



# PROMOTING COTTON BY-PRODUCTS

in Eastern and Southern Africa

## Zambia

Policy Recommendations

Agreed by consensus at the multi-stakeholder national workshop

Southern Sun Ridgeway Hotel, Lusaka, Zambia, 7 December 2017

Validated by Mrs. Kayula Siame, Permanent Secretary, Ministry of  
Commerce, Trade and Industry, Zambia

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## Summary

The participants of the national workshop on “Promoting cotton by-products in Zambia” recommend, by consensus, that the Government of Zambia adopt the following policies, to support the development of value added activities on cotton by-products:

1. Promote Zambian cotton products and by-products as part of a national “Buy Zambian” campaign;
2. Strengthen the Cotton Act;
3. Improve coordination among stakeholder groups;
4. Build awareness among stakeholders, especially farmers, about opportunities in cotton by-products; and
5. Create a centre of excellence for the cotton value chain.

The following section introduces the national workshop and the context for these policy recommendations, while the subsequent sections provide a detailed description of each recommendation.

The Policy Recommendations were validated on 29 July 2019 by Mrs. Kayula Siame, Permanent Secretary, Ministry of Commerce, Trade and Industry, Zambia (see attached official validation in Annex).

## Introduction

The United Nations Conference on Trade and Development (UNCTAD) and the Ministry of Commerce, Trade and Industry organised a three-day national capacity-building workshop in Lusaka on 6-8 December 2017, as part of the technical cooperation project “Promoting cotton by-products in Eastern and Southern Africa”. Approximately 66 participants attended the workshop, including policy makers, researchers and stakeholders from the cotton value chain.

The objectives of the workshop included: a) equipping stakeholders to identify priority value added activities on cotton by-product to develop in Zambia; and b) assisting government officials in drafting evidence-based policies to support the identified initiatives. Correspondingly, the national workshop comprised a two-day programme for stakeholders (6-7 December) and a one-day programme for policy makers (8 December).

During the stakeholder component of the workshop, participants agreed on a National Action Plan for developing cotton by-products in Zambia. The action plan includes the following two proposed initiatives:

1. Apply absorbent cotton technologies to produce sanitary napkins for girls and women; and
2. Develop a new value chain for cotton stalks.

In support of the National Action Plan, participants at the policy-making component of the workshop agreed by consensus on the following policy recommendations. At the request of participants, UNCTAD drafted the agreed recommendations and submits them alongside the National Action Plan, for validation by the Permanent Secretary of Commerce, Trade and Industry.

## Recommendation 1: Promote Zambian cotton products and by-products as part of a national “Buy Zambian” campaign

### *Background*

In Zambia, many cotton products and by-products face stiff price competition from imports, for example of second-hand clothing or edible oil. In addition, even when competitive local products exist, Zambian consumers may be unaware of them, or perceive that foreign products are superior.

This competitive landscape, tilted in favour of imports, applies across a number of economic sectors and products and restrains the development of domestic industry.

Participants therefore recommended that the Government conduct a “Buy Zambian” campaign that informs Zambians about goods produced in the country and encourages them to change their perceptions and consumption habits, and to buy locally.

This campaign should be linked to Government procurement programmes to support local industry, for example requiring uniformed services to exhaust the domestic supply of uniforms before buying imports.

In the case of the cotton value chain, the “Buy Zambian” campaign should cover, for example, locally produced textiles and garments, as well as the by-products included in the National Action Plan: sanitary napkins derived from absorbent cotton and briquettes and pellets derived from cotton stalks.

### *Policy objectives*

Changing consumption habits to buy local products serves to:

- Replace imports;
- Support local producers, manufacturers and vendors;
- Amplify the effect of trade and industrial policies, in support of diversification and industrialisation strategies;
- Increase Zambia’s share of total value added for priority products; and
- Reinforce the national identity.

### *Specific actions*

- Design a branding concept, such as “Buy Zambian”, that appeals to consumer preferences and embodies the national identity;
- Fold related promotional or procurement programmes into the national campaign;
- For each priority product, work with producers to establish feasible objectives and conditions for inclusion in the campaign; and
- Implement a multi-channel outreach campaign to convey the “Buy Zambian” concept and message to a wide audience.

