Promoting Local Cotton, Textile and Apparel Manufacturing in the Context of the Second-Hand Clothing Economy

July 2025 Special Report

East African Chamber of Commerce, Industry & Agriculture (EACCIA)

With the Support of:

Kenya Institute for Public Policy Research & Analysis (KIPPRA)

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Foreword

This report has been prepared by a team which was constituted by the East African Chamber of Commerce, Industry & Agriculture (EACCIA) to support the ongoing advocacy work by Mitumba Consortium Association of Kenya (MCAK), the apex organization in Kenya which lobbies for the traders in the secondhand clothes subsector of Kenya's economy. However, secondhand clothes sales are not a phenomenon which is only found in Kenya, they are popular in many of our neighboring countries, with Kenya recently recording higher levels of imports of these clothes.

When EACCIA started to partner with MCAK, in mid–2024, the organization requested that Kenya Institute for Public Policy Research and Analysis (KIPPRA) be consulted due to the nature of its mandate in ensuring that any final output would be acceptable to the Government of Kenya due to its role as adviser to the government on Public Policy in the Country. KIPPRA is government's "think tank" on many issues of public policy nature where the government needs to make policy initiatives which might impact the public.

This special report has therefore been prepared with major input from KIPPRA staff and has been subjected to no less than three stakeholder engagement workshops and numerous retreats by key KIPPRA and EACCIA technical staff. In addition, two validation workshops have been held to seek the concurrence of all stakeholders (representatives of secondhand clothes traders, the textile and apparel manufacturers, Kenya National Chamber of Commerce & Industry, Kenya Association of Manufacturers, the Ministry of Investment, Trade and Industry (MITI) represented by Officials from the two State Departments of Industrialization and Trade.

The report has also been summarized into an official "Policy Brief" and is now in the process of being published as a KIPPRA document and it shall be used to inform policymakers. The report's conclusion and key recommendations are part of the Policy Brief and shall be available to the public when they are posted on KIPPRA's Website. Both EACCIA and MCAK intend to use these recommendations and the report conclusions for further lobby and advocacy work to ensure implementation.

What the findings of the report indicate is that there is room for Both Secondhand clothes sub-sector and manufacturers of new garments to co-exist together in the short-term due to the inter-dependent nature of these economic activities, at least in the medium-term when the country's cotton production shall be in a position to sustain a thriving textile and apparel manufacture.

Looking at the regional perspective, our East African Heads of State did pronounce themselves regarding the state of this sector, firstly in 2015 when they resolved to impose a total ban of all secondhand clothes imports in the region by 2019. However, in 2017 they revisited this issue and decided to adopt a slower process when the deadline for the ban was lifted, and tariffs were used to discourage excessive importation of secondhand clothing.

In summary, this technical report supports the process of co-existence by the two sub-sectors until the region achieves complete self-sufficiency in cotton production and subsequent manufacture of new clothes. In the meantime, the position supported by our Heads of State is that the region should encourage the development of regional value chains in our region to support this sub-sector collectively, with the countries which have surpluses sharing excess production with the deficit countries.

East African Chamber of Commerce, Industry & Agriculture (EACCIA)	**and**	**Kenya Institute for Public Policy Research & Analysis (KIPPRA)**

Acknowledgments

This report is part of the mandate of the East African Chamber of Commerce, Industry & Agriculture (EACCIA) to promote trade and investment among member states in the EAC and the wider Eastern Africa region.

The EACCIA acknowledges the exceptional support from the Kenya Institute for Public Policy Research and Analysis (KIPPRA) for technical support and guidance in the preparation of this report.

Further, EACCIA also appreciates all contributions made by various the stakeholders who include the Mitumba Consortium Association of Kenya (MCAK), Kenya Association of Manufacturers (KAM), Ministry of Investments Trade and Industry (MITI), both State Departments of Trade and Industrialization, and the Kenya National Chamber of Commerce and Industry (KNCCI).

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Abbreviations and Acronyms

AFA	Agriculture and Food Authority
AfCFTA	Africa Continental Free Trade Area
AGOA	African Growth and Opportunities Act
BETA	Bottom-Up Economic Transformation Agenda
CET	Common External Tariff
CIDPs	County Integrated Development Plans
CODA	Cotton Development Authority
CTA	Cotton Textile Apparel
EAC	East Africa Community
EACCIA	East Africa Chamber of Commerce, Industry and Agriculture
EPZ	Export Processing Zone
GDP	Gross Domestic Product
HTS	Harmonized Tariff Schedule
KAM	Kenya Association of Manufacturers
KEBS	Kenya Bureau of Standards
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KNBS	Kenya National Bureau of Statistics
MCAK	Mitumba Consortium Association of Kenya
MSEs	Micro and Small Enterprises
MTP	Medium-Term Plan
NEMA	National Environment Management Authority
SEZs	Special Economic Zones
UNIDO	United Nations Industrial Development Organization
WTO	World Trade Organization

1. Introduction

The development of the cotton-textile-apparel sub-sector is important for developing countries such as Kenya as an early phase of industrialization and learning for transitioning to more sophisticated medium and high technology adoption (Robertson, 2012; UNIDO, 2013; Lopez-Acevedo and Robertson, 2016).

The cotton-textile-apparel value chain offers employment opportunities with varied skill levels and absorbs a relatively large share of female employees. It provides immense opportunities for inclusive development (Malicha and Njoroge, 2020; Robertson, 2012).

Countries such as Vietnam and Ethiopia have recorded notable progress in leveraging on the cotton-textile-apparel sub-sector to advance the industrialization agenda. Policy attention in the sector is therefore critical as the sector is one of the most labour-intensive sectors in the manufacturing industry.

The Medium-Term Plan (MTP) IV (MTP implementing the Kenya Vision 2030 emphasizes on improving the manufacturing of cotton textiles and apparels in the country by the year 2030.

Specifically, to enhance local production of cotton, there is need to mobilize cotton growers into cooperatives, and distribute certified cotton seeds to farmers through existing and established cooperatives.

There is also need to provide farmers with subsidized fertilizer and prioritize financial inclusion funds for the textile and apparels value chain (Government of Kenya, 2024). Further, the Bottom-Up Transformation Agenda (BETA) 2022-2027 focuses on the textile and apparels value addition by establishing value addition centres (Government of Kenya, 2024).

The Government of Kenya has committed to reviving and providing extension services to cotton farmers to ensure there is an increase in the acreage under cotton, so that cotton lint could be sourced locally.

The activities outlined by the Government could, when implemented, see the linking of tailors with large entrepreneurs, schools, colleges, and uniformed forces while identifying unfair import trade practices threatening the textile and apparels industry (Government of Kenya, 2024).

Therefore, the Government's agenda demonstrates that the sector has the potential to create decent jobs for the expanding population of youth in the country and support the transition to a middle-income status by the year 2030.

The sector could create many employment opportunities in the cotton-textile-apparel value chain. The Kenya Association of Manufacturers (KAM) notes that the textile and apparels value chain is also an important driver of inclusivity as it employs most workers who are women.

The textile and apparels sectors are currently dominated by locally manufactured textiles and imported used textiles. Kenya is a net importer of second-hand clothing due to the liberalization of its economy and constraints within the domestic textile industry, which reduce the capacity of local textiles to meet the demand.

The second-hand clothing sector plays a significant role in the economy by creating jobs, generating income and revenue for the government through taxes, and by providing affordable clothing (MCAK, 2024).

The supply and demand for newly manufactured textiles differ from those of used clothing. There is a significant price difference between the two products, with used clothes typically being cheaper.

Since the second-hand clothing industry and the locally manufactured textile industry operate as separate markets, the players in these markets do not compete with one another.

Both local manufacturing and second-hand clothing sectors support the Government's agenda on job creation. While textile manufacturers have a clear value chain that allows the Government to estimate potential job creation, there is a need to analyse the second-hand clothing value chain and determine how many jobs it creates to further support this agenda.

A study by the Institute of Economic Affairs (2019) noted that over 2 million Kenyans are directly employed in the second-hand clothing sector.

As the Government implements initiatives to promote the manufacturing of textiles and apparels, fostering a co-existing relationship between manufacturers and the second-hand clothing market is crucial for job creation, especially for the growing youth population.

Very few countries rely exclusively on their own apparel manufacturing sectors. Globalization has facilitated the efficient allocation of production resources, with transnational specialization and economies of scale enhancing competitiveness.

A report by USAID on the second-hand clothing market in the East African Community (2017) indicates that while protecting emerging industries can promote diversification within the apparel sector, the manufacturing capabilities of EAC member countries, including Kenya, do not currently support a fully integrated and globally competitive apparel industry in the short or medium term.

Consequently, promoting local cotton, textile, and apparel manufacturing in the country is key in the context of the second-hand clothing economy.

2. Review of Cotton, Textile and Apparels Sector in

2. Performance of the Cotton-Textile-

The performance of the cotton-textile-apparels subsector demonstrates slow growth rates, despite interventions by the government over time.

The subsector's value added in the overall manufacturing sector averaged 9.25 per cent in the period 1963-2021, increasing from 4.0 per cent in 2008 to 16.1 per cent in 2010 (Figure 1). The manufacturing sector value added in the same period averaged 10.2 per cent.

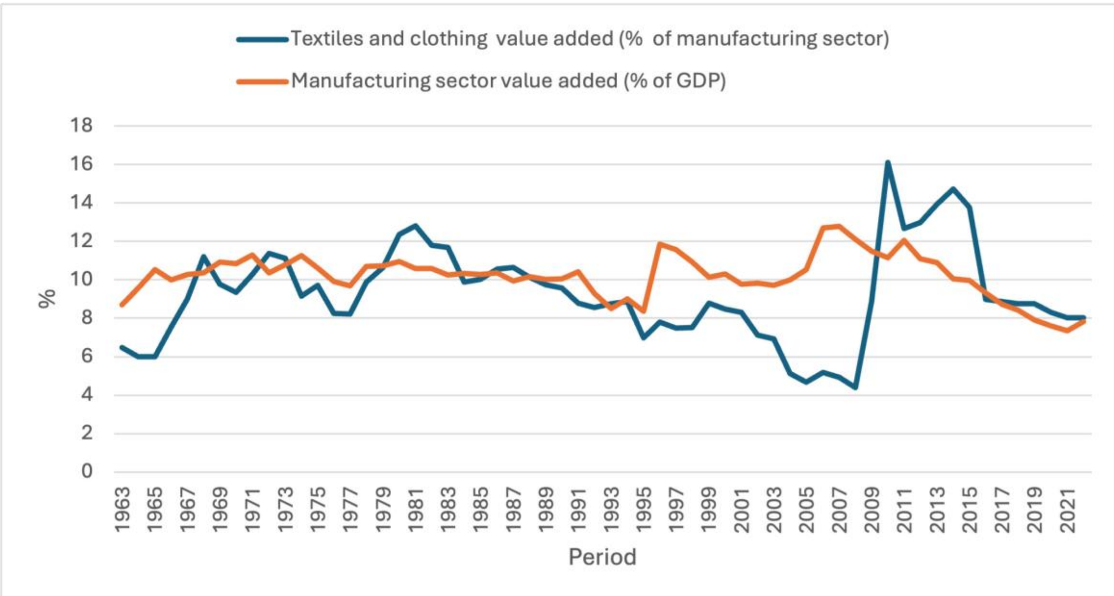


Figure 1: Textile and clothing value added (Source: UNIDO: 2024)

The contribution of the subsector to Gross Domestic Product (GDP) averaged 1.9 per cent in the period 2011-2020 declining from 2.3 percent in 2011 to 1.4 per cent in 2020 (UNIDO, 2024).

