



## How Ethiopia's flagship textile and apparel park is taking shape

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**The Hawassa Industrial Park (HIP) – the flagship facility in the government's vision to grow Ethiopia into a world-leading production hub and a blueprint for similar parks across the country – is taking shape, as just-style's managing editor Leonie Barrie found on a recent visit.**

Leading the Ethiopian government's long-term vision for economic growth that taps into the country's huge potential workforce and low labour costs, work is underway a network of specialised and vertical clothing and textile hubs across the country.

All are being constructed to international building, fire and electrical safety standards, with a focus on sustainability, industry-specific facilities, located along key economic corridors and with easy reach of large pools of labour and education and training schools.

**New hubs coming on stream** – Leading the way is the Hawassa Industrial Park, with all companies in Phase I of the facility due to be operational by the end of June.



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The Mekelle Industrial Park and Kombolcha Industrial Park (in Northern Ethiopia) are also being inaugurated in June. Next come the Adama Industrial Park and the Dire Dawa Industrial Park, which will be inaugurated by the end of August.

And the Bole Lemi II Textile Park, some 4km from the main airport in the capital Addis Ababa, will be inaugurated in December this year. Dedicated to the production of fabrics and garments, the new 186 hectare facility adds to the 20 factory sheds that have been up-and-running since the end of 2014. It will offer a combination of development plots and pre-erected factory sheds, and has already been fully reserved.

**Manufacturing clusters** – Ethiopia's emerging industrial parks model gives priority to high profile companies – currently led by fashion retailer H&M and PVH – who then attract their own best-in-class suppliers into manufacturing clusters.

For instance, H&M is an 'anchor' at the Mekelle and Bole Lemi industrial parks, with high profile investments set to come on stream in the next couple of months including a \$100m manufacturing facility operated by DBL Group, a leading H&M supplier based in

Bangladesh.

PVH Corp, owner of the Calvin Klein and Tommy Hilfiger brands, is anchoring the Hawassa Industrial Park.

## Hawassa Industrial Park

However, it is the Hawassa Industrial Park (HIP) that is setting the blueprint for future developments.

**Largest specialised textile and apparel park in Ethiopia** – Situated near the southern Ethiopian city of Hawassa, a short 40-minute flight some 275km south of the capital Addis Ababa, the HIP is the largest specialised textile and apparel park in Ethiopia – if not Africa. The US\$250m, 1.4m square metre eco-facility was built in the space of just nine months and inaugurated last July, providing 410,000 square metres of factory space across row upon row of massive, gleaming red and grey steel sheds.

The park incorporates more than 18km of road, over 21.5km of electric cable, close to 16km of telecoms lines and over 23km of fresh water supply pipelines.

**Full capacity** – Once up to full capacity, the factories are expected to create around 60,000 jobs on double shifts, and generate an annual export value of US\$1bn. Current plans are to achieve this target by the end of 2018.

**Eco-friendly focus** – The Hawassa Industrial Park is Ethiopia's first major eco-friendly development, and is mostly powered by renewable electricity sources (hydro-electricity), with energy and water conservation efforts including natural lightning and ventilation, low consumption bulbs, rainwater recycling, and solar powered LED street lights.

There is also a zero-liquid discharge facility – another first in Africa – to purify and recycle virtually all of the wastewater produced, as well as recover and re-use the salt used in the textile dyeing process.

**One-stop service** – As well as its eco-friendly features, by the end of next month the park will also boast a whole range of government resources available on-site under the Ethiopian Investment Commission's (EIC) one-stop service, from banking to visa and immigration facilities, import and export licenses, work permits, and customs clearance.

Not only will this help avoid delays and speed up decision-making, but it also means companies can simply "plug & play," focusing on getting their operations up-and-running as quickly as possible without additional distractions.

**Faster decision-making** – Red tape has also been reduced by reorganising many of the government offices and service providers so that each has a clear responsibility. The EIC is now the main point of contact for investors and coordinates with the Industrial Park Development Corporation (IDPC) and the Ethiopian Textile Industry Development Institute (TIDI).

The EIC is directly under the Prime Minister's office, and is led by the Ethiopian Investment Board, which is chaired by the PM as well, which enables quick decisions, but also in a very transparent way.

