

## COTTON TO CLOTHING

### KENYA: FORGING FORWARD

Kenya is ranked 92<sup>nd</sup> out of 189 countries in the 2017 Ease of Doing Business rankings by the World Bank (India's rank is 130). This giant leap forward from its earlier rank of 136 in 2014 demonstrates the Government's commitment towards achieving growth. Kenya has one of the most investor friendly tax regimes with liberal mechanisms for repatriation of returns from investments. Huge incentives are offered for the manufacturing sector which has been prioritized as crucial for the country's development. Export Processing Zones (EPZs) house some of the country's early movers of cotton, textile and apparel companies that have been the engine of export led development in the country. Investors in EPZs are offered rapid project approvals, no minimum investment levels, operation of foreign current accounts, access to offshore borrowing, exemption from statistics and trade licensing act, independent control on investment proceeds, on-site custom documentation and inspection, and no import declaration forms. Kenya's apparel exports have almost doubled between 2009 and 2014 which has clocked a CAGR of 14%. It is also the largest exporter to USA under AGOA. Similarly, the overall sector exports in the same period surged at a CAGR of 8%. With knitted apparel taking the lion's share of total sector exports, the skills and technology of this sub-sector has consequently evolved to meet global demands. However, there remain considerable opportunities in the garment manufacturing, textile (yarn and fabrics) manufacturing, garment accessories and services to this growing sector.

"Private consumption in Africa is higher than in India or Russia; it rose by \$568 billion from 2000 to 2010. From 2012 to 2020, consumer-facing industries are expected to grow a further \$410 billion, representing the continent's largest business opportunity"

***The Rise of African Consumer by McKinsey***

### About ITC

ITC is the joint agency of the World Trade Organization and the United Nations. ITC offers trade and investment promotion services as a public good, to support businesses in developing and least developed countries to access international markets – with the overall objective of job and income generation.

### About DFID

The Department for International Development (DFID) leads the Government of the United Kingdom's efforts to fight global poverty, delivers the global goals, and tackles global challenges. Promoting economic development and prosperity in the developing world is a key priority for DFID, and includes the creation of sustainable jobs and livelihoods, in particular for women and young people. DFID operates under the International Development Act, which came into force in 2002 and establishes the legal basis for United Kingdom's development assistance.



### FOR MORE INFORMATION

Contact persons:

Ms. Jarmila Sarda Souckova: [jsarda@intracen.org](mailto:jsarda@intracen.org)

Ms. Carolin Averbeck: [averbeck@intracen.org](mailto:averbeck@intracen.org)

Mr. Varun Vaid: [varun@wazir.in](mailto:varun@wazir.in)

**Please come visit our booth at ITME: Hall 2 / Stall No: H2A27**



Follow us on Twitter: @ITC\_SITA

Read our blog the voices of SITA: <https://voicesofsita.com/>



# SITA

Supporting Indian Trade and Investment for Africa

Investment Opportunities in East Africa's Cotton to Clothing



## SITA AT A GLANCE

**Objective:** Increased value of business transactions between India and select East African countries by promoting investment, trade and technology partnerships



**Countries:** India, Ethiopia, Kenya, Rwanda, Uganda and the United Republic of Tanzania

### Beneficiaries:

- Indian companies importing from or investing in Africa
- East African businesses
- East African trade and investment support institutions

### Sectors:

Cotton, textile & clothing; leather; IT-enabled products & services; Agrifoods: pulses, spices and coffee

### Strategy:

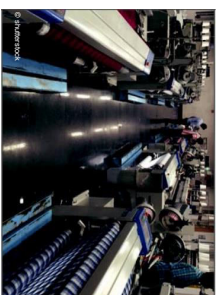
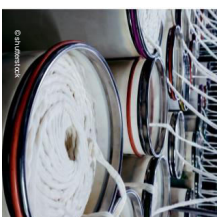
- Enabling access to markets in India and other countries
- Facilitating partnerships between Indian and East African businesses and institutions
- Technology and knowledge transfer from India to East Africa to enhance sector productivity and competitiveness

### Expected results:

- Increased investments from India to East Africa
- Greater export flows from East Africa to India and international markets
- Increased knowledge and technology transfer from India to East Africa
- Enhanced competitiveness of East African businesses
- Improved business-development services provided by regional and national Trade Investment Support Institutions (TSIs)
- Improved business environment fostered through public-private dialogue and partnerships.

**Donor:** Government of the United Kingdom of Great Britain and Northern Ireland through the Department for International Development (DFID).

**Time Frame:** 2015-2020



## EAST AFRICAN INVESTMENT OPPORTUNITIES

East African countries are the most dynamic in Africa for global apparel sourcing (McKinsey 2015)

International buyers and retailers are demanding more sourcing from Africa – and demand far outweighs current supply

Duty-free market access for East-African exports to US (AGOA) and EU makes investing in East Africa a strong value proposition

Access to the African market through the future tripartite agreement representing 26 countries, 51% of African GDP and a combined population of 632 million people

Availability of cotton; opportunities for forward and backward integration across the value chain: Ginning, Spinning, Weaving, Knitting, Dyeing, Finishing and Garmenting

Africa has the youngest and fastest growing population in the world – its rising workforce is a key asset for the labour-intensive textile and clothing industry

“First movers” –Large Indian (and Chinese) companies have already chartered success stories by establishing in East Africa

Beyond well-known Indian companies like Raymond, Arvind, and Kanoria Textiles, medium sized enterprises too are beginning to see the government support and stability offered by East Africa.

### WHY ETHIOPIA?

Ethiopia is one of the fastest growing countries in Africa that has sparked the interests of global firms. The country is expected to become a sourcing hub for the global textile and garment industry within the next 5-10 years. Indian companies are among the top-3 investors in Ethiopia, mostly in the manufacturing sector. More than 500 Indian companies have licensed investment in Ethiopia.

Investors enjoy attractive taxation packages. Having a workforce of more than 47 million, the country offers a large supply of valuable human resources at affordable wages. With electricity tariffs at \$0.06 per kWh, the industries have been able to achieve greater competitiveness over their counterparts elsewhere. Investors engaged in manufacturing are also able to import capital goods for an indefinite period free of customs duties.

The locational advantage in terms of its closeness to major consuming markets such as Europe and Middle East makes it truly a growth story in waiting.

## SITA'S SERVICES FOR INDIAN COMPANIES

SITA supports Indian companies in understanding, analyzing and seizing new market and investment opportunities in East Africa. Beyond awareness raising and provision of relevant information, we support CEOs in visiting East African countries, arrange their agenda and facilitate meetings with high level decision makers, national institutions and potential local business partners. We provide support to companies in their due diligence process. As a United Nations agency, we are a respected partner on the ground and a neutral platform to raise concerns of the business community with national governments.

Our support to Indian companies includes:

### Identification

- Identifying opportunities in East Africa relevant to the company's business activities and longer-term goals and interests
- Guiding on selection the sub-sectors with high transformative impact
- Assisting in project conceptualization through our deep understanding and experience in the region
- Helping in evaluating the strategic locations within East Africa for maximizing future returns
- Assisting in finding potential partners to match the company's growth strategies

### Facilitation

- Planning and organizing country visits for CEOs
- Coordinating meetings with national companies, governments, trade and investment institutions, local/regional authorities and private sector associations
- Practical support in dialogues and negotiations with public and private stakeholders in east Africa as a neutral partner
- Supporting in due diligence activities

### Intelligence

- Providing country or regional specific industry / market data
- Identifying and accessing local technical experts
- Providing access to comprehensive trade and tariff data for all products covering all countries
- Providing support in market research and analysis during identification, and startup phases