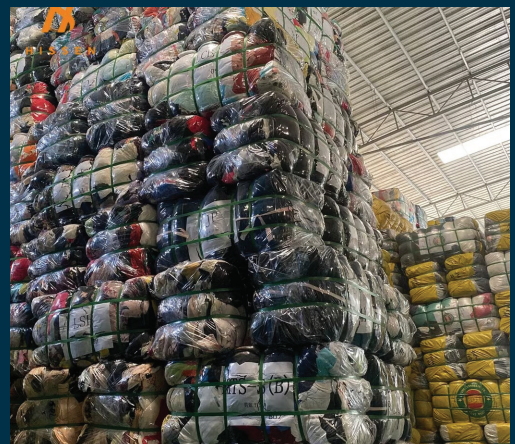


Phasing Out Second-Hand Clothes: Opportunities and Challenges for Uganda's Textile Industry

Executive summary

At the 17th Ordinary Summit of East African Community (EAC) Heads of State, in 2016, the EAC member states adopted a ban on second-hand clothing (SHC) and footwear imports to develop local textile and leather industries. The ban, to be implemented between 2017 and 2019, aimed to phase out SHC imports through gradual tariff increases. While the proposed ban is expected to strengthen the regional textile sector, it may cause short-term job losses, reduced import tax revenue, and increased imports of cheaper new clothes from low-cost producers in Asia. Uganda has delayed the ban due to local trader opposition and US diplomatic pressure. However, in early 2024, the President reaffirmed his commitment to the ban as a means to grow the domestic textile subsector. This policy note examines the current SHC market in Uganda, focusing on importation and local demand, using data from the International Trade Centre (ITC) Trademap and national household surveys from the Uganda Bureau of Statistics. The analysis reveals that China is now the largest source of SHC, followed by the USA and Canada. Not all SHC imports are sold locally; some imports are re-exported to neighbouring countries. While SHC tax revenue has increased, its contribution to total tax revenue has declined. Poor households' expenditure on SHC has increased, but their budget share for clothes has decreased. In contrast, non-poor households spend more on both SHC and new clothes. Urban households and those in Central and Western regions of Uganda spend more on new clothes. The significant expenditure on new clothes indicates a market for new clothes that the Uganda textile sector can tap into.



Introduction

The 17th Ordinary Summit of EAC Heads of State in 2016 resulted in the proposed ban of second-hand clothing (SHC) and footwear imports, to allow the development of integrated textile and leather industries. To phase out SHC imports from the EAC market, the EAC planned to implement a ban between 2017 and 2019, by gradually increasing tariffs on imported SHC. This was intended to encourage Partner states to make use of regional textile and footwear supply and production capacities (Wolff, 2020; Wetengere, 2018). While the ban is predicted to foster a self-sustaining regional textile sector over time, it could also have mixed effects. For instance, in the short term, it will cause job losses, governments will lose import tax revenue, and it will paradoxically encourage the importation of cheaper new clothes (ibid).

In 2015, the EAC imported 12.5 percent of the world's SHC, valued

at USD 274 million, and this grew until 2016, when Rwanda reduced her import by 35% (USAID, 2017). Nonetheless, Uganda's imports of SHC have grown by 43 percent, from USD 61 million to USD 106 million between 2013 to 2022, mainly from the USA, Canada, and China (Luwedde, 2024). Diamond (2023) estimates that 4.9 million East Africans rely on the retail of SHC for their livelihood. In Uganda alone, employment in the sale of SHC grew, from 388,022 to 698,781 people between 2011 and 2021 (ibid). Trade of SHC is labour intensive and is therefore a viable source of employment in a country with a weak industrial base (USAID, 2017). Furthermore, since women and youth dominate the SHC trade, banning it will significantly impact Sustainable Development Goal 5, which seeks to achieve gender equality by promoting inclusivity and empowering women and girls.

SHC dominate Uganda's demand for garments, followed by imported new garments, and a minimal portion of locally manufactured

clothing. However, given that Uganda's textile subsector comprises 30 garment and footwear producers (Wetengere, 2018), the sector might not have the capacity to meet local demand. Moreover, the ban on SHC may create more market for cheaper imports of clothing from Asian markets, particularly China and Turkey. In addition, Uganda produces 150,000 cotton bales annually, but only 10 percent of this is processed domestically into finished garments and other cotton lint products, while 90 percent is exported as lint (PPU, 2024). Because most of the cotton is exported, there are limited opportunities for job creation unless domestic value-added processing is increased.

MoFPED projects that 40 million Ugandans can consume 200 million meters of cotton products, and with the domestic market expected to double in the next 25 years, further investments in the sector are critical to meet supply (MoFPED, n.d.). Additionally, the government raised the import duty for textile fabrics from 25 to 35 percent. The government took this step to protect the cotton industry and encourage investors to create jobs in the cotton value chain. The stagnation of the cotton subsector has been largely attributed to SHC, although different stakeholders hold varying perspectives. Whereas some have suggested that it is the dumping of garments from China, others argue it is the poor quality of locally manufactured textiles, the poor cotton yields and low technology and innovation among others that are to blame. The proposed ban on SHC will affect different interests; consumers, SHC wholesalers and retailers, business community, textile sector and Government revenue. Therefore, it is key to first understand the import values and trends of SHC, and their demand on the Ugandan market. Furthermore, it is critical to conduct a situational analysis to highlight the level of importation of SHC, their demand, and contribution to tax revenue.

