



THE ETHIOPIA INDUSTRIAL PARKS JOBS PROTECTION FACILITY



1. Introduction

The Ethiopia Industrial Parks Jobs Protection Facility was set up in a bid to mitigate the impact of the COVID-19 on the textile and garments manufacturing sector.

The objectives of the Facility were two-fold:



► 1

Sustain livelihoods and productivity of factory workers through the COVID-19 crisis, protecting jobs for at least six months.



► 2

Ensure that textile and garment manufacturing capacity in Ethiopia is preserved, and positioned well.

2. Management Arrangements

The Facility was managed by FSD Africa on behalf of the funding partners, and together with FSD Africa, was jointly implemented by a consortium of development partners including: the Facility Manager, First Consult; the Facility Grant Administrator, Commercial Bank of Ethiopia (CBE); and, the Third-Party Verification Firm, Grant Thornton.



First consult was the facility manager responsible for:

A. On-boarding CBE and supporting them on matters such as:



Factory application processing.



Disbursements



Verification



Monitoring



Diligence



Reporting



B. Managing relationships with Government (through the Job Creation Commission) and private sector players.



C. Monitoring achievement of the Facility's objectives and providing reports to FSD Africa.

Commercial Bank of Ethiopia (CBE) was the facility grant administrator responsible for:



Receiving funding and disbursing the funding to Factories.



Assessing funding applications from the Factories against agreed eligibility criteria.



Verifying factory disbursement requests as realistic and accurate.



Monitoring the Factories throughout the Facility period, ensuring continuing obligations are being adhered to.



Providing regular reports to FSD Africa.

Grant Thornton was the third-party verification firm responsible for providing independent assurance that:



- A. The Facility was implemented in accordance with set processes, the Funders compliance requirements and best practice.



- B. The Facility Funds were utilised for the intended purpose.

3. Governance Arrangements



A Programme Steering Committee (PSC) comprising representatives of the Funders, and the Government of Ethiopia (represented by the Ethiopia Investment Commission and the Ethiopia Jobs Commission) was responsible for: approving the Facility funding, operating procedures and processes and providing high-level oversight.



A Programme Implementation Committee (PIC), comprising representatives of the Funders and FSD Africa were in charge of overseeing the day-to-day implementation of the Facility.

4. Facility Application and Award Summary



- A. The Facility initially targeted 66 factories in Industrial Parks in Ethiopia.



- B. 44 factories participated in the application process. Of the 44 factories, 13 factories did not complete their applications and were excluded from participating in the Facility.



C. Out of the 31 applicants, 24 factories were approved.



D. The 24 approved factories received a wage and innovation incentive amounting to US\$ 4,645,607 benefitting 31,511 workers.

The 24 factories are distributed across ethiopia's industrial parks as follows:

Industrial Park Location	No. of supported factories	No. of workers
HAWASSA	14	21,118
—	—	—
BOLE LEMI	7	9,119
—	—	—
EASTERN	2	432
—	—	—
DEBRE BIRHAN	1	842
TOTAL	24	31,511

