

CURRENT STATUS OF MOZAMBIQUE'S SECOND HAND CLOTHING MARKET: **OPPORTUNITIES AND CHALLENGES**

By: Consulting for Africa (CFA) Abalon Capital Limitada



 **abalon**


CFA
SERVICES


ADPP
Moçambique

CURRENT STATUS OF
MOZAMBIQUE'S SECOND HAND
CLOTHING MARKET:
**OPPORTUNITIES AND
CHALLENGES**

By: Consulting for Africa (CFA) Abalon Capital Limitada



Table of Contents

1.0 EXECUTIVE SUMMARY	7
2.0 INTRODUCTION	11
2.1 Research Objectives	12
2.2 Research Methods.....	13
3.0 Global context of the Second Hand Clothing (SHC) market.....	15
3.1 Overview.....	15
3.2 Sourcing, packaging and export	16
3.3 Overview SHC market dynamics in africa.....	17
3.4 Mozambique's macro-economic and geopolitical context	18
4.0 Research Findings	20
4.1 Estimating Mozambique's SHC imports.....	20
4.2 Sources of SHC imports	20
4.3 Organisation and structure of SHC markets	21
4.4 Impact of the policy environment on SHC market in Mozambique	22
4.5 Review of Mozambique's SHC and domestic textile industries.....	27
4.6 Impact of SHC markets on Mozambique's labour markets	29
4.7 Long-term economic impact of the SHC sector in Mozambique	32
4.8 Environmental impact of the SHC sector in Mozambique.....	37
4.9 Projected expansion of the SHC industry in Mozambique over the next 20 years.....	41
4.10 Policy recommendations for the SHC sector	42
5.0 Conclusions.....	45
6.0 Bibliography	47

List of Figures

Figure 1: Major global exporters in second hand clothes (source: OEC, 2024)	14
Figure 2: Major global importers in second hand clothes (source: OEC, 2024)	14
Figure 3: SHC exports into SADC (source: OEC, 2024)	17
Figure 4: Packaged second hand clothing bales.....	19
Figure 5: Second hand clothing market pictures in Maputo, Mozambique.....	20
Figure 6: ADPP Vestuario second hand clothes retail shop in Maputo, Mozambique	21
Figure 7: Beira SHC open market vendors	33
Figure 8: Enhanced SHC sorting in adpp premises, Beira	37
Figure 9: Tailors in SHC markets mending and recreating clothing items	38
Figure 10: Landfill recycling in Maputo. There was no evidence of clothes dumping.....	38

List of Abbreviations

ACFTA: Africa Free Trade Agreement
CAGR: Compounded annualized growth rate
EAC: East African Community
EU: European Union
ESAP: Economic Structural Adjustment Program
IMF: International Monetary Fund
ILO: International Labour Organisation
OEC: Organisation of Economic Complexity
SHC: Second hand Clothes
SSA: Sub-Saharan Africa
UN HDI: United Nations Human Development Index
US: United States
USD: United States Dollar

Definition of Terms

Used Clothing and Textiles: Refers to trade between countries under global Harmonised System (HS) codes 63.

Second Hand Clothes: Trade between countries under the global Harmonised System (HS) codes 6309 (worn textiles and clothing – used for textiles fit for reuse). It captures garments and accessories that have been previously owned, worn or used by individuals and fit for re-use.

Bale of Second Hand Clothing: A bundle of packaged clothes that has been collected, sorted and compressed and for resold for re-use recycling purposes. Bales can be pre sorted into the same type of clothes or contain mixed garments.

Tropical mix: a bale of clothing that has been sorted and containing mixed types of clothing garments suitable for tropical climates.

Sustainability: The practice of ensuring resource usage with consideration of the needs for future generations. In this report, it relates to reducing textile waste and its negative environmental impact.

Textile Downcycling: The process of recycling textiles into products of lower value or utility.

Textile Reuse: The act of using second-hand clothing for its original purpose, with or without some alterations.

Textile Waste: Discarded or unusable garments, fabrics, or textile materials.

1.0 Executive Summary

The global used clothes and textile market (code '63' in UN Global Trade Data¹) has grown steadily over the past four decades. At almost \$90bn in gross annual turnover, it is more than five-fold the annual GDP of Mozambique and growing at an estimated 2.5-3% CAGR. More recently, the industry has surged on the global push for sustainable clothing. Some analysts estimate the industry could exceed \$190bn over the next 10yrs. Net trade flows are almost exclusively from the Global North to the Global South, and China is the largest exporter with almost 45% of the global market share. Within this broader category 'Used Clothing' (Code '6309', 'Worn Clothing and Other Worn Articles') constitutes US\$5.7bn (~7.5%) in traded value; less than 0.1% of world trade.

In this report, we refer to this category as 'Second Hand Clothing' ('SHC'). United States (US) and China are the top SHC exporters countries at 16.8% and 13.9% of global market share, respectively. On an aggregate basis, European Union is the largest exporter, controlling almost 42% of the global market. As of 2022, EU exported 1.7mn tonnes of SHC, 46% of which were destined for Africa².

Adjusting for re-exports, Africa is the largest market, absorbing almost 35% of global SHC flows. According to UN ComTrade data³, four African countries (Ghana: 4%, Kenya: 3.8%; Tanzania: 3.3% and Nigeria: 2.8%) feature among the world's top ten SHC importers. Mozambique's share is a relatively small, but equally significant 1.7%.

Debates are intensifying over the global utility of SHC. Those against, and mostly within Western environmental lobby groups, argue that SHC exports are akin to 'waste colonialism' i.e., developed Western countries dumping their clothing waste on low income developing countries, and mostly Africa. Responding to the ensuing media pressure, some European governments have proposed enhanced controls to curb exports of unwearable apparel (i.e., 'waste'). However, there is no current definition or code for 'textile waste export' as it applies to used clothing at the European Union (EU) level. Some country level definitions (e.g., Germany) designate all clothes which the owner no longer intends to wear as 'waste'. This has led to fears of outright SHC export bans from the EU since textiles are on the European List of Waste⁴, and national authorities

“

There is no current definition or code for textile waste export as it applies to used clothing at the European Union (EU) level.

¹ Organisation of Economic Complexity: Used Clothing and Textiles

² EU exports of used textiles in Europe's circulareconomy

³ Organisation of Economic Complexity: Used Clothing

⁴ EU, (2015), Commission Decision of 3 May 2000 replacing Decision 94/3/EC establishing a list of wastes pursuant to Article 1(a) of Council Directive 75/442/EEC on waste and Council Decision 94/904/EC establishing a list of hazardous waste pursuant to Article 1(4) of Council Directive 91/689/EEC on hazardous waste (notified under document number C(2000) 1147) (Text with EEA relevance) (2000/532/EC) (OJ L 226, 6.9.2000, p. 2-46).

“

We found unsubstantiated criticism of the SHC industry to be commonplace.

are required to assess whether the used textiles designated for export should be classified as waste. Our research found the risk of outright EU SHC export bans to be quite low. Instead, mandatory enhanced sorting and screening of SHC exports is likely to be implemented in some form in 2025-6. This is well within the EU's current push for improving environmental sustainability, including through reducing clothing waste. As of January 2025, the EU is also implementing Extended Producer Responsibilities (EPR), which will shift the cost of managing household waste from households to producers. While we do not believe that this will significantly impact net EU SHC exports, particularly into countries such as Mozambique, there may still be unintended consequences.

The EU also needs to consider global ramifications of its policy decisions. Restriction of SHC exports will ultimately lend advantage to other major exporters such as China and the US. Both are unlikely to observe, let alone adopt [the spirit of], EU legislation on trading in used clothes. China has been particularly prolific in producing cheap, low cost fashion, and is rapidly gaining market share in global apparel markets. It is therefore very likely that reduced EU SHC exports will be supplanted by imports from elsewhere, including new low cost alternatives from China. Better global coordination is therefore needed. Otherwise, current efforts are setting up to be a zero sum game.

Concerns on SHC trade are almost exclusively around potential dumping. They are also amplified by sensationalised media reports of 'used clothes waste streams and landfill mountains' in developing countries. Even EU advisory papers cite that around 40% of SHC exports to Africa ends up in landfills. We found no substantive empirical research to support these assertions, including from the cited research papers. We also reviewed numerous published reports and advisory papers, and found unsubstantiated criticism of the SHC industry to be commonplace. Unfortunately, these allegations create undue pressure on politicians and policymakers to act, and heightens risks of reactionary and erroneous legislation. The impact will be mostly felt by poor communities reliant on SHC for basic clothing needs. Recent published research for Ghana and Kenya found that waste levels from imported SHC are much lower than figures cited by the EU (above) and media outlets.

Globally, there are rising risks to the SHC sector from government-imposed restrictions in importing countries. Many, particularly in Africa and Latin America (Chile), express strong and commendable desire to move the continent up the manufacturing value chain, improve GDP per capita, raise household incomes and

reduce poverty. Within that, resuscitating domestic textile manufacturing is seen as a proverbial low hanging fruit. The going argument also asserts that cheap SHC depress clothing selling prices, compresses margins, and make prospective investments unattractive. There is some merit in these arguments, but the demise of Africa's textile sector stems from much more complex legacy factors including IMF's Economic Adjustment Programs (ESAPs) of the 1980s and 1990s, removal of subsidies, lack of affordable capital and tough competition from Asian clothing manufacturing titans such as India, China and Bangladesh. Going forward, we strongly believe competition from China within the clothing sector, both used clothing and new low cost fashion, is only likely to get tougher.

Within sub-Saharan Africa (SSA), some governments have sought outright SHC bans. While none have been able to implement complete restrictions for various reasons, some have stated a strong intention, but yet to legislate (Nigeria); retracted intended bans following pressure from the US (Tanzania, Burundi and Kenya); legislated, but not implemented the bans (Uganda); or sought to restrict SHC trade through prohibitive import duties (Angola, Zimbabwe, Rwanda, South Africa and Namibia). In addition, the recently minted Africa Free Trade Agreement (ACFTA) moved quickly to remove preferential duty treatment on SHC trade among member countries. The direction of policy dispensation is not constructive, and debates seem to lack an appreciation of the fundamental human right to clothing. Overall, given the importance of second hand clothes to the broader public in most countries, the risk of outright bans remain low. Instead, incremental import restrictions are likely to continue.

The discourse on used clothing trade is often framed on mutual exclusivity. That is, to revive domestic clothing industries, SHC trade has to be curbed. Our observations suggest otherwise; both new textile manufacturing and the used clothing industry can co-exist with some reasonable balance. For now, the financially strategic and sustainable route for a textile renaissance should include cross-country collaboration to set up textile-linked special export zones, not banning SHC imports. Beyond that, unless Africa's poverty levels decline through stronger economic growth and rising incomes, there is a long term need for SHC to meet basic clothing requirements for the millions living in poverty.

This research contributes to ongoing global discussions on the SHC industry using Mozambique's experience. It highlights the significance, challenges and opportunities within the sector, drawing lessons across the region for informed policymaking.

We found that the SHC sector is immensely important to Mozambique. First, it provides cheap, diverse and readily accessible

“

Our research found no evidence of SHC ‘waste streams’ in Mozambique. Nor were there clothing waste streams of any kind.

clothing for millions living in poverty. At least 80% of the population relies on SHC for basic clothing needs. **Second**, the availability of affordable clothing creates budget headroom for other important household expenditures such as food, shelter and education. **Third**, the SHC sector is a significant employer, albeit predominantly informal, but within a backdrop of very high unemployment rates. SHC sellers are common sight in areas of significant foot-fall in the main cities and within neighbourhoods. All major markets have large concentrations of SHC vendors, particularly women and youth. We deduced that SHC and food vending, and potentially in that order, provide anchor commercial activities in urban markets. We estimated that over the last five years, Mozambique has imported around 36,750Mt/yr, and that demand has been growing at an annualised rate of 3.5% over the past year. Our analysis suggests that a metric tonne of SHC imports supports around 7.8 jobs, both directly and indirectly. **Fourth**, at least 85% of those employed in SHC are also the primary earners in their respective households. Thus, assuming an average family of five, this implies at least 1.1 million Mozambicans who are directly dependent on the SHC sector. This is noteworthy. **Fifth**, many SHC vendors tell success stories of family prospects positively transformed through earnings derived from second-hand clothing sales. Many are sustaining families, providing shelter, building homes, and paying for education (including higher education) from these earnings. From the field survey, it is clear that jeopardising the SHC industry will directly put millions of livelihoods at risk. **Finally**, the Mozambican government also benefits directly from taxing SHC imports. Our conservative estimates suggests that at least \$35mn in annual in SHC-related government tax revenue. This helps finance much needed social programs such as healthcare and education. Using these estimates and comparing to KPMG's estimates of broader industry tax collections, the SHC sector would be within the top ten largest tax contributor in the country⁵.

