the strict regulations for the medical sector. Bandages, sanitary towels and cotton wool for cleansing are some of the cotton-based products in this category.
- Finally, cotton-based products are also sold for further industrial processing by different national or international companies. These products will remain the major component of the final products. This is the case for cotton yarn and textiles, for example.

Figure 1: *Cotton-based product map*

Source: ITC desk research.

Cotton_flower, By ChriKo (Own work) [CC-BY-SA-3.0 (http-//creativecommons.org/licenses/by-sa/3.0) or GFDL (http-//www.gnu.org/copyleft/fdl.html)], via Wikimedia Commons.

2. ZIMBABWE'S C2C SECTOR – A HISTORICAL PERSPECTIVE

Efforts to establish commercial cotton in areas north of the Limpopo region date from the early years of settler occupation, given growing cognizance of Zimbabwe's lack of comparative advantages in terms of mineral wealth.

1920–1940s

Between 1924 (when the colony's first cotton research station was established) and 1935, cotton growing in Southern Rhodesia (Zimbabwe) expanded rapidly. In 1942, the Cotton Research Industry Board was reconstituted and given a mandate to develop textile and allied industries in the country. By 1951, the Board had succeeded or helped to promote an integrated cotton value chain, observing as follows in one of its internal memorandums:

> The Cotton Research Industry Board which guaranties to purchase the colony's entire crop of seed cotton at prices advertised in the previous years is the farmers' market. The Board gins the seed cotton at its ginnery in Gatooma (now Kadoma) and thereafter spins the resultant lint into yarn, which it sells to weaving and knitting factories in the colony. **It is thus enabled to pay the farmer a much better price for his seed cotton than if it merely shipped the baled lint to Lancashire or India.**[3] **(our emphasis)**

1940s – 1990s

Developments beyond the 1940s, through the 1950s up to the post-independence era, can be summed up through the following excerpt:

> The period between 1980 and 1989 is described as having experienced rapid expansion, with an estimated 50% of clothing manufacturing companies and 61% of textile firms established in the period. This was because of a number of initiatives and circumstances such as export and investment facilitation; the country's central location in the Southern African region; established and relatively new infrastructure; and low-cost but relatively highly educated labour force.[4]

1990s and beyond

The 1990s witnessed radical policy changes with the implementation of structural adjustment policies and the opening up of the hitherto closed economy to sudden competition from abroad. The industry could not compete under such rapid liberalization. By the end of 1999, 100 clothing companies had closed permanently, together with six textile firms, with significant employment losses.

In the first half of the 1990s, several shocks affected the sector. The revision of the trade agreement with South Africa to protect South Africas interests, major currency devaluations, dwindling foreign currency reserves, rapid liberalization policies and severe droughts all had a dramatic effect, both directly and indirectly, on the T&C industries. This included the closure of the largest textile mill (Cone Textiles), the downscaling of the second-largest mill (David Whitehead) and the closure of the largest clothing manufacturer, Fashion Enterprises.

At the same time, there was increased investment in the clothing sector. The textile manufacturers for their part improved technological capabilities in some cases, introduced quality competitiveness programmes, and took initiatives to improve factory productivity. However, the most difficult period was yet to come, between 2000 and 2010. This period saw massive company closures and unparalleled growth in unemployment.[5] This difficult situation has persisted beyond 2010 into 2014.

In the second half of the 1990s, even though investment in textiles surged, both the clothing and textile subsectors declined overall. The continued devaluation of the Zimbabwean dollar and shortage of foreign currency had two significant effects. First, they made capital investment difficult and expensive, but they also made the cost of production cheaper by international standards. In 1997, Cone Textiles was reopened as Modzone Enterprises (Private) Ltd, with an Iranian investor; David Whitehead Textiles Ltd expanded its exports; and Zimbabwe Spinners and Weavers Ltd attracted a foreign investor.

With the reduction in fabric available from local textile mills and lack of foreign currency to import, along with a resurgent clothing industry in South Africa, the clothing industry

3. *Ibid*

4. Nkala, S. (2012). *Textiles and Clothing Sector Brief: Zimbabwe*. ZimTrade.

5. *Ibid.*

declined, and by 1999 was down to 20,000 employees. From 2000 to 2009, there was a further decline to 13,500 employees. From 2009 to 2014, there has been still further decline, with a bottoming out in 2013 and a subsequent increase in employees from 6,000 to 6,800.[6]

The clothing industry in Zimbabwe developed formally in the middle of the last century, in line with the growth of the cotton value addition chain and incentivized by the South Africa–Rhodesia Trade Agreement, which granted preferential access to South Africa for Zimbabwean-made clothing. Following independence in 1980, the sector continued to grow and produced a wide range of apparel. Growth in industry, schools, security forces and health care provided increased demand for uniforms, along with the dominant agricultural sector. The increase in the middle class income group and greater interaction with the rest of the world led to greater demand for fashion items as well. A significant number of fabric options was available from local suppliers, along with most trims and accessories.

The overall significance of the developments in the C2C sector is captured further in the following sections that detail the structure and performance of the sector, as well as its contributions to national accounts.

6. ZCMA.

Box 2: Impact of the land redistribution programme

The land redistribution programme (Fast Track Land Resettlement Programme – 2000 and onwards) had a significant effect on suppliers to the agricultural sector, along with rampant inflation, scarcity of foreign currency and monetary policies that expropriated export proceeds. The textile mills suffered dramatically during this period as well, with only a few spinners and one weaver and knitter surviving as going concerns. As the mills converged their output into fewer and fewer product lines, and with the overall decline in fabric availability, clothing companies, unable to access foreign currency to import the desired fabrics, either converged their product range into garments made from what fabric was available, or closed down. This crowded the market, given the declining economy, and led to more closures. With the reduced demand from the declining clothing industry, most trim manufacturers also closed their doors.

The sudden access to foreign currency by all stakeholders, a loss in faith in the local market to supply a range of clothing, and an overwhelming desire to participate in new-found international purchasing power led to a ballooning of imports, both legal and illegal. This affected the whole sector negatively.

3. VALUE CHAIN ANALYSIS AND INDUSTRY DIAGNOSTICS

3.1. COTTON PRODUCTION TRENDS AND CONTRIBUTION OF C2C TO NATIONAL ACCOUNTS

3.1.1. REGIONAL PERSPECTIVE

The share of Eastern and Southern Africa (ESA) in world cotton lint production has averaged a steady 2% over the last 25 years. However the absolute volume of lint cotton produced in the region has slowly but surely increased during the same period. Production passed from an average of 249,000 tons per season in the late 1980s and early 1990s to an average of 380,000 tons per season in the last five seasons (until 2014).[7] In the region, Zimbabwe, together with the United Republic of Tanzania and Zambia, has led cotton lint production over the period under analysis, as can be seen in figure 2 below.

On the consumption side, Ethiopia is the largest consumer in ESA, consuming 44,000 tons of cotton lint during the 2013/14 season. Ethiopian consumption has been on the rise since 2009/10 since the country has lately attracted foreign investment in the T&C industries. Before this, Ethiopian consumption was not exceeding 23,000 tons a season. United Republic of Tanzania and South Africa are the next two largest consumers of cotton lint in the region.[8]

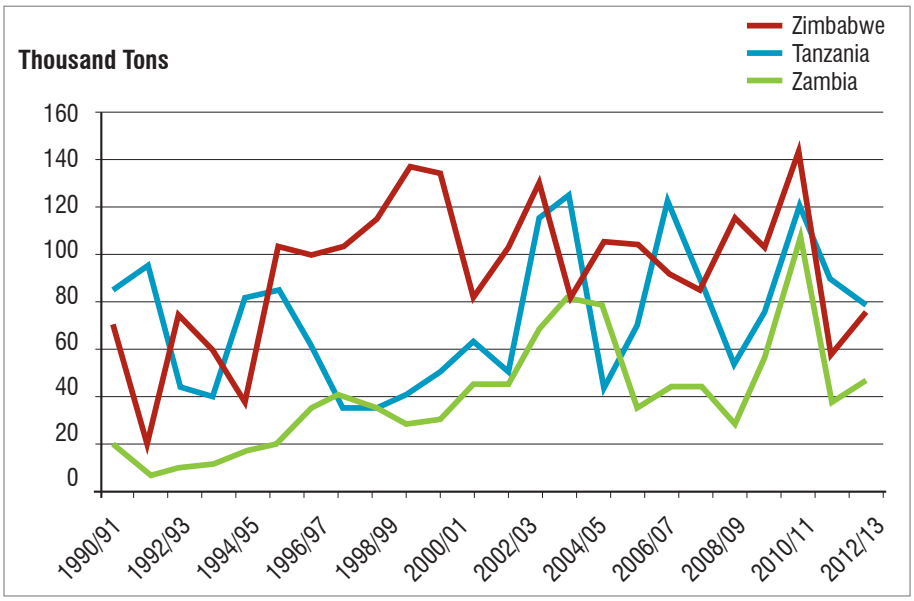
3.1.2. NATIONAL PERSPECTIVE

As mentioned, Zimbabwe leads regional cotton production. Seed production and yield figures are highlighted in figure 3. They indicate the highest production ever achieved over the 23-year period to be just over 353,000 tons, which is well below the current ginning capacity of around 700,000 tons. The highest yield per hectare over the same period was 1,102 kg and the average in recent years is 700 kg/ha. While this yield might be good by other African countries' standards, it falls short of international standards of about 4,000 kg/ha (seed cotton).

7. International Cotton Advisory Committee (2014). *Cotton: Review of the World Situation*, vol. 67, No. 6 (July–August).

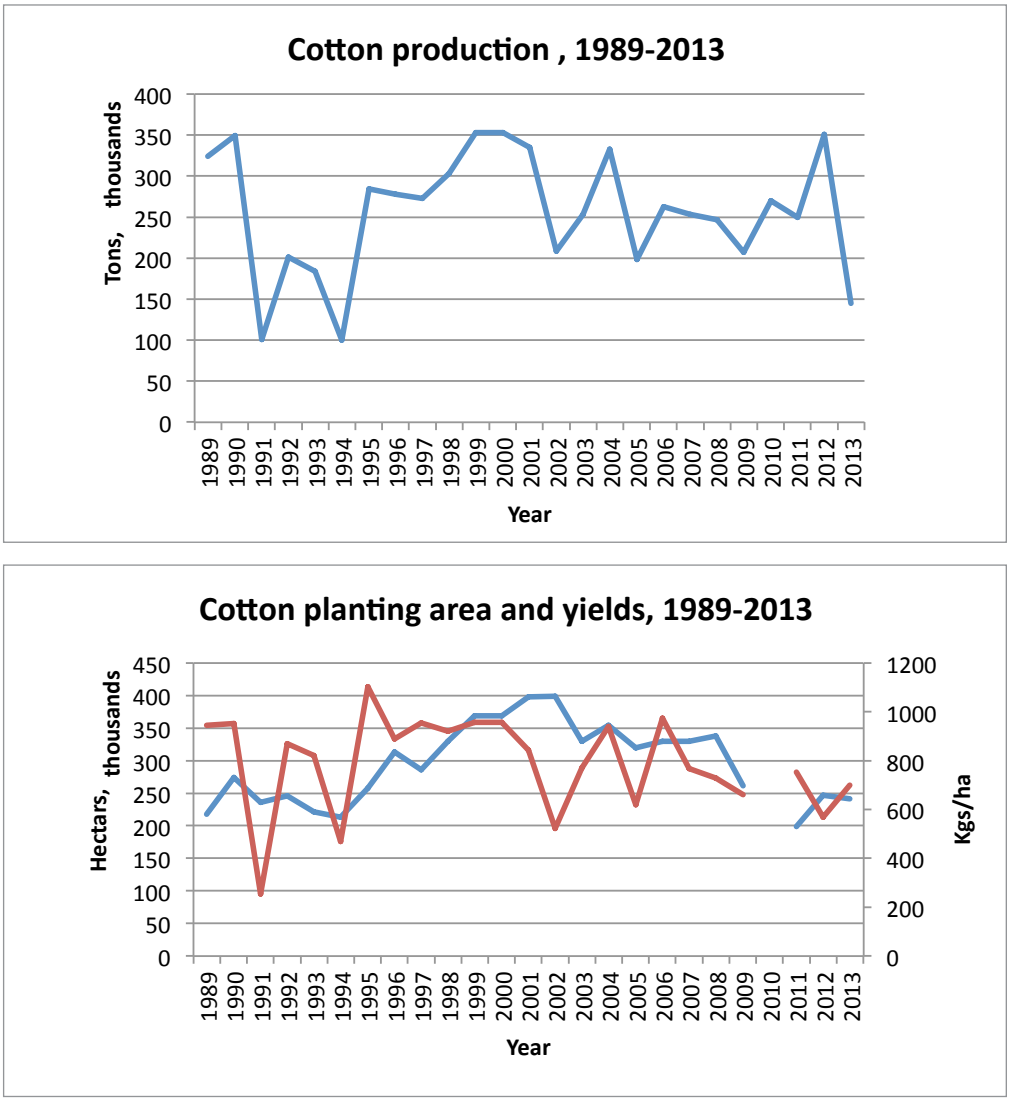
8. *Ibid.*

Figure 2 : *Top three cotton lint producers in ESA, 1990/91 to 2012/13*



Source: International Cotton Advisory Committee (2014). Cotton: Review of the World Situation, vol. 67, No. 6 (July–August).

Figure 3 : *Trends in Zimbabwean seed cotton production, 1989-2013*



Source: CRI for data from 1989 to 2009; Zimbabwe National Statistics Agency (2001-2012). *Compendium of Statistics.* Harare: ZimStat; and AMA for data in the last column of production figures from 2006 to 2013.
The present figures represent unginned cotton.

Important performance indicators include contribution to gross domestic product and manufacturing volume index. Figures on contribution of the sector to gross domestic product are difficult to come by from the Zimbabwe National Statistics Agency. Estimates are that the sector currently contributes 2%[9] to gross domestic product. The textiles and ginning sector's weight in the volume index was 110 out of 1,000, or 11% in 2011. Together with clothing and footwear the total weight was 178 or 17.8%, coming third after metals and metal products, and drinks and tobacco.

The value chain diagram in figure 23 gives a detailed depiction of all the players, including primary support services, and the shares that each segment contributes at every production stage as a mass balance indication. Although the C2C sector remains seriously depleted, it still plays a significant role in the economy and, if adequately supported, could be a major player in industrial development of the country.

9. Speech by Secretary of Industry and Commerce, First Stakeholders Workshop, 2–3 April 2013. First Consultation – Cotton-To-Clothing Strategy for Zimbabwe. Harare.

3.2. TRADE AND MARKET PERSPECTIVE

Table 1 indicates that exports of textiles and clothing have remained rather static at around US$25 million over the period 2005 to 2013, although more than doubling in 2010-2011 before declining again. Exports of cotton lint have been hovering at around US$120 million. Lint exports declined by 55% between 2012 and 2013, reflecting the decline in seed cotton production as farmers moved out of cotton production and into other crops such as tobacco and sorghum due to unhappiness over the price of seed cotton.[10] Meanwhile, exports of textiles and clothing increased marginally to mitigate the impact on overall sector exports.

The contribution of lint to total sector exports is very high, averaging 83% over the eight-year period 2005-2013. As shown in figure 4, Zimbabwe has exported 74,000 tons of cotton lint on average for the last 25 years, placing it as the largest exporting country in ESA.[11] This reflects insufficient local transformation. Kanyenze[12] shows that textiles and clothing were important in total manufacturing exports after independence in the 1980s. Export performance has, however, declined in the intervening decade.

10. Africonsult *op. cit.*

11. International Cotton Advisory Committee, *op. cit.*

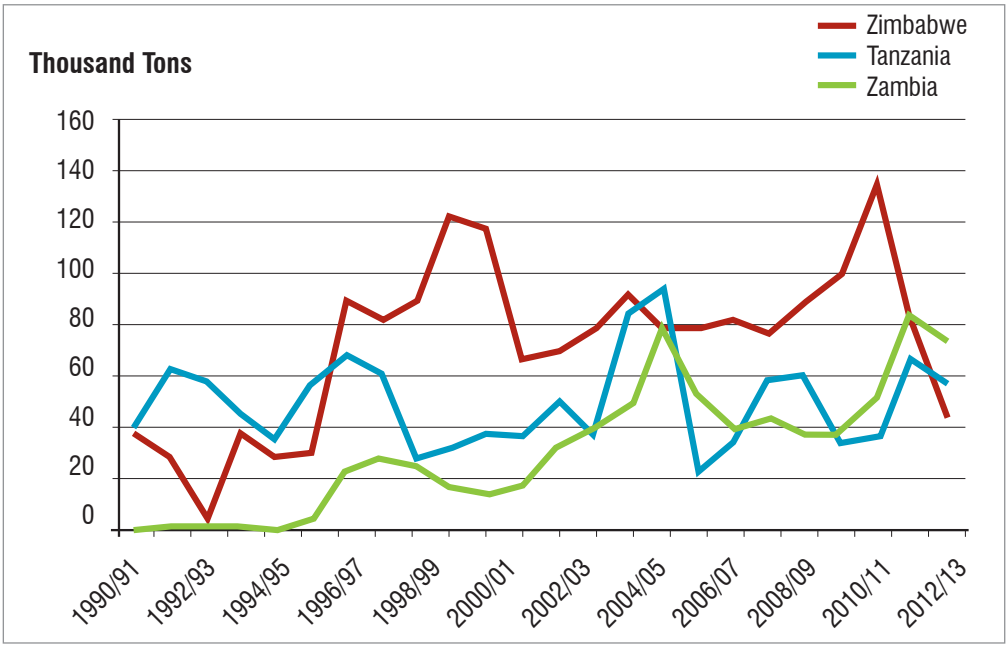
12. *Ibid.*

Table 1: *Zimbabwean C2C exports 2005-2013 (US$ millions)*

	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total	%
Lint	96	108	103	114	65	120	269	215	97	1 187	83
Textiles & clothing	23	17	18	15	16	55	53	21	25	243	17
Total	119	125	121	129	81	175	322	236	122	1 430	100

Source: Africonsult 2005-2010; Zimbabwe National Statistics Agency (2014). Database. Available from www.zimstat.co.zw/index.php?option=com_content&view=article&id=75&Itemid=50.

Figure 4: *Top three exporters of cotton lint in ESA, 1990/91 to 2012/13*



Source: International Cotton Advisory Committee (2014). *Cotton: Review of the World Situation*, vol. 67, No. 6 (July–August).

3.2.1. COTTON GINNING AND SEED PROCESSING (COTTON BY-PRODUCTS)

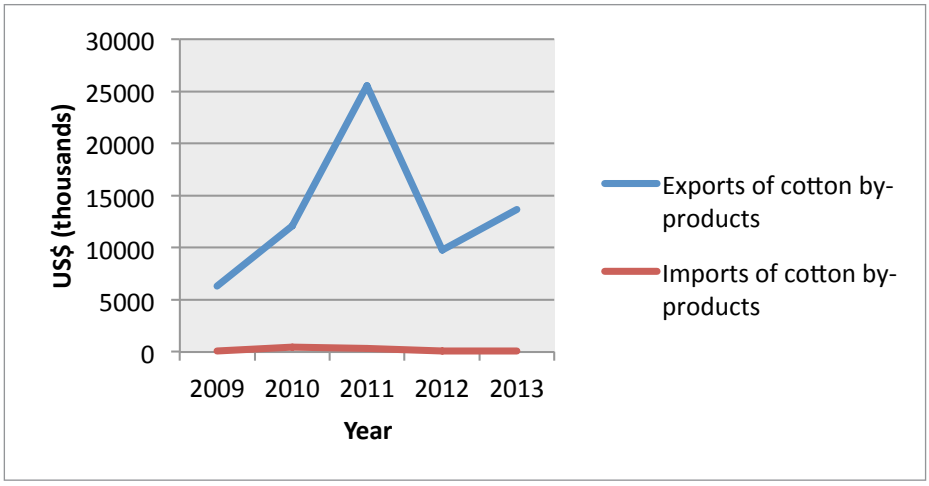
The cotton by-products category is composed of all products stemming from cottonseed. This covers a large variety of product types such as cotton waste (HS 5202); cottonseeds, whether or not broken (HS 120720); cotton linters (HS 140420); and cottonseed oil, crude or refined (HS 151221 and HS 151229).

Figure 5 shows trends in import and export values of cotton by-products over the period between 2009 and 2013. Imports of cotton by-products appear to remain fairly insignificant, with a value of only US$99,000. Import trends will therefore not be further analysed in the strategy.

Exports appear to be much more significant, however unstable. Between 2009 and 2011, the export value grew drastically, only to decrease the next year. The tendency since 2012 nevertheless shows substantial growth.

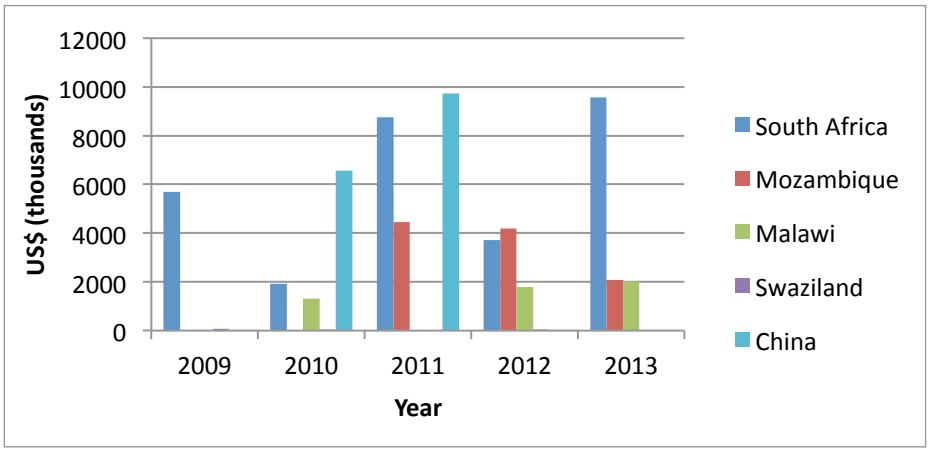
The total value of exports of cotton by-products over the period between 2009 and 2013 represented US$67.3 million. The value for 2013 was US$13.7 million. In year-to-year terms, export value decreased by 8.2% over the analysed period. Zimbabwe mostly exported three types of product in 2013: cotton linters, cottonseeds and cotton waste. As shown in figure 6, the major destinations for these exports in 2013 were South Africa (70%), Mozambique (15.2%) and Malawi (14.8%).

Figure 5: *Import–export performance, Zimbabwean cotton by-products, 2009-2013*



Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

Figure 6: *Zimbabwean cotton by-products export destinations, 2009-2013*



Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

Export market characteristics and requirements (cotton by-products)

Zimbabwean cotton by-products exports exhibit the following characteristics:

- Far Eastern markets including South-East Asia (China and Indonesia), South Africa and Lesotho are looking for medium-to-long staple lint and not short staple.
- The EU absorbs lint from Zimbabwe (Cargill and Alliance) under the Cotton made in Africa (CmiA) initiative.
- The Asian market is very particular about lint that is contamination-free.
- There is also a requirement for high volume instrument testing, which is already met by Zimbabwe ginners.

Buyers' requirements

- While cotton ginners in Zimbabwe have made some progress in addressing the requirements of EU and regional markets, they still need to be more familiar with the requirements of Asian markets, where they have been trading through international merchants with no direct marketing. It is clear that efforts will need to be increased to deal with the perception that the country's lint is contaminated. It does not matter that this perception is not correct in the main. Redoubled efforts will be needed to get rid of the image through concrete measures on the ground, including revamping the regulatory regime and undertaking widespread quality consciousness promotion among all value chain stakeholders.
- Other market requirements of the Asian markets will also need greater attention, including their contracting and pricing requirements. The local industry will also need to take steps to ensure that that they do not continue to be price-takers because of lack of knowledge on how to maximize price premiums once cotton quality has been improved.
- The market for oil expressing products, specifically cooking oil, is also demanding in quality and taste of product, both locally and regionally. Luckily, cotton-seed oil is preferred over other seed-based oils.

3.2.2. YARN AND TEXTILES

The yarn-to-textile sector subsegments cover a number of product categories. The analysis below distinguishes three different product groups:

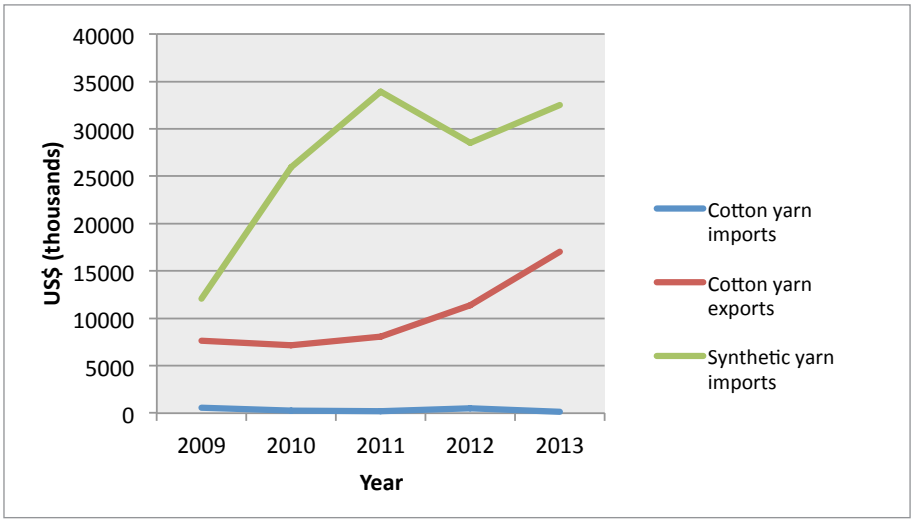
- Yarn products
- Fabrics intended for clothing
- Fabrics intended for furniture and other house uses (home textiles).

Yarn products

Figure 7 illustrates the value of cotton and synthetic yarn imports and exports.[13] Over the period between 2009 and 2013, imports of cotton yarn remain insignificant, with a value of US$ 136,000 in 2013. Exports of cotton yarn, however, appear to have grown steadily since 2011. The value of imports of man-made fibre yarns is growing on average, despite experiencing a sharp decline in 2012.

13. A selection of figures for the analysis was made based on the import and export values. The selected minimal value was US$ 200,000 for all five years covered by the analysis. This led to a list of 19 yarn product types which are the most consumed and exported in Zimbabwe.

Figure 7: *Import-export performance for Zimbabwe, yarn, 2009-2013*



Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

Exports of yarn products from Zimbabwe

Yarn exports had a total value of US$63.7 million between 2009 and 2013. In 2013, this value amounted to US$18.7 million. From 2009, this value has been steadily growing, at a year-to-year growth rate of 13.8%.

Zimbabwe's exports of yarn are concentrated on one main product: cotton yarn aimed at wholesale. Twines and cordage are also exported to a lesser extent. Export of cotton yarn is doing well, with an absolute growth of 55.2% in the last five years. It is the product with the highest value of exports among cotton value added products in Zimbabwe, culminating at US$16.6 million in 2013.

Cotton yarn exports were stimulated by the demise of local knitting and weaving activities in Zimbabwe. In addition, cotton yarns were used for producing cotton fabrics targeted at the local middle class, which disappeared with the melting of the local economy, especially between 2007 and 2014. Knitting and weaving activities were drastically reduced when, in 2010, the Government allowed for a multi-currency economy and imports of finished goods surged. As it was cheaper to import finished made-ups, fabric formation was deemed to be expensive locally, and knitting and weaving plants did not have orders and therefore did not order cotton yarn for local production. Although a number of spinning firms slid into judicial management, the three remaining spinning firms diversified and exported volumes that would have been consumed by the local market.

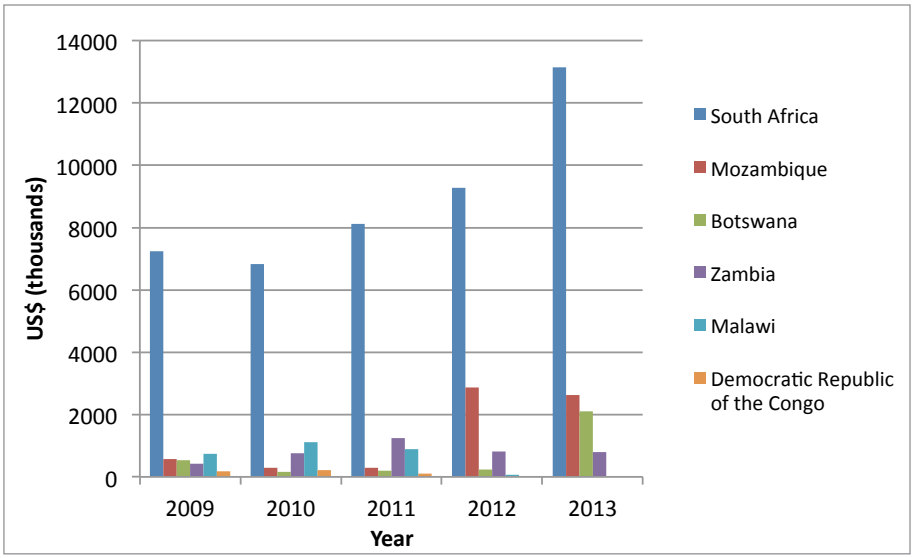
As illustrated in figure 8, the main destination for these exports in 2013 was South Africa, with a share of 70.4%. Local spinning businesses have always exported cotton yarn to South Africa. In general the yarn is a single yarn of a fine to medium count and it is not dyed. The rules of origin enshrined in the Southern African Development Community (SADC) trade protocol make the South African market attractive for local spinners. In addition, South African knitters and weavers are able to enjoy duty-free exports of their goods into SADC states if they use Zimbabwean-produced yarns. However, the destinations tend to gradually diversify to neighbouring and regional markets such as Mozambique, Botswana, Zambia, Malawi or the Democratic Republic of the Congo.

In Botswana, there were some direct exports of cotton yarn for apparel, where the yarn is consumed in producing cotton T-shirts and in terry towels. The diversification of exports into other neighbouring countries such as Mozambique and Zambia represents exports of twines and cordage for packaging tobacco. Zimbabwe is well-positioned to supply those regional markets, owing to price and proximity advantages.

Imports of yarn products to Zimbabwe

Overall, the value of imports of yarn into Zimbabwe between 2009 and 2013 was US$134 million. In 2013 the import value reached US$32 million. Since 2009, the imported value grew in year-to-year terms by 17.1%.

Figure 8: *Zimbabwean yarn export destinations, 2009-2013*



Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

Imports of yarns surged when Zimbabwean textile firms realized that it would be more profitable to import dyed and finished synthetic yarn than to import fibre for spinning into yarn. Imports also provided a variety of colours and reduced lead times. After 2009, when the multi-currency regime was introduced, it became clear that there were no competitive advantages in producing synthetic yarns locally for end uses such as blanket manufacturing. The cost model did, however, support the use of imported dyed yarns in weaving and knitting operations, especially for blanket production. Yarn imports also include tobacco twines and cordage that are imported to compete with local production for local markets.

From all yarn imports, imported cotton yarn represents a minor share of 0.41%, which tends to decrease over time. Since 2009, cotton yarn import value has decreased by 82.3%, dropping to an import value of US$ 136,000 for 2013 (figure 7).

Imports of cotton yarn dropped after the introduction of multiple currencies into the Zimbabwean economy in 2010. Retailers instead used their revenues to import finished textile goods to fill their shelf spaces. Manufacturers therefore had reduced demand. There are some users of cotton yarn – especially knitters of socks and some T-shirt fabric knitting businesses – that still import cotton yarn. However, the shift has been to import synthetic yarns and fibres for blanket, hosiery and pantyhose production. Care must also be taken to ensure the correct tariff headings are used for both imports and exports.

Since Zimbabwe's textile industry is required to import a variety of man-made yarn products that the local industry is not producing, the main imported products are artificial filament tow, synthetic filament yarn and synthetic staple fibres. Imports of all of these varieties of non-cotton man-made yarns have been growing for the last five years. Most of the cotton yarn produced is exported and is not oriented towards the national textile industry. This requires the national industry to import yarn, particularly synthetic and artificial varieties.

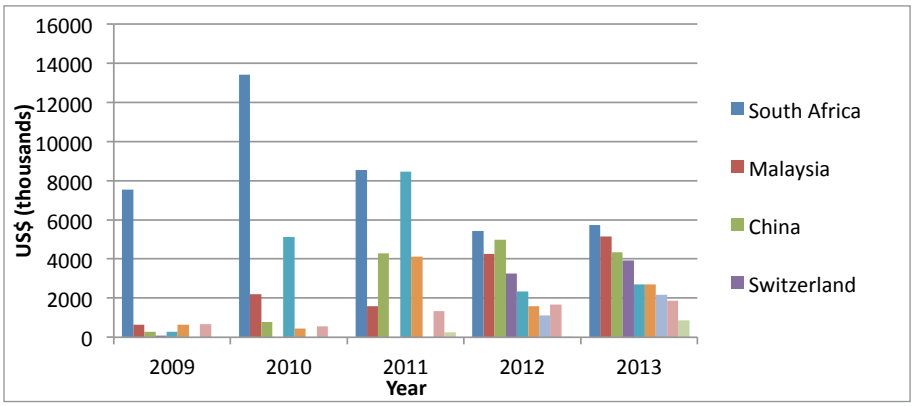
As shown in figure 9, in 2009 and 2010 South Africa was the main yarn import supplier, with a share of 51.2% in 2010. Over the last five years, however, supplying markets increasingly diversified. In 2013, South Africa only represented 17.6% and Malaysia became the second main supplier with a share of 15.8% of total imports of yarn. China, Switzerland, Germany, the Republic of Korea and Brazil also increasingly supply yarn products to Zimbabwe. This is mostly due to the fact that prices of synthetic yarns from South Africa are less competitive than those from the other supplying countries.

As illustrated by figure 10, between 2009 and 2010 the values and evolution pattern of cotton fabric imports and exports were very similar, both averaging US$ 5 million in 2010.[14] After 2010, however, the imported value of cotton fabrics surpassed the value of exports. On the man-made fabrics' side, a sharp increase of imports occurred between 2010 and 2012, but imports are now following a downward trend.

The increase of cotton fabric imports after 2010 was a result of the drop in cotton lint prices from the 2010 price spikes. During the period when cotton prices spiked, polyester and polyester blends increased market share as garments made of these fabrics were seen to be cheap and affordable. Cotton fabrics are now regaining ground after the rise of polyester blends. The market is now developing an appreciation for cotton characteristics in their garments.

14. The selection of figures for the analysis was made based on the import and export values. The selected minimum value was US$ 300,000 for all five years covered by the analysis. This lead to a list of 26 fabric product types, which are those most consumed and exported in Zimbabwe.

Figure 9: *Markets supplying yarn to Zimbabwe, 2009-2013*



Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

Exports of fabrics intended for clothing from Zimbabwe

Fabric exports from Zimbabwe represented total earnings of US$24.4 million between 2009 and 2013. In 2013, the export value reached about US$4.2 million. In year-to-year terms, this represents a decrease of 6%.

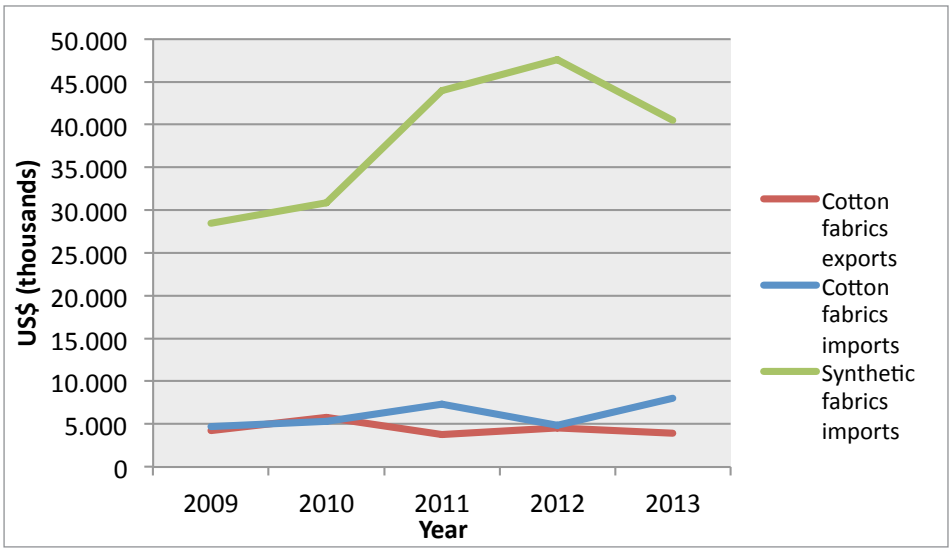
Zimbabwe's fabric exports are concentrated on one particular product, which is woven cotton fabrics (weight over 200 g/m2). Lighter woven cotton fabrics are also exported by Zimbabwe to a lesser extent. However, Zimbabwe's export performance for its main product has fluctuated over the past five years, with an overall decline of 21% over that time.

Between 2009 and now, a number of weaving and knitting businesses shut down. Some of these businesses were exporting a limited amount of cotton fabrics, especially to South Africa. Zimbabwe was seen as an unreliable supplier of textile goods owing to frequent shortages such as power, inputs such as dyes and chemicals for processing, spare parts etc. as such supplies were erratic. Before multi-currencies, pricing was also not consistent as it was difficult to price for export in a hyperinflation economy. Government penalized exports and complex export procedures also made it difficult to export, so market share in neighbouring markets was lost. Only one textile manufacturer remains exporting cotton fabrics to South Africa. This manufacturer says his production is not always efficient and his orders are not always consistent, hence the fluctuations in exports volumes. In addition, there are exchange rate variations that may contribute to revenue returns.

Figure 11 demonstrates that the main destination of these exports in 2013 was South Africa, with a share of 86.8% of all fabric exports. Other destinations include Zambia, Mozambique and Botswana, also neighbouring markets. Over the past five years these destinations have not fluctuated much.

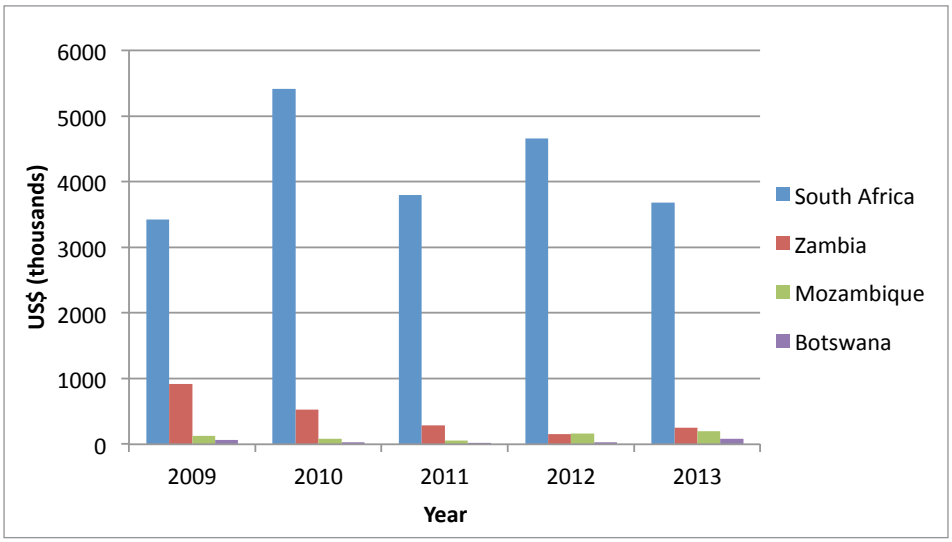
Zimbabwean fabric suppliers' ability to supply dwindled as the economy melted down. In addition, exports tended to be in the form of greige goods. This was owing to the high cost of colouring fabrics in Zimbabwe. In addition, services from utility suppliers became too unreliable to ensure uniform colouration of fabrics. It therefore became strategic to export greige goods to South Africa, where there is some processing capacity. What little capacity there is to finish cotton fabrics locally explains the small volumes of exports to regional neighbours excluding South Africa.

Figure 10: *Zimbabwean import–export performance, fabrics, 2009-2013*



Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

Figure 11: *Zimbabwean fabric export destinations, 2009-2013*



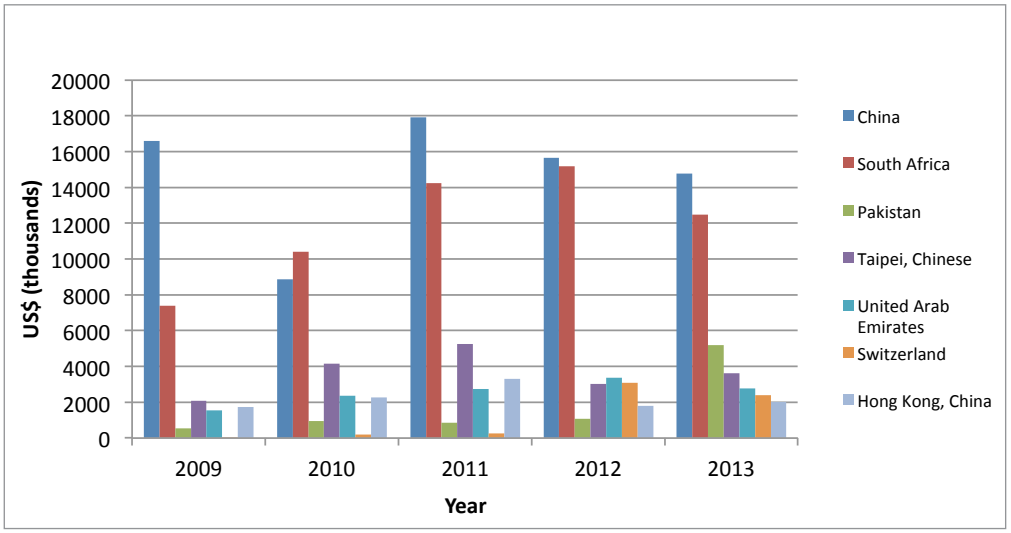
Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

Imports of fabrics intended for clothing into Zimbabwe

Overall, the value of imports of fabrics into Zimbabwe between 2009 and 2013 was of US$221 million. In 2013, imports generated a value of US$48.5 million. Over the former period, imports of fabrics slowly grew, with a year-to-year growth rate of 8%. This may be attributed to the economic challenges the country was experiencing, which could have led to a reduction of local production due to factory closures and the competitive global fabric market.

Of these imports, cotton fabrics represent a growing share, reaching 16.5% in 2013 with a total value of imports of US$30.3 million for the 2009-2013 period. In 2013 alone, imports accounted for a value of US$8 million. Man-made fibre fabrics also demonstrated a significant growth in absolute value of 29.8% between 2009 and 2013. The year-to-year growth for the same period was lower, at 7%.

Figure 12: *Zimbabwean fabric supply markets, 2009-2013*



Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

There has been a concerted effort by the clothing industry to import fabrics, which are not manufactured in Zimbabwe, for conversion into garments at favourable duty structures. In addition, the use of cotton fabrics declined sharply in 2010 owing to the spike in cotton prices at that time. In response, consumption switched immediately from cotton to synthetic-rich fabrics. With the gradual drop in cotton prices internationally, cotton-rich fabrics are slowly regaining lost market share from local consumers.

Imported fabric products include mostly synthetic products such as woven fabrics of synthetic staple fibre (> 85% of such fibre) and knotted net of twine & fish net. However, woven cotton fabrics are also one of the top three imported products. The local market does not produce all 100% cotton fabrics e.g. denim and light weight shirting and, therefore, manufacturing these fabrics represents a direct opportunity to national industry.

The hike in cotton prices in 2010 ensured that local weavers of cotton fabrics had little or no orders from local consumers. As a result, local weavers shut operations, leaving only a single supplier of woven fabric. As lint prices dropped and demand for cotton fabrics increased, imports filled the supply gap, as the traditional suppliers remain closed or ceased operations.

As illustrated in figure 12, the main supply markets in 2013 were China (30.4%), South Africa (25.7%) and Pakistan (10.7%). Over the analysed period, supply markets tend to diversify, with an increasing share of markets other than China.

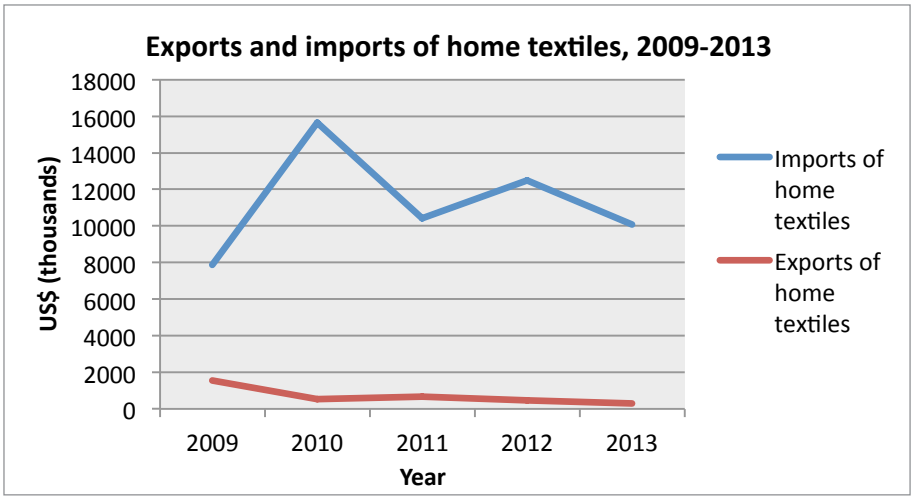
Home textiles

Home textiles are a separate category of textile production mostly aimed at the home and office furniture industry, as well as hospitality and other non-clothing uses. This category groups products such as carpets (HS 57), tapestries (HS 58) and blankets, curtains etc. (HS 63).

Figure 13 illustrates the value of imports and exports in this product category between 2009 and 2013. It shows that, for the moment, Zimbabwe's exports of home textile products are low and tended to decrease during the period analysed. Imports of home textile products experienced a sharp growth between 2009 and 2010, but recently follow a rather downward trend.

