

MSINGI

BUILDING EAST AFRICA'S INDUSTRIES
OF THE FUTURE

SECTOR MAPPING TEXTILE AND APPAREL INDUSTRY IN EAST AFRICA

Policy Benchmarking Report



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List of Abbreviations

Abbreviation	Description
AFCFTA	African Continental Free Trade Agreement
AGOA	African Growth Opportunity Act
APTA	Asia-Pacific Trade Agreement
ATUFS	Amended Technology Upgradation Fund Scheme
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
BSCI	Business Social Compliance Initiative
CEPA	Comprehensive Economic Partnership Agreement
CIF	Cost, Insurance and Freight
CMIA	Cotton Made In Africa
COMESA	Common Market for Eastern and Southern Africa
CSR	Corporate Social Responsibility
DBE	Development Bank of Ethiopia
DDU-GKY	Deen Dayal Upadhyaya Grameen Kaushalya Yojana
DEDO	Duty Exemption Drawback Organization
EAC	East African Countries
EBA	Everything But Arms
EDB	Export Development Board
EPZ	Export Processing Zone
EPZA	Export Processing Zone Authority
ETGAMA	Ethiopian Textile and Garment Manufacturing Association
ETIDI	Ethiopian Textiles Industry Development Institute





ETP	Effluent Treatment Plant
FDI	Foreign Direct Investment
FOB	Free On Board
FTA	Free Trade Agreement
GSP	Generalised System of Preferences
ISDS	Integrated Skill Development Scheme
MAI	Market Access Initiative
MDA	Market Development Assistance
MSME	Micro, Small & Medium Enterprises
NEMA	National Environmental Management Agency
PMKY	Pradhan Mantri Kaushal Vikas Yojna
R&D	Research & Development
SADC	South African Development Community
SEZ	Special Economic Zone
SITP	Scheme for Integrated Textile Park
VAT	Value Added Tax
ZLD	Zero Liquid Discharge

1. Introduction

MSINGI is an independent organization focused on the development of East African industries. The organization aspires to build a globally competitive textile & apparel industry in East Africa for which it is carrying out a comprehensive benchmarking and mapping study of the industry in the region.

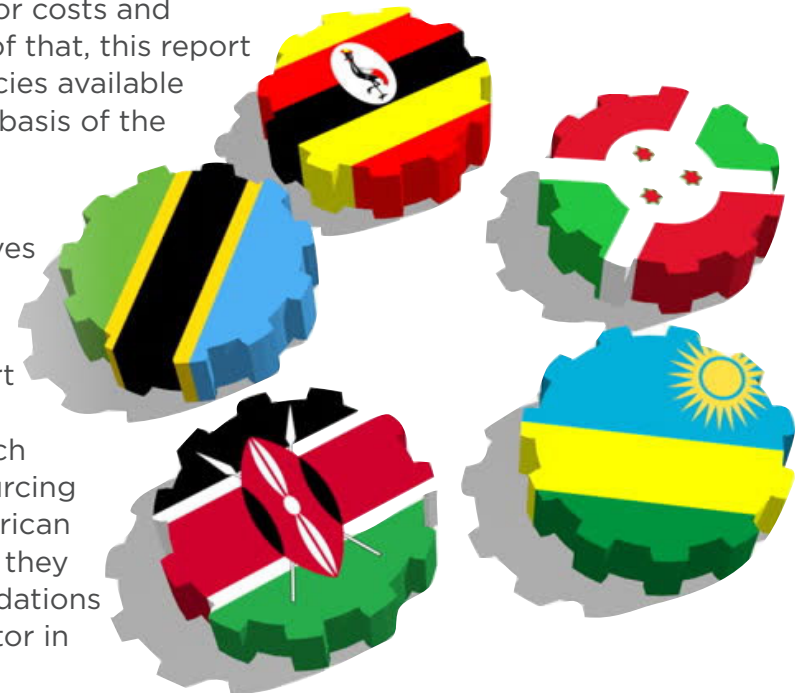
The project aims at assessing key industry conditions and constraints across the identified East African countries (Kenya, Rwanda, Uganda and Tanzania) in order to understand the interventions required for the growth of the textile and apparel sector in these countries. As a part of this project, the study also aims to benchmark the East African countries with countries of Bangladesh, Ethiopia, India and Sri Lanka as these countries already have developed textile and apparel value chains. Such an analysis would help understand the growth roadmap of these countries and the interventions that have made this growth


possible.

The first deliverable of the study was related to country benchmarking in terms of country economics, infrastructure, production scenario, factor costs and licenses. In continuation of that, this report aims to compare the policies available in these countries on the basis of the following factors:

- Fiscal Incentives
- Non-Fiscal Incentives
- Market Access Arrangement

Apart from this, the report also contains a section on buyers' feedback, which highlights the current sourcing scenario from the East African Countries, the challenges they face and their recommendations for the growth of the sector in these countries.





Fiscal incentives are monetary benefits provided to companies or individuals to encourage actions in a desired segment such as investment in a thrust sector. These incentives include capital grants, tax benefits, interest subsidy, skill development subsidy

2. Fiscal Incentives

Fiscal incentives are monetary benefits provided to companies or individuals to encourage actions in a desired segment such as investment in a thrust sector. These incentives include capital grants, tax benefits, interest subsidy, skill development subsidy, etc.