## Recommendation 2: Strengthen the Cotton Act

### *Background*

The current regulatory structure governing the cotton value chain in Zambia is relatively fractured. For example, the Cotton Act focusses mainly on cotton production, with few provisions for value addition. As a result, regulatory responsibilities along the value chain are split among: a) the Cotton Board of Zambia under the Ministry of Agriculture, up to the farm gate; b) the Ministry of Commerce, Trade and Industry for value addition; c) the Ministry of Agriculture for exports; as well as d) the Ministry of Finance.

Even in its focal area of cotton production, the provisions in the Act have proven insufficient or ineffective. For example, the Act mandates the Cotton Development Trust (CDT) to regulate seed breeding and multiplication, but does not provide an adequate funding model. CDT therefore deputises ginners to multiply and market seeds, but lacks the resources and legal tools to effectively and impartially regulate and monitor these activities.

Similarly, the Cotton Act does not provide a framework for resolving some major structural questions in the sector. For example, absent any guidance from the Act, stakeholders have struggled for many years on how to set and enforce standards for the input packages that ginners provide farmers – packages that underpin the contract-farming organisation of the sector. This regulatory gap exacerbates risks of side selling, underproduction and loan default, as well as undermining trust among farmers and ginners.

Similarly, the Act does not provide an adequate framework for setting the producer prices that buyers pay to farmers for their seed cotton. On one hand, there are technical questions about the composition of producer price formula, including, for example, what lint price benchmarks are used, whether cottonseed is included and what weights are assigned to each element. There are also political questions about what stakeholders should be involved in negotiating producer prices. On the other hand, competition and contract law influence what is possible in setting seed cotton producer prices.

Without adequate guidance from the Cotton Act, stakeholders have struggled for years to resolve these major structural questions, either through ad-hoc processes, or through the courts.

To better organise and regulate the cotton sector, the participants recommended that the Government revise the Cotton Act, streamlining its institutional provisions and providing adequate legal tools for its enforcement.

### *Policy objectives*

By strengthening the Cotton Act, the Government aims to:

- Fill regulatory and institutional gaps; and
- Equip statutory and regulatory agencies with effective policy and legal tools.

### *Specific actions*

- Extend the Cotton Act to cover value addition;
- Extend the mandate of the Cotton Board of Zambia to cover value added activities;
- Strengthen the legal framework for contract farming, including standards for the provision of inputs and guidance on setting producer prices;
- Enhance the breeding programmes of the Cotton Development Trust by providing adequate resources; and
- Remove ginning companies from the seed multiplication programme.

## **Recommendation 3: Improve coordination among stakeholder groups**

### *Background*

As well as due to gaps in the Cotton Act, development of value addition in the cotton sector is constrained by a lack of coordination among stakeholder groups. For example, the Cotton Association of Zambia represents approximately 40,000 of Zambia's 300,000+ cotton farmers, with the remainder grouped only within the outgrower programme of their contracted ginner. Ginners and oil crushers have their own associations, but the only forum at which to discuss shared concerns among cotton value adders is a cotton committee under the Zambia Association of Manufacturers.

Overall, gaps exist in the mandates and jurisdictions of the regulators and stakeholder associations and they lack formal coordination mechanisms. This fractured coordination precludes policy makers, regulators and the industry pursuing coherent strategies or addressing shared concerns.

To allow for a more coherent implementation of the National Action Plan to develop cotton by-products in Zambia, as well as governance of the value chain more generally, the participants recommended that the Government improve coordination along the value chain.

### *Policy objectives*

By streamlining the institutional structure in the cotton value chain, the Government aims to:

- Align production, value addition and trade activities in developing the cotton value chain;
- Fill regulatory and institutional gaps; and
- Strengthen the mandate of existing institutions.

### *Specific actions*

- Strengthen the role of the Cotton Board of Zambia in the Cotton Act as the end-to-end regulator of the cotton value chain (see also Recommendation 2); and
- Establish the cotton value chain committee of the Zambia Association of Manufacturers as the apex organisation of cotton value adders, deepening its representation from all groups.
- Strengthen the specific associations – Cotton Association of Zambia (CAZ), Zambia Cotton Ginners Association (ZCGA) and Crushers and Edible Oil Refiners Association (CEDORA) – through regular meetings with the Cotton Board of Zambia and collaboration on solutions to problems facing the cotton industry.