Mozambique's experience highlights the strong sustainability credentials of the SHC sector. It significantly extends apparel life, reducing clothing waste. Contrary to some media reports, our research found no evidence of SHC ‘waste streams’ in Mozambique. Nor were there clothing waste streams of any kind. Rather, plastic waste seems the major challenge. This is not surprising and confirms views from long-serving development experts operating across the country. The culture is not one for throwing away clothes. Rather, clothes are often handed down or reconstructed into other types of garments. Hence there are a lot of tailors operating within SHC markets serving vendors, mending, altering and reconstituting

garments. This significantly enhances clothing re-use and extends shelf life. Overall, it underscores the need for informed debates on the SHC sector, anchored in empirical research and encompassing observations and learnings of practitioners, and especially those from developing countries. Such an approach would promote an

⁵ KPMG: 2022 Revista 100 Maiores Empresas de Moçambique

2.0 Introduction

“
SHC imports are needs-driven, i.e., meant to supply basic clothing. After adjusting for re-exports, there is a general inverse relationship between the level of SHC imports and a country’s level of development.

“
Most of the discussions and debates are being driven by the Global North, but often lack appreciation of the Global South’s contextual experience. This is particularly true with respect to utility and contribution of SHC to communities living below the poverty line.

integrated policymaking; recognising the strategic importance of used clothing in sustaining livelihoods of millions living in poverty, while also being cognisant of the need to boost economic growth and ensure environmental sustainability.

The second hand clothing (SHC) sector refers to trade in previously worn apparel. Broader descriptions of the sector often include other used textile materials. Historically, trade flows have been driven by the developed Global North exporting to low income developing countries in the Global South. As of 2022, the Organisation of Economic Complexity (OEC) estimated global annual turnover in used clothing and textiles at \$86bn⁶; ranking it 44th (out of 96) world trade categories. Within that, used clothing accounts for around \$5.7bn. Of late, the global focus on environmental sustainability and promoting upcycling and re-use has resulted in a surge in used apparel and textile sales, including in the developed world. Hence some analysts now forecast the global traded value in SHC to more than double to \$195bn by 2030⁷.

Overall, the SHC market is a tiny proportion of global trade, currently estimated at \$24trn. But it has become very topical in Western countries, mainly due to allegations of developed countries dumping clothing waste in Africa. This has inspired phrases such as ‘waste colonialism’⁸. Equally, some African policymakers blame SHC imports for the demise of the continent’s textile industry, and time and again, have shown desire to curb or ban SHC imports. But this is an over simplification. Debates tend to be sensational and feisty, but without matched research and substantiation of alleged facts.

SHC imports are needs-driven, i.e., meant to supply basic clothing. After adjusting for re-exports, there is a general inverse relationship between the level of SHC imports and a country’s level of development. Hence Africa, being home to 70% of the least developed countries in the world⁹, is unsurprisingly the largest net importer of SHC. For example, the East African Community (EAC) and Mozambique account for nearly 20% of global SHC imports¹⁰¹¹. In countries such as Angola and Malawi, at least 80% of the

population, the bottom four population quintiles, source their clothing, in part or full, from SHC markets. Rural communities are almost exclusively reliant on used apparel for their clothing needs.

The significance of SHC is now subject of intense research given focus on climate change, waste management and environmental sustainability. Most of the discussions and debates are being driven by the Global North, but often lack appreciation of the Global South’s contextual experience. This is particularly true with respect to utility and contribution of SHC to communities living below the poverty line. Some of the documented benefits of SHC include that it: (i) provides access to affordable and relatively high-quality clothing for low-income households, (ii) creates and sustains millions of jobs, (iii) is a source of income, which has transformed prospects of thousands of families; and (iv) contributes to government revenues through tariffs on SHC imports¹². Equally, criticisms include that: (i) a significant proportion of the imported clothes end up as waste in landfills in Africa; and (ii) SHC undercuts the re-development of own textile manufacturing capacity amongst African countries.

This paper adds to the growing body of research evaluating global significance of the SHC industry using Mozambique’s experience. We observed that existing research and survey methodologies struggle to capture the extent to which the labour force in most African countries, and particularly Mozambique, is SHC related trade and services. This results in significant underestimation of the sector’s impact on the wider economy, and potential consequences of import curbs and bans. It uses a combination of desktop and field research to critique the industry, including on economic and environmental impact to help inform ongoing policy debates within the European Union (EU) and Africa. It also highlights medium term risks and provides recommendations for policymakers.

2.1 Research Objectives

In line with the Terms of Reference (ToR), this study:

- a.** Analysed the policy environment impacting the SHC market in Mozambique and its likely future developments over the coming decades;
- b.** Analysed the long-term economic impact of the SHC and footwear sector in Mozambique;

6 Used Clothing Market. Organisation of Economic Complexity.

7 The rise and rise of second-hand fashion

8 Climate Change & Fashion Waste Colonialism

9 Least Developed Countries in Africa

10 The Second-Hand Clothing Industry in the East Africa Community

11 Own calculations.

12 An assessment of Africa’s second-hand clothing value chain: a systematic review and research opportunities

- c. Quantified the impact of SHC markets on local employment and labour markets, particularly among economically marginalised demographic groups;
- d. Profiled the interaction between the SHC industry and domestic textile production in Mozambique;
- e. Assessed the environmental impact of the SHC sector in Mozambique, including the contribution of textiles to allegations of 'clothing waste streams' in the country;
- f. Analysed projected expansion of the SHC industry in Mozambique over the next 20 years on the local production and consumer industry; and
- g. Outlined practical policy recommendations for medium term management of SHC trade in Mozambique.

Overall, the paper:

- a. Enables policy makers in Africa and Europe to understand the size, structure, characteristics and economic significance of the SHC industry, particularly for the importing countries;
- b. Provides policymakers with empirical information to balance the discourse on impact of SHC in sub-Saharan Africa; and
- c. Informs future research and discussions on optimising SHC integration into developing economies while also considering impact on economic development.

2.2 Research Methods

To answer these questions, we use a combination of desktop research and field surveys.

a. Desktop research: We reviewed published reports and research on the SHC market, on a global, regional and country basis. Our primary focus was on Mozambique with some reconciliation to the broader SSA experience. Key focus was on:

- i. Reviewing global dynamics, major players, key trends, opportunities, challenges and policy developments likely to impact the industry over the near term;
- ii. Analysing the textile and clothes manufacturing industry in Mozambique, which included an assessment of the industry's current status, opportunities and challenges;
- iii. Describing advantages and disadvantages of SHC markets in Mozambique;

- iv. Comparing and contrasting experiences in major African importers of second hand clothes to identify similarities in market dynamics, impact, opportunities and challenges; and
- v. Critiquing assertions that second hand clothes are increasing pollution, and reviewed relevant research, where it exists, for substantiveness and robustness.

b. Field surveys: We conducted market research focused on:

- i. Determining the key attributes of Mozambique's SHC industry, highlighting relevant similarities and differences with other regional markets;
- ii. Assessing and describing social and economic impacts of the SHC industry in Mozambique. This focused on the use of semi-structured interviews with key stakeholders in the value chain, including importers, retailers, vendors consumers and policymakers; and
- iii. Describing clothing recycling initiatives within local communities and evolving government policy discussions on waste management.

c. Research tools: We used semi-structured questionnaires to collect data from SHC value chain participants in the major SHC markets in Maputo (Xipamamine, Mercado Janet and Xiquelene), Beira (Tschungamoyo, Mobeira and Chingussura) and Nampula. The tools were aimed at analysing the overall SHC market structure, key players, source of imports, types of products, product flow, transaction practices, key demographic groups, employment activities, impact on livelihoods and determine the likely impact of banning SHC imports. For interviews, we predominantly used semi-structured interviews to ensure collection of the relevant data from long time industry practitioners.

3.0 Global Context of the Second Hand Clothing (SHC) Market

3.1 Overview

The global apparel market is estimated at \$1.7trn. China is the largest exporter with almost 40% of market share, equivalent to \$40bn annually (Fig 1). Global trade data for used apparel are captured under: (i) 'Used Clothes and Textile Articles' and (ii) 'Used Clothing'. The latter is a sub-category.

Latest data available (2022 figures) estimates this segment at approximately \$86bn in traded value¹³; 5% of total global trade. China is the top exporter at approximately \$38bn annually (and 45% of global market share), followed by EU at almost \$20bn (23.5% of global market share), then India and Pakistan tied at \$6.1bn (around 7% of market share apiece; Fig 1). The top importers are United States (\$20bn), Germany (\$6.16bn), Japan (\$4.7bn), France (\$3.62bn), and United Kingdom (\$3.14bn). In aggregate, the EU is the largest importer at almost 40% of the global market share (Fig. 2). A significant proportion of US, EU, UK and Middle East imports are re-exported to Asia and Africa¹⁴

a. Used Clothes and Textile Articles (Classification code "63"):

This category covers 'Textiles, Made Up Articles; sets; worn clothing and worn textiles; and rags. As highlighted, it is a broad segment that includes SHC.

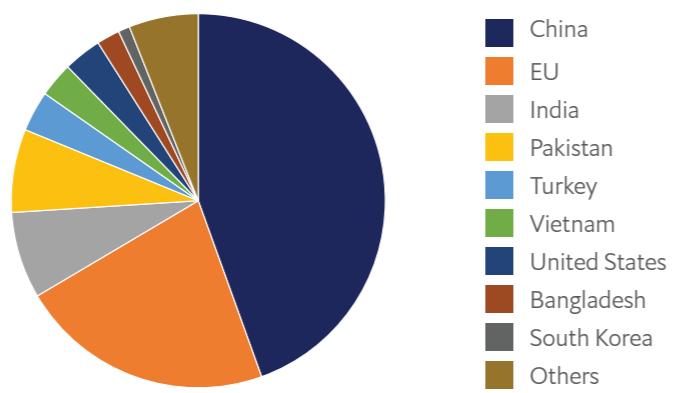


Figure 1: Major global exporters in second-hand clothes (Source: OEC, 2024)

b. Used Clothing (Classification Code '6309'):

This category is a sub-set of the above and includes 'Worn Clothing and Other Worn Articles'. It is the most relevant to this study. As of 2022, global trade in this segment was worth \$5.7bn; ranked 527th of 1,218 categories. It is a tiny sector represents less than 0.1% of overall world trade. US is the top exporter at \$1.1bn annually (16.8% of global market share), followed by China at \$852mn (13.8% of global market share). In aggregate, and similar to the broader category, EU is the largest exporter controlling almost 42% of the global market (~1.7mn tonnes). Approximately 46% of EU exports are destined for African markets¹⁵. Pakistan is the largest importing country at 4.1% of global market share (\$252mn), but a significant proportion is also re-exported. Four African countries (Ghana: 3.9%, Kenya: 3.8%; Tanzania: 3.3% and Nigeria: 2.8%) feature among the world's top ten SHC importers. Mozambique's share is a small, but equally significant 1.7%. In aggregate, Africa absorbs almost 35% of the world's SHC imports.

