

U.S. Apparel Demand Drives Job Creation in Kenya

SUCCESS STORY

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In Brief

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Samuel Omboga started with UAL just out of secondary school, 5 years ago. He has more than doubled his income since joining the company.

Sub-Saharan Africa is establishing itself as the next sourcing destination for global apparel buyers. Chief purchasing officers from high volume apparel firms have signaled their desire to shift more of their sourcing from Asia to East Africa. Kenya and Ethiopia top the list of desired East African locations (2014 McKinsey & Company survey). Both Kenya and Ethiopia benefit from trade preference under the African Growth and Opportunity Act (AGOA), which was just renewed for an unprecedented 10 years; a massive labor pool; and increasingly supportive governments.

United Aryan Limited (UAL) textile factory is located within a government-supported Export Processing Zone, six miles from Nairobi's city center. It is a leading Kenyan exporter of apparel to the U.S. and has been certified by a number of large U.S. retail chains, including Levi Strauss & Co and H & M. In 2004, the year before USAID sponsored UAL at its first American trade show, annual UAL sales were \$13.4 million. Today, in 2015, UAL annual sales are nearly \$50 million.

"We want to get to a 35% growth rate," said UAL Shipping Director James Onger. With the 10-year AGOA extension and U.S. demand, Onger is confident that they can.

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UAL is in the middle of an expansion; a new unit of seven production lines is scheduled to be complete by April 2016. The current expansion will take UAL's production capacity from an average production of 31,000 garments a day to an average production of 38,000 garments per day. Most of these garments are blue jeans destined for the U.S. market.

The expansion means more jobs for Kenyans. UAL currently employs 8,000 Kenyans. The average age is 25; 80% are women. By April 2016, UAL expects to employ nearly 10,000 Kenyans, which is a substantial number in a country that has an estimated 40 percent unemployment rate.

"The job has empowered me. I'm not stuck at home. I now know leadership," said Violet Kabanya. Kabanya started with UAL in 2003, the same year it opened. She worked her way up from a "helper" to a director of quality control, speaking directly with buyers regarding their shipments. "The company has given me opportunity. It is a privilege to be here."

Samuel Omboga started with UAL just out of secondary school, 5 years ago. His family encouraged him to move from his rural home in western Kenya to Nairobi for a job. He too started as a helper and has worked his way up to a clerical position. He now supports his two brothers to attend school and is working to improve the living standards of his parents. He has more than doubled his income since joining the company.

"The job has created opportunities for me. Now, I want to create opportunities for my family back home." Omboga recently started a small side business selling handbags. He says it isn't doing well yet, but it does provide his rural family with employment.

Employment is exactly why investment in the textile and apparel industries of Kenya is so important. The apparel and textile manufacturing industry drives urban employment and is critical to the livelihoods of urban women and youth. In the words of Violet Kabanya, "we need more people employed to decrease crime and make people happy."

USAID has supported UAL through its Trade Hubs since 2005. USAID Trade Hubs provide technical assistance, such as trainings on how to meet the technical specifications required by U.S. companies, and market connections through trade shows and buyers missions. The current USAID East Africa Trade and Investment Hub (the Hub) is helping UAL connect with investors through its transaction advisory services. The Hub investment transaction team offers opportunity validation, market intelligence, fundraising support, due diligence, deal structuring, and financial analysis and modelling. As of August 2015, the Hub has identified two possible investment opportunities for UAL and is now conducting a financial analysis.