Context

Uganda has delayed in its implementation of the proposed ban despite past attempts, largely due to push back from SHC traders and diplomatic pressure from the USA. However, in early 2024, the President re-asserted his commitment to implementing this ban, to grow the domestic textile subsector. Although people have blamed the decline of Uganda's textile subsector on the importation of SHC, Brooks & Simon (2012) suggest that while the African textile industry declined at the time when SHC imports grew, they could not determine a causal relationship between the two incidents. Rather Structural Adjustment Programmes (SAPs), economic liberalisation and deindustrialisation are the likely culprits (Ibid). Similarly, other suggestions put forward pinpoint the dumping of counterfeits and smuggling of commodities, rising competition on the global market, failure of governments to promote domestic garment manufacturing, declining productivity of firms, and dominance of global value chains (Amankwah-Amoah 2015; Brooks & Simon, 2012) as the debilitating factors. Consequently, the population prefers to procure clothing from the informal sector within which SHC traders operate, which challenges the reinvigoration of the textile sector (Katende-Magezi,

2017). Further, Asian markets such as China are out-competing local industries that have limited capacity to produce finished garments, and this competition affects domestic firms producing for both international and domestic markets (Calabrese, 2017). For example, in 2016, China exported USD 1.2 billion worth of clothing to the EAC and SHC accounted for about 20% of these clothes imports (USAID, 2017).

Even though a 35% or USD 0.40/kg, whichever is higher, import duty rate was imposed on textile fabrics starting October 2020 (MoFPED, n.d.), the way to phase out SHC is still unclear. While the 2017 Joint Communiqué suggested a 3-year phase-out period, some have suggested that it is too short to allow the population to adjust. For example, the period doesn't give sufficient time for industrial development, leaves limited options for substitution by the consumers, and no compensation for traders (Wetengere, 2018). Katende-Magezi (2017) has suggested a longer implementation period, where some types of apparel could be phased out over a period of 5 to 8 years, while others over 5 to 10 years. Therefore, it is important to understand the different interests at stake given that SHC are a source of clothing and income for many Ugandans.

Objectives

The main objective of this policy note is to discuss the status of the second-hand apparel imports, specifically:

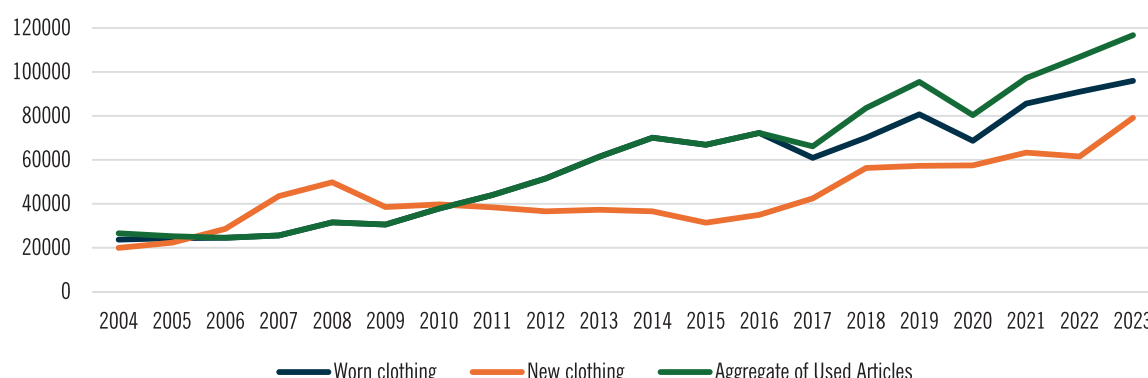
- To establish the trends of Uganda's imports of SHC both before and after the proposed ban;
- To analyse the contribution of SHC imports to total tax revenue and therefore GDP; and
- To determine the demand for second-hand clothes vis-à-vis new clothes by poverty status, income strata, residence, and region

Methodology and Data Sources

This policy note employed mixed methods. The policy note benefited from desk review of policy documents and existing literature on the SHC, and analysis of secondary data.

To answer Objective 1, three trend analyses on Uganda's imports of SHC were conducted using trade data from the International Trade Centre (ITC) Trademap. The first trend analysis primarily focuses on worn clothing/apparel and excludes shoes, to allow for direct comparison with new clothing, and determine the value of SHC over a period of 20 years (2004-2022). Hence, data for *Worn clothing (Ex-warehousing only)* and *Other Worn clothing and articles (Ex-warehousing only)*, and *Clothing; worn, and other worn articles* is used. The second trend analysis looks at the main countries exporting SHC to Uganda during the same period for product category HS Code

Figure 1 Imports of worn clothing¹ and new clothing, 2004-2023 (USD 000s)



1. Including HS Codes 63090010- Worn clothing (Ex-warehousing only), 63090090 -Other Worn clothing and articles (Ex-warehousing only), 63090000-Clothing; worn, and other worn articles

Data source: Trademap, 2024

6309¹. The note also assesses the extent of Uganda's formal and informal re-exports of SHC, using data from both Trademap and UBOS.

Objective 2 utilized secondary data from the Uganda Revenue Authority (URA), Uganda Bureau of Statistics (UBOS), and Bank of Uganda (BoU). To determine SHC trade's contribution to overall revenue, we sourced data from URA, including tax revenue from product category HS Code 6309 and total revenue collections. GDP values in local currency were also obtained from URA, while financial year average exchange rates from BoU were used to convert GDP into US dollars, enabling the calculation of SHC tax revenue's contribution to GDP.

