

Investors Invited to establish textile mills in Kenya under EPZ

• Export Oriented Clothing Sector in Kenya

The export oriented apparel sector in Kenya, has achieved tremendous growth in the last 5 years, due to improved access to the USA under the African Growth and Opportunity Act (AGOA). Apparel exports from Kenya to the US increased from US \$ 44 million in 2000 to US \$ 226 million in 2004, making Kenya the second-largest exporter of clothing to the US from Sub-Saharan Africa after Swaziland.

Classified as a Lesser Developed Country under AGOA, **Kenya enjoys duty free entry into the US market for clothing cut and made up in Kenya**, even when the fabric imported from sources outside the US or outside eligible AGOA African countries. This has helped make the clothing competitive with similar imports from Asia.

Most of the **new clothing factories have been established within the Export Processing Zones (EPZs)** where generous tax incentives, ready factory shells, access to superior infrastructure and operational support are provided.

By December 2004, the EPZ clothing sector employed **34,614 workers in 30 world-class factories with an investment of US \$ 144 million** (Ksh 8.6 billion) in 2004.

A range of products including men's cotton shirts, denim jeans, polyester nightwear, women's knit tops, chino pants, knit bottoms, fleece jackets, childrens clothes, lingerie and sportswear are produced by the factories located in zones around the country.

All fabric and most accessories are currently imported, primarily from Asia. With the requirement under AGOA that by September 2007, for continued duty-free market access to the US, Kenyan apparel factories must source from either US suppliers or from eligible African countries. Due to the stringent quality requirements of US buyers, and large volumes involved, **Kenyan textile mills are not able to produce the wide range of fabric and accessories required** by the clothing factories, at the right quality and price. Importing from other African countries is not feasible, since they too have excess demand.

Cotton is produced in Kenya and in neighbouring East African states of Uganda and Tanzania which are also AGOA eligible countries. Kenya alone has the capacity to produce over **380,000 bales of cotton per year**, but currently produces only a tenth of this due to lack of capacity and demand in local textile mills.

• The Opportunity

Investors are invited to establish modern textile mills to produce fabric and accessories in Kenya. **These mills will** supply the fabric requirements of Kenyan apparel exporters and those of other exporting countries like Madagascar, Swaziland, Lesotho and Mauritius. Tax incentives, serviced land at reasonable costs and support for setting up the project will be facilitated by the Export Processing Zones Authority.

The export oriented apparel sector required close to **70 million square metres** of assorted fabrics, mainly denim, twill, cotton knits and polyesters for clothing destined for the US market.

This was imported at an annual cost of **US \$ 101 million** by EPZ companies in 2004.

This presents a tremendous opportunity for import substitution with a captive market in Kenya and the wider Common Market of Eastern and Southern Africa (**COMESA**) where Kenyan goods enjoy preferential market access in 19 African nations.

Accessories are currently imported at an annual cost of US \$ 44 million and manufacturers are also encouraged to explore this opportunity.

The estimated annual consumption of fabric and accessories are given below:

Table 1. : Estimates of Consumption by Kenya EPZ Apparel Companies -2004

Fabric	SMEs 2004	Value (Ksh 2004)	Estimated cost per sq metre (Ksh/ sq m)	Value in US \$ (2004)
Denim	22,020,388	2,930,252,977	133.1	39,070,040
Cotton Twill	27,626,834	3,114,373,007	112.7	41,524,973
Lyric Twill	120,946	13,293,128	109.9	177,242
Polyester Cotton	4,667,016	484,062,886	103.7	6,454,172
Polyester	2,632,014	128,521,249	48.8	1,713,617
Cotton Knit	4,518,140	550,219,041	121.8	7,336,254
Cotton Rayon	303,095	32,673,617	107.8	435,648
Cotton Plaid	577,490	47,787,293	82.3	637,164
Cotton Spandex	239,916	31,376,188	130.8	418,349
Corduroy	341,756	32,893,969	96.3	438,586
Others	4,287,288	251,406,565	58.6	3,352,088
TOTAL	67,334,881	7,616,859,919	113.1	101,558,132

Accessories	Quantity	Value (Ksh 2004)	Units	Value in US \$ (2004)
Buttons	354,966,109	574,805,203	Pieces	7,664,069
Zippers	87,638,472	433,064,210	Pieces	5,774,189
Labels	220,621,476	617,653,536	Pieces	8,235,380
Thread	5,051,626,	536,600,393	Cones	7,154,672
Hangers	43,587,980	488,186,170	Pieces	6,509,149
Snap/Shanks	3,283,872	3,382,130	Pieces	45,095
Hang Tags	37,948,872	240,326,315	Pieces	3,204,351
Draw Cords	364,108	7,009,075	Pieces	93,454
Elastic Tapes	3,655,080	92,659,735	Metres	1,235,463
Poly bags	41,705,547	277,274,688	Metres	3,696,996
Cartons	6,485,827	68,390,165	Pieces	911,869
Stickers –size	5,206,873	12,276,936	Pieces	163,692
Stickers – cartons	364,108	5,607,260	Pieces	74,763
Rivets	4,651,313	9,997,050	Pieces	133,294
Foam (shoulder pads)	335	29,523	Dozen	394
TOTAL	815,560,990	3,367,262,392		44,896,832

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