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RESEARCH ARTICLE

SCOPE OF APPAREL INDUSTRY IN ETHIOPIA AND THE STRENGTHENING MEASURES REQUIRED

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ABSTRACT

Ethiopia is a growing Economy that is being targeted by the MNC's, who have started establishing the base by now. The Fashion Sense of Ethiopians is no doubt a great opportunity for the major apparel exporters to grab the market. In the current scenario the imported products share a major portion of the market and apparels is not an exception. There is a clear Gap between the number of Apparel industries in the country and the Apparel utilized by the people of the country. This paper will analyse the Problems faced by the apparel industries and the measures required to support the entrepreneurs to start more apparel industry.

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INTRODUCTION

Historically apparel Industries have played a major role in improving the Life style of people. After World War II most of the countries were dependent on apparel Industries for their development. Textile complex is the second largest employment sector in the world that provides employment to any individual with any qualification and skill (Bhedra Rajesh, 1988). It is a labor intensive and Women oriented industry. The Job and investment ratio is more in apparel industry in comparison to any other sector. Africa today is the 3rd fastest growing economic region in the world. The rate of urbanization is higher than India and lower than China. It is the continent which comprises of some of the world fastest growing economies. According to World Bank data, Africa is richer than India on the basis of GNI, and a dozen African countries have a higher GNI per capita than China (Rakesh Mohan Joshi, 2007). Trade has been an essential part of African markets since time immemorial. African countries trade among themselves and have been taking part in various International and Continental trade activities. As a recent development, International markets opened up for the benefit of both developed and developing nations. Opportunities like African Growth Opportunity Act (AGOA) offered by the U.S. government and everything but arms by EU could be cited as an example of such international trade. Categorized in the list of developing countries, Ethiopia is also one of the beneficiaries of these opportunities.

AGOA came into view in August 2001, when Ethiopia qualified for it. Ethiopia became the 18 beneficiary countries in terms of textiles and garments. AGOA gives Ethiopia the opportunity to export textiles and garments to the United States duty-free and quota-free until 2008. It also lets Ethiopia enjoy the privileges to export garments made fabrics from any other countries to the U.S. market, duty-free and quota free. Later the number of beneficiary countries under AGOA has increased to 37 and the schedule of AGOA has been extended up to 2015 (Rahel Abebe Challenges and Opportunities in AGOA, 2007). Ethiopia has also signed several other trade agreements with a view to alleviating some of the trade barriers that the country is facing. The major ones are Lome and other bilateral agreement. Ethiopia has also benefited a lot being a member of the Common Market for Eastern and Southern Africa (COMESA).

Statement of the Problems: Even after all the aforesaid measures of initiatives and support there is a significant Gap in the number of apparel industries and amount of Garment used by people of Ethiopia. This study will investigate the status of the Ethiopian Apparel Industries and problems faced by them.

Objective of the Project:

General Objective: To know the status of apparel industries in Ethiopia and to know the technology present in Ethiopian apparel industry.

The Specific Objectives

- Study of Apparel Industries in Ethiopia and the

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- Analysis of the Supply chain of the Apparel Industries and Means to improve them, so as to improve the production.
- Strengthening Measures required for development of apparel Industries

MATERIAL AND METHOD

For conducting an empirical research work, there are two methods of data collection: Qualitative and quantitative. Those two methods have their strengths and weakness. Different research methodologies have been employed for the study. The researcher has used four general methods of collecting data from five apparel industries namely Ambassador Garments, Akaki Garments, Big M Apparels, Feleke Garments and Haile Garments, ETIDI and ETIGMA: Survey questionnaires, interview method, direct observation and assessment, and secondary and tertiary sources such as published documents, internet, etc. A survey questionnaire has been prepared for all the departments of the Apparel Industry to have an in-depth analysis of the Industry's status with regard to the Technology, professionals, skilled labors and almost all parameters from Human resource to Dispatch section. To cross check the information a personal interview with the Managing Director, Production Manager, Designers and section head based on their availability has been performed. The major emphasis was to find out the problem faced by apparel industry in general and to find a solution for the problems. A personal Interview was also conducted in the Morekato Market in Addis Ababa, with the Machine Suppliers, Fabric Merchants and Accessory Suppliers to find out some details regarding the Supply chain and problems faced by them. Due to unwillingness of the Apparel Industries to spend more time with the researchers, the researchers mainly depended on Personal Interview, Direct Observation and assessment, Secondary resources for data collection. The strengthening measures required in comparison to major apparel exporting countries has not been conducted and supply chain analysis is done superficially using personal interview method.

