

CmiA & COMPACI

Competitive African Cotton Initiative



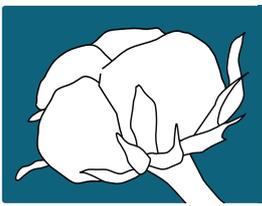
Background

In 2012, almost 10 % of the world's cotton production was grown in Sub-Saharan Africa (SSA), the world's fifth largest cotton exporter following the USA, India, Australia and Brazil. The Sahel states along the southern belt of the Sahara alone generate 1.5 billion US-dollars each year by exporting cotton. That accounts for up to 34-72 % of the agricultural export earnings in this region, making this natural fiber one of the most important agricultural exports on the African continent next to coffee and cocoa.

In West and South-East Africa, cotton is cultivated by around 2.2 million smallholder farmers. All in all, up to 15.4 million people in Sub-Saharan Africa (SSA) directly depend on cotton farming for their livelihood.

The key difference when compared to other countries where cotton is grown in monocultures on large plantations that are often irrigated and where cotton is mainly harvested with machines, SSA cotton is mostly grown under rain-fed conditions, i.e. plantations are not irrigated. Cotton is almost exclusively grown and harvested by hand by the farmers, most of which are smallholders. Often it is grown on small lots and in rotation with staple foods, such as grain, corn and peanuts, within the context of very diversified production systems. This production method supports soil fertility and helps maintain the habitat of beneficial insects. So far, the only countries where genetically modified cotton is grown are Burkina Faso and South Africa. In contrast to many other regions of the





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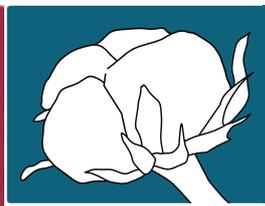
world, African cotton production is generally not subsidized, although some African governments do subsidize the use of fertilizers.

80 % of the African cotton farmers have an income per day of less than 1.5 USD. A study carried out in six countries of SSA showed that the sale of cotton accounts for 50 % of the smallholders' cash income. Next to improving food security, this income serves to cover funding for, e.g., the children's education or for the family's health care. Thus cotton plays a key role in fighting poverty in SSA.

So far, however, only limited use has been made of the potential of the cotton sector for poverty reduction and commercial development. Whereas for 5 - 10 % of farmers practicing rain-fed agriculture level of productivity is at 1,500 kg seed cotton

per hectare and more, productivity of the broad majority of farmers continues to be around 500-600 kg seed cotton per hectare. Low world market prices and overvalued local currencies led to a reduction of cotton production in Sub-Saharan Africa of almost 45 % in the period 2005 – 2009. Since the end of 2009 and in particular in 2011, however, significant price increases for cotton on the world market have pushed up cotton prices also in SSA. The higher prices deriving from the sale of cotton made cotton production attractive again for African producers. Since textile retail traders worldwide attach increasing importance to sustainably produced products and in view of a growing world population, Africa and its wealth of potential may play an important role in supplying the world markets with cotton. •





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Cotton made in Africa



The Aid by Trade Foundation (AbTF), located in Hamburg, created the Cotton made in Africa initiative (CmiA) in 2005 to promote sustainable cotton cultivation in Sub-Saharan Africa. Its purpose is to give African cotton the recognition it deserves in international trade and to lend a positive, recognizable "face" to a hitherto anonymous mass product.

AbTF combines entrepreneurial action with development cooperation by cooperating with various partners from the business community, governments and non-governmental organizations. The underlying philosophy is already reflected in the name of the Foundation - "Aid by Trade": Instead of holding charity events and sending donations, the initiative follows a rather entrepreneurial approach by providing sustainable long-term support.

