



The Second-Hand Clothing Industry in the East Africa Community

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The Second-Hand Clothing (SHC) industry employs an estimated 3.4 million jobs in East Africa and sustains livelihoods of millions of households

Executive summary

This paper makes the case that the Second-Hand Clothing (SHC) sector is vital to the economic and social future of the countries that comprise the East African Community (EAC). Growing the SHC and apparel industry is a win-win for consumers, governments and the environment. Instead of imposing regulatory and legislative barriers on SHC businesses, the EAC and national governments should develop strategies to ensure the gains generated by the sector are widely shared. On average, every ton of SHC imported into EAC countries creates around 7.58 jobs. Imposing restrictions on the SHC sector would put an estimated 3.4 million jobs in East Africa at risk that currently help to sustain the livelihoods of millions of households.¹ Not only does a growing SHC industry work in the interests of regional economic development, crucially, the sector makes a vital contribution in driving the transition towards a more circular and sustainable economy. SHC increases the reuse rate for textiles and ensures more material will be used for recycling. At present, the production of low cost new clothing through the textile industry generates carbon emissions while consuming vast quantities of scarce resources. The global transition from low cost 'fast fashion' to a circular production model is an urgent imperative: East Africa has the potential to lead the way.

The core argument is that expanding the SHC industry in EAC to grow a stronger and greener economy requires active government involvement to promote innovation and competitiveness. Governments shape the business environment and facilitate the spread of innovation and entrepreneurship in SHC markets. At the same time, maximising the potential of the sector requires a multilateral approach, ensuring that states in East Africa cooperate to grow markets and supply-chains where it is in their self-interest.

Moreover, there are long-term threats to the textile industry in the region, given the growing dominance of China and Asian producers in African markets. The most important supplier of textiles into the EAC is currently China whose imports far exceed the United States. Imports of Chinese clothing, both legitimate and undeclared, constitute a growing threat to the East African textile manufacturing sector. While it might be tempting for governments in this climate to impose prohibitions on the importation of SHC, there is little

¹This average is based on estimates of between 4.29 and 10.87 jobs produced per tonne of SHC in existing literature (Baden and Barber, 2005; Krishnan et al.; KIHBS, 2015/2016). The lower bound is based on an estimate that the SHC industry employed 150,000 Ghanaians in 1997, when the country imported 35,000 tonnes of SHC (SDA, 1997; Baden and Barber, 2005; UN COMTRADE, 2023). The upper bound is based on findings from the Kenya Integrated Household Budget Survey 2015-2016, which found that around 10% of Kenya's the extended (including informal) labour force was involved in mitumba trading, amount to 2 million people (KIHBS, 2015-2016; Krishnan et al., 2019; KIPPRA, 2020). In the same year, Kenya imported 184,000 tonnes of SHC (UN COMTRADE, 2023). This range captures the diversity of direct and indirect employment in SHC import, processing and trade, which varies according to the sophistication of the industry in each country. Examples of jobs include importers, brokers and high-end wholesalers and retailers, washers, tailors, loaders/unloaders and 'cameras' (low-end retailers). Total employment figures were calculated by applying the average of the range (7.58) to the average volume of SHC imported between 2016-2020, based on figures from UN COMTRADE.

evidence the policy would benefit the development of either the domestic textile industry, or the living standards of ordinary workers. Protectionism more often stifles productivity growth and sectoral innovation.

Although the EAC elected not to prohibit used clothing imports in 2016-17, there are still concerns that EAC states will seek to ban or restrict the sale and importation of SHC. Strategic blueprints such as 'Vision 2050' imply EAC member countries still want to reduce their dependence on second-hand clothes in order to revitalise domestic textile production and spur the growth of the new middle-class.

There is still widespread misunderstanding of the SHC industry and its impact in East Africa. We argue that weakening the used clothing sector in the EAC would merely benefit the cheap garments trade in China. There is little doubt that China is a serious competitor in domestic supply-chains. Yet there is little evidence to support the claim that SHC importation weakens the domestic production of textiles. Moreover, we know that in general, consumers in the EAC region are not in favour of a ban. They welcome the general quality and affordability of used clothing and are often sceptical about new clothes produced in their countries.

The domestic textile production sector and the SHC and apparel sector are in fact complementary. The expanding market in SHC generates a virtuous circle of production: the growth of economic activity leads to increasing consumer purchasing power, widening demand for textile products which in turn creates more employment opportunities and boosts household income. There is no robust economic evidence that trade in used clothing weakens demand for local textile production. Countries that have revived their textile sector have invariably done so by reviving domestic demand, particularly through reforming the procurement strategy of the public sector.

This paper argues the two sectors – new domestic textile production and SHC/used clothing – must work together. The policy response should be for national governments to shape policies that boost SHC businesses in EAC member-states, rather than pursuing protectionist industrial policies that are unlikely to benefit workers or consumers. The expansion of reuse and recycling in textiles means that the entire industry is potentially shifting towards a circular economy production model. Moreover, SHC generates competition that helps to incentivise technological innovation throughout the textile production sector. The SHC industry will remain a continuing source of relatively well-paid employment, tax revenues and GDP so long as national governments and the EAC ensure there is a competitive operating environment conducive to the sector's long-term growth.

The global transition from low cost 'fast-fashion' to a circular production model is an urgent imperative: East Africa has the potential to lead the way

National governments must cooperate across borders to boost the SHC and textile sector throughout the region

The route to economic growth, enhanced consumer welfare and greater environmental sustainability is pro-actively developing the SHC sector, its key infrastructure and the skills of the workforce. New sorting centres are particularly crucial for the future of the industry. Modernised sorting facilities will allow countries to export clothing more efficiently to high-demand markets. 'Sorting facilities will help realise the East African nations' goal of becoming among the leading high-value, high-wage, and high-skill economies in Africa', according to Teresia Wairimu, the chair of the Mitumba Association of Kenya. The establishment of a series of Sorting Centre hubs in the region has the potential to create a significant number of additional jobs. Evidence for the success of Sorting Centres in Poland and Pakistan indicates that strengthening infrastructure will lead to significant economic gains.

