



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION



PUBLIC PRIVATE PARTNERSHIP (PPPs) FOR SUSTAINABLE INDUSTRIAL DEVELOPMENT

Capacity building and job
creation in the Ethiopian
Textile Industry

Made in Ethiopia: Africa's next textile hub

Ethiopia is projected to become Africa's next textile hub and one of the largest worldwide. While the sector in the country dates back to 1939, when the first garment factory was established in Dire Dawa, in the last six years the industry has recorded dramatic growth driven by the licensing of over 65 new international investment projects. The recent textile boom is directly linked to the Government's strategy to convert the country's largely agricultural economy into manufacturing, projecting to reach middle-income status by 2025. This export-oriented strategy, based on a policy of incentives and tax breaks, has been particularly successful in attracting foreign investment in view of worldwide competition. The country holds considerable comparative advantage in terms of the wide availability of raw material and water, low energy costs, cheap labour, and bilateral trade agreements with the world's largest markets – including the European Union and the United States. The ambitious vision of transforming Ethiopia into a competitive continental and global hub for brands, retailers, and suppliers in the textile and apparel industry is expected to create thousands of jobs and help alleviate poverty. While currently relying on foreign firms producing for export, this strategy is thus aimed at consolidating existing autochthonous capacity to guarantee the sustainable growth of the industry, and maximising its developmental impact, in the medium to long run.

To achieve these objectives the Ethiopian government plans to construct a number of state-of-the-art Industrial Parks – fulfilling international standard facilities, safety measures, and low carbon footprint – across the country, five being already operational. While intended for manufacturing in general, textile and apparel production occupy a significant share of these parks.





Several other private sector stand-alone factories across different regional states' main cities complement Industrial Parks.

The rapid growth of the textile and garment industry in Ethiopia is accompanied by profound transformations, which mirror both opportunities and challenges. While the industry is projected to create thousands of jobs in the next few years, existing training institutions lack the capacity to meet an increasing demand for qualified workers. A main challenge is the lack of adequate technical and soft skills. While the profile of 85% of prospective workers is young women that completed primary education, the rapid expansion of the industry takes place along existing labour migration dynamics to peri-urban areas. Unskilled and non-professionalised labour points to challenges about the transition of workers with a farming background to factory life, and, more broadly, mirrors the low level of entry salary in the industry. Internal labour migration thus intersects with broader regional and international migratory dynamics.

A framework for inclusive and sustainable development

To help create decent and productive job opportunities in the rapidly growing textile sector in Ethiopia, the United Nations Industrial Development Organization (UNIDO) designed a project in partnership with the Ethiopian Ministry of Industry (Mol) and the Ethiopian Textile Industry Development Institute (ETIDI). *Capacity-building and job creation for youth and women in the textile sector in migration prone areas of Ethiopia* is funded by the Italian Agency for Development Cooperation (AICS). AICS' mission is to act as a major player in the pursuit of the Sustainable Development Goals of the United Nations, and has a consolidated tradition in supporting international cooperation initiatives in Ethiopia.



The initiative is designed along the priorities identified under the European Union (EU)/AICS *Stemming Irregular Migration in Northern & Central Ethiopia (SINCE)* project, an outcome of the 2015 Valletta Summit Action Plan. SINCE tackles the root causes of irregular migration and forced displacement in Ethiopia. The project is aligned with these objectives by targeting youth unemployment and lagging economic opportunities through skills and capacity building initiatives in the textile sector.

The project contributes to the broader UNIDO's mandate for Inclusive and Sustainable Industrial Development (ISID) set as part of the 2030 Agenda for Sustainable Development. The Agenda is articulated along 17 Sustainable Development Goals (SDGs) that identify key objectives across the social, economic, and environmental dimensions of sustainable development. Primarily, ISID aims to fulfil SDG 9: "Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation". ISID is premised on the recognition that multi-stakeholders partnerships mobilising and sharing knowledge, technology, and financial resources are a key driver for economic growth, job creation, and skills development.

ISID stands at the core of the mandate given to UNIDO by the 2013 Lima Declaration, which was then articulated further through the Programme for Country Partnership (PCP). PCP is an innovative model to support countries in advancing inclusive and sustainable industrial development. The programme supports sustainable industrial development through initiatives led by the host government and focused on sectors with high growth potential. Based on strategic partnerships between UN agencies, Governments, the private sector, and financial institutions, the PCP is a flagship framework through which UNIDO aims to develop innovative business models that hold the potential to achieve larger development impact.