Donors & Partners



Foreign, Commonwealth
& Development Office

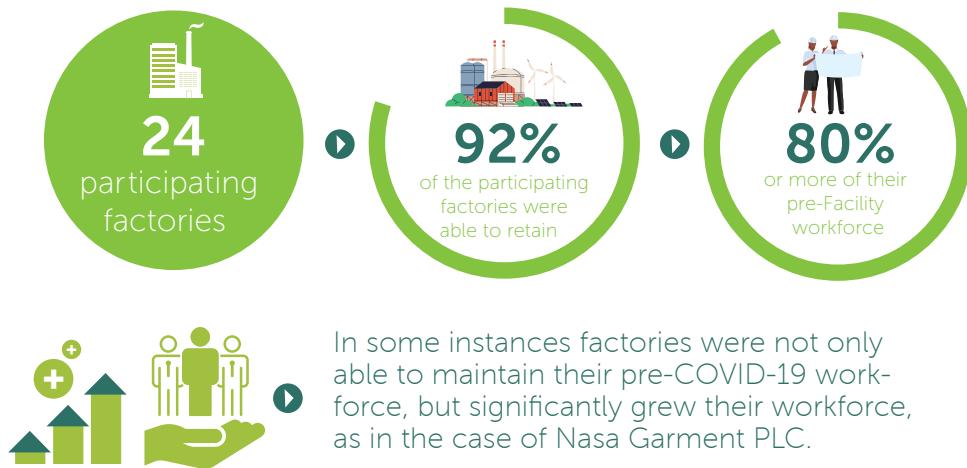


5. What was the Impact of the Facility?

Given that the Facility came to an end in February 2022, FSD Africa commissioned an evaluation of the Facility, with the main purpose being to provide an independent view of the Facility's performance and document lessons learnt to enhance the outcomes and impact of future similar recovery interventions.

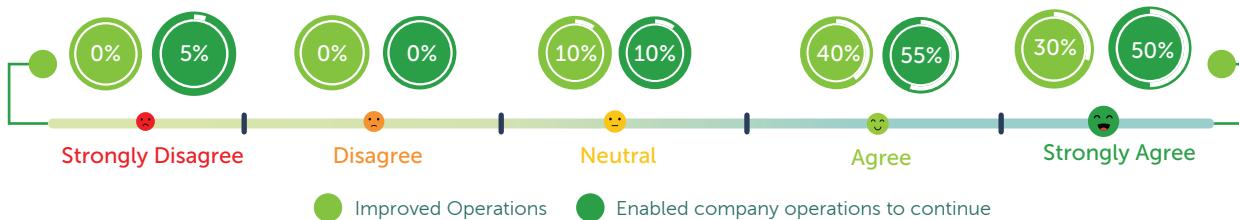
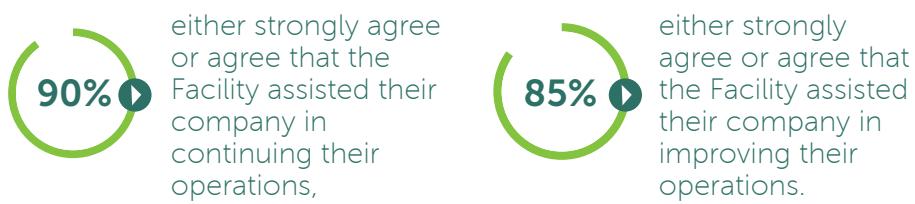
5.1. The wage subsidy enabled the retention of the workforce amongst recipient factories

92% of the 24 participating factories were able to retain 80% or more of their pre-Facility workforce. This was verified during the first and second monitoring visits undertaken at the factories.



5.2. The facility enabled recipient Factories to continue and improve their operations, and as such enabled these factories to maintain the wages of workers

Amongst the factories that completed the survey.



5.3. Recipient factories innovated in a range of ways

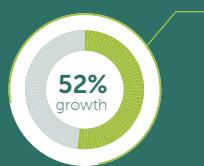
20 of the 24 factories that were recipients of the Facility met the eligibility criteria for the innovation incentive in the following ways:

INNOVATION CATEGORY	EXAMPLES OF INNOVATIONS TAKEN BY RECIPIENT FACTORIES
New product line development or changes to existing ones	 A A number of factories began production of PPE for COVID-19 such as face masks;  B One factory became the first factory in Ethiopia to establish a knitted shoes production line;  C Factories expanded their production lines by adding sewing lines to their existing production facilities.
New markets or new clients	 A A number of factories made efforts to approach buyers in new markets, such as in the USA and in Europe.
Investment in human capital development	 A One factory encouraged their employees to advance their careers by paying their tuition  B One factory increased the number of local managers;  C A number of factories made efforts in improving skills of their workforce through offering training on: soft skills, awareness of COVID-19, fire preventive methods, first-aid trainings.

Additionality of the Innovation Incentive



85% either strongly agree or agree that the subsidy was important in encouraging them to become more innovative.



52% of factories are still experiencing growth in revenue following the COVID-19 pandemic. This is particularly telling considering that COVID-19 led to a significant reduction in exports in Ethiopia, and a knock-on effect of poor economic growth.



Despite these external factors, 76% of recipient factories avoided a decline in their revenues as a result of the pandemic, a clear indication of the effectiveness of the Facility.