The key recommendation of the report is that countries must avoid protectionism in banning the importation of second-hand clothing. Not only do such moves violate trade agreements, particularly with the WTO and United States, but a policy approach in which governments focus on proactively expanding state of the art sorting-facilities while boosting skills and entrepreneurship is far more likely to deliver growth and jobs in the future. Other improvements are needed to grow the SHC sector, not least reliable power and energy supplies alongside digitalisation. For domestic textile production, the priority is not to ban SHC imports but to address core challenges of competitiveness and modernisation.

There is a crucial role in this process for the EAC itself. Member-states across the region must follow a coordinated strategy. National governments must cooperate across borders to boost the SHC and textile sector throughout the region. Not only are the gains for the economy in terms of jobs and rising living standards likely to be very significant; such policies will drive the transition towards a more sustainable, circular economy.

Introduction

The purpose of this paper is to quantify the economic impact of the Second-Hand Clothing (SHC) industry for the East African Community (EAC) nations. Doing so highlights the importance of the sector to the economic future of the region. The contribution of the used clothing and footwear industry to the economic growth and employment performance of the EAC is vast. We estimate that the SHC industry supports up to 3.4 million jobs throughout the supply chain in East Africa. Moreover, the sector delivered government revenues estimated at US\$419 million in 2021 across East Africa through taxing consumption and incomes associated with SHC. At the same time, the used clothing industry is helping to put East Africa and the world on the path towards a more sustainable economy.

The EAC accounts for 12.5% of global imports of SHC. Yet, over the last decade the EAC proposed to ban SHC imports insisting that low cost SHC contributed to weakening the domestic textile manufacturing sector. The proposal was later abandoned, but only on the basis that EAC countries would be expelled from the African Growth and Opportunity Act (AGOA) if they imposed an import ban. The EAC is yet to embrace a proactive approach to advancing the SHC industry. There are a series of misconceptions that surround the used clothing sector, notably that SHC costs manufacturing jobs, generates additional textile waste, and is bad for the environment. This paper challenges these claims, arguing that the EAC should actively support the SHC sector for five key reasons:

- First, a strong SHC sector creates relatively well-paid jobs and opportunities for women and young people to establish thriving micro-businesses spanning the SHC supply chain. Generating employment and well-paid 'green' jobs in an era of high unemployment across East Africa is particularly important. By creating jobs, the SHC industry contributes directly to boosting consumer purchasing power.
- Second, a growing SHC market contributes towards growth in GDP and public sector revenues. The cumulative economic impact of SHC production in EAC countries is quantified in the paper. This paper attests that a vibrant SHC sector confers significant benefits on national and regional economies, including a net contribution to the Gross Domestic Product (GDP) and tax revenues of EAC states. This revenue in turn increases the capacity of governments to invest in productive infrastructure, strengthening the domestic production base, including in textiles.
- Third, the wide availability of SHC enhances consumer welfare. In countries with high levels of poverty, SHC provides affordable

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options for those on low incomes, but is also an increasingly attractive choice for the rising African middle-class. Used clothing ensures choice and welfare for consumers, particularly for households on the lowest incomes during a severe cost of living crisis. For centuries, countries around the world relied on reuse of traditional textiles as a sustainable means to clothe their local populations. The SHC continues to serve the needs of African consumers.

- Fourth, there is no robust evidence that a growing SHC industry undermines domestic textile production in EAC states. As a major USAID report concludes: 'Trade in SHC is in the EAC's interest in regional economic development and industrialization... China, rather than the local industry, is the most likely and immediate beneficiary of a phase out on imports of SHC from the United States'.² The threat to local textile production in the EAC comes predominantly from China. Reviving the domestic textile production base of EAC countries requires comprehensive industrial strategies alongside public and private investment. For example, in countries such as Uganda, the growth of the textile sector is held back by lack of availability of raw material inputs: there is a very limited supply of polyester fabrics while most materials are imported from China, India and to some extent Kenya. Banning SHC is a superficial remedy that will prove counterproductive since excluding SHC will lead to a fall in tax revenues which undermines the ability of governments to act.
- Finally, the SHC sector will help African nations to become more sustainable by entrenching a circular production model. Reuse and recycling of textiles has been expanding dramatically in western countries over the last decade and is set to grow even faster in the next ten years. SHC is a modern and popular approach in enabling the transition towards more sustainable, circular economies across the world. The sector is helping to prepare for the transition towards climate resilient economies helping to achieve the long-term goal of net zero.

This paper begins by setting out the background to the EAC's policy on SHC. It then analyses the advantages of a growing SHC sector in relation to employment, GDP and government revenues, domestic textiles, and environmental sustainability. The paper concludes by summarising the positive economic and social impact of the industry, and its prospects for the future. An appendix outlines the benefits conferred by SHC on each EAC country.

² USAID, 'Overview of the Second-Hand Clothing Market in East Africa', July 2017 https://pdf.usaid.gov/pdf_docs/PA00TC4G.pdf

Background

The SHC sector in East Africa

SHC is now a global industry. In the EAC and Sub-Saharan Africa, SHC accounts for more than half the clothing trade. There is growing demand from within African countries for affordable and high-quality second-hand apparel, while demand is rising within developed economies as environmentally conscious consumers increasingly favour reused or recycled clothing that has less impact on the climate. In Kenya for example, 2.5% of private consumption is devoted to clothing (an average of KES 4150 per person). SHC is filling a gap for nearly 40% of the population who do not have an adequate income to regularly purchase new clothing.³

The scale of international wholesale trade in second-hand garments is estimated to be between 2 and 4 million tonnes of used items traded per year. This figure is increasing exponentially. The annual value of the trade was estimated in 2016 to be between \$1.5 billion and \$3.4 billion.⁴ The global production network for second-hand clothing is not a direct transfer from North to South. A country's exposure to the production and distribution of second-hand clothing is dependent on its national policies and structure of regulation, as well as the dynamics of international trade.

East Africa has one of the largest used clothing markets in the world. It is estimated that four-fifths of those living on the continent wear second-hand clothing, largely imported from the USA, Europe, India and Pakistan. The global environmental benefit of reuse is only now being recognised. Most consumers in Africa continue to have low purchasing power and need access to lower cost clothing.