Table 1: Benchmarking - Fiscal Incentives

	DESCRIPTION
Capital Subsidy	Under this subsidy, the government or any organization provides grants or easy credit to cover a share of the upfront capital cost of an asset such as building cost, machinery cost, etc.
Kenya	N/A
Tanzania	50% capital allowances in the first year of use for Plant and Machinery. ¹
Rwanda	Matching grant fund of up to 50% of total project cost, not going beyond US\$100,000 in funding. ²
Ethiopia	Lease financing where bank provides financing for machinery at a reduced initial capital expenditure on a pay as you go scheme. ³
Uganda	
India⁴	1. Central govt. provides capital subsidy under ATUFS on machinery: 15% in garmenting and technical textile, and 10% in weaving knitting, processing, jute, silk and handloom sector, up to US\$ 4.3 million. 2. Several state governments also provide capital subsidy on plant & machinery up to 70%.
Bangladesh	N/A
Sri Lanka	Enhanced capital allowances of 100-200% of the expenses incurred on depreciable assets. ⁵

1 Data Source: Tanzania Investment Centre

2 Data Source: Development Bank of Rwanda

3 Ethiopian Investment Centre: Development Bank of Ethiopia finances full cost of machinery including installation cost after which the repayment is done over a period and ownership is transferred upon full repayment at an interest.

4 Data Source: Part 1 Section 1 of Gazette of India, Ministry of Textiles

5 Data Source: Board of Investment, Sri Lanka

	DESCRIPTION
Interest Subsidy	Under this subsidy, the government or any organization provides deductions in the interest payments that a company pays for an approved debt. With this aid, the companies or individuals get loans at lower interest rates as compared to prevailing market rates.
Kenya	N/A ⁶
Tanzania	N/A
Rwanda	Investment Catalyst fund: Subsidized loans at 10% interest per annum to encourage private sector investments in exports ⁷
Ethiopia⁸	Provision of subsidized loan provided highest debt to equity ratio for project finance to domestic manufacturers located: a) In industrial parks - 85%:15% b) Outside industrial parks - 75%:25%
Uganda⁹	Exemption of tax on international Payment of interest on debentures issued outside Uganda. Debentures must be issued outside Uganda for the purpose of raising a loan outside Uganda
India¹⁰	Various state governments provide interest subsidy of up to 8% for 5 to 7 years.
Bangladesh	N/A
Sri Lanka	N/A
Duty Drawback	Under this subsidy, the government or any organization provides refund of custom and excise duties or any embedded taxes paid on raw materials and service tax paid on the input services used in the manufacture of export goods.
Kenya	1. EPZ companies: Duty exemption on raw materials. 2. Outside EPZ: Duty exemption on raw materials only if exporting outside EAC (Duty paid on importation and redeemed during exports) ¹¹
Tanzania	Import duty drawback on raw materials used to produce goods for exports and deemed exports. ¹²
Rwanda	100% duty free importation of inputs and raw materials including machinery for import and export business. ¹³
Ethiopia¹⁴	100% duty free importation of inputs and raw materials including machinery for export business. Exemption from customs duties and other taxes (VAT, sur tax, withholding and excise tax) on imported capital goods, construction material and machinery spare parts.
Uganda¹⁵	Duty draw back i.e. customs refunds of all or part of any import duty paid on material inputs imported to produce goods for export or used in a manner for a purpose prescribed as condition for granting duty draw back.

⁶ According to a speech by the Cabinet Secretary of Industrialization (May 2019), a new SME policy is currently in the final stages that will include interest subsidies for SMEs.

⁷ **Data Source:** Export Growth Facility Eligibility Criteria

⁸ **Data Source:** Ethiopian Investment Centre

⁹ **Data Source:** Uganda Revenue Authority

¹⁰ **Data Source:** State governments' websites

¹¹ **Data Source:** Kenya Association of Manufacturers (KAM)

¹² **Data Source:** Tanzania Investment Centre

¹³ **Data Source:** Ministry of Trade and Industry

¹⁴ **Data Source:** Ethiopian Investment Centre

¹⁵ **Data Source:** Uganda Revenue Authority

	DESCRIPTION
India¹⁶	India's Advance Licensing Scheme provides duty free imports of: a) Inputs that are incorporated in the export product b) Mandatory spares up to 10% of the CIF value It can also be issued to intermediate supplier and for deemed exports.
Bangladesh	Garment exporters are able to import inputs (i.e. Fabrics and accessories) against their export L/Cs directly. Given this provision, exporters do not need to invest in working capital enabling them to set-up factories with low capital investment.
Sri Lanka	Duty free imports of raw material used to produce goods for exports. ¹⁷
Incentives for Market Development	Under this subsidy, the government or any organization provides assistance to encourage companies or individuals to access and develop markets. This generally includes funding for participation in international fairs, study tours, trade delegations, publicity, etc.
Kenya	Subsidized participation in International Trade Fairs ¹⁸
Tanzania	Subsidized participation in international trade fairs ¹⁹
Rwanda	Subsidized participation in international trade fairs ²⁰
Ethiopia²¹	Ministry of Trade and other institutions like ETIDI and ETGAMA offer free or cost shared trade fair engagements subsidizing marketing cost on select shows.
Uganda	N/A
India²²	1. <u>MAI scheme</u> : Financial assistance of up to 65% for undertaking various market access initiatives including marketing activities, market research, capacity building, branding and statutory compliances in importing markets. 2. <u>MDA Scheme</u> : Financial assistance for MSME exporters for participating in international trade fairs/exhibitions, carrying out sector specific studies, initiating anti-dumping cases by MSME, etc.
Bangladesh	N/A
Sri Lanka	<u>Market Access Support Programme</u> by EDB for entrepreneurs, which provide the following assistance on reimbursement basis: a) Up to a maximum of US\$5,600 for projects to be completed within 6 months. b) Up to a maximum of US\$ 28,000 for projects to be completed within 18 months. 40% of the assistance will be provided at the time of signing the agreement. ²³