For Objective 3, a macro approach to compute the per capita household expenditure on new and SHC (for a review see: UBOS, 2021) was used. This approach involved dividing the weighted aggregate household expenditure on both new and SHC under each category (i.e., Poverty status, residence, region and income quintile) by total number of households in their respective categories. Data from the Uganda National Panel Survey (UNPS) was used to establish the demand for SHC based on average household expenditure on clothing disaggregated by poverty status and income strata, residence and region. UNPS data used was for the 2018/19 and 2019/20 waves, with the former being the base for purposes of comparison. These two are also the only surveys that are disaggregated between new and used clothes, unlike the earlier waves. The note benefited from the Uganda National Household Survey (UNHS), 2019/2020 to determine where Ugandans source both their SHC and new clothes from. It is important to note that SHC, on average cost less than new clothing for similar comparison (Brooks and Simon, 2012), and therefore expenditure does not reflect the true quantity purchased.

¹ Product category HS Code 6309 pertaining to Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles for interior furnishing, of all types of textile materials, incl. all types of footwear and headgear, showing signs of appreciable wear and presented in bulk or in bales, sacks or similar packings (excluding carpets, other floor coverings and tapestries)

For comparison, in objective 1 and 3 we also analyse trends and descriptive statistics for new clothes, given the earlier stated assumption that SHC are primarily responsible for the decline of Uganda's textile industry, but also the new clothing from Asian markets (Calabrese, 2017). The study also benefits from key informant interviews conducted with CONSENT, Uganda Consumer Protection Association (UCPA) and Nytil.

Findings

Trends of second-hand clothes imports

The aggregated used textile articles imports under product category HS Code 6309 of worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles (including footwear), totalled USD 116.7 million in 2023, with SHC (worn clothing/apparel) accounting for 82 percent of the total (Figure 1). More specifically, Uganda's imports of worn clothing have been growing for the past years and surpassed the import of new clothes in 2010. As of 2023, Uganda imported worn clothing worth USD 95.9 million, compared to USD 79.1 million worth of new clothes.

This suggests that the demand and market for SHC is still high. To note, after the EAC proposed ban of SHC in 2016, the worn clothing imports fell from USD 72 million to USD 61 million in 2017, despite the absence of actual implementation of the ban in Uganda. However, 2018 and beyond registered a growth in imports, with a singular decline registered during the COVID-19 pandemic in 2020. This decline is attributed to the disruption of global supply chains during the pandemic.

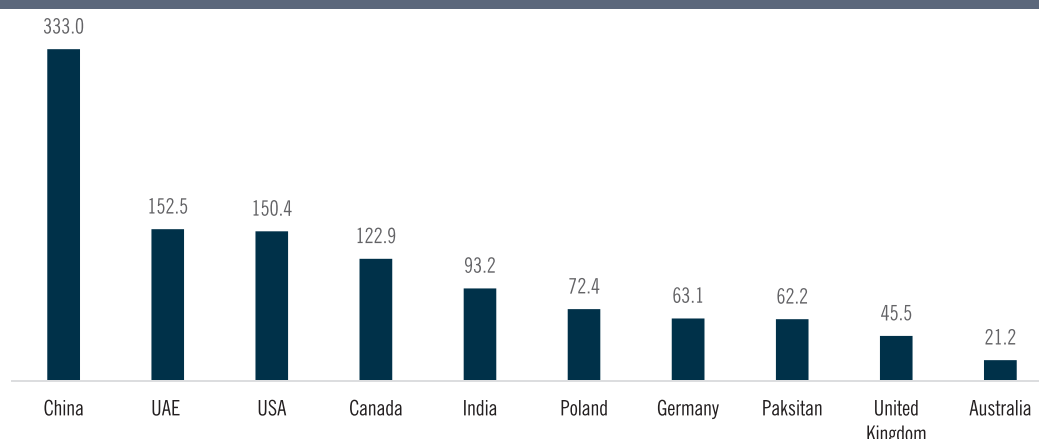
Table 1 further confirms the growth of SHC after the proposed ban in 2016. The disaggregated evidence below suggests that *worn clothing (ex-warehousing only)* and *Other worn clothing and articles (ex-warehousing only)* registered exponential increases leading up to 2023, with growth of 231.8 percent and 262.2 percent respectively during the period.

Table 1 Uganda's worn clothing imports, 2017-2023 (USD millions)

Item	HS Code	Year						
		2017	2018	2019	2020	2021	2022	2023
Worn clothing (Ex-warehousing only)	63090010	28.6	69.4	79.3	67.5	84.4	89.7	94.9
Other Worn clothing and articles (Ex-warehousing only)	63090090	.294	.687	1.31	1.12	1.22	1.23	1.07
Total		28.9	70.1	80.6	68.6	85.6	90.9	95.9

Data source: Trademap, 2024

Figure 2 Uganda's top 10 sources of second-hand clothes, 2004- 2023 (USD Millions)



Data source: Trademap 2024

Figure 2 shows the top 10 exporters of SHC to Uganda between 2004 to 2024. During the period, China exported the majority of the SHC, amounting to USD 333 million, followed by the United Arab Emirates (USD 152 million) and the USA (USD 150 million).