RESULTS AND DISCUSSION

The findings of the study is categorised with regard to the value chain, supply chain, Problems faced by the industries.

Problems faced by Haile Garment Plc: Haile Garment private limited company was established in 1998.e.c by Ato Haile Gebregzabaer

- Absenteeism is one of the major problem of the Industry
- Lack of skilled man power
- Lack of understanding of RMG sector by the Government
- Lack of Currency for foreign exchange.
- Lengthy bank process
- Lack of Market for the products due to high price of the locally produced product in comparison to the imported one.
- Minimal support for exporters; needs more support.

Problems faced by Akaki Garment: Akaki garment factory share holders' private company is established in 1962.e.c. The

factory mainly produces Shirts, trousers, work wears in different types.

- Lack of Skilled Manpower
- Lack of uninterrupted power supply (Electricity)
- Poor supply chain of Raw Materials and Spare parts

Problems Faced By Big M Apparels & Garment Plc: Big-M Apparel and Garment PLC is one of the many sister companies of MIDROC Ethiopia Investment Group.

- Human Resource especially at the operator level
- No proper guidelines on uniform wages because of which the people shift from one sector to the other sector.
- Lack of self motivation of the operators
- Lack of Discipline and commitment
- Lack of Quality Raw materials
- Machine Spares and Maintenance

Problems faced by Ambassador Garment & Trade Plc: The company started in 1980, now a day Ambassador Garment & Trade plc is a leading men suit manufacturer in Ethiopia.

- Lack of availability of Raw materials domestically.
- High Level of Bureaucracy
- Time taken by the Customs department for clearance of the Imported goods.
- Lack of Dollars for importing of Raw materials
- Lack of Professionals with regard to Visual Merchandising
- Machine Breakdowns
- Power interruptions and increase in cost of production when using alternate resource.
- Control of the Fabric Market by Morketo Merchants.

Problems Faced By Feleke Garment Plc: Feleke Garment PLC is one of the most successful clothing manufacturers in Ethiopia. It was established in the year 2006. The problems faced by them was similar to others with an additional comment that there is minimal support for Exporters.

General Problems Faced by Merchants, Machine Suppliers and Importers: During the Market analysis at the Morekato market is found that the Exporters are allowed to import the machines by themselves and they have duty exemption and hence the machine suppliers in the domestic market do not have sufficient spares for supplying to the industry. Since the machine is directly imported by the exporter they don't get sufficient training as the persons from abroad give training for a short span and they move off. As far as the fabric is concerned even the merchants in the market are having the same complaint as the manufacturers. They complain of the poor quality of locally available product and they complain of the customs for delay in clearance of the raw materials imported. They also went to the extent that the Customs officers present there doesn't have a minimum knowledge of Fabrics and textiles and hence they ask a lot of questions and delay the clearance due to lack of their understanding. Sometime due to internet connectivity problem the fabric and other raw materials are with held in the customs office. Some other merchant felt that the absence of the concerned officer in the customs also is a major problem for the timely delivery of the materials.