16 Data Source: Data Source: Duty Exemption and Remission Schemes, Directorate General of Foreign Trade, Ministry of Commerce and Industry

17 Data Source: Export Development Board

18 Data Source: Export Development Board

19 Data Source: Textile Development Unit

20 Data Source: Rwanda Development Board

21 Data Source: Ethiopian Investment Centre

22 Data Source: 11/197/2016-E&MDA, Ministry of Commerce and Industry, Department of Commerce, E&MDA

Section and Marketing Development Assistance Scheme, Department of Commerce, MSME Sector

23 Data Source: Export Development Board

	DESCRIPTION
Incentives for Market Development	Under this subsidy, the government or any organization provides assistance to encourage companies or individuals to access and develop markets. This generally includes funding for participation in international fairs, study tours, trade delegations, publicity, etc.
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Tanzania	Subsidized participation in international trade fairs ²⁵
Rwanda	Subsidized participation in international trade fairs ²⁶
Ethiopia²⁷	Ministry of Trade and other institutions like ETIDI and ETGAMA offer free or cost shared trade fair engagements subsidizing marketing cost on select shows.
Uganda	N/A
India²⁸	<ol style="list-style-type: none"> MAI scheme: Financial assistance of up to 65% for undertaking various market access initiatives including marketing activities, market research, capacity building, branding and statutory compliances in importing markets. MDA Scheme: Financial assistance for MSME exporters for participating in international trade fairs/exhibitions, carrying out sector specific studies, initiating anti-dumping cases by MSME, etc.
Bangladesh	N/A
Sri Lanka	<p>Market Access Support Programme by EDB for entrepreneurs, which provide the following assistance on reimbursement basis:</p> <ol style="list-style-type: none"> Up to a maximum of US\$5,600 for projects to be completed within 6 months. Up to a maximum of US\$ 28,000 for projects to be completed within 18 months. 40% of the assistance will be provided at the time of signing the agreement.²⁹

24 Data Source: Export Promotion council
25 Data Source: Textile Development Unit
26 Data Source: Rwanda Development Board

27 Data Source: Ethiopian Investment Centre
28 Data Source: 11/197/2016-E&MDA, Ministry of Commerce and Industry, Department of Commerce, E&MDA Section and Marketing Development Assistance Scheme,

Department of Commerce, MSME Sector
29 Data Source: Export Development Board

	DESCRIPTION
Tax Benefits	Under this subsidy, the government or any organization exempts or lowers the tax rates to be paid in the business. These may include exemption from paying the corporate tax, value added tax, goods and services tax, etc., exemption of duty on machinery, construction etc., tax on rent, dividends, etc.
Kenya	<ol style="list-style-type: none"> 1. For EPZ commercial licenses: 10-year corporate tax holiday and 10-year withholding tax holiday on remittances to non-residents 2. For SEZ: Corporate taxation at 10% for first 10 years and 15% for the next 10 years and Duty and VAT free domestic sales. 3. 100% investment exemption on capital investment in buildings and machinery for both EPZ and SEZ.
Tanzania	<ol style="list-style-type: none"> 1. <u>For SEZ Developers</u>: Exemption from payment of: <ol style="list-style-type: none"> a. Taxes & duties for machinery, equipment, heavy duty vehicles, building and construction materials and any other goods of capital nature to be used for infrastructure b. Property tax, corporate tax and withholding tax on rent, dividends and interest for the initial 10 years. c. Stamp duty on any instrument executed in or outside the SEZ relating to transfer, lease or hypothecation of any movable/ immovable property in or situated within SEZ d. VAT on utility charges. 2. For SEZ User: Exemption from payment of: <ol style="list-style-type: none"> a. Corporate tax for first 10 years b. Withholding tax on rent, dividends and interest for first 10 years c. Withholding tax on interest on foreign sourced loan 3. For SEZ Exporter: Exemption from payment of: <ol style="list-style-type: none"> a. Taxes & levies imposed by the local govt. authorities for products produced in the SEZ for 10 years. b. VAT on utility and wharfage charges
Rwanda	<p>Preferential corporate income tax rate of 0% to an international company which has its headquarters or regional office in Rwanda, only if it fulfills certain requirements³²</p> <p>Preferential corporate income tax rate of 15% shall be accorded to a registered investor, exporting at least 50% of turnover of goods and services.³⁰</p>

30 Data Source: New Gazette Notice Rwanda

	DESCRIPTION
Ethiopia³¹	<ol style="list-style-type: none"> 1. Business Income Tax exemption up to 6 years 2. Export-linked business income tax exemption (additional two years for at least 60% export or supply to exporter) 3. Business Income Tax exemption in industrial parks (additional 2-4 years for industrial park enterprises with 100% export plan and achieve at least 80% export) 4. Loss carry forward for up to 5 years 5. Personal Income Tax (PIT) exemption for expatriate employees.
Uganda³²	<p>Plant and machinery is exempt from customs duty on importation. Additionally, a VAT deferral facility is available where VAT is deferred on importation of plant and machinery and subsequently waived upon approval by the relevant authorities.</p> <p>A tax holiday of ten years is available to exporters who export at least 80% of their produce of finished goods, subject to certain conditions.</p>
India	N/A
Bangladesh	<p>Concessionary tax rate of 12% for garment sector & 15% for textile sector as compared to normal tax rate of 35%. (In garment sector, rate is 10% if there is green building certification).*</p> <p><u>For textile machinery only:</u></p> <ol style="list-style-type: none"> 1. 5 to 10 years' tax holiday and reduced tax depending on the area. 2. 100% tax exemption on income and capital gain for projects under Public Private Partnership (PPP) for 10 years. 3. 50% of income derived from export is exempted from tax. 4. Tax exemption on royalties, technical knowhow and technical assistance fees and facilities for their repatriation. 5. Tax exemption on interest paid on foreign loan. 6. Benefits for countries with double taxation avoidance treaty.³³