Notably, China is also the leading exporter of new clothes to Uganda, exporting a total value of USD 66 million of *Articles of apparel and clothing accessories, knitted or crocheted (chapter 61)* and *Articles of apparel and clothing accessories, not knitted or crocheted (chapter 62)* in 2023 (Trademap, 2024).

China's SHC export market dominance in Uganda

In 2023, China exported SHC under the product category HS Code 6309 *worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles* worth USD 695.6 million globally (Trademap, 2024). Regionally, Kenya was the largest destination market, receiving exports worth USD 105 million, followed by Tanzania (USD 60 million) and Uganda.

In 2023, China exported SHC worth USD 58.7 million to Uganda, followed by the USA (USD 13.2 million), Canada (USD 12.2 million) and India (USD 6.0 million) (Figure, 3). China has remained Uganda's biggest supplier of SHC since 2014, after its exports grew exponentially between 2012 to 2014, to surpass both the USA and UAE, who at the time were the top exporters. The emergence of China as well as UAE, India and Pakistan as major exporters of

SHC to Uganda is due to the evolution of the global trade networks of SHC. USAID (2017) emphasizes that SHC trading networks have grown beyond the direct market between the USA and Africa. For example direct export of SHC from the USA to EAC as the final market accounted for a total 19.5 percent (ibid). Processing hubs have emerged in China, Pakistan, and India, where they sort, treat, and bundle SHC from the USA into bales for re-export to Africa.

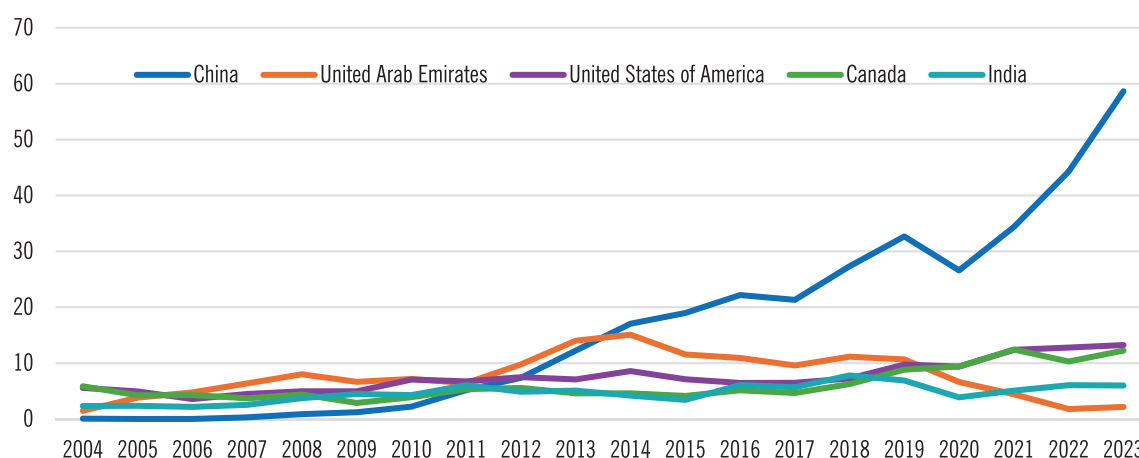
The Sino-Uganda Relations, particularly an economic cooperation that commits to bilateral trade between the two countries (Embassy of the Peoples Republic of China, 2004), guarantees China's trade with Uganda, facilitating its exports of SHC to Uganda.

In addition, China's dominance is rooted in its position as a global leader in the manufacturing of garments and textiles, but it is also a large consumer, discarding 26 million tons of clothing annually (AP, 2024). This is because fast fashion, which is the low-cost manufacture of high volumes of garments, dominates China's textile industry (ibid).

Uganda's second-hand clothes re-exports

Notably, Uganda re-exports some of the imported SHC, as data indicates that not all of them are sold locally. In 2023, the total SHC formal re-exports were valued at USD 1.4 million (Trademap, 2022). Table 2 shows the value of SHC re-exports from Uganda to EAC markets, under HS Code 6309 pertaining to *Worn clothing*

Figure 3 Trends in SHC exports to Uganda, 2004-2023 (million USD)



Data source: Trademap 2024

Textbox 1: Second-hand clothes standards

Uganda has a standard regulating the quality of second-hand clothes imports; *US ISO 20245:2017, cross border trade of second-hand goods*, that seeks to protect consumers' health and the environment (UNBS, 2019).

This standard defines how SHC should be treated to neutralise any contamination that might spread diseases. The standard also prescribes how these clothes should be handled when opened and proposes that the chemical used to treat the clothes should have broken down by the time the garment is sold. This is to ensure that it doesn't affect the consumer, particularly their skin.

Importantly, the standard requires that the exporter clearly declares the contents of bales and specify the grade. In otherwards, the clothes should not be in a 'ragtag' state but fit for purpose.

However, perspectives gathered from a key informant suggest that the implementation of this standard is weak, which has likely enabled the high proliferation of second-hand imports on the Uganda market, including those in poor state.