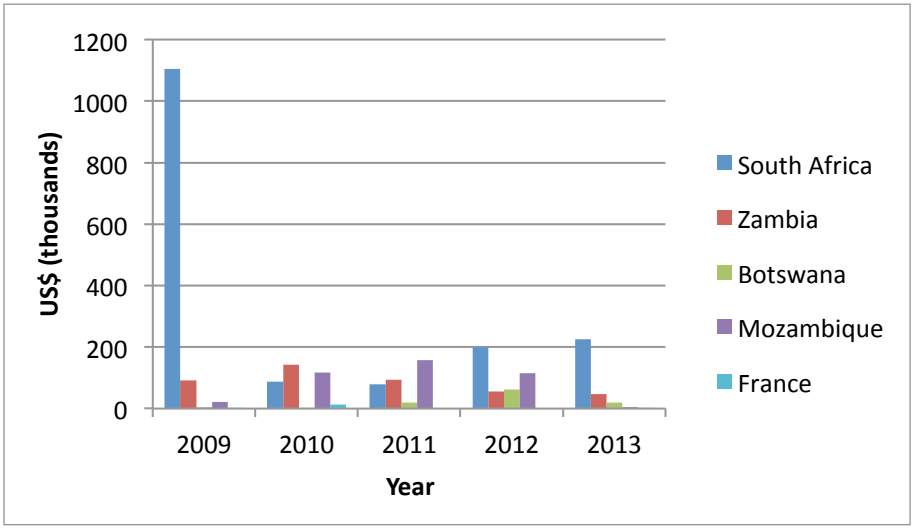
Zimbabwe's production of home textiles plummeted when the three producers of these goods ceased operations during the period under review. Upon the introduction of multi-currencies in 2010, local retailers resorted to importing home textiles (in particular terry towels) as supply locally was not consistent. In fact, local manufacturers eventually buckled and closed shop after imports filled the shelves of local retailers. The few exports of home textiles from Zimbabwe ceased altogether after 2010, owing to manufacturers closing shop due to viability problems. Imports diminished after 2010 as the economy has continued to decline in growth and the country has become gripped with liquidity problems.

Figure 13: *Zimbabwean import–export performance, home textiles, 2009-2013*



Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

Figure 14: *Zimbabwean home textiles export destinations, 2009-2013*



Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

Exports of home textiles from Zimbabwe

Home textiles exports from Zimbabwe remain relatively low, with a total value for the period between 2009 and 2013 of US$3.5 million. In 2013, Zimbabwe's export value amounted to only about US$300,000. This represents a decrease since 2009, in year-to-year terms, of 66.7%. Main products exported by Zimbabwe include bed, table, toilet and kitchen linens, but their exports have been decreasing drastically since 2009.

For the reasons cited above, manufacturers of home textiles essentially reduced capacity in the five years under review. In addition, manufacturing costs surged with the rise in cost of utilities and labour over the same period. The unavailability of clean water supplies ensured that production of home textiles (and other finished textile goods) became much reduced. As illustrated in figure 14, export destinations remain regional with South Africa (76.1%), Zambia (15.8%) and Botswana (6.4%) as major export markets.

Exports into the region are encouraged by the duty-free structure under the SADC trade protocol. In particular, the double-stage transformation requirements, as enshrined under the SADC rules of origin, create an advantage for local manufacturers over non-originating supplies. Most of these exports are specifically directly supplied to processing factories in the regional markets shown. Suppliers deal directly with consumers in the foreign markets, although there is some trade through middlemen.

Imports of home textiles to Zimbabwe

Imports of home textile to Zimbabwe amounted to US$ 56 million over the period between 2009 and 2013. In 2013, the value of imports was US$ 10 million. Imports experienced a decrease of 2.1% over the last five years in year-to-year terms.

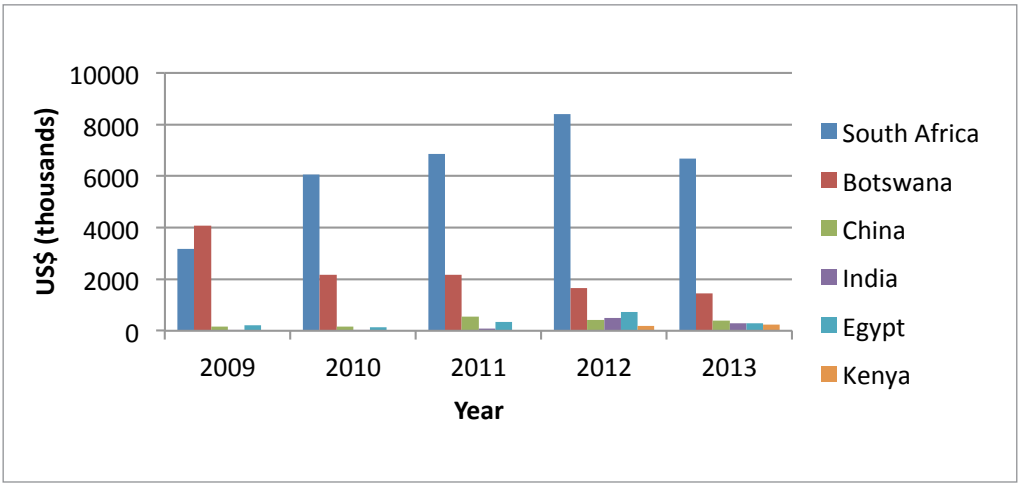
As explained above, upon the introduction of the multi-currency economy between 2009 and 2010, imports of finished goods surged, especially home textiles that were not available locally. Hotels and hospitality industries sought to recapitalize and imported many towels, bed sheets and dishcloths. Some hotels went further and imported carpeting and other forms of flooring in readiness for World Cup spin-off business from arrivals in South Africa. Goods from both South Africa and Botswana are mainly flooring, towels and bed sheets made of 100% cotton. Goods from Zambia and Mozambique are mainly blankets. The demand for these goods has since waned owing to the illiquidity crisis the country is facing.

The main imported products are bed, table, toilet and kitchen linens, and blankets and travelling rugs. As illustrated in figure 15, the major supply market for these imports is South Africa, with a share of 66.3%. Botswana's and China's imports represent 14.4% and 3.9% respectively. South Africa and Botswana are SADC members and therefore their exports that originate in those countries enter Zimbabwe duty-free. Proximity to these suppliers is an advantage, as supplies can be sourced with short lead times. Supply from South Africa and Botswana is reliable, and pricing of these goods into Zimbabwe is deemed fair.

Overall export market characteristics and requirements (yarn and textiles)

The current export markets for textile goods produced in Zimbabwe are South Africa, Botswana and China. The two large textile firms in the country, i.e. Sino Zim Cotton Holdings and Zimbabwe Spinners and Weavers, export to related companies in the export markets respectively. These export strategies are based on commutation or introduce the concept of international value chains. The strategies are excellent in that they assure the exporter of a market for their range of goods and the risks associated with payments are few. The businesses can access cheap funding from their partners to finance working capital needs. Zimbabwean-based firms in the C2C sector can borrow from this strategy and develop sound export markets for their goods. The smaller firms export to established customer bases in South Africa.

Figure 15: *Zimbabwean home textiles supply markets, 2009-2013*



Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

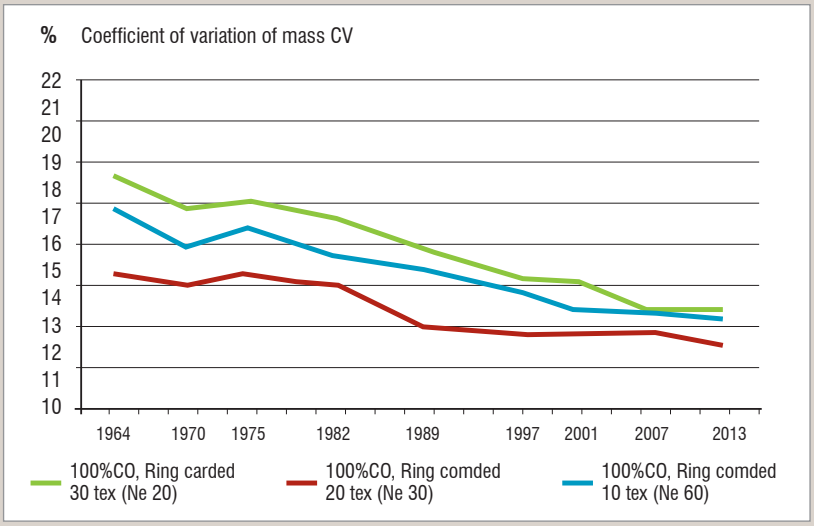
Table 2: *South African textile imports, 2008-2012*

	2008		2009		2010		2011		2012	
	Tons	Rand (thousands)	Tons	Rand (thousands)	Tons	Rand (thousands)	Tons	Rand (thousands)	Tons	Rand (thousands)
Cotton lint	35 447	425 890	36 924	401 272	30 099	366 728	33 757	762 938	39 109	561 660
Cotton yarn	6 599	120 922	8 780	169 835	7 626	165 619	6 292	192 474	5 776	157 429
Cotton fabric, woven	13 881	680 046	13 027	573 166	17 833	738 654	15 849	819 041	18 314	868 305
Woven pile fabric	3 175	170 825	4 456	270 001	3 937	145 724	4 659	175 051	4 463	149 318
Knitted fabrics	14 299	589 820	15 284	608 634	19 472	673 318	18 991	823 827	21 328	1 004 513

Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

Box 3: The insistence on yarn quality

Figure 16: *Global evaluation of yarn weight, 1964-2013*



Source: Uster (2014).

Figure 16 illustrates the trends of quality of yarn produced by competitors over the years. Quality is therefore a function of the quality of the cotton lint, which is controlled by the cotton-producing value chains, from the Cotton Research Institute (CRI), the farmer, the ginnery and the spinning factory. The trends show that quality of yarn should be more and more consistent, in line with reductions in quality variations.

The calculated cost of quality

From figures 17 and 18, it is clear that the cost of poor quality is serious business. The costs of running two machines are calculated below, and in the graphs the blue machine ran at an efficiency of 88.5% and the green machine at 87.0%. The difference is only 1.5%, but the cost of running the machines varied significantly and by €2,250 per year. If the factory had an installation of 50 weaving machines running at 87% efficiency instead of 88.5%, then the cost of lost efficiency to this factory is €112,500 per year. Quality of goods is therefore a critical success factor in textile marketing.

Figure 17: *Impact of weaving efficiency due to different warp stops*

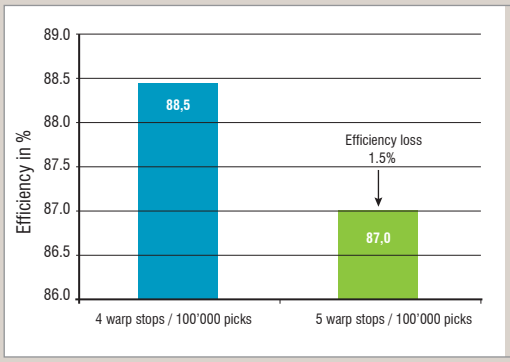


Figure 18: *Impact on operating costs per machine and year due to different warp stops*

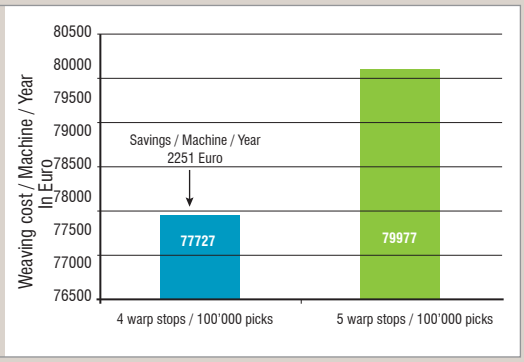
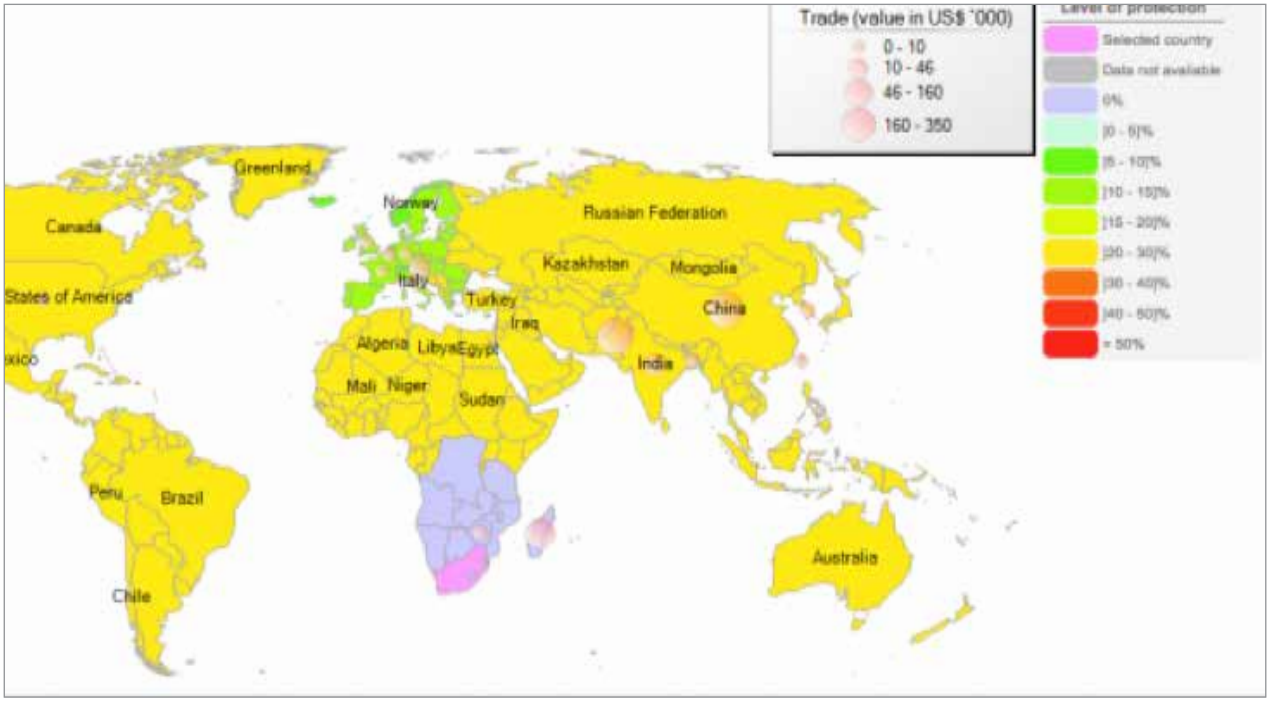
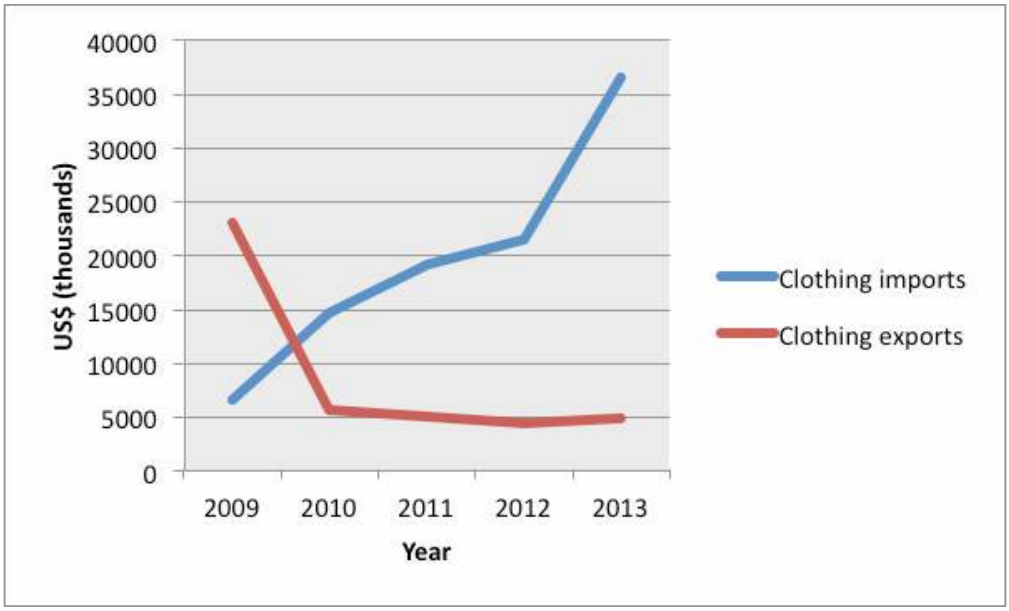


Figure 19: *World market protection levels for Zimbabwean fabrics*



Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

Figure 20: *Zimbabwean import–export performance, clothing, 2009-2013*



Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/

Incentives for selecting the Southern African Customs Union (SACU) as a serious destination for textile exports

Figure 19 illustrates the reason both South Africa and SACU offer a great chance for Zimbabwean firms to market their goods. Imports from the rest of the world in textiles and cotton are subject to an ad valorem tariff of 20%. Imports from SADC states have a zero rated duty, and this suggests that if other parameters such as quality are met, the market size is relevant and relatively large.

3.2.3. CLOTHING AND FASHION

Figure 20 illustrates the value of imports and exports of clothing between 2009 and 2013 in Zimbabwe.[15] Imports of clothing grew during the entire period, with a particularly sharp growth between 2012 and 2013. The imported value in 2013 reached US$36 million. Figure 20 also shows an important decline in clothing exports between 2009 and 2010. The export value stagnated and then grew slightly from 2012 to 2013. The decline in exports over the last five years is due to three main factors: firstly, the decline of the clothing industry in general; secondly, the lack of incentives to export to earn foreign currency, as even local sales were paid for in US$ during this period; and thirdly, the lack of supply of competitive SADC fabric to enable duty-free access to the South African market.

15. The selection of figures for the analysis was made based on the import and export values. The selected minimal value was US$200,000 for all five years covered by the analysis. This lead to a list of 28 clothing product types, which are the most consumed and exported in Zimbabwe.

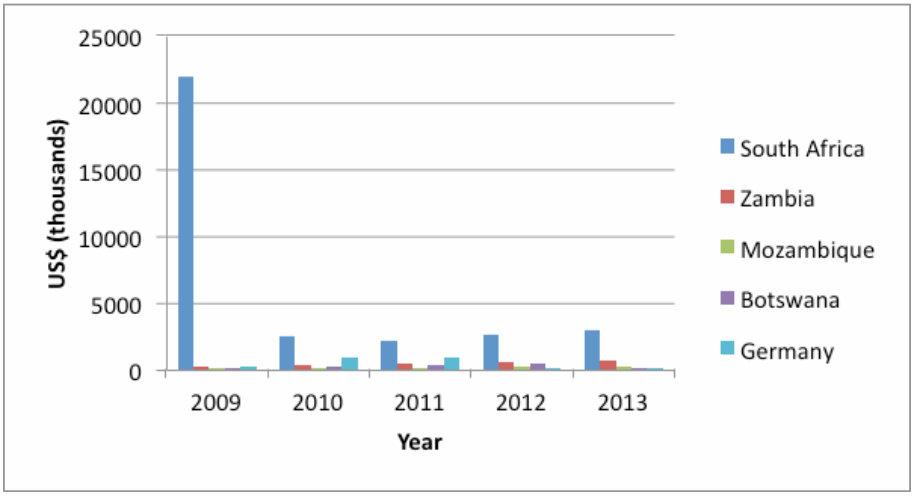
Exports of clothing amounted to a value of US$42.6 million between 2009 and 2013. In 2013, the export value was US$4.7 million. After a brutal decrease in 2009-2010, this value has remained fairly stable. The year-to-year decrease for the period 2009-2013 was 84.1%.

The main three exported products are, according to Comtrade data, menswear (suits, jackets, trousers and shorts), worn clothing, and technical suits such as tracksuits, ski suits, swimwear and other garments. Menswear is still the most common product manufactured and includes work suits which are classified as ensembles. However, the remaining data appears to be misleading.

The large volumes of worn clothing exported, particularly in 2009, needs further investigation. This is likely to be due to the wrong tariff codes being recorded or large-scale re-export of worn goods imported into the country without being declared at full value, i.e. they are not in the figures for imports. There is an issue in the country with the importation of second-hand clothing (SHC) which is donated mainly by the EU. Because it is donated it has no real cost, and is then diverted into commercial activities. It is possibly being imported at minimal cost and then sold to surrounding countries. The export of technical suits is a misnomer. This tariff code is the one used for overalls, which are exported around the region and to the EU. Some tracksuits are exported to the region, but not ski suits and swimwear.

With the failure of the local and regional textile industry, local clothing manufacturers could no longer export garments into SADC on a duty-free basis as they had to use imported fabrics. With only one weaver still operating, who only produces 100% cotton fabrics in medium weight, in a few colours and with limited finishing options, the South African market was effectively blocked.

Figure 21: *Zimbabwean clothing export destinations, 2009-2013*



Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

Some products manufactured in Zimbabwe, even though still marginal, appear to demonstrate export growth over the last five years. Among such products are men's singlets; briefs; pyjamas; bathrobes; pantyhose; tights, stockings and other hosiery, knitted or crocheted; and jerseys, pullovers, cardigans, etc., knitted or crocheted. As shown in figure 21, major destinations for these exports are South Africa (64%), Zambia (15.5%) and Mozambique (6.1%).

There is growth in exports of clothing to the EU and the COMESA countries in the region where the rule of origin allows for duty-free access using third country fabric. There has been a recovery in the manufacture of underwear and hosiery, along with knitted jerseys.

The effect of the rules of origin on exports, once the local supply fell away, is clearly shown from 2009 onwards, as exports to South Africa shrank. Where the rules of origin allow duty-free access (e.g. pantyhose), exports to South Africa – which is by far the largest market available – have actually grown. As Zambia and Mozambique have recorded growth, they have become more significant export markets for clothing.

Imports of clothing experienced a major increase over the last five years, amounting to a total value of US$98.5 million over the entire analysed period. In 2013, imports generated earnings of US$36.5 million. The year-to-year growth in imports was 32.6% for the same period.

The large increase in imports graphically displays the problems faced by the local industry. After many years of economic decline, including extreme shortages and unavailability of many goods, including clothing, Zimbabweans were suddenly able to use US$ to buy whatever they wanted from wherever they wanted, whenever they wanted. Industries which had been decimated by the hyperinflation needed time to recover, but purchasing decisions could be made instantaneously. Any benefit of local supply was removed by the demise of the supply industries, in particular the textile industry. The lead time on delivery of imported fabric was the same as the lead time for imported finished goods, so buyers took the latter option.

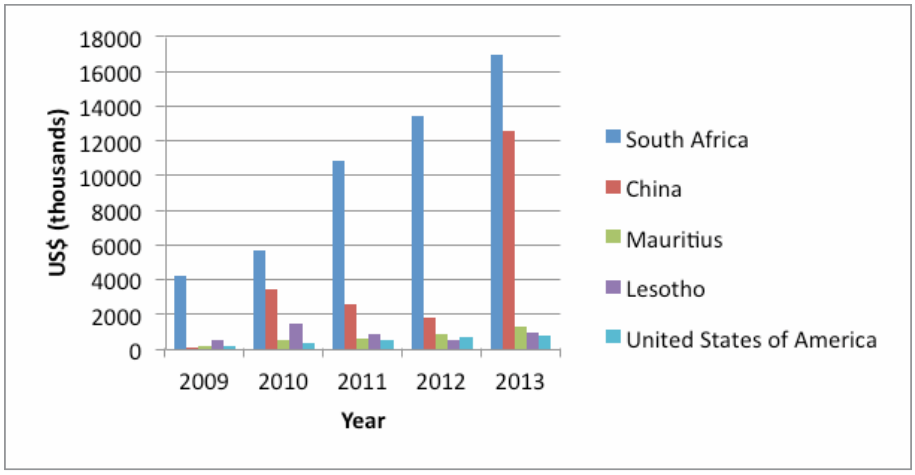
The import of T-shirts in 2013 is partly explained by it being an election year and many garments promoting political parties being imported. The large value of imports under code 6214 in 2013 would need further investigation, but appears to be a misallocation. The most imported products include T-shirts, singlets and other vests, knitted or crocheted; menswear (suits, jackets, trousers and shorts); and shawls, scarves, mufflers, mantillas, etc.

Some particular products increasingly imported into Zimbabwe appear to be also less and less exported. This is the case with the following products:

- T-shirts, singlets and other vests, knitted or crocheted
- Men's suits, jackets, trousers etc. and shorts
- Men's shirts
- Women's suits, jackets, dresses skirts etc. and shorts.

As illustrated in figure 22, major supply markets for those imports in 2013 were South Africa, with 46.5% of the total imported value, and China with 34.5%. Other importing countries included Mauritius, Lesotho and the United States.

Figure 22: *Zimbabwe clothing supply markets, 2009-2013*



Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

However, import statistics need to be considered with caution since they are subject to distortion due to weak control at the borders. This leads to underdeclaring of values and misdeclaration of country of origin. This is particularly prevalent with goods from the east coming in under SADC certificates of origin as if made in South Africa from SADC fabric. Most of the imports from Lesotho are fraudulently declared in this manner. Imports from Mauritius have increased because Mauritius is not constrained by the rules of origin of SADC as it is also a member of COMESA. Mauritius has also benefited from the lack of combed and carded yarn available in Zimbabwe. Most modern T-shirts require such yarn, and as it is not available to local manufacturers, and the low value addition on simple garments partly precludes the ability to import these yarns, the finished goods are imported instead. This also explains the reduction in exports of these same goods.

Export market characteristics and requirements

Zimbabwean clothing product exports exhibit the following export characteristics.

For the local market and SACU:

- Price is the main criteria
- Require a variety of fabrics
- Require a variety of styles
- Delivery of timely ranges, or may as well import.

Neighbouring and near countries (excluding SACU):

- Main criteria is availability
- Require a variety of fabrics
- Require a variety of styles
- If not available will get from South Africa, although not duty-free.

International:

- Main criteria is quality and social accountability (SA)

The main constraints presently limiting market entry capacity have been identified as the following:

- Rules of origin for SADC are substantially unachievable, bilateral trade agreement not being honoured
- The lead time of raw materials is too long – may as well import finished garments
- Exchange rate risk with South Africa as they want delivered price in rand
- Logistics of delivering to most countries make it difficult to compete
- Lack of national focus on facilitating exports, non-tariff barriers.

Buyers' requirements

Existing export markets can be split into four categories based on their main requirement and access to that market.

1. **Local and SACU:** Given that Zimbabwe's main currency is US$, the local market acts very similarly to the developed SACU region. With ready access to US$, local buyers will readily import if the price and/or lead times are not favourable. Likewise, the SACU market is well stocked with garments with a highly developed and competitive retail sector. This competitive base means there is a high price elasticity of demand.
2. **South African** buyers want a delivery price in rand, meaning the exchange rate risk has to be borne by the exporter. The rand is a volatile currency.
3. **Neighbouring and near countries (excluding SACU):** Without the developed retail sector, these markets are driven by ability to supply immediately. If goods are not readily available, the buyer will go to South Africa to get them.
4. **International:** Existing markets include the EU, the United States and West Africa. The main driver for these markets is quality, and usually into niche markets. Lead times on raw materials into the country, followed by relatively inefficient distribution to these markets, make it hard to be attractive as a supplier.

3.3. STRUCTURE OF THE SECTOR

SEGMENTATION OF ENTERPRISES

The C2C industry currently comprises 250,000 to 300,000[16] smallholder farmers who account for 95% of the seed cotton produced; 13 registered and active ginners/cotton merchants (more if dormant registrations are included); and two fully operational large textile companies in Harare, together with smaller textile companies dotted throughout the country. The segments of the value chain now extend beyond weaving and knitting to include clothing manufacture and retailing of T&C products.

There are 105[17] formal clothing manufacturing companies and about 200,000[18] informal clothing manufacturing entities. The clothing industry currently produces approximately 20% of the country's clothing. There is a significant number of informal players in the market. Their input is estimated at between 5% and 10% of clothing consumption, with the remaining 70% to 75 % being imported. Five companies are exporting directly and exports go to the United States of America, the European Union (EU), South Africa and other regional countries. There is a significant amount of cross-border trade that may not be identifiable through available statistics due to the nature of the trade.

EMPLOYMENT TRENDS

The C2C sector has been a major employer in Zimbabwe. At its peak the T&C industry employed 51,000 people (Kanyenze, 2006).[19] Considering the clothing subsector alone, it culminated at 350 companies, employing 35,000 in 1994.

By 2005 employment levels had reduced to 28,822, with 22,178 job losses recorded. In the clothing subsector, employment numbers reduced sharply from 13,500 in 2009 to 12,506 in 2010, then to 8,627 in 2011 and to a mere 4,748 in 2012. Job losses in the clothing industry between 2009 and 2012, after dollarization, totalled 8,752, or 65%. There have been marginal gains in employment in clothing in 2013 according to the Chair of the Zimbabwe Clothing Manufacturers Association (ZCMA), with 800 new jobs created.[20] The smallholder farmers, at 300,000, are supporting between 1.2 million and 1.5 million people, given the average family size of four to five people per household.

COMPETITION WITHIN THE SECTOR

While the farming and clothing segments of the value chain have adequate competition, given the number of players, the textile segment is largely a monopoly or at best is an oligopoly. The monopoly situation has meant poor service to the clothing segment, with lack of differentiation in the type of textile products supplied. The clothing sector has had to rely on imported fabric for its needs. Ginners have been found to engage in restrictive business practices through their association, the Cotton Ginners Association (CGA). Furthermore, there is the dominance of the Cotton Company of Zimbabwe accounting for at least 49%[21] of the cotton input support to contract farmers in the 2013/14 growing season, although indications are that the levels of support have come down as a reaction to poor recovery of loans to contract farmers with side marketing.

16. Africonsult (2014). *Zimbabwe Cotton to Clothing Value Chain. A study for Zimbabwe Policy Analysis and Research Unit*.

17. National Employment Council for the Clothing Industry, December 2013.

18. Estimated from: FinScope (2012). *Finscope MSME Survey Zimbabwe 2012*.

19. Kanyenze, G. (2005). Zimbabwe Country Report. In *The Future of the Textile and Clothing Industry in Sub-Saharan Africa*, Herbert Jauch & Rudolf Traub-Merz (eds). Bonn: Friedrich-Ebert Stiftung.

20. The Source Magazine, 17 February 2014.

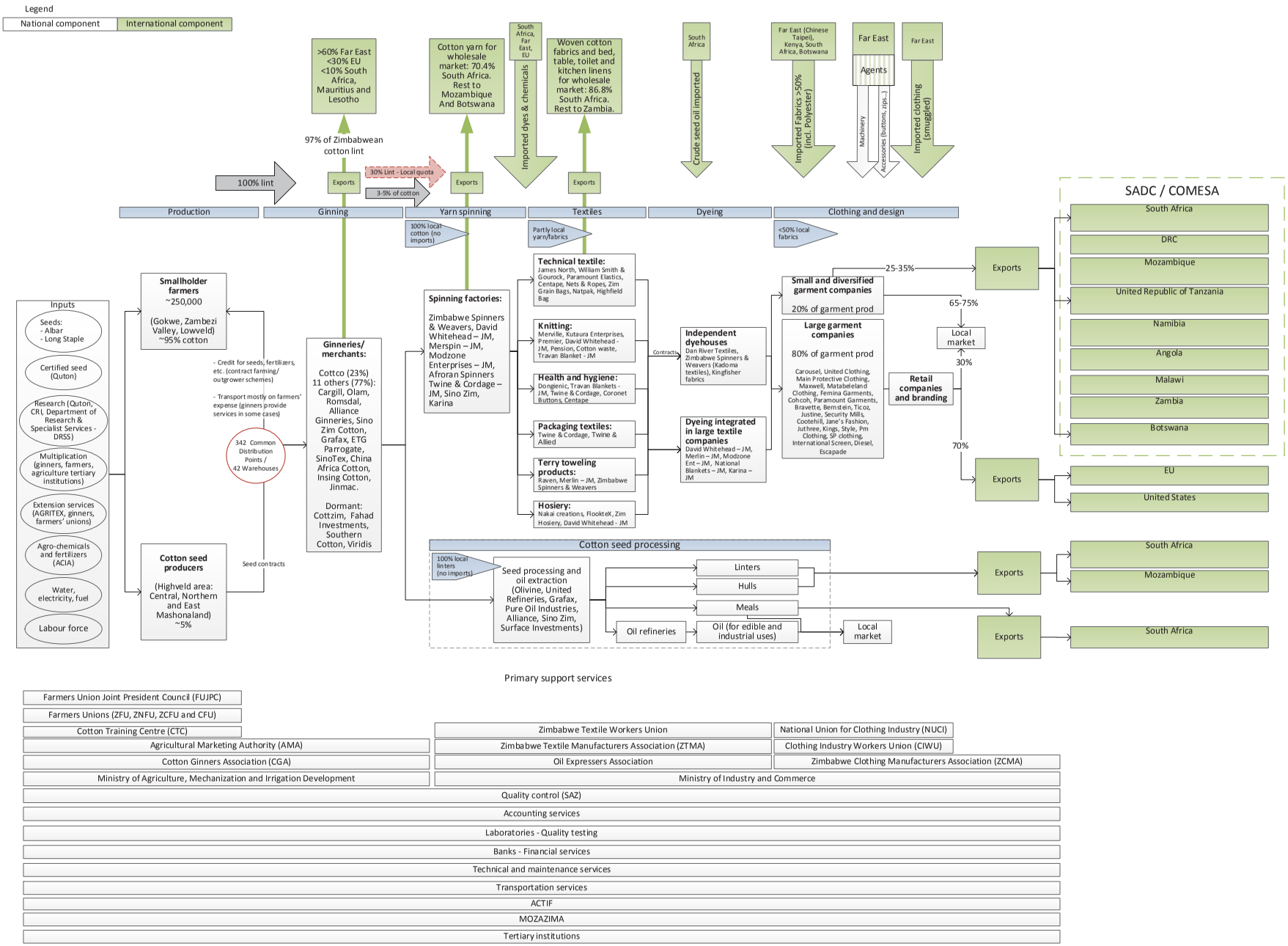
21. Source: Cotton Ginners Association.

3.4. CURRENT SECTOR VALUE CHAIN

This section provides a detailed overview of the current C2C sector value chain in Zimbabwe. It highlights the flow and interactions and provides an indication of the mass balance in the chain in terms of contributions of individual elements in the value chain – number of players; production contribution; percentages of exports and to which locations (and the related shares); and the weak links as well as the strengths within the value chain.

Figure 23 provides a bird's eye view of the value chain from inputs and support services such as research and extension services to cotton growing, ginning, spinning and textiles; and up to clothing manufacture and the links with the outside world through exports.

Figure 23: *Cotton-to-clothing value chain diagram*



Cotton farming

There are 250,000 to 300,000 rural households in Zimbabwe whose livelihoods derive primarily from the growing and vending of cotton. The value chain is therefore an important contributor to socioeconomic development. The bulk of cotton growing is done through contract farming under funding arrangements devised by the cotton ginning companies and contractors. This has become the only way of funding cotton growing; it was a successful model at introduction, with the result that the impact of land reform, after 2000, did not affect cotton-growing trends in the country because small-scale landholders went into cotton farming in a bigger way thanks to this funding mechanism.

> 'I am a cotton farmer since I started working, so as my parents were. However, today there are many challenges that make cotton farming a difficult occupation in Zimbabwe. First of all, my only possible way of funding agricultural inputs is the ginning company. Even if I wanted to plan my seasonal production my own way, I am unable to do so, since the quantities of inputs I receive are pre-defined in advance.
>
> The same goes for the seed varieties. I am constrained to only a couple of certified varieties. If I want to meet quantity requirements set by the ginners, I am often forced to look at ratoon cotton.'
>
> *Industry opinion – cotton farmers*

Figure 24 indicates the main cotton production areas in Zimbabwe. There are three main belts of production.

The majority of Zimbabwe cotton farmers use a variety of cottonseed called Alba SZ 9314. Seed production has benefited from the long tradition of research from the CRI in Kadoma, going back to 1925. Multiplication is currently done through one company (Quton) while the Ministry of Agriculture, Mechanization and Irrigation Development (MOAMID), through the Department of Agricultural Research and Extension Services (AGRITEX), provides extension services.

Some ginning and some chemical companies have now taken over the provision of extension services after MOAMID failed to provide funding to AGRITEX for its functions. A detailed analysis of support services covering the whole value chain is provided in a following section. Contractors normally distribute seed packs to farmers; in the process, they tend to omit the provision of other important inputs that afterwards adversely affect the production process. The inputs that the farmers find on their own include fertilizers and insecticides, which farmers in remote cotton-growing areas purchase through middlemen at very exploitative prices.

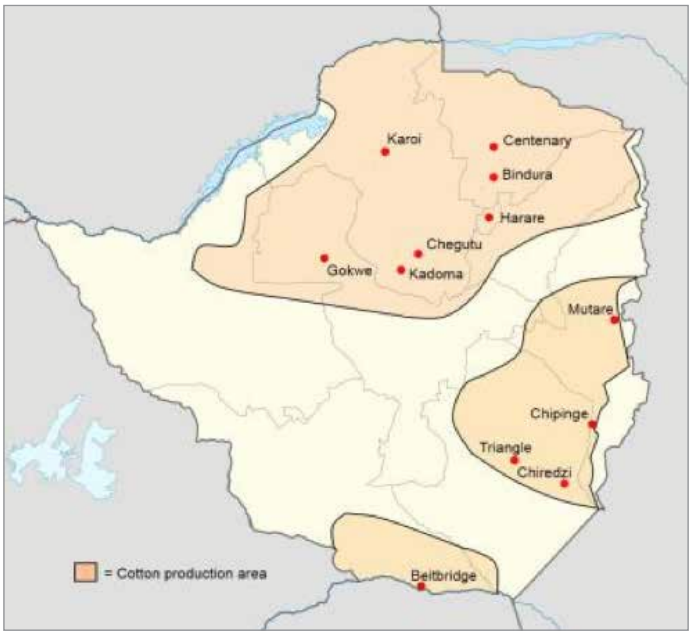
The vast majority of farmers in Zimbabwe grow cotton under rain-fed conditions, which compromises yields. Cotton growers in major cotton-growing districts such as Gokwe are significantly prejudiced by high transport costs. Distances to contracting ginneries can be as far as 150 km from farm gate. The state of rural roads is poor, and this makes transport expensive.

Ginneries/contractors

There is restructuring in ginning owing to unfulfilled and excess ginning capacity in the country. Upwards of 90% of the lint is exported, since the 30% portion that ought to be set aside for the local textile industry is not being fully taken up by local spinners. Zimbabwe cotton lint used to command a premium in the world on account of being handpicked, clean and long staple fibre quality cotton. The comparative advantage stemming from the aforementioned causes no longer applies, largely because of the creeping in of negative perceptions about contamination.

After the ginneries separate the lint from the seed, the lint has three possible routes: packed for export, sold to local spinners for making yarn, or sold to local bleaching firms to make cotton wool. Pricing of lint to local spinners is usually on spot prices based on the Liverpool price index. The lint sold locally is usually of a low middling grade, as higher qualities are exported. The yarn produced is of the middle to coarse counts. Although combing systems are available in the country, these are not used, as combing is seen to be wasteful and produces expensive yarns. Yarn exports are subject to permits and an agreement where local yarn demand must be met before yarn is exported. Cottonseed is sold to oil and cotton cake manufacturers if not consumed in-house by ginneries with cottonseed crushing lines.

Figure 24 : *Cotton production areas in Zimbabwe*



Source: Adapted based on: Mugwagwa, I. (2008). *Analysis of Cotton and Tobacco Value Chains in Zimbabwe.*

Table 3: *Ginning capacity in Zimbabwe, 2013.*

COMPANY	GINNERY	M/T
Alliance	Norton	44,550
Cargill	Chegutu	52,800
China Africa	Gweru	40,000
	Glendale	25,000
Cottco	Chinhoyi	51,800
	Chiredzi	25,000
	Gokwe	32,600
	Kadoma	29,700
	Muzarabani	32,600
Cottzim	Karoi	21,000
ETG Parrogate	Checheche	20,500
	Glendale	35,400
Fahad	Harare	13,200
Grafax	Mount Darwin	26,500
	Sanyati	26,500
Insing	Rushinga	13,700
Olam	Nembudziya	30,000
Romsdal	Triangle	35,000
Sinotex	Kadoma	35,000
Sinozim	Harare	30,000
Southern Cotton	Tafuna	26,600
Total	**All**	**647,450**

Source: Cotton Ginners Association.

Oil expressors

The oil seeds in Zimbabwe are soya bean and cottonseed. The total oil seed crushing capacity is 560,000 tons per year combined soya bean and cottonseed (see table 4). Cottonseed crushing in Zimbabwe is supported by an export ban on cottonseed by the Government through the Agricultural Marketing Authority (AMA). If the country produces 300,000 tons of seed cotton a year, then the industry is supplied with approximately 170,000 tons of ginned cottonseed, priced after ginning at US$0.20/kg, giving a net value of US$34 million a year. Ginning usually produces 43% lint, 1% waste and 56% ginned cottonseed.

The by-products that could be processed further locally are exported. Installed capacity is not fully utilized because of exports and the shortage of cottonseed. The linters, hulls and cake are exported either to Europe or to South Africa.

> 'There is a high demand for cottonseed-based products out there! Both on the national and regional markets. Margarine and cooking oil made from cottonseed are healthy products and we are fully equipped to process them in Zimbabwe. However, the prices we get for the cottonseed are inconsistent with our value addition structure and our end-market's price requirements.
>
> The prices of cottonseed should not be aligned with those for lint as is the case today, since they do not engage in the same value addition structure.'
>
> *Industry opinion – oil pressing*

Table 4: *Oilseed total installed capacity (soya and cotton) in Zimbabwe*

Firm name	Product range	Capacity per year (tons)
Surface	Oils, fats, cake	145 000
Olivine	Oils, fats, cake	120 000
National Foods	Oils fats cake	0
Alliance	Oils cake	24 000
Parrogate	Oil, cake	110 000
New Cabview	Oil, cake	12 000
United Refineries	Oils, fats, cake	88 000
Others		50 000
Total		**537 000**

Source: Oil Seed Expressors Association.

Table 5: *Large cottonseed crushing firms and their product range*

Firm name	Product range	Capacity per year (tons)	Oil annually (tons) (16%)	Cotton cake annually (tons) (48%)	Cotton cake annually (tons) (24%)	Mechanical/ chemical oil expression
Surface	Oils, fats, cake	145 000	23 000	69 000	34 000	Chemical
Olivine	Oils, fats, cake	0	0	0	0	Chemical
National Foods	Oils, fats, cake	0	0	0	0	Chemical
Alliance	Oils cake	24 000	3 800	11 500	5 700	Mechanical
Parrogate	Oils, cake	110 000	17 600	52 800	26 400	
New Cabview						Mechanical
United Refineries	Oils, fats, cake	88 000	14 000	42 000	21 000	Chemical
Price/ton		**US$150–US$180**	**US$1 200**	**US$290**	**US$90**	

Source: Oil Seed Expressors Association.

Spinning industry

Local spinning factories produce medium to course count cotton yarns. The spinning uses both the open end (rotor) and ring spinning methods. There are two spinning businesses in operation with an installed capacity to produce roughly 13,000 tons a year. The finer yarns are generally exported while the medium count cotton yarns are consumed by small knitting and weaving mills. The coarser counts are used for producing packaging cloth for ginned cotton. The market demands approximately 1 million metres of this packaging fabric annually, although some ginneries import cotton bale cloth or have switched to cheap plastic. Yarn sold to knitters is used for making socks, T-shirts, collars and cuffs. There is some capacity to offer dyed yarns but this is limited to a small tonnage annually. Although installed capacity used to be around 25,000 tons of cotton lint, actual capacity is currently below 10,000 tons a year.

Structure of textile companies

Limited spinning capacity exists in the country, and a number of textile companies have slid into judicial management or completely closed down. The remaining companies include Zimbabwe Spinners and Weavers, Zimbabwe Hosiery, Twine & Cordage and Sino Zim Cotton Holdings. Some yarn is used locally but most is exported to South Africa and abroad, including to China.

The textile subsector in Zimbabwe was a prominent victim of the global changes that took place in the framework of the T&C industry following the expiry of the Multi-Fibre Agreement and the Agreement on Textiles and Clothing at the end of 2004. The period after 2004 witnessed an upsurge in the supply of textile products in the world market from the low-cost countries of East and South Asia. The Zimbabwe textile industry began to be visibly uncompetitive because of its reliance on aged technology that is expensive to maintain. The range of locally produced textile products includes technical textiles, knitted and woven fabrics, health and hygiene products, and terry towelling. Textile exports include woven fabrics, hosiery and terry towelling to the region, and greige fabric internationally.

As has been said in the overview of this document, the textile subsector was vertically integrated and derived most of its comparative advantage from that state of vertical integration, up until the country's adoption of the Economic Structural Adjustment Programme between 1991 and 1995.The T&C sectors were the backbone of the import substitution industrialization strategy of the Unilateral Declaration of Independence period (1965 to 1979).

> 'Since the hyper-inflation, I have not been able to invest into modern weaving looms, due to shortage of capital and the inability to get loans. Thus my productivity and product range remains low. This does not allow me to diversify my client base and the few national cloth companies do not buy my production.'
>
> *Industry opinion – textiles*

Table 6: *Registered companies in textiles in Zimbabwe*

	More than 100 workers	50 – 99 workers	20 – 49 workers	1 – 19 workers
Number of companies	10	6	14	22
Number of workers	1 975	460	416	223
Total companies	**52**			
Total workers	**3 074**			

Source: ZITMA (2014).

Table 7: *Activities of textile firms in Zimbabwe*

Activity	Cotton wool	Spin	Weave/knit	Dye/print	Embroider
Number of firms	4	5	17 knit 9 weave	6	2

Activity	Duvets	Poly woven bags	Pantyhose, socks	Other Tents Tapes Jute Bed sheets	Curtains Embroider Pillows
Number of firms	3	7	2		

In the post-independence era, it began to be obvious that the technology of Unilateral Declaration of Independence industries needed to be upgraded, and even replaced in some instances. The textile subsector facilities were no exception to this requirement. The foreign currency shortages continued into the post-independence period as well. The latter situation led to the adoption, by the Zimbabwe Government, of the International Monetary Fund-mediated Economic Structural Adjustment Programme, which ran from 1991 to 1995.

Under Economic Structural Adjustment, the various segments of the C2C value chain began to export their respective products, which then resulted in the de-verticalization of the industry and subsequent loss of comparative advantage.

Fabric production methods and equipment

Fabric is formed via circular knitting and shuttle, shuttles, and hand weaving. The narrowest fabric is produced by handlooms, and this is insignificant in quantity. Shuttle looms are reserved mainly for heavy cotton canvas materials, a niche sector, where fabrics weigh upwards of 450 g/m^2. The majority of fabrics produced in Zimbabwe are medium-weight plain weave or drills produced from air-jet or rapier weft insertion systems.