## **Recommendation 4: Build awareness among stakeholders, especially farmers, about opportunities in cotton by-products**

### *Background*

Among farmers interviewed in a survey commissioned by the UNCTAD project, 73 per cent were unaware of the by-products that can be derived from cotton stalks. Aware or not, no farmer had engaged in adding value to stalks. Meanwhile, while all of the ginners interviewed produced fuzzy cottonseed, only two of them processed it into cottonseed oil and the rest had no other by-product businesses of commercial scale.

The National Action Plan proposes to implement Indian technologies to add value to cotton by-products, specifically unutilised cotton stalks and underutilised short-staple cotton fibres. These by-products represent potential new income streams for farmers, entrepreneurs and established firms. But the lack of awareness among these stakeholders precludes their investment.

### *Policy objectives*

- Increase farmers' incomes;
- Create new business opportunities and jobs;
- Mobilise domestic investment; and
- Contribute to industrialisation and economic diversification.

### *Specific actions*

- Conduct an awareness campaign on adding value to cotton by-products, adapted to target audiences;
  - For farmers, through the Cotton Association of Zambia and ginners;
  - For ginners, oil crushers and other existing value adders, through their associations and the Zambia Association of Manufacturers; and
  - For entrepreneurs and foreign investors, through the Zambia Development Agency.

- Include information in the campaign on how farmers and entrepreneurs can access relevant support services, such as business training, small business loans, etc.
- Draft investment profiles for priority cotton by-products.<sup>1</sup>

## Recommendation 5: Create a centre of excellence for the cotton value chain

### *Background*

Zambia has established a network of Centres of Excellence across a number of fields. Mandates vary by centre, but overall, they allow for a coordinated treatment of, for example, research and development, standardisation and technical training.

In the cotton value chain, the Cotton Development Trust performs some of these functions, mainly focussed on cotton production. The Ministry of Commerce Trade and Industry also oversees the Cooperative College Zambia in Lusaka. Nevertheless, there remains a significant gap in these knowledge and training functions related to value added activities in the cotton value chain.

### *Policy objectives*

By establishing a Centre of Excellence for the cotton value chain, the Government aims to:

- Coordinate research and development, standardisation and technical training for value added activities on cotton and its by-products;
- Assemble a critical mass of experts and technology to form a knowledge cluster capable of innovating techniques and technologies in Zambia;
- Train researchers and technicians to propel the development of the cotton value chain; and
- Contribute to national objectives, such as technological upgrading, human capital development, value addition and industrialisation.

### *Specific actions*

- Work with CDT and other key actors to plan a coherent, seamless mandate for a new Centre of Excellence for the cotton value chain;
- Establish a sustainable funding model for the Centre that gives it independence from commercial actors; and
- Explore the possibility of implanting the Centre of Excellence in the Cooperatives College Zambia in Lusaka, overseen by the Ministry of Commerce, Trade and Industry.

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<sup>1</sup> The UNCTAD project “Promoting cotton by-products in Eastern and Southern Africa” includes an activity to draft investment profiles, in collaboration with the national investment promotion authority, i.e. the Zambia Development Agency.

## Annex

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In reply please quote.....

MCTI/101/10/25

29<sup>th</sup> July, 2019

Ms. Yanchun Zhang  
Chief – Commodities Branch  
United Nations Conference on Trade and Development  
**GENEVA**

**VALIDATION OF THE NATIONAL ACTION PLAN AND POLICY RECOMMENDATIONS  
ON PROMOTING COTTON BY-PRODUCTS IN ZAMBIA**

Reference is made to the above captioned subject and our letter dated 6<sup>th</sup> July, 2018 in which we made comments on the National Action Plan and Policy Recommendations documents that were derived from Zambia's National Workshop.

I wish to acknowledge receipt of the revised National Action Plan and its associated Policy Recommendations. The revised documents have been reviewed, and the Ministry hereby wishes to confirm that the National Action Plan and Policy Recommendations represent the aspirations of the national stakeholders as discussed during the National Workshop.

The Ministry therefore, validates the aforementioned strategy documents, with a minor amendment in the Multi-stakeholder Oversight Committee, to include a few other institutions which were identified as critical to the development of cotton by-products in Zambia in subsequent discussions. The amendment is reflected in the attached National Action Plan.

We thank you for your continued support and look forward to future collaborations with UNCTAD on this and many other issues related to trade and development.

Please accept the assurances of my highest consideration.

A handwritten signature in black ink, appearing to read 'Kayula Siame'.

Kayula Siame  
Permanent Secretary

**MINISTRY OF COMMERCE, TRADE AND INDUSTRY**