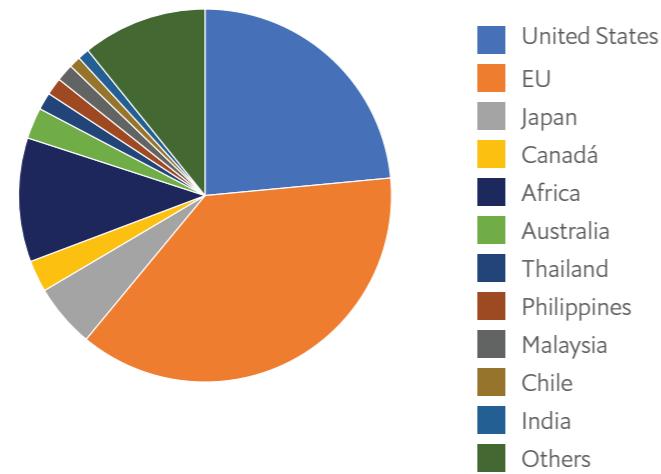


Figure 2: Major global importers in second-hand clothes (Source: OEC, 2024)

3.2 Sourcing, packaging and export

The importation and distribution of SHC is well described and documented. To recap, charitable organisations and commercial companies collect used clothes from household waste sites, textile banks, supermarkets, schools, community organisations, and various other clothing donation schemes. Unsorted clothes are called 'originals'.

¹³ Global trade in worn clothing and worn textile articles; rags.

¹⁴ Overview of the used clothing market in East Africa: analysis of determinants and implications'.

¹⁵ EU exports of used textiles in Europe's circular economy

“

Mozambique is a major route of SHC supply into Malawi and Zambia, while Kenya supplies Burundi, DRC and Uganda

Following collection, the clothes transported to designated sorting centres where they are assessed and grouped items into almost 300 categories. This is key part of the value chain and aims to: (i) extract high-value textiles, so-called 'cream', to sell in European shops¹⁶; (ii) select clothes for re-use in the global market place, and (iii) screen recyclable materials such as cotton and wool. The combined sorting process can take place in several stages and in different countries depending on closeness to market, transport distances and capacity for detailed sorting. A combination of bales of different types are loaded into containers and shipped mostly to Asia or Africa¹⁷; the main demand centres. More importantly, the sorting process is geared towards specific markets. For Mozambique, the majority of SHC imports are sourced from Europe (including UK), China, Pakistan, US, UAE, Japan and South Korea in pre-sorted bales.

Distribution and sales. In developed markets, SHC are sold via a combination of retail shops, vintage shops, market stalls and online platforms. The most popular used clothing retailers include ThredUP, Poshmark, The RealReal, Tradesy, Buffalo Exchange, eBay, Mercari and Alibaba, among others. In Africa, sales are predominantly via open markets and to a lesser extent, retail shops. Bales tend to remain unopened until the point of retail. For this reason, some critics argue that their value is often under-declared, thus pay lower duties and compete 'unfairly' with new fashion. Others argue that ultimate buyers, the retailers and vendors, end up procuring sub-standard items due to lack of appropriate sorting, contributing to waste. However, given that buyers can switch suppliers quickly depending on reputation, it is in the interest of sellers to supply high quality product.

SHC imports are almost exclusively shipped in via ports. Coastal countries are therefore the main import route for landlocked countries. For example, Mozambique is a major route of SHC supply into Malawi and Zambia, while Kenya supplies Burundi, DRC and Uganda.

As highlighted, globally, trade in 'Used Textiles & Clothing' is classified under category 6309 (i.e., "worn textiles and clothing") and only small amounts of textiles classified as 6310 (i.e., "Sorted and Unsorted Used Rags and Textile Scraps"). Little to no distinction is made between these two categories in discussions pertaining to SHC. This has created uncertainty in European SHC exports given current efforts to tighten categorization of these two product classes. Most importers, particularly in Africa, fear that this will result in significant restrictions or, at worst, bans of SHC exports. These fears may be over-stated.

¹⁶ LCA-based assessment of the management of European used textiles

¹⁷ Stretching global production networks: The international second-hand clothing trade.

3.3 Overview of SHC market dynamics in Africa

In Africa, SHC are often described in non-endearing terms, which include "dead white man's clothes" in Ghana to "calamity clothes" in Mozambique. For the latter, it reflects how poor local communities relied on second hand clothes after independence in 1975, and particularly during the then civil war, which ended in 1992.

SHC imports are predominantly need-driven, and into some of the poorest countries. For countries such as Angola, Malawi, Mozambique, Tanzania and Kenya, the industry has been thriving since the 1970s. Current estimates of SHC imports into SADC are shown below.

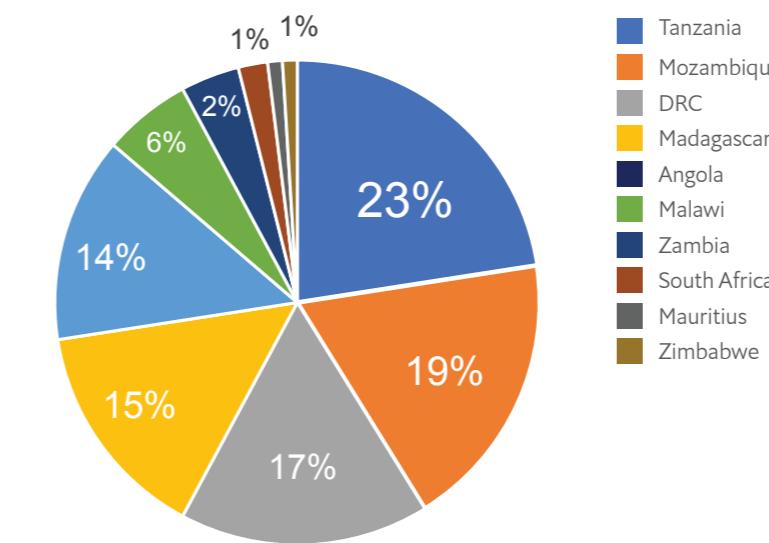


Figure 3: Distribution of SHC imports into SADC countries as a percentage of the total (OEC, 2024)

Definitive levels of SHC imports are not available due to poor data quality across most African countries. However, most data, including from UN ComTrade, points to Africa being the largest global SHC importer on both a volume and value basis. Three observations support this view: **First**, the variation in trade data between exporting countries and national SHC import records can be as high as -85% to +220%. Where annual import data are available, the year-to-year variation is quite high, pointing to poor recording and data quality. **Second**, a significant proportion of SHC imports into countries such US, UK, EU, Pakistan and UAE are re-exported, and predominantly to Africa and Asia. Almost half of the EU (ex-UK) exports are to SSA countries. **Third**, Africa's Eastern Seaboard countries alone (i.e., East African Community (EAC) plus

“

Underestimations of the split between SHC and new clothes result in significant under-appreciation of the size and level of demand for SHC in Africa, let alone countries such as Mozambique...Any legislation and policy changes are likely to impact in this region the most.

“

Mozambique is the 2nd largest importer of SHC within the Southern African Development Community (SADC).

Mozambique) account for nearly a fifth of global imports¹⁸. **Fourth**, a recent study estimated that Africa has consistently imported around \$1bn¹⁹ of SHC per annum over the last decade. However, looking at 2022 import data for Kenya (\$360mn), Nigeria (\$290mn), Angola (\$227mn) and Tanzania (\$221mn*)²⁰, already tallies close to \$1bn. It's therefore likely that adding imports into other African countries could easily triple or quadruple these reported numbers.

Lastly, as of 2017, China alone was reporting clothing trade values of almost \$1.3bn with the EAC alone, having quadrupled over a space of two years. Yet the EAC's reported SHC import figures from China were twelve times lower for the same period; a huge discrepancy. The split between SHC and new (cheap and low cost fashion) clothes is undisclosed. Overall, such under-estimations result in significant under-appreciation of the size and level of demand for SHC in Africa, let alone countries such as Mozambique. Therefore, any legislative and policy changes in Europe are likely to impact in this region the most.

buys SHC, matching similar observations in Angola, Malawi and Zambia. OEC estimates a total value of Mozambique's SHC imports of around \$84mn; approximately 0.4% of Mozambique's total annual \$23.1bn import bill. This may be under-stating Mozambique's SHC imports. Our results and some recently published research papers are more representative (refer to Section 4, 'Results').

3.4 Mozambique's macro-economic context

Mozambique is a very poor country. It ranks a lowly 183 out 191²¹ countries on the United Nations Human development Index (HDI). At least 65% of the population relies on agriculture, forestry and extractive economic sectors such as mining and fishing for livelihoods. Latest data suggests unemployment at 26%, and minimum wages are very low averaging MZN6,200/m (\$90/m)²². In our extensive experience consulting across Mozambique, official employment statistics grossly understate the level of under employment in the country. Equally, a high proportion of employed individuals' earnings are below legislated minimum wage levels, especially in the agricultural sector which remains by far the largest employer. The manufacturing sector is very small (less than 7% of GDP), and well-paying service sector jobs are scant, especially for the majority population which has low levels of education.

Within this backdrop, it is not surprising that Mozambique is the 2nd largest importer of SHC within the Southern African Development Community (SADC). At 19% of the total, it is only surpassed by Tanzania (Fig 3). From our research, at least 85% of the population

18 The phase-out of second-hand clothing imports: what impact for Tanzania?

19 Africa's Second Hand Clothing Market

20 Figure 2: Major global importers in second-hand clothes (Source: OEC, 2024).

21 UN HDI.

22 Mozambique: Government announces new minimum wages for the private sector

4.0 Research Findings

The research results are shown below and laid out to address each component of the Terms of Reference.

4.1 Estimating Mozambique's SHC imports

Data on Mozambique's SHC imports are limited. To estimate the latest (2023) import levels, we used UN ComTrade data which are compiled on a self-reporting basis. The most recent and reliable record of Mozambique's used clothing imports was in 2019, and at 34,265Mt. We then assumed a 3.5% annual growth rate, which is in line with estimates from the large importers and in line with global averages. Using this approach, **we estimate that as of 2023, Mozambique's total SHC imports stood at 39,320Mt. The implied 5yr average of 36,750Mt/yr.**

4.2 Sources of SHC Imports

Major importers are highly organised, working with a structured network of wholesalers and retailers. Europe (UK, Spain, Germany and Italy, in that order), US, Australia, United Arab Emirates, Pakistan, South Korea and China were cited as the main sources of Mozambique's SHC imports. Data on bilateral trade are not available. Most importers stated that price, quality (including general sizes) and logistics were the main drivers of supplier preference.



Figure 4: Packaged second hand clothing bales



4.3 Organisation and structure of SHC markets

In Mozambique, the SHC industry is well organised with significant intermediation along the value chain. SHC retailing activities are mainly organised in open markets across main cities and towns. The largest markets are located in Maputo (Xipamamine, Mercado Janet, Xiquelene, Farjardo and Compone), Matola, Beira (Goto Market and Munhava), Nampula (Beleneses and Mercado Central), Tete (Mercado Central) and Chimoio (Mercado 38, Mercado Central and Soalpo). Vendors organise along the main walkways, and by far exceed sellers of other products (food, furniture, electrical items etc). This suggests that SHC, along with food, are the main and anchor products within the open market.

Generally, vendors operate on designated stalls. They do not pay ground rent for the market facilities. However, where the market extends into nearby neighbourhoods, vendors pay rent to landlords for using the immediate frontage around residential yards. Larger and sophisticated operators such as ADPP Vestuario have physicals shops, with well displayed products, sophisticated pricing systems, and manned by several full time employees (Fig 6). The employment schemes are designated to support marginalised demographic groups, particularly youth and women.

Employment activities range from customs agents, wholesalers, retailers, distributors, logistics providers, redistributors and individual informal retailers operating on roadsides and street corners (see Section 4.6). Individual retailers tend to focus on areas of high foot fall such as hospitals, shopping malls and main streets. It is clear that disruptions to Mozambique's SHC sector, where sources of alternative employment are next to none, is likely to result in catastrophic outcomes on livelihoods of millions, amplifying already high levels of poverty in the country.