As a result of its contribution to jobs and as a major source of government revenue, the SHC sector is critical to EAC economies. There are several major importers in sub-Saharan Africa (SSA), notably Tanzania, Kenya and Uganda: each has received between 2-4% of world exports of used clothing.⁵ Over time, it is hoped that increasing disposable incomes and a rising middle-class will generate demand for locally produced clothing. The used clothing sector can support that growth. The SHC industry provides a platform for the development of SMEs and entrepreneurship in EAC states. Moreover, the sector supports supply-chains and creates jobs throughout the economy in transportation, financial services, energy generation and food. The number of jobs created in the distribution of SHC, as well as in ancillary jobs derived from

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³ The Impact of Second-Hand Clothes and Shoes in East Africa, Cuts International, Geneva, 2017. <https://www.tralac.org/images/docs/12012/the-impact-of-second-hand-clothes-and-shoes-in-east-africa-cuts-international-research-study-february-2017.pdf>

⁴ USAID, 'Overview of the Second-Hand Clothing Market in East Africa', July 2017 https://pdf.usaid.gov/pdf_docs/PA00TC4G.pdf

⁵ USAID, 'Overview of the Second-Hand Clothing Market in East Africa', July 2017 https://pdf.usaid.gov/pdf_docs/PA00TC4G.pdf

Restricting the importation of SHC merely imposes costs on consumers and used clothing retailers, depleting both tax revenues and living standards

the activity in major SHC markets (such as tailors, food vendors, security agents and loaders among others) is significant. Estimates from Kenya, for example, indicate that the SHC industry sustains up to two million jobs. Across the EAC, up to 4.9 million people's jobs depend on SHC.

Import bans on SHC

The EAC covers the Democratic Republic of the Congo, the Republic of Burundi, Kenya, Rwanda, South Sudan, Uganda and the Republic of Tanzania. Since 2015, member states have been collaborating to forge a common approach to the development of the textiles sector. The '2050 Vision' committed the EAC to an ambitious growth and industrialisation strategy.⁶ The aim was to limit the import of new and used clothing from outside the region through taxes on imported apparel, alongside a procurement strategy that encouraged public agencies (the military, schools, hospitals, prisons etc) to purchase clothing from businesses within the region. Other measures were intended to help boost competitiveness, notably establishing a regional university and skills system for textiles to train up the workforce.

The EAC Heads of State subsequently agreed measures in 2017 to phase out the importation of used clothing and shoes by raising the levy on these products and enforcing compliance with EAC standards. The aim was to create a strong domestic sector that gives consumers better choices rather than simply importing used textiles. The policy was justified on the grounds that the domestic textile sector was struggling because of low cost SHC items being imported. Imposing a ban on SHC imports is a form of protectionist industrial policy which it is hoped will deliver the main planks of the EAC industrialisation strategy.

However, the evidence from countries that have enacted a ban suggests that such prohibition rarely has positive outcomes. Restricting the importation of SHC merely imposes costs on consumers and used clothing retailers, depleting both tax revenues and living standards. Prohibiting the importation of SHC would have negative consequences for the economies of EAC states and a detrimental impact on workers and consumers. Research carried out by USAID (2017), for example, infers that an outright ban on importation would cost up to 467,325 jobs across East Africa which in turn sustain millions of households. That would amount to a loss of more than \$140 million in customs revenue.⁷ Our estimates indicate the true number of jobs at risk could now be significantly higher at up to 3.4 million or more, based on local statistics and analysis carried out by the Institute of Economic Affairs, Kenya.

⁶ EAC, '2050 Vision' <http://repository.eac.int/handle/11671/567>

⁷ USAID, 'Overview of the Second-Hand Clothing Market in East Africa', July 2017 https://pdf.usaid.gov/pdf_docs/PA00TC4G.pdf

Moreover, households that rely on SHC to meet their basic needs would be harmed: low-income consumers would cease to purchase clothes, while those on higher incomes may choose to buy low-cost Chinese products. There is a further risk that protectionist measures will lead to more unregulated importation of used clothing into countries such as Kenya and Rwanda. The winner from such a move designed to help EAC countries would be low-cost textile producers who will be free to supply such markets with low-cost clothing. The East African region would lose jobs and options for affordable clothing.

It is also the case that the 'fast fashion' favoured by low-cost manufacturers is significantly more harmful to the environment. The raw materials involved in textile manufacturing create toxic pollution and carbon emissions. In contrast, SHC has obvious environmental benefits since reuse and recycling limit the climatic impact of textiles. At present across the world, only a quarter of clothing products are reused or recycled.

Meanwhile, there is a risk that breaking the African Growth and Opportunity Act (AGOA) would lead to EAC member-states facing penalties levied by the United States. The United States threatened to expel EAC countries that imposed prohibitions on used clothing from AGOA. Rwanda was partly suspended from AGOA by the Trump Administration after introducing a second-hand clothing tax. Rwanda decided to maintain its policy in 2018. Kenya, Tanzania and Uganda had proposed to ban SHC, but changed their position having recognised the economic benefits flowing from the trade agreement with the United States.

Trade agreements such as AGOA have led to increased growth and output, which is welcome. Yet these markets in themselves do not necessarily serve the needs of African consumers. It is therefore vital to promote a buoyant second-hand clothing sector within East Africa. Governments in the EAC must create a business-friendly environment for the SHC industry, stripping back unnecessary regulations and investing in the human capital of the entire workforce. This paper outlines the most effective competitiveness strategy that EAC countries should adopt in future if they want to promote a jobs-rich textiles and SHC industry.

