

# Sustainable Industrial Clusters

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

### The challenges

In 2019, Ethiopia launched the Home-Grown Economic Reform (HGER) to become a middle-income country by 2030. Central to this plan are 24 industrial parks (IPs) aimed at attracting foreign direct investment (FDI), boosting exports, creating jobs, and positioning Ethiopia as a light manufacturing hub in Africa. However, the sector has faced challenges, including the suspension of the AGOA trade preference since January 2022, foreign currency shortages, high inflation, and rising insecurity due to armed conflicts. Despite these hurdles, the textile and garment sector remains crucial, showing resilience with 50% annual growth between 2015 and 2021, and contributing to 32% to manufacturing exports in 2023/24.

### Our approach: Sustainable Industrial Clusters

With rising consumer and European government demand for sustainability, systematic support for Ethiopia's manufacturing sector, especially textiles and garments, is crucial. The Ethiopian government has made structural changes and investments to boost this sector. The Sustainable Industrial Clusters (S.I.C.) project, implemented by GIZ on behalf of the UK and German governments, promoted job creation and sustainable growth. S.I.C. focused on building resilience and integrating sustainability practices to enhance the sector's competitiveness and operational stability. S.I.C. had directed its efforts through four core pillars, namely 1) worker's welfare; 2) improving industrial parks operations; 3) improving regulatory framework and 4) creating business linkages.

Over its 4-year implementation, the S.I.C. project, in collaboration with its partners, contributed to the creation of over 11,654 decent jobs, with more than 70% filled by women, and improved working conditions for 82% of workers in IPs. Despite Ethiopia's political and security challenges and the suspension of the African Growth and Opportunity Act (AGOA), 78% of companies complied with new or revised national environmental or social standards. Additionally, at least 9 supported business supplied to exporting companies the project contribute up to 5 times into the International Climate Finance (ICF) key performance indicators.

Practical examples of our approach and result include:

- Safeguarded worker rights and welfare by preventing gender-based violence, developing skills, establishing grievance

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Political partner	Ethiopian Investment Commission (EIC)
Public sector partners	Industrial Parks Development Corporation (IPDC); Ministry of Industry (MoI); Ministry of Labour and Skills (MoLS); Environmental Protection Authority (EPA); and Textile and Garment Industry Research and Development Center (TGIRDC)
Project region	Ethiopia; focus on Adama, Bole Lemi, Debre Birhan, Dire Dawa Hawassa and Kombolcha industrial parks
Implementation phase	July 2021 until September 2024
Project budget	€15.6 million (€ 8.6 from FCDO and € 7 Million from BMZ)

redressal systems, and promoting economic empowerment opportunities, especially for women workers. Notable results under 'improving worker's welfare' included:

- **Launched the 'Buna Tetu' Worker's Café:** This initiative supported 300 female garment workers by fostering social dialogue, offering counselling and training services, promoting capacity development, and ensuring access to fairly priced goods.
- **Expanded the STOP! Gender-Based Violence Prevention Program:** Successfully piloted and scaled this program across four factories, impacting over 5,600 workers and creating safer workplaces.
- **Empowered HR Professionals:** Trained 162 HR professionals from 45 companies in progressive HR management practices, with a strong emphasis on worker wellbeing.
- **Supported the establishment of Grievance Redressal Mechanisms:** including the development and implementation of a Standard Operating Procedure for call centres.



Left - Worker in Adama Spinning

Right - Workers at Hawassa Industrial Park



Anna Waldmann,  
Head of Project  
anna.waldmann@giz.de

*Left - Zero Liquid Discharge  
Facility Operators in Hawassa  
Industrial Park*

*Right - Kabana Leathers*

- Enhanced industrial park operations and environmental sustainability through improved park management, capacity development, implementing eco-industrial park guidelines, and mobilizing strategic investments. Notable results included:
  - Mobilized EUR 2.5 million in grants** to upgrade water and utility infrastructure in Hawassa (secured) and Bole Lemi (final stage).
  - Supported Hawassa Industrial Park to achieve **ISO 9001 Quality and 14001 Environment Management System certifications**, establishing a new standard of excellence.
  - Empowered 330 One-Stop-Shop (OSS) Employees** by delivering comprehensive customer service and hospitality training to enhance interactions with investors and managers at respective IPs.
  - Trained 30 technical staff to implement sustainable and resource-efficient operations** using Eco-Industrial Park guidelines.
  - Conducted audits at industry parks and factories to **optimize energy, water, and chemical management, reducing costs and emissions.**
- Strengthening Regulatory Frameworks and Compliance: Promoted social and environmental sustainability standards across the value chain via certifications, regulatory frameworks, and capacity building of stakeholders. Notable results under ‘improving the regulatory framework’ included:
  - Advised on Regulatory Instruments (eg the project **contributed in the development of the Sludge Management Standards and Chemical Management Guideline** by EPA).
  - In collaboration with MoI, **a Gender Mainstreaming guidelines was developed and adopted by 20+ companies across six regions.**
  - Promoted Cleaner Production Practices:** Trained 16 companies to adopt cleaner production methods and adhere to environmental and social standards.
- Strengthened the **advisory capabilities of agencies like Textile and Garment Industry Research and Development Center (TGIRDC)** by providing toolkits, expert support, and developing an industrial skills curriculum.
- Strengthening Business Linkages: Strengthened industrial productivity and competitiveness by building capacities of local businesses, reinforcing domestic supply chains, connecting to international buyers, and advocating for a conducive policy environment. Notable results under ‘strengthening business linkages’ included:
  - Forged **69 new business linkages** between Ethiopian suppliers with international buyers and markets, ultimately expanding global reach and promoting Ethiopia as a sourcing destination.
  - Enhanced Local Company Capabilities:** Delivered targeted capacity-building support to 15 local companies, improving their products, processes, and management skills.
  - Facilitated **12 Ethiopian companies** to participate in major trade fairs like African Sourcing Fashion Week and Texworld, while attracting **9 high-level buyer delegations** from Europe.
  - Provided **expert advisory to the Ethiopian Investment Commission** on revised investment policies, bilateral agreements, and export strategies.

### Follow on project phase

Ethiopia’s textile and garment sector has significantly boosted exports and job creation but faces recent challenges, highlighting the need for resilience. Efforts are now focused on enhancing the sector’s stability and sustainability for inclusive growth. The German and UK governments have committed EUR 12.25 million to the follow-up project, S.I.C. II, which aims to scale up worker empowerment, advance public-private dialogue, and promote sustainable practices to ensure resilience of the sector.

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Sustainable Industrial Clusters (S.I.C.) Project  
Beles Tower, ECA Road  
Kirkos Subcity, Woreda 08  
House number 3331  
Addis Ababa, Ethiopia  
www.giz.de

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