Figura 5: Imagens do mercado de vestuário em segunda mão em Maputo, Moçambique



Larger and sophisticated operators such as ADPP Vestuario have physicals shops, with well displayed products, sophisticated pricing systems, and manned by several full time employees. The employment schemes are designated to support marginalised demographic groups, particularly youth and women.

Disruptions to Mozambique's SHC sector, where sources of alternative employment are next to none, is likely to result in catastrophic outcomes on livelihoods of millions, amplifying already high levels of poverty in the country.



Figure 6: ADPP Vestuário second hand clothes retail shop in Maputo, Mozambique

4.4 Impact of the policy environment on SHC market in Mozambique

There are four primary risks, and with only one posing a long term existential threat to SHC in Mozambique and other African countries. These are outlined and discussed below:

a. Potential re-classification of SHC as 'waste' by the European Union, which would strongly curtail exports. Let's start with a conclusion: from our research, including speaking to contacts within the European Commission, Europe has no intention of banning exports of second hand clothes. The EU's Strategy for sustainable and circular textiles²³ originally proposed by the European Commission in 2022, aims to make clothing longer-lasting, easier to repair and its journey to point of sale traceable. The ultimate goal is to enhance sustainability and reduce textile related pollution. There will also be additional Extended Producer Responsibilities (EPR)²⁴ beginning in January, 2025. This aims to make apparel companies operating in the EU cover the cost of collection, sorting and recycling textiles. The EPR levy will be proportionate to the cost of processing, recycling and/or upcycling. It tackles mounting clothing waste being driven, in part, by fast fashion.

A broader context of the current discourse is timely. The press have indeed published that 'Europe intends to ban exports of SHC due to increasing concerns of mounting clothing waste in developing countries'. For example, on March 14th, 2024, [Reuters reported that '...France proposes EU ban on exports of used clothes'](#). It specifically

cited the French Environment Ministry saying, "*Africa must no longer be the dustbin of fast-fashion [and] we must reduce waste and manage our own waste.*" On closer inspection, the proposal aims to tighten screening and sorting of SHC exports and reduce the amount of clothing waste being captured in the clothing bales. It is all part of the sustainability drive. No outright bans are intended.

Overall, it's worth noting the following:

- i. Currently, any 'proposals' are at the early 'rhetoric' stage. No firm policy framework discussion has been made, let alone to set the direction and tone of future EU policy. Still, importers need to stay abreast with ongoing EU policy discussions since any outcome is likely to have material impact on traded volumes.
- ii. France, Denmark and Sweden, the proponents of tighter SHC export controls, are concerned by the lack of distinction between categorisation of good quality used clothes (code '6309' "Used Clothing & Textiles") and Code 6310 ("Sorted and Unsorted Used Rags and Textile Scraps"). In their view, this has resulted in unworthy apparel materials being lumped together and exported alongside good quality SHC, ultimately resulting in dumping. Under their proposals, there would be enhanced sorting and disclosure to ensure that items falling under code '6310' are not exported, and particularly to Africa where they [are believed to] end up as waste in landfills. Companies in the EU looking to export have to give more information about the content of shipments and potentially, the target use. As you can tell, these are currently aspirational statements.
- iii. Sweden wants exports of hazardous textile waste — fabrics stained with chemicals or paint, for example — to be banned altogether. This, in our opinion, is not controversial. Again, this is targeting a specific segment of textile exports, not the broad category of SHC. The challenge, in our view, will be coming up with an operational definition of "waste" insofar as SHC trade is concerned. There will be challenges given the qualitative nature of the debate.
- iv. Last but not least, France, Sweden and Denmark are proposing that importing countries would have to approve of the imports, and more importantly, demonstrate that

²³ EU's Strategy for sustainable and circular textiles

²⁴ Extended producer responsibility and economic instruments

waste is being disposed of correctly. The latter is probably impractical as globally, most countries, developed and emerging, are grappling with appropriate waste disposal, including from the clothing industry. Therefore, placing onerous and unrealistic demands on countries that have a clear need for good quality SHC will only amplify the current furore. It might also be interpreted under the emblem of 'Global North dictating [again] to the Global South' with all the imperial connotations.

What is clear is none of the proponents of this motion are proposing a SHC ban or draconian curbs. Rather, they are proposing enhanced sorting and export controls. In this context, two quotes are noteworthy:

- i. Sweden's Environment Ministry: "*what is exported as being second-hand textiles must be just that, and not sheer worthless, unusable, textile waste. [We must] stop the abuse of the second-hand textile market by those who are trying to avoid paying the full price of fast fashion,*" (POLITICO)
- ii. France's Environment Ministry: "*The aim is not to put an end to the second hand clothing trade, but to create a truly circular economy and help developing countries.*" (POLITICO)

Next legislative steps are likely to proceed as follows:

- i. European Commission puts forward a legislative proposal and the Council of the EU would need to unanimously adopt it. That process is yet to start.
- ii. EU would then formally request the Basel Convention to be amended on parts relating to SHC trade. The parties to the convention would also have to unanimously agree. The hurdle, in our view, is low.

The European Commission has already welcomed the intention behind the initiative of France, Denmark and Sweden [and sees] merits in initiating such a discussion [with] the right context to discuss the issue of global trade in used textiles.

The EU is extremely unlikely to ban the export of SHC. There is already a deep appreciation of how the SHC industry is critical for developing countries. However, enhanced sorting and stricter export rules seem inevitable within the auspices of enhanced waste management and improved sustainability. If this were to happen, and depending on the level of enforcement within the sorting process, it is likely that:

- i. SHC export volumes from the EU would decline somewhat,

with no significant disruption to SHC trade.

- ii. The costs of enhanced sorting will be passed along to consumers in importing countries. The strong demand backdrop means it's easier for SHC traders to pass the costs down the value chain; and
- iii. China and other major export jurisdictions such as US, Middle East and Australia will simply fill any demand gap from reduced EU SHC exports.

Overall, it is too early to pre-judge the outcome.

b. Political risk from within Africa is more eminent. Both individual and collective African governments continue to express ambitions for self-reliance in textile and clothing production. Producing own textiles and clothing is seen as proverbial low hanging fruit, hence there is a persistent legislative desire to curb SHC imports. Overall, it poses an ongoing risk for SHC importers, and to varying degrees, depending on jurisdiction.

We note here that:

- i. In its efforts to ban SHC imports, Rwanda increased the import levy by more than a hundred-fold; from \$0.20/kg to \$2.50/kg²⁵;
- ii. South Africa has all but banned SHC imports. Even new clothing imports attract a 45% import levy, plus 15% VAT²⁶;
- iii. Uganda approved the ban on SHC imports in 2023, but this has never been implemented²⁷. The US has also argued that a SHC ban would be against the principles of the US-Africa Growth and Opportunities Act (AGOA);
- iv. EAC countries ex-Rwanda only backed off similar plans to ban SHC imports in 2016 after the US threatened retaliation via AGOA;
- v. Nigeria plans to ban SHC imports²⁸. The announcement has been in place since early 2023, but like Uganda, has not been implemented;
- vi. Angola recently doubled SHC import duty from 20% to 50%. NGOs who import clothes for donation are exempt²⁹;
- vii. The recently minted Africa Free Trade Agreement (AfCTA) may also adopt more restrictive protocols and measures targeted at reducing SHC imports and improving value addition on the



African governments continue to express ambitions for self-reliance in textile and clothing production. Producing own textiles and clothing is seen as proverbial low hanging fruit, hence there is a persistent legislative desire to curb SHC imports.

25 Rwanda Used Clothing Ban

26 SA Trade Regulations and Taxes

27 US gripes over Uganda's ban on imports of Second Hand Clothes

28 NA MUMU DEY GO BOUTIQUE: The Essential Economics of Nigeria's Okrika

29 Angola: Exchange rates, import duties complicate second-hand clothes market

continent. Already it has recommended removal of preferential duty treatment on SHC trade among member countries³⁰.

The political under-current is therefore not positive for the SHC sector. It is highly likely that a political party or head of government could pass legislation to reduce or ban SHC imports at the stroke of a pen, regardless of perceived consequences on the public.

Our overall perceptions are as follows:

“

The government is also fully aware of the revenue benefits in SHC related taxes, which without, would only increase budget shortfalls for delivery of critical social programs such as education and healthcare.

i. There seems to be no immediate risk on the SHC industry within Mozambique stemming from domestic government policy.

The government currently seems to hold a neutral stance. In our investigations, we found no discussions nor inclination towards reducing or banning SHC imports. There is a clear recognition of its critical importance in sustaining livelihoods within government and across both major political parties. This is also evident in the interviews and response given by government officials on the matter. Although there is still a desire to grow a domestic textile industry through various initiatives, including of late PRONAI³¹, the grand announcements have not been matched by investment, either public or private. It is therefore unlikely that any significant increase in production of textile, let alone clothes and/or shoes in their diversity, will happen over the next two decades. Thus, for the medium to long term, clothing needs of the general population will likely continue to be met by SHC. From discussions with our government contacts, we understand that the focus is on improving general recycling, including on used clothes within a broader environmental sustainability push. Beyond that, the government is also fully aware of the revenue benefits in SHC related taxes, which without, would only increase budget shortfalls for delivery of critical social programs such as education and healthcare. Hence there are ongoing government efforts to formalise informal traders, partly to improve the industry structure and tax contributions.

ii. Developments within the Africa Continental Free Trade Agreement (AfCTA) framework also suggest medium to long term risk.

The direction of policymaking is clearly towards reducing, not increasing SHC imports. Following recent promulgations highlighted above, SHC trade is now subject to various tariffs under the 'rules of origin' framework, which aims to promote industrialisation and value addition

on the continent. Given the sheer need and demand for SHC across the continent, which is largely driven by endemic poverty, there is little doubt that SHC demand will remain strong in the long term. We do not see material change in dynamics over the next two decades. Policymakers are acutely aware. More importantly, it is not clear to us whether a decision taken at the AfCTA level is legally binding, as it would be, for example, under the European Union. The agreement is not being administered under the auspices of an economic union. Our analysis suggests that countries implement adopted protocols in consideration of national context. Therefore, as far as the SHC sector is concerned, we do not see Mozambique implementing a resolution that would compromise the livelihoods of its majority population. That said, in the long run, politics are unpredictable, and stakeholders should continue to engage with the government to ensure that rash and unreasonable policies are avoided.

iii. Individual and regional economic blocs have also attempted to ban SHC, with varying degrees of success.

Hence we believe this to be an ever present risk. South Africa is a poster child of banning SHC and managing to grow a local clothing industry as a result. It also benefited from a pre-existing capital base and clothes manufacturing industry set up by Taiwanese firms which were taking advantage of AGOA preferential market access³². Examples given above on the EAC, and developments in Angola, suggest that these hotly contested debates will likely continue. But we do not see any material concerns on the horizon in Mozambique.

iv. Global trade wars also pose a rising threat.

World politics are getting increasingly polarised along the usual East-West axis. In journalistic terms, 'the Global South is up for grabs'. It is not clear how this may impact SHC supply and trading. Africa is almost equally supplied between east (China) and West (US and Europe) and we are not sure how the dynamics may evolve in future. However, we do note China's incredible prowess in producing cheap low quality fashion. In the event of disruptions to Western supply of SHC, we foresee China rapidly gaining market share across sub-Saharan African countries, including Mozambique. Equally, if SSA countries such as Mozambique were induced to provide preferential market access to Chinese clothing products, new and used, it is likely that they will quickly achieve a dominant market position. And if China, for reasons unforeseen, were not able to sell cheap, low quality

“

In our view, China is the proverbial elephant in the room.

³⁰ AfCFTA: African ministers adopt ban on trade of second-hand clothes
³¹ Republic of Mozambique Permanent Mission of the Republic of Mozambique-Geneva: Briefing

³² United States International Trade Commission, AGOA: Trade and Investment Performance Overview.

fashion and SHC (as it is now) into US and Europe as part of trade war dynamics, it is likely that these products would be flooded into African apparel markets, impacting broader SHC sales. In our view, China is the proverbial elephant in the room.