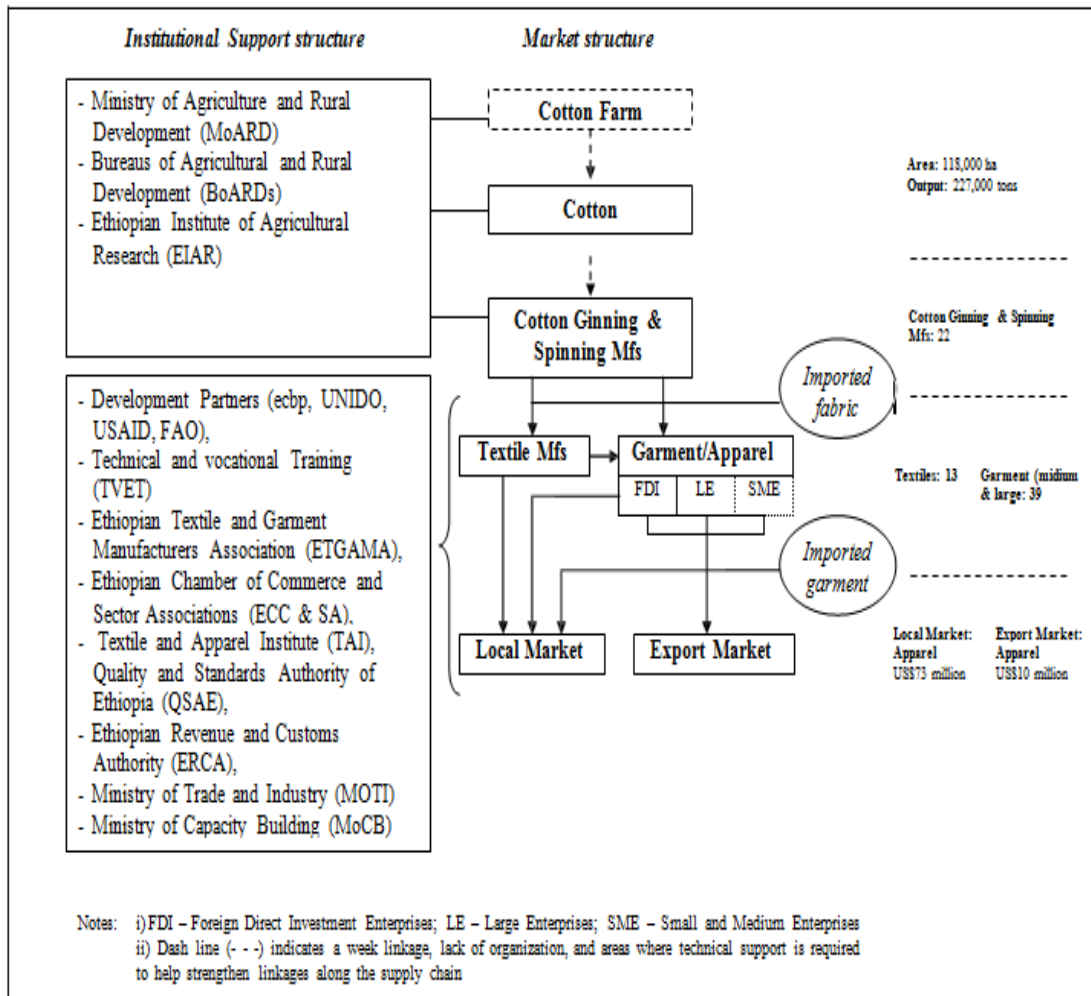


Figure 1. Ethiopia's Cotton to Garment Market and Institutional Support Structure