Table 2 EAC re-export values for SHC¹ for Uganda, 2014- 2023 (USD 000s)

Export Destination	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
DRC	588	1,040	1,372	395	161	227	94	874	1,086	216	6,053
Kenya	341	454	229	1,559	66	5	6	29	3	27	2,719
South Sudan	354	557	714	110	132	51	26	17	65	316	2,342
Tanzania,	22	79	13	29	17	15	0	1	0	2	178
Rwanda	60	28	97	105	87	23	11	2	6	664	1,083
Burundi	55	30	2	0	0	0	1	6	3	3	100
Somalia	189	0	0	2	0	0	0	0	0	0	191
Total	1,609	2,188	2,427	2,200	463	321	138	929	1,163	1,228	12,666
Import origin											
Kenya	200	74	51	22	21	13	9	89	62	85	626
Rwanda	44	0	0	1	63	199	2	1	2	21	333
DRC	0	0	0	2	1	0	0	12	5	12	32
Burundi	0	0	0	0	1	6	5	16	4	7	39
Somalia	0	0	0	0	0	0	0	3	17	5	25
Tanzania	1	0	9	1	0	1	5	6	10	3	36
South Sudan	0	0	0	0	0	0	2	1	1	2	6
Total	245	74	60	26	86	219	23	128	101	135	1,097

¹ SHC exports aggregated under product Code 6309
Data source: Trademap, 2024

and clothing accessories, blankets and travelling rugs, household linen and articles. Uganda largely re-exports SHC to East Africa Community markets. Total export values from 2014 to 2023 show that DRC was the leading destination (USD 6.1 million), followed by Kenya (USD 2.7 million), South Sudan (USD 2.3 million). Rwanda was the fifth top destination, with a total of USD 1.1 million over the ten-year period. Although imports of worn clothing and clothing accessories to Rwanda dropped significantly after 2017, they grew in 2023, reaching USD 664,000 despite the ban. The re-export of second-hand garments to Rwanda is likely because EAC is governed by a single Customs Union, which implies that goods imported to the regional bloc can move freely cross the partner state's borders (USAID, 2017). On the other hand, formal SHC re-exports from EAC partner states to Uganda during the 10-year period amounted to USD 1.1 million.

However, the total value of SHC re-exports to EAC countries is higher than what is recorded in formal trade data, given that there is a high prevalence of informal cross border trade (ICBT) between Uganda and her neighbours. For example, UBoS (2020) reports that the top eight commodities² constituting Uganda's ICBT exports were valued at USD 253.2 million (47.6 percent) with the share of clothes (new and used) being largest percentage at 10.2 (Table 3). In contrast, Uganda's ICBT imports of clothes (new and used) amounted to USD 4.9 million in 2019 compared to USD 54.1 million exports of the same (ibid).

This confirms that Uganda is a net ICBT exporter of clothes (new and used) to its neighbours. DRC remains Uganda's biggest market for

all ICBT exports, with export value amounting to USD 241.8 million in 2019; followed by Kenya (USD 34.0 million) and South Sudan (USD 30.0 million) (UBOS, 2020).

Tax revenue and contribution to total revenue collected

As of October 2020, SHC incur an import duty of 35% or USD 0.40/kg whichever is higher. In addition to the customs value, SHC incur an environmental levy, being that they are perceived as harmful to the environment (URA 2022). This levy is 10 percent of the customs value paid for a SHC consignment (ibid). In addition, SHC are charged an infrastructure levy, VAT, withholding tax and a surcharge.

According to data from the URA, worn clothing and other used articles (HS Code 6309) rank among the top 20 commodities imported into Uganda. The import value of SHC increased significantly, rising from USD 57.65 million in FY2017/18 to USD 102.71 million in FY2020/21. During the same period, exports of worn clothing and other textile articles grew from USD 5.34 million to USD 8.68 million, with USD 1.56 million worth of imported apparel being re-exported to other countries. URA data indicates that taxes from SHC are collected on both imports and exports.

Figure 4 illustrates the proportion of tax revenue collected from second-hand clothing (SHC) relative to the total revenue. Despite a rise in revenue generated from SHC taxes, from USD 47 million in FY2014/15 to USD 87 million in FY2022/23, its proportion of total revenue has decreased, falling from 1.56% to 1.27% during the same period. Despite the proposed ban on SHC in 2016, imports of these goods have continued to grow, yet the proportion of SHC tax revenue relative to total revenue has steadily decreased.

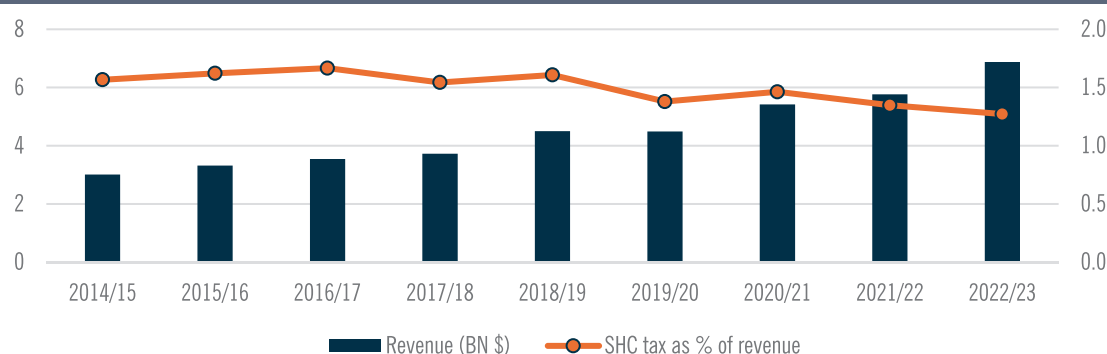
² Including clothes (new and old), shoes, fish, maize grain, alcohol, beans, sandals and cattle.