Cotton made in Africa's objective is to improve the conditions of life of African smallholder farmers, to protect the environment in cotton producing countries and to increase the demand for African cotton on the sales markets. The initiative aims to achieve that by activating market forces and by building up an alliance of international textile companies that buy the CmiA-cotton, process it further and finally market it to their customers. Members of this demand alliance and CmiA partner firms include companies such as **Otto Group, Puma, Tchibo, Rewe, Metro Group, s.Oliver, Tom Tailor and C&A.**

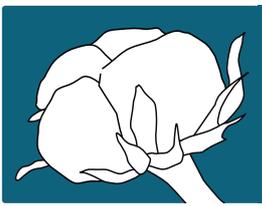
In return for the right to produce garments labeled Cotton made in Africa, the textile traders pay license fees to the Foundation. The surplus from this is re-invested in the Cotton Made in Africa initiative in order to finance, for example, agricultural training for smallholder farmers and the verification of cotton production in accordance with the standards (see below.). The initiative is additionally focusing on social projects that are carried out in

cooperation with public and private partnerships and that seek to, for example, improve school infrastructure through construction or renovation of schools and school gardens, to give adults access to the acquisition of skills such as literacy and numeracy by offering literacy courses or to support women's cooperatives on their path to economic independence by offering financial start-up assistance.

At the heart of the Cotton made in Africa standards are the sustainability criteria. Compliance with these guidelines is regularly checked by means of verification by independent organizations. The criteria catalogue is structured on two levels: Firstly, it sets out exclusion criteria to decide whether smallholder farmers and cotton companies are able to participate in the Cotton made in Africa initiative at all. These minimum requirements include, inter alia, a ban on slavery, human trafficking, any form of exploitative child labor and deforestation of primary forests. Additionally, there is a ban on the use of hazardous pesticides and of genetically modified seeds.

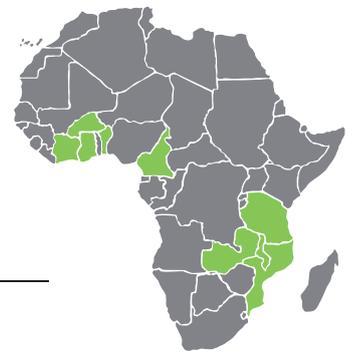
Secondly, smallholder farmers and cotton companies producing cotton according to Cotton made in Africa-criteria, have to observe a series of so-called sustainability indicators. These criteria, however, do not all have to be met 100% right from the start. But the farmers and cotton companies have to prepare plans for improvement, and to demonstrate that they are working more and more in line with these indicators. In order to help smallholder farmers and cotton companies to achieve continuous improvement, training sessions are organized that address efficient and environmentally sound growing methods for cotton. •





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COMPACI (Competitive African Cotton Initiative)



Following the success of the Cotton made in Africa pilot project

(2005-2008), the Bill and Melinda Gates Foundation from the USA and the German Ministry for Economic Cooperation and Development (BMZ) decided to provide financing over a period of four years to extend the pilot project within the framework of the Competitive African Cotton Initiative (COMPACI) to more than a quarter of a million farmers and various activities in six African countries from the year 2009.

DEG (Deutsche Investitions- und Entwicklungsgesellschaft mbH, KfW Bankengruppe) and GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH) were engaged with its implementation. Responsible for implementation on-site are private cotton companies operating in Africa, whose financial contribution to the program, amounting to more than 50 %, is significant (namely **Alliance Ginneries Ltd., Biosustain, Birchand Oil Mill, Cargill, Dunavant, Faso Coton, Great Lakes Cotton Company, Ivoire Coton, NGS Investment Ltd, Olam, Plexus Cotton MZ, Société d'Exploitation Cotonnière Olam (SECO), Socoma, Sodécoton, Wienco**).

COMPACI's aim is to enable smallholder families to enhance productivity of cotton production, thus improving their income and their living conditions.

Thanks to COMPACI's success in the first phase (2009 - 2012), the program is being continued in a second phase since January 2013, funded for another three years by the Gates-Foundation, the BMZ, the Aid by Trade Foundation and the British Gatsby Foundation. Whereas the focus of cooperation during the first phase of COMPACI was on private cotton companies in **Benin, Burkina Faso** and **Côte d'Ivoire** in West Africa as well as in **Malawi, Mozambique** and **Zambia** in southeastern Africa, partners in **Ghana, Cameroon** and **Tanzania** will now join the project.