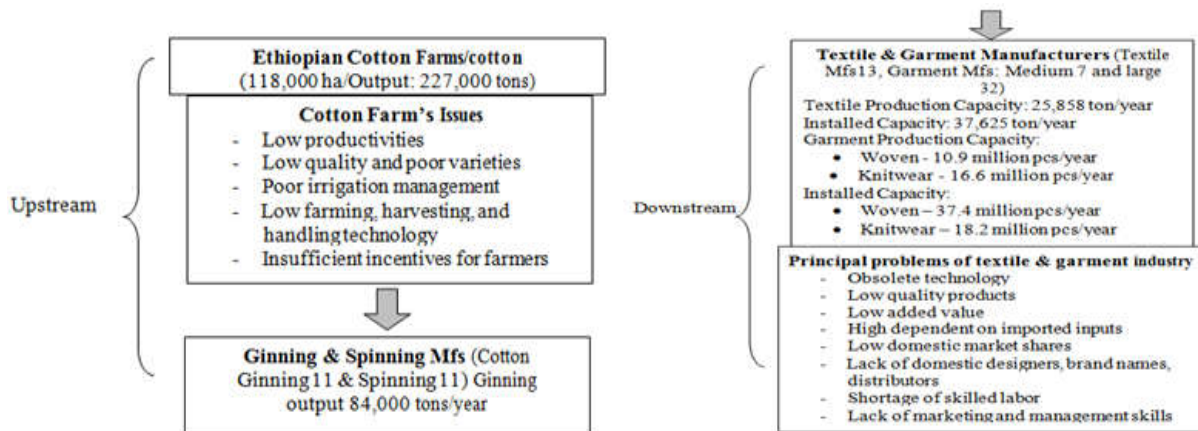


Figure 2. Ethiopia's Cotton to Garment Processing Chain

Table 1. Source Global Development Solutions LLC; Ethiopian Customs Authority; Ministry of trade and Industries

	Domestic Production	Domestic Demand	Total Imports	Total Exports
Volume (Pieces)	17,543,075	132,467,738	117,734,080	2,809,417
Value (USD)	10,937,533	73,079,213	72,546,928	10,405,248

Sector	Stake Holders Measures	Government Support
Cotton	Apply Better Farming Methods Improved Post Harvest management viz., Storage and packing Crop Rotation Comply with established standard of quality Irrigation	Increase the production through utilizing the area available under Gambela, Somali region. Encourage foreign and local investors to involve in cotton production. Developing of Hybrid seed by Government research agencies Involvement of Ethiopian Seed Enterprise and other similar agencies for multiplication and dissemination of the high quality seeds Creating better access to finance through supporting of credit and saving associations to involve in availing of funds. Encourage state banks to support the sub-sector for a period of time.
Textile	Provide training in all the areas including Maintenance Set up and follow Quality requirement in tandem to International standards Obtain equipments for customized order Adapt Standard operating procedures Provide soft skill training to the operators Provide incentives to enhance productivity	Support import of Raw Cotton until domestic cotton is improved Ease the access to working capital financing Introduce national level system of Standardization and certification Speed up Custom Clearance, Port handling and delivery
Garment	Technology Up gradation Proper agreement with machine suppliers for training and maintenance Provide Skill development in all areas including Maintenance Establish SMO training center Establish a strong sourcing office Analyse the factory layout and adjust the flow scientifically Adapt standard operating procedures Develop operation bulletin before commencement of production Invest on software's like General sewing Data (GSD) Provide Incentives Invest on Brand Management Strategy Get standard certification and accreditation Get eco label certification	Purposefully interface with higher educational institutions to ensure consistent and continuous provision of various programs for upgrading management and technical skills in the sector. Provide Technology Up-gradation Incentive and credit facility. Support exporters to participate in international trade fairs Improve Labor Law in accordance to the economic policy of the country Establish an integrated Information Hub that could provide MIS on all the sectors from Cotton through Designing to Marketing. Reduce the Taxation Arrange Early reimbursement of VAT and Excise Tax

Supply Chain Analysis: The major stakeholders in the Ethiopian textile and garment sector are small farm holders, collectors (merchants), private commercial farms, state farm enterprises, ginneries and textile and garment manufacturers. They are supported by development partners (UNIDO, USAID and FAO) and technical and vocational training (TVET) institutions as well as universities, sector associations, and government institutions (see Figure 1 below). Multiple problems persist along the cotton-to-garment processing chain in Ethiopia. Starting from the farm level and all the way up to garment assembly, productivity and capacity utilization are not optimal, technology is generally obsolete, and dependence on imported inputs is high (see Figure 2 below)