**Tenants' association** – Another innovation is a monthly meeting of the ten manufacturers installed at the Hawassa Industrial Park – chaired by Dr Arkebe Oqubay, a minister and special advisor to the Prime Minister, who is credited with driving Ethiopia's textile and apparel growth strategy – to discuss issues and problems and share ideas on everything from sustainability to training and skills development, and even tackling more thorny topics such as one factory poaching workers from another.

Not all tenants are part of the PVH supply chain, so the association is proving to be "a very important platform for facilitating dialogue, collaborating, learning from each other and building trust with each other." It is also expected to be a very useful tool in managing the growth of the zone.

**Worker housing scheme** – The tenants' association has also provided a platform for change. While the HIP includes residential quarters for 1,000 mid-management and expat employees and their families set in landscaped grounds, the challenge of providing accommodation for the potential 60,000 factory workers at the park means the government is looking at a different model.

"We found out that what has been tried in Asia is not necessarily the best option for Ethiopia," says Dr Arkebe. "Dormitories inside factories make them like prisons, so we have to ensure that dormitories are not allowed inside the park."

The solution underway is to offer preferential credit facilities to local residents and property owners in the city to enable them to build an additional room that can be rented to factory workers. The residents will benefit from a regular rent (in turn subsidised by the factories) while the workers get to live in a family environment. The residential quarters will be close enough to the park so that transportation won't be needed. Epic Apparel is one of the first preparing to trial the new housing scheme.

**Investors flocking in** – Around 10 international manufacturers are setting up factories in the 37 sheds that make up Phase I of the facility, including 'anchor' PVH Corp, owner of the Calvin Klein and Tommy Hilfiger brands.

Other tenants come from Hong Kong, China, Taiwan, India and Sri Lanka, and include manufacturers such as dress shirt specialist TAL Apparel, woven tops and bottoms producer Epic Group, Sri Lanka's casual wear to underwear maker Hirdaramani Garment, sock specialist Isabella and Sarasavi Export, Indian denim giant Arvind Ltd, as well as the park's only fabric mill, Wuxi Jinmao.

For most, this is their first investment in Ethiopia, and the past nine months have been spent working to install machinery and equipment, recruit and train local workers, and carry out trial production runs.

**Recruitment and training** – Because the industry is starting from scratch, even though there's an abundance of labour – indeed, there are 5m people within 50km of Hawassa – there is no skilled labour. So training workers has been a priority. Some factories have chosen to train locally, while others have taken hundreds of Ethiopian staff to their factories in Asia (even encouraging them to learn Chinese) so they then become role models for the local workers.

Allied to this, another challenge has been ramping up production slowly to achieve the required levels of quality and efficiency.

However, one executive praised the ability of university graduates in management positions. "I can envisage bringing Ethiopians to our Asian factories as it is more difficult to find talent in some other countries than in Ethiopia."

**First commercial garment exports** – Epic Apparel, the first Ethiopian facility of Hong Kong based Epic Group, completed an order of children's pants for US retailer The Children's Place in March; as did Hirdaramani Garment, part of Sri Lanka's Hirdaramani Group, whose customers include H&M and PVH.

### **An Epic milestone for apparel made in Ethiopia**

**Next phases** – But this is only the first phase at Hawassa. In addition to the existing 37 sheds (Phase I Cycle I), another 15 will be inaugurated next month (Phase I Cycle II) and are due to be ready in September. All have also been fully reserved. Construction of Phase II is then due to begin by July – "which will be much bigger than Phase I" – and will be ready for the next tranche of investors a year later.

**Fabric mills** – The main focus of the next phases is to bring more fabric mills to the park, with the latest commitments secured from China's Huafang Group, which is investing around \$0.5bn to develop an integrated cotton textile hub on almost 50 hectares of land; and Taiwan's Everest Textile, which will establish a synthetic fabric mill alongside its garment facilities in Phase I.

### **Factories taking shape**

Hirdaramani not only made its first shipment from HIP in March, but also boasts the longest track record in the region after setting up the first operation in Hawassa back in 2015 and exporting its first containers of garments in April last year.