31 Data Source: Data Source: Ethiopian Investment Centre

32 Data Source: Uganda Revenue Authority

33 Data Source: Bangladesh Investment Development Authority

	DESCRIPTION
Sri Lanka	<ol style="list-style-type: none"> 1. Standard tax rate of 28%; Concessionary rate of 14% for SME as well as for a business of exporting goods & services.³⁴ 2. VAT Exemption on the following goods³⁵ <ol style="list-style-type: none"> a. Yarn b. Dyes for handloom c. Handloom d. Locally manufactured fabric by any manufacturer who does not enjoy any concessions under the Board of Investment 3. Exemption of Nation Building Tax (NBT) for export oriented units
Export Benefits	Under this subsidy, the government or any organization provides certain benefits to manufacturers for exporting their products. These may include exemption or lower tax rates, exemption of import duty on raw material, cash incentives on value of goods, etc.
Kenya	Perpetual exemption from VAT and customs import duty on raw material and machinery. VAT exemption also applies on local purchases of goods and services supplied by companies in the Kenyan customs territory or domestic market.
Tanzania	<ol style="list-style-type: none"> 1. Zero-rated VAT on exports.³⁶ 2. Remission of customs duty, VAT and any other tax charged on raw materials and goods of a capital nature related to production.³⁷
Rwanda	Export Guarantee facility up to 80% of value of goods to export. ³⁸
Ethiopia³⁹	<ol style="list-style-type: none"> 1. No export taxes 2. Exemption from customs duties and other taxes on: 3. imported raw material, accessories and packaging material used for export processing 4. Import of personal effects by industrial park residents 5. Customs duties, VAT and other taxes exemption/ zero rating for the export of products 6. Guarantee by DBE that covers 80% of loan and interest provided by commercial banks to exporters with bankable export project.

34 Data Source: Board of Investment, Sri Lanka

35 Data Source: Inland Revenue Department

36 Data Source: Tanzania Investment Centre

37 Data Source: EPZA

38 Data Source: Development Bank of Rwanda

39 Data Source: Ethiopian Investment Centre

	DESCRIPTION
Uganda	
India ⁴⁰	<ol style="list-style-type: none"> 1. The central government reimburses the embedded taxes in the exports of goods through two schemes: <ol style="list-style-type: none"> a. Duty drawback scheme with a drawback of 1.5%-3% on export value of goods. b. Provision of remission of State Levies on export of garments at 3.5-8.5% 2. Various state governments provide financial assistance of reimbursements of up to 100% of net state taxes for a period of 5-10 years.
Bangladesh	<ol style="list-style-type: none"> 1. Cash incentives on the FOB value of exports as below: <ol style="list-style-type: none"> a. New market and product expansion of textile market (except US, Canada, and EU):4% b. Export oriented local textiles (instead of duty drawback and custom bond): 4% c. Additional facility for SME textile: 4% d. Exports of apparel products to EU market: 4% e. Diversified jute products, Hessian and sacking (jute finished goods): 5-20%⁴¹ 2. Export Development Fund (EDF): The EDF is managed by the Forex Reserve and Treasury Management Department (FRTMD) at the Bangladesh Bank headquarters. The EDF is intended to facilitate access to financing in foreign exchange for input procurement by manufacturer-exporters. Authorized banks can borrow funds in US dollars from the EDF against their foreign currency loans and further give to manufacturer-exporters for input procurements. The loan amount is capped at US\$ 25 million for member mills of BGMEA (Bangladesh Garment Manufacturers and Exporters Association) and BKMEA (Bangladesh Knitwear Manufacturers and Exporters Association). EDF loan disbursements to Authorized banks in USD is charged interest at six-month USD LIBOR+1 per cent, with the Authorized banks charging at six-month LIBOR+2.5 per cent on their USD loan disbursements to manufacturer-exporters. The present size of the fund is \$3.5 billion. (The EDF loans from the central bank are payable by the banks upon receipt of export proceeds within 180 days from the date of disbursement. The timeframe is extendable by the BB up to 270 days in case of a longer period taken for repatriation of export proceeds).
Sri Lanka	N/A

⁴⁰ **Data Source:** Documents published in Gazette of India, Ministry of Finance & Ministry of Textiles and State Governments' websites

⁴¹ **Data Source:** Bangladesh Investment Development Authority (BIDA)