Table 3 Value and share of clothes (new and old) in Uganda's ICBT exports.

	2015	2016	2017	2018	2019
Total ICBT exports (USD million)	399.1	419.2	549.0	546.6	531.9
Value of Clothes (USD Million)	36.6	45.4	49.2	49.5	54.1
Percentage Share	9.2	10.8	9.0	9.1	10.2

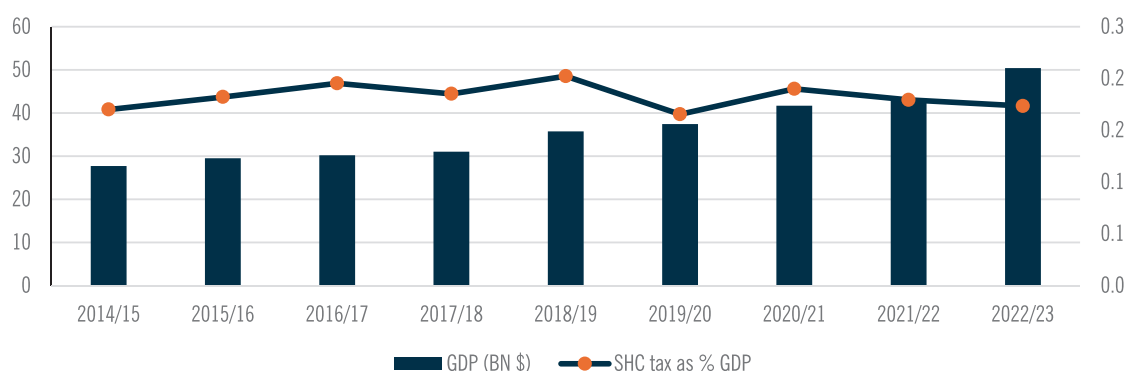
Data source: UBOS, 2020.

Figure 4 SHC tax revenue contribution to total revenue (2014/15 - 2022/23)



Data sources: URA, 2023, BOU, 2024

Figure 5 SHC tax revenue contribution to GDP (2014/15 - 2022/23)



Data sources: URA, 2023; UBOS, 2024

Tax revenue and contribution to GDP

Figure 5 shows SHC tax revenue as a percentage of total revenue collections. Uganda's GDP has shown a gradual increase over time, growing from USD 27.7 billion in FY2014/15 to USD 50.4 billion in FY2022/23. The contribution of tax revenue from the SHC trade to GDP has remained relatively stable over this period, fluctuating between 0.16% and 0.20% of GDP.

Demand for Second-hand clothes

Household expenditure on SHC

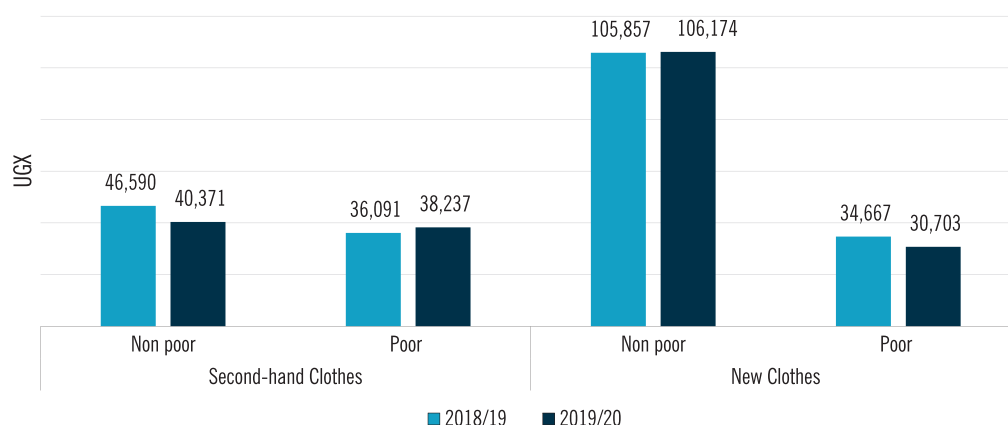
Computations of data from the two waves of the UNPS 2018/19 and 2019/20 show that total household expenditure on SHC declined from UGX 331 billion to UGX 281 billion, while that of new clothes fell from UGX 704 billion to UGX 689 billion. This decrease is likely attributed to the COVID-19 pandemic that resulted in reduced consumption on non-essentials among households.

Figure 6 shows the average household expenditure on clothing by poverty status between FY 2018/19 and FY 2019/20. On average,

the non-poor households spent UGX 46,590 on SHC in 2018/19 compared to UGX 40,371 to 2019/20, a decline in expenditure by UGX 6,218. On the other hand, there was a negligible increase in expenditure by the non-poor households on new clothes between the two waves. Regarding poor households, there was an increase in average expenditure on SHC by UGX 2,146 between FY 2018/19 and FY 2019/20, but a Decline of UGX 3,963 in average expenditure on new clothes. Expectedly, the poor households spent more on SHC during the period. SHC have no production costs besides bulking and sorting. Freight rates and profits determine their price, which makes them cheap (Calabrese, 2017). As a result, they are an inexpensive option for the poor (Diamond, 2023). The evidence also suggests that non-poor households are on average spending more on SHC than the poor ones, which is in line with assertion that the non-poor Africans are progressively finding SHC appealing (Katende-Magezi, 2017; Diamond, 2023).