Clothing

The clothing industry currently consumes approximately 18 million metres of fabric. Approximately 10% of this comes from the local market: the one knitter and weaver still operating. Approximately 80% of this – 1,440,000 metres – is 100% cotton, medium-weight, woven fabric, and 20% – 360,000 metres – is 100% cotton knitted fabric. The biggest source of imported fabric is China, and imported fabric is either procured directly from the international supplier or sourced from wholesalers in Zimbabwe and South Africa.

> 'I own a clothing company and I am exporting. But today I face a number of barriers to develop my exports.
>
> First, the supply of textiles is insufficient. The choice of suppliers is very limited and there is a strong dependency on the raw material that is provided by the few existing suppliers. It has a great impact on the quality of final product and becomes a barrier for sales. For instance, it is difficult to access big supply chains or supermarkets. Because of the low quality of textiles supply, the supermarkets are not interested in our production.'
>
> *Industry opinion – clothing*

The clothing subsector ceased to be a substantial market for the Zimbabwe textile subsector because it was found that the local textile industry had not kept pace with the changing times and was no longer able to meet the requirements of the local garment assembly subsector in terms of its fabric needs. In the wider world, there had been very far-reaching innovations in the preparation of fabric. Machinery set-ups in the local textile industry, for instance, were limiting as to the range of fabrics that could be produced.

Introduction of synthetic fibres, notably polyesters, in the manufacture of fabrics is standard in present-day textile manufacturing processes. Local yarn is found to be lacking in quality and variety, which again adversely affects the quality of end products from the subsector. Despite this, the clothing subsector continues to sell its products via the following outlet categories:

a. Large retail chains. These can be broken down into two distinct groups:
   - Edgars, Truworths and Power Sales; and Enbee. Edgars, Truworths and Power Sales are South African chain stores. Edgars and Truworths sell primarily on credit and import a substantial proportion of their goods even though they have their own manufacturing companies. They have both also opened a range of stores selling on cash only, i.e. Jet and Topics respectively. Power Sales has the greatest number of stores, priced for the mass market, and sells only on cash. Enbee is a local chain selling schoolwear on a cash basis only.
   - OK, TM and Spar are all supermarket chains that are moving into the clothing market, primarily through uniforms and basic casual wear. All tend to import a substantial portion of their clothing range.

b. Small to medium retailers – mostly family-owned and -run businesses with one to five outlets, which usually specialize in a particular range, e.g. formal menswear.

c. Markets, both formal and informal. The formal markets offer imported and locally made clothing, as well as

'home-made' goods produced by small informal operators and designers. Most of the goods sold in the informal markets are imported, redirected donated, SHC or stolen goods. Many are sold at sub-economic prices.

d. Wholesale of uniforms to industry, Government and schools, including corporate clothing to companies for marketing purposes, e.g. golf day shirts etc.
e. Factory outlets – predominantly designed to sell non-A-grade goods but are expanding to be retailers of A-grade goods in small quantities.
f. Exports – within the region, the United States, the EU, East Africa and West Africa.

Fashion industry

The fashion industry is fragmented and lacks national focus or structure. There are at least six tertiary institutions offering courses in textile design and production with motivated students, but no formal structure or conduit for them to pursue post-graduation, and most do not continue in the industry.

Traditionally, and still the predominant structure at present, clothing companies make garments for retailers who design and market the garments themselves. Clothing companies only deal with garment fabrication, production and distribution to the buyer. More and more there is now a need for own-brand garments to be designed and developed, and even sold, by the manufacturer.

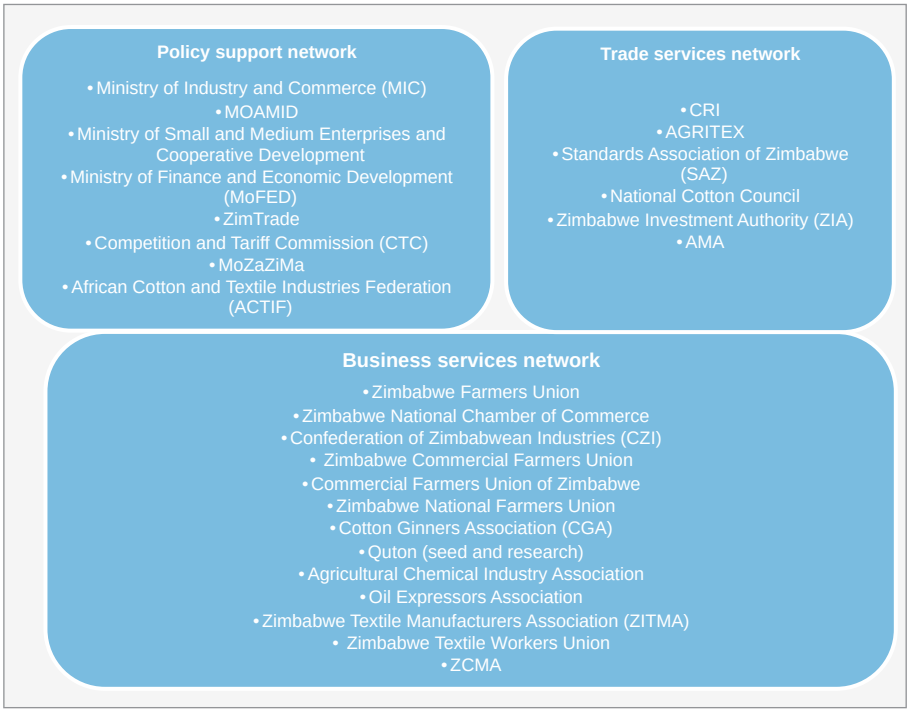
Overall, the value chain is no longer integrated or as relatively healthy as it used to be. The cotton-growing segment is faced with volatile prices of cotton internationally, affecting local prices and discouraging adequate availability of seed cotton. The textile segment does not fully service the needs of the clothing subsector, and the clothing subsector is not competitive either locally or internationally. The overall situation needs urgent change and new approaches to doing business, together with new policy interventions.

As described above, the value chain of the C2C sector is complex and constituted of a variety of diverse actors. The institutional support framework, or the TSN, provides critical institutional support to the value chain and is an integral parameter contributing to the performance of the value chain. The next section maps out and examines this support network.

3.5. INSTITUTIONAL SUPPORT FRAMEWORK (TSN)

The potential of the C2C sector to contribute to long-term growth and development in Zimbabwe will depend not only on the attributes of companies and investments, but also on the quality and effectiveness of Government policies and institutions. Figure 25 displays the TSN relevant to the C2C sector, categorized by support functions. The TSN should be assessed to understand how it could best serve sector development and integration.

Figure 25: *TSN of the Zimbabwe C2C sector*



3.5.1. GENERAL TSN DESCRIPTION

The TSN in Zimbabwe is very extensive and provides adequate representation of all of the value chain sector players. The TSN comprises the trade services network, the policy support network and the business services network. All relevant sectors of the value chain are well represented. Some value chains are, however, more visible and well run, while others have limited activity and functions.

Business services network

The business services network is functional and covers the producers across the sectors along the value chain. It is essentially made up of sector associations representing sector players. Activity starts with the farmers unions, where four unions have commodity chairpersons representing the interests of their farmers. The CGA is well established and a conduit for ginners to communicate with farmers, Government and the market (spinners). The Oil Expressors Association, ZITMA and ZCMA represent their members' interests and are involved in lobbying policy formulation, collective bargaining agreements, etc. All three have been active in trying to ensure that Government policy enables a highly productive environment, and ensures a level playing field against cheap imports. The associations derive their mandate from association constitutions.

Policy support network

The policy support network is made up of Government ministries and departments that are instrumental in developing policies for each sector of the value chain. The country's Government derives its power to make policies from the Constitution. For example, the Constitution emphasizes that State institutions should formulate policies and implement them to achieve State objectives. Among other requirements, the Constitution states that policies should promote, among other things, good governance, gender balance and fairness. Policies are supposed to enhance productivity across the value chain and create a level and fair trading platform for all sectors. The policies of the Government have had mixed results and sometimes have been inconsistent.

In addition to the national policy support network, regional and pan-African policy support institutions, such as MoZaZiMa and the African Cotton and Textile Industries Federation (ACTIF), are available to the C2C sector in Zimbabwe. The MoZaZiMa initiative counts public and private representatives from four cotton producing countries of the region, namely Mozambique, Zambia, Zimbabwe and Malawi. The overall aim of MoZaZiMa is to bring cohesiveness in to the disparate policies and initiatives currently being undertaken on national basis. ACTIF is a non-profit making regional industry/trade promoting body that aims to enhance its members' competitiveness in the world market, by promoting trade and the increase of market access for African cotton, textile, and clothing industry.

Trade services network

The trade services network is comprised of Government institutions that capacitate sector businesses in their operations. For example, AGRITEX provides extension services to farmers (especially small-scale farmers) with the objective of increasing farm yields and productivity. CRI offers services that include the production of new varieties of cotton planting seed, with the aim of assisting farmers to be more productive. The Standards Association of Zimbabwe (SAZ) ensures that goods produced in the sector conform to some set standards, and educates sector players on how the goods they produce can conform to set standards of quality.

AMA is a regulatory body that also ensures a fair trading and production environment for sector stakeholders. ZIA was created to promote and facilitate foreign direct investment in sectors of the country where it is needed most. The effectiveness of the trade services network varies between institutions: CRI for example, despite its funding constraints, has recently produced some 16 commercially valuable seed varieties that are high-yielding and have been commercially successful in Zimbabwe over the last two decades. Some of the successful varieties produced are listed below.

Cultivar	Year of release	Comments
SZ9314	1998	A medium staple variety grown in 85% of the country in Natural Regions III, IV and V. The most popular variety with smallholder farmers, the average yield currently varies between 500 kg to 1,200 kg/ha. Can attain yields of 4,000 kg/ha under high input conditions.
CRI MS2	2006	A medium staple fibre variety suited to growing in Middle Save, Zambezi Valley and the Lowveld areas of the country under irrigation. Yields of 4,300 kg/ha. Variety grown for the first time in the 2012-2013. Yields 15% more seed cotton and 13% more lint than SZ9314. Very popular with farmers already in the Lowveld.

Source: Africonsult (2014).

AGRITEX research and extension services (falling under MOAMID) have had limited success as the institution struggles financially.

3.5.2. IDENTIFICATION OF CONSTRAINTS IN THE TSN

The following paragraphs identify constraints to the institutional functioning and service delivery along the following three characteristics:

- **Mandate and governance:** A clear mandate will help identify the institutions' role within the TSN both for customers and within the institutions, thereby improving their internal functioning.
- **Service delivery:** The importance of well-developed and adjusted product and service delivery has a positive bearing on both the institutions and the industry. Product and service portfolios that are appropriately adjusted with the actual requirements of the industry will help maximize returns on investments of the institutions themselves (viability) and increase their impact on sector development.
- **Performance:** The performance of institutions is the degree of quality of their products and services, and ultimately the level of customer satisfaction in these products/services. The level of institutions' performance depends on the general level of capability of their staff, their staff's level of subject matter expertise and efficiency, and the accessibility of the products/services to customers (innovative product and service delivery solutions facilitating access to customers).

Mandate and governance

The mandates and governance of the policy support network and the trade services network are generally introduced through statutory instruments (SIs), derived from the Constitution and Acts of Parliament of Zimbabwe.

The Ministry of Industry and Commerce (MIC) is capacitated to promote the development of vibrant, sustainable and globally competitive industrial and commercial enterprises and fair trade practices through the provision of conducive policy and regulatory frameworks. It has a mandate to develop local entrepreneurial and management skills and to encourage the protection of intellectual property and the dissemination of technical, trade and industrial information. The Ministry encourages research and development activities and, along with the Competition and Tariff Commission (CTC), investigates and recommends pricing policies.

The Ministry's mandate is clarified through a set of 23 documents that include a Ministry functions handbook, National Trade Policy (2012-2016), IDP (2012-2016), some bilateral and multilateral trade agreements and protocols, and various acts including the Industrial Development Act (chapter 14:10) and the Competition Act (chapter 14:28).[22]

The Ministry oversees four operations of public enterprises, including the Industrial Development Corporation, in addition to administering both the CTC and the National Incomes and Pricing Commission. MIC works closely with the Consumer Council of Zimbabwe, SAZ and ZimTrade.

The mandates attempt to address sector issues. For example through the National Trade Policy and the IDP, MIC encourages exports from the C2C sector, and both recognize the need to develop the same value chain. Through the Industrial Development Corporation, MIC was given the mandate to set up a textile manufacturing cluster in the country and to attract joint business ventures with both local and foreign investors. Despite its mandates, and owing to its financial constraints, the same Ministry has not been able to facilitate growth of the local industry and in fact the industry has instead withered.

Trade services network and business services network institutions:

- AMA and AGRITEX were created by Acts of Parliament and have clear mandates to discharge their duties. AMA discharges its duties through SI 142 A of 2009, later amended by SI 63 of 2011.
- ZITMA, CGA and Zimbabwe Farmers Union are examples of associations that are legally constituted through legally registered constitutions with the parent and relevant ministries. The ZITMA constitution, for example, allows for the election of a new committee annually, from which a new Chairperson is selected at an annual general meeting.
- The Zimbabwe Textile Workers Union is a registered workers union that champions the concerns of workers in the textile industry. It negotiates with employers (ZITMA) for improved working conditions once a year to produce a collective bargaining agreement through the National Employment Council (NEC) that becomes legally binding to both parties after its registration with the Ministry of Public Service, Labour and Social Welfare.

Major constraints related to institutional mandate and governance:

- ZIA was supposed to be a one-stop shop for foreign investors but there is no law that obligates all new foreign direct investment to register with ZIA. ZIA is supposed to attract foreign direct investment but the country is perceived to have an unstable business environment

22. Zimbabwe, Ministry of Industry and International Trade (2014). Website. Available from www.miit.gov.zw.

owing to reportedly unclear and frequently changing policies. For investors, perceived instability may have profound effects on the profitability of a business or sector. Investors prefer a stable environment where they can predict with some degree of accuracy the level of risk, and conversely the expected level of returns on investment.

- The Government needs to better empower its departments to enforce rules and regulations that are meant to bring stability to the sector. SI 142 of 2009 and its amendment in 2011 – enforced by AMA – is an example of an introduction of much-needed regulation in the sector. However, AMA does not have the independence to regulate and to instil discipline beyond surface measures. Farmers are seen to be a politically sensitive group and, as such, Government limits policy enforcement by AMA.
- Parent ministries of the trade services network are generally overarching, such that trade services institutions may fail to implement policies and administer decisions based on legal policy frameworks. The Cotton Marketing and Technical Committee, a legally constituted committee set up to create a forum for all players in the value chain, and that reported to AMA, was dissolved unilaterally by the Minister of Agriculture.

Product range and service delivery

MoFED, Ministry of Small and Medium Enterprises and Cooperative Development, and MIC

Some examples of typical gaps in service provision at the level of the policy support network are:

MoFED has no funds available for disbursing. Due to weak relationships with international lenders and some political constraints, MoFED resorted to borrowing funds from local banks. The result is that local interest rates are high and local industry has been crowded out from borrowing from local banks.

Another example is that MIC has the mandate to ensure there is a balance between imports and exports, but there is an influx of cheap, under-invoiced imports that have flooded the local markets. Smuggling is rampant and most local shops are filled with imported new clothing and SHC. It is obvious that the same imports derive their profits from what they should have paid as duty and value added tax at the border.

MIC imposes duties and taxes on imported inputs for the sector, raising production costs and ensuring that goods produced locally are not price competitive. Its internal departments – e.g. Department of Research and Domestic Trade and the CTC – can easily provide information to show the distortion to trading caused by this challenge.

AMA

Typical gaps found in trade support services can be represented by an analysis of the gaps found in AMA. The Cotton Marketing and Technical Committee was set up to report to AMA and comprised sector association chairpersons. The dissolution of the Cotton Marketing and Technical Committee left a gap in communication among sector stakeholders.

CRI

CRI is well established and has a wide product range that has helped provide good quality and high-yielding seed varieties to local cotton growers and ginneries. There are several constraints and gaps observed.

- Due to a shortage of funding from its parent ministry (MOAMID), CRI has lost its independence and now is funded by Quton, which controls property rights over the new seed varieties developed by CRI. Quton operates as a private company driven by the need to create a profit and may not have the capacity to provide funds for research that is not immediately profitable. In addition, the farmers unions have complained that they are unable to procure seed for planting directly from the sole seed producer, Quton. Instead they procure it from contractors at a reportedly high price.
- Quton has replaced the Government in funding CRI and has not released the high-yielding seed varieties recently produced by CRI for commercial purposes. Quton's commercial objectives in areas of research and development may not complement the objectives of CRI.
- Also, Quton is not able to conduct commercial transgenetic cotton trials in the country because Government has a ban on genetically modified (GM) cotton farming in Zimbabwe.

Business services network

There are several examples of gaps found in the business services network. There is poor self-regulation by the contractors who are represented by the CGA, as they are the ones who purchase ex-farm gate cotton offered under side marketing arrangements.

- SAZ standards are not visible and advertised for imports or exports of cotton products. There is therefore a lack of promotion activity by SAZ.
- Farmers unions do not discourage side marketing of cotton lint and do little to encourage the honouring of contracts by farmers.
- Agricultural Chemical Industry Association members supply chemicals needed by cotton farmers at high prices. Most of the chemicals are imported and it was said the import costs are high.

- ZCMA has not been able to assist its members to increase productivity and viability, as the sector is decreasing in size and in output. Association members used to depend on local supplies of fabric but, owing to the introduction of multi-currencies, the local market's appetite for garments made of local fabrics has waned.
- ZCMA has not been able to control the level of cheap and dumped clothing imports that have taken market share from local producers. ZCMA does not have capacity to assist its members in securing cheap finance for production of exportable goods.

Performance

Policy support network

- Many policies have been implemented much too fast and have not given businesses time to adjust to the new policy requirements. For example, because the Economic Structural Adjustment Policy was implemented too fast, imports rapidly flooded the markets and local products immediately lost market share. The introduction of multi-currencies was abrupt and as a result many businesses lost working capital overnight and have not recovered.
- Policies are not clear and lack of clarity has resulted in problems upon implementation. For example, the amendment to SI 142 of 2009 has the potential to create confusion about what is free cotton and what is contracted cotton. Another example is that although the Distressed Industries and Marginalized Areas Fund had good intentions, the criteria for a distressed company to qualify for funding was too stringent and not effective.
- Industry representative bodies such as CZI and the Zimbabwe National Chamber of Commerce have failed to reverse or modify some policies that were introduced to the detriment of business. This illustrates a disconnection between the Government and the private sector.
- The policy support network also lacks funding to effectively discharge its duties. MoFED, MOAMID, and the Ministry of Small and Medium Enterprises and Cooperative Development cannot provide farmers with finance for inputs. MOAMID has not been able to fund the important CRI, and this has a negative impact on seed research. During the era of the Zimbabwe dollar economy the Government would subsidize cotton farmers if the prices offered by ginners were deemed to be low. This ability to assist farmers and industry disappeared with the advent of the multi-currency economy.
- MoFED has not been able to fund the operations of some Government departments in the trade services network, such as SAZ, ZIA, ZimTrade and AMA. As a result, these departments, among others, seriously lack capacity to fully discharge their duties.
- There is a tendency to overregulate and this constrains business operations. Overregulation has resulted in corruption and smuggling, and more and more policies are put in place to plug the loopholes. Business transactions become cumbersome as businesses find it difficult to comply with inconsistent and frequently changing rules and regulations. An example of overregulation is the high number of documents (14) required to process imports and exports.
- Some important policies are not well coordinated and act contra to intended purposes: for example, the land redistribution policy was meant to stimulate production on idle land and to empower locals interested in farming. However, the Government did not issue title deeds to leaseholders of farms, and therefore farmers cannot use their farms as security to access loans for farming purposes.
- There have been many policies formed with regards to stimulating investments and manufacturing in the country but ZIA has not been able to attract the level of investment required.

Trade services network

- The trade services network is generally controlled by parent ministries and therefore is not independent of Government, which limits efficiencies of performance. Again, examples of departments such as AMA failing to regulate side marketing and not being able to run independently serve as examples.
- There is no funding available to allow the trade services network to function effectively and efficiently. Workers are demoralized and productivity is low because of low pay and delayed paydays.
- Rampant corruption has gone unchecked, further adding to the perception of instability to the business environment. Many cases of corruption include smuggling into the country of cotton by-products that compete directly with locally made products.
- There is a brain drain, where skills to run the sector trade services network are in short supply. The brain drain has been caused by the deterioration of the economy that began in the 1990s. Skills in the sector fled to the diaspora, and the same skills have not returned. As a result, many departments in the trade services network are deficient of adequate skills for efficient operations.

AGRITEX – MOAMID

- AGRITEX has several divisions within it, and these departments offer a complete range of services for successful agriculture. For example, it provides agronomy and entomology services to cotton farmers for improved yields. The gap is poor service distribution and accessibility owing to lack of funding such that, although there is an ability to perform, performance is not effective because of limited resources.

- AGRITEX uses a wide range of media including publications, newspaper adverts and radio to educate farmers and make them aware of best farm practices. Both AMA and the farmers unions are made aware of issues such as the Closed Season (Plant Act and Diseases Act, chapter 19:08) every year by AGRITEX to ensure diseases do not develop resistance to pesticides. However, there is a lack of enforcement of the Closed Season regulation as some cotton farmers still deliberately grow ratoon cotton.
- AGRITEX provides services through eight provincial offices and 57 district offices. The extension technical staff to farmer ratio is 1:3,000. This ratio is far too insufficient to be effective.

Business services network

- The dissolution of the Cotton Marketing and Technical Committee created a situation where sector players lobby at cross-purposes to the policy support network, and this creates conflicting policies. There is therefore no institutional organism able to foster a common position for the entire value chain and present the common interests of its members.
- There has been a skills flight of value chain experts in both the trade services network and the business services network. With the contraction in the economy, the industry is still using old methods of production with fewer skills. The number of experts and skilled workers is therefore insufficient to restore high performance in the sector.
- The unions lack the capacity to provide much-needed services to farmers, especially in remote areas. This is particularly important as regards recent outcomes of the land redistribution programme, which pushed many new farmers to enter the industry. These new farmers are still to develop expertise in farming and are in demand of the unions' services.
- The apex body of the farmers unions is not legally constituted yet and it lack effectiveness in providing marketing, quality and productivity training services for farmers, who are particularly vulnerable to international cotton lint price swings.
- CGA is not able to prevent some of its members from engaging in side marketing practices. It is also not capacitated to finance all the inputs required by cotton farmers annually.
- There are new technologies that are not yet familiar to the sector and that are not advertised by the business services network. For example, there are lower cost dyeing systems for colouring textiles. The inability to offer these options to the market limits efficiency. Most institutions stopped staff development programmes when the economy contracted in the mid-2000s. In general, staff capacity-building activities are minimal.
- ZITMA and ZCMA have opposite views on the application of the SADC rules of origin; in particular double-and single-stage transformation to confer origin. Neither association has been successful in curbing dumped goods through measures to protect infant industries under the World Trade Organization. The two associations do not yet have a common sector strategy for championing their interests. ZCMA hosts two showcases a year but ZITMA does not showcase. Few, if any, of ZITMA's members participate in ZCMA-hosted indabas.
- ZITMA is not adequately capacitated and has not been able to fund its members to increase viability or to fight against cheap and dumped imports that they have to compete with in the local market.
- ZITMA is not visible in lobbying Government for a conducive operating environment to maximize productivity for its members, e.g. on issues of power supply, provision of clean water etc. ZITMA has no capacity to offer training services to improve local technical skills.

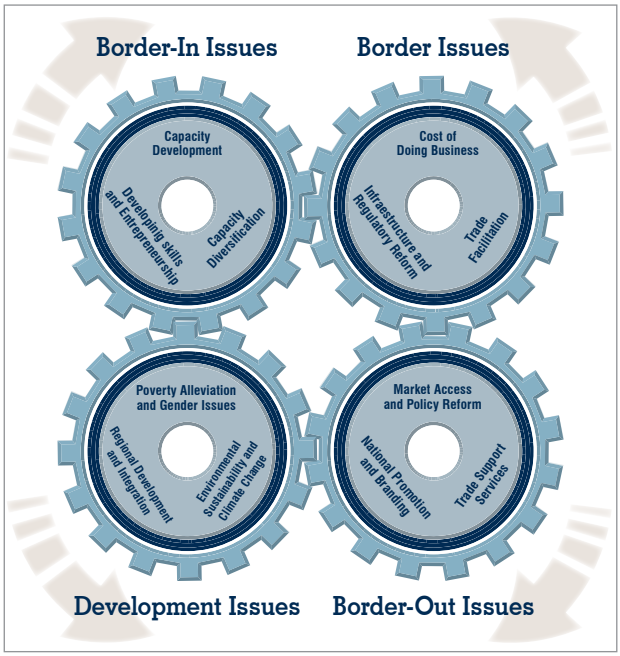
Table 8: *Human resources in public extension services in Zimbabwe, 2009*

Sector	Number of male technical staff	Number of female technical staff	Total number of technical staff	Number of support staff
Crops and livestock	3 511	2 524	6 035	1 078
Forestry	105	15	120	40
Fishery	4	-	4	3
Total all sectors	3 620	2 539	6 159	1 121

Source: International Food Policy Research Institute Agricultural Extension and Advisory Services Worldwide.

The C2C sector value chain is affected by a variety of constraints that go beyond institutional gaps discussed above. These include dimensions such as the supply side, business environment, trade facilitation etc. Constraints along these dimensions must be understood and analysed in detail in order to develop a comprehensive picture of the sector. The following section provides this composite picture.

3.6. COMPETITIVENESS CONSTRAINTS AFFECTING THE VALUE CHAIN



Traditionally, the scope of export strategies has been defined in terms of market entry, such as market access, trade promotion and export development. This ignores several important factors in a country's competitiveness. For an export strategy to be effective it must address a wider set of constraints, including any factor that limits the ability of firms to supply export goods and services, the quality of the business environment, and the development impact of the country's trade, which is important to its sustainability. This integrated approach is illustrated by the four gears framework schematic on the left.

To increase the specificity of constraint analysis for the C2C sector in Zimbabwe, a detailed constraint overview is provided for each subsector of the industry, namely: cotton production, cotton ginning and cotton by-products, yarn, and textiles and clothing.

3.6.1. SUPPLY-SIDE ISSUES

Cotton farmers, who are largely smallholder farmers contracted to ginner/merchants, have been unable to produce sufficient volumes of high quality cotton in a consistent manner. Difficulties in growing of cotton following the privatization of the Cotton Marketing Board have been attributed to the following issues.

Across value chain

Broad topic	Constraints
Research and development	• Research into the medium-to-long term stem variety of cotton is an important requirement.
Access to equipment and technology	• Access to technology and updated capital equipment has been cited as an important weakness in the sector.

Cotton farmers

Broad topic	Constraints
Access to machinery	• There is no access to appropriate small-scale value adding machinery before the farm gate for smallholder farmers. • Lack of appropriate machinery for further processing of seed cotton (such as small-scale ginning plants or oil expressing machinery) results in little value addition at the farm by small-scale farmers.
Inadequate yields	• Poor cotton yields per hectare, averaging 800 kg/ha according to CRI; recently the yields have been as low as 500 kg/ha.
Weak extension support	• Serious knowledge gaps on basic cotton growing practices by smallholder farmers and AGRITEX. • Weak extension services, including those offered by farmer organizations such as the Zimbabwe Farmers Union.
Organization levels	• No well-developed framework specific to farmers in cotton growing to promote a strong common position on issues in the sector. • Weak commodity associations add little value where the majority of farmers are contract farmers owing greater allegiance to the contractors. • There is little doubt by all the players in the value chain that their interests are symbiotically linked, and therefore that the welfare of the farmer is important for the economic strength of the rest of the value chain actors. When the farmer goes out of cotton production into other crops such as tobacco, the reduced cotton output results in a scramble for the limited crop. There is a need for farmers to reach out through their organizations to the rest of the players with a message that it is in everyone's interest to uplift the farmer. Farmers, for their part, need to be fully aware that any short-term gains from questionable business practices – such as inattention to quality in cotton farming and harvesting – will be eclipsed in the long term by the loss of reputation to Zimbabwe's crop, which will be difficult to shake off. Price negotiations and the need for mechanisms to ensure a less volatile producer price for the farmer need to be informed by the appreciation of this symbiotic relationship. • Industry players as a whole approach Government in a disjointed fashion, without identifying those issues that unite them. The approach to lobbying is adversarial between the players and is not synergy-based.
Challenges in accessing credit	• Farmers are unable to demonstrate creditworthiness due to limited financial/business management skills and frequent contract-breaching practices. • Ginners are the only source of financing for cotton farmers. The Government cannot assist farmers due to limitations on funds. The farmers unions are not capacitated to assist farmers with finance for inputs to increase efficiency on farms. Ginners would prefer not to fund farmers as they associate funding farmers with high risk. As such, to mitigate risk the tendency is to minimize the size of input packages.
Need for leveraging growing Internet penetration levels	• Increasing Internet penetration into the more remote parts of the country suggests the possibility of new products. • Farmers' organizations do not currently work closely with banking institutions and Internet service providers to encourage the development of new products drawing from best practices from elsewhere in comparable situations.

Broad topic	Constraints
Weak supply and availability of certified seeds	• Overreliance on a single company, Quton, to supply certified seed. The company has no outlets in rural areas and is largely confined to outlets in major urban areas. • Diverted use of inputs provided by ginners to farmers under contract farming schemes. Some of the farmers do not use all the inputs provided in the growing of cotton: some are diverted to different crops, while some (fertilizer) can be sold off. Members of the CGA say some farming areas do not require fertilizer for improved yields, yet farmers in the same areas demand fertilizer. The failure of the regulatory environment is costly to the ginners if the financing of inputs is not recovered. The attendant financial prejudice undermines the whole contracting system, as the lack of viability renders them unable to continue providing adequate inputs.
Weak infrastructure	• Electricity supply is erratic and unreliable. • Poor transport networks hinder access to remote farming areas where smallholder cotton farmers grow their crop. • There is a need to establish/upgrade grading facilities at the farm-gate level. • There is a need to take advantage of existing water bodies for cotton irrigation purposes, particularly in the cotton-growing areas of the Lowveld and in the former Agricultural and Rural Development Authority estates where cotton growing was a major activity. • There is little or no irrigation infrastructure in most cotton-growing areas. These are areas that have little rainfall (natural regions IV and V). Small dams and other less expensive irrigation infrastructure can be constructed through food for work initiatives that have been employed in the past for infrastructure projects in communal areas.
Need to improve producers' access to new research and innovation	• Farmers do not have access to some new cultivars from research at CRI with potential to give better yields per hectare. • New seed varieties coming from CRI have been treated as competitor products and not put on the market as soon as they are produced.
Government support to small-scale farmers	• Government input support schemes to small-scale and new farmers are not available to cotton growers (including the Presidential Input Support Scheme devised for vulnerable groups and households). This is in spite of the fact that in some parts of the country cotton is the only viable cash crop, and cotton growing is the chief means of supporting livelihoods and alleviating poverty. • There is a need for the Government to prioritize cotton farming in providing input support to famers and not limit this to cereals.
Effect of high domestic demand for ungraded cotton on farmers' attention to quality	• Farmers are now paying less and less attention to the growing of quality cotton, encouraged by new merchants who are willing to pay relatively high prices for ungraded cotton. This promotes side marketing to the detriment of the other merchants/ginners who would have endeavoured to support the same farmers to grow good quality cotton. This practice discourages traditional contractors from funding contracts.

Cotton ginning and seed processing

Broad topic	Constraints
High costs of imports	• Declining business activity has resulted in importation of most consumer goods, including basic commodities such as cooking oil. As a result, any money that finds its way into the banking system is quickly withdrawn again as the depositors, such as supermarket owners, replenish their stocks through imports, especially from South Africa.
Need to improve farmer–ginner relationships, including through provision of technical support	• Merchants/ginners need to improve their relationships with farmers and provide extensive training on the best possible growing mechanisms. • There is a need for all merchants/ginners to ensure that adequate extension services are provided so that quality improvement at the production stage is continuous.

Broad topic	Constraints
Inadequate supply of seed cotton	• The low yields of cotton farmers discussed above result in unmet ginning demand, where supply is at an average of 250,000 tons of seed cotton against an installed ginning capacity of 750,000 tons. • The low level of seed cotton production* also affects the supply of ginned seed to oil expressors for crushing, resulting in oil expressor underutilization and failure to achieve economies of scale. • Members of the Oil Expressors Association fail to secure adequate ginned cottonseed to achieve economies of scale in the production of cooking oils, fats and cotton cake. The cottonseed which they crush has become smaller over the years, and is less yielding and more difficult to process.
Excess capacity utilization is low	• There is no attraction of new investment into the sector to take advantage of excess capacity. Economies of scale are not reached, adding to lack of competitiveness for edible oil products, including on the domestic market where they have been out-competed by imports. • Low capacity utilization does not allow for economies of scale, the gains from which could partially be passed on to farmers in the form of higher revenue, which would in turn stimulate even greater production. The induced costs of low capacity utilization lead to loss of cost competitiveness internationally and reduced income for the ginner/merchant, leaving little ability to improve farmer support and also offer better prices.
Weak infrastructure	• Frequent power cuts disrupt both ginners' and oil expressors' operations.
High production costs	• High production costs, including high costs of power supply due to (1) inadequate generation capacity; (2) use of more expensive alternative means (e.g. generators); (3) use of outdated transmission equipment; and (4) high labour costs due to the dollarization of the economy and highly pro-employee laws as well as high transportation costs.
Disadvantageous position for oil expressors vis-à-vis prices of ginned oilseed	Oil expressors face erratic, unstructured and high prices of ginned cottonseed such that it becomes very difficult to achieve a profit using local ginned seed. The prices of end products (e.g. cooking oils) were said to have remained the same or decreased, while the price of seed has steadily risen from US$0.18 to as high as US$0.29 per kilo over the last four years.
Government's role in research	Limited Government financing of research at CRI, resulting in ginners not being able to secure the best seed varieties possible.
Use of technological solutions	Government's reluctance to allow the adoption of Bt technology (a GM variety of cotton producing an insecticide). Even with the increased cost of planting seed at inception, Bt would most likely increase output significantly at a lower cost to the farmer while simultaneously saving on production costs.

***** The oil processing industry has a total capacity of processing 275,000 tons of cottonseed per annum. However, the current utilization was 155,000 tons of cottonseed, as recorded in the year 2010/11.

Textiles

The foreign currency crisis in the country during the years 2005 to 2009 resulted in the closure of the majority of spinning firms. The segment is characterized by closures, scaling down of operations and deferring of investment decisions due to an uncertain business outlook. This has resulted in a limited range of textile products and an inability to move up the technology and value addition ladder to develop a wide product portfolio and client base.

Broad topic	Constraints
Production costs	• High production costs caused by high costs of power, labour, transportation (cotton lint is transported by road due to the low coverage of rail infrastructure), etc. • Costs are also high partially due to the high cost of financing imported inputs. Some textile firms import inputs such as dyed yarn from offshore because the yarn varieties available locally are limited, and in addition they are not up to competitive quality standards.
Access to credit	• Access to credit on affordable terms has been a challenge. There are no medium-term or long-term loan instruments, and there are high interest rates and stringent borrowing conditions. • Banks have cited an increasing degree of cases where debts are not serviced/honoured by loan-seekers, especially in cases of extended lease terms.
Availability of power supply	• Electricity is both expensive – at US$0.0986 per kilowatt-hour – and highly interruptible, thus causing the generation of rejects in production and loss of man-hours.*
Local versus international lint prices	• Local lint prices can be higher than international prices. ZITMA members complain that some ginneries reserve low grades of lint for local consumption and this has a negative effect on their ability to meet yarn and fabric quality standards for exports. CGA abandoned the pricing formula that was in place between it and ZITMA after the CTC ruled against CGA for anti-competitive behaviour.
Capacity diversification (capital stock)	• Low production adaptability levels of textile companies due to the limited product range provided by available machinery (buying new production lines is capital intensive and perceived as risky) and the lack of a market-driven approach (choice of produced fabrics is made considering production efficiency rather than to answer market demand). • Firms have not been able to source finances to retool and recapitalize. The result is an accumulation of obsolete capital stock in industry. Poor and outdated capital stock presents problems both in locating spare parts and in frequent breakdowns, and therefore frequent plant downtime.
Human capital	• The economic downturn that began in the late 1990s led to an exodus of skilled workers out of Zimbabwe. Increased human capital challenges tend to lead to brain drain and prevent the achievement of improved and sustained worker productivity.

* The latest business report of CZI indicates the country has a power generating capacity of 1,100 MW, against national demand of 2,200 MW. The gap is meant to be closed by imports, mainly from Cahora Bassa in Mozambique. Firms and businesses incur higher energy costs when they resort to the use of diesel generators in order to continue operating. The unit cost of electricity from a diesel generator is estimated at around US$0.23 per kilowatt-hour.

Clothing and fashion

Broad topic	Constraints
Range and quantity of local fabrics produced	• Only one weaver and one knitter are still operating in Zimbabwe. The weaver only produces a very small range of 100%, medium-weight fabrics, with a limited range of finishes and colour options. They are primarily set up to supply a customer in South Africa who only requires these fabrics and they do not want to broaden their range. Likewise, the knitter makes a small range of 100% cotton medium-weight fabrics in a small range of colours and finishes.
Human capital	• As the use of productivity-linked pay declined, skilled operators have found more lucrative employment elsewhere (either outside Zimbabwe or in other industries), reducing the average skill level in factories.
Quality of local fabrics (especially dyeing and finishing)	• Fabrics produced locally are not of a consistent quality, and the quality is often of a level that restricts their uses to basic garments such as low-cost work wear. The quality of dyeing and finishing, such as shading and colour fastness, is poor, meaning that the fabric can only be used for basic, low-value garments ordered in small quantities.
Raw material – economics of importing versus procuring locally	• While Zimbabwe grows good quality cotton, the yarns manufactured by spinners are coarse yarns which are not combed. This restricts their ability to be used in competitive garments, e.g. T-shirts made from combed, fine yarns are far superior in desirability to consumers. Hence, more T-shirts are imported from Mauritius, Egypt and China than are made locally. • The need to import most raw materials with long lead times puts companies at risk of delays stemming from the logistics involved, with further downtime experienced while delivery is awaited. • The fabric that is available from local mills is sold at a price approximately 40% above the landed cost of best-sourced imported equivalent fabrics. Elements of total cost include economic batch order quantities, etc. which improve the business case for local procurement but are not sufficient to negate the price differential. • As nearly all raw materials have to be imported and Zimbabwe is not close geographically to the source countries, lead times from order to delivery are long. This constrains manufacturers' ability to supply on time, to adapt to changes, and to respond to urgent requests. As the lead time of raw materials is the same as finished garments, the import of the latter is made more attractive. • Due to the low level of exports, shipping and freight forwarding companies load the cost of the freight with the return trip cost, as they are likely to have to return empty. As a result, it is more expensive for a container to be delivered from Durban to Harare than it is from Durban to Lusaka, even though it is further inland. • The working capital requirement of manufacturers is directly proportional the length of lead times for sourcing inputs: the longer the lead times, the more the working capital required to finance a procurement cycle. As total finance resources are finite, based on limited collateral, working capital swallows up resources intended for capital refurbishment, research and development, training etc.
Access to credit	• The finance sector is substantially constrained in its ability to provide affordable finance facilities to meet the above demand. Zimbabwe's inability to service its international debts and the indirect implications of targeted sanctions mean international lines of credit are not available to fill the void.
Ancillary industries	• With the decline of the clothing industry, all the related industries also shut down as their market base shrank. Sewing thread, button, zip and label manufacturers all no longer exist, except for one button maker in Bulawayo making a small range of buttons. The need to import these, with the associated logistical issues, adds to the impediments to competitiveness.
Impact of dollarization on make versus import decisions for buyers (retailers)	• With the implementation of dollarization, buyers (retailers) preferred to import a full range of ready-made garments in a shorter lead time than placing orders with clothing companies to manufacture the same garment.
Alignment with global fashion trends	• High volatility of style changes affects specialization and expertise in production, leading to a reduction in productivity and overall quality.

Broad topic	Constraints
Reliability of power	• Electricity failure and load shedding increase downtime and productivity is consequently lower.
Effect of demand levels on investment and requirement for working capital	• The lower demand for goods has made investment in new machinery and training risky, in turn leading to a lack of innovation and new techniques being employed. Old machinery is less efficient and has more downtime, negatively affecting productivity. The non-replacement of old machinery has also led to uneconomically high maintenance costs. • Low levels of demand at low levels of productivity lead to low levels of profitability. Lower levels of profitability mean a lower capacity to invest in new machinery, technology, systems and training, and so a circle of decline continues. Working capital financing cycles are made long by the need to import most raw materials over a cycle period of four to six months. This cost of finance reduces profitability even more. In addition, to minimize the cost of freight per unit it is often necessary to order more than required, i.e. fill up the container, leading to a greater demand for working capital.

3.6.2. BUSINESS ENVIRONMENT ISSUES

Across value chain

Broad topic	Constraints
Liquidity of banks	• The liquidity situation in Zimbabwe banks ranges from acute to crisis proportions. Local banks have reported a widespread lack of liquidity and therefore inability to lend to industry since the advent of the foreign currency regime.
Lack of availability of affordable finance	• The finance sector is constrained in its ability to provide finance, and if available it is usually at a cost too high to recover in competitively priced goods.
Effect of risk premiums loading on cost of finance	• Finance facilities in Zimbabwe are made more expensive by a risk loading applied to Zimbabwe facilities by international credit providers and insurers. For example, a South African bank which is a majority shareholder in a Zimbabwean bank makes facilities available at 9% in South Africa but 18% in Zimbabwe. This is even though the recovery and performance of loans in Zimbabwe is better than in South Africa.
Human capital at key institutions	• Regulatory authorities are ill-equipped to police any infringements. • MOAMID does not have adequate field staff for monitoring and inspection.
Non-tariff barriers on exports – Reserve Bank of Zimbabwe (RBZ) and the Zimbabwe Revenue Authority (ZIMRA)	• These two agencies have a role to play in facilitating exports from Zimbabwe. However, their focus is on controlling and reporting rather than facilitating and promoting. Bureaucratic procedures and restrictive cultures exist in both agencies. Specific issues include the following. • RBZ maintains a tracking system of exports to ensure that payments for goods are remitted back to Zimbabwe. This system is called the Computerized Exports Payments Exchange Control System, which captures the issuing of all CD1s, the document used to declare exports from the country. Charging for the raising of a CD1 funds the maintenance of this system. The charge is US$5. The catch is that CD1s are not raised by RBZ, they are raised by commercial banks, which charge a further US$5 for acquitting the CD1 against the remittance of payment for the exports. Therefore, an exporter has to pay US$10 for each individual export so that RBZ can ensure they have the moneys remitted back within the stipulated time of 90 days. This is regardless of whether an exporter has a 100% clean record or not. • It is a requirement of RBZ that CD1s for which payment was received in cash, e.g. from regional buyers from a neighbouring country, can only be acquitted against an original Form 47 for the buyer. Form 47 is the form completed when you enter Zimbabwe and declare the cash you are carrying on you. The problem is that regional buyers usually source from more than one supplier, but they can only provide one original of Form 47. • It is an RBZ requirement that any export for which moneys will not be remitted back to Zimbabwe must be pre-approved by them. For the clothing sector, this means each time samples need to be sent to a customer, or potential customer – which is an integral part of doing business in clothing – RBZ approval must be obtained first. Applications for exporting samples are lodged with commercial banks that charge for the service. RBZ will consider the application and advise the commercial bank of the decision. The banks will, in turn, write back to the potential exporter advising the decision. This process can take up to three weeks and the charges levied are greater than the value of the goods. • ZIMRA requires that all goods be exported across the border within 10 days of the CD1 being established. If goods are not exported in that time, the person carrying the goods is fined US$500. Regional buyers will often only travel to Zimbabwe once all documentation is finalized. The CD1 is the first document raised and the balance usually takes two to three workings days to complete. Therefore, by the time customers arrange their travel plans and collect the goods, the 10 days has often already expired and they are liable for the fine. • There is not an efficient method of reimbursing value added tax paid in Zimbabwe when goods bought are taken out of the country. This effectively adds 15% to the price of goods.

Broad topic	Constraints
Infrastructure issues	• Irregular supply of power disrupts operations in the sector and impacts production levels. The operating environment for the manufacturing industry hinges considerably on infrastructure, consisting of factors like power supply, clean water supply, and transport and communication networks. Unfortunately, the question of infrastructure in Zimbabwe is a sore one. The interruptible power supply undermines product consistency and causes loss of production time that translates into failure to provide timely and contractual deliveries to customers. Zimbabwe is a landlocked country and therefore, to compensate for this disadvantage imposed by geography, the country ought to aspire to excel in efficiency. For that to be possible the deficit in infrastructure will need to be dealt with.
Highly pro-employee labour laws (not performance-based/high minimum wage/impossibility of dismissing unproductive labour)	• Labour is highly unionized. Dismissal of any excess labour is expensive because of the compensation requirements of labour laws. Although the Government has agreed to have the labour laws revised to give flexibility, it still needs to have buy-in from labour in the context of tripartite consultation arrangements. There is no work-related pay system in place at the moment.

Cotton farmers

Broad topic	Constraints
Anti-corruption practices	• CGA was found to have been engaging in collusive behaviour and other anti-competition practices by the CTC in its findings of 2013. This has had a major negative impact on farmer perceptions about cotton growing. To the extent that the situation will have been rectified through changes in the regulatory arrangement, or as soon as the corrective measures are effected in terms of the law, a major campaign will be necessary to assure smallholder cotton growers in remote areas of Zimbabwe that the playing field is now more level.
Bt cotton	• There is a need to explore, at the governmental level, the adoption of Bt cotton (a GM variety of cotton producing an insecticide), tapping into ongoing local research initiatives at institutions of higher learning with a view to reducing the cost of insect control through chemical spraying. Zimbabwe is losing the battle of cost competiveness in cotton growing by not adopting Bt cotton.
Extension services institutional support	• Assurance of quality to reduce contamination of seed is limited, with declining extension services and insufficient enforcement of regulations to ensure the destruction of the previous year's cotton plants to avoid the possibility of harvesting again from the same plantings in the current year.
Land access issues and impact on access to credit	• Smallholder farmers have no title to land or long-term bankable land leases/Government guarantees. Lack of security renders the smallholder farmer not creditworthy with the financial institutions currently operating in the economy.
Quality control mechanisms	• Quality control and grading need to be strengthened, particularly with regard to reducing impurities from polypropylene bags. There is a lack of a quality grading system at the farmer level, and farmers are no longer paid a premium for ex-farm gate cotton. There is a lack of training/trainees to understand the correct procedures for producing less contaminated cotton during farming, harvesting, storage and transportation.
Lack of innovative lending products geared towards the needs of micro, small and medium-sized enterprises	• Current financing products are unsuitable for small-scale farmers – lack of relatively longer-term funds at affordable interest rates. • Farmers are currently compelled to seek finance for their farming operations from cotton merchants and cotton ginners, leading to increased vulnerability to inequitable pricing practices.