	DESCRIPTION
Skill Development Support	Under this subsidy, the government or any organization provides grants for training and skill development of personnel. These may include re-imbursment of training fee, providing infrastructure for training, etc. Several skill development initiatives are undertaken by brands also in tandem with international organizations, government and manufacturers.
Kenya	Rebate of 200% per employee for training costs. The manufacturers are required to remit an equivalent of US\$ 6 per employee to the National Industrial Training Authority (NITA) ⁴²
Tanzania	In Tanzania ,vocational education and training (VET) activities and services are run by around 520 providers and promoted under more than thirty programmes and public-private partnership (PPP) schemes. The existing VET centres are extremely hetrogenous with respect to their capacity and training quality, but also with respect to the proportion of long and short courses they can provide. The latter are funded through the Skills Development Levey(SDL) ⁴³
Rwanda⁴⁴	New Investors based on their investment can get support for skills training as government provided training support for 600 workers for a C&H Factory a FDI , Government plans to set up a skills training center to train 1000 workers in apparel manufacturing
Ethiopia⁴⁵	<p>Skill development and retention cost-sharing grant for domestic industrialists (matching grant for training of local personnel) for textile and leather manufacturing in industrial parks (100% for export).</p> <ul style="list-style-type: none"> a. Government cost sharing on labor recruitment and training is: Year 1: 85%; Year 2: 75%; Year 3: 50%; Year 4: 25% b. Cost-sharing on recruitment of expatriate managers and special technicians is: Year 1: 85%; Year 2: 75%; Year 3: 50%; Year 4: 25% (Domestic industrialists who are beneficiaries of the above incentives are expected to match to at least 75% productivity by foreign investors operating in same industrial park in year one, and raise performance to 85% and 100% in years two and three, respectively)
Uganda	
India⁴⁶	<ol style="list-style-type: none"> 1. The Central govt. has taken multiple initiatives such as PMKVY, DDU-GKY and ISDS. 2. The Central govt. has also launched Samarth (Scheme for Capacity Building in Textile Sector), which aims to provide demand-driven placement oriented skilling programme with a budget of approx. US\$ 185 million. 3. Several state governments also give financial incentives up to US\$ 185/worker/ month for 5 years.
Bangladesh	Skill development initiatives and worker training is undertaken by various buyers in association with International Labour Organization (ILO), Asian Development Bank (ADB), World Bank, GIZ, Bangladesh government, etc.
Sri Lanka	Skill development initiatives such as Sector Skills Development Programme (SSDP) are undertaken by various buyers in association with Asian Development Bank (ADB), etc.

⁴² Data Source: EPZA

⁴³ Data Source: Skilling-Tanzania-ACE-Working-Paper-6

⁴⁴ Data Source: Strategy to Transform the Textile, Apparel and Leather Sectors in Rwanda

⁴⁵ Data Source: Ethiopian Investment Centre

⁴⁶ Data Source: Ministry of Rural Development, Scheme for Capacity Building in Textile Sector, Ministry of Textiles and state governments' websites

	DESCRIPTION
Others	Any other fiscal incentives not listed above
Kenya	<p>No exchange controls on foreign exchange that allows easy repatriation of capitals & profits and domestic & offshore borrowing.⁴⁷</p> <p><u>For SEZ</u></p> <ol style="list-style-type: none"> Exemption of Stamp Duty on execution of instruments relating to business activities of the SEZ Exemption from payment of advertisement fees and business service permit fees levied by County Governments Long-term exemption from payment of stamp duty on legal instruments⁴⁸ Companies are allowed to have expatriates and obtain work permits for up to 20% of the total workforce, with additional work permits available on request. Withholding tax rates on payments made to non-residents (royalties, interest, and management fees) 5%; Dividends paid to non-residents by the SEZ entity, exempt from tax.⁴⁹
Tanzania	<p>The right to transfer outside the country 100% of foreign exchange earned, profits and capital.</p> <p><u>For SEZ Developers:</u></p> <ol style="list-style-type: none"> Remission of customs duty, VAT and any other tax payable for import of 1 administrative vehicle, ambulances, firefighting equipment, fire fighting vehicles and up to 2 buses for employees' transportation Exemption from pre-shipment or destination inspection requirements. <p><u>For SEZ Users & Exporters:</u></p> <ol style="list-style-type: none"> Remission of customs duty, VAT and any other tax payable for import of 1 administrative vehicle, ambulances, firefighting equipment, fire fighting vehicles and up to 2 buses for employees' transportation. Exemption from pre-shipment or destination inspection requirements. Unconditional transferability through any authorized dealer bank in freely convertible currency of – <ol style="list-style-type: none"> net profits or dividends attributable to the investment payments in respect of loan servicing where a foreign loan has been obtained royalties, fees and charges in respect of any technology transfer agreement the remittance of proceeds (net of all taxes and other obligations) in the event of sale or liquidation of the business enterprises or any interest attributable to the investment payments of emoluments and other benefits to foreign personnel employed in connection with the business enterprise.⁵⁰