In 2025, the wearing and apparel sectors grew by 3.5 per cent while the textiles sector grew by 2.5 per cent (KNBS, 2025).

On wage employment in the formal sector, the contribution of the cotton-textile-apparel (CTA) manufacturing to overall manufacturing increased from 23.4 per cent in 2011, peaking at 28.2 per cent in 2018, while the share in overall wage employment has largely remained stagnant at about 3 per cent (KNBS, 2020).

In 2005 and 2018, 47,352 and 86,708 persons, respectively, were employed in Kenya in the CTA manufacturing. Vietnam had 699,643 and 172,3447 persons employed, respectively, in the same period.

In 2025, wage employment in the manufacturing sector, which includes the textiles sector, was 21.9 per cent, accounting for a 0.9 per cent growth (KNBS, 2025).

2. Constraints in the Cotton, Textile and

2.2.1 Input level

Cotton production in Kenya, which is largely smallholder-based, has diminished in recent decades.

Since independence in 1963, production of seed cotton was highest in 1978 and 1987 and lowest post-market liberalization in early 1990s (Figure 2).

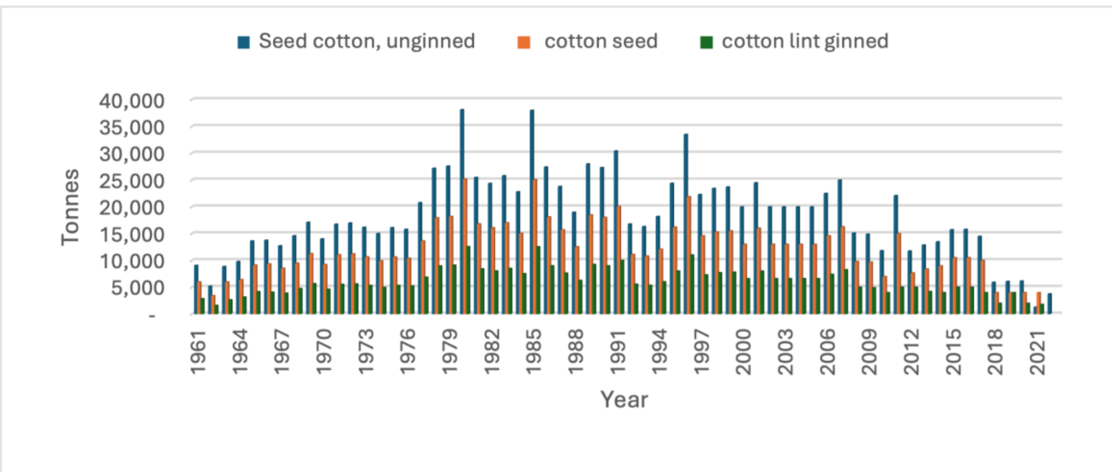


Figure 2: Cotton production in Kenya (Source: FOATAT: 2024)

Seed cotton production has declined from about 38,000 tonnes in 1980 to 6,000 tonnes by 2019 (over 80 per cent decline in quantity produced). This can be attributed to declining investments in agriculture.

The share of agricultural input to GDP declined from 3.4 per cent in 1990 to 0.8 per cent in 2019 (KNBS, 1995; 2019).

Further, market liberalization in the early 1990s dampened growth of local industries and therefore farm-level production through weakened backward linkages (Shibia and Igesa, 2011).

Liberalizing cotton imports was associated with the decline in domestic production of cotton because imported cotton became readily available and cheaper.

For example, with a 65 per cent elimination of import tariffs on importation of cotton into the country, domestic cotton production decreased by 1.6 per cent, exports of cotton produced domestically went down by 0.3 per cent, and imports of cotton increased by 7.4 per cent.

Further, domestic cotton production faced competition from imports, with prices of imported cotton declining four-fold.

The declining investments, especially in cotton, is also linked to high volatility of the commodity prices, which weakens its competitiveness, thus limiting farmers' scale of participation in the value chain.

The competitive bottlenecks stifling smallholder production include limited access to markets, high input costs coupled with weak extension services, and capacity building programmes.

Other constraints at the farm gate level emanate from various issues, including transport logistics; marketplace traceability for raw cotton; minimum floor price before and after harvesting and further sanctity of the contracts that farmers face when such contracts are not honoured by their cotton buyers (Shibia and Igesa, 2011).

2.2.2 Value addition

Cotton ginners face bottlenecks from managing cotton seed input supplies and cotton lint price, technology upgradation, financing costs both for capital expenditures (CAPEX) and operating expenditures (OPEX)[1] and cost of doing business, with sanctity of contracts and commitments posing significant risks in their agility to do business (Regional Agricultural Trade Expansion Support Program/RATES, 2003; Monroy, Mulinge, and Witwer, 2012).

Textile mills are also faced with constraints that include high cost of upgrading technology; cost of utilities, including electricity and costs of managing effluent from the plants owing to increasing interests in environmental conservation (World Bank Survey, 2019).

Kenya charges US$ 0.15 c/kWh compared to its competitors such as Ethiopia with US$ 0.04 c/kWh (KAM, 2014). The textile mills also face unpredictable raw material traceability and supply, with such sources being unsustainable.

Other critical challenges facing firms, especially the medium and large firms, relate to labour-related issues, especially micro enterprises, perhaps due to their inability to attract a skilled workforce because of their weak resource base.

On average, the share of labour costs in annual sales are 32.6 per cent while the share of raw material inputs and electricity are 43 per cent and 9.4 per cent, respectively (World Bank Survey, 2019).

Majority of the enterprises in the cotton-textile-apparel subsector are MSEs and operate within the informal (KNBS, 2017). While there is a high demand for credit among the informal textile and apparel MSEs, they face disproportionately high levels of credit rationing due to limitations imposed by collateral challenges (Shibia and Igesa, 2011).

Further, the level of capacity utilization of textile and apparel firms ranges between 69.3 per cent for small enterprises and 78.6 per cent for large enterprises. The factors contributing to capacity underutilization include political uncertainty, suppressed demand, and uncertainties related to future market prospects (World Bank Survey, 2019).

These constraints are, however, disproportionately severe to MSEs compared to medium and large enterprises. Machinery obsolescence is also a challenge to most

1 *Examples of CAPEX include investments to acquire and/or upgrade assets such as plant, machinery, and technology; while OPEX include items such as cost of input, taxes.*

small enterprises compared to medium and large enterprises. Use of obsolete machinery affects the productivity of these firms.

Firms in the cotton-textile-apparel subsector largely source their intermediate inputs from domestic markets. Some firms, however, have a relatively higher share of imported intermediate inputs (Shibia and Igesa, 2011).

Such firms are thus likely to experience constraints related to international trade with respect to issues such as global supply chain disruptions.

For instance, because of the COVID-19 pandemic in 2020, the cotton-textile-apparels value chain was severely affected due to disruptions of global supply chain and depressed demand in major export destinations such as the European and the US markets (Teodoro and Rodriguez, 2020).

2.2.3 Market access

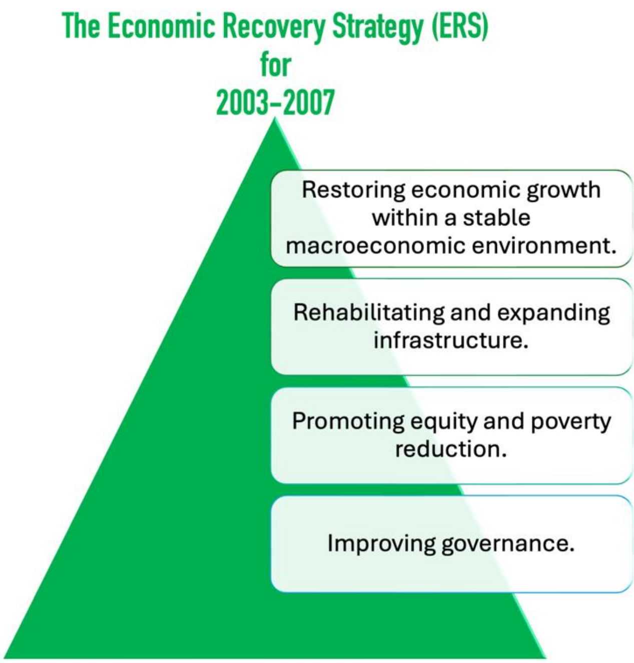
Harnessing opportunities for manufactured products in the local market, regional markets and global markets is critical. The extent to which the opportunities for largely expanding these markets depend on cost advantages, trade policies and consumer tastes and preferences (Shibia and Igesa, 2011).

The Kenya Vision 2030 aspirations under the manufacturing sector is growth of exports, particularly in the EAC market (Government of Kenya, 2008). The key constraints emanate from high costs of production that make the Kenyan products less competitive, and which hinder exploitation of available opportunities. Such opportunities are in COMESA, EAC, tripartite agreements with the Southern African Development Community and the Africa Continental Free Trade Area (AfCFTA).

The African Growth and Opportunities Act (AGOA) that has been extended in 2015 by 10 years to 2025 also provides a boon for export markets in the US.

Exports of new textiles, whose bulk of the raw material (cotton, fabric) used is not produced in Kenya to major destinations including AGOA, EAC, EU and AfCTA have however been low especially since 2014.

The share of new textiles in exports has averaged 4.9 per cent (Figure 3). In Vietnam, 26 per cent of export earnings are derived from the cotton-textile apparel value chain (Shibia and Igesa, 2011).



Taxation and foreign competition challenges also exist and are relatively higher among formal textile and apparel MSEs compared to the informal ones.