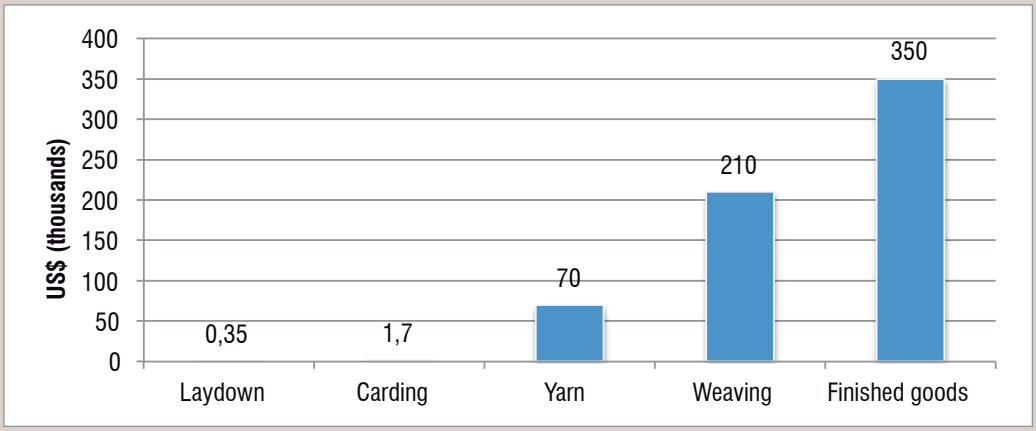
Box 4: Contamination of cotton

Quality of cotton is one of the major determinants of its price. Contaminated cotton becomes sticky and causes obstruction in rollers and waste of dyeing materials, and requires extra efforts during the cleaning process that unnecessarily inflate costs. Leftover embedded pieces of contamination in yarn affect its quality and value, even after cleaning.

Contamination, even if it is a single foreign fibre, can lead to the downgrading of yarn, fabric or garments, or even the rejection of an entire batch. It can cause irreparable harm to the relationships of growers, ginners and merchants with T&C mills. Therefore, cotton contamination not only affects lint prices but also has a negative impact on the branding of cotton.

Contamination represents a significant cost to spinning mills and this has led them to implement ways to cope with the problem. The cost of contaminated cotton actually increases as it passes through higher processing stages, as shown in figure 26. Some of these additional costs include: avoiding or minimizing the use of cotton from origins that are known to be contaminated; establishing spinning mills in countries where labour costs are comparatively lower; employing a large number of people to remove contamination manually from bales; and equipping factories with automatic detection, separation and measurement of foreign material.

Figure 26: *Cost of cotton contamination cleaning through the various stages of processing*



Source: National Cotton Council (1990).

Zimbabwe's cotton is handpicked. Even though handpicked cotton has less plant residues and intact fibres compared with cotton picked by machine, handpicked seed cotton risks contamination during picking, storage, handling and transport. The presence of foreign matter in the fibre sometimes offsets the theoretical advantage conferred by manual picking. Below are some examples of bad practices that may lead to contamination:

- Use of jute bags to transport cotton and polypropylene strings to tie the bags.
- Brooms, brushes and plastic bags amidst seed cotton contribute to contamination.
- Torn clothing worn by cotton handlers and worn-out jute bags used to transport cotton cause threads to drop in the heap, which mix with the cotton and cause contamination.
- Presence of sand in seed cotton during the ginning process.
- Use of cotton fabrics to cover bales causes contamination due to jute strings used for tying.
- Steel wires should not be used for baling. Cotton is sensitive to contamination by rust. Moreover, steel straps could cause fires in a spinning factory when opened by force.

To increase Zimbabwe's cotton value and to ensure flawless branding, Zimbabwe has to keep up efforts on contamination eradication. A strategic orientation for Zimbabwe's cotton is indeed to reach 'zero contamination'. This requires continued efforts on quality and raising awareness on good practices throughout the process among farmers and ginners, as well as policymakers. A common approach needs to be adopted by all involved stakeholders. Some of the key criteria and good practices that need to be implemented are listed below.

Source: International Trade Centre (2014). Trade Promotion and Value Addition for African Cotton.

Cotton ginning and seed processing

Broad topic	Constraints
Seed cotton marketing regulation – side marketing	• While section 14 of the Governmental SI 142 on cotton marketing of 2009 addresses side marketing by making it mandatory for farmers to sell their seed cotton to the contractor that provided them with inputs, amendment SI 65 of 2011 rules that any contracted farmer is obligated to supply a maximum of 700 kg per ha to any one contractor, and thereafter is free to sell to any other contractor. It is thus reportedly difficult to determine what is free cotton and what is contracted cotton. • One ginner wrote a letter to the regulator (AMA) in mid-2013, complaining that one of the new ginners had enticed some of his contracted farmers to sell their contracted cotton to this newcomer and the regulatory authorities had failed to deal with the situation in terms of the provisions of the regulations controlling side marketing. There has been evidence of poor practices of good governance by some ginners (side marketing). • A concerted effort needs to be made by all stakeholders to desist from side marketing by educating the players on raising productivity and yields on cotton farms so that the overall supply situation is improved.
Thirty per cent lint quota* (requiring ginners to retain 30% of their production for local industry)	• Members of CGA need to sell cotton lint as speedily as possible after the ginning season; however, the requirement that 30% of all cotton lint should be reserved for local value addition means ginners incur a carrying cost that is not passed on to local spinners.
Access to finance	Ginners, together with other business enterprises in Zimbabwe, have no access to medium-term and long-term loans because the banks are not raising sufficient deposits that remain with them long enough to allow them to offer long-term loans.
Investments	• Equity finance is also in short supply because the country has a bad investment image both locally and internationally. • There is no detailed investment priority plan for the sector to indicate which areas are a priority within the value chain, perhaps because they are a nodal point for kick-starting the turnaround in the chain or indicating which areas could be low-hanging fruit for quick wins. This would be an investment promotion tool for ZIA. • ZIA does not seem to have a special focus on the value chain, even though development plan documents have indicated the sector as a priority area for investment and, by extension, for promotion. There is a disconnection between ZIA's focus and what MIC sees as a priority. This could be an institutional location issue, as ZIA currently reports to Government through MoFED. • The indigenization law has led to a 'wait and see' attitude by foreign direct investors in the sector, with investors hoping that Government will amend some aspects of the law. The enforcement of the law has also been unpredictable, and discouraged foreign investors due to incurred risks. • Bilateral protection agreements are also not always observed to the letter. The withdrawal of the Export Processing Zone (EPZ) regime left companies established under that dispensation without the continued enjoyment of the benefits that had been promised as an inducement to register as EPZ operators. • Laws introducing new dispensations, such as the proposed new Special Economic Zones (SEZs), do not reassure the prospective beneficiaries that no future changes will affect them.

Broad topic	Constraints
Cottonseed pricing	• The order from CTC that ginners should not negotiate as a cartel has resulted in the abolition of the price-setting arrangement between farmers and ginners, making it more difficult to buy and sell seed cotton between the same parties. There is no pricing mechanism for ginned seed between oil expressors.
'Free rider' ginners (newly established in Zimbabwe)	• The new entrants from Asia in the ginning industry have not fully observed the provisions of the Labour Act. This creates an uneven playing field for those local firms that are more strictly supervised and adhere to local labour laws.
Quality management	• Cotton certification: low impetus to pursue certification efforts further. To date only the Cotton Company of Zimbabwe is certified by the International Organization for Standardization (ISO). For the rest of the players there are no ongoing programmes to seek the SAZ's services on quality certification or for quality self-regulation. • Oil industry: oil expressors have not been stressing product certification under internationally accredited standards bodies. SAZ – the ISO representative in the country – has not been fully utilized by ginners and oil expressors in creating standards for the sector's products or for imported competition. The oil expressing industry particularly could benefit from the establishment of a standard on safety in food management, and be better enabled to trade regionally riding on that standard. • In a 2011 paper, SAZ showed that there were only 120 companies in the country certified in quality management systems, 23 certified in environmental management, 17 in occupational health and safety, and just seven in food safety. SAZ is now working on compulsory certification, according to one of the directors of MIC in March 2013. Low demand for SAZ certification by local firms is the result of the difficult business environment over the past decade and at present.
Trade facilitation and logistics	• Trade routes to the coast are long and there is no direct railway connection in place, forcing ginners to use expensive road transport to Durban port. Although Zimbabwe is landlocked it must still have access to the sea through neighbouring countries' seaports. There is no direct rail link to the preferred Durban Port, which is considered more efficient than the nearer ports in Mozambique. This raises the costs of exporting, as already discussed under supply-side constraints. • The delays caused by an inefficient clearing system at border posts such as Beitbridge result in high costs due to penalties and demurrage charges. ZIMRA and all border post authorities need to improve their efficiency to promote business competitiveness. The Beitbridge border post is notorious for the long haulage truck queues. South African border officials blame the Zimbabwe side for the delays. • A study at the Chirundu border is quoted as indicating that the cost of delays by one day at the border, before it became a one-stop border post, used to hover between US$250 and US$500. When Chirundu became a one-stop border post, the clearance of trucks was reduced from three days to two hours, according to another evaluation study.
Business environment distortions incurred by international practices (subsidies in leading cotton-producing countries)	• It is estimated that the United States, China, India and the EU spent a total of US$47 billion over the nine years to 2014 in subsidies to their cotton farmers. The effect of these subsidies is to depress international cotton prices by 10%–13%. • Local ginners face unfair competition internationally, without any financial support or subsidies from Government, while their competitors from the United States, China and other countries grant huge subsidies to their farmers.
Institutional support	• Zimbabwe ginners are price-takers on the international market for cotton. The support services of business associations are weak on market information and market intelligence. There is no training provided by business support institutions. Ginners have limited experience in analysis of available market information.

* The government has ensured that the local textile industry's lint requirements are satisfied by prescribing a statutory 30% lint quota that each ginning company must reserve for the domestic textile market. Ginners are only permitted to export 70% of their lint after demonstrating ability to fulfil the local quota. When the domestic quota exceeds demand, the surplus lint is channeled to exports. Of the 30%, only 3% to 5% are actually used by local textile industry. However, ginners are required to keep the 30% of production and demonstrate that this 30% is potentially available for local industry.

Textiles

Broad topic	Constraints
Weak plant capital equipment, management and maintenance systems	• Breakdown maintenance practices supersede planned maintenance management systems because the equipment and processes are unreliable, resulting in the loss of production. Because of the loss of experience and expertise to the brain drain over more than a decade, plant maintenance and management systems can at best be described as weak. The industrial accident rate in a country like Zimbabwe also tends to be high on a per capita basis: this point requires further investigation. • Production is limited by low and unreliable capacity of outdated equipment. Production is often interrupted due to defective parts and inadequate maintenance and management practices (shortage of qualified technical staff). • Firms do not always manage orders and plan manufacturing resources/raw materials properly, i.e. underdeveloped manufacturing and business management practices. • The operating environment does not motivate management in firms to be as forward-looking as they should be. It could be possible that the managements lack dynamism, but it is likely that the operating environment is the greater problem. Management in Zimbabwe firms need to be trained to be more adaptable and to adopt the culture of using best practices.
Human capital	• There are deficiencies in design skills and technical aptitudes in pattern-making within the industry in Zimbabwe. These capabilities are a necessity if the sector is going to excel in differentiated products that are going to find a niche in the world market. • No existing partnerships with national or foreign fashion and design schools and universities. Neither with engineering schools, particularly related to textiles and information technology.
Underdeveloped banking sector and access to credit system	• The financial tools available to businesses in the sector, embedded in the Economic Partnership Agreement (EPA) that Zimbabwe signed with the EU in March 2012 in the context of being part of the ESA regional grouping, have not been exploited. These are loan finance funding mechanisms and quality standards to meet EU product quality requirements.
Infrastructure	• Frequent power shortages are specifically affecting textile and dyeing segments, causing production losses (textile and dyeing processes require constant power supply). Textile manufacturers report that their dyeing operations are adversely affected by electricity supply interruptions, which results in the production of rejects, and wastage of materials and imported chemicals. Above all, this scenario has the wider consequence of delays to supply clients and/or loss of market.
Weak regulations to prevent imports of cheap fabrics, clothing & SHC from Asia have resulted in tough competition for locally produced T&C products	• A study entitled *The Impact of Second-hand Clothing Trade on Developing Countries* (September 2005), conducted by Sally Baden and Catherine Barber under the auspices of Oxfam, linked the trade in SHC to the decline in industrial textile/clothing production and employment in West Africa in the 1980s and 1990s. The situation in Zimbabwe is not very much different. • Given the high levels of poverty in the country, effective controls are difficult to achieve because the SHC trade has become a new sub-retail sector in the economy. SHC trade therefore touches many livelihoods, and its customers cut across all social segments. • Customs agents are not trained to recognize and distinguish garments' origins. Imports of SHC come into the country mainly via Mozambique and Zambia, i.e. through porous borders. In the case of Mozambique, cross-border importers have managed to open alternative crossing routes through uncontrolled terrain.
Investments	• Lack of new investments in the textile subsector, due to the disabling indigenization law and the disconnection between MIC, MoFED and ZIA. • The environment for foreign investment in the textile subsector is undermined by lack of a synergistic Government policy towards foreign investment. At public platforms, associations like CZI and the Zimbabwe National Chamber of Commerce, and the Ministers of Finance & Economic Development and Industry & Commerce speak in favour of foreign direct investment and they make promises to the effect that Government policies and laws will be modified in order to create conducive conditions for investors, while the custodian of the indigenization legislation – the Minister for Indigenization – speaks contra to modification of indigenization laws and such similar policies.

Broad topic	Constraints
ZITMA capacities	• The capacity of ZITMA leaves much to be desired. For any representative association to be effective and to do more footwork on behalf of its membership, it needs to have a full-time, well-resourced and capacitated secretariat. In order for that to happen, membership needs to be fully paid up and the subscription fees would need to be raised. In today's subsector performance environment, the prospects in that direction are not very promising, certainly not in the short run. • ZITMA members produce a narrow range of fabrics and are not able to supply the variety of fabrics offered by imports. Members of ZITMA operate as competitors and not as a cluster, so they fail to attract large foreign buyers. The members are focused on supplying the small local market and as a result their capacity utilization is small. The members generally offer expensive products. • ZITMA has seen an opportunity to switch to imported poly-cotton fabric that is more attractive and cheaper in making garments. Unfortunately, clothing articles made from these fabrics are deemed not to be originating from the region and are not given duty-free status when exported within the region under the SADC protocol. • ZITMA and ZCMA represent employers that pay the lowest wages in the country and are perceived as not paying a poverty datum line wage. As such, wage negotiations are nearly always guaranteed to be extended and to involve and require arbitrators and legal battles. This is expensive and time-consuming.

Clothing and fashion

Broad topic	Constraints
ZIMRA and administration of importing	• ZIMRA administers imports by the limitations of its systems rather than finding ways to facilitate trade. For example, when EPZs were established, no capability to handle the status and requirements of the EPZs was added to ZIMRA systems. At present, ZIMRA will not allow split entries on importation. So if a company imports goods partly for local consumption and partly for export, they have to pay duty on all the goods or import all the goods into an import processing zone/bonded warehouse and must use all the goods for export only. This leads to either extra costs or the need to hold uneconomic levels of stocks, negatively effecting competitiveness. In addition, goods imported under a duty rebate system – whether bonded warehouse, import processing zone or clothing manufacturers rebate – must be physically offloaded in a bonded warehouse and then reloaded and delivered to the import processing zone or clothing manufacturers' rebate warehouse. The additional cost and delay involved is significant.
Cost of labour	• Although the labour rates in clothing are the lowest of all the industrial sectors, they are the second highest in the region. Only the formal South African market is higher. However, more than 60% of the formal industry in South Africa pays less than the minimum wage agreed for the industry and are non-compliant. The cost of labour is accentuated by the plethora of levies and charges related to employment. Industry pension fund contributions, National Social Security Authority (NSSA) pension fund contributions, Workers Compensation Insurance Fund levies, Manpower Development Fund levies, skills development levies and NEC levies are all paid on top of the minimum wage and are solely for the benefit of the employee, except for the NEC levies. These all increase the total direct cost of employment. In addition, there are significant indirect costs of employment, as many of the employment benefits are in excess of international competitors, e.g. annual entitlements of one month's paid leave, six months sick pay, 12 days compassionate leave, 98 days maternity pay, and open-ended retrenchment subject to negotiation.
Productivity-related pay	• High costs of labour can be partly offset by efficiency and productivity. While labour costs were low during the days of the Zimbabwean dollar as the national currency, there was little incentive to invest time and resources in productivity-related pay schemes. The cost of labour has more than quadrupled in US$ terms in the last four years. While manufacturers are aware of the need for productivity-related pay systems, they are unsure of how to implement them. Further, the overall downturn in business has led to manufacturers working on a greater number of small orders.
Skills shortage	• A significant number of skilled workers have left the industry, either to other countries or other industries. The national training and skills development infrastructure also suffered from the economic downturn. The clothing industry used to have its own technical institute for training in all related skills but this is no longer operational.

Broad topic	Constraints
Awareness of new technologies and use of best practices	• Manufacturers have not adopted a strategy of keeping up with new technological developments, new market developments in production techniques or fashion trends, and have tended to keep doing what they have always done in the same way with the same resources.
Plant and equipment upgrades and maintenance	• Constrained resources have meant that plant has not been upgraded and maintained as it should have been. This negatively affects efficiency and profitability. Software upgrades to the latest versions of computer-assisted design systems, along with administrative systems and computerized manufacturing systems, have generally not been implemented. There is a trend internationally to outsource some of the design/computer-assisted design functions, but these are generally not being used as an alternative. Insufficient machinery maintenance practices cause rapid equipment obsolescence, frequent breakdowns and production interruptions.
Lack of defined national local buying strategy/policy	• A culture of preferring to procure imported goods rather than locally made goods is prevalent. There are several bases to this culture: • A lack of awareness that locally made goods are still available • A lack of belief that the local industry will be able to deliver as promised • A belief that imported is better, enshrined from the days of economic sanctions last century and reinforced in the economic meltdown last decade when shop shelves were mostly empty • The ability to get bargains due to lax enforcement of duties • Misrepresentation by buyers who want to be sent on all-expenses-paid international trips rather than deal with local suppliers • Influence of international companies' group policies, e.g. Edgars South Africa dictating what Edgars Zimbabwe should stock • Transfer pricing.
Impact of dollarization	• The dollarization of the economy was an essential economic step to take, but it came with a cost. Trade policy had been progressively liberalized since 1980. Zimbabwean manufacturers were at their weakest point, having endured a decade of unprecedented economic decline. At the same time the Asian tigers, Brazil, the Russian Federation, India and China and various other countries had experienced unprecedented economic growth and productivity. Suddenly, and instantly, every person within Zimbabwe was enabled to import whatever they wanted from wherever they wanted. Zimbabwe's largest trading partner is South Africa and the rand has weakened substantially over the last year, making South African imports relatively cheap and Zimbabwe exports to South Africa relatively expensive.
Infrastructural impediments	• The continual supply of electricity and water cannot be relied on, and scheduling of 'cut-offs' is often not adhered to, in addition to regular unscheduled breakdowns in supply. • Roads are poorly maintained, slowing down distribution times and raising the cost of maintaining distribution vehicles. Coal for boilers must be delivered by road due to the failure of National Railways of Zimbabwe, and this delivery cost is four times what it would have been by rail. • Zimbabwe is reliant on South African ports for imports and exports. These are congested, subject to industrial action and far away. This has been discussed already.
Compliance requirements and the impact on costs of doing business	• All companies in Zimbabwe are subjected to a multitude of compliance requirements, all of which require a fee to be paid. Local municipality factory licences are required annually, with additional licences needed if there is a sales outlet and a further one for a staff canteen. NSSA also requires an annual factory licence. The Environmental Management Agency requires quarterly licensing of each item of plant which makes emissions into the air, i.e. one for each boiler and each generator etc. They also require any waste effluent to be analysed and licensed on an annual basis – all at a fee. Boilers must be certified by an inspector each year, and licensed. Firefighting equipment must be certified every six months. • Audits are carried out on all tax payments, but individually by class of tax, e.g. pay-as-you-earn tax is done as one audit, value added tax as another and corporate tax as another. NSSA contributions and Workers Compensation Insurance Fund payments are audited by the Ministry of Public Service, Labour and Social Welfare; skills development levies payments are audited by MIC; and Manpower Development Fund levies by the National Manpower Advisory Committee. Industry pension fund and NEC contributions, along with wage levels paid and other conditions of employment, are audited quarterly by NEC. Although none of those audits in this paragraph are charged for, they absorb a significant amount of resources.

Broad topic	Constraints
Weak formalized linkages with tertiary institutions and the fashion industry	• There are six tertiary institutions offering T&C design courses, but their curricula are not synchronized with market requirements and there is no formal manner of providing a conduit to employ the graduates in the industry, other than industrial attachments during the qualifying process. The resources of the institutions are not used for market analysis and empirical studies of the industry, which further link the two. • The fashion industry is fragmented into local groups whose focus is around a particular annual event – e.g. Zimbabwe Fashion Week, Zimbabwe Fashion Weekend – or is simply a social group of like-minded people. • Existing designs are mostly repeated, and replication of product models/designs among local clothing companies is common, i.e. weak product differentiation.
Inadequate control of imported clothing	• It is estimated that 75% of the clothing purchased in Zimbabwe each year is imported. Most of these imports do not pay the correct duties for four basic reasons: a) Under-invoicing on price and/or quantity b) Abuse of preferential trade agreements c) Corruption d) Redirection of donated SHC.

3.6.3. MARKET ENTRY ISSUES

Across the value chain

Broad topic	Constraints
Export finance	• Exports are not maximized, owing to the inability by most firms to fund exports. Most buyers for exports expect to pay after 90 days by letter of credit, and on a cost, insurance and freight (CIF) basis, so the exporter needs cheap finance to export.
Pricing trends in international markets	• Low prices and the low profit trends of the export market are not attractive to local suppliers.

Cotton farmers

Broad topic	Constraints
Limited market knowledge	• Farmers cannot afford to grow free cotton to enhance their bargaining power during price negotiations with merchants and ginners, as well as help increase the supply of seed cotton. This situation is a major contributor to the perennial issue of haggling over the price at which seed cotton is sold to ginners and cotton merchants.
Effect of price instability	• There are no national or local interventions/mechanisms to address international price volatility and to allow producer prices to reflect changes in world prices. There is no price stabilization and no stable price-setting system. An important effect of price instability is that uncontrolled market price volatility threatens income security and often results in further slides into poverty. • Pricing also takes place at the end of the season, which does not allow farmers to have a prior understanding of potential returns before planting. A preseason pricing mechanism would benefit farmers more. • The prices for seed cotton are confusing and uncertain to farmers. There is no pricing mechanism acceptable to both parties (farmer and contractor). The issue is too politicized, making it more difficult to resolve through a business-to-business approach. There is an asymmetry of negotiating power between the players, i.e. the farmer and the contractors, since cotton is now grown under contract arrangements.

Box 5: Cotton marketing

Zimbabwe's cotton commercialization and image are inescapably linked with those of the cotton produced on the entire African continent. Even though Zimbabwe's cotton entails specific characteristics and is of a considerably higher quality compared with regional competitors, such as the United Republic of Tanzania or Mozambique, it still encounters the same commercialization issues as most of the cotton produced in Africa.

Cotton produced in Africa is mainly exported by international merchants to Asia, where today almost 80% of world cotton fibre is processed into yarn. The fibre transformation rate in anglophone Africa is 30%, and in Zimbabwe only 5.2%.[23] On average, 84% of sub-Saharan African cotton is exported as lint, almost exclusively through intermediaries.[24]

The high rate of cotton exports demands a closer link with the market, more so with the emergence of strong new competitors such as Brazil and India. Closer interaction with clients and cotton consumers is vital to maintain international competitiveness. African countries have traditionally focused their attention on production rather than on the market. Market linkages towards Europe, and since 2005 increasingly towards Asia, were secured by international cotton merchants. A market-oriented culture did not develop because market-related aspects were handled outside of Africa. Moreover, in the past, cotton almost always sold easily because world cotton demand was higher than world cotton production. As a result, direct market linkages with clients did not develop and therefore no direct feedback loop from spinning mills back to ginning companies and producers emerged.

This is a strategic disadvantage in a declining market, as was the case in the 2013/14 season, and in slow-growing markets, as forecast by the International Cotton Advisory Committee for the season to come. Therefore, as in all African cotton-producing countries, Zimbabwe's cotton producers need to find a strategic solution to integrate a market feedback loop into their operations and link market-related activities closer to adaptations at the production level.

Competitiveness starts from the market. A clear understanding of the entire value chain and the market, as well as the client and the client's client, is necessary to become competitive. This is very obvious with regard to consumer goods such as garments. Without a clear understanding of fashion trends and market/buyer requirements, a clothing manufacturer will not be successful in world markets. This, in principle, is no different for a commodity such as cotton. For example, American farmers and cooperatives, and more recently their counterparts in Brazil and India, have organized market familiarization missions to cotton-consuming countries in Asia, in part to learn what their clients expect from them but also to promote their cotton. However, African cotton companies, independent ginners and producers (i.e. cotton stakeholders) have hardly ever had this opportunity. As a result, they have no clear understanding of the entire value chain, nor of the immediate market where their cotton is being sold.

Direct contacts with the immediate consumers of their cotton, i.e. spinning mills, have been rare, and direct feedback on quality and buyer requirements was sporadic and often filtered by intermediaries. If feedback or training was given it was provided to the sales directors of ginning companies only and did not filter down to the producer level, thus depriving sector stakeholders of vital information for improving quality and customer services. Such a selective approach risks creating a dependency relationship, and could be seen as favouritism if vital information and knowledge are not passed on to all cotton stakeholders. As international competitiveness starts with understanding the market, a feedback loop needs to be introduced that links producers and ginning companies more closely to the market.

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23. Own calculations based on International Cotton Advisory Committee figures for season 2013/14. Anglophone countries include South Africa, as well as West African countries such as Ghana and Nigeria that have more important transformation rates than most East African cotton-producing countries.

24. Knappe, M. (2010). *Understanding Cotton Demand and Promoting Origin – The Example of African Cotton.* ITC.

Modern approaches to competitiveness stress the importance of a holistic value chain understanding. This means that before cotton stakeholders can engage in a more proactive approach to marketing, the necessary condition – a full understanding of external issues, i.e. the value chain and world markets – needs to be met. In addition, cotton stakeholders need to find ways to translate gained information and knowledge into know-how that is applied at national and regional level. To achieve this, a three-step approach is required.

The first step is to understand the value chain and the various steps of value addition until the cotton reaches the final consumer in the form of a cotton garment. This mainly includes the spinning process, but should extend towards the fabric-making process, the clothing manufacturing stage and the end consumers' fibre preferences. Understanding the value chain also includes an in-depth understanding of common trading practices and their advantages and disadvantages.

The second step is to understand the specific market and buyer (client) requirements at each stage of the value chain. At each stage a processed cotton product finds a new buyer with a particular requirement. These requirements, while different, have their origin in the quality and type of cotton garment demanded by the end consumer. Depending on the garment, specific processes need to be applied during the various T&C manufacturing stages of the value chain. In addition, for each product and corresponding processing technology, different types of fibres and fibre qualities are required. To offer the required fibre quality and related services to clients, cotton producers would thus need to understand these quality requirements.

Understanding buyer requirements thus refers on the one hand to product quality requirements related to the fibre and its cleanness. On the other hand it refers to tailor-made solutions and business practices according to the specific needs and wishes of cotton-consuming spinning mills. In that respect cotton trading and marketing becomes a service-intensive industry.

The first and second steps (the necessary conditions) will give cotton stakeholders a good basic knowledge and overview of the value chain and market requirements. It would defeat the purpose if all stakeholders became experts in all aspects. However, a good understanding of the major issues is necessary to address production-related aspects in Zimbabwe, such as contamination.

During the third step, value chain and market knowledge is applied at the national and regional level to build capacity to respond to market and buyer requirements. This includes the following activities:

- Translating market knowledge and quality requirement insights into practical application at the production (i.e. ginning and farming) stage
- Maintaining these applications on a large scale with thousands of small-scale farmers
- Building the capacity of multiplier organizations in the form of national and regional producers and ginning associations.

Cotton marketing and promotion of African origin

Analysing the four Ps of marketing with regard to their cotton reveals potential for Zimbabwean stakeholders to play a more active role in the market, as follows.

Product

The product has always been the focus when it comes to cotton marketing. Cotton, like any other product, needs to satisfy the wants and needs demanded by a consumer, i.e. a spinning mill. Satisfying the demand of the consumer means producing a product for the market rather than just producing a product and then looking for a customer. This also applies increasingly to a commodity such as cotton. African competitors in the United States, Australia or Brazil, for example, are actively developing new varieties that help clients to find new applications and solutions using cotton. Until now, Zimbabwean producers and ginners have not developed direct relationships, including a direct feedback loop with existing clients or potential new clients.

The marketing component of cotton production usually begins with the product, i.e. lint quality. Several quality factors can have a significant impact on the price paid, and quality factors determine the grade. The components of cotton grade determinants include leaf grade, fibre length, uniformity, strength, micronaire, trash and colour.[25] In addition, clean (i.e. non-contaminated) cotton can get price premiums, while discounts may be applied to highly contaminated cotton. Thus the higher the grade and the lower the contamination, the higher the possible price premiums. The lower the grade and the more contaminated the cotton, the higher the price discounts will be.

At the national level, the fibre characteristics of African cotton are relatively homogenous because growing conditions are similar and the number of varieties is low. However, bale variability is much higher in Africa than in most competitor countries, because the cotton from various farmers is often mixed into a single bale.[26] This is one of the reasons why African cotton is penalized on world markets. More important, however, is the fact that high quality lint that is not reliably classified (including through high volume instrument testing) will not earn the premium that it otherwise would. These problems concern Zimbabwe in particular, where the high variation of altitude requires farmers to cultivate multiple varieties of cotton and the classification of the fibre is not consistently implemented.[27]

Price

Individual cotton producers are price-takers without any possibility of influencing the price. As with any commodity, world market prices are determined by world supply and demand. These market forces are channelled through and meet at commodity exchanges where world market prices are determined for a standard product with predetermined quality requirements.

World market prices are highly volatile and expose suppliers as well as consumers to large price risks. A marketing plan, therefore, is often a price contingency plan of action that the producers will take in various possible, but ultimately uncertain, future situations in the market.[28] A traditional marketing plan offers growers and spinning mill customers alike a choice of contracts that include a variety of price and delivery alternatives. In essence, it is an insurance programme for a cotton company, combining elements such as forward contracting, selling at harvest, marketing pools and use of bonded warehouses. This enables each party to manage its market exposure.

Differentials in quality will be reflected in price changes: with improved product quality, premiums can be achieved that increase the price. For small-scale farmers this needs to be done collectively, as otherwise the quantity will be insignificant. The development of a quality image or even label could also increase the possibility of achieving premiums. Probably the most important aspect for African cotton in that respect is to reduce contamination, as price premiums could be achieved with cleaner cotton. For premiums to be sustainable, the price policy needs to be well communicated to spinning mills, which will entail the need to cooperate closely with international cotton merchants.

According to the World Bank, concentrated sectors such as Zimbabwe received substantial premiums in the past. But in order to continue receiving higher prices, Zimbabwe's stakeholders need to continue investing in quality and striving to achieve zero contamination production.[29]

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25. Dumler, T.J. and Duncan, S.R. *Cotton Marketing Basics.* Kansas State University. Available from www.agmanager.info/marketing/publications/marketing/cotton_marketing_basics.pdf.

26. Tschirley, D., Poulton, C. and Labaste, P., eds. (2009). *Organization and Performance of Cotton Sectors in Africa: Learning from Reform Experience,* p. 83. Washington D.C.: World Bank.

27. *Ibid.*

28. Texas A&M Agrilife Extension (n.d.). The cotton marketing planner. Available from http://agrilife.org/cottonmarketing/.

29. Zambia received + US$0.04/lb, Zimbabwe + US$0.03/lb and Cameroon + US$0.02/lb in the 2006/07 season, while Mozambique and the United Republic of Tanzania received deductions of US$0.02/lb each for their cotton. Ibid., pp. 85–89.

Place

Distribution policy appears relatively unimportant, as cotton is a very storable commodity and transport is relatively inexpensive. However, as Asian spinning companies buy 'cost and freight' or CIF to Asian ports, African ginning companies, who used to sell 'free on board', need to bridge the gap. Cotton of African origin has traditionally been distributed through international merchants that buy from the ginnery and find spinning mills in Asia that use the cotton. This takes place without the involvement or knowledge of cotton producers and ginning companies.

Distribution policy is therefore not being created directly by African cotton stakeholders. International merchants offer a mix of different origins to spinners to cater to the specific requirements of the client. This mix usually follows the product quality requirements (grade and contamination level) of the client but does not take account of origins if not specifically requested. As international merchants are pure service providers, catering to the needs of spinning mills, their applied distribution policy does not necessarily cater to the needs of specific origins. There is therefore no specific distribution policy in place for African cotton.[30] Thus, if Zimbabwean cotton producers would like to promote their cotton more actively they will also need to take over more responsibilities and introduce flexibilities with regard to the distribution policy required by clients in the market. More services would need to be offered to spinning mills, starting with an offer that fulfils expectations on cost and freight or CIF delivery.

Promotion

Being a commodity, promotion activities for cotton are somewhat limited, as promotional efforts have been most successful for products with brand recognition. For that reason a large part of ongoing promotional activities focus on cotton as a fibre against other competing fibres (mainly polyester and other artificial fibres). But this does not favour one origin over another and attracts free riders that benefit from activities promoting cotton as a whole. African cotton has mainly benefited from promotional activities undertaken by other cotton-producing countries, most notably the United States.

While promotional activities for a commodity such as cotton are less effective than those for consumer goods such as clothing, promotional activities nevertheless have a potential impact on cotton sales in destination markets. Some major producing countries, such as the United States, Australia and Brazil, have managed to create a quality image and brand recognition in the market that helps to cash in premiums over other cotton. Indian cotton, which had a notoriously bad reputation only a few years ago, has been improving its cotton quality through large investments in upgrading ginning capacities and quality improvement measures undertaken under the leadership of the Ministry of Textiles. In addition, India has been able to successfully communicate these improvements and reverse its image among clients.

Many Asian spinning mills associate cotton from the United States or Australia, for example, with very clean and thus non-contaminated cotton, and are willing to pay a higher price (premium). While both countries work with very sophisticated classing and grading systems at bale level, the United States also follows resource-intensive promotional campaigns to cement its positive brand image in the market.

In contrast, African cotton is not promoted in major cotton-consuming markets. In fact, the successful promotional activities of other cotton origins, combined with an existing negative reputation due to issues of contamination as well as stickiness (in the past) in some African countries, has created a negative image of African cotton among many spinning mills. While this image might not necessarily reflect the status quo of African cotton and is a generalization of the situation, it has created a perception of African cotton that is unfavourable.

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30. Exceptions can be found in cases where merchants also operate ginning factories, which is the case in several African countries.

This is particularly the case for Zimbabwe, which received premiums for its clean cotton from knowledgeable spinning companies with experience in using this specific cotton. Overall, however, the generalized view of many spinners in Asia, who regard African cotton as one single origin with high contamination levels, is a heavy burden on Zimbabwe's cotton production. In order to reverse this, promotional activities in the market are vital to communicate the efforts undertaken and results achieved to reduce contamination and enhance quality in Zimbabwe. Such efforts need to involve Zimbabwean stakeholders, but also international merchants.

To the four Ps of marketing one could add a fifth, namely **people** – the building of capacity among all cotton stakeholders is an important prerequisite in order to achieve long-lasting, sustainable results.

Source: Extracts and adaptation of : Knappe, M. (2010). *Understanding Cotton Demand and Promoting Origin – The Example of African Cotton*. ITC.

Cotton ginning and seed processing

Broad topic	Constraints
Brand image	• No national cotton brand has been developed. There is no national brand identity. • A handful of local ginners who lack appreciation of the importance of quality issues at the cotton-growing level have cost the country's image as a supplier of high quality cotton lint.
Limited collaboration with international spinning mills	• There is need to sustain and expand established collaboration and capacity-building initiatives with Asian spinning mills and transform these into long-term partnerships. Ties with these mills are not fully exploited. There are no sustainable activities, such as capacity-building for local spinners, which could increase and reinforce ties between them and ginners.
Limited role of Zimbabwean commercial attachés in international locations	• There is limited dialogue between the public and private sectors and the commercial attachés based in foreign target market countries. As a result there is little participation by Zimbabwean businesses in international trade fairs, buyer–seller meetings and other international promotion activities.
Inadequate information on international market segments	• There is limited understanding of the expectations and/or requirements of the Asian spinning market by ginners. The ginners are dependent on international cotton traders for their marketing to Asian markets; Indonesia is an example of a market that Zimbabwe already supplies but through cotton traders. • There is limited market intelligence to identify buyers who are willing to pay better prices for non-contaminated cotton. • There is limited reliable and timely information on market characteristics and buyer requirements in terms of distribution channels, preferred payment mechanisms, trends in consumption, voluntary standards and technical specifications.

Textiles

Broad topic	Constraints
Lack of efficient logistics (primarily transportation) services	• The ability of enterprises to get their product to international target markets on time is hampered by weak logistical infrastructure in the country. With the marked dysfunction of National Railways of Zimbabwe, transport to seaports for Zimbabwean producers is now a problem. Even when it has been possible for a firm to put its cargo on the National Railways of Zimbabwe transportation system, the movement of the train system is no longer up to the previous standards. Air Zimbabwe should be required to invest in the revival of its cargo transportation capacity so as to enable the uplifting of light cargo to the EU market, taking advantage of the EPA with the EU. Without the air service, it will be difficult to make timely deliveries to customers in Europe
The cumbersome clearance processes at borders create longer lead times, which generally results in loss of orders	• The problem of delays caused by clearance processes at Zimbabwe border posts rests with ZIMRA and RBZ, both institutions which demand excessive requirements for goods to enter or exit ports.
Buyers' requirements	• Failure to meet international buyers' requirements in terms of volume, consistency and quality.
Research and development	• Research and development activities are not common in most textile mills locally because funding is not available for these activities. As such, the industry is not up to date on changes in market trends.
Quality requirements	• Most textile factories do not have internal quality standards that are recognized by foreign customers. Prices fetched for export goods are thus low, as the perception by buyers is that quality standards are not up to international requirements. • The local textile industry perceives the export market as demanding extremely high quality that is difficult to attain owing to poor skills and inadequate production machinery.
Cumbersome process involved in arranging sampling of textile goods	• Sampling of textile goods to foreign customers requires the exporter to register the export with RBZ by way of a CD1 certificate. This is time-consuming and lengthens the process of selling.

Clothing and fashion

Broad topic	Constraints
Underperformance of ZimTrade	• ZimTrade is the trade promotion agency of Zimbabwe, focused primarily on developing export markets. It reports to MIC and is supposed to be funded by a levy on all exports and imports of 0.001%, matched by an equal amount from Government. Historically, ZimTrade played a significant role in developing export markets and supporting those companies that were, or wanted to start, exporting. During the hyperinflationary period the time delay in remitting collections of the levy removed any value and the Government became unable to maintain almost all funding. Since 2009 there have been efforts to rebuild ZimTrade. It is evident that many people are still unaware of the services ZimTrade can provide and therefore there is a need to empower it further to enable it to realize its true function.
Lack of awareness of the latest trends in fashion and clothing design	• Historically, there was capacity locally to have development workshops, participation in trade fairs, etc. For stakeholders wishing to maintain an awareness of world trends in fashion and clothing design, access to international experts and regional sharing of information and ideas were possible. The undercapitalization of companies and the fading away of trade development agencies has meant this exposure is no longer readily available. Hence, local manufacture of clothing tends to lag behind customer expectations and the latest efficiencies.
Promotion of cross-border trade	• Zimbabwe's landlocked state creates an opportunity to trade with all the surrounding countries and act as a trade hub. Zimbabwe has the distribution network to realize this. However, there are no special measures to facilitate this trade. In reality, it is actually restricted further because regional buyers prefer to source from other countries that do facilitate this kind of trading.

Broad topic	Constraints
Lack of knowledge of required quality standards and facilities	• SAZ is funded by standard development levies paid to MIC and direct invoicing for services supplied. Historically, SAZ provided a full range of testing facilities and advice on standard setting and achievement. They have also declined into a state of severe undercapitalization, as well as inability to meet demand for their services and market the services they can supply, including improving awareness of quality standards and systems.
Inability to deliver on time and with consistent quality	• The long lead times for sourcing raw materials; the cost of doing so; the shortage of skilled personnel, particularly for maintenance of machinery; and low capacity utilization and capitalization all lead manufacturers towards only being able to supply small runs with long lead times. As raw materials are not consistent and production often changes, quality is compromised. If market demand changes, in terms of style and/or quantity, manufacturers cannot respond quickly and meet this change in demand. Strategies to negate this effect include overstocking of raw materials, which can mean they no longer have the resources to procure what is needed as they have used them up on items that are no longer needed.
Access to South Africa on a preferential basis	• The largest market in the region is South Africa. South Africa and Zimbabwe are members of SADC and have a bilateral trade agreement dating back to 1964. To gain preferential access under the SADC Trade Protocol, manufacturers must have used fabric originating from the SADC region. The bilateral trade agreement requires a 20% value addition, which basically translates to manufacture of the garment being sufficient. • The capacity of SADC textile industries is between 10% and 15% of the demand from SADC clothing industries, and therefore the originating requirement is substantially unachievable. Any goods not achieving the originating requirements are levied duty at 45%. • South Africa unilaterally suspended the use of the bilateral trade agreement for Zimbabwean clothing in 2007 by writing to MIC advising that they wanted trade to be conducted under SADC. South Africa imports over 90% of its clothing, but only 6% from SADC countries.
No common focus on marketing Zimbabwean-made goods	• There is currently no successful, coordinated effort to promote awareness and encourage procurement of locally made goods. Buy Zimbabwe was established by the Marketers Association of Zimbabwe but it has largely failed to achieve its goals. Government, although often referring to the need to have a policy of local procurement, has yet to implement anything to achieve it. The private sector and consumers are also not made aware enough of what is available locally and the benefits to them of sourcing locally made goods. • Internationally, the perception of Zimbabwe as a country is mostly bad, with preconceptions of inability to deliver; low standards of morality, ethics and quality; and its problems being self-inflicted and therefore 'it got what it deserved.' This image of Zimbabwe makes it very difficult to market itself without a common focus from all stakeholders to prevent the actions of one undermining the work of another.
Large working capital requirement	• The large working capital requirement to finance the import of raw materials means many manufacturers are unable to accept orders without the buyer financing the raw materials for them. The buyer, given this option, is inclined to simply import the finished goods at no disadvantage to the buyer.
Lack of focus on marketing of corporate social responsibility, SA and environmentally friendly programmes	• There is no coordinated drive to maximize the benefits to manufacturers of these programmes. There is value addition in their implementation and cost savings in some. Programmes like CmiA, and the desirability of water- and electricity-saving initiatives, are poorly researched and have little exposure. The high level of SA which exists in Zimbabwean companies has not been manifested into a competitive advantage.
Expensive distribution channels	• While Zimbabwe has membership in multiple trade agreements allowing preferential access, the logistics and cost of distribution can negate the potential benefits. Even within COMESA, other than the surrounding countries, distribution costs are penal as there is insufficient infrastructure between Zimbabwe and East Africa, sea routes are not economic, and airfreight is too expensive.

3.6.4. DEVELOPMENT ISSUES – ENVIRONMENT AND GENDER

The following section details the environmental and gender considerations for the C2C sector. These considerations are cross-cutting, and as such affect all segments of the value chain – from farmers to exporting clothing companies.

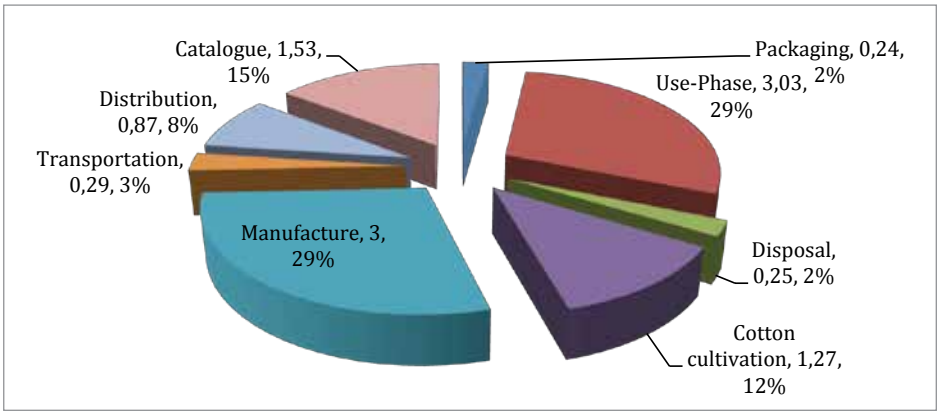
Environmental considerations

Cotton production is known to cause an important impact on environment, considering the prevailing techniques and practices used to cultivate this crop throughout the world. Cotton culture's impact on the environment is translated in important Greenhouse Gas (GHG) emissions and biodiversity losses, as well as pollution of water and soil by chemicals used to grow cotton.