50% of factories said that they would have been able to continue their innovation without the Facility but at a smaller scale, whereas 10% of factories said that they would have been able to continue their innovation without the Facility, but it would have taken a longer period of time to do so. This demonstrates the additionality of the Facility, where a large number of recipient factories would have only been able to innovate at a smaller scale.

5.4 Unintended Impact of the Facility

The evaluation found evidence of a range of unintended impacts as a result of the Facility (i.e., those outcomes that the Facility did not intend to achieve or contribute to), all of which are positive unintended impacts; no evidence of negative unintended impacts as a result of the Facility were identified.

These unintended impacts are discussed in more detail below.



A. Contribution to public health response

COVID-19 resulted in disruption to the global supply of PPE, largely caused by rising demand, panic buying, hoarding and misuse.

This disruption put lives at risk, especially for healthcare workers who rely on PPE to protect themselves and their patients from being infected and infecting others.

The Facility rewarded the factories who re-invented their business models by pivoting to manufacture PPE. As such, this contributed to the public health response through the production and distribution of critically-needed health care garments, and thus contributed towards combating the effects of COVID-19.



B. Streamlining internal processes of factories

One of the unintended impacts of the Facility was that it successfully assisted factories in streamlining their internal processes. Previously, some factories did not report on cash received (cash reconciliation). However, a cash reconciliation was a requirement of participating in the Facility and factories had to prepare management reports in this regard on a monthly basis. Factories consulted indicated a commitment to continuing this cash reconciliation process after the support received from the Facility ended. Cash flow reconciliations are of particular importance as they assist in picking up fraudulent activities in businesses (this is especially so for small businesses), mitigating accounting errors, and assisting in improving forecasting in the business.¹⁰ This in turn helps businesses to plan and function more effectively and improve their future prospects, such as being eligible for loans and investment opportunities.



C. Empowering factory workers through Financial services

Another unintended impact of the Facility was as a result of the disbursement of funding to the factories, which worked on a reimbursement basis, where factories were first required to pay their workers and show proof of this payment, in order to be reimbursed by the Facility.



C. Empowering factory workers through financial services
Another unintended impact of the Facility was as a result of the disbursement of funding to the factories, which worked on a reimbursement basis, where factories were first required to pay their workers and show proof of this payment, in order to be reimbursed by the Facility. Prior to their participation in the Facility, some factories would pay their workers in cash. This has the potential for irregularities and exploitation since there is no paper trail of what workers are being paid. However, by requiring factories to show proof of workers' payroll costs to receive the disbursements, factories had to formalise the channels through which they pay their workers. Thus, the Facility has arguably led to an increase in the number of factory workers that have bank accounts (In one factory, over 50% of employees opened new bank accounts and received ATM cards after the factory was enrolled in the Facility); this therefore has improved the financial inclusion of factory workers.



D. Enhancing working, health and safety conditions for factory workers

The COVID-19 pandemic has meant an increase in business costs due to the provision of PPE and hand sanitiser to contain the spread of the virus. These protocols that the Facility had established on factories, that had to be adhered to for factories to receive their grant disbursements have contributed towards mitigating exploitation and in improving working conditions for factory workers.



6. Lessons learnt for future emergency funding initiatives

Based on the findings of the evaluation, and given that the Facility has come to an end and will no longer be undertaking any further activities, the evaluation documents lessons learned. These are intended to enable replication of future emergency funding facilities amongst donors and other stakeholders who may draw design principles from the Ethiopia Jobs Protection Facility.



- A. Understanding the needs of the beneficiaries should be done prior to the design stage, with the purpose of informing the intervention's design and its provision of funding and/or technical assistance.
 - ▶ The Ethiopia Jobs Protection Facility took the necessary steps of gathering insights into the needs of factories during the COVID-19 pandemic. However, not all the key lessons learned during this time were used to inform the intervention design of the Facility, for example, the need for the provision of technical assistance amongst factories.



- B. Promotional content of funding facilities should be clearly understood by potential grantees, eligibility requirements should be clearly defined, and objective judgement criteria should be used during the selection process.
 - ▶ The evaluation found that some of the promotional material that was used by the Ethiopia Jobs Protection Facility was tailored more towards textile and garment manufacturing firms, even though it was designed to provide funding to all factories operating in Ethiopia's Industrial Parks, regardless of the sector/industry the Factory specializes in.