The evidence from across Africa is that domestic textile production has recovered in some countries over the last decade. This is due to long-term shifts in competitiveness and comparative advantage - rather than banning SHC imports - which enables African textile manufacturers to recover lost market share. Kenya is the fourth

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Given the SHC industry is employment-intensive, it has the potential to generate a continuous supply of relatively secure and well-paid jobs throughout the value chain

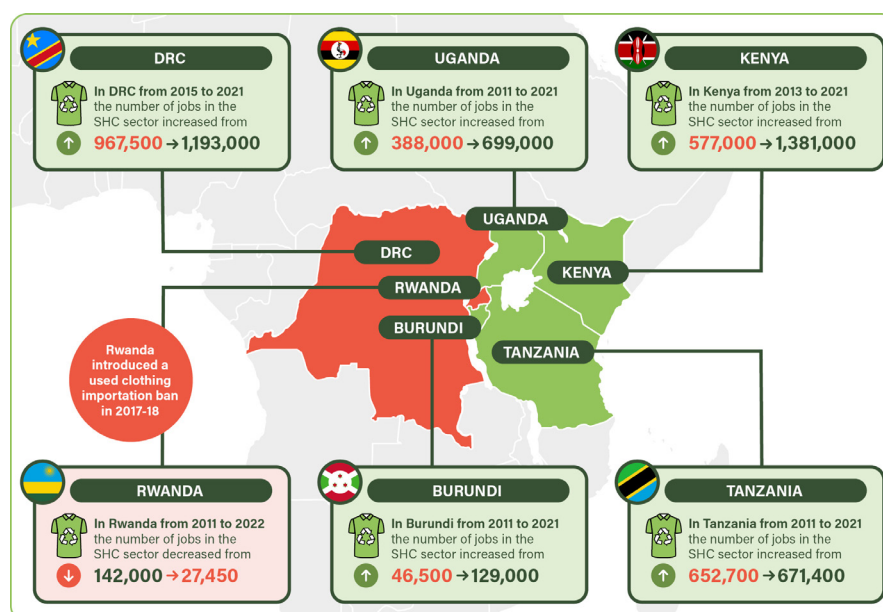
largest textile exporter in Africa, despite having no restrictions on SHC importation. The experience of Kenya underlines that a large SHC sector does not necessarily undermine domestic textile production. The Kenyan textile manufacturers association did not itself support an import ban. Moreover, Kenya’s mitumba industry currently employs more Kenyans than domestic manufacturing. What is crucial is implementing policies that genuinely support textile producers to remain competitive in world markets.

The impact of the SHC industry in the EAC

Employment

The SHC sector in East Africa is a job creation machine, although changes in policy have constrained employment growth in particular countries. We estimate job growth in EAC states over the last decade as follows:

Estimates of EAC job growth:



We calculate that on average, every ton of SHC imported into EAC states creates 7.58 jobs.⁹ Given the SHC industry is employment-intensive, it has the potential to generate a continuous supply of relatively secure and well-paid jobs throughout the value chain. Moreover, many SHC industry jobs are ‘green’ jobs that contribute towards reducing carbon emissions by reusing and recycling textile materials. The key to maximising employment gains from SHC is to ensure sorting centres are in EAC countries. Sorting centres employ a range of workers in both operational and administrative roles from fork-lift truck drivers to finance managers.

⁸ These figures are estimates based on UN Comtrade data and our calculations. Data for South Sudan was not available.

⁹ This calculation is based on Kenyan data but can be applied to other EAC nations given the similarities in the functioning of the SHC sector.

Furthermore, there are many self-employment opportunities created by establishing SHC distribution and retail micro-businesses and SMEs. Women and young people are particularly well placed to establish their own used clothing business, helping to confer economic dignity and autonomy. And there are jobs throughout the SHC supply-chain from transportation to retail sales. Creating more jobs is among the most insistent challenges facing countries in the East Africa region given historically high levels of unemployment (especially youth unemployment) in the wake of the devastating Covid-19 pandemic and geopolitical shocks to the global economy. The industry generates an annual income of US\$230 million for those involved in SHC distribution chains across East Africa.

GDP growth and trade

The net contribution of the SHC sector to GDP across the EAC is considerable. Moreover, the sector delivered government revenues estimated at US\$419 million in 2021 across East Africa through taxation of consumption and incomes associated with SHC. A ban on SHC is likely to drive significant losses in government revenues: Kenya collects around 112.5 million in tariff revenue a year from imports in used clothing, for example. Countries such as Rwanda that have dramatically increased their import duties on SHC would suffer significant loss of revenue if a SHC ban was introduced.

Furthermore, a prohibition on importation of SHC contravenes existing international trade agreements. The United States will enforce AGOA, not least because the EAC is an important \$147 million used clothing and footwear market that helps to employ 40,000 low waged Americans, alongside an additional 150,000 jobs indirectly in the charity sector. Indeed, WTO law means that member countries cannot impose 'restrictive trade measures' that undermine international trade. The relevant GATT clauses state that countries should only impose taxes or duties on imports: import bans on goods and services are unjustifiable and should not be introduced. Moreover, there is a danger that development aid and assistance provided to the EAC region would be further undermined by an importation ban. In fact, the only major winners from a SHC import ban are low-cost Chinese textile producers.

Consumer welfare

A further contribution of the SHC sector is to provide affordable clothing options for low-income households. For example, 63%

¹⁰ Op. cit.

World Bank (2015) Kenya leather industry: diagnosis, strategy and action plan. Washington,

¹¹DC: World Bank [http://documents.worldbank.org/curated/en/397331468001167011/Kenya-](http://documents.worldbank.org/curated/en/397331468001167011/Kenya-Leather-industry-diagnosis-strategy-and-action-plan)

[Leather-industry-diagnosis-strategy-and-action-plan](http://documents.worldbank.org/curated/en/397331468001167011/Kenya-Leather-industry-diagnosis-strategy-and-action-plan); 'The Impact of Second-Hand Clothes and Shoes in East Africa', Cuts International, Geneva, 2017. <https://www.tralac.org/images/docs/12012/the-impact-of-second-hand-clothes-and-shoes-in-east-africa-cuts-international-research-study-february-2017.pdf>

**A ban on SHC
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The reused clothing market in western countries has increased exponentially over the last decade and will continue to grow

of the footwear (26.5 million pairs) sold in Kenya is 'mitumba' (second-hand). If SHC imports are banned, choice for consumers is depleted while the reduction of competition is likely to lead to rising prices which benefit export producers in Asia. 40% of households across East Africa will have fewer clothing options, since most consumers in lower income deciles could not afford even cheap fast fashion items from Asia. Those who do have greater purchasing power will probably resort to buying cheaper clothing from China. Meanwhile, informal and illegal imports of used clothing would be likely to surge, while many national governments would struggle to enforce a ban, not least because they would lose tax revenues eroding the quality of law enforcement and public services.

At the same time, it is increasingly the case that more affluent eco-friendly consumers are choosing textile products that involve either reuse, or textile garments with recycled materials.¹² The reused clothing market in western countries has increased exponentially over the last decade and will continue to grow. Items such as vintage clothing are particularly popular. Enhancing consumer welfare means growing the global supply chain in used clothing and footwear.