Broad topic	Constraints
Impact of cotton production on climate change and climate change on cotton production*	• Cotton production is both a contributor to and a victim of climate change. Agricultural production, processing, trade and consumption contribute up to 40% of the world's emissions when forest clearance is included in the calculation. Zimbabwe has 492 million tons of carbon stocks in living forest biomass. According to data from the Food and Agriculture Organization of the United Nations, 64.3% of GHG emissions in Zimbabwe came from land-use change and forestry in 2011. Cotton production contributes to between 0.3% and 1% of total global GHG emissions. • GHG emissions in the cotton value chain are derived mainly from the consumer use phase (30%–60%) and manufacture (20%–30%). Emissions from cotton production amount to 5%–12% of the total emissions, as illustrated in figure 27. International fuel-based transport is an important contributor to the value chain's CO2 emissions because at least one third of global cotton fibre is exported from its country of origin. • By the same token, agriculture is extremely vulnerable to climate change. Higher temperatures will eventually reduce yields and increase the prevalence of pests and diseases. Changes in precipitation are likely to lead to crop failures and production declines. While there will be some gains, depending on crops grown and regions, the overall impacts on agriculture are expected to be negative, thus threatening global food security. This assessment applies largely to the regional impacts of cotton production.
Impact of pesticides and insecticides on the environment	• Customarily, cotton farming uses more insecticides than any other crops because cotton plants are very susceptible to insect damage. Cotton accounts for 16% of global insecticide releases. The most commonly used pesticides are Aldicarb and Monocrotophos, which are classified as hazardous by the World Health Organization. Almost 1 kg of hazardous pesticides is applied for every hectare under cotton. This causes pesticide poisoning among farmers and has a negative bearing on the environment. • Pesticides pollute the air, ground and water, which diminishes biodiversity and reduces nitrogen fixation. The use of pesticides also leads to the loss of biodiversity and ecosystem functions. Pesticides remove natural and beneficial insects required by songbirds, which play an important role in naturally controlling pest species in cotton fields. They also kill micro-organisms in the soil, which induces soil erosion and the increased use of artificial fertilizers. Cotton processing and textile production is also a water-intensive activity that impacts the water flow in rivers and affects freshwater ecosystems functioning. • Developing countries' farmers are particularly vulnerable to pesticide contamination and the resulting health issues due to the low levels of safety awareness, lack of access to protective apparatus, illiteracy, poor labelling of pesticides, inadequate safeguards and chronic poverty.

* International Trade Centre (2011). Cotton and Climate Change – Impacts and Options to Mitigate and Adapt. Geneva.

Figure 27: *CO2 emissions of a long-shirt, white, 100% cotton, size 40–42*



Source: Systain (2010). *Study: The Carbon Footprint of Clothing;* Ecotextile News (2009). A step in the right direction, October.

Women in the C2C sector in Zimbabwe

The role of women in the C2C sector varies significantly from one country to another and depends strongly on cultural, policy and historical context. However, trends on the African continent suggest that the main role of women in cotton production is planting (around 55% of the average total workforce in Africa) and picking (around 65% of the average total workforce in Africa). In fact, the more labour-intensive the cotton production, the larger is women's participation. As cotton production becomes more capital-and knowledge-intensive, women's relative participation in planting and harvesting activities tends to decrease. In Zimbabwe's highly patriarchal society, this pattern tends to be confirmed as well. This inability to integrate higher stages of the value chain is caused by a number of constraining factors. They include land ownership issues, access to education, household burdens and lack of inclusion in decision-making.

Broad topic	Constraints
Limited land ownership options	• Land ownership is still a major issue affecting women in Zimbabwe. Zimbabwe's Government has demonstrated increasing awareness of this problem. The new Constitution adopted in 2013 is a step forward towards complete prohibition of gender discrimination because it has eliminated contradictions between customary and statutory law. In particular, the new Constitution stipulates that 'all laws, customs, traditions and cultural practices that infringe the rights of women conferred by the Constitution are void to the extent of infringement.' The previous Constitution protected customary law.* • However, enforcement of the law remains a major problem and women's property still remains an exception. Table 9 indicates that, on average, in Africa women own 25% of the land on which cotton is grown. Although some women farm alone as widows or because their husbands are working in the cities, they are treated as dependents rather than as landholders or farmers in their own right.** Women also still face a high risk of losing their farmland. When a man dies, his children and wives compete for the land, which is often subdivided into unproductively small sections. • Furthermore, land ownership is also addressed in the National Gender Policy of Zimbabwe (2013-2017) as a policy strategy for gender and economic empowerment. It acknowledges that Zimbabwe's land reform, although it did not specifically call for gender equality,*** has benefited women in less proportion. Women constitute only the 18% of recipients under A1**** and 12% under A2,+** far below ideal gender parity.+**
Barriers to education	• Poverty, abuse and cultural practices such as early marriages+*** are preventing an average of a third of Zimbabwean girls from attending primary school and 67% from attending secondary school, denying them a basic education. This percentage is higher in rural areas.+**** This low proportion of educated women is one of the main reasons preventing them from reaching higher stages of the value chain, such as ginning and trading of cotton, as shown in table 9. • Nonetheless, progress in gender parity has also been reported in enrolment in lower secondary school.++*

Broad topic	Constraints
Household work's bearing on women's productivity	Most women are responsible for housekeeping, taking care of the family, and farming food crops and cotton. According to the International Centre for Research on Women, African women provide much of the labour for cotton production on household or male-owned plots. They often have their own plots where they grow food crops and some cotton. The study also highlights the fact that productivity of women's fields is limited, since they have to work in the men's fields and take care of their household and other farm-related chores before they can look after their own cotton fields. Furthermore, their access to inputs, credit and extension services is very limited.
Lack of women's ownership and leadership in the cotton industry	Women's ownership in cotton production is low in Zimbabwe. In terms of decision-making, women are rarely involved, which can be explained by cultural factors and the strong relationship between ownership and leadership. When women do not own land or business, they cannot make decisions. As table 9 shows, the percentage of women involved in ownership and decision-making is nearly the same, with a maximum variation of 10%. The resulting issue is the lack of access by women to income provided from cotton farming to the household. Men are more likely to bring the cotton for grading and therefore control the proceeds. In most cases, it is nearly impossible for women to access profits. Tragically, a high number of suicides of rural women still follow payment periods.

* IRIN (2014). Zimbabwe's women farmers on the rise, 27 May. Available from www.irinnews.org/report/100135/zimbabwe-s-women-farmers-on-the-rise.
** Horsley, S. & Weisenfeld, V. (2005). H*anging by a Thread: Women & the Cotton Industry in Southern Africa.* Harvard Business School and Kennedy School of Government.
*** African Sentinel (2013) Rich girl, poor girl: contradictions of Zimbabwe's land reform. Available from: www.africansentinel.net/Rich-girl-poor-girl-Contradictions.html.
**** Small-scale farm units.
+* Larger-scale farms.
+** Zimbabwe, Ministry of Women Affairs, Gender and Community Development. The National Gender Policy (2013–2017), p.14.
+*** Zimbabwe National Statistics Agency (2012). *Zimbabwe Demographic and Health Survey 2010–2011.* Harare. This report indicates that the median age for marriage for women is 19.7 years old. Early marriages often lead to school dropouts, limiting the career development of young women. See also: Zimbabwe National Statistics Agency (2013). *Women and Men in Zimbabwe Report 2012,* p. 9. Harare.
+**** Plan International (2011). *Because I am a Girl: The State of the World's Girls 2011 ¬– So, What About Boys?*
+*+ African Economic Outlook (2014). *Zimbabwe*. Available from www.africaneconomicoutlook.org/fileadmin/ uploads/aeo/2014/PDF/CN_Long_EN/Zimbabwe.pdf.

Table 9: *Women's ownership and leadership along the cotton value chain in Africa*

	Average % of women in decision-making positions	Average % of women who own fields and businesses	Variation in decision-making positions on the African continent (low–high)	Variation in field and business ownership on the African continent (low–high)
Field	25	20	0–80	0–60
Ginning	15	15	0–45	0–70
Trading	10	10	0–45	0–50
Support services	30	20	0–95	0–90

Source: ITC report 'Woman in cotton – results of a global survey'.

As discussed in this section, The C2C value chain suffers from a variety of constraints along the supply-side, business environment, market entry and development dimensions. These will have to be addressed in order to realize the full potential of the sector. In this regard, it is useful to study current and past development activity undertaken by national and international actors. Also, a study of the national policies and development plans impacting the sector is useful. The next section discusses these aspects in detail.

4. DEVELOPMENT SUPPORT FRAMEWORK

4.1. NATIONAL POLICIES AND DEVELOPMENT PLANS

Box 6 contains a list of some development initiatives and programmes that are currently driving the local economy.

(cc) fotos. Cotton field (wikimedia/commons).

Box 6: List of main national development plans in connection with the Zimbabwean C2C sector

National development plan	Period covered	Provisions related to the C2C sector
IDP	2012 – 2016	• The IDP clearly states that T&C is one of the top priority sectors for national economic and industrial development. • The IDP is in favour of national transformation of locally produced cotton, both through the T&C industry and by-products (cottonseed processing). • The IDP suggests that a successful development of the C2C sector goes through sector clustering, which will facilitate coordination and connection between value chain segments. These are presently geographically scattered and do not communicate. • The regional C2C strategy is well recognized within IDP, as it recommends full alignment of national activities with this framework. • The IDP also tackles the highly debated rule of origin on double transformation applied to Zimbabwean clothing exports to SADC. The double transformation requirement states that in order to participate in preferential and duty-free access, clothing must not only be manufactured within Zimbabwe, but it must also be manufactured from fabric which was manufactured within SADC. The IDP seeks to relax this rule under SADC through a request for waivers and derogation in the fulfilment of the protocol.
Zimbabwe Agenda for Sustainable Socioeconomic Transformation (ZIMASSET)	2013 – 2018	• Although ZIMASSET does not directly provide any directives related to the C2C sector, it promotes contract farming initiatives, which concern cotton production and ginning in Zimbabwe. Contract farming is indeed the most widespread form of cotton marketing in the country.
Medium Term Plan	2011 – 2015	• The Medium Term Plan entails some provisions particularly relevant to cotton farming and ginning activities and the business environment related to the subsector. • The Medium Term Plan is in favour of a more profitable contracting scheme for smallholder farmers. • The Medium Term Plan also promotes continuous improvement of the crop through research and effective extension services in order to increase average yields per hectare. Some specific actions are suggested to achieve this goal: • Institute regulations for the deduction of a levy on cotton lint to provide funding for inputs. • Enforce various policy instruments, including those relating to cotton pest control, improvement of farming methods and increased yield, and broadening of the value addition band at the local level. • Allow more players in the industry. • Improve rural roads to increase access to markets and reduce transportation costs.
National Trade Policy	2012 – 2016	• Although the National Trade Policy does not directly provide any directives related to the C2C sector, it reiterates the selection of the sector as priority for the country (IDP).
COMESA regional C2C strategy	2009 – 2019	• The COMESA C2C strategy was elaborated with the full participation of 11 countries that have C2C industries in the region and finalized in 2009. It looks at the sector through a regional lens, in order to best allocate resources between each country for its development. The present initiative is aligned with the regional COMESA strategy.

ZIMASSET

ZIMASSET identified four strategic clusters – i.e. food security and nutrition through agriculture; value addition and beneficiation; social services and poverty reduction; and infrastructure and utilities – to drive national economic revival over the next five years up to 2018.

Zimbabwe Economic Policy Analysis and Research Unit

The Zimbabwe Economic Policy Analysis and Research Unit, an independent Government think tank, commissioned a value chain study to promote evidence-based policy formulation on specific sectors. The present strategy builds on the results of this study and integrates its major findings. The Unit also commissioned two other cluster studies: in mining, and infrastructure and utilities. The cluster studies have immediate relevance to the C2C value chain.

Quick-win action plans introduced over the period 2013-2015 and relevant to the C2C value chain include resuscitating distressed and closed companies, enhanced support to small and medium-sized enterprises (SMEs) and cooperatives, setting up EPZs, and so on. These initiatives address some of the constraints in the sector.

The IDP and the National Trade Policy

The IDP and the National Trade Policy both cover the period 2012-2016 and emphasize value addition of agricultural products and the country's abundant natural resources. The sector is a low-hanging fruit and the IDP encourages broadening the value chain to include the production of special papers, inks, emulsifiers and paint undercoats. The present strategy initiative fits in very well with the ongoing Government policy thrust, as well as with the COMESA regional cotton strategy.

Some important Government initiatives in support of the cotton industry are the following.

- **Quota on lint exports:** Through AMA, the Government ensures that the local textile industry's lint requirements are satisfied by requiring that 30% of lint produced by each ginning company is reserved for local consumption. Ginners can export 70% of their ginned lint after demonstrating ability to fulfil the local quota. When the domestic quota exceeds local demand, AMA authorizes the surplus lint to be exported.
- **Transgenic cotton:** The commercial production of GM cotton is not yet legalized in Zimbabwe. However, the Government policy on Bt cotton now allows non-commercial testing of Bt varieties, provided they are under the supervision of the Biotechnology Authority of Zimbabwe. All legislation, biosafety protocols and the Biosafety Board under the Ministry of Science and Technology are in place to allow evaluation of the technology. Trials have not been consistently followed, however. There were no local trials of Bt/Roundup Ready cotton in the 2009/10 season, but Quton is conducting trials through the technology provider of Bt/Roundup Ready cotton in South Africa, Kenya and Uganda. They were trying to start the trials in Zimbabwe in the 2010/11 season. It is not clear what has been achieved since then.

Box 7: Policies' role in cotton farming inputs provision

Policies are important levers and can have a strong structuring impact on the industry, if defined in a participative manner and involving all relevant stakeholders. They could be a solution to unlock situations as politically charged as cotton marketing.

Governments are presently testing new policies to enable better access to inputs and the required credit for farmers to buy them, since this is a key way to improve yields. For example, in 2013/14, Zimbabwe required farmers to register in a database which would be checked at the end of the season to ensure that the farmer's cotton was sold only to the contracted company. This is an effort to eliminate pirate buying and bring more order to the country's marketing efforts.

Source: International Cotton Advisory Committee (2014). *Cotton: Review of the World Situation*, vol. 67, No. 6 (July–August).

"Cotton field" by Mike - Flick. Licensed under Creative Commons Attribution 2.0 via Wikimedia Commons

A shift in Government policy to allow the adoption of Bt/Roundup Ready cotton varieties would improve profitability by cotton farmers through lowering of production costs and improved yields.

Box 8: Trade agreements

Zimbabwe is party to a number of regional integration agreements and trading blocks

Bilateral trade agreements	Multilateral trade agreements
Zimbabwe – Namibia	SADC
Zimbabwe – Botswana	COMESA
Zimbabwe – Malawi	EU EPA (interim)
Zimbabwe – South Africa	
Zimbabwe – Mozambique	

Use of these regional integration groupings and agreements has been mixed and, in so far as the T&C manufacturing industry is concerned, the most important agreements have been those that have included South Africa. South Africa has been the traditional destination for exports of fabrics, yarns and garments regionally.

4.2. KEY SECTOR DEVELOPMENT ACTIVITIES – PAST AND PRESENT

Even though the C2C sector has been declared by the Government as a priority sector, no trade-related technical assistance has yet been attracted to support it. Very few development partners providing trade-related assistance are present in the country. Most of the currently active aid projects are only indirectly related to the C2C sector. A list of such projects is provided later in this section.

Some sector development activities are currently being implemented by business associations and other national institutions in Zimbabwe. Below is an overview of these initiatives.

1. Cotton production and growing:
   - The CRI has some development work in the area of research of new varieties of cottonseed for planting. It is reported that some new varieties have produced excellent yields, especially under irrigation at trial levels.
   - AMA has instructed that laboratories be installed at each ginnery for testing cotton before and after ginning.
   - The University of Zimbabwe is conducting some trials on GM cotton varieties and has reported that trials are under way to develop a home-grown variety.
   - Government is now in the process of amending the land redistribution policy and is issuing title ownership on redistributed land.

2. Ginning and oil expression:
   - CRI has teamed up with a number of ginners to bulk up and multiply seed so that the position of Quton as a monopoly will be short-lived.

3. ZITMA:
   - Set up its own offices and a full-time secretariat to run with ZITMA issues on a professional basis.
   - Re-establish links and memberships with industry representative bodies such as CZI.
   - Increase awareness of the Association and its members by establishing a website, and proactively lobbying Government to promote local value addition. The Government has an industrial policy and a new trade policy based on value addition and beneficiation of cotton.
   - Participate in export promotion activities with institutional bodies such as ZimTrade.
   - Create a platform for interaction with sector stakeholders such as farmers, ginners, clothing manufacturers and Government.

4. ZCMA:
   - Two clothing indabas per year
   - Quarterly magazine promoting local fashion and manufacture
   - Continuous lobbying and representations for further support measures
   - Continuous participation in related events
   - Distribution of industry-related issues via website, Facebook, Twitter and LinkedIn
   - Monthly meetings with ZIMRA Working Group.

Comment: ZCMA is run by members of the industry who volunteer their services, except for one paid member of the secretariat. It is undercapitalized and therefore unable to achieve full effectiveness.

5. ZimTrade:
   - Support for T&C industries to attend the Source Africa fair in Cape Town in June
   - Support for T&C companies to attend an Angolan trade fair in July
   - Arrangement of training courses on exporting.

Comment: ZimTrade is undercapitalized and is hampered by the lack of a clear national strategy to develop and support trade promotion.

6. Local investment:
   - Local investment in a large clothing company which was in provisional liquidation
   - International investment in spinning and weaving capacity in Harare
   - Proposal to revive David Whitehead Textiles under a judicial manager
   - Proposal to revive Merlin Textiles under a judicial manager

Comment: While these events will all lead to benefits for the industry, some are poorly planned and the likelihood of their success is hard to predict. The industry would benefit from professional assessments being done on best opportunities for investment and capacity growth.

7. Local buying:[31]
   - ZIMRA have retendered their uniforms and have stipulated that the uniforms must be manufactured in Zimbabwe
   - The Chamber of Mines is proposing to have a local buying strategy focused on Bulawayo.

8. Clothing manufacturers rebate:[32]
   - Allows duty-free imports of raw materials not manufactured in Zimbabwe.

31. Comment: These initiatives are voluntary and yet to be realized.

32. Comment: Only 12 companies were initially set up on the rebate system and there are some requirements that are penal enough to prevent some of these being registered under the scheme.

Past development activities

Table 10 lists all past activities related to the C2C sector, directly or indirectly. Indirect assistance includes agriculture- and infrastructure-related development assistance. This is assistance related to cotton when provided under more general agricultural or infrastructure support programmes.

Table 10: *Past development activities in the Zimbabwe C2C sector*

Donor/technical agency	Programmes/projects	Value	Operational status	Disbursement status	Beneficiaries	Description
European Commission (cont'd)	Cotton Training Centre/CRI	€ 3 121 146	Completed 2005	Fully disbursed	Zimbabwe	CRI operates a full programme of commodity-based research with key functions being plant breeding, agronomy and physiology, pathology and pest research. All varieties have been grown commercially in Zimbabwe
European Commission (cont'd)	Training and capacity-building for small-scale cotton farmers – Cotton Training Centre	€ 1 153 000	Completed 2008	€ 1 147 384	Zimbabwe	N/A
European Commission (cont'd)	Cotton farmers training support	€ 754 900	Completed 2009	€ 686 625	Zimbabwe	The European Commission provided its funding through the International Fund for Agricultural Development. The capacity-building component provided farmers organizations with: Strategic tools such as constitutional texts and membership databases Staff, equipment and resources Training and expertise Consultations and communication Support to pan-African activities
European Commission (cont'd)	European	€ 565 000	Completed 2010	€ 495 318	Zimbabwe	N/A
ITC (cont'd)	Joint ITC/Viet Nam Value Chain Capacity-Building and Cotton Marketing Programme (August 2011) (EU-AAACP Programme)	US$ 150 000	Completed	Fully disbursed	Kenya, Malawi, Mozambique, United Republic of Tanzania, Uganda, Zambia, Zimbabwe	ITC's approach focuses on two main outcome areas: To sustain and expand established collaboration and capacity-building initiatives with Asian spinning mills and transform these into long-term partnerships To reverse the negative perception of African cotton in target markets and identify equitable buyers who are willing to pay better prices for uncontaminated cotton.
ITC (cont'd)	Joint ITC/China Capacity-Building and Cotton Marketing Programme for East Africa (EU-AAACP Programme)	US$ 150 000	Completed 2009	Fully disbursed	Kenya, Malawi, Mozambique, United Republic of Tanzania, Uganda, Zambia, Zimbabwe	The ITC African Cotton Development Initiative consists of three main components: Building cotton trading capacity in developing countries. Facilitating south–south cooperation in cotton and cotton value addition by: learning from successful cotton-producing countries in the south; developing capacity to transform cotton through training; sourcing cotton inputs from other developing countries; and encouraging intra-African cooperation. Promoting African cotton in Asian markets through, inter alia, buyer/seller meetings.

Donor/technical agency	Programmes/projects	Value	Operational status	Disbursement status	Beneficiaries	Description
Japan (cont'd)	Irrigation and drainage for rural development	US$ 99 653	Completed 2005	Fully disbursed	Zimbabwe	N/A
Japan (cont'd)	Agricultural development	US$ 24 913	Completed 2005	Fully disbursed	Zimbabwe	N/A
Japan (cont'd)	Plant variety protection	US$ 20 761	Completed 2005	Fully disbursed	Zimbabwe	N/A
ITC (cont'd)	Joint ITC/China Seminar on Cotton Processing and Trade, October 2012 (EU-AAACP Programme)	US$ 150 000	Completed 2012	Fully disbursed	Central African Republic, Côte d'Ivoire, Ethiopia, Malawi, United Republic of Tanzania, Zambia, Zimbabwe	N/A
ITC (cont'd)	Ginners training on the Chinese market, Qingdao, China 13–18 April 2010 (EU-AAACP Programme)	US$ 100 000	Completed 2010	Fully disbursed	Malawi, Mozambique, United Republic of Tanzania, Uganda, Zambia, Zimbabwe	N/A
ITC (cont'd)	Joint ITC and India Capacity-Building and Cotton Marketing Programme in 2010*	US$ 150 000	Completed 2010	Fully disbursed	Ethiopia, Kenya, Malawi, Mozambique, United Republic of Tanzania, Uganda, Zambia, Zimbabwe	Building cotton trading capacity in developing countries through the Cotton Exporter's Guidebook published in 2008. To further reach out to cotton stakeholders around the world, with a focus on Africa, ITC developed a multilingual website on the Cotton Guide in 2010. Facilitating south–south cooperation in cotton and cotton value addition including: a) Learning from successful cotton-producing countries in the south; b) Developing capacity to transform cotton through training; c) Sourcing cotton inputs from other developing countries; d) Encouraging intra-African cooperation. Promoting African cotton by providing a firm understanding of cotton markets and promoting African cotton in Asian markets through, inter alia, buyer/seller meetings.

Source: World Trade Organization revolving table on cotton.

The previous sections in this document delineate various aspects of the C2C exports value chain – and examine the current state of the sector. In other words, the previous sections comprehensively answer the question 'where are we now?' The following sections discuss the future perspectives and the implementation modalities of the strategic PoA. In doing so, the sections discuss two questions – 'where do we want to go?' and the 'how do we get there?'

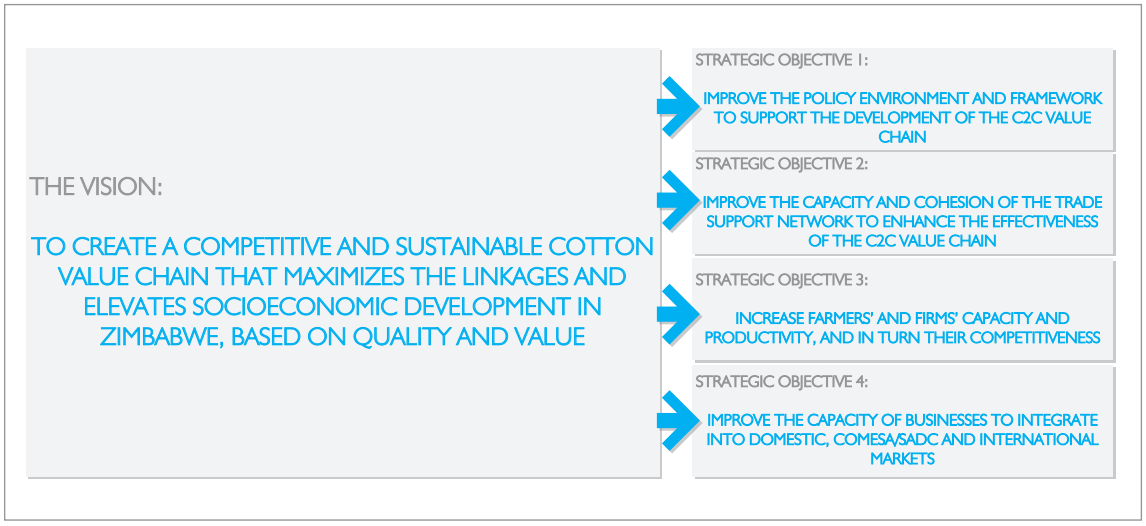
5. FUTURE PERSPECTIVES

The C2C sector possesses significant potential for imparting socio-economic contributions to Zimbabwe through exports-led growth. In order to realize this potential, structural deficiencies along the four gears (supply side, business environment, and market entry and development side) will be addressed, and identified opportunities will be leveraged. The following is a delineation of the proposed vision and strategic approach in this direction.

Cotton-plant, pixabay – CC0 Public Domain.

5.1. STRATEGIC VISION FOR THE SECTOR

All stakeholders of the C2C value chain in Zimbabwe agreed upon the following vision statement and strategic objectives:



5.2. OVERALL DEVELOPMENT TARGETS

If the cotton production yield is not increased, attraction of farmers into the crop will remain limited. Likewise, if conditions improve, farmers will switch back to cotton. Therefore, the present Strategy sets as initial target an output of 450,000 tons with a 71% increase in yield, from 700 to 1,200 kg/hectare. Building on these targets, 250,000 farmers, with families amounting to 1.2 million people, utilizing 1.5 hectares with a yield of 1,200 kgs per hectare, a production of about 450,000 tons of seed cotton is achieved.

From the 450,000 tons of seed cotton, 190,800 tons roughly represent cotton lint and 259,200 tons cotton seed.

On the ginning side, the present processing capacity is 647,450 tons of seed cotton. Therefore 450,000 would represent 69.5% of ginners' capacity.

The oil expressors have a capacity to crush seed of 560,000 tons, including soya beans. Based on a 50/50 use of the seeds' types, their capacity for ginned cotton seed is 280,000 tons. The targeted output of cotton seed would therefore meet the crushing capacity at 92%.

The clothing industry plans to grow by 500 % in the five years i.e. an extra 28,200 jobs, from 6,800 to 35,000. This would increase fabric demand from the current 18 million metres to approx. 90 million metres. Currently 18% of fabric used is 100% cotton, about 45% poly-cotton mixtures and 37% polyesters and other man made fabrics.

At this level of capacity, the clothing industry should also attract the reestablishment of suppliers of related products such as, zips, buttons, thread, labels, packaging etc.

Attraction of FDI, improvement in electricity supply and other external factors make prediction for the textile segment more difficult. The segment is however likely to grow if a positive dynamic is put in place, including higher supply of local yarns, and higher demand on the clothing industry's side. Employment in textile companies will grow if capacity is grown, although the industry is less labour-intensive than the clothing and farming segments.

The overall employment growth generated by the sector in the next five years, given the implementation of the present strategy, will create enormous improvements in social standards as the increase will come from currently unemployed people with very low social standing. This will include movements from the informal sector where there is little or no availability and control of social standards. In the formal sector, the compliance with social standards is expected to reach 100% in the next five years.

Production:

- 71% increase in yields to 1,200 kg/hectare;
- Yearly seed-cotton production to reach 450,000 tons, from the current 145,000 tons;
- Usage of available ginning capacities to attain 69.5%, up from 20% currently;
- Volumes of cotton fibre processed locally to increase to 25%, from the current 3-5%;

Exports:

- Zimbabwe's lint annual exports to reach 90,000 from current 55,000 tonnes;
- Exports of textile and garment to increase 390% to US$ 110 million[33];

Socio-economic factors:

- 250,000 of smallholder farmers benefit from revenues from cotton;
- More than 40,000 new jobs in the textile and clothing sector; and
- 100% of companies complying with international standards related to working conditions, quality management and sustainability.

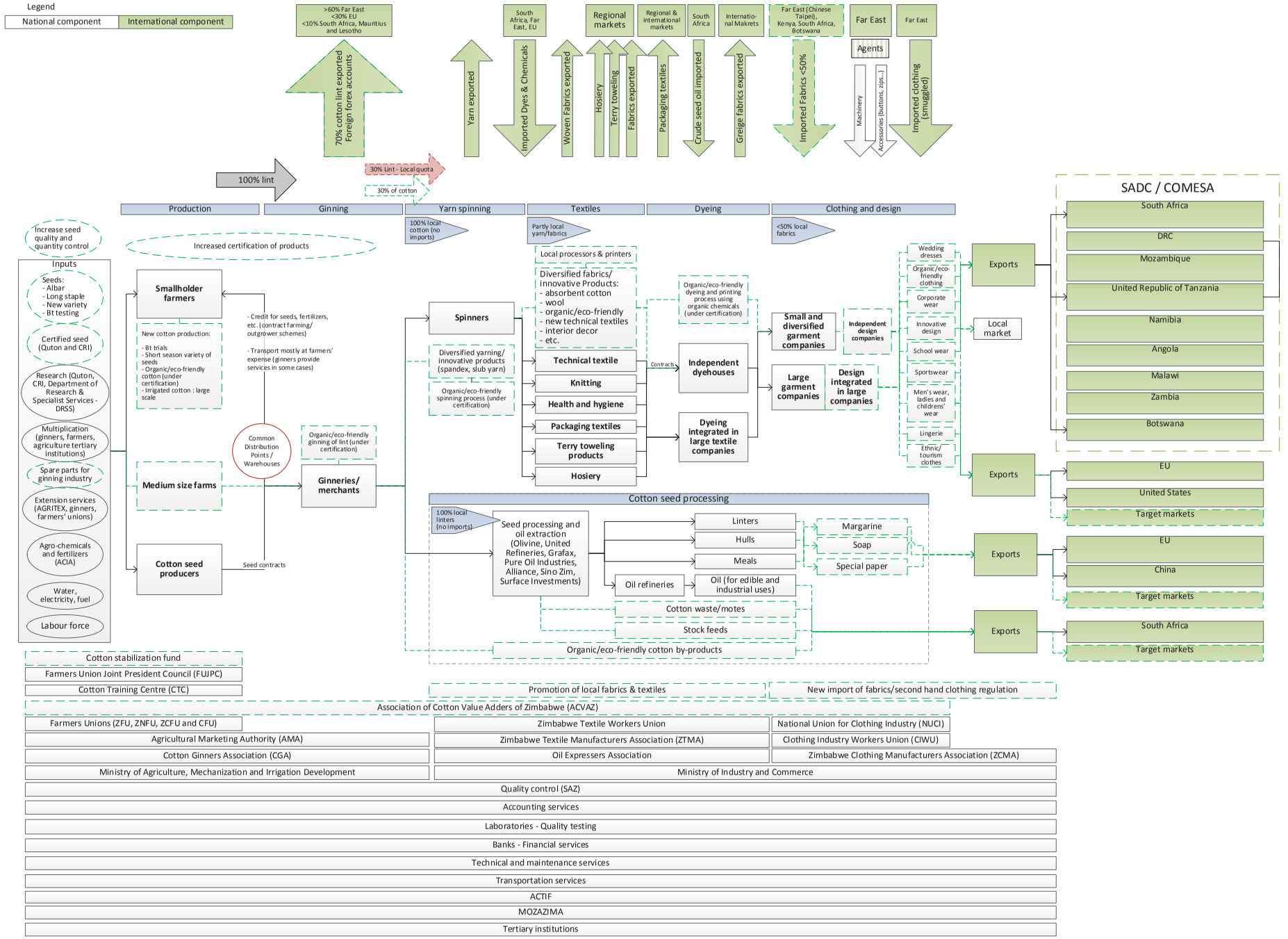
5.3. FUTURE VALUE CHAIN

Based on the value options identified for all four subsegments, a future value chain diagram was created. It provides a schematic illustration of the structural changes to the value chain, such as strengthening of linkages, or introduction of new linkages, that are required to boost the competitiveness and cohesion of the present value chain.

The future value chain is illustrated in figure 28.

33. Current exports of yarn are 18.6 million; fabrics: 4.2 million; home textiles 0.29 million, clothing 4.7 million (total 27.9 million) Clothing's target of 35,000 employees includes supplying 75% of the local market and exporting 25%. This 25% is worth US$ 75 million. If the industry grows but import substitution decreases, exports will represent even more (US$ 75 million plus current textile of US$ 28 million plus incremental textile of US$ 7 million = US$ 110 million).

Figure 28: *Future value chain*



5.3.1. STRUCTURAL ADJUSTMENTS TO THE VALUE CHAIN: VALUE OPTIONS

The C2C value chain holds tremendous potential for growth for Zimbabwe's economy and social development. To unfold this potential, some adjustments need to be undertaken. In some cases it involves strengthening existing value chain linkages, while in other cases structural adjustments are required to enable the mechanism to function with higher efficiency. These improvements to the value flow within the sector are driven by market-led considerations in order to secure maximal returns on investments.

The projected structural changes to the sector are based on efficiency gains identified through the four gears analysis of the sector's performance, and through the identification of opportunities for improving the sector's capacity to acquire, add, create, retain and distribute value. These opportunities and adjustments of the sector's value chain are further listed for each segment.

Cotton production

- **Introduce cotton labelling and branding** through the introduction of new processes and branding. This will give Zimbabwe's cotton products a distinct identity on international markets and go a long way to combating the creeping negative perceptions about the quality of the cotton.
- **Increase the quantity and improve the quality of cotton produced in Zimbabwe.** The farmers, ginners and oil expressors can all benefit financially from this.
- **Establish a cotton stabilization fund,** which would significantly assist in reducing pricing risk to both the farmer and the ginner, thereby increasing viability in the sector.
- **Introduce product certification** in order to assure buyers of the product's conformance to required quality standards (such as the Better Cotton Initiative (BCI), CmiA, etc., as discussed in section 5.5.1.). There is an opportunity to benefit from quality premiums.
- **Improve the management and packaging of cotton by-products** such as cotton motes and linters. Hitherto some of the by-products have been treated as waste when they offer possibilities for further value addition as new products. Both the ginners and oil expressors will be incentivized to develop new products instead of throwing these by-products away or exporting them in raw form. Both segments face low capacity utilization. The development of new products, such as specialist paper from linters and other products from the same linters, and products such as soap and margarine, would go a long way to improving capacity utilization and earning revenue for the companies and country, including export revenues.
- **Develop new seed varieties** in line with demand in some regional markets where a requirement for medium-to-long staple has already been shown. CRI needs adequate funding to ensure that research programmes are not interrupted. This policy initiative addresses the funding of research from Government working with cooperation.
- **Promote the testing of Bt cotton** as already initiated at the University of Zimbabwe. Financing of the project will be sourced on a continuing basis and the policy debate will be finalized through proactive lobbying by a new entity to be set up, the Association of Cotton Value Adders of Zimbabwe (ACVAZ). Bt cotton has been introduced in many countries that Zimbabwe cotton competes with. If Zimbabwe does not introduce it there are problems of cost competitiveness. The yields in Zimbabwe are still very low and the cost of pest control is high. It is suggested that Bt cotton can address both and this option needs to be fully researched and understood.
- **Promote the production of organic/eco-friendly cotton** and engage the bodies that promote eco-friendly initiatives, such as CmiA and BCI. While the debate on Bt cotton continues, there does not seem to be similar controversy in this area and there are good prospects for niche markets.
- **Harmonize policies and regulations** so as to improve the business environment and increase manageability of risk among sector organizations. This will provide comfort to investors, and certainty to the business operators in the sector.

Cotton ginning and seed processing

- **Increase the scale of stock feed production** to reduce the current leakages where the meals and hulls are exported in raw form. The market for stock feed exists domestically as well as regionally, especially in South Africa. The domestic market is set to pick up with the replenishment of the national herd, which Government is actively promoting. The dairy industry is also growing.
- **Increase the production of cooking** oil to stem the huge volume of imports of finished product together with the import of crude oil. The daily demand is estimated at upward of 7 million litres. This is a major shortage area and an undoubted market. This also entails an increase in the production of seed cotton, which it is aimed to achieve through a policy initiative.
- **Revive engineering companies** for increasing supply of spares to the ginneries. This will bring down repair costs and assure expeditious supply of spares. The know-how exists. Growth in seed cotton as envisaged over the next few years means greater demands on ginneries. They will need to service their plant more regularly.

- **Increase the scale of margarine production** from cotton meal. The growth in the supply of seed cotton which this project envisages means that more players should be incentivized to invest in the area. The market exists both regionally and internationally.
- **Reduce and eliminate excess ginning capacity** as the supply of seed cotton increases – again, this is the envisaged scenario. This will improve the viability of ginners and also increase farmer incomes, especially if the seed cotton growth comes from increased yields per hectare by existing farmers, which is likely to be the case.
- **Invest in the manufacture of special paper.** Investors will be incentivized since this has been done before. This would discourage the current export of raw linters and create new value, which can supply both local and export markets.
- **Upgrade ginning technology** from the current predominant use of saw technology to roller technology. This would improve lint length, at the same time reducing expressor's costs by avoiding the costs of cleaning the seed before crushing for oil.
- **Develop an organic/eco-friendly product lint that is certified** by the eco-friendly promoters of cotton products. This is a promising niche market to be explored.

Textiles

- **Supply cotton yarn duty-free locally and regionally/internationally.** Retain value by taking advantage of the current rules of origin agreements and ensure that the country has a stable environment and adequate resources for efficient production and shipment of goods.
- **Facilitate innovations in spinning and fabrics** based on technology and competitiveness. Add value by diversifying into producing inputs for knitting cotton and cotton blend goods.
- **Increase sector capability for spinning combed yarn** with a view to increasing off-takes and consumption of lint locally.
- **Facilitate agreement within SADC** to use locally made fabrics in the construction of Government procurements such as school uniforms, school socks, hospital bed sheets, and armed forces wear such as military fatigues.
- **Encourage the use of fabrics for new constructions and new finishes, aiming for a rise of new value chain players and wider markets.**
- **Develop capabilities in the sector to produce technical textiles as a means of retaining and adding value.**
- **Add value by increasing use of by-products, e.g. absorbent cotton wool.**
- **Target niche segments such as socks, weaving, blankets and ecological cotton for home textiles, etc.**
- **Encourage development of local process houses and a printer segment** that will be able to do small runs and respond quickly.
- **With regards to dyes and ancillary chemicals, re-establish** local stockists and minimize the up-front cash requirements of fabric processors.
- **Spur development of a house decor textiles segment.**
- **Spur development of organic/eco-friendly spinning, textile production and certification capabilities.**

Clothing and fashion

The list below essentially covers the whole clothing market but reflects the past position of the Zimbabwean clothing industry:

- Corporate wear
- Clothing – designing and innovation
- Schoolwear
- Protective clothing, locally and regionally
- Menswear, women's wear and children's wear
- Labels, buttons, trims and packaging
- Lingerie
- Ethnic/tourist clothing
- Wedding dresses
- Sportswear
- Develop organic/eco-friendly garment production and certification

Product diversification options for the clothing and fashion segments

- Corporate wear is a growing market and lends itself to small-run, individually styled, quality garments. It is less price-sensitive as it is funded from corporate budgets rather than consumer disposable income.
- Schoolwear is also a growing market and is dependent on small-run, individually styled garments. There is a significant opportunity to establish a schoolwear hub to maintain consistency, quality and price effectiveness.
- The entire region requires infrastructural development, and all infrastructural development requires protective clothing. Therefore, this market is in significant growth and Zimbabwe is well placed to distribute to the region given its geographic location, range of preferential access agreements and distribution network.
- Menswear, women's wear and children's wear are predominantly sold via retail outlets. South African-owned chains dominate the retail market in the region. The opportunity in these ranges is to ensure imports of these items are charged the correct duties, and to market Zimbabwe as the producer of garments for the South African chains in COMESA where the garments are duty-free due to the rules of origin, while garments from South Africa or outside the region are not.

The regrowth of the industry will be partly dependent on developing a unique style of quality made garments with a Zimbabwe 'feel' to them, i.e. brand Zimbabwe. The inclusion of the fashion industry in this process is crucial. Zimbabwe has the opportunity to establish itself

as the training and design centre of the region, outside South Africa.

The critical mass created with the regrowth of the industry will attract investment in related industries, e.g. buttons, zips, thread. These all existed previously and will add to the efficiency, profitability and adaptability of the industry.

5.3.2 MARKET IDENTIFICATION

Market identification was based on a combination of trade analysis conducted by ITC for identifying potential target markets and consultations with sector stakeholders, particularly the private sector. Both short-term and medium-to-long-term target market options are assessed.

Cotton ginning and seed processing

In the short term, world exports of cotton lint are likely to rise only moderately, compared with increasing global demand. Shipments from several leading global exporters, such as the United States and India, are unlikely to increase and may even decrease. This creates a favourable context for Zimbabwe's cotton lint exports. If the issues identified in the present strategy are addressed, there is potential for exports from Zimbabwe to grow, particularly because of the relatively short shipping distance from the eastern coast of Africa to Asia, where the majority of consumption is likely to remain for several decades.[34]

There is a regional as well as an international market for Zimbabwe's cotton lint, especially once some of the market demands have been addressed as envisaged herein. The requirements for Zimbabwe's cotton lint in regional target markets such as Mauritius, Madagascar and Ethiopia are, on the whole, already being met. What remains is to deal with perceptions of cotton from Zimbabwe.

34. International Cotton Advisory Committee, *op. cit.*

> 'We used to get a premium for Zimbabwean cotton lint, placing us as one of the leaders in quality in the region. However, Zimbabwean cotton lost its international reputation since the arrival of many newcomers in the industry that did not care for quality the same way we always did. That is why there is a strong need to create a branding strategy for our cotton lint. People need to understand that quality is at the heart of our process.'
>
> Industry opinion – ginners

Addressing quality perceptions is urgent, especially if there will be regional cooperation in addressing the same perception issues with regards to African cotton in international markets, where there is undoubted demand for African cotton, even in major cotton-producing countries like China and India, and in the south-eastern markets – particularly Indonesia – which Zimbabwe already supplies. In these latter countries the markets are not that well understood, largely because marketing hitherto has been conducted through international merchants. There has not been direct supply.

There is a huge market in the Far East once its demands are more fully understood. Even as the country increases market share in the regional market, after addressing the quality constraints, an early beginning will have to be made in understanding and addressing the demands of these more distant markets in order to take advantage of the possibilities for south-south cooperation.

The constraints facing Zimbabwe, together with other African countries regionally and continent-wide, include lack of knowledge about import procedures in Asian markets, and lack of knowledge about their quality, price fixing, shipping and contracting requirements. There is a need to address contamination perceptions even when they are not necessarily true. Lack of information for direct engagement has ensured that these perceptions remain. ITC literature in this area shows that these markets have a great deal of understanding of how a country like Zimbabwe can tackle these issues for the benefit of the whole value chain. Further engagement may be all that is required.

There are new opportunities for oil expressors, including going into soap production and margarine under the Buttercup brand that has international demand, especially with the introduction of new technologies that render it more palatable to consumers. There are opportunities to tap into value addition through new products form linters and hulls, with greater adoption of research and development.

The marketing issues for the oil expressors tend to be similar. For example, it is clear that expressors have no connections with specialized international organizations. They

are not taking full advantage of cotton by-products. When they leverage these they will increasingly need to develop international brands, just as the whole Zimbabwe cotton value chain needs to develop a brand name for most of its segments. Niche marketing through eco-friendly products needs greater attention from all cotton value chain players.

In short, there is a lot to do to improve marketing of cotton lint and the products of oil expressors. Technical cooperation will be tapped, taking advantage of the relationships already developed through this policy initiative. The market opportunities are not in doubt.

Textiles

Buyer requirements and market characteristics

Buyers in the target markets demand price consistency, as there are more suppliers than buyers. It is a buyer's market, and buyers also demand the setting up of integrated, consolidated and efficient value chains. They want a kind of one-stop shop. Buyer demands include CIF pricing to port of destination.

The quality demanded of products for export markets is high, such that services of quality control and textile testing are more important than ever. Buyers want to know that they are purchasing the quality they demand or better. This saves the buyer time on checking quality. Non-conformance is expensive as it brings inefficiency to downstream processes.

There are now rapid changes in fashion trends. Seasons are much shorter than a decade ago and it is now possible to find at least six seasons in the calendar year. Speed to market is therefore essential, and turnaround times are short.

Payments for shipments take a long time, so sources of finance need to be flexible, cheap and affordable. The success of any exporter is therefore dependent on the quality of a country's policies relative to ease of doing business more than anything else.

Future target markets for Zimbabwe's textile goods include Angola, the Democratic Republic of the Congo, SACU states outside South Africa, Madagascar and parts of the EU.

Clothing and fashion

The clothing industry in Zimbabwe can make a significant difference to the economy if fully utilized. But it will be small by international standards and, therefore, able to be effective if focused on niche quality markets rather than mass production.

> European consumption habits differ from the regional and Asian ones. The structure of the market place, the prices, the packaging, the contract arrangements etc. are also different. We will achieve effective and profitable trading relationships only if we understand the specific market requirements of each of our existing and future trading partners.'
>
> Industry opinion – clothing

It has a competitive advantage locally and regionally based on delivery, i.e. the costs of distribution to the local and regional markets is the least of any competitors in the world. Delivery lead times are also short. Neighbouring and near countries to the north such as Zambia, Malawi, Angola, the Democratic Republic of the Congo and Mozambique generally buy based on ability to supply rather than being dominated by price, as costs for them to travel to alternative markets act as a disincentive. Most of the inland transport linkages to these countries use Zimbabwe. They also all do not have a clothing industry of any substance.

West Africa has a large developing population and the market is still based on European pricing due to the large influence of European companies still operating there. This region is, therefore, less price-sensitive and used to sourcing quality. Logistics on distribution are substantial but recoverable in pricing.

The EU has the greatest opportunity for significant growth. Firstly, it is a large market and therefore caters for many niche areas. Secondly, it is a wealthy, discerning market, which is attracted to quality, uniqueness and SA. Further, and possibly most significantly, Zimbabwe has access to the EU on a duty-free, quota-free basis under an interim EPA.[35]

Increased market share in the local market is also a significant opportunity. Strategies to impel increased local buying have three target areas: public local procurement policy, private sector local procurement encouragement and national consumer enticement.