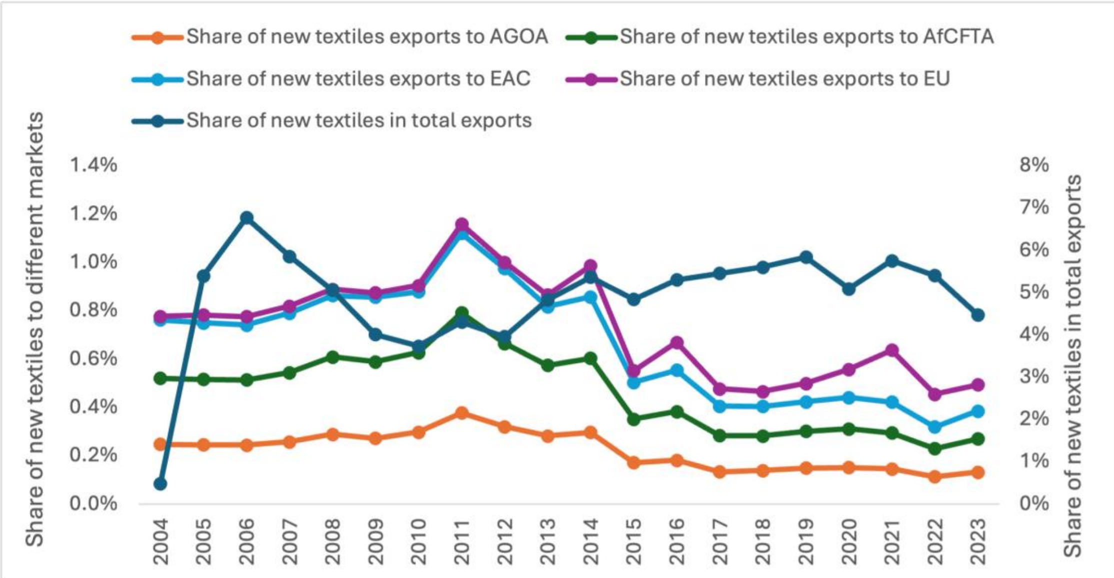


Figure 3: Exports of new textiles (Source: ITC, 2024)

The taxation challenges partly explain why some MSEs remain informal. Foreign competition can be interpreted within export markets' contexts, or within the domestic market to the extent that it imposes additional competition and therefore market access challenges locally.

The liberalization of imports of apparels with a 65 per cent elimination of import tariffs was associated with the decline in domestic production of apparels by 1.7 per cent, exports of apparels produced domestically went down by 0.9 per cent, and imports of apparels increased by 33.9 per cent.

The domestic apparels production faced competition from imports, with prices of imported apparels declining by eight (8) times.

Majority of the Kenyan formal and informal MSEs sell their products to individual consumers. However, the population's purchasing power continues to deteriorate, reducing effective demand for textile products (Shibia and Igesa, 2011).

Furthermore, weak business management skills render the industry less competitive. The supply and costs of fashion fabrics, and market access logistics and shipping outside the domestic market, generally hamper value chain participation (Shibia and Igesa, 2011). High costs of logistics, and long lead times make Kenyan costs 3-4 per cent more than those of other competitive countries such as Bangladesh.

2. Policy

The following frameworks guide the cotton, textile, and apparel sector in Kenya:

2.3.1 Sessional Paper No. 2 of 1997 on Industrial Transformation to the Year 2020

The paper outlined two broad strategies of industrialization:

(a) Import-substitution industrialization.

(b) Export-oriented industrialization.

The delayed growth of the manufacturing sector, including the cotton textile and apparel industry, was attributed to competition from imported goods, including SHC (*mitumba*), and the underdeveloped state of intermediate and capital goods' industries.

Kenya implemented protectionist policies, including tariffs and exchange rate manipulation, to promote domestic industries. These policies were designed to slow down the importation of goods, including second-hand clothing.

While these policies initially stimulated growth, excessive government control hindered the development of more advanced industries, such as those producing intermediate and capital goods. As a result, the strategy failed to significantly reduce poverty or create jobs.

2.3.2 Sessional Paper No. 9 of 2012 on National Industrialization Policy for Kenya 2012-2030

Situational analysis states that the top three manufacturing subsectors—including textiles, apparel, leather, and footwear—contribute 50 per cent of the sector's GDP, 50 per cent of exports, and 60 per cent of formal employment.

Despite this, manufacturing in Kenya was in decline for a significant period, with its contribution to the national GDP remaining stagnant at around 10 per cent since the 1960s.

The framework prioritized competitive prices for cotton farmers through the Cotton Development Authority (CODA), currently the Cotton Fibre Directorate under the Agriculture and Food Authority (AFA).

It emphasized the revival of dormant textile mills, incentives for private sector investments in weaving and milling, and regional (EAC) textile sector development.

The policy proposed a ban on exports of raw and semi-processed cotton and a levy on cotton lint to encourage local value addition.

It also proposed banning the importation of second-hand clothes (*mitumba*) to support domestic textile markets. The approach was not fully comprehensive across the value chain, with a stronger emphasis on value addition and market access.

The policy lacked a holistic value chain approach and faced challenges in implementing these bans due to free-market economy constraints and international trade treaties.

The absence of an implementation matrix also complicated measurement and accountability.

2.3.3 The Economic Recovery Strategy (ERS) for 2003-2007[2]

The strategy focused on four key pillars:

(a) Restoring economic growth within a stable macroeconomic environment;

(b) Rehabilitating and expanding infrastructure;

(c) Promoting equity and poverty reduction; and

(d) Improving governance.

Regarding the cotton, textile, and apparel subsector:

(a) Cotton had the lowest value per hectare.

(b) Textile waste accounted for 3 per cent of total waste.

2 *Government of Kenya. (2003), Economic Recovery Strategy for Wealth and Employment Creation (2003-2007). Government Printer*

2.3.4 The Kenya Vision 2030 Medium-Term Plan II (2013-2017)[3]

The medium-term plan focused on transforming Kenya's economy through devolution, socio-economic development, equity, and national unity.

(a) In 2011, the textile and clothing subsector recorded 18 per cent growth, but Kenyan products only accounted for 7 per cent of the US$ 11 billion regional market, which was dominated by imports from outside the region. Locally manufactured goods made up 25 per cent of Kenya's exports.

(b) Despite progress in the MTP I, Kenya faced significant challenges, including a narrow export range and slow growth in export values compared to imports. The importation of counterfeit, substandard, and subsidized goods negatively impacted locally produced products.

(c) The Government aimed to support industrialization by reducing reliance on agriculture and services, growing the manufacturing sector, and enhancing the competitiveness of local entrepreneurs in both local and external markets.

(d) From 2008 to 2012, the value of total merchandise exports grew by 48 per cent, while imports increased by 78.3 per cent from Ksh 770.7 billion in 2008 to Ksh 1.37 trillion in 2012, widening the trade balance.

Most imports were capital goods or raw materials, while exports consisted mainly of agricultural products.

(e) The plan did not specifically address the cotton, textile, and apparel (CTA) subsector, either in the context of promoting domestic production or imported second-hand clothing.

2.3.5 The Kenya Vision 2030 Medium-Term Plan III

The medium-term plan focused on advancing socio-economic development through the "Big Four" initiatives:

(a) Industrialization

(b) Manufacturing and agro-processing. This sector encompassed the local cotton-textile and apparels subsector.

(c) Affordable housing, food and nutrition security

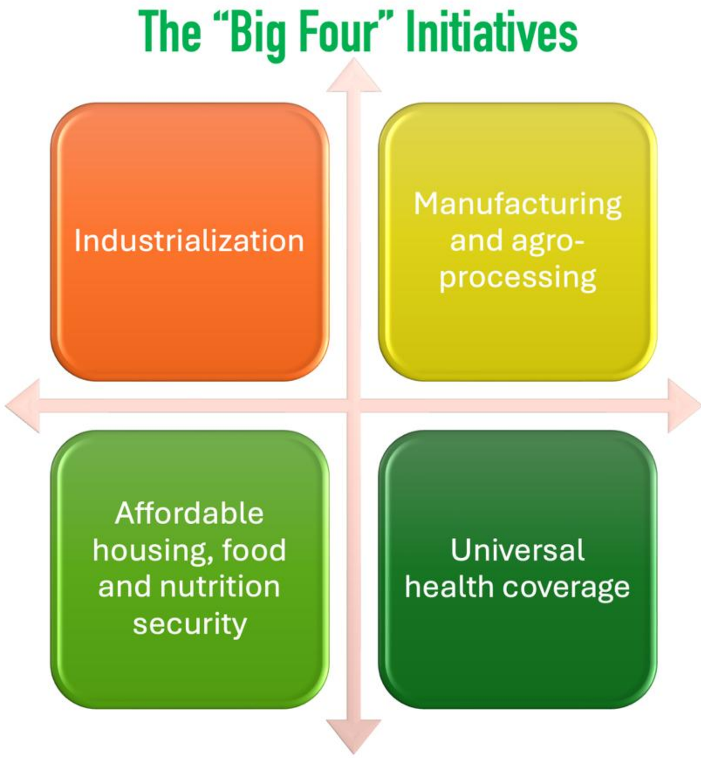
(d) Universal health coverage

3 *Government of Kenya. (2013) The Kenya Vision 2030 Medium-Term Plan II (2013-2018). Transforming Kenya: Pathway to Devolution, Socio-Economic Development, Equity, and National Unity. Government printer*

4 *Government of Kenya. (2018) The Kenya Vision 2030 Medium-Term Plan III (2018-2022). Transforming Lives: Advancing Socio-Economic Development through the "Big Four". Government printer.*

Science, Technology, and Innovation:

(a) Biotechnology stewardship would facilitate the adoption of Bt maize and Bt cotton with the goal of adding value to the local textile manufacturing industry.



Economic Pillar:

(a) While the cotton, textile, and apparel (CTA) sectors were not among the eight priority sectors for economic growth, the plan aimed to create 3,850 new manufacturing enterprises.

Export earnings from textiles and apparels were targeted to grow from Ksh 80 billion in 2017 to Ksh 200 billion by the end of the plan period.

(b) The industrial sector was projected to grow from 5.8 per cent in 2018 to 7.0 per cent by 2022, with the manufacturing sector's contribution to GDP targeted to rise from 9.2 per cent in 2016 to 15.0 per cent by 2022.

Special focus would be on textiles, apparel, leather processing, and construction materials. Agro-processing would aim to cover at least 50 per cent of agricultural production.

(c) The plan included training 50,000 youth and women in textile and apparel skills, enhancing productivity in the textile and leather sectors, and boosting competitiveness.

(d) The industrial clusters programme aimed to increase investments in textiles and apparel through cotton and fibre production, rehabilitation of cotton ginneries, and manufacturing.

It also included the completion of the Machakos Leather Park and construction of three additional parks. Additionally, the plan targeted Kenya's share of the US$ 84 billion U.S. textile market through export trade development.

2.3.6 The Kenya Vision 2030 Medium-Term Plan IV (2023-2027) [5]

This plan focuses on the "Bottom-Up Economic Transformation Agenda" for inclusive growth. The textile and apparel is a subsector within the crop value chain under the Finance and Production Sector.

5 *Government of Kenya (2023), The Kenya Vision 2030 Medium-Term Plan IV (2023-2027). "Bottom-Up Economic Transformation Agenda for Inclusive Growth". Nairobi: Government Printer.*

It emphasizes promoting investments through infrastructure development such as Special Economic Zones, Industrial Parks, Export Processing Zones, County Aggregation, and Industrial Parks, alongside financial inclusion, product market diversification, and fair-trade practices.

The Kenya Vision 2030 Flagship Programmes and Projects Progress Report (2020/2021) highlights several challenges facing the textile and apparel sector:

(a) A shortage of raw materials due to increased processing capacity.

(b) Influx of imported fabrics and second-hand clothes.

(c) Competition from cheaper fabrics imported from Asian markets, and second-hand clothes.

To address these challenges, the progress report recommends regulation of the importation of textile products and second-hand clothes. Further, the progress report identified the weak regulatory framework that balances the interests of local producers and consumers of second-hand goods.

