

Sustainable Industrial Clusters

Promoting Decent Jobs and Sustainable Growth in Ethiopia's Manufacturing Sector

The challenges – the '5Cs'

In 2019, Ethiopia embarked on an ambitious path towards economic development. The home-grown economic reform (HGER), which incorporates a strong industrialisation strategy, aims for Ethiopia to become a middle-income country by 2030. A key aspect of Ethiopia's industrialisation agenda is the establishment of industrial parks (IPs), which aim to attract foreign direct investment (FDI), increase exports, create jobs for a young, growing population, and promote the country as a light manufacturing hub on the African continent.

While the manufacturing sector attracted 50% of Ethiopia's total FDI in 2019, investment alone does not guarantee the sustainability of job creation and economic growth. Aside from the on-going COVID-19 pandemic and the challenging political context in the country, several factors hinder Ethiopia's sustainable industrial growth, limiting opportunities to create decent jobs and creating difficulties in complying with social and environmental standards and sustainability frameworks. Summarised under the '5Cs' – Capital, Capacity, Coordination, Compliance, and Culture – the figure below outlines the main constraints:

Project name	Sustainable Industrial Clusters (S.I.C.)
Commissioned by	Foreign, Commonwealth and Development Office (FCDO) of the United Kingdom and the German Federal Ministry for Economic Cooperation and Development (BMZ)
Implemented by	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Political partner	Ethiopian Investment Commission (EIC)
Public sector partners	Industrial Parks Development Corporation (IPDC); Ministry of Trade and Industry (MoTI); Ministry of Labour and Social Affairs (MoLSA); Environment, Forest and Climate Change Commission (EFCCC); and Ethiopian Textile Industry Development Institute (ETIDI)
Project region	Ethiopia; focus on selected industrial parks
Implementation phase	July 2021 until March 2025
Project budget	€32.8 million (£22 million from FCDO and € 7 Million from BMZ)

Capital

IPs lack the finances to run parks sustainably and to make necessary investments in infrastructure. Local companies looking to meet environmental and social compliance standards cannot afford to pay for the certification process.

Capacity

IP management requires upgraded capacity to implement customer-focused services within the IPs and for investors. The factory operators often lack the sector-specific technical skills to produce the volumes and quality of goods in the time required. Locally-based businesses lack the capacity to supply products of sufficient standard to investors in IPs.

Coordination

There is a lack of strategic coordination among actors – including the Government of Ethiopia, administrative bodies, IP regional authorities and park-level stakeholders – leading to the duplication of efforts and gaps in service provision.

Compliance

Sector-specific standards that ensure socially and environmentally sustainable textile and garment production are lacking in key areas, while those that do exist are weak. Compliance monitoring and reporting systems by regulators are underdeveloped.

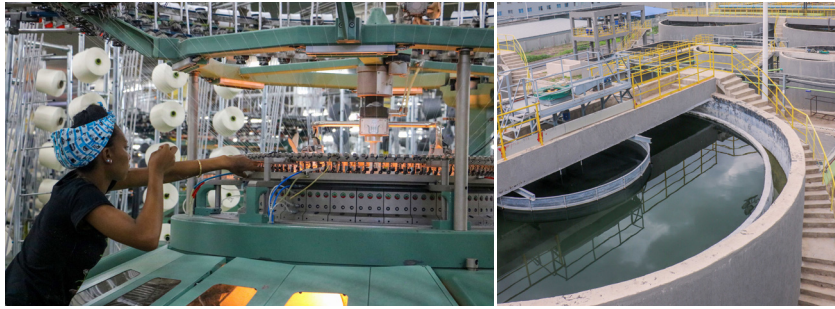
Culture

There is a low level of understanding social and environmental sustainability and resource conservation principles. Workers in IPs often lack familiarity with industrial work culture.



Left - Women stitching bags at Afar textiles

Right - Hawassa Industrial Park



Anna Waldmann,
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Left - IP worker operating on a knitting machine

