



Investment Opportunity in the Cotton, Textile and Garment Industry in Ethiopia

Prepared by:-

Ethiopian Textile Industry Development Institute

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Outline

- Background
- Competitive and Comparative Advantage of the sector
- Incentive Package
- Sector Support Institutions
- Global Buyers and Producers in Ethiopia
- Sector Performance
- Area of Improvement

Background

- Mechanized Textile and Garment industry has more than 78 years history
/Dire Dawa Textile and Augusta Garment/
- The Industry had been growing sluggishly until 1991; by then there were only 19 Textile and Garment factories.
- As a result of the free market economy policy and favorable industrial policy declaration in 1991, Textile and Garment industry growing radically and now reached above 250.

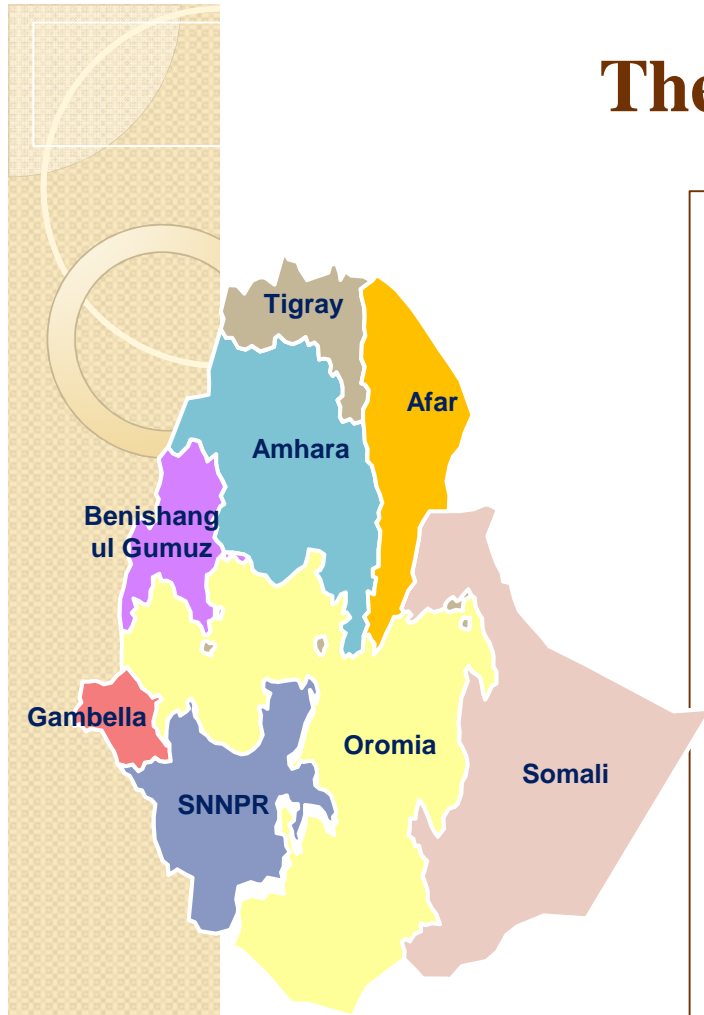
Medium and Large size Textile and Gamrent Industry Profile

<i>S. No.</i>	<i>Area of Operation</i>	<i>No.</i>
<i>1</i>	<i>Ginneries</i>	<i>19</i>
<i>2</i>	<i>Integrated Textile Mills</i>	<i>22</i>
<i>3</i>	<i>Spinning</i>	<i>4</i>
<i>4</i>	<i>Weaving and/or Knitting</i>	<i>20</i>
<i>5</i>	<i>Handloom</i>	<i>5</i>
<i>8</i>	<i>Garment</i>	<i>176</i>
<i>9</i>	<i>Blanket</i>	<i>6</i>
	<i>Total</i>	<i>252</i>

Competitive and Comparative Advantage of T&G Industry in Ethiopia


- Abundant easily trainable and low wage labor force. /More than 55% Young population/
- The cheapest and reliable energy supply /Mainly hydro-power/
- Abundant water supply /River and ground/
- Untapped raw material potential, particularly cotton

The Potential of Cotton



- Ethiopia has the **largest untapped potential** for cotton production in the world.
- 8 cotton growing Regions
- Annual RF **700 to 1000 mm**.
- Average temperature **27-32°C**.
- **Altitudinal** ranges **300-1800 m.a.s.l** .
- However, the cultivated area reached only **135,000** hectares at its peak in 2011/2012.