35. European Commission (2014). *Fact Sheet on the Economic Partnership Agreement (EPA): Eastern and Southern Africa*. Available from http://trade.ec.europa.eu/doclib/docs/2012/march/tradoc_149213.pdf.

Box 9: Opportunities within the target 50+ age group in the EU

The European market is identified as a potential target market in the medium and post-implementation phase. The EU market is a difficult one to enter, as it has suffered from the global recession and economic uncertainty is a big challenge facing the European apparel industry. However, the region still represents an important trade, production and creative hub with access to other growing regions, such as the United States and Brazil, the Russian Federation, India and China. Even though most of the European apparel market niches are saturated, some are still left untapped. This is the case for the 50+ age group.

An ageing population is a key characteristic of European countries' demography for the next 50 years. However, the scale, timing and speed of the phenomenon will vary from one country to another. The regions with the highest proportion of people aged 65 and over tend to be either the metropolitan regions in Germany (cities in the north-east, formerly heavy industry zones) or rural regions predominantly in southern Europe (Italy, Greece, Portugal and Spain) from which large numbers of young people have migrated in search for work.

The 50+ age group has rarely been targeted by European and extra-European companies, despite the potential opportunities within it. The 50+ age group has more disposable income on average than younger Europeans. They also do not usually compromise on comfort, an aspect that they consider essential when looking for clothing. A subsegment of great interest within this age group is that of the 'baby boomers', as they were the first generation to grow up within a consumer culture (post-1946). Most people aged 50-60 are still working. This consumer niche is also very attentive to ethical aspects of production. In particular, they are likely to be more vigilant vis-à-vis health, labour and safety standards following incidents in South-East Asia.

The marketing approach towards this group should, however, remain extremely subtle and premeditated. Stores or brands overtly marketed towards the over-50s may be a difficult concept to pull off because, by positioning themselves within an age bracket, it instantly alienates the 'age is a state of mind' consumer that it is trying to attract. Nobody wants to be targeted as 'old'.

Considering the above, a specific approach must be selected. The Centre for the Promotion of Imports from Developing Countries (CBI) of the Dutch Ministry of Foreign Affairs recommends the following orientations to prepare for market entry into this niche:

- Having an easy to use **website** is necessary for marketing (in English or French).
- Present **ethically responsible** production, as this age group is particularly sensible to ethics.
- Participation in **trade shows** is recommended to stay aware of European fashion trends and assess competitors.
- Preferential selling to s**hops or brands with good services,** as the over-50 consumer prefers purchasing in shops.
- Prioritize focus on **shape-appropriate** rather than age-appropriate.
- Create **clothes that flatter** while remaining stylish and fashionable, as well as having a good cut and being good quality.
- **Bold, classic patterns** like houndstooth checks, stripes and argyles in black and white. Wax print pattern items could also attract this target group, specifically considering the trend for ethnical and traditional patterns in clothes.
- **Classic shapes** like shirtdresses, trench coats, pea jackets, car coats, denim jackets and jeans.
- **Figureheads** to be used to give a dynamic and youthful look: celebrity culture is influencing the shifting definition of middle age, with older males and females continuing to be celebrated for their looks.

Source: CBI trade intelligence.

5.4. INVESTMENT OPPORTUNITIES

5.4.1. COTTON PRODUCTION

The Government, through the Agricultural and Rural Development Authority, has huge tracts of farmland that once were used for growing cotton. These farms need upgrading, as most infrastructures are dilapidated. If the farms can be brought back to productive condition they will be able to grow irrigated cotton crops. The new cottonseed varieties are reported to yield up to 4,000 kg/ha under irrigation (for seed cotton). These farms need investors to inject fresh capital into them. There is an opportunity to grow a home-grown variety of trans-genetic (Bt) cotton. The University of Zimbabwe has done extensive trials with this variety of cotton and needs funding for a three-year period of trials.

With a ginning capacity of 700,000 tons and a production, at the highest, of 300,000 tons, there is scope to increase the yield of cotton grown per hectare from the current 500 kg to well over 2,000 kg. Once issues of side marketing are resolved and farmers can have legal leases, financing farmers will be attractive again and input schemes can be maximized to ensure high yields and better returns for farmers.

5.4.2. COTTON GINNING AND SEED PROCESSING

There is an opportunity to invest in upgrading and in new ginning and seed processing plants to increase efficiency and to lower maintenance costs. There is also an opportunity to provide services to existing ginneries and seed processing plants.

5.4.3. TEXTILES

Zimbabwe's location as a central country in the Southern Africa hub offers it many supply advantages, including the supply of textile goods. Zimbabwe is rebuilding its major roads and this should make transportation of goods faster and cheaper. There have been discussions of the rehabilitation of the rail system in the media recently. With trials of one-stop border posts already under way, it is inevitable that Customs clearances of goods in and out of the country will be much faster and easier. Hopefully this will eliminate much paperwork. The Government is listening to proposals for removing duty and tax on a wide range of inputs that are seen to be responsible for pricing pressures. In addition, buyers from Europe and the United States, deterred by rising costs and inhuman working conditions in Asia, are looking for new suppliers in the African region. Specific opportunities include the following:

- There are opportunities for small, open-end factories to produce cotton yarns for export. Establishing more spinning plants locally will increase capacity and reduce yarn prices locally. This is in line with policies to beneficiate local raw materials.
- There are opportunities for hand-spun cotton yarns that will find niche market end uses in tapestry weaving or knitting. These goods can be marketed as handmade goods for the high-end consumer in the United States and Europe. These items have duty-free entry into Western markets.
- There are opportunities to create unique value chains across the region and with foreign international businesses. Spinning factories can supply yarns to weaving and/or knitting and finishing factories outside Zimbabwe.
- There are opportunities to produce combed cotton yarns for the production of fine yarns used to produce cotton T-shirts and chinos for export.
- Weaving and knitting value chains offer opportunities in producing fabric of cotton and cotton blends for markets such as schoolwear, hospital gowns, sheets, hotel quality towels, etc. The factories that were built especially for textile manufacturing are still in place.

5.4.4. CLOTHING AND FASHION

There are many barriers to attracting investment into Zimbabwe, and a concerted, coordinated strategy needs to be bought into by all stakeholders. Investors are less deterred by political risk than they are by inconsistency of policy; therefore, consistency of policy must become part of the national agenda.

Clothing is a low-capital sector and therefore the commercial cost of failure is relatively low. Most of the immediate capital requirements, such as factory buildings, machinery, etc., are in situ. Being a low user of electricity and water and having very little environmental impact, start-ups are quick with a short payback. The only lead time issue is raw material procurement.

Due to the underperforming state of the Zimbabwean economy, the market value of assets is low. The workforce is well educated, has a good work ethic, and is not prone to industrial action. Local financing is constrained, so access to international finance resources is needed. The potential market is not a constraint as it is far greater than Zimbabwe could satisfy in the medium term and the main competition has competitive disadvantages on distribution costs, lead times, preferential access and ability to be adaptable.

Zimbabwe could be developed to become the main manufacturer of most clothing lines in its own country, Zambia, Malawi and Mozambique. Botswana and Namibia offer opportunities via bilateral trade agreements. Specific

investment developments in particular areas already identified include:

- Developing knitted Lycra for swimwear, marketed along with a full range of active wear (including cotton goods).
- Importing school blazer fabric and doing small batch dyeing to requirements. This would ensure consistency of fabric and colour, which is an issue for schools at the moment. It would also mean the manufacture of the blazers is done in Zimbabwe.
- Centralized design houses which work can be outsourced to.
- Centralized computer-assisted design houses which work can be outsourced to.

Creation of a specialized sewing machine training centre.

5.5. WAYS TOWARDS SUSTAINABILITY AND SOCIAL INCLUSIVENESS

5.5.1. ENVIRONMENTAL OPPORTUNITIES

Zimbabwe has a long history of environmental awareness and applied conservation policy at both the international and national level. Zimbabwe is party to international treaties such as the Convention on Biological Diversity; the Kyoto Protocol; the United Nations Framework Convention on Climate Change; the Convention on International Trade in Endangered Species of Wild Fauna and Flora; the World Heritage Convention; and the Non-Legally Binding Instrument on All Types of Forests. A National Conservation Strategy has been applied since the Rio Earth Summit in 1992. This demonstrates a strong will on the policy side to integrate sustainable practices into the national economy.

The large predominance of smallholder farming creates favourable ground from which to easily transit to environmentally friendly practices. Smallholder farmers already use fewer pesticides than large-scale commercial farming areas or the large Agricultural and Rural Development Authority estates, and therefore generate fewer hazards to the environment. The smallholder production system has less impact on biodiversity, particularly songbird populations that frequent cotton-growing regions and that play an important role in pest control.[36] Additionally, all the cotton produced by smallholder farmers is handpicked, limiting GHG emissions. Considering the favourable policy environment and existing predispositions, cotton production in Zimbabwe offers important potential to become a pioneering sector in terms of environmental sustainability in the region, as well as on an international scale.

Organic cultivation may be a viable approach for many small-scale farmers as it requires less expenditure on inputs, eliminates health risks associated with pesticides, and farmers also receive a premium payment of about 10%-20% above the standard cotton price.[37] The organic agriculture movement aims for recognition of carbon sequestration through low external input agriculture, i.e. without the use of any synthetic fertilizers, herbicides or pesticides that use carbon-based fuels.[38] In order to reduce carbon footprint and increase adaptation capacity of cotton, partial or total shift to organic or environmentally friendly production in Zimbabwe would therefore be a strategic way forward.[39]

GHG emissions

Energy efficiency measures, consumer education, technological innovation and carbon pricing are the main tools to reduce emissions in the supply chain. These are also solutions to increase cotton's resilience to the change in climatic conditions.

Approximately 90% of the technical potential to reduce emissions from agricultural production lies in carbon sequestration in the soil. Improved carbon sequestration is mainly achieved through changes to good agricultural practice. Further reductions in emissions can be achieved through increasing efficiency in the use of inputs (water, fuels and agrochemicals). Within the supply chain itself, retailers are increasingly requiring exporters to report on product carbon footprints by providing information on their efforts to reduce carbon emissions.

The cotton plant's genetic makeup allows it to make limited adjustments to changes in climatic conditions.[40] Following stress, cotton responds to the loss of vegetation or fruiting parts (buds, flowers, bolls) through 'compensatory growth'. Cotton's vertical tap root provides resilience against spells of drought, but also makes it vulnerable to waterlogging.

36. University of Georgia (2002). Clover strip-cropping in cotton provides critical habitat for threatened songbirds, 26 June. Available from www.eurekalert.org/pub_releases/2002-06/uog-csi062602.php.

37. World Wildlife Fund (2013). *Cleaner, Greener Cotton: Impacts and Better Management Practices*. Available from www.worldwildlife.org/publications/cleaner-greener-cotton-impacts-and-better-management-practices.

38. Soth, J. (2009). Role of organic cotton in the cotton industry. Presentation at the International Cotton Advisory Committee 68th Plenary. Cape Town, 7–11 September. In this presentation, for example, it was calculated that West African organic cotton farmers would reduce their cotton carbon footprint with 1 to 3.2 tons CO_2e per hectare. If no transaction and certification costs are considered, this would translate at current carbon market price (15 euros/ton) into an extra income per hectare of 4% to 14%.

39. International Trade Centre (2011). *Cotton and Climate Change – Impacts and Options to Mitigate and Adapt*. Geneva.

40. International Cotton Advisory Committee, 2007.

Soil erosion

- Unsuitable irrigation or lack of adequate drainage can exacerbate soil erosion and lead to high salt levels in soil, which renders it useless for agriculture.
- Stop any unnecessary loss of nutrients for the farming system, preventing soil erosion and abandoning the burning of cotton crop residues where still applied.
- Favour a cropland design that has plant diversity and that favours soil fertility management; for example, through the inclusion of cover crops or perennials.
- Minimize the period that land lays bare, in order to slow down loss of organic matter and soil humidity, and soil erosion in general.
- Minimize soil tillage in order to prevent loss of soil organic matter – a natural source of soil fertility and a means of storing water for plant uptake.
- Soil testing should be performed regularly to monitor and adapt the level of pesticide use.

Water use

- Optimize water-use efficiency in the production of irrigated cotton, because of the cost of irrigation water and carbon fuel footprint.
- Irrigation efficiency practices (e.g. ridges for planting and applying water along the furrows can lead to water savings of up to 70%).

Chemical/natural organic inputs

- Respect of a list of prohibited chemicals: use of pesticides banned under the Stockholm Convention, the World Health Organization list of highly hazardous and hazardous pesticides, and pesticides listed in the Rotterdam Convention on Persistent Organic Pollutants.
- Implement an integrated pest management system:
  - Growing of a healthy crop
  - Prevention of build-up of pest populations
  - Preservation and enhancement of populations of beneficial insects
  - Regular field observations of the crop's health and key pests and beneficial insects
  - Management of resistance.
- Agrochemicals management and record keeping: management of the pesticides used for cotton cultivation, aiming at minimizing the impact on the environment.
- Equipment/training: training of farmers on the use of safe spraying techniques, appropriate equipment and sufficient protective clothing (e.g. shirts with long sleeves, trousers, closed shoes, masks, gloves and safety goggles).
- Chemical substances storage/disposal/waste/labelling.
- Treatment of waste from chemical substances: farmers have been trained regarding the dangers of re-using empty pesticide containers and how to dispose of these in a safe manner.
- Optimize the use of sustainable, natural fertilizing sources in cotton production, including nitrogen fixing crop rotations, compost and composted manure.
- Optimize the efficiency of additional fertilizer use where required because of its costs, carbon fuel footprint and toxicity for health and the environment.
- Optimize the use of industrial preparations such as pesticides, herbicides and defoliants because of their costs and carbon fuel footprint. Ban the application of fertilizers during rainy seasons as this will prevent them being washed into water sources.
- Breed cotton varieties that are more resistant to heat stress, drought spells, weeds, pests and diseases, etc.

Biodiversity and forest

- Prevent the cutting of primary forest – or destruction of other forms of national resources which are designated and protected by national law or international legislation – in order to cultivate cotton. International legislation includes: Important Bird Areas; World Heritage Sites/International Union for the Conservation of Nature categories; and the Ramsar Convention on Wetlands.
- Adjust sowing dates to offset moisture stress during the warm period, to prevent pest outbreaks and to make best use of the length of the growing season.

Waste

- Use techniques to prevent run-off waste chemicals, mineral and organic substances into streams of groundwater.
- Waste packaging: initiatives to design packaging and containers in a way that they can be disposed of safely in the field (e.g. burning or disposal in a pit latrine) without health and environmental risk.
- Waste disposal (including solid waste, non-solid waste and hazardous waste): farmers have been trained regarding the dangers of reusing empty pesticide containers and how to dispose of these in a safe manner.

The organic sector boasts an elaborate certification system that might facilitate inclusion in carbon trading. Organic cotton production also offers an alternative to current production methods that can reduce the level of toxicity incurred by the use of hazardous fertilizers.

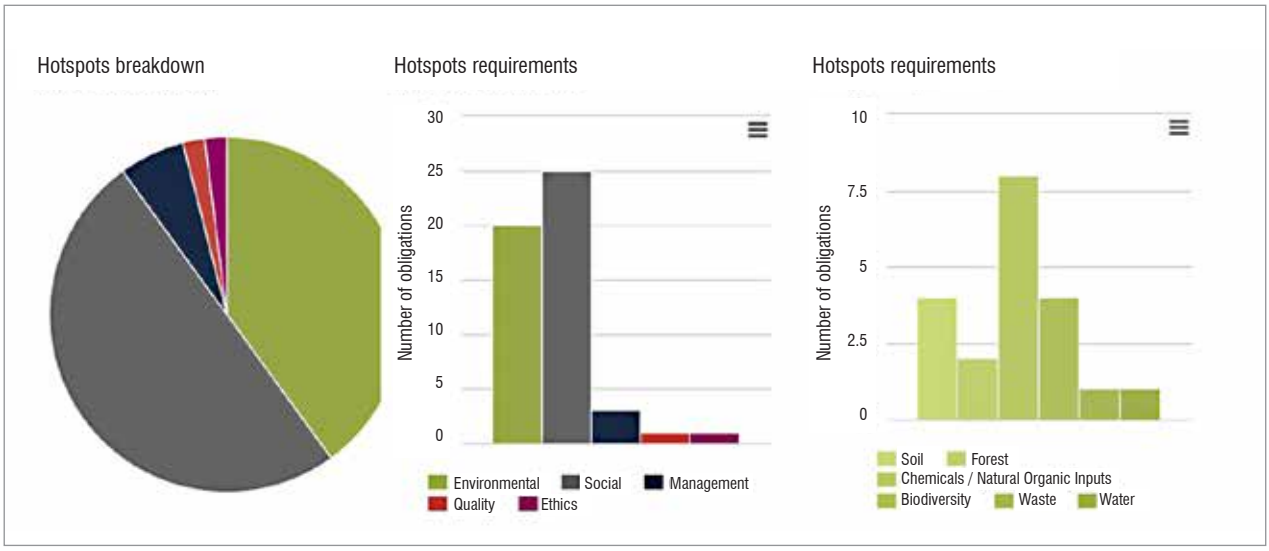
Consumer demand for organic cotton in 2012 was US$9 billion, and it is growing so rapidly that demand currently outstrips supply. With strong demand, organic cotton production not only offers a more environmentally and socially sustainable alternative, but is economically viable. Table 11 shows the top 10 international buyers of organic cotton until 2013.

Table 11: *Top 10 organic cotton users, 2007-2013.*

	Top 10 organic cotton users						
	2007	2008	2009	2010	2011	2012	2013
1	Walmart/ Sam's Club	Walmart/Sam's Club	C&A	H&M	H&M	C&A	H&M
2	Nike, Inc.	C&A	Nike, Inc.	C&A	C&A	H&M	C&A
3	Coop Switzerland	Nike, Inc.	Walmart/Sam's Club	Nike, Inc.	Nike, Inc.	Nike, Inc	PUMA
4	C&A	H&M	Williams-Sonoma, Inc.	Inditex (Zara)	Inditex (Zara)	PUMA	Nike, Inc
5	Woolworth's South Africa	Inditex (Zara)	H&M	Adidas	Anvil Knitwear	Coop Switzerland	Decathlon
6	Anvil Knitwear	Anvil Knitwear	Anvil Knitwear	Greensource	prAna	Anvil Knitwear	Tchibo
7	Coop Switzerland	Coop Switzerland	Coop Switzerland	Anvil Knitwear	PUMA	Williams-Sonoma, Inc.	Coop Switzerland
8	Greensource	Pottery Barn	Greensource	Target	Williams-Sonoma, Inc.	Inditex (Zara)	Target
9	Levi Strauss & Co.	Greensource	Levi Strauss & Co.	Disney Consumer Products	Target	Carrefour	Williams-Sonoma, Inc.
10	Target	Hessnatur	Target	Otto Group	Otto Group	Target	Inditex (Zara)

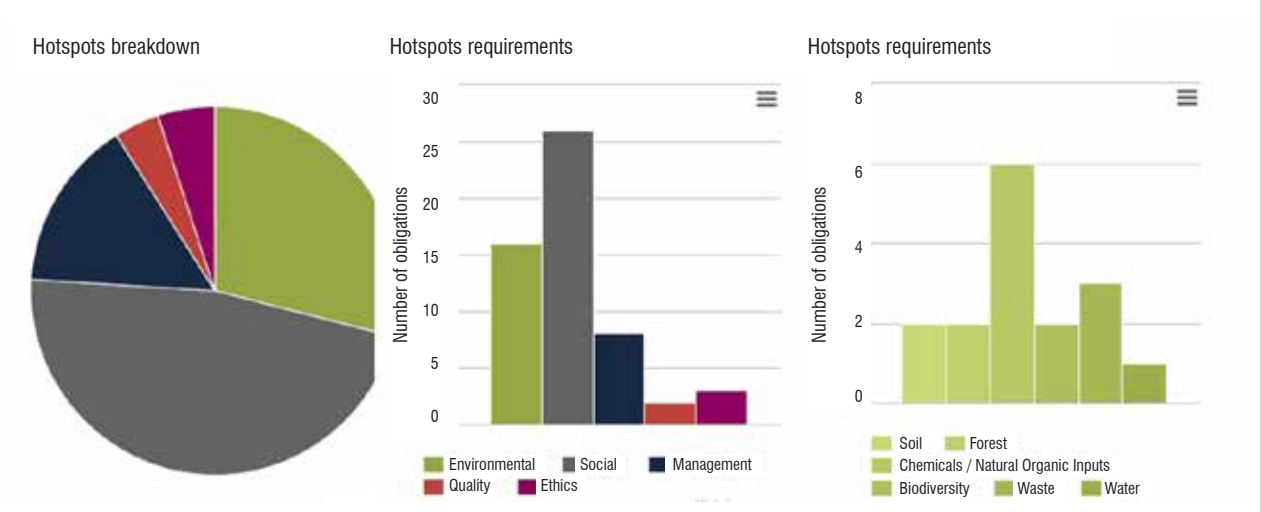
Source: Textile Exchange (n.d.). *Organic Cotton Market Report*, 2011, 2012 and 2013.

Figure 29: *BCI certification hotspots*



Source: International Trade Centre Standards Map (2014). Better Cotton Initiative. Available from www.standardsmap.org/quick-scan?standards=2&shortlist=2&product=Cotton&origin=Any&market=Any&cbi=81:81:785.

Figure 30: *CmiA certification hotspots*



Source: International Trade Centre Standards Map (2014). Cotton made in Africa. Available from /www.standardsmap.org /quick-scan?standards=11&shortlist=11&product=Cotton&origin=Zimbabwe&market=Any&cbi=81:81:78.

BCI and CmiA labels

Certification for BCI has not yet been achieved in Zimbabwe. In the ESA region, only Mozambique is presently certified, even though Zimbabwean cotton's environmental and social footprint is lower than those of leading producers like the Unites States, Australia or Brazil. Zimbabwe could lose out by not entering this type of initiative, as it has a great impact on the international image of the lint sold by the country.

BCI focuses on the following aspects of cotton farming: financial profitability; reduction of the impact of water and pesticide use on human and environmental health; improvement of soil health and biodiversity; decent work; and global knowledge exchange and traceability. The focus areas are illustrated in Figure 29. BCI could be of particular interest for Zimbabwe since it is increasingly demanded on international markets, and the requirements to achieve the certification are presently in reach of Zimbabwean cotton farmers and ginners.

Since the 2012/13 cotton harvest season, 30,000 Zimbabwean farmers have started working with the CmiA initiative. In order to get the CmiA label, smallholder farmers must comply with CmiA standards that ban the use of GM cotton and restrict the use of certain agrichemicals, and commit to continuous improvement. Compliance is verified every two years by independent organizations. Since the majority of cotton from Africa is exported, CmiA tracks the cotton through the supply chain but does not place additional requirements on the processing or manufacturing stages of textile production. However, the CmiA certification can also be used by the Zimbabwean T&C industry in order to prove the high quality of raw cotton used and increase value for their products. In the region, cotton production from Zambia, Malawi and Mozambique is also certified for the label.

Zimbabwean farmers that are enrolled in the initiative benefit from training seminars where they learn sustainable and efficient methods for cultivating their fields, thus increasing both yield and income. CmiA has built up an international demand alliance to facilitate cotton sales and, for now, collaborates mostly with Cargill in Zimbabwe (since the initiative only collaborates with individual ginneries). Partner firms such as Puma, Tchibo, C&A and REWE purchase the sustainably grown cotton and process it further. Therefore, CmiA appears to be an entry point certification that could be spread to more farmers. Once a larger number of farmers are enrolled, Zimbabwe could start targeting new standards with higher requirements. In particular, Zimbabwe could start reaching for standards setting additional requirements on processing stages of the value chain, such as the Ethical Trading Initiative or Fairtrade International.

5.5.2. POTENTIAL OFFERED BY THE SECTOR FOR WOMEN

The C2C sector offers potential for empowerment of women in both rural and industrial areas in Zimbabwe. However, to achieve positive returns a number of orientations need to be considered as priorities. These areas will provide women with immediate possibilities and are those with the lowest involvement of cultural perceptions.

(cc) wikimedia commons. Cotton_fields, Tensas Parish.

Organic cotton

The transition to organic cotton is likely to have a positive impact both on women's health and incomes. Organic cotton allows women to work without risk to their health, especially when they are working in the fields during pregnancy, whereas in conventional cotton cultivation there might be health risks in the case of incorrect use of pesticides. In addition, organic cotton makes more use of traditional knowledge.

The introduction of organic cotton growing has increased the number of areas cultivated by women and continues to do so, particularly in Benin and Senegal. Similar developments have been observed in other African countries.[41] The advantages of organic cotton production for women are, for instance, the possibility to be directly involved in cotton campaigns and workshops and to grow cotton on their own land, making decisions on how to work it. In addition, seeds and manure required for organic cultivation methods are locally available and cost less than synthetic products. Above all, growing organic cotton contributes to stabilizing prices through the payment of a premium, as long as market linkages for organic cotton are secured.

41. Hammer, J. and Baier, A. (2005). *Organic Cotton Empowering Women*. PAN Germany.

Increased food security and household stability

Improved quality management and marketing of cotton will lead to increased access to and demand for cotton inputs. This will also have a positive bearing on access to food crops and therefore increase food security for rural households. Cotton commercialization at the household level is significantly correlated with food crop productivity. The expected value of food grain output for households at the mean level of cotton commercialization was 38.1% higher per hectare of food crops than households growing no cotton. Increased access to inputs for cash crops is correlated with higher output of food crops.

Additionally, the promotion of marketable crops may improve households' ability to invest in assets like animal traction, which women can also use in food crop farming. Finally, commercialization supports private investment in infrastructure and human capital, which has positive spillovers for food crop production.[42]

42. Govereh, J. and Jayne, T.S. (1999). Effects of cash crop production on food crop productivity in Zimbabwe: synergies or trade-offs? MSU International Development Working Papers, No. 74. East Lansing: Michigan State University; Strasberg, P.S. (1998). Smallholder cash-cropping, food-cropping and food security in Mozambique's cotton belt. Policy Synthesis for Cooperating USAID Offices and Country Missions, No. 34.

Table 12: *Zimbabwean women in T&C education*

	Enrolment in 2010			Percentage of women			
	Men	Women	Total	2000	2008	2009	2010
Textile/clothing technical education	5	68	73	97.0	98.4	96.8	93.2

Source: Zimbabwe National Statistics Agency (2013). *Women and Men in Zimbabwe Report 2012*. Harare..

Fair trade certification

As fair trade is based on paying producers a guaranteed minimum price that covers the cost of production, women can obtain a steadier and higher income from their certified cotton production. To earn the fair trade cotton label, producers agree to standards that ensure an environmentally friendly product, including avoiding GM seeds, limiting the use of pesticides, enriching the soil, practising crop rotation and handpicking.

The product standards for fair trade cotton caution producers to use pesticides. For example, the Fairtrade Labelling Organization works with a list of prohibited materials which includes a number of pesticides that are in use in conventional cotton production in some countries. Fair trade certification therefore protects women from health risks.

With fair trade certification, producers can sell their cotton at a higher price to ginning and trading companies, provided they have a guaranteed market for fair trade products. As consumers are increasingly concerned about social and environmental responsibility, demand for fair trade products is growing. In addition to the minimum producer price, a communal premium is paid to producers who agree to invest a percentage of cotton proceeds back into the community.

Employment opportunities in T&C subsectors

T&C subsectors contribute significantly to the empowerment of women. Job creation in the T&C sector has been particularly strong for women in poor countries who previously had no income opportunities other than the household or the informal sector.[43] Thus, T&C being a labour-intensive sector can also represent great employment opportunities for young women with low levels of education and work experience.

However, to be competitive, the upgrading of the T&C sector will require higher levels of skills and training in a wide range of career opportunities[44] for women. These not only include opportunities in manufacturing, but also in technical areas and managerial positions. National statistics (table 12) illustrate that T&C technical schools already attract a large majority of women. By reaching a higher number of women, the T&C sector could gain a skilled labour force and contribute to integrating women in the economy at higher stages, guaranteeing inclusive socioeconomic development.

43. Nordas (2004).

44. Zimbabwe National University of Science & Technology (2014). Textile technology. Available from www.nust.ac.zw/index.php?option=com_content&view=article&id=88&Itemid=184.

To achieve the vision and strategic objectives that have been discussed above, a robust, actionable, and realistic strategic PoA is required. This is provided in the section below, and effectively constitutes the heart of this strategy.

By Kimberly Vardeman (Flickr- Cotton Harvest) [CC-BY-2.0 (http-//creativecommons.org/licenses/by/2.0)], via Wikimedia Commons.

6. THE ROAD MAP

The overall strategy is to maximize value addition throughout the entire value added chain of C2C. This strategy targets objectives which are implementable in the short and medium term with resources which are realistically available in the short term. It is the aim of this first strategy to create a foundation upon which even greater development of the C2C value chain is effected, beyond the five-year scope of this strategy. It is assumed that future policies, such as the new IDP, which is due for review in 2016, will build on successes and therefore complement the strategies formulated here.

The strategy design work has identified many restrictions to the effective and efficient maximization of value addition throughout the chain. However, some of these are beyond this strategy to solve and some cannot be resolved in the short term, e.g. unreliable electricity supply. Such limiting factors must not be ignored but rather accepted as given in the short term. In fact, as the strategy is implemented, some of the current restrictions will dissipate; for example, as capacity utilization increases, profitability will increase and the availability of working capital will improve.

The overriding theme of the following strategy is to develop – and market – a focused understanding and commitment from all stakeholders to each play their vital role to their maximum ability to enable the C2C chain to be a significant driver of economic growth, wealth creation and national development.

1. IMPROVE THE POLICY ENVIRONMENT AND FRAMEWORK TO SUPPORT THE DEVELOPMENT OF THE C2C VALUE CHAIN

The first strategic objective is addressing the policy environment, i.e. improving policies, laws, regulations, and administrative practices affecting the C2C sector. Currently national policies remain fragmented, with different authorities responsible for the various C2C subsectors[45]. This has resulted in disjointed policy that hinders collaboration and streamlined reform. This objective aims at creating a favourable, transparent, and predictable policy environment for the development of the C2C value chain.

1.1. Measures must be taken to ensure and support the implementation of the present C2C Strategy. In this regard, the C2C value chain in its entity should be redefined as a national priority in the policy documents of Zimbabwe. Actions on the ground need to reflect this status. An implementation management framework should be established in order to coordinate the implementation of the activities present in this strategy. A coordination body and its subsidiary organ should be capacitated to monitor, coordinate and mobilize resources required to implement the present strategy (refer to section 8).

1.2. Implement a local buying policy.[46] This will be done in the following ways:

- Government enacts that all procurement of clothing by parastatals and local municipalities must be from local manufacturers. Exceptions would be allowed by agreement between the industry and Government where there is no locally substantially competitive capacity.
- State Procurement Board (SPB) tenders involve NECs in confirming that the tenderer is a bone fide manufacturer and to ensure the correct goods are supplied.
- SPB tenders to remove the condition that all items must be quoted for and all tenders must be broken down into sectoral products.
- All items of clothing being put up for sale in Zimbabwe must have a sewn-in label declaring the country of manufacture.
- Wholesalers and retailers are to be encouraged to stock at least 50% locally manufactured goods.
- All approved infrastructure projects to include a provision that clothing and textile items are sourced from local manufacturers, unless validated by the industry that they are not available on a substantially competitive basis.
- All schools to be given 12 months to arrange for all school uniforms to be manufactured in Zimbabwe, unless validated by the industry that they cannot be supplied on substantially competitive basis.
- The rules of origin under the SADC Trade Protocol to be altered to read 'Manufactured from Fabric', for all garments made from fabrics not manufactured in Zimbabwe in quantities and qualities to meet demand.

45. The clothing and textiles are treated as priority sectors under agro-processing within the IDP 2012-2016. ZIMASSET identifies value addition and beneficiation as a core objective. The beginning of the chain falls under MOAMID, while other links fall under MIC

46. The Local Buying Policy must comply with SADC-COMESA and WTO's Law and Policy in Public Purchasing.

1.3. Governmental incentives should be put in place in order to enable an efficient access to inputs for all subsectors of the value chain. This can be achieved through a duty rebate on all raw materials imported by the C2C chain.

1.4. The C2C sector also needs policies improving export procedures. In that regard ZIMRA need to be capacitated to ensure delays in cross-border trade are limited to the minimum time possible. Checks by ZIMRA at the borders of incoming and outgoing goods need to be expedited because delays are expensive and reduce attractiveness to trading with Zimbabwe. This involves training of ZIMRA personnel, reducing smuggling and under-invoicing, and implementing the EU EPA in full. Non-Tariff Measures must also be identified and lobbying enabled to reduce them.

1.5. Investment procedures in the country must become systematic, transparent and easy in order to be supporting the sector. In this regard, the chain should be synergistic and declared a SEZ, with compliant members to receive incentives of the SEZ status. Any significant investment into the chain, whether from foreign or local sources, to be granted 15-year investment licences and indigenization compliance certificates.

2. IMPROVE THE CAPACITY AND COHESION OF THE TRADE SUPPORT NETWORK TO ENHANCE THE EFFECTIVENESS OF THE C2C VALUE CHAIN

The second strategic objective is related to the institutional framework supporting the sector. It aims to enable both a fair institutional representation of all the segments of the value chain, as well as to achieve an overall alignment of the institutional framework. The objective also includes operations intended to build the capacity of the supporting institutions to perform and to provide services that are relevant to the C2C sector.

2.1. The overall coordination among institutions supporting the sector should be improved. This can be achieved through the creation of an umbrella organization – ACVAZ. It will represent the interests of the chain. The members of the association will be the following:

- Farmers unions
- CGA
- Oil Expressors Association
- Animal feed representatives
- Seed associations
- ZITMA
- ZCMA
- Representatives of the fashion industry
- Retailers Association
- MIC
- MOAMID
- Ministry of Small and Medium Enterprises and Cooperative Development
- MoFED.
- Three apex bodies should be created to represent farmer unions, fashion industry and the tertiary institutions within the ACVAZ.

2.2. Capacities of individual business associations, representing the value chain, should be grown both in terms of resources, performance and abilities to provide appropriate services to their members.

2.3. ZimTrade needs resources to kick-start it into further proactive promotion of the chain. Resources should be used to develop a 'Brand Zimbabwe' which focuses on the competitive advantages available, e.g. organic cotton, CmiA, quality, social responsibility, etc.

2.4. SAZ needs to be capitalized for the organization to maximize its potential in support of the country's producers of goods and services. If provided with greater resources, it would be involved in the following:

- Advising on cotton standards in association with AGRITEX. This would enable better marketing of Zimbabwean cotton and its products.
- Regulating and testing cooking oil imported into the country, and comparison with cooking oil from cottonseed, to enable effective marketing of the advantages of local oil and also to control the import of non-compliant oils.
- Auditing of grading of cotton at gins. It is not practical to grade cotton at buying points. Farmers are suspicious of how transparent and authentic the grading process is. Ginning is only done for a few months each year, so SAZ could station staff at the gins as external auditors of the grading to give the process credibility, transparency and greater marketability.
- Facilitation of links implementing quality management systems. All stakeholders in the chain should be encouraged to achieve accreditation to international quality standards. This will improve the marketability of Zimbabwean goods and improve the poor perception the international community has of Zimbabwe and its ability to compete.
- Definition of fabric quality standards and testing of the same, including pre-testing of exported fabric and post-testing of imported fabrics. Many buyers insist on a certain standard, e.g. the mining industry. Part of this is due to essential safety standards. Fabrics accredited to certain standards will be more marketable and able to achieve a higher price point.
- Setting standards of garment construction to ensure consistency of fit, usefulness and durability.
- Accreditation of SA standards e.g. SA8000, Worldwide Responsible Accredited Production

(WRAP) and Registration, Evaluation, Authorization and Restriction of Chemicals (REACH).
- Implementation of international standards on personal protective equipment.
- Setting of international standards of goods being imported into Zimbabwe and pre-testing certificates required for the goods to cross the border, e.g. ITS certificate that clothing is made from azo-free dyed fabric with no nickel.

2.5. ZIA needs to be capacitated to ensure its investment incentives are the same as or better than those available in competitor and neighbouring countries. This may involve issues of taxation, expertise, and ensuring that investments in the sector are indeed genuine and not warehousing imports.

2.6. The research on cotton seed varieties needs to be reinforced and financially independent. Therefore alternative sources of funding need to be identified for the CRI.

2.7. The Technical Vocational Education and Training (TVET) structure available in institutions supporting the value chain needs to be reinforced and expanded to cover and reach all representatives.

2.8. ZCMA currently holds two clothing indabas per year, one in Harare and one in Bulawayo. These are held to promote awareness of the clothing and fashion industries. The format has evolved to include training sessions for clothing manufacture. These events need to be expanded further to include workshops for the entire chain's stakeholders, e.g. workshops on the latest fashion, garment, textile and ginning production techniques; farming practices; productivity-related pay, etc. They currently include the tertiary institutions but this should be enhanced to include a workshop for them, a marketing forum for prospective students and an employment conduit for graduates.

2.9. Public-private dialogue is a key factor that enables the proper channelling of private sector's concerns to the relevant responsible public sector institutions. ACVAZ should take the leading role to enable this interaction.

2.10. The chain must take a firm orientation and commitment on the cotton production. The chain will therefore focus and market on environmentally friendly and organic cotton along the lines of BCI and CmiA.

3. INCREASE FARMERS' AND FIRMS' CAPACITY AND PRODUCTIVITY, AND IN TURN THEIR COMPETITIVENESS

The third strategic objective is related to the performance of the actors in the value chain, through increased capacity and productivity. This will ultimately enhance the competitiveness of C2C products from Zimbabwe. This can be done through better farming practices, spreading of latest techniques in the industrial segments of the value chain, increase of quality and value addition and proper investment attraction.

3.1. The first step in the value chain is represented by the farmers. The performance of the value chain therefore depends greatly of their yields. In order to increase those, a number of adjustments need to be incremented in the current system.

- A finance facility needs to be established to fund working capital along the chain. The drawdown and repayment could be coordinated via the same

financier, given immediate security from one party to the next.
- An agreed pricing model for seed cotton must be driven and negotiated. In recent times, the cotton industry has been plagued with disputes over pricing. There is tension between the stakeholders and questions over transparency, resulting in poor farming efficiencies and a negative perception of Zimbabwean cotton internationally.
- Farmers need to be provided with property title deeds and/or long-term farm leases by the Government. Such instruments enable access to finance by providing security to the financier. This should enhance commitment to the crop in both quality and quantity so as to maximize yields and efficiencies on all farmland. In addition, farmers will have autonomy and the ability to control their own destiny.
- The principle of sanctity of contracts needs to be supported by all stakeholders, including Government and security organizations. Non-adherence and failure to honour contracts create a negative perception of the cotton industry. It places an unreasonable burden of debt on the other party such that confidence is eroded and long-term planning and commitment becomes non-existent. Sanctity of contracts should strive to abolish side marketing of cotton.

3.2. The quality of cotton produced in Zimbabwe must be sustained and further increased to insure contamination-free cotton. Facilities need to be made available through SAZ, possibly with ACVAZ, to encourage all stakeholders to become accredited to international standards. This will further positively affect the marketability of the chain's outputs.

3.3. Sustainable practices must be stimulated among farmers related to limitation of soil erosion, efficient water use, limitation of chemical/and use of natural organic inputs, protection of biodiversity and forest and limitation of waste, through ACVAZ as well as through the trainings provided by BCI and CmiA to farmers to ensure compliance.

3.4. The productivity within all industrial segments of the value chain must be increased in order to meet the targets set by this strategy and ensure competitive value added products. This can be done through machineries upgrade, implementation of new techniques and collaboration with foreign universities to stay at the top of technical capacity.

3.5. The value addition level must also be increase in the industry to supply markets with high quality products.

3.6. Product diversification must be supported, for instance in cotton production, textiles and clothing segments, in order to increase competitiveness of Zimbabwean production.

3.7. The level of investments is a key factor to increase capacity of industrial segments of the value chain. However it needs to be properly directed and promoted, for it to really benefit the sector. In this regard, activities under this operational objective aim to orient and to promote the most appropriate investments for the sector.

4. IMPROVE THE CAPACITY OF BUSINESSES TO INTEGRATE INTO DOMESTIC, COMESA/SADC AND INTERNATIONAL MARKETS

The fourth strategic objectives relates to the capacity of the C2C sector to integrate markets, whether it is the domestic market, COMESA/SADC or international markets. This is mostly dependant of availability and quality of trade information and the ability of SMEs to use this intelligence for their day-to-day operations or long-term strategic thinking. Market access and promotion of Zimbabwean C2C products is also a key factor.

4.1. The decision-making process within SMEs must be stimulated through tailored and easy-to-access trade intelligence.

4.2. The understanding within exporting firms of international buyers' requirement must be increased in order to ensure sustainable export relationships and improve adaptability levels of Zimbabwean enterprises.

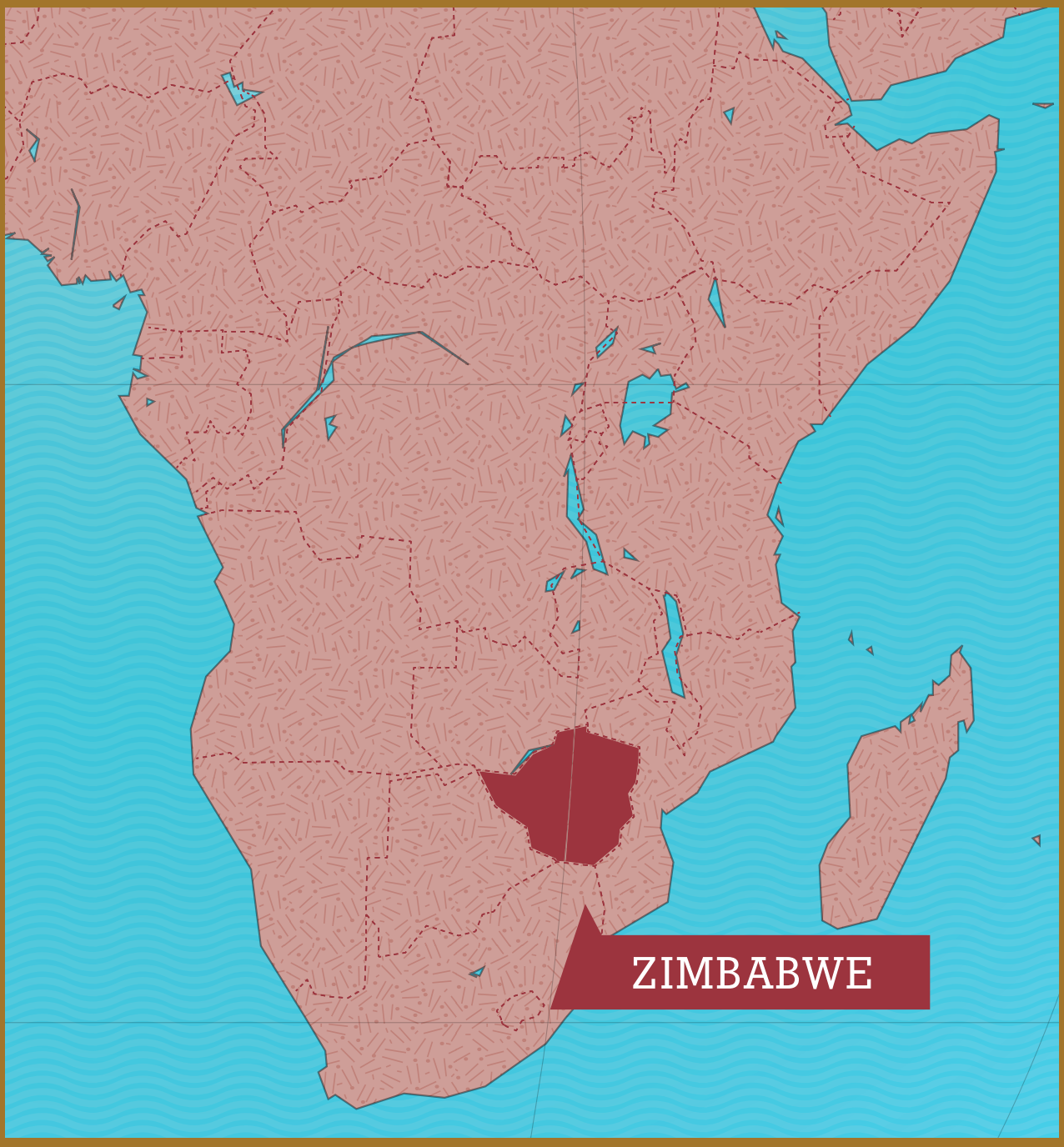
4.3. The promotion of Zimbabwe's products must be better coordinated and its outreach must be increased.

4.4. Market diversification must be stimulated.

From strategic directions to concrete actions

The following implementation plan details the comprehensive set of activities to be undertaken, grouped along strategic objectives and operational objectives. The PoA takes into account all specific competitiveness constraints and opportunities identified in order to improve the sector's export competitiveness, and provides a clear and detailed framework for the implementation of the C2C strategy.

7. STRATEGIC PLAN OF ACTION



Strategic Objective 1 : Improve the policy environment and framework to support the development of the C2C VC									
Operational objective	Activities	Priority 1=low, 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners*	Supporting implementing partners	Existing programmes and international financial and technical partners	Estimated costs
1.1. Secure and support the implementation of the C2C Strategy	1.1.1. Endorse the C2C strategy as part of the IDP 2012-2016 and ZimASSET implementation to create a legal framework for its implementation	3	Entire value chain /Government	Institutional framework to implement strategy put in place	Minutes of the meetings	Value chain/MIC	National Associations/ MIC/ MOAMID/ MSMEDC	ITC, EU, COMESA	90,000
	1.1.2. Set up and operationalize a public-private sector coordinating body (and its subsidiary organ) to manage the implementation of the strategy.								
	1.1.3. Build capacity of the public-private sector coordinating body through targeted training, in order to monitor and coordinate the strategy's activities and to mobilize resources required for its implementation.								
	1.1.4. Align all the subsector development policies with the C2C Strategy and reinforce national implementing institutions' ownership.								
	1.1.5. Lobby parliament to enact Special Economic Zone (SEZ) Act to include policy and fiscal incentives to revamp C2C value chain.								
1.2. Lobby for Implementation of a Local Buying Policy**, including government procurement and national consumption	1.2.1. Carry out a study establishing public sector institutions' requirements for textile and clothing products, such as uniforms and technical wear (public construction sites).	2	Entire value chain /Government	Industry to provide 75% of public sector purchases of textile and clothing goods	Government Gazette Policy document	Public procurement agency /ACVAZ	MOFED /MIC	MOFED, ITC, EU, COMESA	100,000
	1.2.2 Match the public sector demand with local production to provide empirical evidence for policy reform.								
	1.2.3. Develop a position paper to lobby for public procurement policy reform based on public-private stakeholder dialogue.								
	1.2.4. Enact a law stating that for all infrastructural projects approved, clothing and textile items are sourced from local manufacturers, unless validated by the industry that they are not available on a substantially, competitive basis.								
	1.2.5. Enact legislation to require all school uniforms to be sourced from local clothing industry and later from Zimbabwean made fabric once the textile industry has sufficient fabric production capacity, unless validated by the industry that they are not available on a substantially, competitive basis.								
	1.2.6. Hold dialogue with parliamentary and cabinet committee on public procurement policy and legislation reform.								