4.5 Review of Mozambique's SHC and domestic textile industries

To understand the interaction between Mozambique's SHC and the domestic industry, we reviewed the history of Mozambique's textile manufacturing industry, current status, future plans and how this could be impacted by the SHC sector. Overall, anaemic domestic textile and clothing production in Mozambique continues to support to the SHC sector.

Specifically, we note that:

a. Mozambique's textile and clothing manufacturing industry has barely changed since colonial times.

It is very small, and the output barely registers versus the population's basic clothing needs. Hence the prevalence of SHC since the early 1980s. There have been passionate intellectual debates around the demise of African textile and clothes manufacturing since then, and continuing to date. A detailed review is beyond the scope of this study. However, we would note that some factors which contributed to the decline seem to cut across countries. These include the IMF's Economic Structural Adjustment Programs (ESAPs), removal of subsidies (targeting budget sustainability), high marginal cost of production, and intense competition from Asian countries such as China and Bangladesh. More recently, countries such as Mozambique are experiencing declines in domestic cotton production, further complicating the outlook.

b. A dearth of investment restricted growth and development of the industry.

Historically, Mozambique was Portugal's centre for overseas cotton production and key to the country's dominance in European textile manufacturing. The industry mostly declined since independence. In the 1980s, the Mozambique government strategically eyed expansion with plans for a large textile factory in Mocuba as part of its ten-year "Prospective Indicative Plan"³³. However, that never

transpired due to lack of adequate investment. Equally, the then political instability and competition from imports, new and second hand, resulted in little to no progress in domestic textile manufacturing, which remains largely geared towards exports of ginned cotton.

Recently, there have been efforts to resuscitate moribund textile factories.

These efforts include Agha Khan Foundation's \$2.5mn investment into Texlom (formerly Moztex) in 2009³⁴. The company is now fully operational, employing around 1,300 employees³⁵ and is now the country's leading manufacturer of ready-to-wear garments. Last year it produced over 5 million garment units, most of which were exported to South Africa. More recently, the Mozambique Cotton Manufacturers (MCM), a conglomerate of Mozambican and Portuguese companies, acquired Riopele, a textile manufacturing firm which has been dormant since 2004³⁶. MCM is expected to start textile manufacturing soon, employing about 750 people, potentially increasing to 7,000 workers as the entire production chain, from cotton cultivation to clothing manufacturing, becomes fully operational. Capital has yet to be deployed to fully renew the factory and kick-start production. Overall, these efforts are laudable, and potentially the beginning of a new restart. However, they simply do not move the proverbial needle with respect to Mozambique's clothing needs. Therefore imports, particularly of SHC, will most likely remain the main source of clothing for the majority of Mozambicans.

c. Plans to revive and expand Mozambique's textile industry need a comprehensive approach.

Countries cannot produce everything. There is need to focus on key areas of strategic competitive advantage. If the government were to select textile and clothes manufacturing as a key and strategic industry (which it has pronounced in the past), it must equally acknowledge the scale of investment required, de-risk the investment through provision of equity or full funding, evaluate the opportunity cost of capital and the intensity of global competition. Mozambique also has the added complexity of declining domestic cotton output. Over the past decade, production has not exceeded 33,000 Mt/yr, down from a peak of 62,000/yr in 2009³⁷. Therefore, an integrated approach would be required to boost cotton production alongside investments in the industry. Until then, it is difficult to see significant import substitution in the clothing sector.

“

Imports of SHC will most likely remain the main source of clothing for the majority of Mozambicans

³³ Mozambique hopes to rebuild clothing sector, AGOA.

³⁴ Mozambique textile giant resumes operations under new name

³⁵ Mozambique: Aga Khan network hopes to revitalise textile giant

³⁶ Cotton consortium to reopen Riopele textile factory

³⁷ Investing in the Mozambique textile industry

d. Demand of SHC is only set to grow. Mozambique's average real incomes are extremely low; estimated at \$530 per capita per year³⁸. At the current economic trajectory, we do not expect significant improvement in Mozambique's GDP growth over the next decade. The promise from Natural Gas discoveries has been usurped by political instability in the northern provinces. Consequently, the greater population majority will remain reliant on SHC for their basic clothing needs.

To estimate future demand over the next decade, we assumed that the current population of close to 34.5mn will continue to grow at the last decade's average of 2.8%. Thus, all else equal, the population is likely to increase by around 9.6mn people over the forecast period. Assuming the current average per capita annual clothing consumption of 1.3kg per person, and that 85% of the population will rely heavily (but perhaps not exclusively) on SHC, this translates to an additional 10,600Mt/yr by 2034. Stated differently, with estimated 2023 import levels of 39,320Mt/yr, Mozambique is likely to be importing almost \$50,000Mt/yr of SHC over the next 10yrs. Our field experience suggests to us that this could be a conservative forecast.

Against this backdrop, SHC provides significant opportunities for self employment in Mozambique, particularly in urban and peri-urban areas. We focused on assessing the types of roles and the level of employment, and the impact on livelihoods associated with SHC.

The types of roles are well described, and include:

i. Importers. There are no reliable records on how many SHC importers are operating in Mozambique. From our survey, the larger and more sophisticated importers are predominantly limited companies and to some extent, wealthy individuals. All the surveyed importers operate at scale, procuring at least 500Mt of SHC per year. Larger entities such as ADPP import on average 4,500Mt/yr and employ people. They utilise casual labour for logistics work relating to loading/unloading, and trained, qualified permanent staff in sorting, and repacking clothes into smaller bales for onward sale. They also have administrative roles within customs, data analysis, accounting, marketing and insurance services, among others. On average, each importer interviewed employed at least seven people. The larger and more sophisticated operators such as ADPP employ as many as 300 employees across the value chain. Importers are creating significant formal and informal employment opportunities.

ii. Wholesalers. These tend to buy from importers and sell to retailers. Some importers have integrated wholesale functions. They vary in size, and most operate through a network of shops in strategic areas, including close to large markets. They tend to be strategically positioned across the country. Wholesalers distribute bales into retailers, which may be formal businesses or individuals.

iii. Logistics. Importers and wholesalers may own their transportation and personnel to ferry bales from ports to warehouses, or warehouse to wholesale facilities. Most however, procure their services from specialised transport and logistics firms. Most of the jobs are a combination of formal (clerks and drivers) and informal (loading and unloading).

iv. Formal retailers. A few operators market operators such as ADPP operate a network of shops selling SHC. These are strategically positioned in high footfall areas, including close to shopping centres. SHC retailers are either institutional (e.g., ADPP) or operated by individuals. The latter are common inside neighbourhoods, often selling mixed and general merchandise alongside SHC.

4.6 Impact of SHC markets on Mozambique's labour markets

a. The second hand clothing industry is a significant employer, supporting livelihoods across the country. For background, Mozambique's official unemployment rate is currently 26.1%³⁹. Simply stated, more than a quarter of the population—nearly 9 million people—are currently unemployed. On the ground evidence suggests that these statistics understate the level of under employment. Equally significant is that for those employed, only 3.4% of jobs are deemed 'formal'. This is dire, but also not peculiar to Mozambique. The International Labour Organisation (ILO) estimates that at least 85% of the working age population in SSA is informal employed.⁴⁰ Our field observations agree with these estimates. Countries such as South Africa, the largest and richest economy in SSA, also struggles with legacy high unemployment levels.



More than a quarter of the population, or nearly 9million people, are currently unemployed

³⁸ Income Per Capita in Mozambique (Statista)

³⁹ Trading Economics: Mozambique's Employment Statistics

⁴⁰ Informal Economy in Africa: Which Way Forward? Making Policy Responsive, Inclusive and Sustainable'.

“

SHC is playing a significant role in female empowerment, especially since the majority of vendors were also the main earners for their respective households.

v. Informal retailers. These are predominantly individual resellers, operating in formal markets, roadsides, street corners, neighbourhoods, small towns and villages. In main cities and towns, this is a daily activity, but in smaller market outputs and villages, informal retailing visits can be a weekly or fortnightly.

vi. Ancillary services. These are predominantly informal jobs across making repairs or alterations to SHC and laundry services (i.e., washing and ironing garments). Tailors were quite visible across all the markets we visited.

b. The SHC sector is also a significant employer of marginalised demographic groups, particularly youth and women. We observed that the ratio of female to male vendors in the markets was almost equal. It shows that SHC is playing a significant role in female empowerment, especially since the majority of vendors were also the main earners for their respective households. For example, a transect survey of 113 stalls in Xiquelene showed 55 men, and the remainder women. In Beira, a similar survey of 84 stalls through the market showed 39 female-manned stalls. We did not collect the age of respondents, but observed that at least 40% of the stalls were manned by young men, and less so young women. This could be due to broader safety concerns.

c. We estimated that a metric tonne of SHC imported into Mozambique sustains around 7.8 jobs. Some research-based estimates have been made on the total level of employment generated by SHC within SSA. Given the highly informal nature of the sector and the lack of household labour force surveys (LFS), precise estimations are difficult. In addition, people enter and leave the SHC industry regularly making trends are difficult to establish.

A very recent study on sub-Saharan Africa by Feyertag, (2024) and specifically covering Guinea-Bissau, Angola, Zambia and Mozambique concluded that each tonne of imported SHC sustains 6.5 jobs⁴¹. For Mozambique, this translated to around 191,000 jobs, and almost 7% of the estimated 2.8mn total services employment.

Our research and observations indicated that the level of SHC and SHC-linked employment in Mozambique is potentially being under-estimated. First, quoted studies on markets

such as Xipamanine⁴² and Xiquelene are nearly a decade old. The market and SHC footprint have only grown since, and at more than 3.5% per year (the global average) over the last decade. Moreover, with intensifying rural-urban migration, the number of participants in the SHC industry is likely to have risen in tandem. Thus, to determine how much the industry has grown and use that to improve our employment estimates, we used a combination of interviews and transect surveys to determine the growth in the SHC market. We then applied that growth rate to previous estimates of the level of SHC employment.

Using transect analysis, we estimate that Xiquelene market has 2,950 stalls, of which at least 1,410 sell SHC. This represents an average annual growth rate of 4% over the last decade, in line with global averages. Therefore, an average estimate on the level of employment made several years ago should be scaled up by at least 30%. Using this framework and applying such a 'growth factor' to Feyertag's analysis suggests that every metric tonne of SHC imported into Mozambique now supports closer to 9.1 jobs.

To triangulate this analysis, we also estimated total employment within the SHC sector in Mozambique via a combination of published employment statistics and making some key assumptions. Specifically, we started from Feyertag's study highlighted above. With an estimated total SHC-related employment at 190,000 and with Mozambique's urban population estimated at 12.1mn,⁴³ this amounts to 1.6 persons employed in the sector for every 100 urban dwellers. Field observations and our knowledge of the economy suggests that this is potentially a significant under-representation.

That said, even our estimates were closer to previously published research. First, we made a conservative assumption that around 40% of Mozambique's 12.1mn strong urban population (i.e., 4.8mn) works in services related sectors, ranging from food, transportation, healthcare, household services, banking, insurance and retailing (including vending) sectors. This is unsurprising given a small domestic manufacturing sector. We made yet another conservative assumption based on our field observations; that 6 of every 100 persons in services-related employment works directly or indirectly with SHC. Using this approach, we estimated that

⁴¹ Job Creation in Africa's Second-hand Clothing Sector Evidence from Angola, Guinea-Bissau, Malawi, Mozambique and Zambia

⁴² Riches from Rags or Persistent Poverty? The Working Lives of Second-hand Clothing Vendors in Maputo, Mozambique.

⁴³ Macro-trends: Mozambique's urban population.

around 288,000 people, which is around 2.4% of the total urban population, works directly or indirectly within the SHC sector. Finally, to determine the import/employment ratio, we used our estimated 5yr average annual SHC imports of 36,750Mt/yr; at these levels, every tonne of SHC imported into Mozambique helps support around 7.8 jobs Mozambique. This is modestly higher than Feyertag's import/employment ratio of 6.5 jobs, but closer to our theoretical estimate of 9.1 using a combination of previous studies and the industry's growth rate since. We are therefore very confident with our employment estimates.