Production	Planting	Harvesting	Average days
Rain fed	June - Aug	Mid Nov - end Jan	180
Irrigated	Mid April – late June	Sept-Nov	180

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- Quota and Duty free market privilege in US and EU / AGOA and EBAs/
 - Ethiopia is a member of COMESA and signed more than 16 bilateral trade agreements /which include China, India, Turkey and Russia/
 - Geographical Proximity for Europe and Middle east market.
 - Ethiopia is one of the largest domestic markets in Africa, given its population size and rapid economic growth.

Incentive Package

Financial Incentives

- 100% Custom duties exemption for importation of capital goods, such as plant, machinery and construction materials.
- Investors has the right to transfer a capital goods imported with exemption of Custom duties to others party enjoying similar privilege.
- Reconciliation of VAT for materials purchased locally during the project period is possible if it is declared in 6 months time.
- Strong government finance support /DBE, with 9 -12% interest rate depends on export performance and reasonable grace period /
- Income Tax holiday for 2-10 years depending on the locations and export performance.

Non- Financial Incentives

- 100% Custom duties exemption on imported of raw material for export purpose.
- Import of machinery and equipment necessary for their investment projects through suppliers credit.
- Franco valuta import of raw material are allowed for enterprises engaged in export processing.
- Enterprises suffer losses at the period of income tax exemption has the right to carry forward the loss for half of the tax exemption period after the expiration of the exemption period.
- Up to 5 years Income Tax exemption for expatriates
- FDI has the right to take out of Ethiopia their profit remittance by converting into foreign currency.
- Availability **'plug & play'** shades in eco-friendly, well connected and full-fledged government and private sector build industrial parks.

Sector Support Institutions

- **Ministry of Industry/MoI/**
/Its objective leading and controlling the industry Development/
- **Ethiopian Textile industry Development Institute /ETIDI/**
/which established in 2010 with objective of leading and coordinating the Cotton, Textile and Garment Industry Development/
- **Ethiopian Investment Commission/ EIC/**
/Its main objective attracting and supporting investment/
- **Industrial park Development Corporation /IPDC/**
/Its objectives developing and administering Industrial park/



- **Ethiopian Industrial Input Development Enterprise /EIIDE/**

/Its main objective is securing the availability of raw material for the industry/