Domestic textile production

The EAC countries have set out a compelling 'Vision 2050' which aims to ensure that the region is more prosperous, competitive and politically united. A major pillar of the vision is an industrialisation strategy that helps to drive growth and improves the EAC's performance in inter-regional and international trade. Advocates of a SHC import ban insist that it is necessary to fulfil the modernisation agenda of 'Vision 2050'. Yet the analysis in this paper demonstrates that a prohibition on used clothing importation would do very little to address the structural weaknesses of the domestic textile production sector in East Africa. There are major production and supply-side challenges that need to be confronted.

This paper argues that EAC states should avoid protectionism and adopt measures that strengthen the regional and national domestic base of the textile sector, including SHC. The evidence suggests that weakening the domestic SHC production base in the EAC would merely benefit the cheap garments trade in China. There is little evidence to support the claim that SHC importation undermines the domestic production of textiles. In the 2000s in Kenya, for example, it is apparent that the production of new garments and SHC importation grew simultaneously.

¹²From the perspective of environmental sustainability, reuse is judged to be preferable to recycling since recycling textile materials does generate carbon emissions and requires inputs such as scarce energy resources.

An alternative approach is that the two sectors must work together for mutual benefit. National governments across East Africa should seek to shape policies that boost SHC businesses and textile producers in EAC member-states, rather than pursuing protectionist industrial policies that are unlikely to benefit workers or consumers.

It is not the case that a robust SHC sector damages textile production. Among the most influential arguments against the growth of the SHC industry is that it undermines the local African garment industry. An influential paper in *The Economic Journal*, for example, claimed that SHC accounted for 40% of the decline in production and 50% of the decline in employment in domestic textiles in Africa during the 1980s and 1990s.¹³

However, detailed analysis of the data indicates that the decline of African clothing industries was the consequence of structural adjustment and market liberal policies alongside increased exposure to global trade over the last three decades. The so-called Washington consensus stipulated that opportunities for economic growth and development were only possible by reducing state control and liberalising markets.

Yet the structural changes associated with the reforms disadvantaged many African clothing manufacturers and aided the rise of China. A series of econometric studies show that the decline of the African clothing manufacturing industry was largely due to liberalisation in the 1980s and 1990s, as well as poor governance and growing civil strife. In a country such as Uganda, for example, the decline of the industry was the consequence of nationalisation in the 1960s and 1970s which led to serious mismanagement. In addition, the sector has suffered historically from the lack of management expertise, weak linkages across the value chain, poor application of new technologies, unfair trading practices, lack of technical skills, alongside an absence of supportive infrastructure together with low industrial productivity.

It is not credible to argue that these major competitiveness challenges would be addressed merely by banning used clothing imports. All the evidence, including the impact of a ban in Rwanda, indicates that imposing a prohibition on SHC would simply lead to a growth in informal imports of SHC into EAC countries; it is highly likely that China will move to exploit any prohibition by increasing imports of new apparel and illicit SHC.¹⁴

The decline of African clothing industries was the consequence of structural adjustment and market liberal policies alongside increased exposure to global trade over the last three decades

¹³Cited in 'The Economic Impact of the Second Hand Clothing Trade on Developing Countries', 2005 <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/112464/rr-impact-second-hand-clothing-trade-developing-countries-010905-en.pdf>

¹⁴USAID, 'Overview of the Second-Hand Clothing Market in East Africa', July 2017 https://pdf.usaid.gov/pdf_docs/PA00TC4G.pdf

Policy needs to focus on expanding opportunities for trade in used and new clothing to benefit both workers and consumers in the member-states of the EAC

This paper makes the case that the domestic textile production sector and the SHC and apparel sector are in fact complementary. The expanding market in SHC generates a virtuous circle of production: the growth of economic activity leads to increasing consumer purchasing power, widening demand for textile products which in turn creates more employment opportunities and boosts household income. There is no robust economic evidence that trade in used clothing weakens demand for local textile production. Countries that have revived their textile sector have generally done so by reviving domestic demand, particularly through reforming the procurement strategy of the public sector.

Moreover, the opportunities for synergies to create more eco-friendly and sustainable textile products in the next decade are likely to be enormous. A larger SHC sector will generate more textile materials that are eventually unfit for reuse and can then be recycled. This is a crucial synergy since at present, the domestic textile sector in many EAC countries is afflicted by lack of raw materials. What EAC states need is clusters of textile producers dealing in both new apparel and SHC that will create agglomeration effects: the gains for innovation and growth in having a critical mass of producers, whether new clothing or SHC, gathered within a defined geographical location. The benefits for jobs and household incomes are likely to be enormous. The goal of public policy must be to help EAC countries achieve their aim of becoming high-wage, high-skill, high-value economies. Policy needs to focus on expanding opportunities for trade in used and new clothing to benefit both workers and consumers in the member-states of the EAC.

Environmental sustainability

The global textile industry is undergoing long-term transformation because of climate change. Nearly 100 billion units of new clothing are produced each year across the world, while the industry is worth more than \$1 trillion. Yet there is growing awareness of the industry's environmental impact. Western consumers appear to be turning against 'fast fashion' in large numbers. This cheap, low-cost clothing is disparaged as damaging for the environment.

As William Ruto, President of Kenya made clear in his speech to COP27, countries in East Africa are leading the way in tackling climate change: 'Kenya, a country with far less resources than the average developed country, has foregone polluting industrialisation and growth opportunities and intentionally invested in clean, green energy'. We know that 10% of all global carbon emissions are generated by textile production (more than the total for aviation and global maritime combined). In the last decade, the average number of times that a garment is worn declined from 200 to an average of 160. The manufacturing of textiles requires chemicals that contribute towards pollution and carbon emissions. McKinsey

have calculated that every 1 kilo of fabric produced generates 23 kilos of greenhouse gases. Plant cotton is linked to water depletion accounting for 30% of textile fibre consumption; while it takes around 170,000 litres of water to grow one kilo of wool. Every year, 1.3 trillion gallons of water are used for fabric dyeing alone.¹⁵

As a result, environmentally conscious consumers are embracing reuse and recycling as a positive lifestyle choice. Demand for vintage clothing, for example, is growing exponentially in the United States and Europe. The global focus on climate change has led to greater interest in the circular economy, notably in the European Union (EU) and international economic agencies such as the World Bank. The textile industry is well positioned to be a core sector within the circular economy.