The main objective over the total project duration of seven years is to support around 650,000 smallholder farmers to enhance productivity of cotton production as well as of staple food production, thus increasing their income from agriculture by 35 % and their staple food production by 15 % by the end of this second project period in 2015. Thus the initiative reaches almost 30 % of all cotton farmers in SSA. •

Basic Information COMPACI (phase II)

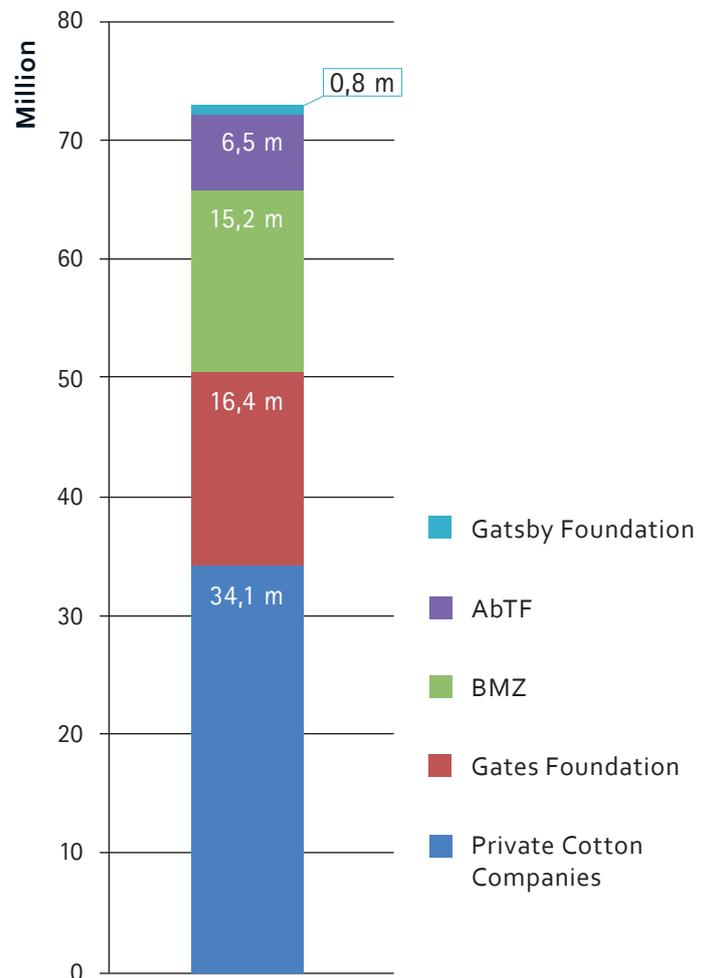
Duration: 01/2013 - 12/2015, 3 years (= 3 cultivation periods)

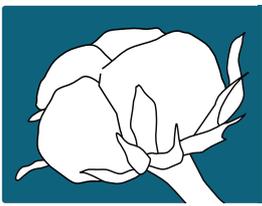
Target group: 650,000 cotton smallholders divided by country:

Benin:	65.000
Burkina Faso:	40.000
Ivory Coast:	60.000
Ghana:	30.000
Cameroon:	87.500
Malawi:	65.000
Mozambique:	60.000
Zambia:	200.000
Tanzania:	42.500

Budget plan COMPACI (phase II)