- **Six Higher Educations focused on T&G**

/Bahirdar, Axuim, Kombolch, Welkete, Dire Dawa and Hawssa Universities /

- **Above 180 TEVET focused on T&G**


- **Sector Manufactures and producers Association**

/ETGMA, ECPGEA, IA in different Industrial Park/

Global Buyers and Producers in Ethiopia

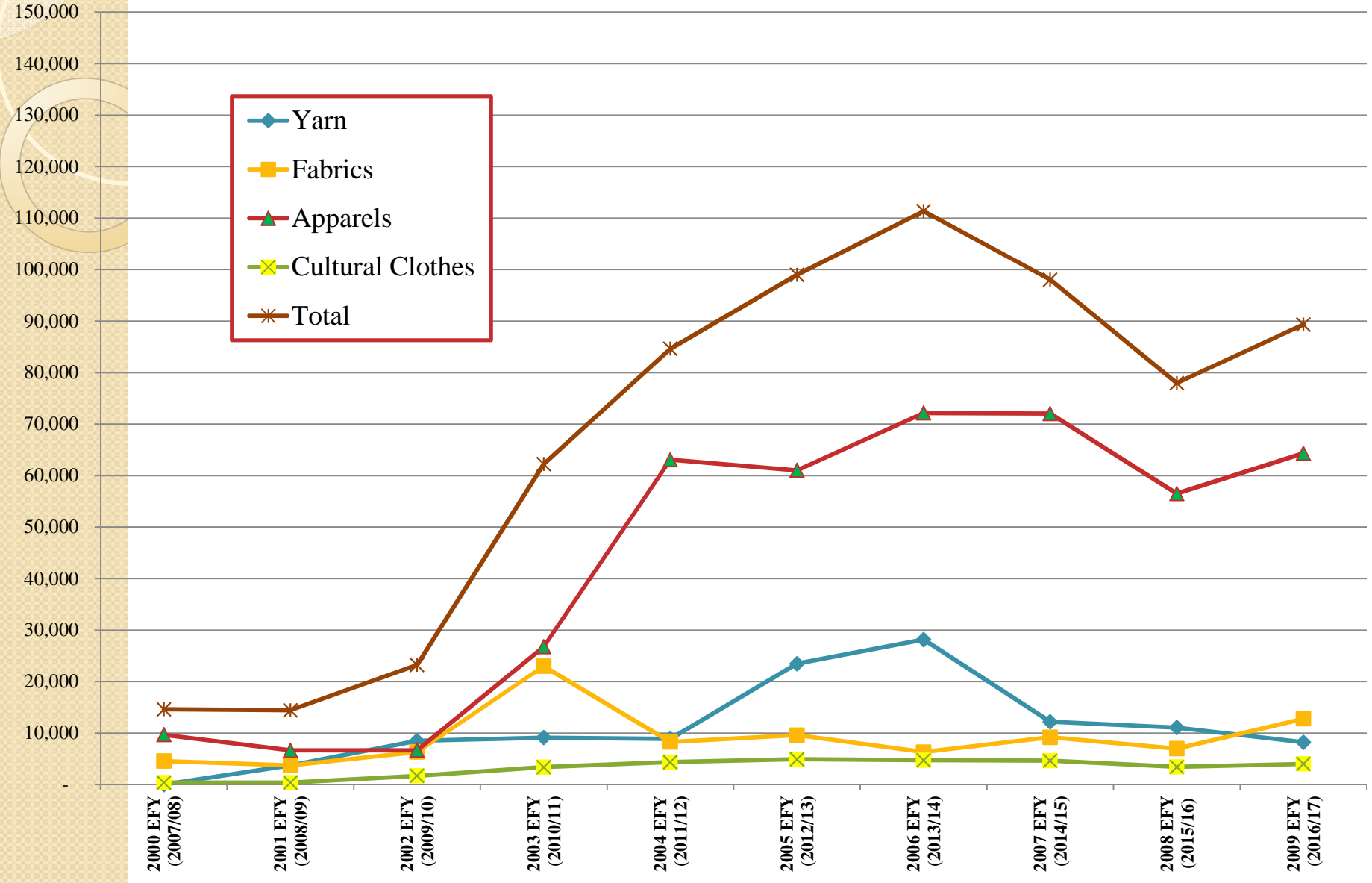
Toray Int., Calzidonia, J.C Penny, Kid Interior, AGI Group, Superior Uniform, Leeds world, The Children Place /TCP/, Decathlon, Devcot



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- DBL Group , Itaca , Velocity Apparelz, Ananta Group, SCM and others located in Mekele.
 - Carvico, Saytex, Trybus, Huaxu and others located in kombolcha.
 - Kingdom textile, Sunshine textile, Nazareth Garment (Bagir Group) and others located in Adama.
 - Ayka Addis, Jay Jay Textile, Shints, Linda Garment, Ever top, Experience clothing and others in Addis.
 - JPTextile, EPIC, Isabella, Hirdaramni, Arvind, Raymend, Tal apparel, Best Garment, Everest Garment, PVH, Indochine and others in Hawssa.