2.3.7 The National Trade Policy, 2017[6]

The policy continued reforms from the 1980s that shifted from import substitution to export-oriented policies. It highlighted new market opportunities, especially in the U.S. under the African Growth and Opportunity Act (AGOA) initiative (extended to 2025), which supports Kenyan exports of apparel, textiles, and coffee and aims to expand textile and apparel exports to the U.S.

Kenya's international competitiveness depends on strengthening domestic trade and promoting value chains, including the cotton textile and apparel industry, for regional and international markets.

The policy proposed development of trade remedies' legislation and building human resource capacity to enforce it. While it emphasizes agro-industrial exports, the policy does not prioritize cotton growth, focusing instead on livestock, horticulture, and fisheries.

2.3.8 The Kenya Industrial Transformation Programme (KITP), 2015[7]

The programme highlighted textiles as a key growth area for industrial exports.

6 *Government of Kenya (2017), The National Trade Policy (2017). Nairobi: Government Printer.*

7 *Government of Kenya (2015), The Kenya Industrial Transformation Programme (KITP), 2015. Nairobi: Government Printer.*

Following the AGOA initiative, Kenya's textile and garment exports rose to around US$ 415 million, representing 30 per cent of the growth in total exports over five years.

Kenya's relatively low labour costs and preferential global market access create a competitive advantage, appealing to buyers seeking to diversify sourcing.

Although Kenya holds only 0.4 per cent of the US$ 84 billion U.S. textiles market, it has potential to increase its share.

Compared to Bangladesh, which is 9 per cent more costly yet holds 6 percent of the U.S. market, Kenya could expand the U.S. and new markets, potentially generating an additional US$ 140-200 million in GDP and creating 105,000 jobs.

2.3.9 Kenya National AGOA Strategy 2018-2023[8]

The Kenya National AGOA Strategy 2018-2023 aims to boost export supply chains and increase exports of prioritized products, including textiles and apparels, to the U.S. by 10.4 per cent annually.

However, it does not specify interventions at the input level, focusing instead on medium-term goals, which may discourage long-term investment from AGOA-exporting firms.

This strategy aligns with the National Export Development and Promotion Strategy (NEDPS) 2018, which reduces some uncertainty for investors but still faces limited implementation resources, a key challenge identified in the review of the previous AGOA Strategy (2012-2016).

Market access challenges persist for apparel and textile firms even under AGOA. Non-Export Processing Zone (EPZ) firms struggle in the domestic market due to high production costs and limited capacity, making it difficult to meet demand. These barriers restrict their market reach and competitiveness.

2.3.10 Environmental Management and Co-ordination Act (EMCA), 1999 [Revised 2015][9]

The Act mandates the National Environment Management Authority (NEMA) to supervise and coordinate environmental policies.

8 *Government of Kenya (2018), Kenya National AGOA Strategy and Action Plan (2018-2023). Nairobi: Government Printer.*

9 *Government of Kenya (2015), Environmental Management and Co-ordination Act (EMCA), 1999 [Revised 2015]. Government printer*

It regulates textile and apparel manufacturers through requirements for Environmental Impact Assessments (EIA), audits, pollution control, waste management, biodiversity conservation, and public participation.

NEMA's resource limitations impact effective monitoring and enforcement, and inconsistent standards can disadvantage compliant businesses within the textile industry.

2.3.11 Anti-Counterfeit Act, 2008 [Revised 2022][10]

The Act protects intellectual property rights such as trademarks and designs, essential for brand identity.

It promotes consumer awareness of counterfeits, emphasizing the risks and benefits of genuine products, thus helping safeguard industry revenue, brand reputation, and consumer safety.

2.3.12 Export Processing Zone (EPZ) Act, 2012[11]

The Act offers export processing zone enterprises exemptions from custom duties, VAT, income tax, withholding tax on dividends for non-residents, quotas, exchange controls, rent and tenancy regulations, and other possible exemptions by the Minister of Finance. These businesses benefit from on-site customs inspection for imports and exports.

While the EPZ Act emphasizes export industries, it lacks a comprehensive policy on sustainable raw materials and production costs to strengthen local textile and apparel sectors. Other critical considerations include job creation, poverty reduction, and environmental sustainability.

2.3.13 County Government Act, 2012 [12]

This Act requires counties to create five-year County Integrated Development Plans (CIDPs) to guide local development.

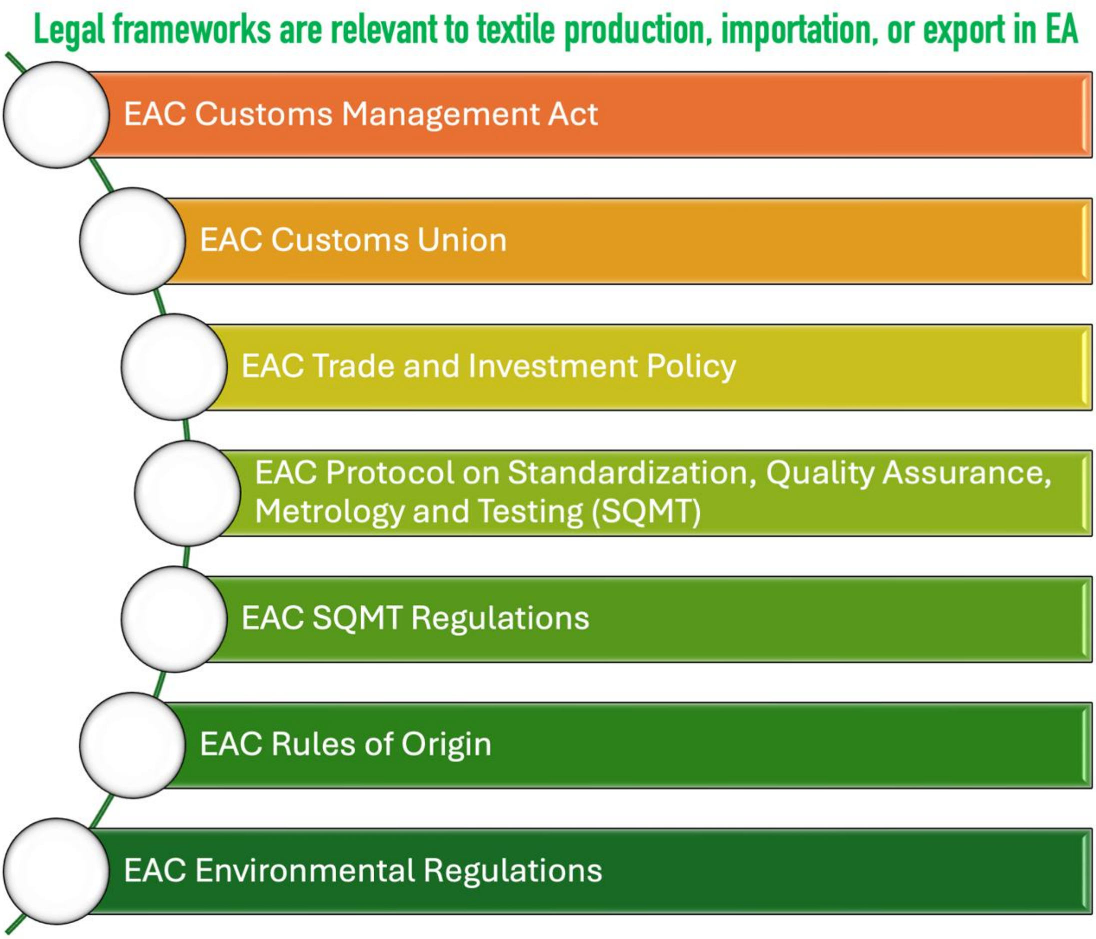
Some counties initially prioritized the cotton-textile-apparel (CTA) value chain in their 2013-2017 CIDPs, but subsequent plans (2018-2022 and 2023-2027) showed a decline in textile sector prioritization.

10 Government of Kenya (2022), Anti-Counterfeit Act, 2008 [Revised 2022]. Government printer
11 Government of Kenya (2012), Export Processing Zone (EPZ) Act, 2012. Government printer
12 Government of Kenya. (2012), County Government Act, 2012. Nairobi: Government Printer.

For example, Mombasa County allocated resources for textiles in its first CIDP (2013-2017) but omitted this focus in later plans.

The Act also mandates county-level environmental conservation action through the Environmental Management and Coordination Act (EMCA).

Inconsistencies in policy focus and the absence of long-term planning contribute to uncertainties for potential private sector investors and hinder sustainable development in the local textile and apparel industry.



3. Review of Second-Hand Clothing Sector

3. Overview

Kenyan imports of used textiles (worn clothing and other worn articles; worn items of clothing; other worn articles; and worn items of footwear) have been larger than the country's exports of used textiles (Figure 4).

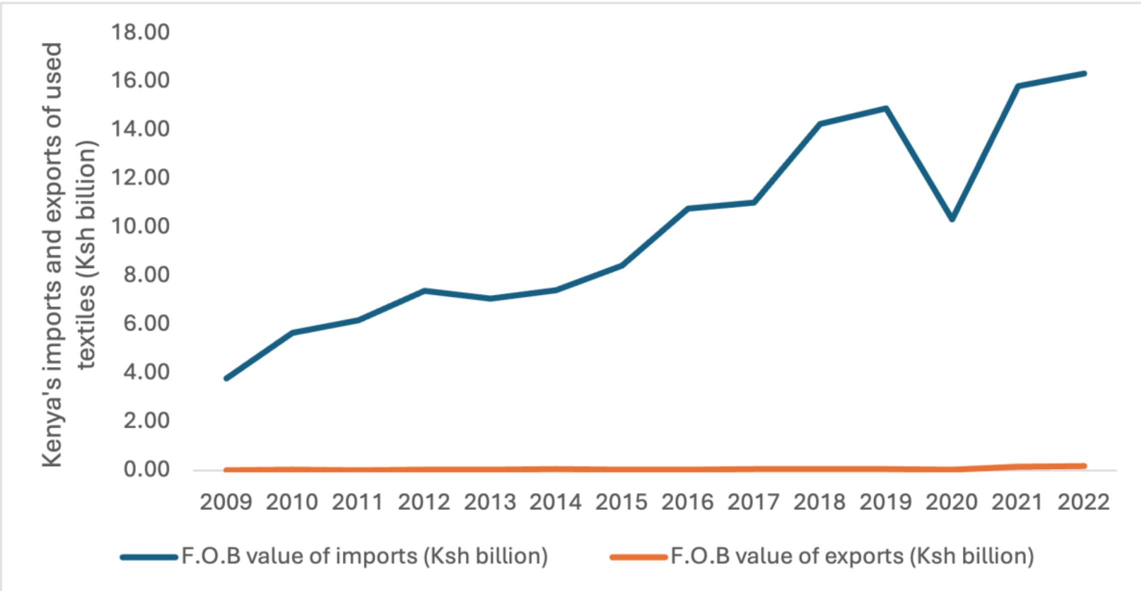


Figure 4: Kenya's imports and exports of used textiles: Source: KRA (2006–2022)

This could be due to a rising demand for quality and affordable textiles and clothing with the rapid population growth. However, the value of used textiles imported into Kenya took a dip in 2020 due to COVID-19.