The PCP for Ethiopia is framed alongside the country's national development strategy for the period 2015 to 2020, the Growth and Transformation Plan II (GTP II). GTP II aims to promote the structural transformation of the country's largely agricultural economy into industry and manufacturing. The PCP for Ethiopia focuses on supporting the Government in fulfilling the GTP II through inclusive and sustainable industrial development initiatives. Alongside agro-food processing and leather, textile was identified as one of the PCP priority areas, based on its potential for rapid job creation, availability of raw material, contribution to export markets, and ability to attract investments.

A Public Private Partnership approach

Within the broader framework to tackle the root causes of irregular migration, the project targets two priority areas. The first is the creation of decent and productive employment opportunities for young women and men through the development of technical, managerial and institutional capacities in the Ethiopian textile sector. The second is to facilitate responsible private investment in



Africa agro-industries and boost intra-African trade and exports of products through increased financial activities.

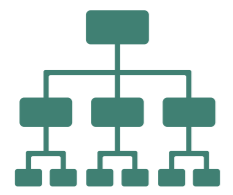
In line with framework for inclusive and sustainable development of the Programme for Country Partnership (PCP), the project is formulated along an innovative, multi-stakeholder Public Private Partnership (PPP) approach. PPPs fulfil sustainable and inclusive industrial practices in three fundamental ways. First, they allow the long-term

sustainability of development cooperation initiatives by facilitating dialogue among all the actors with a stake in the textile sector. Second, PPPs harness the core strengths of the private sector and contribute to changing the ways businesses operate to boost social, environmental and development standards. Third, PPPs allow the formulation of training programmes that reflect the practical needs of the industry, and hence facilitate employability and the creation of productive jobs.

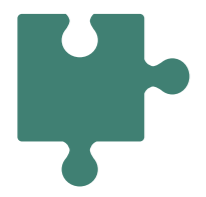
The PPP approach enables the design and implementation of capacity building and training initiatives that take into consideration the demands of the private sector, fulfil the underlying Government priorities, while contributing to the broader objective to create sustainable and inclusive industrial initiatives. This approach helps maximising the effectiveness of technical, managerial, and institutional capacity development across different scales of the textile value chain.



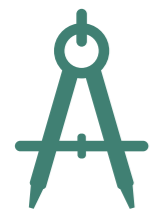
•Value chain selection and areas of intervention



•Multi-stakeholder platform



•Gap analysis and socio-economic assessment



•Action Plan



•Implementation

Areas of intervention and Multi-stakeholder platform

UNIDO intervention focuses on the Tigray National Regional State, a region where the textile industry is in rapid expansion, and characterised by significant fluxes of origin and transit of internal and international migration. The Mekelle Industrial Park, inaugurated in July 2017, consolidated a recent trend towards significant textile investments in the region. The Park is expected to create 20,000 new jobs. Tigray hosts four other major foreign investments in vertically integrated textile and garment factories in the area of Mekelle with the potential to hire additional 10,000 people. These facilities complement two already existing large industrial plants owned by Ethiopian nationals. Tigray, and the area of Mekelle more specifically, is rapidly becoming Ethiopia's largest hub for textile and garment. Project design and activities are formulated alongside the creation of a multi-stakeholder platform in Mekelle that



brings together representatives of Government institutions, textile companies, civil society organizations, and education institutes – based on a PPP approach. The platform guarantees the long-term sustainability of the project and facilitates exchange of information between the public and private sectors, as well as training institutions in Mekelle. This enables tailoring training activities along the changing demand of the industry, while maximising capacity building efforts and technology transfer to public institutions. The involvement of companies thus assures quality trainings, maximises the employability of prospective workers, and

contributes to the objective of creating decent and productive jobs.

Gap analysis

Initially, the multi-stakeholder platform focused on a gap assessment of the textile sector in Ethiopia, conducted alongside a comprehensive socio-economic analysis of the prospective impact of the industry in Tigray. Gap analysis was tailored around the project objective to maximise the creation of decent and productive employment opportunities. The gap assessment identified challenges that can be divided in two main groups: gaps in technical and soft skills, and gaps in creating an enabling environment for inclusive business. Gap analysis reveals that a majority of the constraints affecting the textile sector in Tigray revolve around the need for capacity development at different levels, including on technical and soft skills, as well as institutional and market infrastructure.