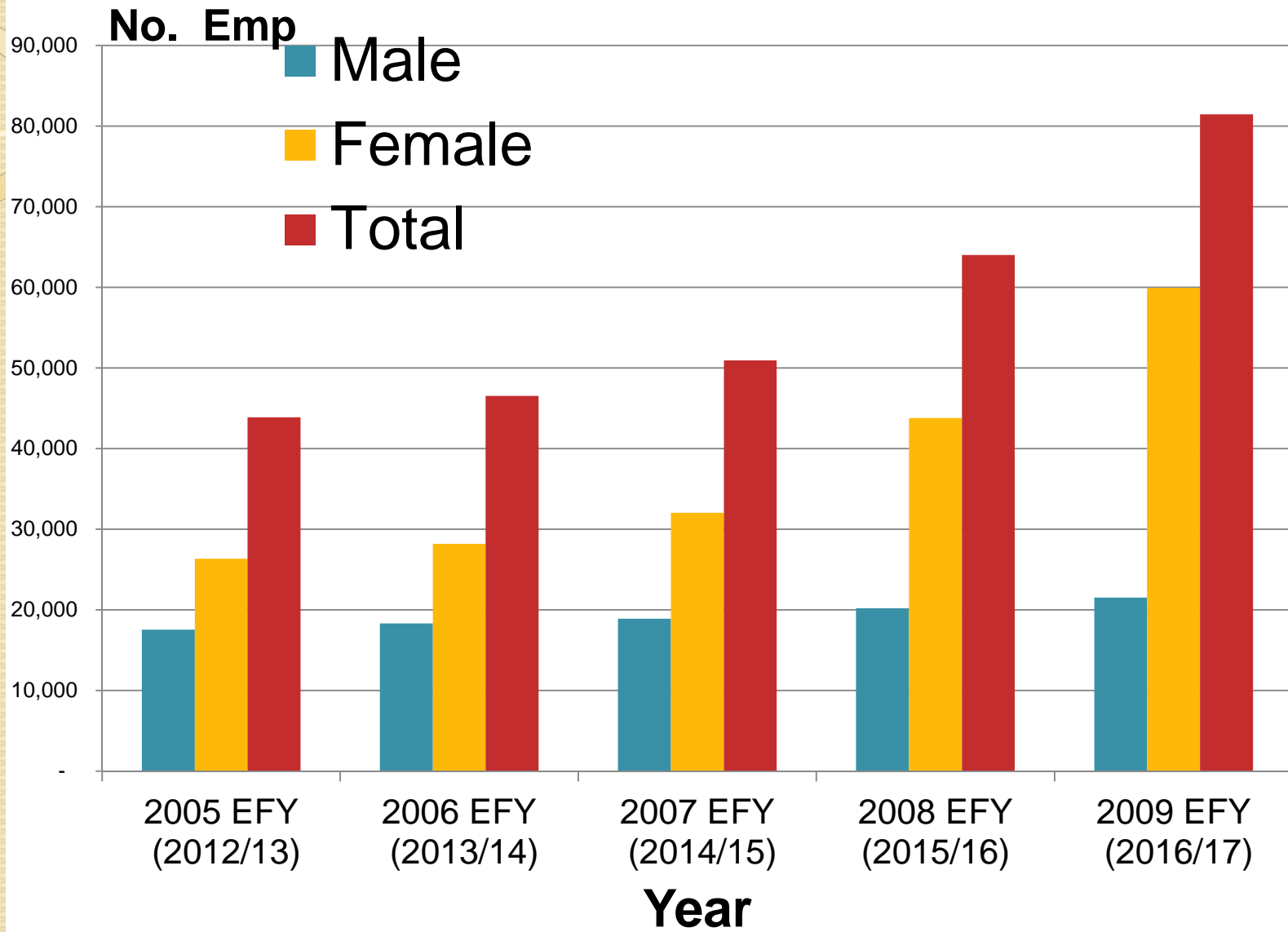
The last 10 Years Export Performance

Value In '000 USD



Year

Employment





Area of Improvement in terms of Business Environment

- **Custom clearance and foreign currency availability.**
It takes an average of 12-16 days to clear imports from custom, which is longer than average days of SSA.
- **Labor productivity.**
Labor is low wage but productivity is low, The problem of labor productivity can be improved by stronger management system, training , incentives and investing in better technology.
- **Availability of International Quality Certifications.**
Number of firms which have quality certification service is not more than 5 %. Which is the lowest compare to 14 % to SSA countries



- **Access to Electricity & power grid.**

Generator use is much higher in Ethiopia than SSA average. It takes more days compare to SSA to obtain an electric connection. Electric interruption and fluctuation is critical.

- **Dependence of Djibouti port**

Government working hard to have an alternatives ports

- **Inefficient and high cost of Inland Transport**

Strengthening the development electric railway and expires rod

Thank You!

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