Focusing on the value chain, this means that Kenya is a net consumer of used textiles because imports are larger than exports.

Given some of the used textiles are near end-of-life, there have been concerns that influx of used textiles in the country could stifle growth of the domestic textile and apparel industry, leading to job losses and reduced government revenue.

The second-hand clothing economy represents a small proportion of the total global trade in clothing (less than 0.5 per cent of total value), but for many Sub-Saharan African countries, it is a dominant feature of the clothing market (more than 30 per cent of the total value of imports, and much more than 50 per cent in volume terms).

In most of these countries, the second-hand clothing business is declining as a share of total clothing imports, due to increase in new imports from Asia. Nonetheless, it remains highly significant (Baden and Barber, 2005).

3. Social-Economic

The second-hand clothing economy in Kenya has contributed significantly to employment, affordable clothing environmental sustainability, and economic development in urban and rural areas.

Despite some challenges, the sector provides important socio-economic benefits, particularly in creating opportunities for entrepreneurship and enhancing access to affordable goods.

With the right regulations and support for the local textile industry, the second-hand clothing market can thrive and even promote sustainable development in Kenya. The positive impact of the second-hand clothing economy on the Kenyan society is undeniable.

The key socio-economic benefits are discussed below.

3.2.1 Job creation

The informal sector, including second-hand clothing markets, employs millions of people in Kenya (KNBS, 2021).

The second-hand clothing market, known locally as *"mitumba,"* provides livelihoods for individuals working in retail, sorting, importing, and transportation.

Research conducted by the Institute of Economic Affairs (IEA) in the report titled "*The State of Second-Hand Clothes and Footwear Trade in Kenya*"[13] showed that based on the KNBS Manpower Survey, *mitumba* traders fall under the second-hand clothes and footwear industry, which employs an estimated 10 per cent of the extended labour force of 20,641,175 workers, based on the Labour Force Survey report in 2020.

13 This report can be found at: https://mitumbaassociation.org/wp-content/uploads/2023/03/The-Economic-Report-Second-Hand-Clothes.pdf.

This creates jobs and opportunities for men, women, and young people to establish thriving micro-businesses spanning the second-hand clothing supply chain, which includes importers, wholesalers, retailers, and those involved in distribution. Generating employment and jobs in an era of high unemployment in Kenya is important.

3.2.2 Entrepreneurship

Many individuals have set up small businesses (both formal and informal), selling second-hand clothes at market stalls, retail outlets and on social media.

This trade offers low-barrier opportunities for entrepreneurship, particularly for women and young people. Many small-scale entrepreneurs operate second-hand clothing stalls in local markets, flea markets, and on social media.

The second-hand clothing businesses in Kenya has empowered many individuals, especially women and youth, to start their own businesses with minimal capital investment.

3.2.3 Affordable and quality clothing

Second-hand clothes, commonly sold at a fraction of the price of new clothes, offer significant savings to consumers.

The affordability of *mitumba* garments makes them an attractive option for individuals and families living on low incomes.

UNICEF Kenya (2020) indicates that most Kenyan households rely on second-hand clothing to access affordable fashion, especially since the prices of new clothes can be prohibitively high for many families.

Often, second-hand clothing consists of higher-quality goods from international markets that might be out of reach if purchased new. This allows consumers in Kenya to access branded and durable clothing at a fraction of the cost. This contributes to an overall improvement in the quality of life for low-income households.

3.2.4 Economic resilience and diversification

The second-hand clothing market contributes to economic resilience, especially during periods of economic hardship. It serves as an alternative source of income for many Kenyans, particularly in times of economic downturn or unemployment.

During tough economic periods, such as the COVID-19 pandemic, the second-hand clothing market provided a vital source of income for many families. This sector saw an increase in demand as consumers turned to affordable alternatives to new garments (KIPPRA, 2020).

The ability of the *mitumba* market to adapt and respond to changes in consumer demand has helped build economic resilience particularly for women and youth in rural and urban areas in local communities.

The second-hand clothing economy also diversifies the sources of income for many Kenyans. For individuals who may not have formal jobs or access to capital, selling second-hand clothing offers an opportunity to participate in the economy.

This informal sector activity, which includes a wide range of small businesses from street vendors to large wholesale traders, contributes to the broader Kenyan economy by increasing domestic consumption and stimulating local markets (MCAK, 2021).

Beyond selling, the second-hand clothing economy also includes people involved in garment repairs, alterations, and recycling, creating additional economic opportunities in related sectors.

3.2.5 Environmental sustainability and waste reduction

The second-hand clothing economy in Kenya helps to reduce textile waste by promoting the recycling and reuse of garments.

The importation of second-hand clothing into Kenya helps divert used garments from landfills in other parts of the world. By recycling and repurposing these garments, the *mitumba* market in Kenya reduces the environmental impact associated with textile waste.

The Environmental Management and Coordination Act (EMCA) of Kenya (2021) indicates that the country has seen growing awareness about waste management, and the second-hand clothing market plays a role in minimizing textile waste that would otherwise end up in landfills as the clothes are repurposed and resold, contributing to sustainable consumption practices.

The availability of second-hand clothing promotes a more sustainable consumption model. Consumers in Kenya and East Africa are increasingly aware of the environmental impact of fast fashion, and the second-hand clothing market presents an alternative to the environmentally harmful effects of new garment production.

3.2.6 Support for local communities and charitable causes

The second-hand clothing market also supports various charitable causes and community development initiatives in Kenya, especially through non-profit organizations and social enterprises.

In some instances, the proceeds from second-hand clothing sales are directed to charitable organizations that help support marginalized communities.

For example, some charitable organizations sell second-hand clothes to raise funds for educational programmes, healthcare services, and poverty alleviation initiatives.

The Kenya Red Cross and World Vision Kenya are examples of organizations that have integrated second-hand clothing sales into their fundraising strategies to support community-based programmes.

Further, the second-hand clothing market is often linked to social enterprises that aim to provide both social and economic benefits. These social businesses promote inclusive economic development, with a focus on improving living standards for disadvantaged groups.

The Mitumba Consortium Association of Kenya (MCAK) has partnered with social enterprises to promote more inclusive and sustainable practices in the sector (MCAK, 2021).

3.2.7 Cultural and economic integration

The second-hand clothing market in Kenya is deeply integrated into the country's economic fabric, fostering cultural exchange, and supporting local entrepreneurship.

Imports of second-hand clothing often include garments from Western countries and other parts of the world, introducing Kenyans to a variety of global fashion trends and cultural influences. This allows for the blending of international styles with local tastes, creating a unique fashion culture in Kenya.

A study by University of Nairobi (2017) noted that second-hand clothing markets contribute to the development of local fashion styles by introducing new materials and clothing designs from abroad.

The growth of the second-hand clothing market has also led to the creation of local businesses that specialize in the repair, alteration, and customization of second-hand garments. This has provided Kenyans with an opportunity to learn new skills in tailoring, fashion design, and small business management.

The tailoring and repair of second-hand clothes has become a thriving micro-enterprise especially in urban areas (Kenya National Chamber of Commerce and Industry, 2019).

This trade in Kenya sustains and enhances local markets, particularly in urban areas where large clusters of vendors sell to a wide customer base.

These markets generate local economic activity, from transportation and logistics to retail and customer service.

3.2.8 Foreign exchange earnings

The importation and resale of second-hand clothings generates revenue for the local economy and, although there is debate around the trade's impact on local textile industries, it provides substantial economic flow.

A vibrant second-hand clothing sector confers significant benefits on national and regional economies, including a net contribution to Gross Domestic Product (GDP) and tax revenue.

This revenue in turn increases the capacity of governments to invest in productive infrastructure, strengthening the domestic production base, including in textiles.

3.2.9 Tax revenue generation

Although much of the second-hand clothing market operates in the informal sector, all importers are registered and must comply with the requirements on the Import Declaration Form (IDF), for tax purposes. Taxes levied on second-hand clothes include import duties, railway development levy, and import declaration levy.

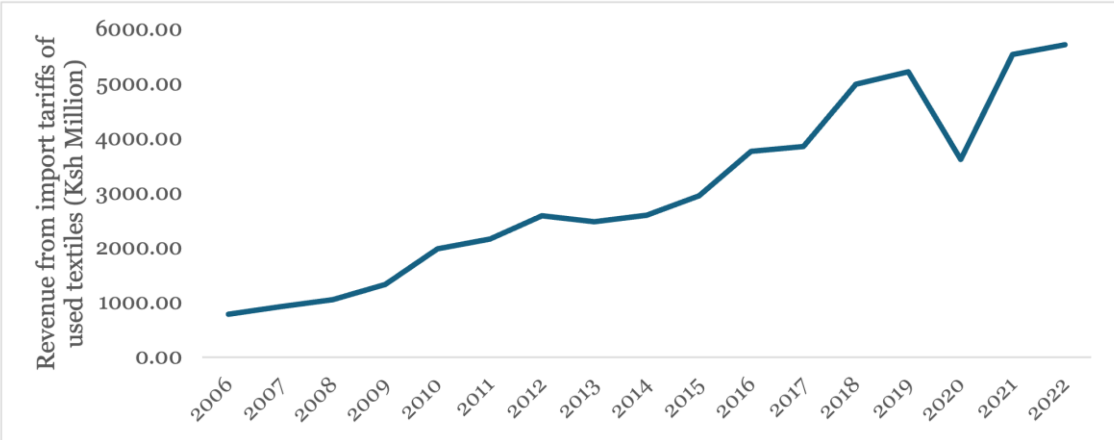


Figure 5: Revenue from import duty of second-hand clothes (Source: Analysis from KRA data)

3. Issues of Concern in the Second-Hand

3.3.1 Impact on local cotton, textile, apparel industry

The import of second-hand clothes has been blamed for undermining Kenya's domestic textile industry, which faces difficulty competing with the affordability of used clothes. This has led to calls for regulation or reduction of second-hand clothing imports in favour of boosting local garment production.

There is, however, no robust evidence that a growing second-hand clothes industry undermines domestic textile production in the EAC states.

For Kenya, evidence shows that improving capacity of the domestic textiles sector could reverse the adverse effects associated with liberalization.

For Kenya and Tanzania, the shift towards second-hand clothes has been largely due to inability of the domestic textile sector to competitively produce affordable textiles and apparels. This points to underlying capacity constraints, which are also reflected in the low scores for revealed comparative advantage.

Empirical evidence for small-open economies points that domestic industries that lose competitiveness with liberalization were already operating inefficiently (2023).