Total volume: US\$ 73m





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Strategy

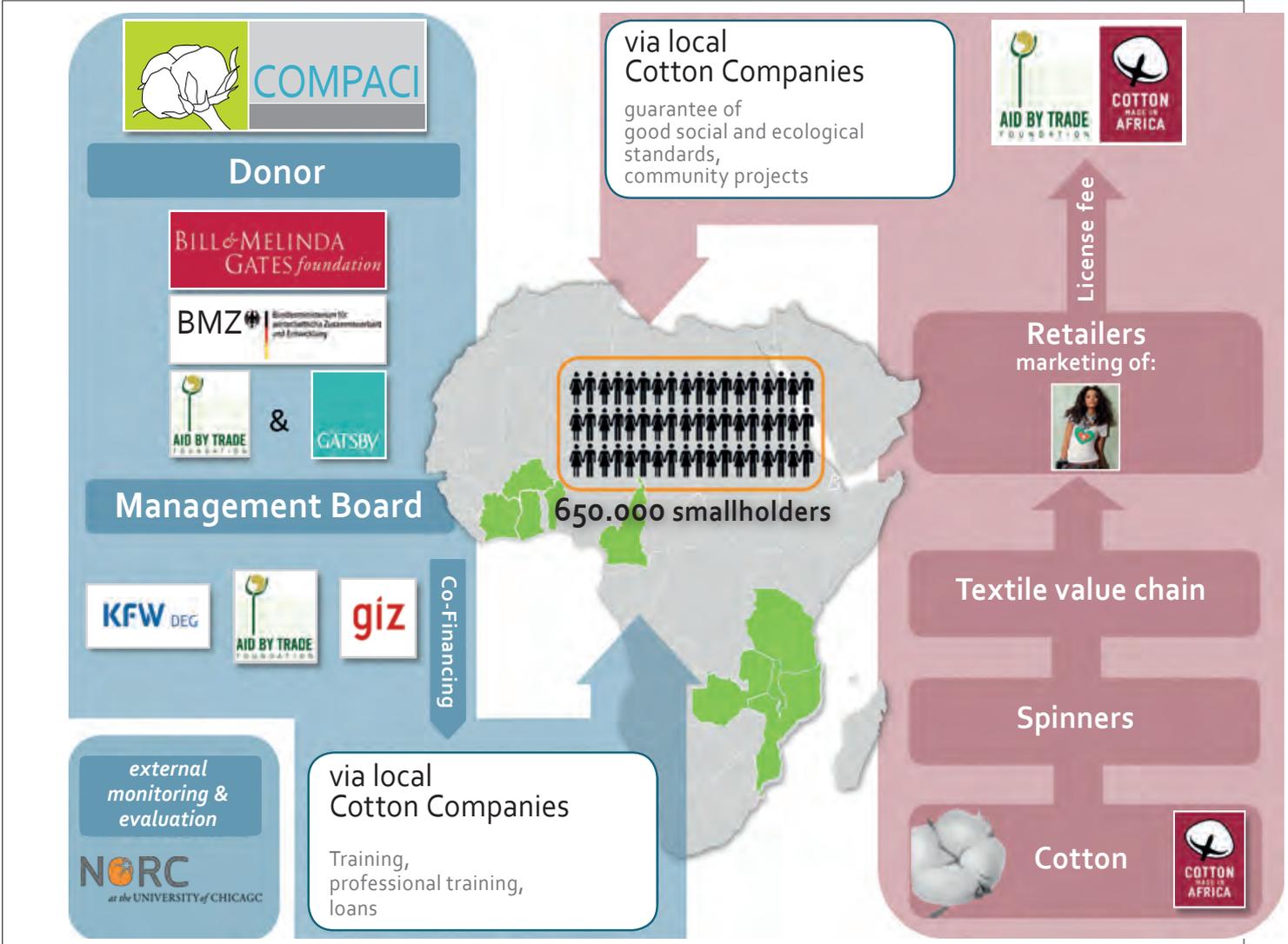
- Training of smallholder cotton **farmers in sustainable farming / cultivation techniques** according to CmiA standards
- **Business trainings** provided in the form of "Farmer Business Schools".
- Facilitated **access to micro credits**, e.g. for draft animals or tractors.
- **Strengthening producer groups** in cooperative structures.
- **Pre-financing of inputs for cotton**, also in view of promotion of food crop cultivation.
- Giving advice to national governments on **development / implementation of national cotton sector strategies**.
- **Cooperation with cotton associations** in Africa (African Cotton Association - ACA, Association des Producteurs de Coton Africains - AProCA).
- Improved **training in cotton production according to CmiA-criteria** to protect farmers and especially to prevent **dangerous child and adolescent labour** (ILO Convention 138 and 182).
- **Further promotion of the exchange at pan-African level** between the African COMPACI partners (in the form of regional workshops).
- Ongoing external **monitoring and evaluation** to measure results, on the basis of information drawn from reports by cotton companies as well as local cotton experts, of annual representative surveys among smallholders, focus group interviews and independent control group studies.
- A specific **gender component** to support women in cotton producing families (e.g. Women Clubs). •

Graduates from the Farmer Business School proudly holding up their certificates. © Stefan Kachelriess-Matthes





Management Structure

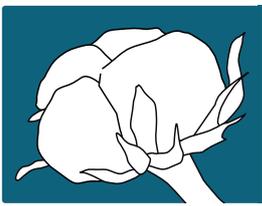


AbTF is in charge of ensuring compliance with the socio-economic and ecological criteria according to the CmiA standard, coordinates the independent "3rd party" verification as well as the social projects. Additionally it sells the CmiA cotton on the sales markets and supports the partners from the textile value chain.