47 Data Source: Data Source: EPZA

48 Data Source: Kenya Investment Authority

49 Data Source: Kenya Revenue Authority

50 Data Source: Tanzania Investment Centre & EPZA

	DESCRIPTION
Rwanda	<ol style="list-style-type: none"> 1. Import duty on second-hand raised to \$5/kg. 2. Import duty on fabrics and accessories reduced to 0%.⁵¹ 3. Trade credit insurance: A risk mitigation tool that protects against payment default risks.⁵²
Ethiopia⁵³	<ol style="list-style-type: none"> 1. Project financing where long-term soft loans are provided for local as well as FDI engaged in strategic sectors and investments. 2. Foreign investors can raise up to 60% of their finance through loan from foreign markets. 3. Priority to access foreign exchange market
Uganda⁵⁴	A deduction of 2% of income tax payable is granted to any employer who can prove to the URA that at least 5% of their employees on a full-time basis are people with disabilities.
India⁵⁵	<ol style="list-style-type: none"> 1. Various state govt. provide multiple other incentives such as: <ol style="list-style-type: none"> a. Wage Subsidy up to US\$ 85/person/ month for 5 years b. Power Subsidy of 1.5-3 cents for 5-7 years c. Green measure incentives for establishing ETP, ZLD, etc. 2. Central govt. provides grant of 40% of project cost up to US\$ 5.7 million for providing infrastructure facilities for setting up Textile Parks under Scheme for Integrated Textile Parks (SITP). 3. Minimum Support Price (MSP): For every crop year, the government fixes a MSP for cotton varieties. As the seed cotton prices touch the level of MSP, the government makes purchases of the seed cotton at MSP without any quantitative limits. This mechanism has benefitted the cotton farmers as it provides an assured price for their produce as well as timely payments.
Bangladesh	<ol style="list-style-type: none"> 1. For textile machinery only: Accelerated depreciation for machinery and plants. 2. Bonded warehouse facilities: Imported inputs can be cleared through customs against export orders without paying any import duty. Export oriented garment units not taking advantage of these facilities could claim paid duty under DEDO or those utilizing local materials could take 25% cash compensation. 3. 15% cash subsidy on the fabric cost to exporters sourcing fabrics locally⁵⁶
Sri Lanka	Exemption of customs duty and ports & airport development levy on importation of project related capital goods such as machinery and equipment. ⁵⁷

Note: The government of Tanzania imposed several restrictions on Tanzanian Shillings lending, deposits and derivatives to non-residents by banks and financial institutions. The detailed document is included in annexure. *This incentive was due to expire on 30th June, 2019.

51 Data Source: Strategy to Transform the Textile, Apparel and Leather Sectors, Ministry of Trade & Industry

52 Data Source: African Trade Insurance

Agency

53 Data Source: Ethiopian Investment Centre

54 Data Source: Uganda Revenue Authority

55 Data Source: Published government documents from Ministry of Textiles & Office of Textile Commissioner, Government of India and state governments' websites,

56 Data Source: Bangladesh Investment Development Authority

57 Data Source: Board of Investment, Sri Lanka

3. Non-Fiscal Incentives

Non-fiscal incentives are not directly associated to monetary benefits but provide ease of doing business to any investor. These incentives generally do not encounter any kind of government fund transfer and are aimed at facilitating investments or activities and not directly funding them.

Table 2: Benchmarking - Non-Fiscal Incentives

	DESCRIPTION
Back to Back Letter of Credit (LoC) Facility	Under this incentive, the banks provide discounting of Letter of Credit (LC). It is a short-term credit facility provided by the bank, where the bank purchases the documents or bills of the exporter and in return make him the payment for a security or a fee.
Kenya	N/A
Tanzania	L/C discounting available for select banks depending on rating of issuing bank.
Rwanda	Available
Ethiopia⁵⁷	Available
India	Available
Bangladesh⁵⁸	Available
Sri Lanka	Available including Discounting for proforma invoice and buyers' invoice.
Duty Entitlement Passbook Scheme	Under this incentive, the government neutralizes the incidence of customs duty on the import content of the export product. Generally, the neutralization is provided by way of grant of duty credit against the export product.
Kenya	N/A
Tanzania	N/A

57 Data Source: Ethiopian Investment Commission

58 Data Source: Primary Research

	DESCRIPTION
Rwanda	N/A
Ethiopia⁵⁹	<p>Voucher or Duty Draw Back Scheme: Producer exporters, indirect producer exporters, raw material suppliers and exporters are entitled to use any one of the above schemes to import duty free raw materials, semi processed goods and packaging for the purpose of value addition and exporting.</p> <p>In Voucher scheme, beneficiary exporters are issued with voucher book printed and distributed by The Ethiopian Revenue and Customs Authority. Payable duty of imported materials are entered in this book and expected to be processed and exported within a year or duty will be paid including interest. Exporters may apply for extension of duty free period.</p> <p>In The Duty Draw back Scheme, duty paid on goods imported or purchased locally shall be refunded by the Ethiopian Revenue and Customs Authority within 30 days.</p>
Uganda	
India	N/A*
Bangladesh⁶⁰	Passbooks are issued to Bangladeshi importers who would like to import inputs duty-free for exports. The value of raw material is deducted from the passbook upon export of finished product. These are permitted for use in bonded warehouse set up for these purposes. The passbooks are operated on self-debit and self-credit system.
Sri Lanka	N/A
Others	Any other non-fiscal incentives not listed above
Kenya	<p>EPZA Investor Support Division provides a one stop shop service for:</p> <ol style="list-style-type: none"> Applications & approvals (within 30 days) <ul style="list-style-type: none"> Green Channel Port Clearance Green Channel Customs facilitation Work permit facilitation Available land and factory buildings: zones are developed with the requisite industrial infrastructure Rapid project approval and licensing within 30 days (with exception of projects requiring environmental license from NEMA) Unrestricted investment by foreigners Exemption from PVOC (conformity assessment program applied to products at the respective exporting countries, to ensure their compliance with the applicable Kenyan Technical Regulations and Mandatory Standards or approved specifications)⁶¹