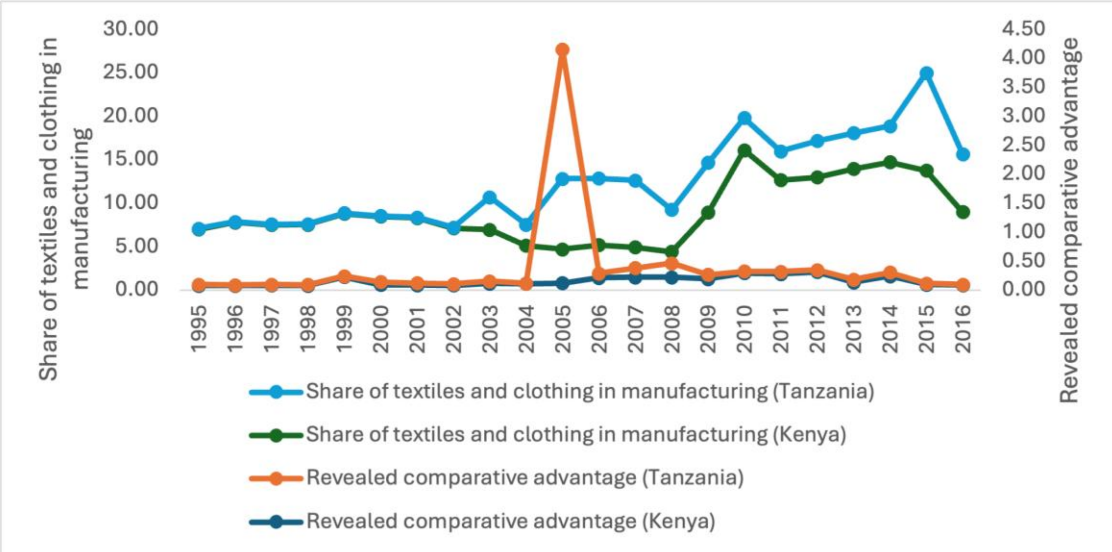


Figure 6: Revealed comparative advantage and textile manufacturing (Source: UNCTAD)

A USAID report concludes that: 'Trade in second-hand clothing is in the EAC's interest in regional economic development and industrialization... China, rather than the local industry, is the most likely and immediate beneficiary of a phase out on imports of second-hand clothing from the United States'. (*USAID, 'Overview of the Second-Hand Clothing Market in East Africa,' July 2017 https:// pdf. usaid.gov/pdf_docs/PA00TC4G.pdf.*

3. Policy

3.4.1 Global overview

Regulation of second-hand clothes is undertaken through export restrictions, global standards and import bans. Import regulations for used clothing vary from one country to another.

In the United States, exports of second-hand clothes are subject to the rules and regulations set by Customs and Border Protection (CBP) while imports are regulated under provision 6309 in the Harmonized Tariff Schedule (HTS).

In India, imports of second-hand clothes are restricted to certificates on disinfection and fumigation generated by a licensed agency of country of origin and 100 per cent inspection at the premises of the unit by SEZ/Customs authorities.

Other laws include Foreign Trade (Development and Regulation) Act, 1992 that provides guidelines to regulate functioning of used clothing units in Special Economic Zones (SEZs).

Chile, Colombia, Costa Rica, Colombia, Egypt, Ghana, Greece, Kenya, Lebanon, Sri Lanka, Uganda, and Pakistan require fumigation certificates at the time of import.

In the Philippines, importation of second-hand clothes was prohibited in 1966 through the law, Republic Act No. 4653.

However, in 2022, House Bill No. 3845 was filed to legalize the importation of second-hand clothing based on becoming part of the economy. In Africa, Rwanda also heavily restricted the importation of second-hand clothes in 2017.

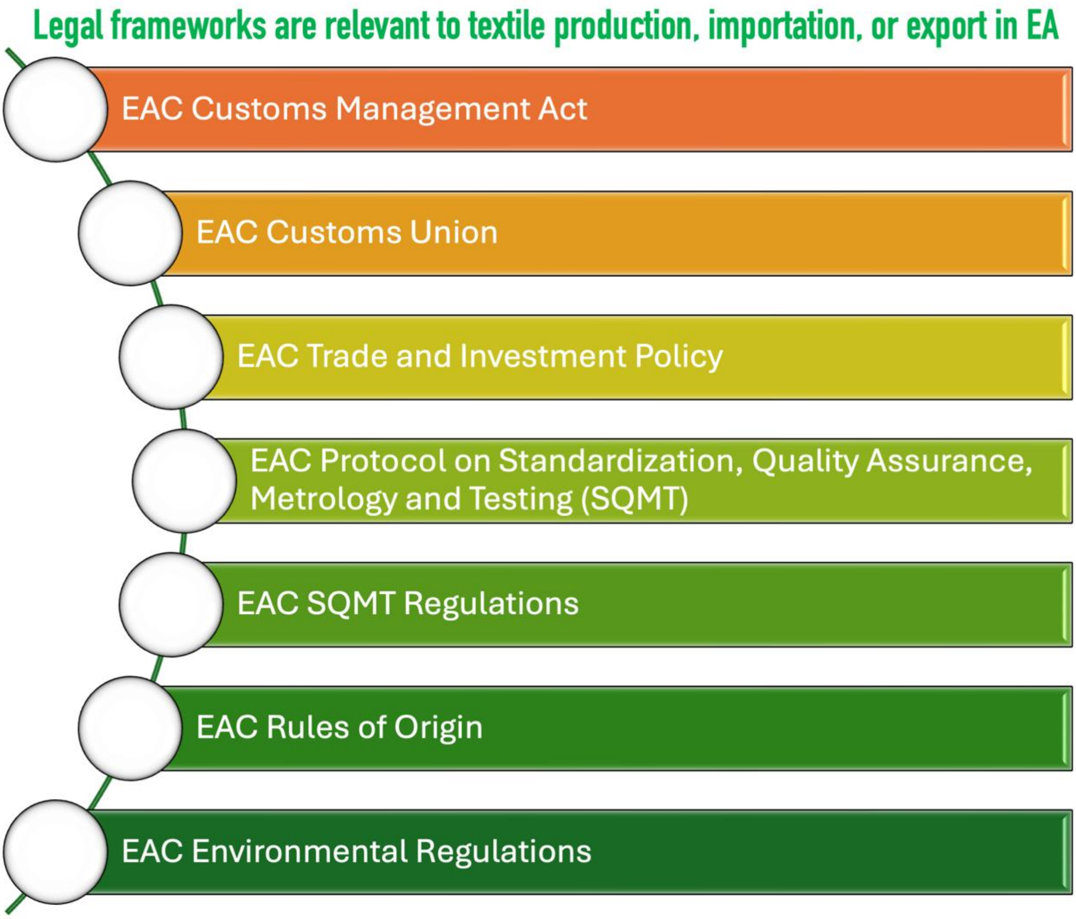
Besides restrictions of imports of second-hand clothes, countries apply import duty as a tool for restricting importation of second-hand clothes; the import duty is considered a source of revenue for the countries.

For example, in the United Kingdom, 12 per cent import duty is applied, 35 per cent in Argentina, 10 per cent in Australia, 5 per cent in Bangladesh, 25 per cent in China and 35 per cent in the EAC countries.

Generally, liberalization of markets provides opportunities for countries to make decisions on second-hand clothes through regulation, export restrictions and bans. Without a globally recognized framework on second-hand clothes, countries are required to make choices that serve their best interests.

Generally, there are no exclusive globally accepted regulatory frameworks on second-hand clothes. However, some policy regulations exist at national and bilateral levels across the world.

3. Regional Regulatory



3.5.1 *African Continental Free Trade Area*

The African Continental Free Trade Area (AfCFTA) is designed to boost trade on the continent. It provides standards for production and distribution of goods such as sanitary and phytosanitary measures. As goods traded in Africa, second-hand clothes are not exempted in this framework.

3.5.2 *East Africa Community*

Balancing the protection of local textile industries and promoting a liberalized economy, including the importation of second-hand clothes, is delicate in East Africa.

In 2015, the EAC Heads of State began a three-year phase-out of second-hand clothes to bolster local textile, apparel, and leather industries.

While Kenya, Uganda, and Tanzania later reversed this decision, Rwanda maintained its stance. Rwanda introduced significant restrictions on second-hand clothes in 2017, developing a strategy to enhance its textile and leather sectors.

This strategy aimed to create 25,655 jobs, boost exports to US$ 43 million, and reduce imports to US$ 33 million by 2019.

The US government condemned the move, arguing it would not help rebuild the local textile sector and could lead to loss of over 300,000 jobs across the region. The US also questioned the affordability of new apparels for EAC citizens if second-hand clothes were banned.

In Uganda, the Government is committed to promoting the apparel industry and has continuously targeted used clothing. In 2023, it threatened to ban second-hand clothes to boost local textile production.

Other interventions to promote local apparel industry include tax breaks, reduced corporate tax, SEZs promoting African wear, and programmes that foster interaction between policy makers, manufacturers, and factory visits to inspire sustainable growth.

Besides the declaration by EAC Heads of State and AGOA, the following legal frameworks are relevant to textile production, importation, or export in EAC.

(i) EAC Customs Management Act

(ii) EAC Customs Union

(iii) EAC Trade and Investment Policy

(iv) EAC Protocol on Standardization, Quality Assurance, Metrology and Testing (SQMT)

(v) EAC SQMT Regulations

(vi) EAC Rules of Origin

(vii) EAC Environmental Regulations

None of these frameworks exclusively regulate second-hand clothes. However, at the 17th Ordinary Summit of the East African Community in September 2016, Heads of State noted progress in promoting local industries and directed partner states to ensure imported second-hand shoes and clothes comply with sanitary requirements. They also considered banning the export of raw hides and skins outside the EAC region.

The Summit indicated the lack of a comprehensive legal framework, partly due to failed attempts to ban second-hand clothes, purposefully to promote AGOA.

Despite this, the EAC has pursued other strategies, including:

(i) Development of EAC cotton, textiles and apparels strategy and implementation roadmap to promote local production of cotton and reduce reliance on second-hand clothes.

(ii) Development of EAC Industrialization Strategy intended to diversify the manufacturing base, increase the value-added content of exports, and expand trade in manufacturing.

(iii) Promotion of Buy East Africa Build East Africa (BEABEA), aimed at encouraging citizens in EAC to use traditional clothing for official events.

(iv) Development of Digital platform for cotton harvesting and trade to increase intra-EAC trade by supporting the exchange of information on cotton harvesting and trade.

(v) Regionally, there are no exclusive regulatory framework for second- hand clothes. Attempts to develop a regional framework to regulate the importation of the products have failed.
EAC member states, except Rwanda, are yet to develop a policy framework that balances the interests of second-hand clothing sector and local apparel manufacturing. In this regard, the second-hand clothes sector will not exclusively be regulated, unlike AGOA which provides guidelines on production and market of the apparel produced.

To address these challenges, policy makers should focus on harmonizing regulations with international standards and strengthening policy implementation.

By striking a balance between supporting domestic production and facilitating the trade of second-hand clothes, policy makers can create a dynamic and sustainable textile and apparel sector.

3.5.3 Sorting Centres in the East Africa Community

Opening sorting centres in East African Special Economic Zones (SEZs) can enhance the second-hand clothes sector by improving supply chain efficiency.

Policy makers in countries such as Kenya need to adopt a sector-beneficial approach where effective regulation and strategic hubs are essential. Sorting centres create jobs, improve supply chains, and support Kenya's goal of becoming a high-value economy.

Establishing sorting facilities in SEZs can create high skilled jobs in Kenya alone. High-quality sorted seasonal clothes, unsuitable for East African markets, would be exported, generating foreign currency that could potentially exceed import costs.