* Abbreviations of Ministries: MIC: Ministry of Industry and Commerce; MOAMID: Ministry of Agriculture, Mechanisation and Irrigation Development; MSMEDC: Ministry of Small and Medium Enterprises Development and Cooperatives; MOFED: Ministry of Finance and Economic Development; MPSLSW: Ministry of Public Service, Labour and Social Welfare.

** The Local Buying Policy must comply with SADC-COMESA and WTO's Law and Policy in Public Purchasing.

Strategic Objective 1 : Improve the policy environment and framework to support the development of the C2C VC									
Operational objective	Activities	Priority 1=low, 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners*	Supporting implementing partners	Existing programmes and international financial and technical partners	Estimated costs
1.3. Enable efficient access to inputs for all sub-sectors of C2C	1.3.1. Identify tariff codes for imported raw materials used in the production of C2C products and link to database of Cotton Value Adders of Zimbabwe (ACVAZ) members. (See activity 2.1.4.)	2	Entire value chain	Database of tariff codes	Database	ACVAZ	MOFED (Zimra)	ITC, EU, COMESA	80,000
	1.3.2. Lobby for a duty waiver system to apply to all ACVAZ members and prepare and register the required Statutory Instrument.	2	Entire value chain	Approval of duty rebate scheme	Statutory Instrument	MOFED (Zimra)	MIC	ITC, EU, COMESA	
1.4. Improve export procedures	1.4.1. Conduct a survey among C2C SMEs to identify the most impeding Non-Tariff Measures (NTMs) and lobby Zimra to change their procedures in order to remove NTMs to further facilitate trade.	1	Entire value chain	Survey conducted	Report of the survey, white papers	MOFED (Zimra)	MIC	ITC/India/China/ACBF/World Bank/AfDB/COMESA/EU	120,000
	1.4.2. Train border post/customs personnel on textile and clothing technical aspects and quality assessments, in coordination with Zimra.	1	Entire value chain	>2 training per year	Training monitoring Report	MOFED (Zimra)	MIC	ITC/India/China/ACBF/World Bank/AfDB/COMESA/EU	
	1.4.3. Reissue directive to have all goods imported under Chapter 61 and 62, utilising a SADC Certificate of Origin, be levied duty as a deposit until the importer has satisfied Zimra that goods are compliant.	1	Entire value chain	Directive published on Government Gazette	Government gazette Review ZIMRA procedures	MOFED (Zimra)	MIC	ITC/India/China/ACBF/World Bank/AfDB/COMESA/EU	
	1.4.4 Lobby the Reserve Bank of Zimbabwe (RBZ) to change its procedures to remove NTB's to facilitate trade.	1	Entire value chain	RBZ Publication on Government Gazette	Review RBZ procedures	MOFED (Zimra)	MIC	ITC/India/China/ACBF/World Bank/AfDB/COMESA/EU	
1.5. Facilitate, systemise and enable transparency of the investment procedures	1.5.1. Include the activities related to the C2C VC into a Special Economic Zone (SEZ) and ensure at least 15 year visibility for investors.	3	Entire value chain	ACVAZ Registration as SEZ	Registration Certificate	MOFED (ZIA)	MIC	ITC, EU, COMESA	50,000
	1.5.2. Lobby for the SEZ application to include a clear and transparent framework of conditions and incentives to achieve significant investment into the chain, both local and foreign.	2	Entire value chain	ACVAZ Registration as SEZ	Registration Certificate	MOFED (ZIA)	MIC	ITC, EU, COMESA	

Strategic Objective 2 : Improve the capacity and cohesion of the trade support network to enhance the effectiveness of the C2C VC									
Operational objective	Activities	Priority 1=low, 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes and international financial and technical partners	Estimated costs
2.1. Improve the overall coordination among institutions supporting the VC	2.1.1. Set up the Association of Cotton Value Adders of Zimbabwe (ACVAZ). » ACVAZ will be an umbrella organization representing the entire VC and including the following members: » Farmer unions, » Cotton Ginners Association, » Oil Expresser's Association, » Animal Feed representatives, » Zimbabwe Textile Manufacturers Association, » Zimbabwe Clothing Manufacturers Association, » Representatives of the fashion industry, » Retailers Association, » Tertiary Institutions, » Ministry of Industry and Commerce, » Ministry of Agriculture, Mechanisation and Irrigation Development, » Ministry of Small and Medium Enterprises Development and Co-operatives, » Ministry of Finance and Economic Development. » Draft the constitution of ACVAZ, outlining a clear and transparent mandate. » Register ACVAZ as an association with Ministry of Public Service, Labour and Social Welfare.	3	Entire value chain	Registration of Association	Registration confirmation	MPSLSW	MIC	ITC, EU, COMESA	600,000
	2.1.2. Set up and resource the secretariat of ACVAZ, and provide technical and financial support for two years to make it sustainable and to increase its capacity to coordinate and align the entire institutional framework for the sector.	3	Entire value chain	Functional ACVAZ	Minutes of meetings and activities	Sector National Associations	MIC/Private sector alliance	Sector National Associations, ITC, EU, COMESA	
	2.1.3. Provide technical support to set up of three apex bodies, for farmers unions, fashion industry and tertiary institutions to facilitate their representation within the ACVAZ.	3	Entire value chain	One apex body to represent all farmers unions at ACVAZ	Constitution of Apex body Registration certificates	ACVAZ	MIC/Private sector alliance	ITC, EU, COMESA	
	2.1.4. Build an online tool and database (together with a public website) of all compliant members of ACVAZ, facilitating coordination increasing visibility of the institution.	3	Entire value chain	Publish database	Published database	ACVAZ	Member bodies	ITC, EU, COMESA	
2.2. Build capacity of individual business associations of the VC	2.2.1. Review the institutional and governance structure of the CGA, the Oil Expressers Association (OEA), ZiTMA and ZCMA to strengthen transparency and governance systems.	3	Entire value chain	Functional ACVAZ	Minutes of meetings and activities	Sector National Associations	MIC/Private sector alliance	Sector National Associations, ITC, EU, COMESA	150,000
	2.2.1. Provide trainings to the CGA, OEA, ZiTMA and ZCMA to deliver proper services to their members and to increase their performance. Trainings will include fields such as institutional management, members' requirement assessment, service portfolio building and related subject-matter expertise.	3	Entire value chain	Functional ACVAZ	Trainings records and assessments	Sector National Associations	MIC/Private sector alliance	Sector National Associations, ITC, EU, COMESA	

Strategic Objective 2 : Improve the capacity and cohesion of the trade support network to enhance the effectiveness of the C2C VC									
Operational objective	Activities	Priority 1=low, 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes and international financial and technical partners	Estimated costs
2.3. Enhance the technical competencies of Zimtrade to deliver services to the C2C value chain	2.3.1. Conduct needs assessment to ascertain the competencies at Zimtrade in the C2C VC field.	3	Entire value chain /Government	At least 2 value chain specific trade promotion and market development annually	Assessment report, number of training conducted, number of reforms carried after the missions	ZimTrade	ACVAZ/MIC	Sector National Associations, ITC, EU, COMESA	350,000
	2.3.2. Develop and implement capacity building programmes in collaboration with ACVAZ to bridge the gap between services offered and industry needs.								
	2.3.3. Conduct exchange missions within and outside Africa to benchmark services and share best practices.								
2.4. Strengthen the capacity of Standards Association of Zimbabwe (SAZ) to develop and implement standards a cross the chain	2.4.1. Adjust the mandate of SAZ to include the following roles, related to the C2C sector ; » Registering standard of planting seed quality. » Registering standard of seed cotton quality based on staple length and tensile strength, purity etc. » Registering standards for cooking oil and developing simple testing mechanisms for border testing to be possible. » Identifying the scientific benefits of cotton seed oil and presenting them in a way to market it. » Establishing a system of external auditing of grading processes of cotton lint at ginneries.	2	Farmers, Ginners, Oil Expressors	SAZ to adopt the recommendations of the document.	SAZ acknowledgment and action	ACVA	SAZ	ITC, EU, COMESA	
2.4. Strengthen the capacity of Standards Association of Zimbabwe (SAZ) to develop and implement standards a cross the chain	2.4.2. Establish technical teams comprising farmers, ginners, oil expressers, textile and clothing manufacturers to support SAZ to revise or develop standards.	2	Entire value chain /Government	Value chain specific products standards and quality assurance system	Assessment report Number of training and certification services Number of reforms carried after the missions	SAZ	ACVAZ/MIC	Sector National Associations, ITC, EU, COMESA	500,000
	2.4.3. Provide technical support to SAZ to offer training and certification services to the value chain.								
	2.4.4. Enhance the capacity of SAZ to enforce C2C value chain standards.								
	2.4.5. Conduct exchange missions within and outside Africa to benchmark services and share best practices.								
	2.4.6. Prepare submission to be included in standards legislation currently being written to adopt best international practise regarding ; » Sanitary, phytosanitary and general health and safety standards for all imported cotton chain goods. » Quality standard on fabrics and textile goods imported e.g. AZO dye free » Quality standard on garments imported (e.g. that they are made from fabrics which comply with import standard of fabrics, free of nickel etc.)	2	Oil Expressors, Textile and Clothing	Inclusion in the legislation of the recommendations	Legislation document	ACVAZ	SAZ	ITC, EU, COMESA	

Strategic Objective 2 : Improve the capacity and cohesion of the trade support network to enhance the effectiveness of the C2C VC									
Operational objective	Activities	Priority 1=low, 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes and international financial and technical partners	Estimated costs
2.4. Strengthen the capacity of Standards Association of Zimbabwe (SAZ) to develop and implement standards a cross the chain	2.4.7. Conduct study on how to adopt international standards, particularly those of SA, for testing and certification of fabric construction and garment construction to enable certified goods to be mark bearing on the quality standard (e.g. J54 is a SABS standard fabric which is certified to be of a certain quality and garments made from this fabric which also comply with the standard on garment construction, can bear the mark of SABS which commands a premium in the market).	2	Textile and clothing	SAZ recognised to certify these international standards	Confirmation of recognition	ACVAZ	SAZ	ITC, EU, COMESA ITC	500,000
	2.4.8. Conduct study on the additional benefits of SAZ gaining qualification to advise and audit SA8000, WRAP and REACH.	1	Entire value chain	SAZ certified to audit SA800, WRAP and REACH	Certificates	ACVAZ	SAZ	ITC, EU, COMESA ITC	
	2.4.9. Establish system of marketing those members of the chain who are accredited to international quality standards such as ISO9001:2008, SA8000, WRAP and REACH.	1	Entire value chain	Chain recognised as largely compliant	Marketing system in place	Marketing system	ZIMTRADE/SAZ	ITC, EU, COMESA ITC	
	2.4.10. Conduct study for Zimbabwe to adopt best international practise in the use of personal protective equipment (PPE).	2	Clothing	Statutory instrument on PPE requirements based on best international standards	Statutory instrument	MIC, MPSLSW	Consultant/donor	ITC, EU, COMESA ITC	
2.5. Enhance the technical capacity ZIA to deliver services to the C2C value chain	2.5.1. Conduct needs assessment to ascertain C2C investment promotion competencies.	2	Entire value chain /Government	At least 2 value chain specific trade promotion and market development annually	Assessment report, number of training conducted, number of reforms carried after the missions	Value chain /ZIA	MOFED /MIC	ITC, EU, COMESA ITC	700,000
	2.5.2. Develop and implement capacity building programmes in collaboration with ACVAZ to bridge the gap between services offered and industry needs.								
	2.5.3. Conduct exchange missions within and outside Africa to benchmark services and share best practices.								
2.6. Secure continuous research to support cotton growing	2.6.1. Secure alternative sources of funding for CRI through resource mobilization efforts undertaken by ACVAZ in order to insure the continuation of its work and to insure high quality seed varieties.	2	Cotton farmers/ ginners	At least one alternative source of funding identified	CRI reports	ACVAZ/CRI	MOFED /MIC/ MOAMID	ITC, EU, COMESA ITC	40,000
2.7. Reinforce the Technical Vocational Education and Training (TVET) structure available to the VC	2.7.1. Increase capacity of training centres and extension services related to C2C : Provide selected centres along the value chain with development grants, which can be used for institutional development of the centres (it is assumed that such centres will be financially sustainable and will provide their services for a fee).	2	Entire value chain	No less than 6 training centres received support and training	Internal project evaluation	Training Centres	MIC/Private sector alliance	Sector National Associations, ITC, EU, COMESA	500,000
	2.7.2. Establish TVET services within business associations that do not yet offer such services, such as ZiTMA.	2	Entire value chain	No less than 3 new TVET services established	Internal project evaluation	Sector National Associations	MIC/Private sector alliance	Sector National Associations, ITC, EU, COMESA	
	2.7.3. Train trainers to ensure a high level of support available within business associations and to strengthen existing TVET structure.	1	Entire value chain	No less than 6 training institutions received support and training	Internal project evaluation	Sector National Associations and Training Centres	MIC/Private sector alliance	Sector National Associations, ITC, EU, COMESA	

Strategic Objective 2 : Improve the capacity and cohesion of the trade support network to enhance the effectiveness of the C2C VC									
Operational objective	Activities	Priority 1=low, 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes and international financial and technical partners	Estimated costs
2.7. Reinforce the Technical Vocational Education and Training (TVET) structure available to the VC	2.7.4. Establish, equip and fund C2C SME incubation and training Centres of Excellence.	1	Value chain / Training institutions	>2 centres established and equipped	Center establishment reports Number of SMEs incubated	Value national Associations/ Ministry of SMEs	MIC/ MOFED	ITC/India/China/ CBF/World Bank/ AfDB/COMESA/EU	700,000
2.8. Hold a C2C Indaba, as a promotion and capacity building event for the entire C2C value chain	2.8.1. Review the institutional structure and governance system of the actual Clothing Indaba in order to create a similar event for the entire C2C value chain.	3	Entire value chain	At least 1 C2C value chain Indabas conducted annually	Indaba Programmes	Sector National Associations/ MIC	Sponsors	Private sector,ITC	500,000
	2.8.2. Hold stakeholders forum to come up with a framework to establish a C2C Indaba, in collaboration with ZCMA and the Clothing Indaba event in order to benefit from the existing visibility.								
	2.8.3. Provide support to the secretariat of ACVAZ to organise the new C2C Indaba event.								
	2.8.4 Develop a resource mobilization plan to get sponsors to ensure sustainability of the event.								
2.9. Enable constant public-private dialogue and policy advocacy for the VC	2.9.1. Position ACVAZ as a leading public-private dialogue platform representing the interest of the entire value chain to the leading Ministries, through the constant participation of Ministries at the meetings.	3	Entire value chain	Role included in the constitutions and Ministries participate actively at its meetings	Constitution of ACVAZ List of participants at the meetings	ACVAZ	MIC/ MOFED / MSMEDC MOAMID	Sector National Associations, ITC, EU, COMESA, NIR	30,000
	2.9.2. Build a common positioning on key issues affecting the sector within ACVAZ and build the necessary advocacy to implement required policy or regulation changes.	3	Entire value chain	Common VC statements	Minutes of the meetings	ACVAZ	MIC/ MOFED / MSMEDC MOAMID	Sector National Associations, ITC, EU, COMESA, NIR	
	2.9.3. Build capacity of the secretariat of ACVAZ on policy advocacy.	2	Entire value chain	At least 1 training provided to ACVAZ	Report of the activity	ACVAZ	MIC/ MOFED / MSMEDC MOAMID	Sector National Associations, ITC, EU, COMESA, NIR	
	2.9.4. Increase collaboration between private associations and influential public institutions in order to orient policies' and educational programmes' elaboration to respond to industry needs.	2	Education Institutions	PPP Human resource committee	Reports of the committee	Value Chain Associations/Ministry of Education	MIC/ MOAMID	ITC/India/China/ CBF/World Bank/ AfDB/COMESA	
2.10. Promote certification to Better Cotton Initiative and Cotton Made in Africa (BCI, CmiA) through ACVAZ	2.10.1. Hold workshop on the use of Bt planting seeds versus non-Bt varieties focusing on yield and disease resistance variables.	3	Entire value chain	Hold Workshop	Workshop output	MIC	MOAMID	ITC, EU, COMESA	150,000
	2.10.2. Adopt the conclusions of the workshop into ACVAZ constitution.	3	Entire value chain	Amend constitution	Constitution	ACVAZ	Member associations	ITC, EU, COMESA	
	2.10.3. Encourage members to apply to be registered with BCI and CmiA by marketing its benefits.	2	Entire value chain	Chain members are certified by CMIA	Registration confirmation	ACVAZ	Member associations	ITC, EU, COMESA	

Strategic Objective 3 : Increase farmers' and firms' capacity and productivity, and in turn their competitiveness									
Operational objective	Activities	Priority 1=low, 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes and international financial and technical partners	Estimated costs
3.1. Increase cotton yields to reach a yearly production of 450,000 tons of seed cotton	3.1.1. Conduct a feasibility study to assess the necessary documents, processes and criteria to implement a productivity enhancement grant scheme for cotton farming. This scheme would concentrate the crop funding for each season and redistribute it once the cotton is provided.	2	Entire value chain	Approval of the productivity Incentive scheme	Statutory instrument	MOFED	MIC	ITC, EU, COMESA, UNIDO	150,000
	3.1.2. Set up the productivity incentive scheme as recommended by the study, under the form of a Cotton Stabilization Fund, in order to reduce pricing risk for farmers and ginners. (Burkina Faso's "fond de lissage" could serve as benchmark).	2	Entire value chain	Implementation of the PI scheme	Reports on disbursements and effect of scheme	MOFED	MIC	ITC, EU, COMESA, UNIDO	
	3.1.3. Develop and implement a pricing model for seed cotton marketing: » Hire an independent foreign expert to study and elaborate a pricing model proposition (in line with the study on the Cotton Stabilization Fund of activity 3.1.1.); » Reach an agreement between cotton producers and ginners on a new pricing model; » Pilot the new pricing model for one season; » Conduct a meeting to gather feedback of farmers and ginners on the new pricing model and identify ways to improve it.	3	Farmers/ Ginners	1 model piloted	Report of pilot	Farmers union /Ginners	MOAMID	MOAMID /EU/COMESA/TIC	200,000
	3.1.4. Lobby secure term land tenure for farmers, including for women farmers.	3	Farmers/ Ginners	Land tenure instruments	Government Gazette	Farmers Union	Ministry of Lands	Ministry of Lands/EU	
	3.1.5. Carry out independent evaluation of the current contract system to identify gaps for improvement (in line with the activity 3.1.1. and 3.1.3.).	2	Farmers and Ginners			Ginners/ Farmers Association	MIC/ MOAMID	MOAMID	150,000
	3.1.6. Establish buying/selling contracts between farmers and ginners, in addition to farming contracts, in order to support the ability to take action on defaulters.	2	Farmers and Ginners	2 pilot models		Ginners/ Farmers Association	MIC/ MOAMID	MOAMID	
	3.1.7. Conduct training on contract farming to implement the new tools developed and to promote contract sanctity.	2	Farmers and Ginners	>3 trainings annually	Training report	Ginners/ Farmers Association	MOAMID	MOAMID	
	3.1.8. Develop and make available to farmers new high quality seed varieties, based on CRI research, generating higher yield levels.	2	Farmers and Ginners	At least one new variety used by farmers	CRI report	CRI	MOAMID	MOAMID	80,000
	3.1.9. Establish a system of continuous education on inputs management, agro practices, land management and planning through local training centres and educational institutions to increase productivity, especially in remote areas (including crop rotation, use of fertilizers, seeds, safe agro-eco-technology and environmentally friendly farming methods etc.).	2	Farmers and Ginners	At least three courses set and available to farmers	Report	AGRITEX	ACVAZ/ MOAMID	ITC/India/China/CBF/World Bank/AfDB/COMESA	100,000

Strategic Objective 3 : Increase farmers' and firms' capacity and productivity, and in turn their competitiveness									
Operational objective	Activities	Priority 1=low, 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes and international financial and technical partners	Estimated costs
3.1. Increase cotton yields to reach a yearly production of 450,000 tons of seed cotton	3.1.10. Expand farmer field schools and training of lead farmers to support existing extensions services.	2	Famers	>3 trainings annually	Training evaluation reports	Agriculture Research Institute/Farmers Associations	MOAMID	ITC/India/China/CBF/World Bank/AfDB/COMESA/FAO/IFAD	100,000
	3.1.11. Promote and support the usage of modern communication tools (mobile phones, video, radio etc.) to enhance farmers' access to training.	2	Famers	>3 trainings annually	Training evaluation reports	Agriculture Research Institute/Farmers Associations/MOAMID	Ministry of Information and ICT		
3.2. Ensure premium quality of the cotton produced in Zimbabwe	3.2.1. Establish technical cooperation with cotton SA /India to set-up cotton quality management system.	2	Farmers and Ginners	-	MoU	Farmers/Ginners Association	MIC/Ministry of Foreign Affairs	ITC/India/China/CBF	350,000
	3.2.2. Carry out a contamination examination and study of practices to transport cotton from the field to the ginneries, and prepare training modules for farmers and ginners.	2	Farmers and Ginners	-	Training modules	Farmers/Ginners Association/SAZ	MIC/ MOAMID	ITC/India/China/CBF/World Bank/FAO	
	3.2.3. Conduct a sensitization campaign and implement training modules identified by the examination on cotton quality assurance and contamination reduction practices, including in the geographically remote farming areas.	2	Famers	>3 trainings annually	Training evaluation reports	Agriculture Research Institute/Farmers Associations/SAZ	MOAMID		
	3.2.4. Conduct trainings of trainers in cotton contamination in collaboration with spinners.	1	Farmers and Ginners	> 3 training events annually	Training reports	Farmers/Ginners Association/SAZ	MIC/ MOAMID	ITC/India/China/CBF/World Bank/FAO	
	3.2.5. Strengthen and systemize the grading system and develop a seed cotton pricing model that rewards quality and contamination free cotton.	2	Farmers and Ginners	2 models piloted	Grading system/pricing model	Farmers/Ginners Association/SAZ	MIC/ MOAMID	ITC/India/China/CBF/World Bank/FAO	
	3.2.6. Research and disseminate technical information on modern technologies to improve lint quality and yields.	1	Ginners and oil pressers	2 annual publications	Publications	Oil pressers/Farmers/Ginners Association	MIC/ MOAMID	ITC/India/China/CBF/World Bank/FAO	
3.3. Stimulate sustainable practices at farm level	3.3.1. Conduct trainings, potentially in collaboration with BCI and CmiA, on sustainable farming practices (see section 5.5.1. of the strategy narrative) related to limitation of soil erosion, efficient water use, limitation of chemical products and use of natural organic inputs, protection of biodiversity and forest and limitation of waste.	2	Farmers and Ginners	> 3 training events annually	Training reports	Farmers/Ginners Association/SAZ/ACVAZ	MIC/ MOAMID/CmiA/BCI	ITC/India/China/CBF/World Bank/FAO	90,000
	3.3.2. Encourage and advertise certification to BCI and CmiA labels through ACVAZ (see activity 2.10.3.).	2	Farmers and Ginners	> 3 training events annually	Training reports	Farmers/Ginners Association/SAZ/ACVAZ	MIC/ MOAMID/CmiA/BCI	ITC/India/China/CBF/World Bank/FAO	

Strategic Objective 3 : Increase farmers' and firms' capacity and productivity, and in turn their competitiveness									
Operational objective	Activities	Priority 1=low, 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes and international financial and technical partners	Estimated costs
3.4. Increase productivity in industrial segments of the VC	3.4.1. Conduct visits to regional and international trade shows for textile and clothing entrepreneurs on productivity technologies and new machinery (ITMA) with sector participants (industrial associations, clothing enterprises).	2	Textile and Clothing Enterprises	>10 visits organized	Number of visits	Industry Associations	MIC	ITC/India/China/CBF/World Bank/AfDB/COMESA	200,000
	3.4.2. Explore opportunities for developing and introducing appropriate funding mechanisms (such as leasing) to allow enterprises to upgrade the machinery park (together with commercial banks and financial institutions).	3	Textile and Clothing Enterprises	The Mechanism is developed and introduced The number of beneficiaries of special credits, of which not less than 50% are women	Study Report	Industry Associations	MIC/ MOFED	ITC/India/China/CBF/World Bank/AfDB/COMESA	
	3.4.3. Provide trainings to top- and mid-level managers about different types of yarn and textiles, and possible sources of inputs for their enterprises, in order to increase efficiency and product range.	2	Textile and Clothing Enterprises	15 trainings conducted or >10% of industry enterprises are trained	Number of trainings conducted, number of enterprises trained	Industry Associations	MIC/IDA	ITC/India/China/CBF/World Bank/AfDB/COMESA	
	3.4.4. Establish exchange and collaboration links with the leading universities in textiles and clothing (e.g. India, Turkey, China).	2	Education Institutions	>5 signed cooperation agreements with those universities >50 people take part in the exchange program, of which not less than 50% are women	Number of agreements with international universities Number of people benefitting from the cooperation	Education Institutions	Ministry of Foreign Affairs	ITC/India/China/CBF/World Bank/AfDB/COMESA	
	3.4.5. Update existing courses and develop/introduce new/demanded courses in required fields (production, sales and technology in the apparel industry) at key universities and training centres.	2	Training Institutions	>2 curriculum reviewed	Curriculum document	Ministry of Education/ MP-SLSW	MIC	ITC/India/China/CBF/World Bank/AfDB/COMESA	
	3.4.6. Conduct training of trainers on productivity improvement, product diversification and production management targeting Industrial Development Agency (IDA) staff and business consultants in textile and clothing sub-sectors.	2	Textile /clothing	>3 trainings annually	Training Mentoring reports	Universities/ Agriculture/Industry research Institutes Value chain associations	MIC/ MOAMID	ITC/India/China/CBF/World Bank/AfDB/COMESA	

Strategic Objective 3 : Increase farmers' and firms' capacity and productivity, and in turn their competitiveness									
Operational objective	Activities	Priority 1=low, 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes and international financial and technical partners	Estimated costs
3.5. Stimulate and enable innovation in the textile and clothing segments	3.5.1. Identify SMEs with the required profile and potential to form industry clusters.	2	Clothing and Fashion	>50 SMEs	Register with SME Ministry	Clothing /Fashion Associations/	MSMEDC/MIC	ITC/India/China/CBF/World Bank/AfDB/COMESA	700,000
	3.5.2. Work with technical institutions to establish SMEs cluster and incubation centres of excellence (to respond to the product and market opportunities identified in the future perspectives section of the strategy).	2		>3SME cluster/incubation			MSMEDC/MIC	ITC/India/China/CBF/World Bank/AfDB/COMESA	
	3.5.3. Conduct business and technical training to provide up-scaling support to SMEs to participate in national, regional and global markets.	2		>4 trainings annually	Training reports		MSMEDC/MIC	ITC/India/China/CBF/World Bank/AfDB/COMESA	
	3.5.4. Identify and establish partnerships with South-South/North-South institutions to ensure technology diffusion.	2		>2 partnerships	Number partnerships operationlised		MSMEDC/MIC	ITC/India/China/CBF/World Bank/AfDB/COMESA	
3.6. Stimulate diversification of Zimbabwean value added products	3.6.1. Promote processing, utilization and consumption of cotton lint by-products, such as cotton waste, through promotional events including training sessions to ginners and spinners and study of successful cases abroad.	1	Ginners and spinners	>3 promotion events annually	Report of promotion events	Oil pressers/Farmers/Ginners Association	MIC/ MOAMID	ITC/India/China/aCBF/World Bank/FAO	120,000
	3.6.2. Promote processing, utilization and consumption of cotton seed by-products, such as linters, meals and hulls, through promotional events including training sessions to ginners and spinners and study of successful cases abroad	1	Ginners and oil pressers	>3 promotion events annually	Report of promotion events	Oil pressers/Farmers/Ginners Association	MIC/ MOAMID	ITC/India/China/aCBF/World Bank/FAO	
	3.6.3. Conduct training targeting textile enterprises mid-level managers in new available textile construction technologies, latest cost efficiency techniques, product design and merchandising.	2	Textile Enterprises	5 trainings and >5 educational institutions (universities, vocational schools) providing these courses	Study Report	Industry Associations, Ministry of Education	MIC/IDA	ITC/India/China/CBF/World Bank/AfDB/COMESA	120,000
	3.6.4. Conduct training for mid-level managers in pattern making, construction technologies, product design and merchandising, at clothing enterprises.	2	Clothing Enterprises	5 trainings and >5 educational institutions (universities, vocational schools) providing these courses	Study Report	Industry Associations, Ministry of Education	MIC/IDA	ITC/India/China/CBF/World Bank/AfDB/COMESA	

Strategic Objective 3 : Increase farmers' and firms' capacity and productivity, and in turn their competitiveness									
Operational objective	Activities	Priority 1=low, 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes and international financial and technical partners	Estimated costs
3.6. Stimulate diversification of Zimbabwean value added products	3.6.5. Provide training on contemporary trends in fashion design (e.g. colour palettes silhouettes, etc.), as well as the role and importance of fashion designers.	2	Clothing and Fashion Enterprises	>10 companies participating >50 participants acquired knowledge and skills > 10 Relevant analysis/studies prepared Level of satisfaction by participants	Feedback from training activities Reports Participants list	Fashion Institutes/ Industry Associations	MIC	ITC/India/China/ACBF/World Bank/AfDB/COMESA/EU	120,000
3.7. Attract the required investments in the VC	3.7.1. Advocate at the Zimbabwe Investment Authority (ZIA) that investments in C2C should be focused on increasing the manufacturing capacity of textile and clothing enterprises and that investments related to warehousing and distribution should be regulated with caution.	1	Entire value chain	Directive to be issued	Directive	MOFED (ZIA)	MIC	ITC, EU, COMESA	200,000
	3.7.2. Develop a short list of investment attraction opportunities (and investment-ready sites). Develop and implement sector-specific investment promotion programmes with ZIA targeting local, regional and international investors.		Entire value chain	>3 promotions per year	Number of new/additional investment Missions reports	Value national Associations/ZIA	Ministry of Foreign Affairs (MoFA) MIC MOFED	ITC/India/China/CBF/World Bank/AfDB/COMESA	
	3.7.3. Create promotional material and awareness programs to assist ZIA in promoting the C2C chain for investment.	1	Entire value chain	Supply of promotional material	Promotional material and awareness	ACVAZ	ZIA	ITC, EU, COMESA	
	3.7.4. Enable participation in local, regional and international workshops, investment missions and exhibitions and liaise with ZIA to facilitate promotion of the chain and related investment opportunities.	1	Entire value chain	Planned calendar of events and agreed participation	Feedback reports on events	ACVAZ	ZIA	ITC, EU, COMESA	
	3.7.5. Carry out benchmarking programmes to bench mark in order to determine Zimbabwe's investment attraction strategy/tactics.		Entire value chain	>3 promotions per year	Number of new/additional investment Missions reports	Value national Associations/ZIA	Ministry of Foreign Affairs (MoFA) MIC MOFED	ITC/India/China/CBF/World Bank/AfDB/COMESA	

Strategic Objective 4: Improve the capacity of businesses to integrate into domestic, COMESA/SADC and international markets									
Operational objective	Activities	Priority 1=low, 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes and international financial and technical partners	Estimated costs
4.1. Facilitate SME decision-making process through tailored and easy-to-access trade intelligence	4.1.1. Create a strategic monitoring cell, hosted at ACVAZ (2.1.4.), to gather up-to-date and specific C2C-specific trade information and to detect early signals on targeted markets and products (identified in the future perspectives section)	3	Entire value chain	The monitoring cell is functional	Usage statistics of the monitoring cell	ACVAZ, Industry associations	MIC, Ministry of Foreign Affairs, MSMEDC	ITC/India/China/ACBF/World Bank/AfDB/COMESA/EU/ILO/CBI	175,000
	4.1.2. Put in place a cooperation framework to promote the exchange and dissemination of C2C trade information among government agencies, TSIs, media, academia, research organizations and the private sector;	2	Textile and Clothing Enterprises	Cooperation framework is established Over 50 Textile and Clothing Enterprises report to have benefited from trade intel	cooperation framework agreement Feedback Survey	Zimtrade /Industry Associations/ACVAZ/ Association of Consultants	MIC/ MSMEDC	ITC/India/China/ACBF/World Bank/AfDB/COMESA/EU/ILO/CBI	
	4.1.3 Implement measures to actively engage the dissemination of trade information via various channels of communication (telecommunications, Internet service providers, print and television media). Institutionalize partnerships with delivery entities to ensure seamless transfer of content.								
	4.1.4 Systematize the dissemination of information on preferential trade agreements that facilitate foreign market entry, and develop a set of recommendations to be used by exporters								
	4.1.5 Develop trainings /courses for SMEs on how to analyse trade intelligence and adjust their business strategies and operations accordingly.	2	Textile and Clothing Enterprises	>10 courses developed	Workshops' reports and list of participants	ACVAZ, MIC, Zimtrade	MSMEDC	ITC/India/China/ACBF/World Bank/AfDB/COMESA/EU	150,000
	4.1.6. Develop market profiles for target markets (identified in section 5.3.2 of the strategy), including business contacts, possible gains, risks, consumption trends, tariff and non-tariff barriers but also quality, price fixing, shipping and contracting requirements	2	Textile and Clothing Enterprises/Industry Associations	>5 full market profiles elaborated and accessible (internet)	Market profile available on-line	Industry Associations/MIC	MSMEDC	ITC/India/China/ACBF/World Bank/AfDB/COMESA/EU/ILO/CBI	
	4.1.7. Introduce courses on modern market analysis tools and techniques, as well as on how to use them to establish business plans, in the curricula of educational institutions and to conduct seminars at faculties.	3	Education Institutions and consulting firms	>20 trainings, >2 educational institutions >50 consultants trained, of which not less than 50% are women	Workshops' reports and list of participants; Number of certificates delivered	Industry Associations, ACVAZ, Ministry of Education	Ministry of Education/ MPSLSW MOFED	ITC/India/China/ACBF/World Bank/AfDB/COMESA/EU/ILO/CBI	
	4.1.8 Prepare business consultants who will support SMEs in market opportunity studies through training-the-trainers courses.								

Strategic Objective 4: Improve the capacity of businesses to integrate into domestic, COMESA/SADC and international markets									
Operational objective	Activities	Priority 1=low, 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes and international financial and technical partners	Estimated costs
4.2. Enhance understanding of international buyers' requirement	4.2.1 Assist companies (through business clinic type of assistance) to interpret and understand consumer/buyer needs in specific textile and apparel product categories and target markets through: » Targeted training on targeted buyers' needs and related product categories; » Visits to selected production sites; » Monitoring the companies' use of the acquired knowledge.	3	Textile and Clothing Enterprises	>10 companies assisted > 20 managers trained Enhanced knowledge and skills >10 analysis/studies prepared	Company report Feedback from companies	Industry Associations/ Zimtrade	MIC	ITC/India/China/ACBF/World Bank/AfDB/COMESA/EU	200,000
	4.2.2. Analyze the firms' internal capacities, their existing resources as well as their needs in order to improve the quality and the design required to develop the identified products for target markets.	2	Textile and Clothing Enterprises	>20enterprises analyzed Specific needs identified	Analysis and need assessment report	Industrial Research Institute/Industry Associations	MIC	ITC/India/China/ACBF/World Bank/AfDB/COMESA/EU	
4.3. Coordinate and improve the promotion of Zimbabwe's products	4.3.1. Carry out factory level assessments to establish product lists and value chain directories and include this information in the VC database (2.1.4.).	2	Textile and Clothing Enterprises	database of C2C established	Online database system	ACVAZ /Zimtrade	MIC/MOFED	ITC, EU, COMESA	450,000
	4.3.2. Create promotional material and awareness programs, based on the data provided by the VC database, to assist Zimtrade in promoting the C2C chain and its products.	1	Entire value chain	Supply of promotional material	Promotional material and awareness	ACVAZ	Zimtrade	ITC, EU, COMESA	
	4.3.3. Establish Zimtrade hubs for cross-border traders to provide one stop, one hour turn around which will also act as sourcing centres.	2	Textile and Clothing Enterprises	>2 prospective markets identified	Study Report, number of identified prospective markets	ACVAZ /Zimtrade	MIC/MOFED	I ITC, EU, COMESA/India /China	
	4.3.4. Explore possibility (feasibility) of introducing industrial quality marks (common signs) demonstrating the high quality of products bearing this mark.	1	Textile and Clothing Enterprises		Assessment Reports	ACVAZ /Zimtrade/ ZBS	Marketing society Ministry of Information	ITC, EU, COMESA/India /China	
	4.3.5. Develop appropriate brand/sign promotion policy and coordinate implementation of activities under "Made in Zimbabwe" tag.	2	Cotton, textile and Clothing Enterprises	>2 Made in Zimbabwe brand promotion	Evaluation report of brand promotion	ACVAZ /Zimtrade	Marketing society Ministry of Information	CBI, ITC, EU, COMESA/India /China	
	4.3.6. Support value chain participation in local, regional and international workshops, trade fairs and exhibitions.	2	Textile and Clothing Enterprises	> 3 events annually	Participation reports value of deals secured	ACVAZ /Zimtrade	MIC/Ministry of Foreign Affairs	CBI, ITC, EU, COMESA/India /China	

Strategic Objective 4: Improve the capacity of businesses to integrate into domestic, COMESA/SADC and international markets									
Operational objective	Activities	Priority 1=low, 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes and international financial and technical partners	Estimated costs
4.4. Stimulate market diversification	4.4.1. Coach and provide on-the-job training to companies selected to participate in sales and promotional missions.	2	Ginning , textile and Clothing Enterprises	All selected companies selected have been coached	Activity reports	Industry Associations/MIC	Ministry of Foreign Affairs	ITC/India/China/ACBF/World Bank/AfDB/COMESA/EU	250,000
	4.4.2 Organize sales missions and promotional events (incl. buyer-seller meetings) to target markets identified in section 5.3.2 of the strategy.	2	Ginning , textile and Clothing Enterprises	>2 visits to prospective markets, >50 contacts	Number of visits, number of contacts	ACVAZ /Zimtrade	MIC/Ministry of Foreign Affairs	CBI, ITC, EU, COMESA/India /China	
	4.4.3 Organize reverse visits of potential clients/partners from target markets to Zimbabwe. Coach and provide on-the-job training to ZimTrade and ACVAZ in the process and organization of such events	2	Ginning , textile and Clothing Enterprises	>2 visits to prospective markets, >50 contacts	Number of visits, number of contacts	ACVAZ /Zimtrade	MIC/Ministry of Foreign Affairs	CBI, ITC, EU, COMESA/India /China	

8. IMPLEMENTATION MANAGEMENT

The comprehensive C2C strategy of Zimbabwe endeavours to generate the conditions for a favourable expansion of the industry and its employment creation so as to contribute to overall socioeconomic development. However, finalization of this strategy is not enough to create sustainable development of the industry. There is a definite need to elaborate and coordinate the various actions required to achieve the targets set by the strategy. The execution and impact of these actions on the industry's development is based on the ability of stakeholders to plan and coordinate activities in a strategic manner, furthering the multiplying effect. In order words, apparently separate actions need to be synchronized and leveraged to create sustainable positive results and increase the effectiveness of the strategic PoA.

Indeed, the C2C strategy is not the strategy of any specific institution: rather, it is the strategy of Zimbabwe, and to ensure its success it is necessary to create the right environment and framework to enable its implementation. The following section presents some of the key success conditions considered fundamental for the strategy to be effectively implemented and achieve self-sustainability and long-lasting benefits for Zimbabwe.

Establish and operationalize a public and private coordinating body and its subsidiary organ

A key success criterion for the C2C strategy is Zimbabwe's ability to coordinate activities, monitor progress and mobilize resources for the implementation of the strategy. It is recommended that the country establishes an independent committee for public–private deliberations, that acts in an advisory capacity to the Government and the private sector over issues related to or affecting the C2C sector and its strategy.

The formal dialogue platform will require high-level involvement of TSN members (public and private), as their role is crucial and will affect the effectiveness with which the strategy is implemented. Likewise, the ability of the private sector to provide inputs to the strategy implementation process, and the consideration and use of these inputs, will largely influence the success of the strategy.

The core team set up for the design process is composed of a panel of representatives of key institutions, involving ministries and TSN members. It also comprises private sector representatives of all segments of the industry. As such, once its mandate is appropriately adjusted, the current core team is best positioned to serve as the independent committee responsible for the coordination of the strategy implementation. An executive secretariat will also be required to act as the committee's subsidiary organ to coordinate, monitor and mobilize resources for implementing the strategy in line with other export development plans.

The main functions of the future strategy coordinating committee are foreseen to be the following:

1. Coordinate and monitor the implementation of the strategy by the Government, private sector organizations or international organizations so as to ensure strategy implementation is on track.
2. Identify and recommend allocation of resources necessary for the implementation of the strategy.
3. Assess the effectiveness and the impact of the C2C strategy.
4. Ensure consistency with the Government's existing policies, plans and strategies, and align institutions' and agencies' internal plans and interventions with the strategy PoA.
5. Elaborate and recommend revisions and enhancement to the strategy so that it continues to best respond to the needs and long-term interests of the national business and export community.
6. Propose key policy changes to be undertaken, based on strategy priorities, and promote these policy changes among national decision makers.
7. Guide the strategy secretariat in its monitoring, coordination, resource mobilization, and policy advocacy and communication functions so as to enable effective implementation of the strategy.
8. Provide the strategy secretariat with the mandate and the necessary resources to fulfil its functions in an effective manner.

As discussed above, the strategy coordinating committee should be supported by an executive secretariat to complete the daily operational work related to implementation management of the strategy. The core responsibilities of the executive secretariat should be to:

- Support the functioning of the strategy coordinating committee;
- Monitor the progress and impact of strategy implementation;
- Coordinate Aid for Trade partners along strategy implementation;
- Mobilize resources to implement the strategy;
- Follow up on policy advocacy recommendations from the committee;
- Enhance communication.

Specific tasks falling under these broad areas of activities include:

- Formulate project proposals, including budgets for implementation of activities of the C2C strategy
- Prepare communication plans and materials to promote the strategy
- Develop annual and biannual workplan for approval by the committee
- Collect information from project implementation and prepare regular monitoring reports to be submitted to the committee
- Plan the strategy coordination committee monitoring and evaluation meetings
- Execute the secretariat work of the committee
- Ensure implementation of committee resolutions
- Collect, centralize and preserve all archives and documentation of the committee and the strategy
- Advocate in favour of the strategy to public and private partners
- Execute any other tasks given required by the committee.

Build capacities required for managing the implementation

Even with institutional structures in place, Zimbabwe and its strategy implementation framework will not be able to effectively fulfil their assigned functions without suitable capacity development interventions. The ability and skills of the secretariat need to be sufficient to ensure effective management of strategy implementation. Hence, the secretariat and its partners should have knowledge of the ideas, challenges and best practices when monitoring implementation progress, assessing overall impact, mobilizing additional resources, programming, and communicating results. Without such skills they will not be in a strong position to assume their respective oversight and management responsibilities for strategy implementation.

Private sector support and participation

The private sector should benefit from the strategy implementation through improved productive capacities, reduced costs of doing business, facilitated administrative procedures, enhanced access to finance, etc. However, the private sector clearly expressed, during the strategy design process, its willingness to contribute – directly or in partnership with public institutions – to the implementation of the strategy. Their implementation efforts can range from providing business intelligence to institutions to contributing to development projects, establishing processing and transformation units, advocacy, etc. In brief, the private sector practical knowledge of business operations is essential to ensure that the activities of the strategy are effectively implemented and targeted.

Sensitization of implementing institutions to build ownership

The key implementing institutions detailed in the PoA need to be informed of the content of the strategy and the implications for their 2015-2019 programming. This sensitization is essential to build further ownership, and it provides institutions with the opportunity to review the PoA in order to confirm the activities they can implement immediately, and in the medium and long terms. Such a programming approach will permit better resource allocation within the responsible agencies. This allocation can be formalized by integrating the activities of the strategy in the programme planning of the institution. While the financial dimension is often required, the human resource element is no less important.

Financial resource mobilization for implementation

While resource mobilization is only part of the solution, it plays a crucial and indispensable role in supporting the strategy implementation. An integrated resource mobilization plan should be elaborated as soon as the strategy is adopted. Resource mobilization involves planning the sequencing of communications with donors, project design, project proposals/applications, and resource collection and management. This should facilitate, leverage and strengthen the impact of diverse sources of finance to support sustainable and inclusive implementation, including national resources, development aid and private investment.

- **National and regional resources through direct budget and support programmes:** The Government will need to validate defined minimum budget support towards the implementation of the strategy. Such support for the strategy's activities will demonstrate the Government's commitment to the initiatives. Similarly, regional economic organizations should use the

strategy as the logical framework for their programmes, as they will surely benefit from its favourable conditions for operation (i.e. political endorsement, private sector buy-in and improved collaboration with national institutions). At the time the strategy is being written, a project of over €1 million is under consideration at the COMESA Secretariat to support the implementation of the strategy.

- **Alignment of donor support and interventions with the strategy:** Besides the European Commission, little attention and support have been directed towards Zimbabwe's cotton industry from the international donor community. The coordinating committee, together with the authorities, will have to capitalize on the significant momentum gained as part of the strategy design process and leverage it for smooth and efficient implementation. The PoA of the strategy should serve the coordinating committee and national institutions to improve communication and facilitate the negotiation, planning, coordination and evaluation of commitments made in the context of development aid, in particular through the development of programmes and project proposals aligned with the priorities of the strategy.

