

RLI INVESTMENT SNAPSHOT

ADAMA SPINNING FACTORY



Reason for Selection:	Textile manufacturing is a priority sector for Ethiopia, and Adama Spinning Factory represents a strong example of a locally grown business seeking to address demand that is currently being met through textile importation (while the government's preference would be for import substitution). Furthermore, the majority of internally displaced persons arriving in Adama are women and children, and by operating in industry dominated by female laborers, Adama's expansion efforts present employment opportunities for newly arrived populations. ¹
Location:	Adama, Oromia, Ethiopia
RLI Business Category: ²	R3: Refugee Supporting / R4: Refugee-Supporting, Host-weighted
Company Background:	<p>Established in 2008, Adama Spinning Factory is a privately owned, 100% cotton yarn manufacturer with a state-of-the-art spinning facility that has an 11-ton per day capacity. In 2013, the company expanded production into reeling and sock knitting, with a 2,000 pair per day capacity.</p> <p>The factory produces different counts of cotton yarn by using locally cultivated lint cotton sourced from the Awash valley and around Gondar.</p> <p>The company's strategic location provides it with the requisite infrastructure, including reliable electric power and water, proximity to cotton growing areas, availability of abundant labor, and easy access to Addis Ababa-Djibouti road and railway.</p> <p>The company holds ISO 9001 QMS certification and is WRAP Principles compliant.</p>
Industry/Sector:	Textile manufacturing
Products and Services:	100% Cotton yarn suitable for weaving, knitting and hosiery manufacturing; 100% Cotton socks
Management Team:	<p>Mr. Feleke Bekele, Managing Director</p> <p>Mrs. Aberash Tadesse, Commercial Manager</p> <p>Mr. Yimer Yimam, Factory General Manager</p>

¹ Interview with Deputy Mayor of Adama. April 05 2022.

² This is the category RENEW believes the company could occupy after receiving appropriate technical assistance support. The concept of refugee-lens investing (RLI) is new to Ethiopia, as such, there are very few companies operating in the formal sector of the studied secondary cities that currently meet the RLI criteria.

Employees:	450 employees; gender disaggregation unknown, though the textile industry tends to be dominated with female employees.
Market Overview and Trends:	<p>Despite having millions of hectares deemed suitable for cotton production, Ethiopia currently only cultivates the crop on 3% of this land. In the past two decades, production by roughly 53K smallholder farmers averaged 33.8K metric tons annually.³</p> <p>As of 2019, Ethiopia had 14 textile factories and 50 medium-to-large garment manufacturers and “there is a relatively better FDI flow in the textile and garment sector.”⁴</p> <p>Falling within the government’s priority sectors, there has been a significant push to develop textiles manufacturing operations in the government-owned industrial parks throughout the country. International firms, including major U.S. operations such as PVH (Calvin Klein, Izod, Tommy Hilfiger) had established operations in the industrial parks as well. However, due to the recent Tigrayan conflict, many of these operations have since closed.⁵</p> <p>The increase in Turkish textile firms relocating to Ethiopia has not waned in the same manner. This, in conjunction with the increasing local sales of cotton-based products, is driving demand for raw cotton and fabric.⁶ As a result, the textile industry is one of the fastest growing sectors in Ethiopia.⁷ AfCFTA is further driving demand in regional markets.⁸</p>
Estimated Investment Needs*:	Currently, the company is not seeking a financial investment, however the general manager expressed interest in technical assistance in the form of management capacity building, as well as operational expertise to enhance efficiency.
Target Funding Source(s):	N/A; previous funding has come from local banks and personal capital.
Investment Opportunity:	<p>As a priority government sector and one of the fastest growing industries in Ethiopia, a sound investment case could be made for investing in textile manufacturing companies such as Adama Spinning Factory.</p> <p>As demand continues to grow, there will be an increased need both for production facilities, but also companies that can support and facilitate cotton production at the top of the value-chain. An RLI strategy could be to pair an investment in Adama Spinning Factory with capacity building for local cotton farmers to ensure consistent and quality input for the factory, while simultaneously promoting income generating activities for refugee and host smallholder farmers in the region.</p> <p>With the government’s continued commitment to industrial park development as employment generating and localized production mechanisms, there will continue to be an increased in demand for fabrics and raw cotton inputs. Furthermore, the government has provided special incentive packages, including tax breaks, for priority industries which currently includes textiles, as well as for operations in under-served markets like Adama.⁹</p>

³ Melesse Zeleke, Melesse et. al. Cotton Production and Marketing Trend in Ethiopia: A Review. Cogent Food & Agriculture. 2019. [LINK](#).

⁴ *Ibid.*

⁵ Business and Human Rights Centre. Ethiopia: PVH Closes Manufacturing Facility After Suspension of Trade Deal. 2021. [LINK](#).

⁶ *Ibid.*

⁷ Wagaye, Bewuket Teshome and Gashaw Ashagre Walle. Overview of Ethiopian Textile Industry. Journal of Textiles and Polymers. 2018. [LINK](#).

⁸ *Ibid.*

⁹ Ethiopia Investment Commission. Ethiopia Investment Policies and Incentives and Opportunities. 2020. [LINK](#).

RLI Social Impact Opportunity:	<p>As with most companies in Ethiopia, there is significant opportunity for the RLI network to raise awareness of refugee-integration opportunities and benefits. There remains a significant gap between the right-to-work laws enacted by the federal government and the business community's understanding of these rights, as well as their own capacities for engaging refugee populations. This awareness gap can also be seen in the refugee populations themselves who may not fully understand their rights to gainful employment in the formal economy.</p> <p>Operational capacity building would allow Adama Spinning Factory and other textile manufacturers to grow their operations, which in turn could lead to increased employment opportunities for refugees and IDPs. With the right coaching and guidance, they could target hiring within refugee communities.</p>
RLI Support Strategy:	<p>As described above, awareness raising about RLI is a critical first step in developing inclusive and integrated refugee-host economies and communities.</p> <p>The next step would be identifying the right technical assistance programming and providers to help build out the company's operational capacity in order to expand operations and support increased employment.</p>