Technical and soft skills development

Despite the availability of a young and large labour force, Ethiopia's textile sector is constrained by the lack of sufficiently skilled manpower. Lack of skills is a challenge that is directly correlated to low productivity and quality, and which currently hinders the potential expansion of the sector as a whole. Skill development is crucial to create decent and productive job opportunities. Several factors currently constrain skill development.

Training capacity

The education system in Ethiopia suffers from lack of capacity to generate sufficient qualified manpower. Specific problems include lack of adequate equipment and machineries, curricula not responding with the need of the industry, lack of qualified teachers, weak links

between universities, TVET and the private sector.

On the job training

The lack of an effective training system leaves the private sector with the burden to prepare a specialized workforce. Only large companies can afford adequate on the job trainings and appropriate HR development facilities. This is a significant bottleneck constraining the development of small entrepreneurial initiatives.

Turnover and absenteeism

Low entry salaries hinder labour productivity and are associated with high levels of turnover and absenteeism. Workers often quit abruptly when presented with better paying opportunities. Lack

of adequate housing, medical services, reliable transport, and childcare undermine employee loyalty and accountability.



Middle management capacity

The textile industry suffers from the lack of middle management capacity. A majority of existing line supervisors were trained at a time when the industry was under public sector management. As result planning methods are outdated and informed by practices not responding with the current requirement of an industry facing global competition.

Soft skills

The current wave of international investment requires workers and managers with sector-specific knowledge. A majority of employees have agricultural backgrounds or at best experience in other industrial sectors. Non-professionalised labour points to a broader gap in soft skills, transition to factory life, and industrial culture.

Market-driven approach

A further gap is the lack of a market-driven approach. Formerly public owned companies, as well as the bulk of medium and small enterprises largely rely on production-driven methods. Disconnections are particularly evident between producers and final buyers.

Quality standards

A further constraint is the lack of capacity to fulfil adequate quality standards. This limits the ability of entrepreneurial initiatives to capture significant value addition, particularly in export markets. This inhibits the development of side industries, forcing companies to rely on expensive import materials.



Enabling environment for inclusive business

The lack of vertical integration of the textile value chain limits the potential for significant value addition and rapid employment creation. Several gaps exist in establishing an environment conducive to inclusive business.

Sourcing of inputs

With the exception of labour and energy a majority of production inputs must be sourced abroad. This is particularly relevant for finished garment production where the lack of locally sourced fabrics, accessories and packaging hinders the potential for value addition and expansion.

Market integration and value addition

The sector's focus on garment production generates low skilled job opportunities in the short term. The development of domestic entrepreneurship needs to be

compounded by adequate managerial skills. Institutional mechanisms establishing spill-overs of know-how from the large industry to the small and medium companies are largely missing.

Institutional capacity

The industry lacks effective sector associations enabling the coordination of market intelligence, supply, and quality requirements. The same applies to the labour side, with union and workers organizations having little organizational capacity. The lack of institutional capacity hinders quality services and the creation of decent jobs.

Access to finance

Access to credit, especially for small and medium companies, is a further major constraint. Access to finance in Ethiopia suffers from bureaucratic hurdles inherited from

previous systems of state planning of the economy. In particular, shortage of capital hinders the development of domestic markets.



Access to technology

Reliance on outdated technology is a problem constraining the productivity of the sector. While only few companies have the capacity to upgrade their equipment, outdated machineries hinder value addition and quality production.

Preferential export markets

Despite Ethiopia benefits from a number of preferential trade agreements, domestic companies are often unable to fully exploit these opportunities. A key restraint proves limited awareness to both the available market opportunities and the requirements of entry.

Trade promotion capacity

The lack of effective marketing and sales strategies limits small and medium enterprises' capacity to exploit domestic market opportunities. Trade promotion capacity is constrained by the lack of skilled managers and poor institutional support.



Findings of the socio-economic assessment

Gap analysis was complemented by a comprehensive socio-economic assessment of the area around Mekelle, entailing the collection of statistical data and qualitative interviews. The assessment generated the following findings.

Training capacity

Existing training institutions (e.g. TVETs) are not able to meet the existing demand for trainings from both a quantitative and qualitative perspective.