⁵⁹ Data Source: Ethiopian Investment Commission

⁶⁰ Data Source: Primary Research

⁶¹ Data Source: EPZA

	DESCRIPTION
Tanzania	<p>Automatic permit of employing 5 foreign nationals on the project holding Certificates of Incentives.</p> <p><u>For SEZ Developer:</u></p> <ol style="list-style-type: none"> On site customs inspection of goods Treatment of goods destined into SEZ as transit cargo <p><u>For SEZ User:</u></p> <ol style="list-style-type: none"> Provision of business visa at the point of entry to key technical, management and training staff for 2 months Access to competitive, modern and reliable services available within the SEZ On site customs inspection of goods within SEZ <p><u>For SEZ Exporter:</u></p> <ol style="list-style-type: none"> Provision of business visa at the point of entry to key technical, management and training staff for 2 months Access to competitive, modern and reliable services available within the SEZ Treatment of goods destined into SEZ as transit cargo⁶²
Rwanda	Preference to the local manufacturers such as mandate of 60% of army, police, prisons and schools uniforms to be sourced locally. ⁶³
Ethiopia⁶⁴	<p>One Stop Shop Service: Registration of business for investors now takes a matter of hours for most, and generally 1-2 days at most.</p> <ul style="list-style-type: none"> ● After Care Service: Providing support to investors in processing investment related requests such as: ● Land for investment: Facilitation Service by the investment Commission ● Residence and work permits Facilitation ● Approval of environmental impact assessment on investment ● Acquiring water, electrical power and telecom services
Uganda	
India	Single Window Clearance System provided by various states to promote hassle free investments for investors/manufacturers, etc. ⁶⁵

62 Data Source: EPZA, Tanzania

63 Data Source: Strategy to Transform the Textile, Apparel

and Leather Sectors, Ministry of Trade & Industry

64 Data Source: Ethiopian Investment Commission

65 Data Source: Primary Research

	DESCRIPTION
Bangladesh⁶⁶	Single File Clearance System: Once the order is placed with the garments exporter, exporters prepare a file with all product specs, input/output norms, etc. The file goes to BGMEA for approval, who after proper technical due diligence approve it (with changes, if any). This file becomes the single reference point for custom authorities, financial institutions and any other approving body. It enables Bangladeshi apparel exporters to freely import fabric and other inputs duty free and maintain records of imports and exports which can be scrutinized. This system is maintained in physical books.
Sri Lanka	<ol style="list-style-type: none"> 1. 100% foreign ownership permissible 2. All income, proceeds on sale of the investments can be repatriated through an Inward Investment Account opened by the Investor⁶⁷ 3. Green channel facilities for obtaining approval of duty free imports of raw material. This facility is available for enterprises registered with the Board of Investment and allows a fast-track approval procedure completed within 20 minutes, in contrast to 30 minutes taken for ordinary service⁶⁸

*In India, this scheme was discontinued in September 2011.

66 Data Source: Primary Research

67 Data Source: Board of Investment, Sri Lanka

68 Data Source: Government Information Centre, Sri Lanka



4. Market Access Arrangement

Table 3: Benchmarking - Market Access Arrangement

Country	Kenya	Tanzania	Rwanda	Ethiopia	India	Bangladesh	Sri Lanka
USA ⁶⁹	FTA under AGOA	FTA under AGOA	FTA under AGOA	FTA under AGOA			Tariff reduction on certain textile & apparel commodities under GSP
Europe ⁷⁰	20% tariff reduction under GSP	EBA	20% tariff reduction under GSP	EBA	20% tariff reduction under GSP	EBA	Duty free imports under GSP+
Japan ⁷¹	GSP	GSP	GSP	GSP	CEPA		
China ⁷²					10-40% margin of preference on certain textile & apparel commodities under APTA	Duty free quota free apparel imports 20-40% margin of preference on certain textile & apparel commodities under APTA	5-50% margin of preference on certain textile & apparel commodities under APTA
East Africa ⁷³	FTA under COMESA Ratified under AFCFTA ⁷⁴	FTA under SADC Ratified under AFCFTA	FTA under COMESA Ratified under AFCFTA	FTA under COMESA Ratified under AFCFTA			

69 Data Source: Office of Textiles and Apparel (OTEXA)

70 Data Source: European Commission

71 Data Source: Japan Customs

72 Data Source: HKTDC

73 Data Source: East African Community

74 The agreement initially requires members to remove tariffs from 90% of goods, allowing free access to

commodities, goods, and services across the continent. It does not come into effect until 22 of the signing countries ratify the agreement.



5. Buyers Feedback

Table 4: Buyers Feedback

Description	H&M	Decathlon	PVH	VF	Scan Thor	Subcontractor for Chinese Investor
Operating countries	Ethiopia, Kenya, Rwanda, and Uganda	Ethiopia	Ethiopia and Kenya	Ethiopia and Kenya	Ethiopia, Kenya, and Uganda	EAC
Collections sourced from EAC	Men's only	Men's only	Men's only, Women's jeans etc.			
Products currently sourced form EAC	Knit tops from Ethiopia	Sports wear	Men's shirts and Bottoms with underwear and polo shirts	Kenya: Woven bottoms Woven shirts Ethiopia: Woven bottoms	Kenya: Denim, Shirts Ethiopia: T-shirts, Towels, denims, twills, fabrics, knits, bags, shoes Uganda: T shirts	Chemicals and Cotton Fiber
Total sourcing volumes from EAC	N/A Not disclosed	N/A Not disclosed	N/A Not disclosed	11.5 million pieces	21.5 million pieces	500T for all import in EAC
Share of sourcing from EAC in total sourcing volume	Less than 1%	N/A Not disclosed	N/A Not disclosed	N/A Not disclosed	N/A Not disclosed	40%
Average order sizes	N/A Not disclosed	N/A Not disclosed	N/A Not disclosed	15,000 pcs per order	2,000 pcs per style	500T for all import in EAC