4. Conclusions

This report has reviewed both the cotton, textiles and apparel and second-hand clothing sectors as an attempt to argue for the coexistence of these two sectors. The review indicates that the two sectors can co-exist.

Therefore, there is need to promote this co-existence because the two sectors are key in providing employment, generating revenue for the government, and providing consumers with choice and variety existence of second-hand textile sector is not a bottleneck to the growth of the cotton, textiles and apparel manufacturing sector. This is because cotton, textiles and apparel has inherent constraints to be addressed along the value chain; that is input -level, value addition and market access.

At the input level, government policy needs to prioritize capacity and competitiveness enhancement within the domestic cotton, textiles, and apparel sector.

There is also need to expand incentives on the provision of improved cotton seed (BT cotton seed), subsidized fertilizer, and organizing farmers into cooperatives to improve market access. Apart from cotton, the other textile and apparel value chains could be given priority.

For value addition level, there is need to address issues of the cost of electricity to support local manufacturing of textiles. The government could allow the textiles manufacturers to generate power on a net metering basis.

Lastly, on market access, negotiations for renewal of AGOA could consider phasing out third-country fabric in favour of local fabric. This will have an impact on foreign direct investments, which will also create decent jobs.

Further, there is need to develop and implement a national criterion to differentiate between used textiles and textile waste. This could support an action plan for better waste management of textile waste from end-of-life clothes and from the textile industry. This includes providing incentives to Micro and Small Enterprises (MSEs) to undertake recycling of end-of-life textile items.

The incentives could include provision of common collection points for end-of-life textiles, appropriate infrastructure to support recycling, and preferential access to financing. This will enhance circularity on end-of-life textile waste from both used textiles and garments bought as new and other textile waste.

Opening sorting centres in Special Economic Zones (SEZs) and major used textile markets could also improve supply chains, and support Kenya's goal of becoming a high-value economy that can create jobs.

Finally, there is need to develop and implement a robust policy and regulatory framework to enhance sorting and packaging within the used textiles and apparel value chain.

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Annex

Annex 1: Policy matrix of the national

Theme/ Policy Issue: Cotton, Textile, and Apparels

Framework/ Policies	Interventions (Relevance)	Implications
Sessional Paper No. 10 of 1965	• Implemented the ban on second-hand textile trade in efforts to promote the local textile industry, alongside regulations on importation during the mid-1960s to early 1980s. • The ban was lifted during the early 1990s (Sessional Paper No. 2 of 1997 on Industrial Transformation to the Year 2020).	There has not been express statutory framework exclusively and consistently regulating the trade of second-hand clothing since.
Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth	• The trade liberalization measures proposed in the paper included: • Harmonization and lowering of tariff levels for non-competitive raw materials. • "Incentive Structure Protective System Manufacturing industry in Kenya today was built under a highly protective incentive system. **The three central elements of this system were:** (a) licensing that limited or prohibited the importation of goods competing with domestic manufactures; (b) high duties on competing imports; and	• The tariff structure was strategically designed to enhance the competitiveness of domestic industries by creating a level playing field against imports. • The implication is that industries failing to adapt and thrive under these conditions are not effectively utilizing the limited resources allocated to them, potentially justifying reallocation of those resources to more productive sectors.

	(c) relatively low duties on industrial inputs." The manufacturing industry includes the local textile and apparel industry that faced competition from the imported second-hand clothes. • Export promotion incentives such as Manufacturing Under Bond, the "green channel system" for administrative approval, export processing zones, and the export compensation scheme (in existence since 1974)	
Sessional Paper No. 02 of 1997 on Industrial Transformation to the Year 2020	• Sessional Paper No. 2 of 1997 on Industrial Transformation to the Year 2020 states "Removal of all laws, regulations and procedures that restrict import and discourage exports." **Two broad strategies of industrialization pursued:** (a) Import-substitution industrialization. (b) Export-oriented industrialization. • The delayed growth in the manufacturing sector was attributed to competition from imported goods. • The underdeveloped nature of intermediate and capital goods industries, including the local textile industry, is acknowledged. • Kenya implemented protectionist policies such as tariffs and exchange rate manipulation to promote domestic industries. While this initially stimulated growth, excessive government control hindered the development of more advanced industries such as intermediate and capital goods production. The strategy failed to significantly reduce poverty or create jobs.	The adoption of this framework led to decline in the competitiveness of the domestic industry, consequently offering a boost to the growth of trade of imported goods, in Kenya, including second-hand clothes.

Sessional Paper No. 9 of 2012 on National Industrialization Policy for Kenya 2012-2030	**Input level:** • Measures for cotton production not explicit but has prioritized competitive prices for cotton farmers through the Cotton Development Authority (CODA), currently the Cotton Fibre Directorate under the Agriculture and Food Authority (AFA). **Processing level:** • It acknowledges the importance of manufacturing MSMEs and the need for their productivity growth. It also proposes revival of dormant textile mills and ginneries, provision of incentives to encourage private sector investments in weaving and milling plants, encouraging regional (EAC) development of a textiles sector to benefit from economies of scale, ban on exportation of raw and semi-processed cotton, and imposition of levy on the export of cotton lint to encourage local value addition. **Market level:** • Proposes a ban on importation of second-hand clothes (mitumba) to facilitate access to local markets by domestically manufactured cotton-textile-apparel products. **Founded on the following core pillars:** • Restoring economic growth within a stable macroeconomic environment. • Rehabilitating and expanding infrastructure. • Promoting equity and poverty reduction. • Enhancing governance.	Not holistic in value chain approach. There is more focus on value addition and access to markets. Absence of implementation matrix blurs measurement indicators and responsible policy actors.

The Economic Recovery Strategy (ERS) for the period 2003-2007	Insights on the Cotton, Textile, and Apparel Sector: Tea is noted to be a high-value crop, while cotton has the lowest value per hectare. **Fiscal Policy and Revenue Generation:** Since 2003, Kenya has made significant strides in revenue generation. From 2003 to 2004, revenue collection increased by around 2 per cent of GDP due to improvements in administration and governance. Despite a VAT reduction from 18 per cent to 16 per cent and lower EAC customs duties under the EAC Common External Tariff (CET), revenue collection has remained close to 21 per cent of GDP, except for 2005/06 where the transition to computerized customs service's temporarily reduced import duties and VAT on imports.	
	With robust revenue efforts and focused spending on agriculture, rural development, infrastructure, education, and health, net domestic borrowing was reduced from 3.6 per cent of GDP in 2002/03 to 1.8 per cent of GDP in 2006/07. Waste Management: Textile waste accounts for 3 per cent of total waste, whereas food waste is the highest at 51 per cent. The Kenya Vision 2030 Medium-Term Plan I (2008-2012) does not specifically address the cotton, textile, and apparel (CTA) sector, either in the context of domestic production or imported second-hand clothing. However, among the key programmes for implementation during this period was a focus on strengthening quality assurance institutions.	

Kenya Vision 2030 **First Medium-Term Plan 2008-2012**	This aimed to ensure that all imports, exports, and goods sold in Kenya met high international standards, helping to prevent the dumping of substandard products into the market.	
Kenya Vision 2030 **Second Medium-Term Plan 2013-2018**	**Sector Growth and Export Market Potential:** In 2011, the textile and clothing subsector recorded 18 per cent growth. However, Kenyan products only hold a 7 per cent share of the US$ 11 billion Eastern African market, which is largely dominated by imports from outside the region. Locally manufactured goods account for 25 per cent of Kenya's exports, indicating potential for Kenyan products to capture a larger regional market share. To address these issues, the plan emphasizes: Diversifying the economy beyond agriculture and services to include a more robust manufacturing sector. Supporting local entrepreneurs to expand market share domestically and internationally by enhancing supply chains and price competitiveness to tap into growing demand in regional and continental markets. Trade Sector Analysis (2008-2012): The value of total merchandise exports grew by 48 per cent from 2008 to 2012. Imports, however, surged by 78. 3 per cent, from Ksh 770.7 billion in 2008 to Ksh 1.37 trillion in 2012, further widening the trade balance. Most imports are capital goods or industrial raw materials, while exports are predominantly agricultural products.	**Key challenges:** • A narrow export range with slow value growth compared to rising imports. • The prevalence of counterfeit, substandard, and subsidized goods, which negatively impacts locally produced goods.

Kenya Vision 2030 **Third Medium-Term Plan 2018-2022**		The domestic cotton textile and apparel industry in Kenya experienced a notable surge in competitiveness, driven by strategic policy measures aimed at revitalizing the sector.
Kenya Vision 2030 **Fourth Medium-Term Plan 2023-2027**	The Kenya Vision 2030 Flagship Programmes and Projects Progress Report (2020/2021) mentions the following about the textile and apparels sector: **Implementation challenges:** A shortage of raw materials caused by increased processing capacity. Influx of imported fabrics and second-hand clothes. Competition with cheaper fabrics imported from the Asian markets and second-hand clothes into the Kenyan market. **Recommendation:** Regulate importation of textile products and second-hand clothes. The Fourth Medium Term Plan 2023-2027 (MTP IV) whose theme is “Bottom-Up Economic Transformation Agenda for inclusive growth” is guided by the Constitution of Kenya and focuses on achieving the priorities outlined in the Bottom-Up Economic Transformation Agenda (BETA). **Science, Technology, and Innovation:** The plan emphasizes the safe adoption of biotechnology, particularly focusing on National Performance Trials (NPT) for insect-protected and water-efficient Bt. Maize and Bt. Cotton.	Weak regulatory framework that balances the interests of local producers and consumers of second-hand goods.

Economic Pillar:

The cotton, textile, and apparel (CTA) sector is not listed among the eight priority sectors identified to drive economic growth.

However, a target has been set to create 3,850 new manufacturing enterprises through industrial financing and incentives. Export earnings from textiles and apparel are expected to rise from Ksh 80 billion in 2017 to Ksh 200 billion by the end of the plan period.

Sectoral Growth Targets (2018–2022):

The industrial sector is projected to grow steadily from 5.8 per cent in 2018 to over 7 per cent in 2022.

The “Big Four” initiative, which includes prioritizing manufacturing, aims to increase the sector’s contribution to GDP from 9.2 per cent in 2016 to 15 per cent by 2022.

Special attention will be given to textiles and apparel, leather processing, and construction materials.

Additionally, agro-processing will target at least 50 per cent of agricultural production.

Skills Development:

The plan includes the training of 50,000 youth and women in textile and apparel skills to build a skilled workforce for industry.

Productivity and Competitiveness:

Productivity improvements in the textile and leather sectors will be a focus to enhance the country’s competitiveness.