Mozambique's level of SHC-linked employment is similar to other SSA countries. We cross-referenced our survey estimates with other published SHC-related employment studies within SSA. Our results are similar, albeit below major SHC importers in SSA. Some studies estimate that around 1.3- and 2.9% of urban populations in Zambia, Ghana, Malawi, and Angola are engaged in SHC-related employment. Our studies confirmed the same for Mozambique. Kenya, which is by far the largest SHC importer within SSA, has much higher statistics. With an estimated 2mn people employed in the SHC sector⁴⁴ and average imports of 185,000Mt/year, its employment/urban population and import/employment ratios are 12.5- and 10.9, respectively. Overall, these results and observations highlight the crucial importance of the SHC industry in Mozambique and the sub-region. Attempts to either reduce or ban SHC should seriously consider the impact on communities dependent on them.

4.7 Long-term economic impact of the SHC sector in Mozambique

The SHC sector has transformed fortunes of thousands of families across Mozambique. This section focuses on the long term impact on communities and highlights the potential impact on communities from SHC bans.

First, to recap, Mozambique is very poor, and ranks a lowly 183 out of 191 countries on the UN HDI⁴⁵. Unemployment is very high, minimum wage is very low, and a high proportion of employed individuals earn below minimum wage. Within this backdrop, we estimate that the bottom four population quintiles rely on SHC for the bulk of their clothing needs. Rural communities on the other hand rely almost exclusively on SHC for clothing needs. These statistics highlight the critical role of SHC in Mozambique and why discussions on the sector ought to be taken very seriously. Errors of judgement could significantly damage communities and the society as a whole.

a. Overall, the SHC sector provides access to cheap and relatively high quality clothes for the general public.

From our survey of both vendors and buyers, SHCs are highly beneficial and transformative to local community livelihoods. Not only are the clothes cheap, but they are also of much higher quality and longer lasting compared to, at least, new, low cost alternatives. For example, one can buy a T-shirt, shorts or trousers for under fifteen meticais (MZN 20.00 or EURO 0.30), which can last them for more than a year depending on the level of care. Female under-wear, which includes highly essential items such as panties and bras, costs between MZN10-MZN50. This helps provide critical wear especially for young women who tend to be amongst the most vulnerable demographic groups. The product range is also impressive. Almost any type of clothing is available, more often at affordable prices, albeit at varying degrees of quality. Availability of cheap clothing creates budget headroom for other family expenses, including savings. For example, we found that new clothing items sold within the markets can cost up to fifteen times more than equivalent SHC items. Thus, buying equivalent SHC represents huge savings which can be spent elsewhere creating significant positive consumption multipliers in the broader economy. That said, it is important to note that some high quality SHC can retail at higher prices than new, low quality alternatives.

The bottom four population quintiles rely on SHC for the bulk of their clothing needs. Rural communities on the other hand rely almost exclusively on SHC for clothing needs.

⁴⁴ Institute of Economic Affairs (IEA) (2021) 'The State of Second-Hand Clothes and Footwear Trade in Kenya'

⁴⁵ UN HDI.

“

A European consumes at least 15-times more clothing than the average

b. Demand is need driven and affordability driven. It is cyclical and seasonal; mostly higher during summer when availability of agricultural work provides income support. Demand is also stronger following a good harvest. Wholesalers noted that more recently, the recurrence of droughts has been weighing on sales. Retailers and vendors also highlighted that SHC sales are stronger when the broader economy is performing well.

c. Previous studies relating to SHC in sub-Saharan Africa (SSA) estimate that close to 70% of the population purchase a proportion of their clothes from SHC markets⁴⁶. Other SSA studies put the range between 50- and 95%, depending on the country. For example, for Angola, at least 85% of the population wears at least one SHC item. Our field survey in Maputo and Beira using a random sampling approach found that at least 80% of respondents had bought a second-hand clothing item from local markets within the preceding six months.

d. Mozambique's per capita clothing consumption is quite low. We estimated that, on average, individuals buy 8.5 SHC clothing items per year. Assuming an average cost of \$0.15 per item, this only amounts to a per capita consumption of \$1.28 per year. This is unsurprisingly, but meaningfully below the estimated per capita consumption of \$1.69 estimated for the EAC region and \$1.76 for West Africa. In quantity terms, it is broadly in line with estimates which point to per capita SHC imports for countries such as Guinea Bissau. Thus, despite the intense debates in media on SHC dumping, the actual amounts under consideration are very small. For global context, the average annual per capital clothing consumption comparisons can be stated in weight terms, equating to around 1.3kg for a Mozambican vs. an average of 15kg for a European. Stated differently, a European consumes at least 15-times more clothing than the average Mozambican!

e. Second-hand clothes are creating better paying jobs, boosting household incomes, alleviating poverty and transforming future prospects of many Mozambican families. Our study also revealed that the average vendor collects around \$USD650 per month (~MZN42,000) in profit. This is around fifth higher than the gross national income of \$530⁴⁷. Clearly, SHC retailing is helping sustain thousands



Figure 7: Beira SHC open market. Gentleman to the left has been operating for 35yrs and runs a successful network of SHC sellers. Gentleman on the right has been operating for 33yrs and passing the business to his son (pictured).

of families. Significant negative disruptions of the industry would have catastrophic consequences. The trade in SHC has also transformed the fortunes of many people and families in Mozambique. Numerous vendors interviewed highlighted how: (i) they have managed to provide for their families' sustenance, (ii) acquire shelter, including renting and/or building homes, and (iii) send their children to school and university using revenues from selling SHC. This would have been literally impossible without the opportunity to sell SHC. The multipliers from education cannot be over-stated; the ability to acquire meaningful secondary, and let alone university, education is hugely transformative for a family's medium to long term fortunes. That is what is happening in Mozambique today!

f. At least a million lives are directly dependent on SHC. From the survey, more than 90% of SHC vendors interviewed were primary earners in their households. Assuming the average household size of at least four people, and our calculated estimate of at least 288,000 households directly dependent on SHC, this translates to over 1.1mn individuals whose livelihoods are reliant on the sector.

⁴⁶ Overview of the Second-hand Clothing Market in East Africa: Analysis of Determinants and Implications JULY 2017.

⁴⁷ Mozambique National Income Statistics

g. The average tenure of surveyed SHC vendors ranged from 3- to 35 years.

In several cases of longer serving vendors, the trade in SHC is now multi generational, with parents training and passing on 'franchises' to their children. This was fairly common-place across most markets. Some of the more established vendors had employees of their own, operating a network of re-sellers within the market, or through a network of other smaller towns and villages. It shows a much more sophisticated operational structure providing gainful employment.

h. We also concluded that, in Mozambique, SHC are arguably the nucleus for market activity.

SHC vending is by far the most prolific activity within the large urban open markets. It attracts the footfall, promoting broader economic activity within these urban centres. We estimated that SHC trade makes up at least 65% of the transaction volumes, with food a close second at 25-30%. If that were to change, and especially if SHC vending were to be significantly restricted or banned, this would be a significant negative impact on the broader economic activity in Mozambique. Without cheap and good quality clothing to attract footfall, we would argue that activity in the large, open urban markets would drop by at least half of current levels. That would amplify collateral damage across communities and potentially the whole society.

i. SHC markets have helped improve financial inclusion.

The ability of vendors to generate revenues and profits has encouraged opening of bank accounts to improve cash handling and hold cash and savings deposits. This is directly increasing financial inclusion. Almost all vendors interviewed held a local bank account transacting in meticais (MZN). In addition, around 26% of vendors interviewed had been offered a bank loan facility in the last 2 years which they had already used or were planning to tap for future business development. None of the respondents had defaulted on previous loans, implying a steady revenue flow which supported their debt servicing capacity.

j. Others highlighted how they had collateralised assets acquired using proceeds from SHC selling for their bank borrowings.

This demonstrates how what is perceived to be basic economic activity can be hugely transformative for long term prospects. On these observations, it is clear that significant dilution or loss of livelihoods would precipitate major negative repercussions on communities.

k. Second-hand non-clothing items are also sold in the markets. These include bags and soft toys. It is potentially

difficult to justify the importation of second hand toys; they are not essential items. They can easily be used as a scapegoat amongst those who perceive SHC as waste dumping. Depending on how legislation evolves, enhanced sorting practices could aim to remove second hand toys from SHC exports.

I. The government benefits from taxes on the SHC sector.

This extra budget financing is critical for supporting social programs such as education and healthcare. Specifically, Mozambique levies import tariffs on both SHC and fashion, at the following rates:

- Import duties at 20% CIF value;
- 16% VAT;
- 16% after sales VAT; and
- MZN 25.00/kg tax surcharge (translates MZN10,000 per container).

The level of taxation depends on the nature of SHC imports, namely:

- Mixed clothing bales (so-called 'tropical mix') are levied at a lower rate of \$0.187/kg, which translates to almost \$20,000 per 40ft container. Organisations such as ADPP, which import mixed clothing and operate own complex sorting operation, fall into this category. Our research suggests less than 15% of Mozambique's SHC imports fall into this category.
- From interviews and field observations with wholesalers, most importers procure smaller sorted bales, which are already pre-categorised into clothing/garment types and pressed. These attract a much higher import duty of \$0.40/kg, translating to approximately \$27,000 per 40ft container. Most importers prefer pre-sorted clothes as it removes the need for re-sorting and re-packaging, which can be both complex and costly. At least 85% of Mozambique's SHC imports fall into this category.
- For context, on the lower tariff level, an importer of scale procuring 200 x 40ft containers (i.e. 5,800 Mt/yr) remits \$4mn tax to the government in taxes. From the field surveys, we understood that there are at least twenty significant SHC importers across the country, sourcing at least 150 containers a year. Precise data were not available due to poor records.

To estimate the Mozambican government revenues from SHC import levies, we:

“

The Mozambique experience suggests that linear media narratives which equate SHC exports to clothing waste are unequivocally misleading.

- Used estimated 5yr average annual SHC import level of 36,750Mt/yr. Since each 40ft container carries approximately 26-29Mt, this equates to around 1,340 containers a year.
- Assumed an 85%-15% split between 'tropical mix' and bales consisting of only specific types of clothing. This was based on field observations and discussions with field experts.

Taken together, this equates to a total SHC import tax revenue of around \$35mn/yr⁴⁸ accruing to the government. These estimates are conservative given the high level of under-reporting of SHC imports as highlighted and discussed earlier.

4.8 Environmental impact of the SHC sector in Mozambique

The most fervent criticism of SHC relates to waste management and the sector's sustainability credentials. Critics see it as 'the West dumping its waste in Africa'. Hence some environmentalists are pushing for a total ban on SHC exports. Our surveys and investigations found that while there are legitimate grounds for debate, the narratives seem sensationalised. The Mozambique experience suggests that linear media narratives which equate SHC exports to clothing waste are unequivocally misleading.

We highlight that:

- The buying and selling of SHC represents enhanced reuse.** Given that the clothing industry is one of the worst global polluters, extended apparel use is integral to global recycling and sustainability efforts. It is part of the green economy and should be commended and promoted. There also seems to be lack of congruence and intellectual symmetry between commentators' praise 'vintage apparel' in developed economies and stigmatisation of SHC clothes in the developing world.
- There are no signs of SHC dumping.** We investigated claims of 'waste streams' in Mozambique, both directly, and with local contacts focused on development and waste management across Maputo, Beira and Nampula, the major coastal cities. We observed neither clothing waste streams nor landfill



Figure 8: Enhanced SHC sorting in ADPP premises, Beira

mountains. Our field contacts highlighted that, over the years, they had not seen dumping of SHC or accumulation of related SHC waste at any scale. They also characterised allegations of waste streams as misguided and blatantly incorrect. Rather, challenge was with plastic waste, and particularly cheap toys which are disposed of without regard for the environment.