Description	H&M	Decathlon	PVH	VF	Scan Thor	Subcontractor for Chinese Investor
Lead time	100-120 days	100-120 days	60-90 Days	90 days FOB	45-60 days FOB	4 days
Price positioning (Economy/Premium/Super Premium)	Economy	N/A Not disclosed	Economy (To move to premium as the skill level is developed)	Economy (To move to premium as the skill level is developed)	Economy (To move to premium as the skill level is developed)	Premium
Certifications required	Own Audits	Own Audits	Buyer Internal Certification	Buyer internal Certifications	Oeko-tex; BSCI	Certificate of Origin, Quality Certificate and Documents Certificate
Compliance standards to be followed	Have own compliance team	Own Audit team	Buyer Internal Standards	Buyer Compliance Standards	Cotton Made in Africa	Certificate of Origin, Quality Certificate and Documents Certificate
Initiatives for supply chain visibility	Yes, Program commitments	N/A Not disclosed	Happy to pay a premium for fabric that has been produced under 100% zero discharge	Until the situation changes in East Africa, they will continue to work with nominated suppliers of fabrics and accessories and have their own team to track the supply chain	a. Target set to source 100% CMIA cotton by 2020 b. Targets to source 1 million yards of fabric per year from Kanoria in Ethiopia to boost their supply chain	Regular Communication, Information and Meetings
Working hours and overtime norms	National Labour laws	National Labour laws	National Labour Laws	National Labour Laws	National Labour Laws	National Labour Laws
Wage norms	No minimum wage as per Ethiopian regulation		As per the national guidelines where applicable, except Ethiopia where buyer has to set its own standard of paying not <US\$ 26	Living wage in Ethiopia Others as per the national guidelines	Living wage in Ethiopia Others as per the national guidelines	National Labour Laws

Description	H&M	Decathlon	PVH	VF	Scan Thor	Subcontractor for Chinese Investor
Lead time	100-120 days	100-120 days	60-90 Days	90 days FOB	45-60 days FOB	4 days
Country specific policy support required	There is need for clear export and industrialization policies from the government including long term vision on sustainability and green economy.	There is need for clear export and industrialization policies from the government including long term vision on sustainability and green economy .	<p>Kenya: Key investors should have direct access to the government; President or via an investment commissioner</p> <p>Ethiopia: Need for strategic policies for attracting investors in CSR; Promoting political stability and protecting existing investments; Need to set up a wage council that is empowered to set the wages</p>	<p>Kenya: Need for strategic policies to attract investors in capacity, technology and skills upgrade; Need for stability in policy environment.</p> <p>Ethiopia: Need for strategic policies for: Prioritizing accessibility and efficiency of logistics; Attracting investors in CSR; Attracting investors in skills development and productivity; Promoting political stability and protecting existing investments</p> <p>Tanzania: Need to prioritize investor needs. Need to attract investors in skills development</p>	<p>Kenya: Key investors should have direct access to the government; President or via an investment commissioner</p> <p>Ethiopia: Need to liberalize the banking system to match up with competition; Need to invest more in social compliance</p> <p>Uganda: Need for strategic policies to attract more investors in the Textile and Garment industry</p> <p>Tanzania: Need to prioritize investor needs</p>	Made In Rwanda

Annexure*

Kenya

Kenya EPZA Annual Report

Kenya EPZA Presentation

Kenya Association of Manufacturers (KAM)

Kenya Investment Authority

Kenya Revenue Authority

Export Promotion council

Tanzania

Tanzania EPZA brochure

Textile Development Unit

Tanzania Investment Centre

Skilling-Tanzania-ACE-Working-Paper-6

Bank of Tanzania notice to all banks and financial institutions(Dated Oct 19, 2011)

Ethiopia

Ethiopian Investment Centre

Ethiopian Investment Commission

Uganda

Uganda Revenue Authority

Rwanda

Development Bank of Rwanda

Rwanda Development Board

Rwanda Strategy to Transform the Textile, Apparel and Leather Sectors, Ministry of Trade & Industry

Rwanda Gazette notice on corporate income tax

Rwanda Export Growth Facility Eligibility Criteria

Ministry of Trade and Industry

African Trade Insurance Agency

Sri Lanka

Board of Investment, Sri Lanka

Government Information Centre, Sri Lanka

Export Development Board

Bangladesh

Bangladesh Investment Development Authority

India

Part 1 Section 1 of Gazette of India, Ministry of Textiles

State governments' websites

Duty Exemption and Remission Schemes, Directorate General of Foreign Trade, Ministry of Commerce and Industry

11/197/2016-E&MDA, Ministry of Commerce and Industry, Department of Commerce, E&MDA Section and Marketing Development Assistance Scheme, Department of Commerce, MSME Sector

Documents published in Gazette of India, Ministry of Finance & Ministry of Textiles

Ministry of Rural Development

Scheme for Capacity Building in Textile Sector, Ministry of Textiles

Scheme for Integrated Textile Parks, Ministry of Textiles

*The policy documents and links to the websites shall be shared separately via google drive.

- a. invest at least US\$ 10 million in both tangible and intangible assets
- b. provide employment and training to Rwandans
- c. conduct international financial transactions of at least US\$ 5 million a year for commercial operations through a licensed commercial bank in Rwanda

- d. Well established in operating sector
- e. use at least US\$ 2 million per year in Rwanda
- f. set up actual and effective administration and coordination of operations in Rwanda and perform at least three of the following services in Rwanda:

- 1) procurement of raw materials, components or finished products
- 2) market control and sales promotion planning
- 3) information and data management services
- 4) treasury management services

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