It is certainly the case that EAC governments should invest in effective waste management, supported by investment from the private sector. The SHC industry has the experience and knowledge to build sustainable systems for processing textiles and managing waste responsibly. Across the world, reuse and recycling rates in textiles remain comparatively low. For example, across the global economy, only a fifth of post-consumer textile garments are collected for reuse, while less than half those items enter the used clothing retail market.¹⁶ For that reason, there is enormous potential to increase reuse rates and expand the SHC market both in East Africa and across the world by creating global supply chains through open trade.

Conclusion: social and economic impact and the future policy agenda

This paper demonstrates that SHC makes a fundamentally important contribution to the regional economy of East Africa. The industry provides jobs and livelihoods to millions while strengthening consumer purchasing power and helping to turn national economies onto a more sustainable path. The remainder of the paper quantifies the economic and social impact of the sector, setting out how the SHC industry can be strengthened for the future.

There are five important economic and social impacts created by the SHC sector in East Africa.

1. *Jobs*: data from Kenya indicates that every ton of additional imported used clothing creates 7.58 additional jobs throughout

¹⁵ 'Style That's Sustainable', McKinsey 2016 <https://www.mckinsey.com/capabilities/sustainability/our-insights/style-thats-sustainable-a-new-fast-fashion-formula>

¹⁶ 'Post-Consumer Textile Collection is Step One but Then What', Circle Economy, 2017 <https://www.circle-economy.com/resources/post-consumer-textile-collection-is-step-one-but-then-what>

There is enormous potential to increase reuse rates and expand the SHC market both in East Africa and across the world by creating global supply chains through open trade

The SHC industry in East Africa is supporting the transition towards more sustainable and circular economies with reduced carbon emissions

the supply chain. This includes enabling people to develop micro-businesses and SMEs.

2. *GDP*: SHC helps to boost economic growth rates and significantly increase government tax revenues. The sector delivered government revenues estimated at US\$419 million in 2021 across East Africa.
3. *Consumer welfare*: used clothing gives more relatively low-cost clothing options to consumers, especially those from low-income households.
4. *Domestic production*: SHC can help new textile production not least by providing recyclable materials as well as innovation and agglomeration effects. Trade in SHC also increases household purchasing power, raising aggregate demand.
5. *Sustainability*: the SHC industry in East Africa is supporting the transition towards more sustainable and circular economies with reduced carbon emissions.

This paper argues that the case for banning used clothing imports to reduce the size of the SHC industry in East Africa is deficient for four main reasons:

- First, it is claimed that a larger SHC industry undermines domestic textile production. If SHC are banned, the output of the textiles sector in African countries will grow. The paper shows this not to be the case. Economists have demonstrated that it was the liberalisation of the textile sector in the 1980s and 1990s that weakened the production base of East African countries exposed to the cold winds of international competition, most obviously through the export of 'fast fashion' from Asian countries. Measures to restrict SHC importation are very unlikely to revive domestic production.
- Second, it is argued that SHC undermines the dignity of consumers in sub-Saharan countries in Africa. This view neglects the reality that in many western countries, SHC are becoming a highly popular lifestyle choice. Many consumers perceive used clothing to be of better quality than low-cost 'fast fashion'. African nations must celebrate the fact that they have among the largest used clothing markets in the world, given the contribution reuse makes to protecting the global environment.
- Third, it is argued that SHC is bad for the environment since large amounts of textile 'waste' are imported into countries that lack adequate waste management infrastructure. When clothes are discarded, they are burnt or sent to landfill which contributes towards pollution and carbon emissions. However, banning importation of SHC to EAC countries will not address

the problem of environmental damage caused by additional production of textiles. If clothes are not reused or recycled, more new clothing must be produced. Instead, national governments and the donor community should invest in strengthening infrastructure to manage waste effectively in East Africa. Moreover, it is important to remember that SHC have been sorted and selected prior to export in specialist sorting centres and are of high quality.

- Finally, in the context of the Covid-19 pandemic, it was claimed that contaminated SHC helped to carry diseases. In some countries, Ministers and the media sought to position SHC as creating a public health crisis. However, no robust scientific evidence was ever produced to support these claims, while SHC businesses are experienced in upholding effective public health protocols.

As such, national governments in the EAC need to embrace a strategic approach to SHC that makes supply-chains more efficient by opening additional sorting facilities, while investing in infrastructure to efficiently manage imported textile materials. Sorting centres grade used or pre-owned clothing, distributing items into 50 kilo bales which are then exported for sale. Technology and digitalisation should play an increasingly prominent role in modernising the SHC industry, not least in making it easier to buy and sell used clothing and footwear. Governments need to encourage and incentivise private sector investment in the sector by ensuring continuity and stability in approaches to policy and regulation.

The Future Agenda

To thrive and grow, the SHC sector in the EAC requires support from governments. A long-term strategy to strengthen the domestic textile production sector is necessary, but countries in East Africa should build on what they already have, not least their growing SHC industry. Governments can ensure that this industry gets the investment it needs to flourish; special economic zones should be created making it easier to import used clothing efficiently; there has to be a skilled and capable workforce; basic infrastructure, notably access to the power supply and energy, is vital while government can provide logistical support for micro-businesses in the SHC sector. Governments help to create a business environment that is conducive to the rapid growth of the industry, thereby creating more well-paid jobs.

