



Landmark fund launched to help protect textile industry jobs in Ethiopia as COVID-19 slows manufacturing demand

The fund is an international collaboration between the UK, Germany and Ethiopia that will protect some of Ethiopia's most vulnerable workers

Addis Ababa, 29 October 2020: A landmark fund set up between the UK and Germany in collaboration with the Government of Ethiopia could save thousands of jobs in Ethiopia's textile and garments industry, while helping to support the country's economic recovery from COVID-19. With \$6.5 million invested at launch, the partnership aims to help safeguard a critical industry and protect the livelihoods of those working within it.

Through the fund, textile factories in Ethiopia's industrial parks can apply for wage subsidies – similar to the furlough schemes operating in many countries including the UK and Germany – and incentives to reward businesses that are able to adapt in response to COVID-19. The funding announced today will kickstart the facility and the partnership may further expand its reach through additional support in the coming months.

Ethiopia's textile and garment industry is a leading provider of jobs in the country's manufacturing sector. However, the collapse of domestic and international demand is expected to hit the sector hard. Ethiopia's Jobs Creation Commission estimates that between 1.4 to 2.5 million jobs could go over the next three months. At the start of the pandemic, textile and garment factories in Ethiopia's industrial parks employed 95,000 people, with women accounting for 70% of these jobs. Job losses would have a significant impact on vulnerable households.

The wage subsidy will cover a portion of total employment costs for textile factory workers in Ethiopia's industrial parks. The fund will protect jobs, enable textile factories to keep running and support factories to build back better. Meanwhile, the innovation incentive will reward factories that have been able to demonstrate their ability to make their businesses more resilient in the face of COVID-19, including through the development of new production lines and partnerships.

To be eligible for the support, businesses will need to show they have experienced an economic shock and that they have a business recovery plan. Businesses will also need to commit to certain principles like adhering to ILO core labour standards. The Commercial Bank of Ethiopia will be responsible for assessing applications and disbursing the funding to factories. Continuing the international collaboration at the heart of the fund, UK Aid-funded FSD Africa will implement the project in partnership with First Consult, a leading Ethiopian consulting firm.

Ethiopia's Government has put protecting jobs at the heart of the country's economic response to the COVID-19 crisis and has been working with businesses to cope with the impact of the pandemic.

Already, 13 textile firms have stopped operating due to low demand and with many firms under financial stress, the landmark fund will provide them with liquidity to maintain operations while protecting jobs.

Today's announcement recognises the important contribution Ethiopia's garment and textile industry has played in the country's industrialisation strategy over the past decade. With this fund, the Government of Ethiopia and funders from the UK and Germany are working together to ensure the survival of a vital industry that will be critical in Ethiopia's economic recovery from COVID-19.

H.E. Nigussu Tilahun Gebreammanuel, Commissioner of the Jobs Creation Commission of the Federal Republic of Ethiopia, commented:

"The FDRE Jobs Creation Commission estimates that close to 1.4 million wage employment opportunities are under threat and approximately 1.9 million people in vulnerable employment will lose their income due to the economic shock of COVID-19. This Facility and other similar programs are crucial as they will support the factories being affected by the pandemic and help protect jobs in Industrial Parks, while slowing down the harsh economic impact" .

H.E. Lelise Neme, Commissioner of the Ethiopian Investment Commission, commented:

"The COVID-19 pandemic has caused an unprecedented disruption to global business and will undoubtedly have a significant impact on the global economy on many fronts. The Government of Ethiopia has coordinated efforts with donors to support businesses coping with the impact of COVID-19. This Emergency Job Protection Facility will help elevate manufacturing companies to sustain their businesses and reduce the impact on their financial performance".

Mark Napier, CEO of FSD Africa, commented:

"Our support forms part of the work FSD Africa is doing in financial markets across Africa to build resilience and help drive the economic recovery from COVID-19. This fund brings together UK and German funding and technical expertise to deliver real benefits for vulnerable households and ensure that Ethiopia's patient efforts to build manufacturing capacity over many years are preserved".

————— Ends —————

Notes to Editors:

Further details about the facility can be found on the website [here](#).

For more information contact:

Lara Cornaro

Head of Communications

FSD Africa

Lara@fsdafrica.org

+254 700 176 846

Eden Mesfin

Head of Communications

First Consult

jobsprotectionfacility@firstconsultet.com

About FSD Africa

FSD Africa is a specialist development agency working to reduce poverty by strengthening financial markets across sub-Saharan Africa. Based in Nairobi, FSD Africa's team of financial sector experts work alongside governments, business leaders, regulators and policy makers to design and build ambitious programmes that make financial markets work better for everyone. Established in 2012, FSD Africa is incorporated as a non-profit company limited by guarantee in Kenya. It is funded by UK aid from the UK government.