This fits with the known narrative in Mozambique: Clothes are just not thrown away. Rather they are predominantly handed down, and in some cases reconstituted into new garments by local tailors. For example, clothes may be passed on between adults and younger family members; from urban to rural communities; much like an adult T-shirt might end up being a baby's vest, and much like a pair of trousers or skirt, could get converted into a pair of shorts. The bias is not to throw away clothes. **This is a critical part of understanding the importance of SHC in Mozambique**, and should inform, and hopefully alter, how commentators approach the issue of SHC imports into developing countries. Some balance in the discourse is important.

Beyond that, enhanced sorting should help minimise waste. Wholesalers re-sort bales, often selecting obvious errors in the sorting out of bales. Companies such ADPP have an intense sorting process (Fig 8), in addition to a feedback mechanism with the original suppliers to ensure that quality concerns are raised immediately. Such measures reduce the risk of importing unusable apparel.

⁴⁸ Own calculations. Uses UN ComTrade 2019 SHC imports of 34,000Mt and applies a modest 3.5% annual growth rate with the majority of imports in the pre-sorted category.



Figure 9: Tailors in SHC markets mending and recreating clothing items. ii.

“

We therefore strongly suggest that media reports which assert that ‘...large volumes of clothes are being dumped on water ways, especially amongst some of the largest second clothes imports in Africa’ should be treated with extreme caution.

c. The narrative on pollution caused by SHC also seems to be sensationalised. There are widespread media that some African countries such as Ghana have a clothing waste problem in certain parts of the capital city, Accra. We did not find evidence of similar problems in Mozambique’s major cities.

More specifically, we made the following important observations:

i. The media tends to lump all textile-related pollution problems on SHC. That is both incorrect and deeply unfair, especially as it risks uninformed, unwarranted and negligent policy responses.

First, as we have highlighted above, SHC is often subject to enhanced re-sorting, which captures lower quality garments that are recycled into pillow fillers, mats and mops, among others. **Second**, the SHC industry goes as far as recycling the bale materials and the chords which would have been used to secure it. Nothing is thrown away. **Third**, seamstresses work in the markets, restoring damaged items and creating new ones out of available clothing materials (Fig 9). This is hyper-recycling and should be commended. **Fourth**, it is simply not the practice to throw away clothes.

ii. There is a general lack of substantive research on the link between SHC and clothing waste. As mentioned above, the tendency to lump all clothing waste to SHC. In our review of published research, we have encountered numerous reports of some African countries struggling with clothing waste. But we could not find any well-structured field research that attributes SHC to the cited clothing waste in landfills. **There are presumptions made; that if it is clothing waste, then it must have come to the recipient country via the SHC import channel. That is poor attribution and intellectually unsound.**

iii. More recent research evidence in Ghana and Kenya suggests the proportion of SHC imports that become waste is just 2-5%⁴⁹. This is dramatically lower than previous media claims of 40-50%. Our field observations and field contacts also agree, again because clothes are just not thrown away. There is no evidence of waste streams in Mozambique. Landfills are composed of all kinds of city waste, and clothes are not prevalent (Fig 10). This also fits with general reports that clothing waste is less than 3% of overall household waste disposal.

We therefore strongly suggest that media reports which assert that ‘...large volumes of clothes are being dumped on water ways, especially amongst some of the largest second clothes imports in Africa’⁵⁰ should be treated with extreme caution. The challenge of global clothing waste largely relates to the rise of new, cheap low cost fashion, including fast fashion^{51 52}. To fix the problem of clothing waste, policymakers ought to focus and target fast fashion, much like Europe has started to do.

49 An Evaluation of the Socio-Economic and Environmental Impact of the Second-Hand Clothes Trade in Ghana

50 ‘It’s like a death pit’: how Ghana became fast fashion’s dumping ground. Guardian, UK. Jun, 2023

51 Fast fashion causing massive landfill problems. Sky News, Australia.

52 Used clothing imports to Africa strain local ecosystems, waste management



Figura 10: Reciclagem em aterro em Maputo. Não houve evidência de despejo de roupas

4.9 Projected expansion of the SHC industry in Mozambique over the next 20 years

Lack of data makes it challenging to accurately describe SHC industry dynamics and extrapolate future trends, especially within Mozambique. Nonetheless, our research identified the following likely trends over the coming decades:

a. Demand for SHC is likely to remain robust, with growth outpacing the current global average of 2-3%. We forecast an average annual growth of 4-5% over the next decade. Key drivers include strong urbanisation trends, high unemployment, low domestic textile production and low per capita incomes (persistence of poverty). In this backdrop, SHC will continue to provide access to cheap, diverse and affordable clothing for millions of Mozambicans. Current trends will likely remain entrenched.

b. Politics remains the long term existential risk. National governments have a persistent desire to grow their own clothing and textile industry to reduce imports. There will continue to be a bias, at least within the political narrative, towards reducing imports. For Mozambique, this is likely to remain an aspiration. The dearth of investment and intense global competition are major hurdles (albeit not insurmountable) to growing a domestic clothing manufacturing industry. Given the scale and persistence of poverty in Mozambique, and demand for clothing, we conclude that the next two decades are unlikely to see material change in the political approach to the industry.

c. Growth in fast fashion is a long term threat to the SHC sector.

As technological efficiency improves, declining marginal cost of production will continue to compress the price differential between fast fashion and SHC. China is also likely to continue expanding its global footprint through near shoring to major demand centres. This is a major, and long term trend. If China's low cost fast fashion manufacturers (who have now moved into South Africa and Europe) were to establish in Mozambique, and produce at even lower costs, that could significantly change industry dynamics. Already, fast fashion brands based in South Africa are the biggest supplier into Mozambique's main street shops such as Mr Price, Hudson, Boss, Fashion World and PEP Maputo, among others. For now, the price differential remains wide enough in favour of second hand clothing.

d. Trade in new imported clothes and nationally produced clothes can co-exist with trade in SHC.

There is a tendency for mutual exclusivity within public discourse; suggesting that it's either a new clothing industry or SHC. That need not be the case. To date, SHC and fast fashion co-exist serving different demographic strata within countries. Some people buy clothes from both market segments. But the long term winner will depend on pricing, availability and quality, in that order. Given people's natural desire for new clothes, one can envisage a theoretical frontier where, if the price of fast fashion continues to decline, it will eventually grab market share from SHC. But this is not a horizon risk. In the long term, the propensity to spend, and particularly on new clothes, is linked to GDP per capita. Therefore, as long as Mozambique remains poor, price will remain the key driver of clothing consumption. At the current trajectory, this makes SHCs the main and more preferable source of clothing.

e. SHC will likely continue to be perceived as under-cutting development of Mozambique's textile industry.

But this is an incomplete view. Most economists argue that cheap imports diminish profit margins, diluting the attractiveness of respective investments. For Mozambique's clothing industry, we have already highlighted that the challenge is more complex and includes failure to recover from removal of subsidies during IMF's ESAPs, lack of investment and stiff competition from major global low cost producers such as India, China and Bangladesh. Nonetheless, SHC importers can expect this general angst to continue. It is also fertile ground for politically charged debates around neo-colonialism. We see a much more sober outlook: as long as there is no investment to boost local production, the structural need for SHC will likely persist for the long run.

4.10 Policy recommendations for the SHC sector

The recommendations below capture our perception of current and future challenges. We separate our recommendations into two sections: for European policymakers, and for African politicians and development economists.

- a. For Europe:** Sustainability is not mutually exclusive with the needs of others.
 - i. The EU ought to maintain a distinction between second hand clothing ("Used Textile and Apparel") under category 6309 and category 6310 ("Used or new rags, scrap twine, cordage, rope and cables, and worn out articles of twine, cordage, rope or cables, of textile materials").** This may have to include both creation a new category for "waste" (which currently does not exist on a standalone basis) and harmonization of national definitions. On the latter, for example, in Germany, any apparel earmarked for disposal is deemed waste, which complicates downstream legislation relating to SHC exports. With respect to concerns that material under Category 6310 is still being exported and ending up in landfills, tighter screening and export controls ought to be implemented as the more sustainable solution.
 - ii. The EU may be designing policy based on contentious research.** Their current guiding advise which quotes from papers by Köhler et al., (2021) and Fashion for Good, (2022) suggests that 40% of EU SHC exports to Africa end up in landfills⁵³. This has been barely substantiated and disputed by recent research from Kenya, Ghana, and this report on Mozambique. We would therefore strongly propose robust and comprehensive studies for the EU to be fully acquainted on the SHC value chain in recipient low income countries. The experience of African countries with SHC also varies; it is not a one-size fits all. EU policy deliberations should tread carefully and mind the information gap.
 - iii. SHC export bans are unlikely to work.** At best, they help the Europe's collective conscience on sustainability. However, it is extremely unlikely that other major jurisdictions will follow suit. More likely is that China will capture the ensuing market share. The US' response to EAC's plans to ban SHC also sets the tone: there is no intention to ban SHC exports and the normal rules of trade should apply. Beyond that, SHC bans will likely create a supply void, which will most likely be filled by new, cheap low quality and non-durable fashion. This will be counter-productive to the global sustainability initiatives. Finally, data suggest that import bans merely push supply into other jurisdictions; a zero sum game of sorts. For example, in 2016, Rwanda's near total ban on SHC resulted in a 23% surge in Kenya's SHC imports. We suspect a similar dynamic will ensue. The lack of harmony in global policymaking creates arbitrage opportunities, including for SHC dealers.
- iv. SHC sector needs to be approached with care and diligence.** The sector may be insignificant from a European perspective, but critical to sustenance of communities living in poverty. It is a source of clothing and income, transforming future fortunes. Banning SHC would be extremely damaging to communities. The discourse on sustainability and waste management ought to be counterbalanced with the impact on societies directly dependent on SHC. Within that, we strongly believe **the right to clothing should be viewed as an inalienable human right**⁵⁴. Efforts to increase accountability of the clothing industry are laudable and should be coupled with enhancing waste management practices in importing countries. It is a collective responsibility.

- b. For Africa's governments and policymakers.** Aspirations should be anchored in pragmatism. The desire to move the continent up global manufacturing value chains is indeed important, including on clothing. However, policymakers should equally appreciate the millions of people dependent on SHC. It is a balancing act.
 - i. To boost the local textile industry, consider strategic cross-country collaborations.** This will improve prospects of capital mobilisation. Since countries cannot produce everything for themselves, such strategic cooperation allows for focus into areas where countries and the continent can gain edge as they push for higher economic development. This may include defining strategic initiatives at the ACFTA level.
 - ii. Competitiveness is key.** In the long run, competitiveness is the key driver of long-term success of an industry. For apparel, Africa will be up against established and competent

53 EU Exports of Used Textiles

54 Reasserting the Right to Adequate Clothing in International Human Rights Law.

low cost producers such as India, Bangladesh and China. It will benefit from cheap stock of labour and local cotton production, but will also need strong investment in capital stock, at competitive levels, to succeed. Therefore, in defining the long term development strategy, it is important to also evaluate the opportunity cost of picking one value chain over another.

iii. The impact of China on the domestic textile industry is arguably more challenging than SHC. China's penetration into African apparel markets is under-appreciated. Consequently, it is also the most under estimated hurdles to Africa's textile renaissance. It is now the largest apparel exporter into the continent; 18% of its nearly \$270bn in global apparel exports lands on African shores⁵⁵. The gain in China's market share has been equally phenomenal. For example, export growth into the EAC exceeded 300% between 2012 and 2016, far ahead of the 200% growth of global clothing imports into the region over the same period. Given China's manufacturing prowess, it is most likely that these gains were both in SHC and new, cheap low quality clothing.