Right - Zero liquid discharge (ZLD) plant in Hawassa Industrial Park

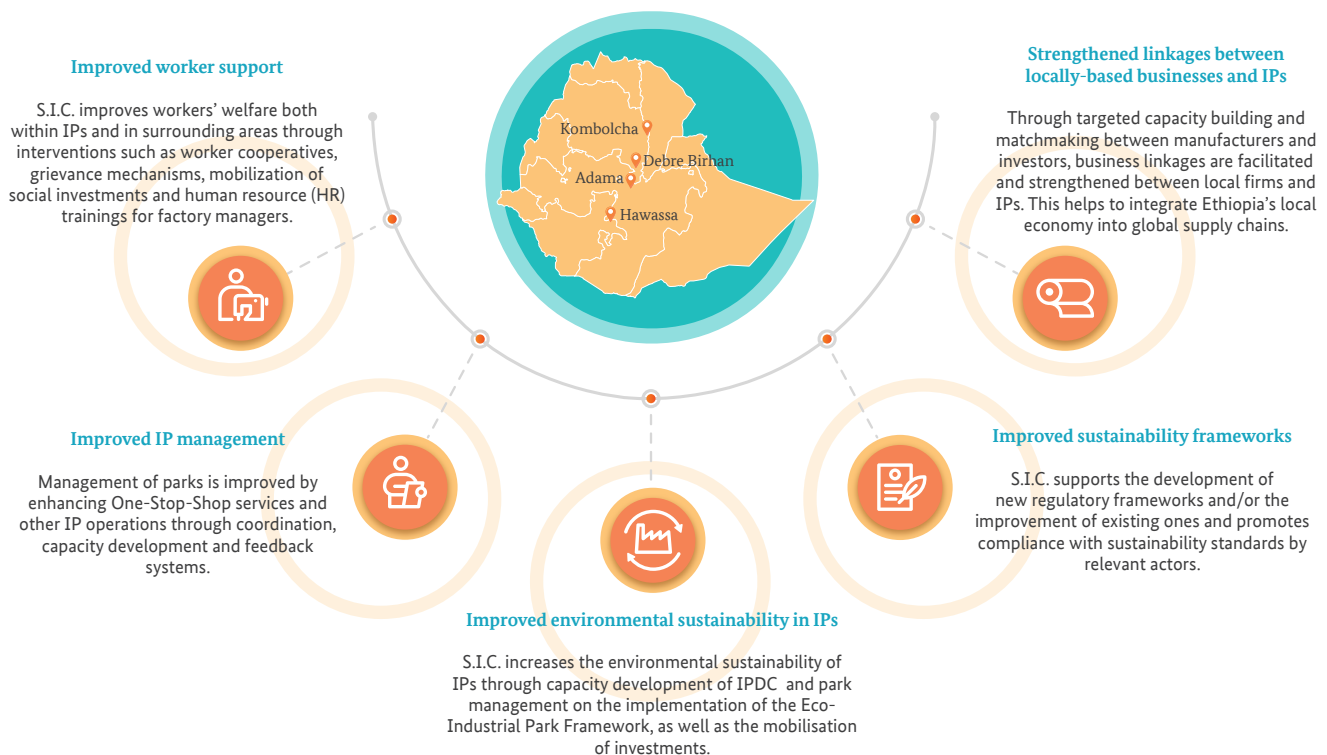
Our approach: Sustainable Industrial Clusters

The Government of Ethiopia has made deliberate structural changes, policy adjustments and investments to drive the growth of the manufacturing sector. The momentum of such growth, alongside continued governmental support, presents an opportunity to enhance sustainable and inclusive economic growth. Leveraging on this support, Sustainable Industrial Clusters (S.I.C.) – a tri-lateral project, which is implemented by GIZ on behalf of the UK and German Government – promotes decent job creation and sustainable growth in Ethiopia’s manufacturing sector.

The project will address current challenges faced by IPs that relate to compliance with international social and environmental standards, while fostering job-effective growth. Although the project does not limit itself to the textile and garment sector, it will have a certain focus on this industry given the job creation potential. Since more

than 90% of the workforce in the textile and garment sector are female, the S.I.C. project explicitly addresses women’s needs and rights and thereby contributes to women empowerment. The project aims at: improving park operations, increasing investor/buyer and worker satisfaction, enforcing environmental and social regulatory frameworks, and fostering business linkages between locally-based companies and IPs. S.I.C. will work closely with stakeholders in the public sector, including: EIC, IPDC, MoTI, MoLSA, ETIDI and EFCCC.

Activities under S.I.C. will target three industrial clusters: (i) Hawassa, (ii) Debre Birhan and Kombolcha, and (iii) Adama. To achieve its vision in the targeted industrial clusters, S.I.C. will implement interventions across five outputs:



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In cooperation with Ethiopian Investment Commission (EIC); Industrial Parks Development Corporation (IPDC); Ministry of Trade and Industry (MoTI); Ministry of Labour and Social Affairs (MoLSA); Environment, Forest and Climate Change Commission (EFCCC); and Ethiopian Textile Industry Development Institute (ETIDI)

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