Labour demand

The textile industry around Mekelle plans to hire 20,000+ workers in the next three years, and additional 10,000+ to achieve full capacity. While the number of job seekers with a profile suitable for the textile industry – youth that completed primary education – in Tigray is significant (~140,000), only about 5% of these can be sourced from

Mekelle Municipality (~7,000). By implication, it is expected that the expansion of the industry will be associated with significant fluxes of migrant workers from elsewhere in the region. A significant number of workers is potentially available in the six wereda immediately bordering with Mekelle Municipality (~13,000).

Labour supply and migration

Labour migration raises concerns about the transition to industrial life, which entails economic, social, and cultural transformations that need to be taken into consideration when developing trainings, particularly on soft skills. Labour migration is complex and not unidirectional from rural to urban areas. Peri-urban sites where the industry puts its roots become the targets of multiple fluxes from both the inner city and rural areas. In addition, at least in the short-

term, labour migration is never permanent, and rather is characterized by frequent commuting and movements back and forth to the place of origin.



Profile of prospective workers and gender dynamics

Over 85% of the employees in the textile industry are women with a low socio-economic profile, and eligible for a minimal entry salary. Industrial work is unlikely to enfranchise young women from existing social hierarchies within the household and the broader communities of origin. While working, women are still expected to perform the same domestic tasks in the household. This and frequent social and cultural obligations in the community explain high rates of turnover and absenteeism.

Expectations about industrial development

Industrialization is regarded as foundational to the country's future, and has attached positive notions of progress and development. Industrial jobs have a higher reputation than jobs in other sectors, even when these pay a better salary. The textile industry is expected to create new jobs and tackle the problem of youth unemployment. Low entry salaries hold several implications. Regardless of how low these salaries are still very important in consideration of the substantial lack of alternatives that many youth face today, and of households' reproductive strategies. Particularly, for those households with an agriculture background an additional cash income often constitutes an important risk diversification strategy. Work in the textile industry is usually regarded as a short-term strategy. Young workers plan to get enough skills and experience to move on to a better life.



Multi-stakeholder roundtables and the Centre of Excellence in Mekelle

Results of the gap and socio-economic analysis were discussed and validated at two multi-stakeholder roundtables organised by UNIDO in December 2017 and January 2018. Drawing on a PPP methodology, the roundtables brought together representatives of local and national government offices, major textile companies, academic institutions, and relevant civil society actors. The roundtables were organised in close coordination with other development partners operating in the textile sector.

The multi-stakeholder meetings helped UNIDO to define the project's action plan, as well as solidified the platform for the implementation of project activities. A main outcome of the two meetings was the decision to focus project activities around the creation of a Centre of Excellence (CoE) for skill development in Mekelle. The CoE is hosted in the premises of the Mekelle Garment



College, the city's main training institute for textile and garment operators. The College was established in 2002, becoming a Technical and Vocational Education and Training (TVET) institute in 2008. Recently the College has been identified by the Ministry of Education as one of the priority institutions where to develop regional and national capacity.

While the College runs a number of training courses on both soft and

technical skill development, its current capacity is not able to meet the demands of an expanding industry from both a quantitative and qualitative perspective. The College premises host several newly constructed workshop spaces that are currently not used, making it an ideal hub to host the project's Centre of Excellence. A project office was established to coordinate implementation and solidify links with the College staff.



A comprehensive assessment of machinery and equipment available in the College was performed by UNIDO in collaboration with the institute's management and ETIDI. Initially activities will focus on the training of basic operators. This is based on the current demand of the private sector at this stage of development of the textile industry in Tigray. Accordingly, UNIDO has identified two types of training programmes: regular training; and seasonal training. The former is operated throughout the year and focuses on the following modules: Basic Sewing Operator; Line Supervisor; Mechanics; and Pattern Making (CAD-CAM). The seasonal training, meant as a specialisation, is performed every six months and focuses on the following modules: Merchandiser; Planning; Quality assurance; Industrial Engineering; and Production Management. Starting from January 2019 installed capacity allows training 200 basic operators every month. The CoE will thus facilitate their hiring in the industry.

A further significant component of capacity development performed by UNIDO within the broader framework of the multi-stakeholder platform was the preparation of training material to be used in the CoE. Comprehensive and state-of-the-art manuals have been designed in collaboration with private sector companies and validated by the management of the Mekelle Garment College and ETIDI. Manuals will be subsequently mainstreamed into the broader national TVET system, meaning that they will help setting new quality standards across Ethiopia. Training material developed as part of the project include: manual and video for basic operators; manual for middle management; guidelines for the training of managers; soft skills training manual, available in both Amharic and English.



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