Most of all, governments must help entrepreneurs in the SHC to grow their businesses, while incentivising research and innovation. East African countries need to cooperate more effectively, working together to grow the industry across the region. If countries go at it alone and devise their own national strategies, the risk is that

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Strategic investment, particularly in modernised sorting centre facilities, will increase the economic and social impact of the SHC sector in the future

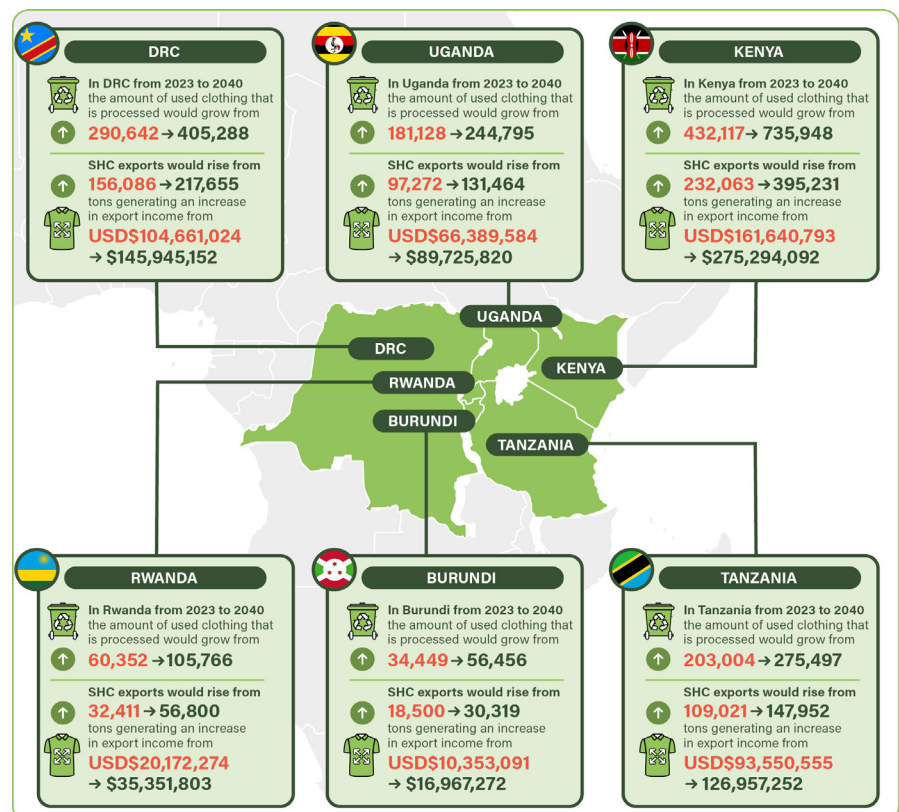
the development of the region will be impeded, leading to lower growth and jobs in the long-term.

Policy recommendations

To maximise the future contribution of both the SHC sector and new textile production to wealth and welfare in the economies of East Africa, national governments and the EAC need to enact the following policies:

- **First, there should be significant investment in supply-chain infrastructure for SHC including a major expansion of sorting centres in strategically important locations.** Poor infrastructure could undermine the future growth of the used clothing industry while depleting productivity, particularly through lack of electricity and poor-quality roads. The failure to improve connectivity, especially to remote areas, has a disproportionately negative impact on the poorest households and perpetuates the economic divide between regions. Business success is greatly improved by the availability of well-maintained roads, ports, airports, bridges, and access to broadband. Infrastructure is crucial for attracting inward investment into local areas. Progress on projects such as the expansion of ports needs to be maintained.

Strategic investment, particularly in modernised sorting centre facilities, will increase the economic and social impact of the SHC sector in the future. Our analysis suggests that if all the used clothing imported was processed in the home country rather than a sorting centre abroad, the impact will be as shown below:¹⁷



¹⁷ This data is based on projections that estimate the impact of locating sorting centre facilities in each country. Data for South Sudan was not available.

- **Second, national governments in East Africa need to invest in improving facilities to collect and reuse clothing.** If the EAC adopts a positive stance on the SHC industry, more companies will locate sorting centres in East Africa and invest in the region for the long-term. Open trade in SHC will lead to benefits both for consumers (notably lower prices) and states (such as increased tax revenues). There should be an expansion of sorting centres at key strategic hubs as part of the supply chain network. EAC member-states can then become significant centres for trade, benefiting others.
- **Third, it is recognised that not all clothing and textile materials can be reused.** There needs to be incentives for continuing private sector investment in recycling for clothing that has reached the end of life. There are opportunities for public/private sector collaboration in developing new technological processes for recycling in textiles. What is required are institutions that co-ordinate the textiles sector in EAC economies – both new production and reuse businesses – to ensure public/private partnership, encouraging innovation and entrepreneurship.
- **Fourth, policymakers should avoid treating the expansion of domestic textile production and the growth of the SHC industry as a zero-sum game where gains for one mean losses for the other sector.** There is no convincing evidence that a strong SHC sector crowds out the development of local textile production. Many discarded items of clothing around the world are still not recycled. As such, the potential for growth is vast. Policies that encourage the expansion of businesses for the full processing of clothing and discarded textile materials would help increase the rate of recycling, benefiting job creation, economic growth and environmental sustainability.
- **Finally, EAC member-states should cooperate to develop the SHC sector across the region.** The most effective way to expand growth and jobs is not to enforce blanket SHC import bans or to introduce protectionist measures, but to strengthen the business environment. There is an ongoing need to improve working conditions for SHC traders, modernising marketplaces and infrastructure, while ensuring better security, fire precautions, and waste management. Across the EAC countries, there is scope to pool resources and act multilaterally: for example, by sharing new sorting centres that serve the supply-chain across several member-states and establishing regional universities that improve the skills-base in the SHC and textiles sector. Within countries, governments need to act to ensure there are effective incentives for entrepreneurship in the SHC sector by progressively removing regulatory bureaucracy and red tape.

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Within countries, governments need to act to ensure there are effective incentives for entrepreneurship in the SHC sector by progressively removing regulatory bureaucracy and red tape. That offers the optimal route to environmentally sustainable jobs and prosperity for all.

The SHC sector is vital to the economic and social future of the countries that comprise the East African Community (EAC). Expanding the SHC and apparel industry is a win-win for consumers, governments and the environment alike.

Appendix 1: country impacts

Uganda

Uganda has a total population of 30 million people. In 2021, the country imported 92,066 tons of SHC at a value of \$97,215,000.¹⁸ The sector generates \$78,870,300 in government tax revenues. The SHC sector in Uganda has a workforce of 698,781. In Uganda from 2011 to 2021, the number of jobs in the SHC sector grew from 388,022 to 698,781. The focus of the Ugandan government's textile strategy is on cotton production. SHC is consumed both by low-income households and the rising middle-class, while demand remains high not least because SHC is often perceived to be of better quality than new clothing produced in China. Most SHC businesses are operated by sole traders with no other employees.