Ethiopia is the latest addition to its portfolio of 35 production facilities across Sri Lanka, Vietnam and Bangladesh, where it has a combined capacity of 15m pieces per month covering casual wear, jeans, sleepwear, lounge sportswear and underwear for women, men and children.

At the industrial park – where it was also the first tenant – the company operates from an 11,000 sq m building where the sewing and finishing departments are housed, along with an adjacent 5,500 sq m facility for cutting and storage. The current workforce is about 1,500 people but, at full capacity, 34 lines are expected – with 2,000 machine operators on a double shift and a total workforce of 3,200. Full capacity will also see it produce 40,000 pieces – or one container-worth – per day. 80% of exports are headed to the US.

Products being made include synthetic polos (12,000 pieces per day across 10 lines on a double shift), and crew neck tops (the newest addition to the product range, with 8,000 pieces per day coming from four lines). Hirdaramani's original factory outside the HIP is focused on underwear for customer H&M, where total production is about 17,000 pieces per day – and the plan is to move all the lines from the old factory to the new one in the coming two to three months.

Next steps will also include ramping up shipments to five or six containers of polos, two containers of crew necks and two containers of lingerie per month from May; and a fleece programme will be added from August.

"What we're all trying to create in Hawassa is this model where we set an example for the rest of Africa, Vinod Hirdaramani, director at the Hirdaramani Group, tells just-style. "As a company we are quietly confident about our African journey, and our customers are also confident. We know it's not going to happen tomorrow, but now it's up to us to work together and prove the model works, and to scale up and show the country can absorb the volume. That's the next step."

In line with its many infrastructure, education and healthcare projects in other sourcing countries, the company is evaluating social responsibility projects in Ethiopia too, with one scheme to build for better future for abandoned street kids, and a women's empowerment programme in the pipeline.

### **Many factories still in pilot phase**

At Silver Spark Apparel, a subsidiary of Indian suiting major Raymond Limited, many of the machines are still under wraps. It has chosen Hawassa as the location of its first suit manufacturing plant outside India, and will produce jackets and trousers for customers in the US and Europe.

Trial production is underway on one jacket and one trouser line – with the first exports expected in mid-June – although the company is eyeing production of 5,000 suits in a single shift in two years' time.

With over a 60% market share in India, the Raymond Group is one of the largest integrated manufacturers of worsted fabric in the world, and its poly/wool and poly/viscose fabrics are being used in its made-in-Ethiopia products. The company also has three suit factories, one shirt factory and a denim facility in India.

With the largest facility at the Hawassa Industrial Park, Wuxi Jinmao has particularly ambitious plans for its Ethiopian operations. The Chinese company already has factories in China, Bangladesh, Cambodia and Vietnam, with customers including PVH, Gap, JC Penney, Target, VF Corp, Next and Mark & Spencer – and through its subsidiary JP (Ethiopia) Textile Company is the only fabric mill in the park.

Its initial investment of over \$18m to set up its cotton shirt fabric operation will be followed in 2019 with a further injection of US\$22m to expand the fabric mill and build a new garment factory. Total capacity will grow from 11m yards in 2017 to 26m yards in

2019, with 2,500 to 3,000 employees – and exports of US\$60m targeted by the end of 2019.

By supplying fabric to other garment factories in the industrial park, the company also feeds into the government's vision of establishing an integrated vertical supply chain – as well as helping to elevate the country's textile industry with its advanced equipment, technology and fabric production processes.

The scale and scope of its operation is breathtaking. The company has so far imported 167 40ft containers of state-of-the-art machinery into its 40,000 square metre facility at Hawassa, including 120 weaving machines (set to double to 244 next year). The initial phase is focused on yarn-dyed product, but piece-dye and printed fabrics will be in the future phase. Yarns will be imported, and dyed, woven and finished on site before being delivered to customers in the park.

*For more information on Ethiopia's vision for garment and textile exports worth \$30bn by 2025, click on the following link to read an in-depth interview with Dr Arkebe Oqubay, a minister and special advisor to the Prime Minister, who is credited with driving the industry's growth strategy.*

### **[Ethiopia sets its sights on \\$30bn apparel exports](#)**

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