A further analysis by income quintiles (table 4) confirms the increase in demand for SHC by poor households, whereby the households in Q1 spent on average UGX 5,450 more on SHC between 2018/19 and

Figure 6 Average household expenditure on clothing by poverty status



Source: Author's own construction using UNPS (2018/19 - 2019/20)

2019/20. Both Q1 and Q2 spent less albeit negligible amounts on new clothes. This is in line with the assumption that these quintiles have the lowest disposable income and therefore, consumption constrained (USAID, 2017, Brooks 2013).

Table 4 Average household expenditure on clothing by income quintiles

	Income Quintile	2018/19	2019/20
Second-hand Clothes	Q1	37,361	42,811
	Q2	37,911	37,823
	Q3	41,071	32,219
	Q4	37,292	33,754
	Q5	61,479	52,099
New Clothes	Q1	34,437	33,974
	Q2	48,976	48,799
	Q3	61,858	66,978
	Q4	84,695	115,911
	Q5	168,282	181,042

Source: Author's own construction using UNPS (2018/19 - 2019/20)

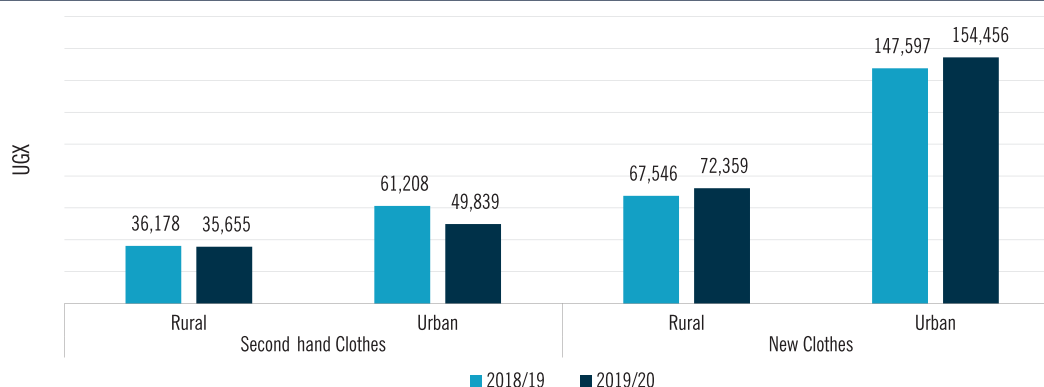
Furthermore, quintiles 3, 4, and 5 showed a decline in expenditure on SHC. However, their expenditure on new clothes grew during the

period. This is in line with findings which suggest that in low-income countries, quintiles Q4 and Q5 tend to buy new clothing imported from China or opt for brand name clothing (ibid).

Considering the average expenditure on clothing by residence (Figure 7). The average expenditure on SHC declined in urban regions between the two survey periods. The decline in average expenditure on SHC in urban regions can be attributed to the closure of open markets during the COVID -19 pandemic, which are a major purchase point for these items. The expenditure decreased from UGX 61,208 to UGX 49,839. Average expenditure on SHC by rural households remained relatively unchanged. To note, household expenditure on SHC was overall higher in urban areas during both survey periods, likely driven by the urban poor populations that depend on SHC. Nonetheless, both urban and rural households, on average, tended to spend more on new clothes, as observed in the increasing average expenditure.

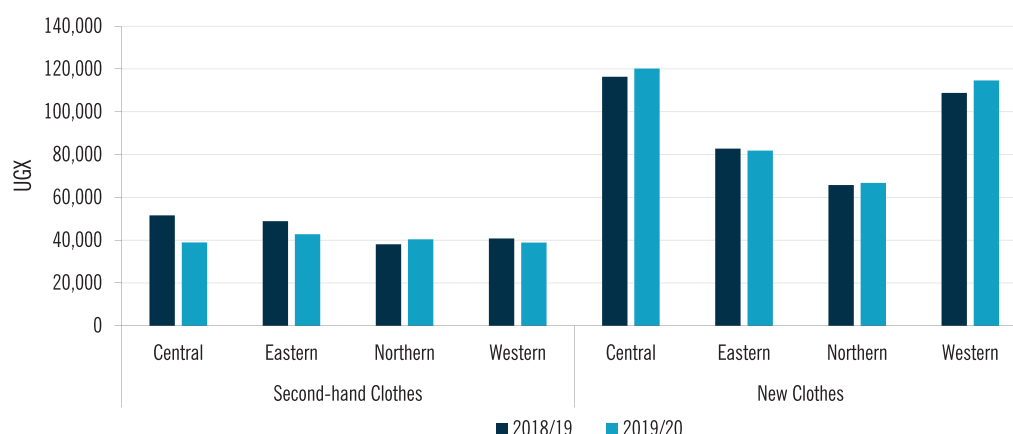
A disaggregation of the average household expenditure on clothing by region (Figure 8), suggests that the households in the Central region, decreased expenditure on SHC by UGX 12,636, but increased average expenditure on new clothing by UGX 5,872. The high urbanization of the central region leads to a higher concentration of

Figure 7 Average household expenditure on clothing by residence (UGX)



Source: Author's own construction using UNPS (2018/19 - 2019/20)

Figure 8 Average per capita household expenditure on clothing by region (UGX)



Source: Author's own construction using UNPS (2018/19 - 2019/20)

non-poor households, who tend to spend less on worn clothes and more on new garments. Similarly, in the Western Region, households decreased expenditure on SHC, and increased expenditure on new clothes during the period. The Eastern region experienced a decline in expenditure on both SHC and new clothes. The average expenditure on SHC and new clothes increased among households in the Northern Region.