As a cooperation partner, COMPACI is responsible for the financing contracts with the African partners and for transfer of technical know-how in order to improve yields. It additionally organizes "Monitoring & Evaluation" of the project, in cooperation with NORC (National Opinion Research Center). •

Local Partners





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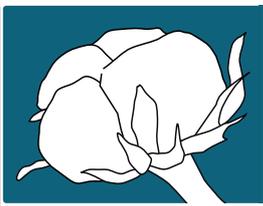
Ginned cotton is pressed into bales and stored in the ginnery before being transported to the harbor.

© AbTF

Success to Date

(as of 2012)

- 470,000 farmers have contracts with cotton companies under the COMPACI project, 435,000 of which are verified CmiA-producers.
- More than 315,000 cotton producers participated in agricultural trainings.
- Rise in income thanks to increased cotton production and/or quality of cotton (less contamination).
- Almost 63,000 farmers are benefitting from microcredit schemes.
- 40,000 women are organized in Women Clubs.
- 20 million CmiA garments were sold in 2012.
- A study, carried out on behalf of the Aid by Trade Foundation, to determine the ecological footprint of Cotton made in Africa cotton (see page 8).

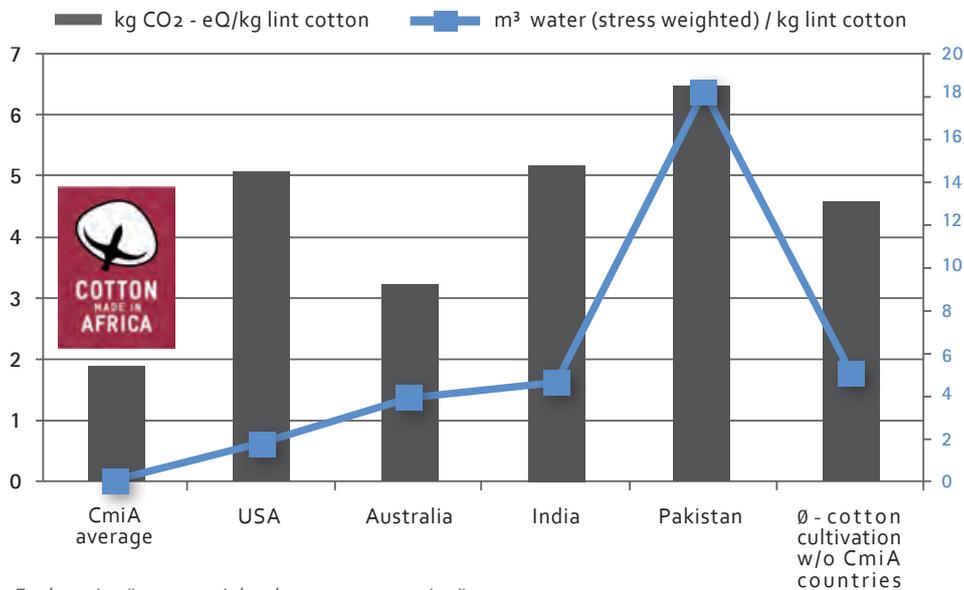


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Ecological Footprint of CmiA-Cotton



A recent study demonstrates that CmiA cotton has a considerably smaller ecological footprint than conventionally grown cotton in other regions of the world. Compared to conventional production, CmiA conserves around 2,000 litres of water per t-shirt, by, for example, making use of rain-fed cultivation methods. Moreover, CmiA cultivation methods reduce greenhouse gas emissions by over 70 percent compared to Pakistan. •

Explanation "stress-weighted water consumption":
 Water consumption which is potentially harmful to the environment.

Source: The Carbon and Water Footprint of Cotton made in Africa, Systain 2013

Long Term Goals

- Increase in the production of economically, environmentally and socially sustainable cotton.
- Significant, sustainable increase in productivity in cotton production and thus in the farmers' income.
- Increase in staple food production and thus increased food security for the smallholder families.
- Increase in sales of clothes made of CmiA cotton to 100 million garments by 2016. •

Outlook

It is envisaged that **BMZ** and the **Gates Foundation** will withdraw from the co-financing of the support program for African smallholders from 2016 onwards.

By then, training programs, social projects and verification are mainly to be financed by **AbTF's** revenues from the license fees, resulting from the sale of CmiA products as well as by the local cotton companies. Sustainable cotton production thus is designed to be self-financing. •

IMPRINT

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