



Sustainable Textile Investment and Operation in Ethiopia

Triangular Cooperation Ethiopia – China – Germany

Context

Ethiopia's textile and garment industry is witnessing rapid growth, as a number of domestic and multinational firms are being engaged in the production of textile and apparel for domestic and global markets. In the path to industrialize Ethiopia, the sector is given prominent position by the Ethiopian government in boosting export, creating job opportunities, and as a model to other sectors. The sector has become a top priority as part of Ethiopia's goal to become a middle-income country by 2025. The key objective is to make the sector globally competitive and to bring the necessary structural transformation to the nation's economy. This entails the export of industrial outputs, creation of thousands of jobs, attracting much needed foreign investments and above all, contributing to poverty reduction. The government also launched Plan 2020, aiming to generate USD 1 billion export earnings and over 300,000 employment opportunities all originating in the textile sector.

China has become the largest exporter of textiles and garment in the world. Supported by national policy encouraging overseas investment and the upgrading of the textile sector, Chinese enterprises have started moving manufacturing operations to other countries, together with other factors, such as labour shortage and sharply increased wages much higher than those in other Asian and African countries. Ethiopia, among other, is becoming an attractive destination in this regard. According to United Nations Conference on Trade and Development (UNCTAD), China was the largest investor in Ethiopia in 2019, accounting for 60% of newly approved FDI projects.

Meanwhile, Chinese textile and garment investors in Ethiopia need to raise awareness and capacity in tackling their social and environmental impacts. Specifically, with regard to business relations with local customers and clients, increased awareness of sustainability and relevant risks and potentials is crucial to sustaining and boosting business development.

Objective

The project aims at improving the environmental, social and labour standard of Ethiopia's textile sector through capacity development and awareness raising for Chinese investors/factory managers and their local business partners with a potential scaling-up and replication elsewhere in Africa and Asia.

Partners

Ethiopia is joining forces with several partners to accelerate its industrialization, economic growth and employment. With China and Germany, it has longstanding partnerships in a broad variety of sectors. Sustainable industrial development is an increasingly important part of it. Ethiopia and Germany are already implementing a sustainable textiles programme together. China and Germany already cooperate successfully on furthering sustainable development in Asia. With funding from China, the United Nation's Industrial Development Organization (UNIDO) cooperates with Ethiopia in the framework of the Programme for Country Partnership (PCP). The idea for a joint Sino-German-Ethiopian project came up in the framework of the Sino-German Center for Sustainable Development (CSD) by combining existing cooperation elements in a triangular setting which makes use of comparative advantages of the involved partners. The Ethiopian side welcomes the initiative which can help join forces, pool resources and competencies.



Contributions to the Sustainable Development Goals

Political partners of the project are:



Ministry of Trade and Industry of the Federal Democratic Republic of Ethiopia



Ministry of Commerce of the People's Republic of China



Ministry for Economic Cooperation and Development of the Federal Republic of Germany

Implementing partners are:



Ethiopian Textile Industry Development Institute (ETIDI)
www.etidi.gov.et
Contact: Mr. Demlie Asratie
demlachew2015@gmail.com



United Nations Industrial Development Organisation (UNIDO) in cooperation with the United Nations Global Compact (UNGC)
www.unido.org
Contact: Mr. Yan Jinjiang
jyan@unido.org



China National Textile and Apparel Council (CNTAC)
www.cntac.org.cn/
Contact: Ms. Zhang Juan
zhangjuan@ctic.org.cn



Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
www.giz.de/en/worldwide/336.html
Contact: Mr. Yared Fekade
yared.fekade@giz.de

Approach

The project approach comprises the following elements:

Baseline Assessment

A baseline study provides an overview how Chinese invested

textile businesses in Ethiopia perform against environmental, social and labour criteria. It also assesses supplier/customer relations with Ethiopian businesses regarding sustainability topics as well as current opportunities and short-comings in sustainability performance.

Capacity Development and Awareness Raising

Based on the Baseline Assessment appropriate capacity development, measures are designed and implemented for Chinese invested textile businesses and for local suppliers/customers. Measures may include digital technology to strengthen transparency and traceability, B2B interaction to support market development, and provision of policy review to help promote textile sector. The awareness of the Ten Principles of the UN Global Compact is raised through capacity building. Occupational skills training for local workers as well as sustainability action plan development for enterprises can also be part of the project, dependent on interest and need of relevant stakeholders.

Knowledge Sharing and Replication

Project and Chinese development experience is made available to bilateral projects in the sector. Study tours are conducted for knowledge exchange and know-how transfer from China to Africa with the aim of promoting sustainable production along the textile value chains. The transferability of the approach to other African and Asian countries is assessed and replication prepared.

State of implementation/Impact

The project is expected to start in May 2020 with an inception phase of three months. Overall project duration is until December 2021.

For more information, please contact

Sino-German Center for Sustainable Development
www.sg-csd.org
Contact: Ms. You Haosi
haosi.you@giz.de

Published by:



Sino-German Center for Sustainable Development

International Plaza B Wing, University of International Business and Economics, No. 10 Huixin Dongjie, Chaoyang District
100029 Beijing, PR China

T +86 10 8532 1857 ext. 217

F +86 10 8532 5774

E xue.ding@giz.de

Learn more about CSD: www.sg-csd.org

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Hagen Ettner, You Haosi

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