Kenya

Kenya imported 183,504 tons of SHC in 2021 at a value of \$172,668,229. The trade generated \$112,460,975 in government tax revenues in 2021. Among East African states, Kenya has the largest share of the SHC market.¹⁹ Kenya is today the fourth-largest apparel exporter in Africa - despite there being no ban on second-hand clothing - while the sector contributes 7% to the country's export earnings. Similarly, there are more than 100,000 wholesalers supplying imported clothes across the community, as well as locally based retailers buying and selling cheap garments in urban centres and rural areas.²⁰ In Kenya from 2011 to 2021, the number of jobs in the SHC sector grew from 576,870 to 1,381,277. However, some estimates suggest that the number of jobs sustained by the SHC sector could be as high as two million. At the same time, new textiles contribute 7% of Kenya's export earnings. The industry employs around 50,000 Kenyans, and up to 10% of the population throughout the value chain. Kenya was a major

¹⁸ This data throughout the appendix is provided by <https://comtradeplus.un.org/>

¹⁹ The Impact of Second-Hand Clothes and Shoes in East Africa, Cuts International, Geneva, 2017. <https://www.tralac.org/images/docs/12012/the-impact-of-second-hand-clothes-and-shoes-in-east-africa-cuts-international-research-study-february-2017.pdf>

beneficiary of AGOA. For example, Kenyan exports of apparel to the US increased from \$8.5 million to \$332 million between 2002 and 2014. Yet the textile sector in Kenya is also very reliant on importing raw materials. It is estimated that the country's 52 textile mills operate at an average of 45% capacity due to skills shortages and weak energy supplies. As in other EAC countries, the sector is struggling to remain competitive in the world market given the rise of Asia. The demand for both new and second-hand clothing is rising in Kenya due to growing purchasing power. The middle-class often prefer good quality SHC to apparel imported from low-cost producers.

Tanzania

The country currently imports 90,035 tons of SHC at a value of \$105,894,143. In 2021, it had a SHC labour force of 671,374. In Tanzania from 2011 to 2021, the number of jobs in the SHC sector increased from 652,656 to 671,374. The sector generates \$71,985,174 in government tax revenues. More recently, importation of new clothing has surpassed SHC. Tanzania, like all EAC countries, has a National Standard for Used Garments to ensure quality and public health requirements are being met. Around 8,000 workers are directly employed in the textile sector. Much of the textile sector is export focused and one out of five major firms produce garments for the domestic market. This illustrates that the impact of banning SHC importation would be very modest indeed. It is also anticipated that banning SHC in Tanzania would lead to a growth of illicit imports that depleted the tax revenues generated by the sector, as well as raising prices for consumers. A ban on importing second-hand underwear into EAC states including Tanzania was imposed in 2003, but it merely led to the growth of illicit trade and loss of government tax revenue. On average, new clothing and apparel is seven times more expensive than SHC items. 63% of clothing and 80% of footwear imports into Tanzania come from China. Given its vast export capacity, banning SHC importation would immediately benefit Chinese companies.

Rwanda

In Rwanda from 2011 to 2021, the number of jobs in the SHC sector were estimated to have fallen from 142,747 to 27,453. Rwanda introduced a used clothing importation ban in 2017-18. Rwanda's exports of textile garments have grown by 83% in the last two years. The sector is driven predominantly by SMEs.

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²⁰ 'The State of Second-Hand Clothes and the Footwear Trade in Kenya', 2021 Downloads/1614939275_State_of_second-hand_clothes%20(1).pdf

The evidence suggests that the ban on used clothes merely led to a rise in demand for cheap Chinese clothing given the absence of a mature domestic textile sector

Suspension from AGOA led to a dramatic decline in exports to the United States. The textile sector is largely driven by SMEs. Approximately 22% of imported textile garments into Rwanda were SHC. Despite banning SHC imports in 2020, most analysts agree that the domestic textile sector in Rwanda has been weakened by its lack of competitiveness, including problems in accessing raw materials, technical skills and finance. The government runs its own textile vocational training centre, but it is judged to be weak. Upskilling staff is a significant challenge in countries that do not have a long history of garment manufacturing. Less than 5% of fabrics are produced locally, for example. Rwanda is more reliant than any other EAC economy on importing raw materials. 91% of employment in Rwanda is in the informal sector, while wages in the textile industry are generally low. Surveys indicate that many Rwandan consumers are reluctant to buy locally produced textiles which are perceived to be of poor quality. The evidence suggests that the ban on used clothes merely led to a rise in demand for cheap Chinese clothing given the absence of a mature domestic textile sector. There is little cooperation between textile producers either in the SHC or the new production centres. Yet given the rise of low-cost production across the world economy driven by China, Rwanda can only compete by focusing on quality and sustainability through innovation. In 2021, Rwanda imported 25,467 tons of SHC at a value of \$24,749,763. The sector generated \$68,567,353 in government revenues. Rwanda has a SHC labour force of 27,453.

Burundi

Burundi currently imports 14,750 tons of SHC per annum at a value of \$12,870,101. SHC raises \$8,156,486 in revenues for the state. Its population is 12,380,331. In 2021, the SHC labour force comprised 129,279 workers. In Burundi from 2011 to 2021, the number of jobs in the SHC sector increased from 46,525 to 129,279. In 2020, Burundi exported \$1,140,000 in used clothing, making it the 68th largest exporter of in the world. SHC was the 18th most exported product in Burundi. The main destination of used clothing exports was Tanzania (\$837k), DRC (\$276k) and Kenya (\$6.81k). The average tariff on SHC imports was 34.1%, enabling Burundi to generate significant government revenues.²¹

²¹ <https://oec.world/en/profile/bilateral-product/used-clothing/reporter/cod>

Democratic Republic of Congo

The Democratic Republic of Congo (DRC) has a total population of 93,331,723. The DRC imported 157,224 tons of SHC in 2021. The total value of imported used clothing was \$128,050,000 while the SHC trade generated tax revenues of \$78,919,341. In the DRC from 2015 to 2021, the number of jobs in the SHC sector increased from 967,469 to 1,193,330. In 2020, DRC became the 31st largest importer of used clothing and footwear in the world.²²

South Sudan

South Sudan currently prohibits the importation of SHC. Data on SHC in the country is very limited.

²² <https://oec.world/en/profile/bilateral-product/used-clothing/reporter/cod>