	Industrial Clusters Programme: This programme aims to boost investments in textiles and apparel by focusing on cotton and fibre production, rehabilitating cotton ginneries, manufacturing textiles and apparel, and constructing low-cost industrial warehouses. Export Trade Development and Promotion: The plan targets expanding Kenya's share of the US$ 84 billion US textile market as part of efforts to promote export trade. Textile and apparel is identified as a subsection under the crop value chain within the finance and production sector, which prioritizes promotion of investments through development of infrastructure such as Special Economic Zones, Industrial Parks, Export Processing Zones, County Aggregation and Industrial Parks; financial inclusion; product market diversification; and promotion of fair-trade practices.	
National Trade Policy, 2017	The Policy builds on the momentum of trade policy reforms that have been ongoing since the mid-1980s when the country shifted its trade policy from import substitution to export-oriented policies. New market opportunities have emerged, particularly the US market that offers opportunities for exports of apparels, textiles, and coffee - among others, under the AGOA initiative (extended up to 2025). Kenya's competitiveness in the international market is highly dependent on the competitiveness of domestic trade. Promotion of value chains to respond to regional and international market opportunities.	Cumbersome import and export procedures. Inadequate compliance with international standards and requirements. Despite the strength in recognizing linkages across sectors and between the two levels of government, it has a weakness in providing a detailed implementation framework that identifies activities and policy actors with responsibilities.

	Kenya lacks a legal framework and institutional mechanism and capacity to undertake surveillance for cases of dumping, subsidies and other unfair competition that is disallowed under the WTO agreements. While it acknowledges the role of agro-industrial exports, it does not explicitly identify cotton production as a priority, unlike livestock, horticulture, and fisheries. It underscores production of agro-industrial exports with competitive advantage. It seeks to leverage on the AGOA initiative to expand exports of textile and apparel to the US market.	Because of the open market trade policies that Kenya is committed to under the various regional and multilateral trade agreements. Kenya faces a daunting task of promoting domestic trade geared towards ensuring that domestic products remain competitive in the domestic market against imported products that are entering the country. Reduced trade restrictions following the global free trade initiatives.
Kenya Industrial Transformation Programme (KITP), 2015	Identifies textiles as a major driver of growth for industrial exports. The signing of AGOA saw a growth of textile and garment exports to roughly US$ 415 million (accounting for 30 per cent of growth in total exports over the past five years) Kenya is uniquely positioned to expand this sector. The labour cost is relatively cheap compared to that of Asia, and preferential access to global markets creates a cost advantage that appeals to buyers as they look to diversify their sourcing base.	Despite its advantage over other low-cost countries, Kenya accounts for only 0.4 per cent of the US$ 84 billion American textiles market. Bangladesh, a low-cost favourite, is approximately 9 per cent more expensive than Kenya but commands 6 per cent of the US market (US$ 225 billion). Kenya can build the share of the US market, enter other new markets, and expand the range into higher value products to generate an additional US$ 140 million to US$ 200 million in GDP, and create 105,000 jobs.

Kenya National AGOA Strategy 2018- 2023	Not explicit on input level interventions. Seeks to improve exports supply chains and increase exports of prioritized products to the US by 10.4 per cent annually. These include exports of textile and apparel. It is a medium term (five-year) strategy, which may create uncertainties for long-term oriented investors exporting under AGOA. However, since it is aligned to the National Export Development and Promotion Strategy (NEDPS), 2018, the uncertainties are partly mitigated.	As articulated in review of the first Kenya National AGOA Strategy 2012-2016, limited resources in implementation of this strategy remains a key impediment in actualization of the intended outcomes. Access to domestic and international market access by apparel and textile firms is not as easy as it might seem given AGOA. For non-EPZ firms, access to the domestic market is difficult because of the high production costs and inadequate capacity to match the market demands rendering the market minuscule.

Theme/ Policy Issue: Laws/Acts

The Constitution of Kenya 2010	Chapter Four—The Bill of Rights: (39) Freedom of movement and residence. (43)—Economic and social rights. (46)—Consumer rights.	
The Customs and Excise Act, 2010 **(This Act was repealed on 2015-12-01 by Excise Duty Act.)**	The Act imposes import duties on raw materials and finished textile products, affecting their pricing. It outlines customs procedures for importing and exporting these goods and specifies rules of origin to determine product classification. Additionally, the Act may include provisions for duty-free access to certain products under specific trade agreements.	Transparency in customs procedures and decision-making. Certain provisions may be outdated and no longer aligned with current economic realities or international trade practices.

The Environmental Management and Co-ordination Act (EMCA), 1999 [Revised Edition 2015]	The Act empowers the National Environment Management Authority (NEMA), charged with the implementation of all policies relating to the environment, and to exercise general supervision and coordination over all matters relating to the environment. It imposes various regulations and standards that textile and apparel manufacturers must adhere to. It mandates Environmental Impact Assessment (EIA), Environmental Audits, Pollution Control, Waste Management, Biodiversity Conservation and Public Participation.	NEMA, the primary agency responsible for implementing EMCA, often faces resource constraints, limiting its capacity for effective monitoring and enforcement. A lack of clear and consistently enforced standards can create a competitive disadvantage for compliant businesses.
The Anti-counterfeit Act, 2008. [Rev. 2022]	Protects intellectual property rights such as trademarks and designs, crucial for brand identity and originality in the textile and apparel sector. Additionally, the Act promotes consumer awareness about counterfeit goods, their potential risks, and the importance of buying genuine products. The Act serves to protect the textile and apparel industry's revenue, brand reputation, and consumer safety. The Act empowers KEBS to develop and implement standards for locally manufactured textiles and apparel and for imported goods, including textiles and apparel. The Verification of Conformity to Kenya Standards of Imports Order, 2005. The Kenya Bureau of Standards shall issue a certificate of conformity in respect of goods that conform to Kenya Standards or approved specifications and a non-conformity report in respect of goods which do not.	Does not directly regulate the quality of used goods.

The Standards Act, Cap 496. (1981)	Standards (Quality Inspection of Imports) Regulations, 2009. Mandate quality inspection for specified imported goods by the Kenya Bureau of Standards at the port of entry. KEBS ensures compliance with Kenya standards or approved standards, charges inspection fees, and issues a Certificate of Release for approved goods. Standards Levy fund, 0.2 percent of the manufacturer's monthly turnover, payable monthly (Standards Levy Order, gazette by the Minister for Industry through Legal Notice No. 267 of 22nd June 1990). Kenya Bureau of Standards (KEBS): Enforces standards that ensure product quality, safety, and fair-trade practices .KS 08-1532 - Kenya standard code of practice for inspection and acceptance criteria for used textile products (mitumba). These regulations aim to prevent the import of substandard or hazardous clothing. KEBS sets quality standards for all textiles and apparel fabric to ensure they meet consumer expectations and compete with imported products. Fair Trade: KEBS regulations promote fair trade practices by preventing the importation of counterfeit or substandard products. Other regulations encompass import licensing, product testing and market surveillance	Revisions and amendments imply enforcement of equally strict standardization measures on both local textile industries and imported SHC industry. These regulations impose more challenges on the level of competitiveness for the local industry against imported SHCs insufficient to level the playing field. Bans and extreme import duties on second-hand clothing may not be sufficient to level the playing field and enhance competitiveness for the local textile and apparel industry. Complex regulations and bureaucratic hurdles can hinder the growth of the local industry. Piracy and counterfeiting because of weak intellectual property protection.

	On 31st March 2020, KEBS announced that it had banned the importation of second-hand clothes and shoes (known as mitumba) indefinitely. The decision is taken as a response to the Coronavirus pandemic (Global Trade Alert, 2020). "No consignment of used garments and used footwear shall be accepted from a country experiencing an epidemic", stated the public notice.	
Export Processing Zone (EPZ) Act, 2012	Benefits accruing to export processing zone enterprises include: Exemption from customs and excise duties, VAT, income tax, and withholding tax on dividends paid to non-residents. Exemption from import and export quotas and restrictions, exchange controls on payments related to business activities, rent and tenancy controls, and other potential exemptions granted by the Minister of Finance. Additionally, export processing zone enterprises benefit from on-site customs inspection for imports and exports.	While the EPZ Act focuses on export-oriented industries, there is a lack of a clear and comprehensive policy framework specifically addressing the sustainability of raw materials and production costs to support local textile and apparel industries). Apart from sustainability, other factors that require careful consideration include job creation, poverty reduction, and environmental sustainability.
Miscellaneous Fees and levies Act, CAP. 469C. (2016)	No direct implication of the textile industry Indirect linkages: Imposition of export levy Does not apply to goods exported to the East African Community partner states.	Levy implications still apply in the global market, impacting the local CTA industry. The lack of precise specifications regarding textile industry results in ambiguity posing significant risks, hindering efficient and reliable CTA value chains. What is the endgame of the importation of cotton?

	Import declaration fee, on all goods imported into the country for home use. Goods exempt; goods destined for approved Export Processing Zones, household and personal effects, Chapter 88, accompanied or unaccompanied used personal effects. Export and investment promotion levy (paid by the importer upon arrival in the country). Shall not be charged on goods originating from East African Community partner states that meet the East African Community Rules of Origin. Additional duty on goods from Export Processing Zones: A 2.5 per cent tax on goods imported for personal use from export processing zones, with an exception for currency imported by the Central Bank of Kenya. The Act mandates that all products, including (but not exclusively) textiles and apparel, must meet certain safety and quality standards. This includes requirements for labelling, packaging, and accurate product descriptions such as weight. Enforced by various government agencies, including the Competition Authority of Kenya (CAK) and the Kenya Bureau of Standards (KEBS). **Other provisions include:** Fair Trade Practices, Consumer Rights, and Import Regulations The range of goods covered under the Act (and to which the product safety requirements apply) is broad and covers any product that is put to personal, domestic, or household use.	

The Consumer Protection Act (2012) Guidelines	Goods that are monitored by other specialist Government agencies or sector regulators such as Kenya Bureau of Standards (KEBS) also fall within the jurisdiction of the Authority.	There are no specifics on imported textiles and apparel
Public Health Act, CAP 242. Revised Edition 2012 [1986]	"Every consignment or part thereof intended for sale or disposal in Kenya shall be accompanied by a sufficient certificate, furnished by the recognized public authority at the port of shipment or place of origin of the consignment, to the effect that the articles mentioned therein are clean and have been efficiently disinfected to the satisfaction of that authority." Hygiene and Safety Standards: While not explicitly stated for imported goods, the Act emphasizes hygiene and safety standards within the textile and apparel industry. This includes ensuring that products are free from harmful substances and potential health risks. Control of Infectious Diseases: The Act empowers authorities to inspect and regulate the importation of second-hand goods to prevent the introduction and spread of infectious diseases. Consumer Protection: The Act indirectly contributes to consumer protection by ensuring that imported textiles and apparels meet certain health and safety standards. Product Safety: The Act empowers the Ministry of Health to set standards for locally produced goods, including textiles.	There are no specific regulations tailored exclusively to the textile industry.

County Government Act, 2012	Five-year County Integrated Development Plan (CIDPs) guide, harmonize and facilitate development within each county. Some counties had policy interventions prioritizing development of the cotton-textile-apparel value chain during the 2013-2017 CIDP and not during the 2018-2022 CIDP. Case scenario: Mombasa County's first CIDP (2013-2017) shows resource allocation to support the textile and garment industry but there is no indication of the same in the second CIDP (2018-2022) and third CIDP (2023-2027) The constitution requires that every county prepare their action plan to conserve the environment through Environment Management and Coordination Acts (NEMCA).	Low consistency in policy efforts resulting in uncertainties for interested private sector investors. No long-term plans to ensure sustainability of the local textiles and apparel industry.

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