- C. During the provision of emergency funding, funders should maintain core funding principles, but adapt tactics.
 - ▶ The Ethiopia Jobs Protection Facility was established as an "emergency" fund to be provided to eligible factories as soon as possible. However, the Facility was only launched in October 2020, seven months after COVID-19 was declared a pandemic, and the first grant disbursed in December 2020. During the time between the Facility's design and the launch of its applications, some factories had already closed down. Future emergency funding facilities should have a rapid response, but at the same time, explicitly retain the principles of impact and additionality.



- D. Funding facilities that award grantees for innovation should encourage innovation amongst potential grantees by reviewing applications on a rolling basis.
 - ▶ Despite the Ethiopia Jobs Protection Facility committing to consider funding new innovative responses to COVID-19 that were introduced by factories, this was not the case; no further funding was provided to factories once applications closed in January 2021. Future funding facilities should focus on accepting applications on a rolling basis, which can then potentially spur innovation amongst potential grantees, who would be encouraged to innovate in order to be eligible for funding.



E. In cases where there are eligibility requirements that require grantees to share confidential information pertaining to their business growth and profitability, there is a need to build trust between the (coalition of) funders and the potential grantees.

Applications to the Facility were submitted through a dedicated website, using a tailored application form with the ability to upload supporting documents. However, since this information was being uploaded online, the security of the documentation was unclear amongst factories.

Stakeholders were of the opinion that factories were not trusting of the Facility, and as such were not willing to give out their proprietary information, which deterred some factories from applying to the Facility.



F. Prior to launching applications for funding, there is a need to invest time and effort in the application process to encourage applications amongst potential grantees.

The evaluation found that the application process of the Ethiopia Jobs Protection Facility was lengthy and time-consuming for factories. In addition to this, there were varying levels of understanding of what constituted an innovation, and more clarity on the eligibility criteria for the innovation incentive could have been provided.

Future funding facilities should invest time and effort in to the application process so as to ensure there is clarity amongst potential grantees on the objectives of the funding, who is eligible for the funding, and what the application and edibility requirements are.



G. Emergency funding should adopt a sustainable approach to ending the lifecycle of grant funding initiatives as opposed to providing limited period funding.

During the design of the Facility, it was envisaged that following the initial six-month period of the Facility, the factories would have the option to apply for a further Recovery Facility to meet their working capital requirements. This option was since rescinded. In order to enhance the possibility of sustainability of outcomes, at the end of the life of an emergency fund, the provision of alternative sources of financing, such as debt financing, should be considered.





H. Simple, standardised monitoring and measuring tools are critical, and data should be used as a strategic management tool to drive decision making.



One challenge of the rapidly evolving context of the pandemic means that traditional project verification activities can be difficult to carry out. As such, in times of crisis, funders should implement a results management system which requires each grantee to have a set of simple indicators against which they report on a monthly basis and a grant completion report. Such tools can provide regular information on the progress of the provision of funding, and can facilitate an adaptive approach to portfolio management. In addition to this, the data that emerges should be used as a strategic management tool and for data-driven decision making, which can enable the facility's managers to be responsive to emerging beneficiary needs over time.

I. Emergency response funding is riskier than normal, and the evolving nature of a crisis means that as a funder it is important to be as flexible and adaptive as possible.



In any crisis, the nature of the crisis evolves, and the needs of beneficiaries will change as the crisis evolves. The COVID-19 pandemic was no different, and evolved rapidly, with waves of infections impacting different geographies at different times in a way that could not be predicted. This means that the needs of grantees changes over time, and allocating funding over a specific timeframe may in some cases contribute to disappointing outcomes. As such, funders should be flexible on the expectations against expected outcomes during the provision of emergency funding. In addition to this, funding does not need to be static, and can evolve based on the needs of grantees at a particular point in time.

The background of the entire page features a photograph of a wind farm. In the foreground, a single wind turbine is shown from a side-on perspective, its blades angled upwards and to the left. Behind it, several more wind turbines stand in a row across a green, hilly landscape under a clear blue sky.

Riverside Green Suites (Palm Suite)
Riverside Drive, Nairobi
P.O. Box 5980, 00100 Nairobi
+254 20 4024000 | +254 729 729 111
www.fsdafrica.org