Currently, most African countries do not seem to be adequately capturing clothing trade with China. For example, as of 2015, China's records of clothing exports into EAC were at least 10-fold higher than imports reported by the EAC⁵⁶. Consequently, there is significant under estimation of how much market share China controls and would capture if SHC trade between EU and Africa were to be significantly restricted or banned. We believe this should be a critical consideration for both European and African policymakers.

iv. There is an opportunity to formalise SHC markets, increase tax revenues and use them for development initiatives. This would be through remodelling markets and enhancing market organisation by creating actual sales stalls with vendors paying due rents and taxes to local governments. The government of Mozambique is already trialling this initiative, but under the broader auspices of 'formalising informal traders'. We accept that this would probably be optically challenging, but still view it as a pragmatic way of improving the structure and revenue collection from a sector that continues to grow within the broader economy.

v. SHC market is also a source of upskilling the labour force.

As highlighted above, there are several trades skills within the SHC value chain, including trading, transportation, sorting and marketing. These skills can be transferred to the formal job market, where the need and opportunity for such skills exist.

⁵⁵ China Apparel Exports, World Integrated Trade Solution
⁵⁶ The phase-out of second-hand clothing imports: what impact for Tanzania?

5.0 Conclusions

“

No evidence of dumping of second hand clothing waste in Mozambique. Press reports of SHC waste streams or landfills are unfounded, and in our view, inaccurate.

The Second Hand Clothing sector is of critical importance to millions of ordinary Mozambicans. It provides cheap and accessible clothing, employment especially for marginalised demographic groups such as women and youths, helps in upskilling the labour force, and anchors household incomes and livelihoods. Many SHC vendors are primary household earners and have managed to provide food and shelter, build own homes, pay for education and/or obtain bank credit, among others, all from the SHC vending activities. This has transformed future prospects of many families. The narrative is consistent with published research reports on the SHC industry across SSA, particularly amongst the largest importers such as Ghana, Kenya and Tanzania. Therefore, if jeopardized, the repercussions on the millions already living in poverty will be quite damaging.

There was no evidence of dumping of second hand clothing waste in Mozambique. Press reports of SHC waste streams or landfills are unfounded, and in our view, inaccurate. In fact, the evidence is to the contrary. There is no culture of dumping clothes in Mozambique; rather to pass them on, and/or recycle into new garments. In addition, the potentially misleading reports of SHC dumping have been rebutted by several researchers, including this research. Policymakers therefore need to tread carefully, and not be swayed by sensationalised media reports.

There are ongoing fears that the European Union could severely curb or ban SHC exports. This stems from an initiative by Denmark, Sweden and France to ban the export of hazardous textile waste, which is deemed environmentally damaging. SHC importers fear that the ambiguity of 'textile waste', which is yet to be defined as a trade category, could result in a 'catch-all outcome', precipitating significant restriction on used textile exports. From our research, Europe is unlikely to ban SHC exports. However, we expect enhanced sorting to become mandatory from 2025-26. This will be within the bloc's overall drive to reduce unusable apparel from being exported to Africa and Asia. Importers need to follow the debate carefully in the event that it evolves differently from the current trajectory.

There is however a persistent challenge to the industry from African governments and policymakers alike. Many believe SHC imports are undermining efforts to resuscitate local textile manufacturing industries. This is likely an oversimplification of legacy issues. In

addition, a significant amount of investment is needed to achieve critical mass and strategic advantage in clothes manufacturing while also competing with global titans such as India, China and Bangladesh. Currently, available funding has not matched the required scale and aspirations, and especially for the level of clothing demand in Mozambique.

Thus, we concluded minimal risk of the current Mozambican government, or future ones, legislating for curbs of SHC imports. Still, we recommend guarding against complacency; political winds often change. Currently, the government has a neutral stance towards the SHC sector, balancing the need to support a nascent domestic textile industry with providing access to basic clothing for millions of its poor citizens. It is also benefits from taxing SHC imports, providing much needed support to the fiscus and social programs. We also note that major development agencies such as ADPP are using proceeds from SHC monetizations to develop schools, colleges, universities, and implement agricultural and health development programs across Mozambique, and with phenomenal results. This highlights the secondary importance of the SHC industry.

Policymakers ought to embrace the global trend towards clothing re-use, extending shelf life. This is integral to global sustainability initiatives. On this basis, the SHC industry has strong credentials and need not be seen as a threat. Rather, it is capable of thriving alongside domestic clothes manufacturing industry.

Finally, within Africa, China continues to rapidly gain market share, both in used clothing and fast fashion, and benefiting from its long-standing prowess as a low cost producer. It is unlikely to conform to EU policy outcomes, but will likely be poised to take advantage on any reduction in SHC imports from Europe into Africa. Thus, EU policymakers ought to take global view of their desired policy outcomes. Enhanced sorting and screening and clothing waste management, without banning the industry, should help manage concerns among key stakeholders.

“

Major development agencies such as ADPP are using proceeds from SHC monetizations to develop schools, colleges, universities, and implement agricultural and health development programs across Mozambique, and with phenomenal results

“

China continues to rapidly gain market share, both in used clothing and fast fashion, and benefiting from its long-standing prowess as a low cost producer. It is unlikely to conform to EU policy outcomes, but will likely be poised to take advantage on any reduction in SHC imports from Europe into Africa.

6.0 Bibliography

1. Anon (2012). Mozambique hopes to rebuild clothing sector. Malaysia National News Agency. Retrieved April 7, 2023.

2. African ministers adopt ban on trade of second-hand clothes. The New Times.

3. Angola: Exchange rates, import duties complicate second-hand clothes market. Aman Business News.

4. Brooks, (2013). Stretching global production networks: The international second-hand clothing trade

5. Brooks, (2012). Riches from Rags or Persistent Poverty? The Working Lives of Second-hand Clothing Vendors in Maputo, Mozambique.

6. Calabrese et al (2017). The phase-out of second-hand clothing imports: what impact for Tanzania

7. China Apparel Exports, World Integrated Trade Solution.

8. Climate Change & Fashion Waste Colonialism. Our News.

9. Cotton consortium to reopen Riopele textile factory. Just Style.

10. Diamond, (2024). The Second-Hand Clothing Industry in the East Africa Community. Mitumbi Association

11. European Environmental Agency (2023). EU exports of used textiles in Europe's circular

12. European Commission (2022). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: EU strategy for sustainable and circular textiles (COM(2022) 141 final).

13. European Economic Area (2022). Textiles and the environment: the role of design in Europe's circular economy. EEA Briefing, European Environment Agency () accessed 29 September 2022.

14. European Union (2015). Commission Decision of 3 May 2000 replacing Decision 94/3/EC establishing a list of wastes pursuant to Article 1(a) of Council Directive 75/442/EEC on waste and Council Decision 94/904/EC establishing a list of hazardous waste pursuant to Article 1(4) of Council Directive 91/689/EEC on hazardous waste (notified under document number C(2000) 1147) (Text with EEA relevance) (2000/532/EC) (OJ L 226, 6.9.2000, p. 2-46)

15. EU (2022). EU's Strategy for sustainable and circular textiles.

16. EURIC (2023). LCA - based assessment of the management of European used textiles

17. Fast fashion causing massive landfill problems. Sky News, Australia.

18. Fashion for Good (2022). Sorting for Circularity Europe: an evaluation and commercial assessment of textile waste across Europe.

19. Feyertag, (2024). Job Creation in Africa's Second-hand Clothing Sector Evidence from Angola, Guinea-Bissau, Malawi, Mozambique and Zambia.

20. Ghana's textile sector denounces waste allegations. MRW News.

21. Graham, L. (2023). Reasserting the Right to Adequate Clothing in International Human Rights Law.

22. Investing in the Mozambique textile industry. Fundazione Aurora. 23. Income Per Capita in Mozambique (Statista)

23. 'Informal Economy in Africa: Which Way Forward? Making Policy Responsive, Inclusive and Sustainable'.

24. 'It's like a death pit': how Ghana became fast fashion's dumping ground. Guardian, UK. Jun, 2024.

25. Institute of Economic Affairs (IEA) (2021). 'The State of Second-Hand Clothes and Footwear Trade in Kenya'.

26. Köhler, A., et al., (2021). Circular economy perspectives in the EU textile sector: Publications Office of the European Union, Luxembourg

27. KPMG: 2022 Revista 100 Maiores Empresas de Moçambique 29. Macro-trends: Mozambique's urban population.

28. Mozambique: Government announces new minimum wages for the private sector.

29. Mozambique hopes to rebuild clothing sector, AGOA.

30. Mozambique textile giant resumes operations under new name. Global Times

31. Mozambique: Aga Khan network hopes to revitalise textile giant. Club of Mozambique.

32. 'NA MUMU DEY GO BOUTIQUE': The Essential Economics of Nigeria's Okrika Industry. The Republic

33. Norup, N (2019). Replacement rates for second-hand clothing and household textiles – A survey study from Malawi, Mozambique and Angola.

34. OECD, (2023). Extended producer responsibility and economic instruments. 37. OEC data, Fig 2.

35. OnePlanet (2024). The rise and rise of second-hand fashion 39. Organisation of Economic Complexity: Used Clothing and Textiles.

36. Peter M. (2005). Strategies for Mozambique's Textile and Apparel Sector, Nathan Associates Inc. Retrieved April 5, 2023.

37. Republic of Mozambique Permanent Mission of the Republic of Mozambique Geneva: Briefing.

38. Sandin, G. and Peters, G. M., (2018). 'Environmental impact of textile reuse and recycling — a review', Journal of Cleaner Production184, pp. 353-365 (DOI: 10.1016/j.jclepro.2018.02.266).

39. Sustainable Modelling : Embracing Eco-Friendly Practices In The FashionIndustry.

40. Sustainable Amor (2020). 'Explaining used clothing import bans

41. Sumo et al, 92023).An assessment of Africa's second-hand clothing value chain: a systematic review and research opportunities

42. The Quality of Second-Hand Clothes Imported to Kenya and the Associated Environmental Impacts.

43. The Economist. The Environmental Cost of Creating Clothes

44. Trzepacz, S., et al., (2023). LCA-based assessment of the management of European used textiles, EuRIC

45. TRALAC (2019). Africa's Second Hand Clothing Market.

46. Trading Economics: Mozambique's Employment Statistics.

47. UK Paliament (2019): Fixing fashion: clothing consumption and sustainability.

48. UN Comtrade 'Database' (<https://comtrade.un.org/data>) accessed August 2024.

49. UN Comtrade (2022b). 'EU exports of used textiles to other regions, 2000, 2010 and 2019, per cent' (<https://comtrade.un.org/data>). Accessed August, 2024.

50. UN Comtrade (2022c). 'EU27 exports of used textiles, by receiving country, 2000, 2010 and 2019, million kilograms' (<https://comtrade.un.org/data>) accessed August, 2024.

51. UN Comtrade (2022d). 'Exports of used textiles to the rest of the world, EU28, 2000–2019, by weight (million tonnes) and value (EUR million)' (<https://comtrade.un.org/data>) accessed August, 2024.

52. UN Comtrade (2022e). 'Total exports of used textiles by region, 2000, 2010 and 2019, per cent by weight' (<https://comtrade.un.org/data>) accessed August, 2024.

53. UN Statistics Division (2022). Statistical Yearbook, Appendix I - Country and area nomenclature, regional and other groupings, New York, USA.

54. Uganda bans imports of used clothing from 'dead people'. Reuters.

55. US gripes over Uganda's ban on imports of Second Hand Clothes. Yarns And Fibre.

56. United States International Trade Commission, AGOA: Trade and Investment Performance Overview.

57. Used clothing imports to Africa strain local ecosystems, waste management. EarthBay.National Catholic Reporter.

58. USAID,(2017). Overview of the Second-hand Clothing Market in East Africa: Analysis of Determinants and Implication.

59. Vera S., Jamie A. M., and Stephen K.(2021). The African Continental Free Trade Area: A Historical Moment for Development in Africa. Journal of African Trade, 8(2), 12-23.

60. Watson, D., et al., (2016). Exports of Nordic used textiles: fate, benefits and impacts, TemaNord Report No 2016:558. Nordic Council of Ministers.

61. Wale-Oshonowo et al., (2022). Least Developed Countries in Africa.PalgraveSchool of Global Security Studies