- **National and foreign investment:** The current strategy design core team is composed of representatives of national institutions, the TSN and the private sector. If the core team becomes the coordinating body of the strategy, as is currently foreseen, the strategy should benefit from a solid channel of communication, capable of conveying reliable information to companies about the export-related opportunities in the industry, and in turn of communicating to the Government the needs that investors have identified in order to operate successfully. Investment flow in Zimbabwe could serve as a valuable driver for export development. However, it needs to be targeted at specific prospects in order to benefit the industry's development as detailed in the future perspective section of this strategy.

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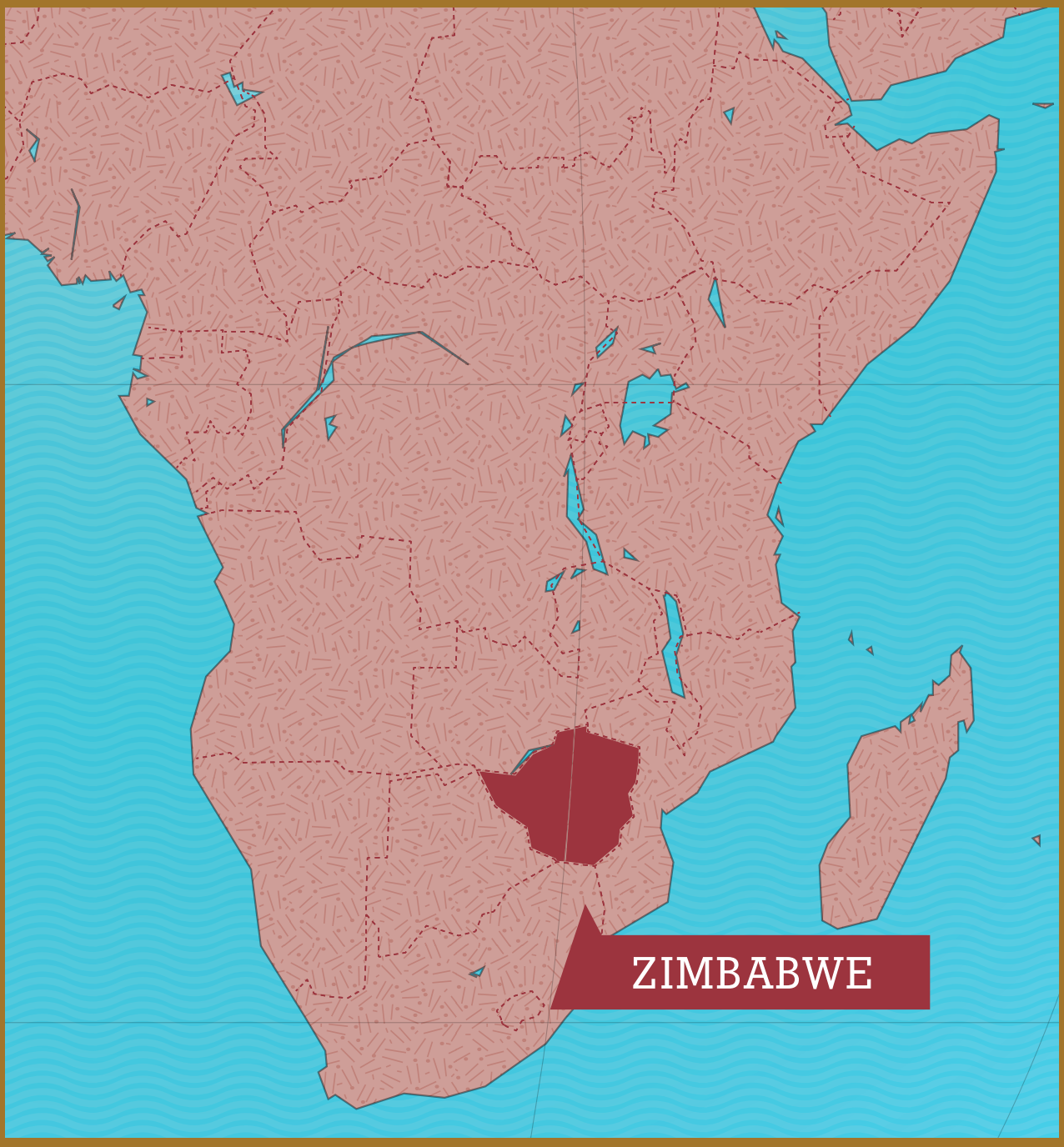
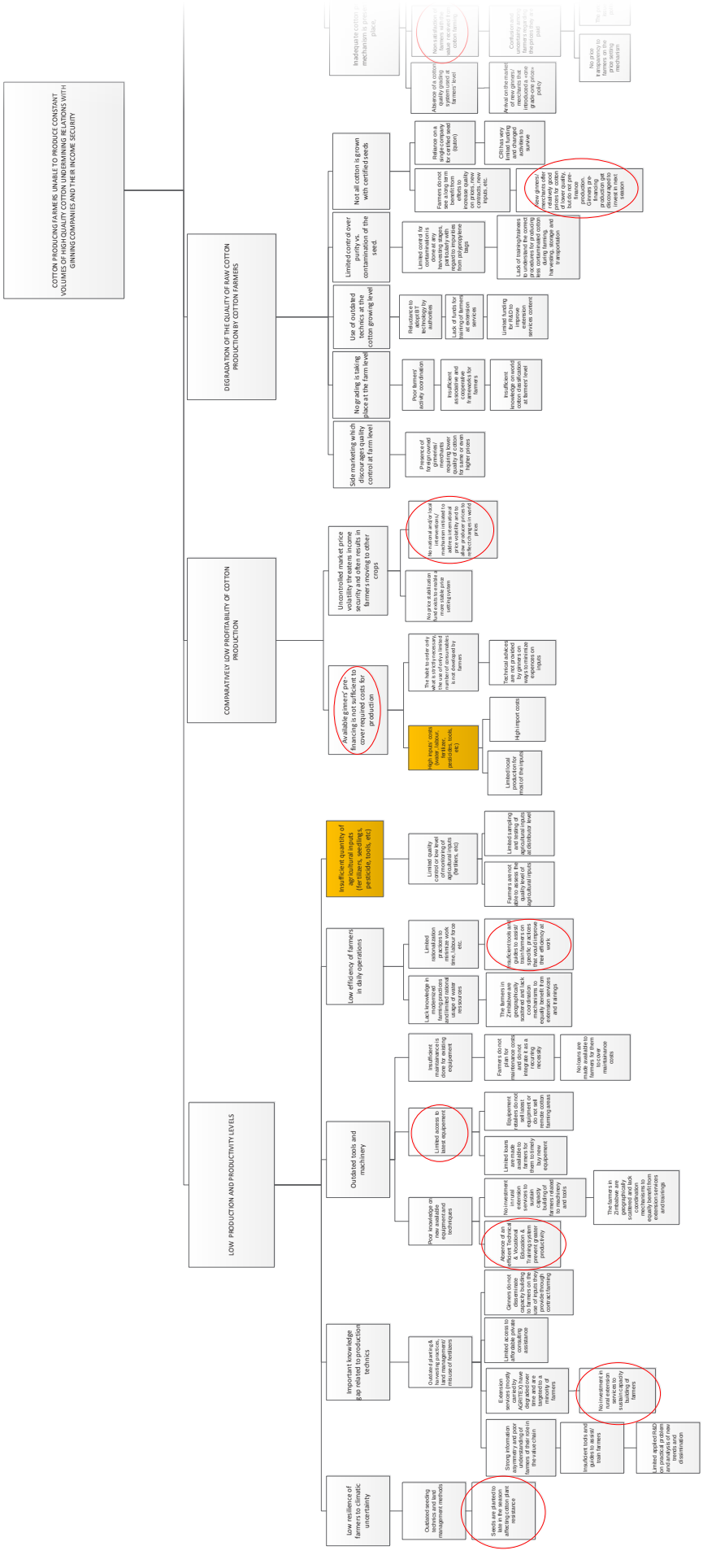
ZIMBABWE
COTTON-TO-CLOTHING STRATEGY

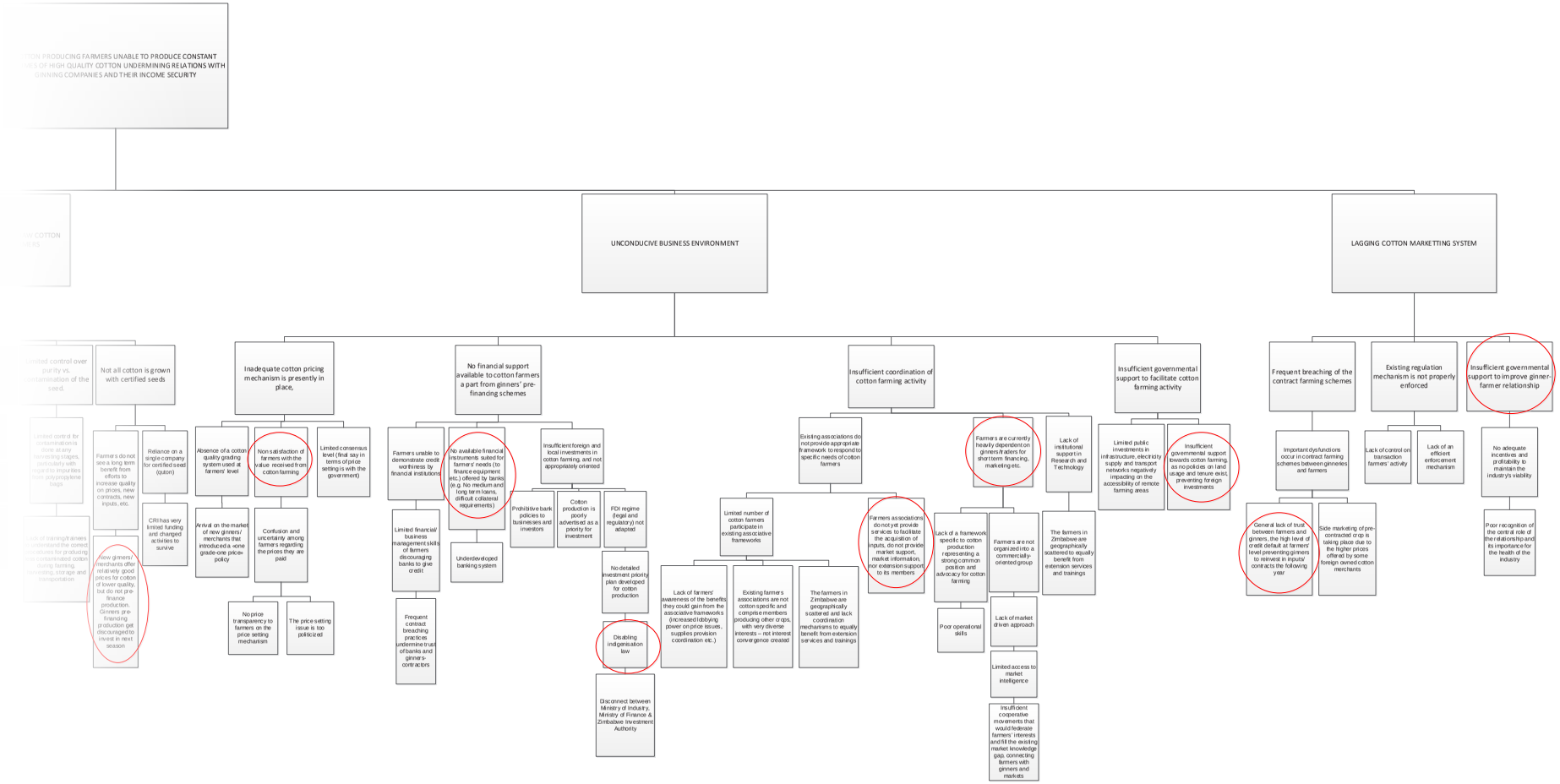
APPENDICES



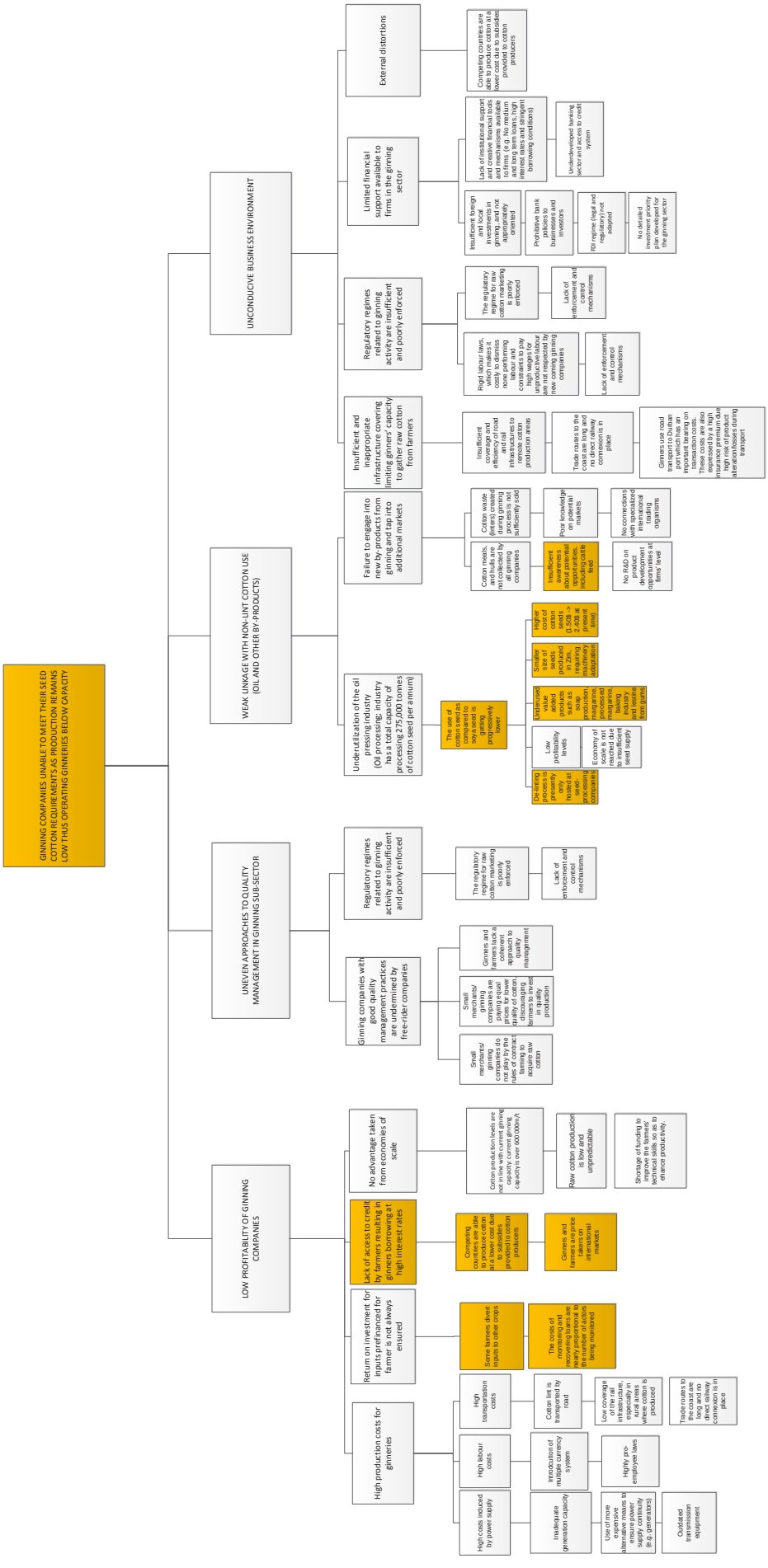
COTTON PROBLEM TREE



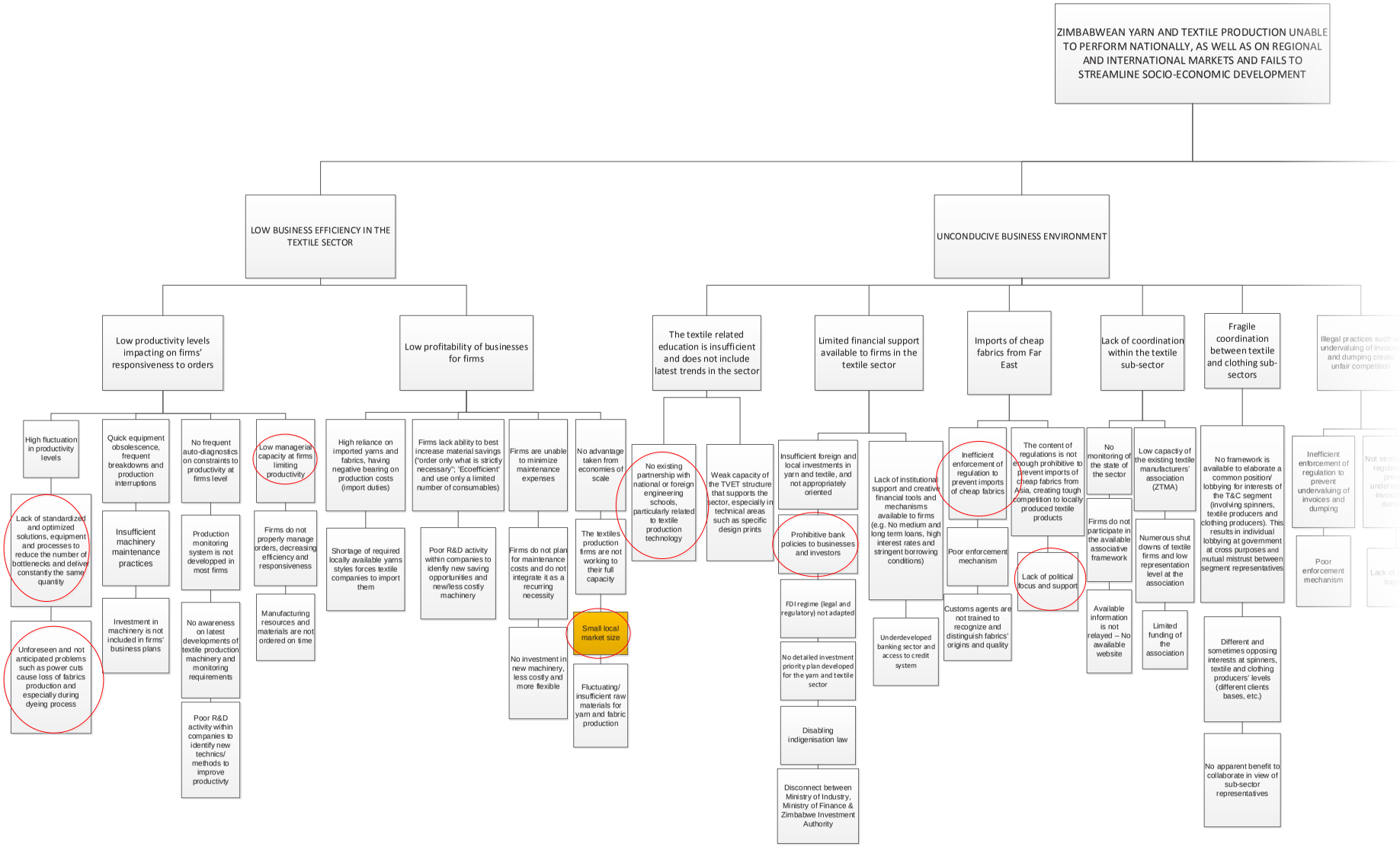
COTTON PROBLEM TREE (CONT.)



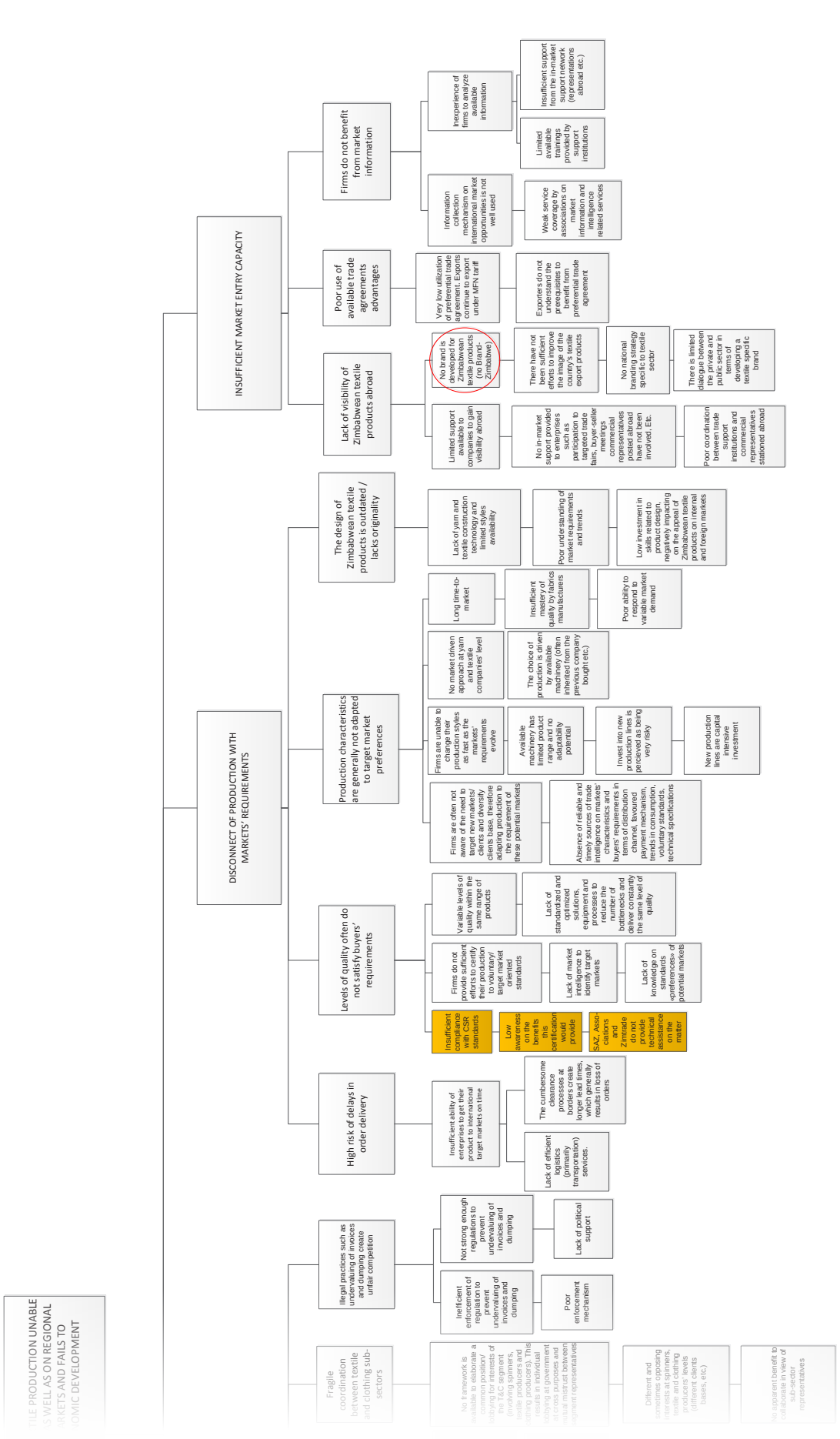
GINNING PROBLEM TREE



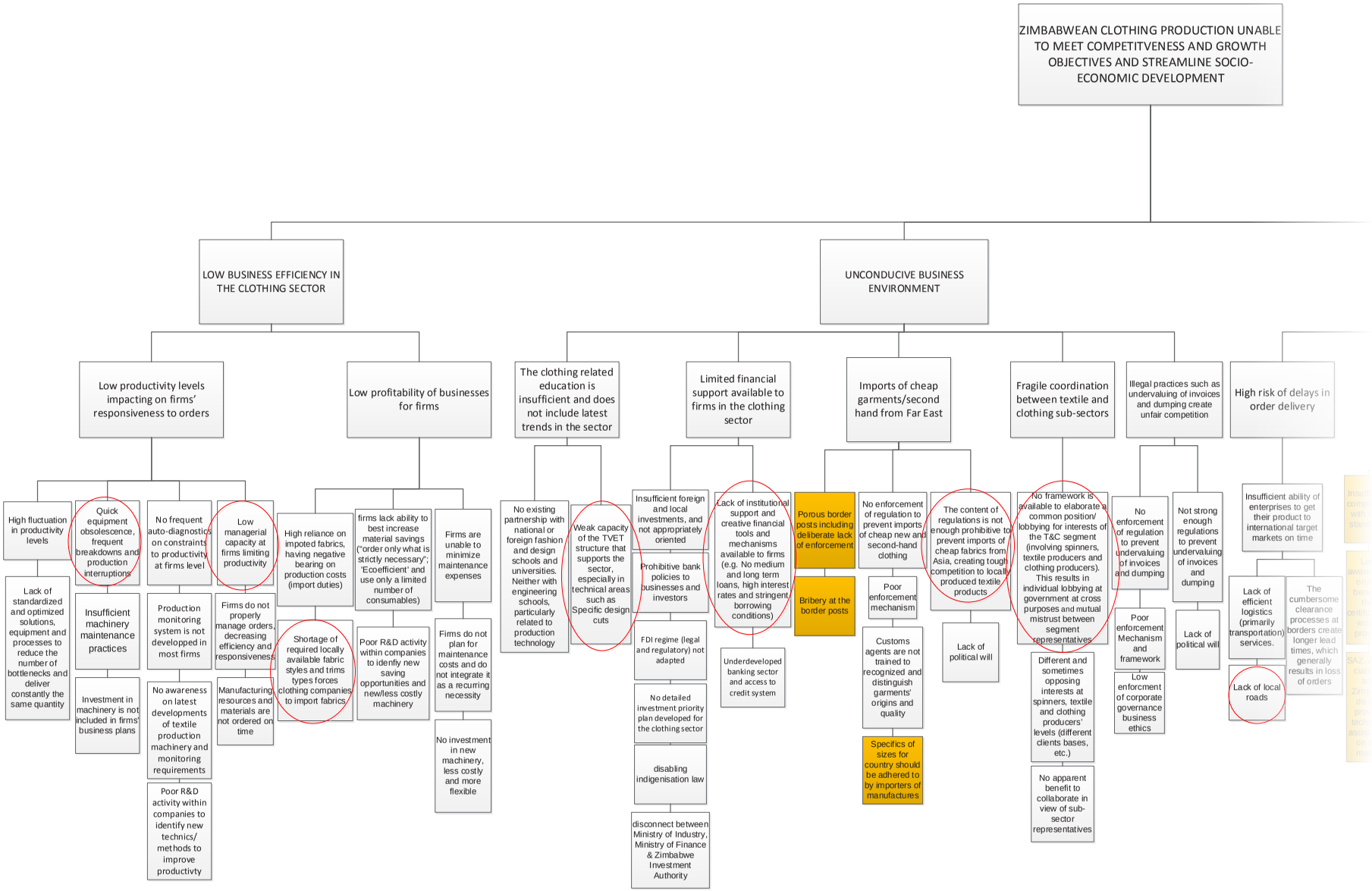
YARN/TEXTILE PROBLEM TREE



YARN/TEXTILE PROBLEM TREE (CONT.)



CLOTHING PROBLEM TREE



CLOTHING PROBLEM TREE (CONT.)

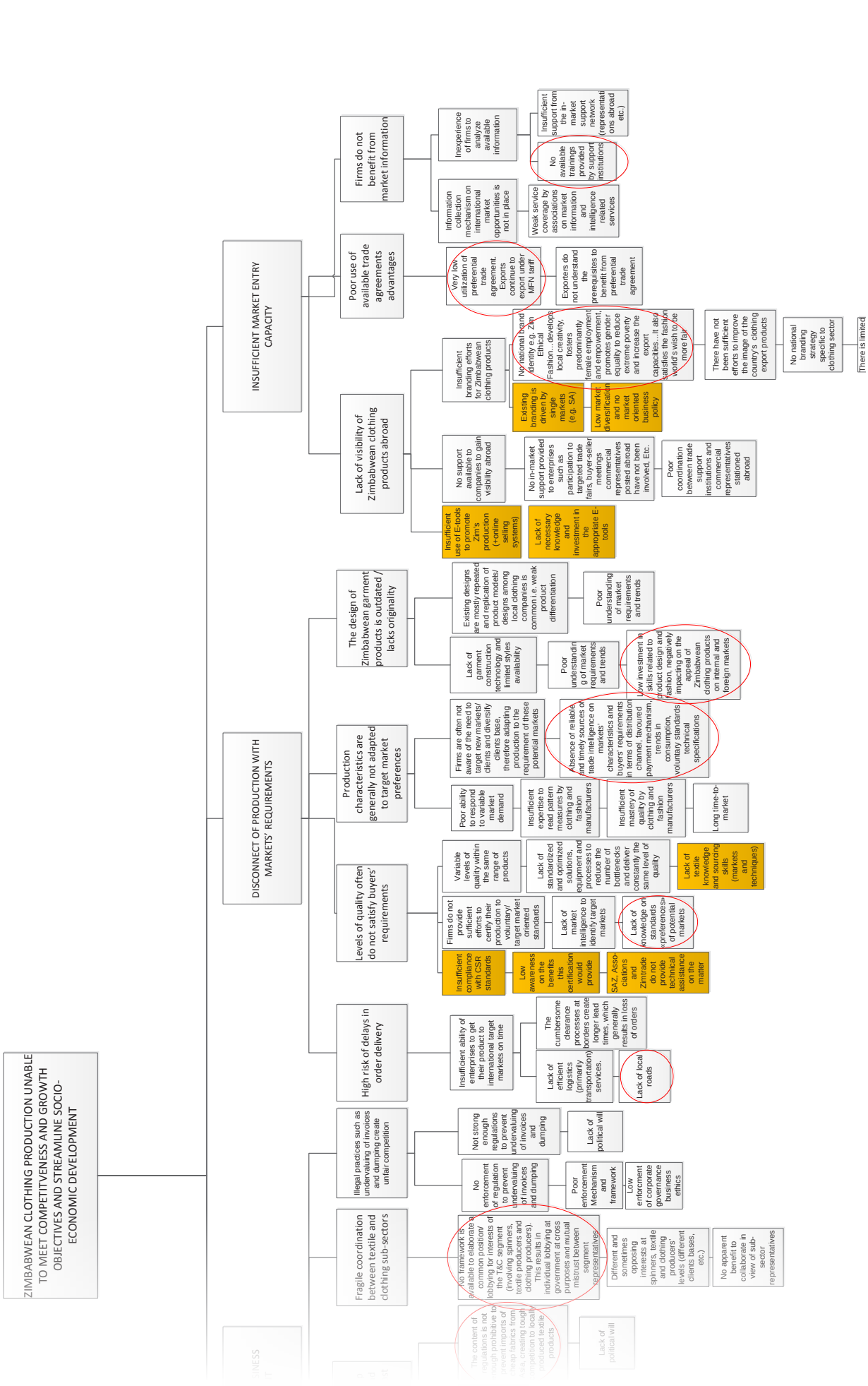


Table 13: *Export data for cotton by-products*

Importers	Trade indicators												Tariff (estimated) faced by Zimbabwe (%)
	Exported value 2013 (US$ thousand)	Trade balance 2013 (US$ thousand)	Share in Zimbabwe's exports (%)	Exported quantity 2013	Quantity unit	Unit value (US$/unit)	Exported growth in value between 2009-2013 (%, p.a.)	Exported growth in quantity between 2009-2013 (%, p.a.)	Exported growth in value between 2012-2013 (%, p.a.)	Ranking of partner countries in world imports	Share of partner countries in world imports (%)	Total import growth in value of partner countries between 2009-2013 (%, p.a.)	
Cotton waste (including yarn waste and garnetted stock) (HS5202)													
World	1247	1204	100	710	Tons	1756	118	34	-31		100	20	
Mozambique	1037	1037	83.2	340	Tons	3050			-21	107	0	18	0
South Africa	211	184	16.9	370	Tons	570	52	24	-57	32	0.3	52	0
Cottonseeds, whether or not broken (HS120720)													
World	2551	2499	100	9340	Tons	273	-31	-48	546		100	20	
South Africa	1752	1752	68.7	8730	Tons	201	-63	-29		9	3.2	15	
Mozambique	799	757	31.3	610	Tons	1310	251	74	132	86	0		0
Cotton linters (HS140420)													
World	7713	7713	100	4819	Tons	1601	76	29	55		100	-9	
South Africa	7615	7615	98.7	4619	Tons	1649	495	106	136	29	0		0
Mozambique	98	98	1.3	200	Tons	490			-94				0
Cotton seed oil crude, whether or not gossypol has been removed (HS151221)													
World	61	61	100	60	Tons	1017			-3		100	-8	
Mozambique	61	61	100	60	Tons	1017			-3				0
Cotton seed oil and its fractions refined but not chemically modified (HS151229)													
World	2107	2103	100	1518	Tons	1388		216	-16		100	18	
Malawi	2025	2025	96.1	1447	Tons	1399			13	18	0.8	261	0
Mozambique	82	82	3.9	72	Tons	1139			-88	61	0	73	10

Table 14: *Export destinations and trade indicators for cotton yarn*

Importers	Trade indicators												Tariff (estimated) faced by Zimbabwe (%)
	Exported value 2013 (US$ thousand)	Trade balance 2013 (US$ thousand)	Share in Zimbabwe's exports (%)	Exported quantity 2013	Quantity unit	Unit value (US$/unit)	Exported growth in value between 2009-2013 (%, p.a.)	Exported growth in quantity between 2009-2013 (%, p.a.)	Exported growth in value between 2012-2013 (%, p.a.)	Ranking of partner countries in world imports	Share of partner countries in world imports (%)	Total import growth in value of partner countries between 2009-2013 (%, p.a.)	
Total	17037	16979	100										
South Africa	11131	11114	65.3	3576	Tons	3113	13	3	33	43	0.2	10	0
China	3608	3608	21.2	1239	Tons	2912			2	1	43.4	30	5
Botswana	1186	1182	7	376	Tons	3154	94	70	411	76	0	65	0
Germany	793	793	4.7	240	Tons	3304			578	12	1.3	3	0
Zambia	266	266	1.6	88	Tons	3023	38	25	33	103	0	35	0
Netherlands	53	53	0.3	18	Tons	2944				38	0.3	24	0

Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.
Note: Mirror data was selected, due to the fact that direct data often records immediate destination of products, and not the final one. Therefore transition country is often recorded instead of the final in direct data.

	HS Code	Product Description	Imports (US$ 000)					Exports (US$ 000)				
			2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
1.	‘5204	Cotton sewing thread	180	228	219	195	132	223	0	0	2	427
2.	‘5205	Cotton yarn (not sewing thread) 85% or more cotton, not retail	369	43	18	301	4	7,430	7,164	8,058	11,361	16,594
		TOTAL COTTON	549	271	237	496	136	7653	7164	8058	11363	17021
3.	‘5401	Sewing thread of man-made filaments	288	587	486	469	403	0	0	2	0	3
4.	‘5402	Synthetic filam yarn, not put up	1,522	5,047	7,585	8,904	8,532	2	0	0	0	33
5.	‘5404	Synth monofil >/=67dtex,...,syn tex mat wd</=5mm	5	2	543	17	140					
6.	‘5501	Synthetic filament tow	336	758	3,830	1,403	2,481	0	1	48	0	0
7.	‘5502	Artificial filament tow	3,230	7,783	12,709	8,199	10,989	0	23	0	0	30
8.	‘5503	Synthetic staple fibres, not carded	1,629	1,982	2,973	2,768	3,380	0	2	0	0	0
9.	‘5505	Waste of man-made fibres	288	22	99	27	113					
10.	‘5506	Synthetic staple fibres, carded, combed	480	563	203	115	207					
11.	‘5507	Artificial staple fibres, carded, combed	8	104	235	68	46					
12.	‘5508	Sewing thread of man-made staple fibres	65	113	236	201	270					
13.	‘5509	Yarn of synth staple fibre, not put for retail sale	976	874	1,027	3,542	3,118	65	30	0	253	7
14.	‘5510	Yarn of artif staple fibre, not put up for retail sale	334	70	15	12	97					
15.	‘5511	Yarn of man-made staple fibres, put up for retail sale	3	36	155	215	464	715	1,051	832	7	54
16.	‘5601	Wadding of tex mat &art thereof; tex fib</=5mm le(flock)	2,014	6,298	1,588	355	172	10	4	417	52	0
17.	‘5602	Felt, w/n impregnated, coated, covered or laminated	30	245	244	207	280					
18.	‘5603	Nonwovens, w/n impregnated, coated, covered or laminated	635	1,121	1,581	1,559	1,319	145	422	514	314	253
19.	‘5607	Twine, cordage &cable, with rubber/plastic	228	351	420	470	522	1,440	1,961	1,159	1,324	1,264
		TOTAL SYNTHETIC	12071	25956	33929	28531	32533	2377	3494	2972	1950	1644
		GRAND TOTAL	12620	26227	34166	29027	32669	10030	10658	11030	13313	18665

Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

Table 15: *Fabric products import and export data, 2009-2013.*

	HS Code	Product Description	Imports					Exports				
			2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
1.	'5208	Woven cotton fabrics, 85% or more cotton, weight less than 200 g/m2	1,995	2,279	3,218	1,042	881	439	1,561	1,123	866	744
2.	'5209	Woven cotton fabrics, 85% or more cotton, weight over 200 g/m2	2,138	2,648	3,518	3,122	6,061	3,826	4,208	2,657	3,710	3,166
3.	'5210	Woven cotton fabrics, less than 85% cotton, mxd with man-made fibres, w	525	297	186	353	922	5	0	0	8	0
4.	'5211	Woven fab of cotton, less than 85%,mxd with man-made fibre, weight >200	64	110	455	340	186	12	0	8	0	0
		TOTAL COTTON FABRICS	4,722	5,334	7,377	4,857	8,050	4,282	5,769	3,788	4,584	3,910
5.	'5310	Woven fabrics of jute or of other tex bast fibres of hd no 53.03	549	1,331	1,872	1,783	777	0	20	0	1	0
6.	'5311	Woven fabric of other vegetable textile fibre & woven fabric of paper	3	6	0	6	321					
7.	'5407	Woven fabrics of synth. filam yarn (incl. hd no 54.04)	14,152	5,277	5,651	4,794	4,223	3	10	55	21	8
8.	'5408	Woven fabrics of synth. filam yarn (incl. hd no 54.05)	63	153	185	277	581					
9.	'5512	Woven fab of syn staple fibre (> 85% of such fibre)	3,643	6,366	7,204	8,291	8,321	60	10	0	64	10
10.	'5513	Woven fab of syn stapl fib (< 85% of such fibre),mixed with cotton (wt	1,826	3,449	5,109	3,897	4,281	23	22	0	0	0
11.	'5514	Woven fab of syn stapl fib (> 85% of such fibre), mxd with cotton (wt	1,357	1,723	6,181	6,746	4,665	0	39	27	52	5
12.	'5515	Woven fabrics of synthetic staple fibres, nes	1,629	3,546	4,384	3,372	2,728					
13.	'5516	Woven fabrics of artificial staple fibres	128	217	827	615	212	1	26	0	0	1
14.	'5608	Knotted net of twine etc, fish net etc of textiles	280	626	667	6,016	5,617	241	138	179	102	78
15.	'5801	Woven pile & chenille fabrics	286	1,178	2,080	1,074	387					
16.	'5802	Terry towelling	74	194	938	712	559	2	1	1	0	0
17.	'5806	Nar woven fabrics,o/t those of hd 5807	196	222	440	333	437	4	24	85	114	117
18.	'5807	Label, badge & sim art of tex	121	354	301	438	248	0	0	3	55	1

	HS Code	Product Description	Imports					Exports				
			2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
19.	‘5808	Braid in the piece; orn trim, In pce,o/t knit/crochtd	489	71	93	50	34	0	10	6	1	0
20.	‘5902	Tyre cord fab of high tenac yarn of nylon, or polyamide, polyester, etc	1,278	761	1,062	1,822	1,086					
21.	‘5903	Textile fabrics impregnated, coated, covered/laminated w plastics, nes	967	1,802	3,165	2,242	2,202	0	3	5	45	0
22.	‘5907	Textile fabric impreg; paintd canva (eg theatrical scenery)	112	617	663	374	399	0	0	0	0	3
23.	‘5910	Transmission or conveyor belts	79	176	476	378	575	0	0	0	0	1
24.	‘5911	Textile products & articles for tech uses	778	1,284	1,194	1,001	1,093	1	3	62	0	0
25.	‘6005	Warp knit fabrics ‘‘incl. those made on galloon knitting machines’’, of a width of > 30 cm	14	108	466	1,735	169	0	0	0	3	0
26.	‘6006	Fabrics, knitted or crocheted, of a width of > 30 cm (excl. warp knit fabrics ‘‘incl. thos	422	1,430	992	1,601	1,617	52	78	44	32	112
		TOTAL SYNTHETIC	28446	30891	43,950	47,557	40532	387	384	467	490	336
		TOTAL ALL FABRIC	33,168	36,225	51,327	52,414	48,582	4,669	6,153	4,255	5,074	4,246

Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

Table 16: *Home textile products import and export data, 2009-2013.*

	HS Code	Product Description	Imports					Exports				
			2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
1.	'5701	Carpets and other textile floor covering knotted	71	159	124	217	107	10	10	52	6	0
2.	'5702	Carpets & o tex floor covg, woven, not tufted/flocked	5	65	101	70	267	0	0	0	43	0
3.	'5703	Carpets and other textile floor covering tufted	228	798	1,563	2,056	1,020	0	0	3	29	0
4.	'5704	Carpets & other textile floor covering of felt,nt tufted/flockd	187	345	676	908	528	2	0	0	0	0
5.	'5705	Carpets and other textile floor coverings, nes	235	601	365	1,450	1,004	1	31	12	0	0
6.	'5805	Hand-woven and needle-worked tapestries	1	4	2	10	4	0	0	0	0	0
7.	'6301	Blankets and travelling rugs	4,831	3,145	2,032	1,797	2,122	208	198	310	81	12
8.	'6302	Bed, table, toilet and kitchen linens	1,413	2,716	3,383	3,465	2,319	1,282	221	86	151	93
9.	'6303	Curtains, drapes & interior blinds	84	189	272	292	323	35	32	110	46	47
10.	'6304	Furnishing articles nes, excluding 94.04	178	6,787	260	403	343	12	22	9	38	88
11.	'6307	Made up articles nes, including dress patterns	607	817	1,632	1,824	2,000	11	36	86	39	57
12.	'6308	Set consisting of woven fab & yarn for making up into rugs, tapestrie etc	17	14	16	17	32	0	0	17	17	0
		Total home textiles	7857	15640	10426	12509	10069	1561	550	685	450	297

Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

Table 17: *Clothing products import and export data, 2009-2013.*

	HS Code	Product Description	Imports					Exports				
			2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
1.	'6103	Men's suits, jackets, trousers etc & shorts, knit/croch	311	389	773	559	808	72	114	68	195	84
2.	'6104	Women's suits, dresses, skirt etc &short, knit/croch	136	329	565	921	831	5	16	14	4	17
3.	'6105	Men's shirts, knitted or crocheted	279	409	523	733	1,238	10	10	5	12	37
4.	'6106	Women's blouses & shirts, knitted or crocheted	54	65	430	453	324	14	5	3	0	0
5.	'6107	Men's underpants, pyjamas, bathrobes etc,knit/croch	13	35	128	410	368	32	0	0	0	8
6.	'6108	Women's slips, panties, pyjamas, bathrobes etc, knitted/crocheted	69	66	131	388	415	0	0	0	0	0
7.	'6109	T-shirts, singlets and other vests, knitted or crocheted	755	1,860	2,245	3,241	7,987	191	197	19	24	32
8.	'6110	Jerseys, pullovers, cardigans, etc, knitted or crocheted	125	1,104	641	229	743	3	22	23	53	26
9.	'6111	Babies' garments, knitted or crocheted	140	263	409	1,038	1,184	1	0	1	0	0
10.	'6112	Track suits, ski suits and swimwear, knitted or crocheted	19	481	656	227	167	2	1	0	0	16
11.	'6115	Panty hose, tights, stockings & other hosiery, knitted or crocheted	130	630	915	654	539	78	62	199	515	443
12.	'6116	Gloves, mittens and mitts, knitted or crocheted	51	51	112	646	630	0	0	0	0	0
13.	'6117	Clothing access nes, knitted/croch	69	29	171	44	657	1	0	1	0	1
14.	'6201	Men's overcoats, capes, windjackets etc o/t those of hd 62.03	176	350	577	500	660	465	194	112	76	150
15.	'6202	Women's overcoats, capes, wind-jackets etc o/t those of hd 62.04	34	165	64	74	47	0	0	0	1	0
16.	'6203	Men's suits, jackets, trousers etc & shorts	1,437	3,570	2,814	3,203	6,214	9,960	1,801	2,392	987	1,332
17.	'6204	Women's suits, jackets, dresses skirts etc & shorts	318	1,648	2,076	2,083	2,913	163	241	246	12	24

	HS Code	Product Description	Imports					Exports				
			2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
18.	'6205	Men's shirts	462	671	1,689	1,701	1,800	3,565	1,073	402	318	322
19.	'6206	Women's blouses & shirts	120	531	689	485	431	36	72	138	41	18
20.	'6207	Men's singlets, briefs, pyjamas, bathrobes etc	33	56	87	240	273	9	12	7	6	62
21.	'6209	Babies' garments and clothing accessories	49	95	415	834	965	27	114	90	0	0
22.	'6210	Garment made up of fabric of heading no 56.02,56.03,59.03,59.06/59.07	74	66	154	57	1,189	0	0	0	0	0
23.	'6211	Track suits, ski suits and swimwear; other garments	251	295	473	208	154	431	1,073	630	861	847
24.	'6214	Shawls, scarves, mufflers, mantillas, etc	7	16	19	31	4,183	0	0	0	0	0
25.	'6215	Ties, bow ties and cravats	22	44	98	120	229	1	5	1	0	1
26.	'6216	Gloves, mittens and mitts	4	12	207	15	48	0	0	0	0	2
27.	'6217	Clothing accessories nes; o/t of hd 62.12	702	381	1,113	621	333	18	38	45	30	1
28.	'6309	Worn clothing and articles	788	1,016	1,059	1,817	1,218	8,008	453	573	1,196	1,308
		Total clothing	6628	14627	19233	21532	36548	23092	5503	4969	4331	4731

Source: International Trade Centre (2014). Trade Map Database. Available from www.trademap.org/.

Republic of Zimbabwe

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