Value Chain Analysis: The value chain when analysed suggest that there are some critical problems in the value chain that directly and indirectly affect the progress of the garment sector. The problems were identified in all the stake holders of the supply chains as Raw Material, Human Resource, Technology, Production, Market and Policy; in all the three sector viz., cotton, textile and garment. The supply of low quality cotton seed affected the entire value chain, in addition to lack of enough amounts of raw materials for the sectors. In Human Resources there is lack of professionals and skill development program, lack of competency in all level of management and absenteeism was the concern. With regard to the technology obsolete technology and poor maintenance, unavailability of the spares was the problem. With regard to the production the problem was low productivity due to many reasons including the skilled labour and an interrupted energy supply. Ethiopian Industries has got sufficient market but lack of awareness of the counselling and support is a major concern, unavailability of MIS and sufficient R&D are also a serious concern.

There are many issues that the Ethiopian Policy makers have to consider but out of all that the industrialist feels that the taxation issue and banking are of concern.

Conclusion and Recommendation

The study conducted resulted in an analysis of the problems faced by some of the apparel industries. It is found that Ethiopia apparel imports (primarily from China) outweigh domestic production by approximately 7:1 (Table 1 below). The total import value is nearly equivalent to domestic demand (value = 99.3 percent of demand) yet import volume is 88 percent of demand thus suggesting domestically produced items are less costly than imported goods. Export figures suggest that the price per piece is much higher than those sold in the domestic market and imported products. This suggests higher quality items are being exported from Ethiopia (Global Development Solutions). After a study and critical analysis of the information gathered the strengthening measures required for the problems faced by the apparel industry are summarized as follows.

Recommendations for the Value Chain: The following recommendations are suggested in the value chain for the better performance of textile sector in general and garment sector in particular.

Recommendations for Policy Changes and Government Support: Most of the Apparel Industries are operating as Cut Make and Trim (CMT) industries as they can't compete with the export by importing fabrics from other countries. The general margin for CMT business is 5% and if any small deviations like power or defect by man can reduce the profit

sometime to nil. High transport and transaction cost is also a disadvantage for the sector. Currently Ethiopia ranks 159 out of 181 countries in ease to import, which needs to be changed to make our apparel sector competitive in export business. The cost of an imported garment is less than the cost of garment manufacture by importing the Fabric and hence most of the retailers source garments from other countries and supply to the retailers. To overcome this some policy changes like reducing the taxation or elimination of Excise tax on Fabric and Accessories needs to be made and allow the manufacturers to sell the products to local market. It is also recommended that the Government should consider the reduction of collateral requirement for granting loan, arrange support for adequate capital and avoid foreclosure actions. The Government should develop an Information Hub for MIS of the entire sector and give priority to Textile & Garment sector in port handling and custom clearance. It is also found that apparel is a labor intensive sector and could produce more job that could result in unemployment eradication. It is learnt that an investment of 8,182/- Ethiopian Birr will result in One Job Creation, which could probably be the lowest one in the manufacturing sector. More over this sector employs more of the females and has the potentiality to employ professionals as well as uneducated. The manufactures if provided proper support and incentives, along with properly trained and well motivated operators, who has the patriotic sense in them will be a great support and this sector could turn to be the number one export earning sector of the country. The domestic market is already big, the International market is open to African countries. If the already existing schemes are utilized properly with sense of responsibility the apparel sector could be the best. As a sincere recommendation the researchers suggest the Government to support the new entrepreneurs by providing loan and support the existing entrepreneurs for technology up gradation. As learnt from the study it also recommended that the apparel manufacturer needs to be responsible and accountable to the Government in terms of the Raw materials and machineries imported. It is recommended that to find out the strengthening measures required a comparative analysis of the countries performing well in the export market needs to be

studied and their policies, technology and training methodology needs to be analysed and a new strategy needs to be developed for bench marking. This is recommended for further study by other researchers. The researcher finds that the weakness of the industry is not as strong as the strength the opportunity, if the small issues like electricity, import problems and Raw materials be handled Ethiopia will achieve its dream of becoming the Middle class income country by 2025 as per the plan of GTP-II.

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