

# 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). The 24 IPs 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 challenging political context in the country, key factors such as lack of financing, sector specific technical skills and strategic coordination among actors; inadequate compliance standards and industrial work culture have hindered Ethiopia's sustainable industrial growth. However, despite the challenges, the light manufacturing sector remains pivotal in the path of economic growth, recording a 50% annual growth between 2015 and 2021. The textile and garment sector also accounted for more than 36% of manufacturing exports (US\$181m) in 2021/22 and continues to be labour intensive, employing up to six times as many people (out of them, the vast majority are women) when compared to other manufacturing sectors.

### Our approach: Sustainable Industrial Clusters

With increasing consumer and European government demand for social and environmental sustainability, a systematic support to the manufacturing sector, particularly the textile and garment industry, remains important. The Government of Ethiopia has made structural changes, policy adjustments and investments to drive the growth of the manufacturing sector. 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 addresses current challenges faced by IPs focusing on improving park operations, increasing investor/buyer and

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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 Industry (MoI); Environmental Protection Authority (EPA); and Textile and Garment Industry Research and Development Center (TGIRDC)
Project region	Ethiopia; focus on selected industrial parks
Implementation phase	July 2021 until September 2024
Project budget	€15.6 million (€ 8.6 from FCDO and € 7 Million from BMZ)

worker satisfaction, enforcing environmental and social regulatory frameworks, and fostering business linkages between locally based companies and IPs. Since more than 90% of the workforce in the textile and garment sector are female, the project explicitly addresses women's needs and rights and thereby contributes to women empowerment.

Activities under S.I.C. target the sector needs, for instance: improved sustainability standards to fulfil upcoming due diligence laws that intend to hold stakeholders accountable throughout the value chain; improved services for manufacturers and improved worker welfare to increase productivity; as well as increased capacities and direct matchmaking for locally based factories to discover new markets



Left - Women stitching bags at Afar textiles

Right - Hawassa Industrial Park



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*Left - IP worker operating on a knitting machine*

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

and increase productivity. In response to the needs, the S.I.C. project implements in five industrial clusters: (i) Hawassa, (ii) Debre Birhan and Kombolcha, (iii) Adama, (iv) Bole Lemi and (v) Dire Dawa. The project continues to focus on four core areas:

- Improving workers' welfare both within IPs and in surrounding areas through activities such as worker cafés and cooperatives, grievance mechanisms, capacity building to prevent gender-based violence and harassment as well as human resource trainings for factory managers.
- Improving management and environmental sustainability of IPs by enhancing park operations, capacity development, assisting

the implementation of the Eco- Industrial Park Framework, as well as mobilization of investments.

- Supporting the development of new regulatory frameworks and/or the improvement of existing ones and promote compliance with sustainability standards and fulfil due diligence laws.
- Strengthening linkages between locally based businesses and IPs through targeted capacity building and matchmaking between manufacturers and investors.

## Results

The following key milestones were achieved since the start of the project implementation:

- The 'Buna Tetu' worker's café which caters to the needs of female garment workers by facilitating social dialogue, providing counselling, and training services, and promoting capacity development among factory workers in Hawassa IP started operation in July 2021.
- The project conducted a Training of Trainers (ToT) on Occupational Safety and Health (OSH) Management Systems in accordance with International Organization for Standardization (ISO) 45001: 2018 for 30 participants from Debre Birhan and Kombolcha IP.
- 50 technical staff working in different units of Hawassa IP Zero Liquid Discharge facility received capacity building training on environment, laboratory, and energy management systems.
- A customer service and hospitality training manual was developed, and a ToT training focused on enhancing the attitude, capacities, and skills of One Stop Shop (OSS) employees, who have direct contact with investors and managers at the IP, was given to 280 entry- and middle-level management staff.

- A Pandemic Mitigation Standardised Operating Procedures (SOP) and trainings on the implementation were given to 27 participants in Debre Birhan IP and Kombolcha IP.
- S.I.C. developed a training manual and SOP on raw material utilization and provided training to nine locally based factories. As a result, raw material utilization in the targeted companies has improved by up to 10%, allowing factories to save costs between ETB 2.9 million and ETB 10.64 million on average annually depending on the production stage.
- S.I.C. supported the development of a sludge management guideline and the formulation of a national sludge standard to enhance the compliance, enforcement capacity and implementation of the standard.
- The project facilitated the participation of 23 locally based companies in the Africa Sourcing and Fashion Week and Paris Texworld textile exhibitions to showcase their products and network with international investors and establish 37 new business linkages.

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