Main sources of SHC for households

Historically, SHC were initially imported to Africa as aid (Wetengere, 2018), but the situation changed. Given the high rate of consumption and disposal of garments by the Global North, used clothes from Europe and North America are collected from waste sites, roadsides, households, schools and communities among others, by commercial and charity organizations or recyclers, and later sorted (Calabrese, 2017, Brooks, 2013). The quality of SHC is classified in three categories: 'as good as new', fair and poor quality ((Katende-Magezi, 2017). Clothes in good condition are resold within the same country, while organizations or recyclers process and pack the rest into bales (45-55kgs) of similar apparel and ship them off to Africa, Asia and Eastern Europe, keeping in mind market differences and tastes (ibid). Importers/warehouses sell the bales to middlemen/wholesalers in the destination country. These wholesalers then resell the clothing to retailers, who in turn, offer them to the final consumer (Rivoli, 2014). This is the distribution channel through which SHC make it from their country of origin to the final point of sale such as the open markets, specialised shops, and hawkers among others.

Figure 9 breaks down the mains sources of SHC for Ugandan households. Open markets provide the majority of SHC (83.5 percent) for Ugandan households. As earlier stated, the majority of the population prefers to procure its clothing from the informal sector within which SHC traders primarily operate, such as open markets mainly located in urban areas (Katende-Magezi, 2017). The second preferred source is specialized shops (7.41 percent), mostly selling SHC in very good condition, hardly worn, with recognisable

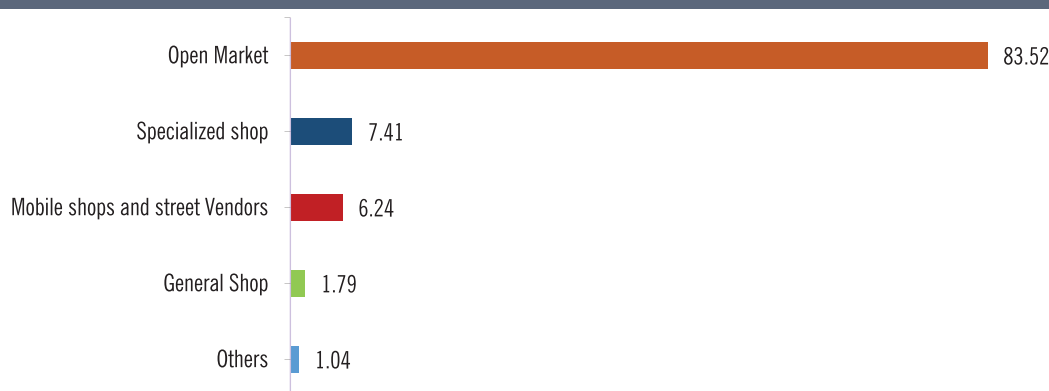
brand names, and repurposed for sale to middle-and upper classes (USAID, 2017). The third source is Mobile shop and street vendors (6.24 percent), who dominantly sell the cheapest SHC, to the urban poor and rural households (ibid). In comparison, UNHS data shows that new clothes are mainly purchased from open markets (52.3 percent), specialized stores (39.4 percent), and general shops (5.4 percent).

Conclusion and policy implications

Despite the 2016 proposed ban on second-hand clothing (SHC) and footwear imports by EAC Heads of State to allow the development of integrated textile and leather industries, Uganda continues to import SHC. As tariffs on SHC imports rise and calls for the ban's effective implementation increase, concerns arise that the domestic textile sector might struggle to meet local demand. The ban could potentially create a larger market for cheaper clothing imports from Asia. This necessitates an understanding of Uganda's market for SHC, in terms of imports, tax contribution and demand.

An analysis of the importation and local demand of SHC shows that the importation of SHC has surpassed new clothes and continues to grow. The import trends suggest that China is currently our biggest source of SHC, followed by the USA and Canada. The analysis also suggests that not all Uganda's SHC imports are sold locally; some are re-exported through both formal and informal channels of trade. An analysis of tax data shows that while the revenue generated from SHC taxes has been increasing, its contribution to the total revenue has been declining. The findings also demonstrate that the poor spent more on SHC and less on new clothes between 2018/19 and 2019/2020. The non-poor households generally spend more on both SHC and new clothing than the poor. Spending on both SHC and new clothing are higher among urban households. Expenditure on new clothes was on average higher in Central and Western regions, but SHC expenditure was higher among households in the Eastern

Figure 9 Sources for Second-hand clothes Purchased (%)



Data Source: UNHS 2019/20

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Region in 2019/20. Households mainly purchase SHC from open-source markets, followed by specialised shops and mobile shops and street vendors.

Therefore, as the Government embarks on the proposed ban it should consider:

- i) The non-poor are spending more on SHC and less on new clothing given its affordability; so as local textile production is scaled, it should offer affordability for low-income earners.
- ii) Although the ban is yet to be fully effected, there seems to be no concrete policy actions on the ground to effect the transition. Government should therefore incentivise the private sector to invest in the sector to enhance the transition.

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