

# **Ethiopian Industrial Development Institutional Setup (2013-2025)**

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## Acronyms

APIDI	Agro-processing Industry Development Institute
CBOs	Community Based Organizations
CSOs	Civil Society Organizations
CIDI	Chemical Industry Development Institute
COMESA	Common Market for Eastern and Southern African
DBE	Development Bank of Ethiopia
ECRA	Ethiopian Custom and Revenue Authority
EIA	Ethiopian Investment Agency
EPZA	Export Processing Zone Authority
GRI	Government Research Institutions
HEIs	Higher Education Institutions
IEPS	Industry export Promotion section
IICD	Institute for Industrial capacity development
IIEPC	Industrial Investment and Export promotion Centre
IIPS	Industrial Investment Promotion Saction
IRDTTI	Industrial Research & Development and Technology Transfer Institute
ISCG	Industrial Development Strategy Consultative Group
IZDA	Industrial Zone Development Authority
LIDI	Leather Industry Development Institute
MDTI	Meat and Dairy Technology Institute
MIDI	Metal Industry Development Institute
MLE	Medium & Large Enterprises
MoI	Ministry of Industry
NGOs	Non-governmental Organizations
NIDC	National Industrial Development Council
RIC	Regional Industrial Council
SME	Small & Micro Enterprises
TVET	Technical & Vocational Education and Training
WTO	World Trade Organization

## **Executive summary**

The implementation of industrial development strategic plan requires the coordination and concerted efforts of all stakeholders. One way to bring about the required collaboration and synergetic effect is the setting up of appropriate institutional organization, design of systems and a work culture that facilitates the industrial development.

The institutional setup document, consistent with industrial development roadmap and the strategic plan, provides the institutional framework and implementation directions for the national industrial development over the next 13years (2013-2025). Analyzing the current situation of institutional supports in industry sectors key issues are identified which hinder the growth of the industry sector. In view of the identified issues, this institutional setup document has been developed to provide the comprehensive framework for promoting the optimal development and long-term sustainability of benefits derived by the nation from industrial development. The institutional mechanisms could in effect serve as industry business -level- implementing arms of government policy.

Structurally, the institutional setup document is divided into the following seven chapters.

Chapter 1 (Introduction) provides a general introductory and background elements to institutions in industry development. The rational for institutional setup and key role of institutions in industrial development have been explained.

Chapter 2 (Key issues related to institutional support) provides an analysis of the Institutional support for industry development. The current situation related to the performance of institutions with respect to the industry sector such as *coordination and joint planning; investment; finance; market; customer service and human resources and capacity building* have been addressed.

Chapter 3 (Instituional Framework for Industrial Transformation) provides a synopsis of the long-term sectoral development framework that covers the governance frame work of industrial sector. The industrial development act, the roadmap and the role of key industrial development actors including the

government, private sector, the civil society and development partners for the industrial development are clearly described.

Chapter 4 (Institutional Setup for Industrial Development) details the establishment of National Industrial Development Council and major roles in the industry development process. The structure of the council, the member of the council and the support wings such as the office of the council, the industry strategy consultative group and consultative forums and their roles are described in this chapter. To support the industrial development process and extend the overall function of national industry development council nine new institutions have been established. The roles of these new institutes are also discussed in this chapter.

Chapter 5 (Improvements in Existing Institutions) describes the recommended improvements in different existing institutes which are highly linked with industry sector development. The recommendations for improvements are based on the expected role of these institutes to meet the industrial sector transformation by 2025. Nine institutes and units are selected for the improvement of their roles so as to meet the demand of emerging industries.

Chapter 6 (Improvements in customer service delivery) presents the key issues identified in relation to institutional support are addressed by establishing the national industry development council and new support institutes, and by introducing improvements of the role the existing institutes. In addition to these the improvement required in other cross cutting institutes which are related to customer service delivery are discussed separately in this chapter.

Chapter 7 (Institutional Establishment Plan) outlines the proper time frame of establishment of each institutes. To materialize the industry development strategic plan the timely establishment of the support institutes is a precondition for proper implementation of the plan. The establishment period of three years is given. The establishment of support institutes needs to be completed before launching the next five years development plan.

The establishment of these institutes shall increase the contribution of the manufacturing industry in national development through the adoption of progressive and globally competitive industries.

# **1. Part I - Introduction**

## **1.1 Rationale for Institutional Setup**

The importance of industrial policy & strategy; institutions and investment inflow in industrialisation, are key for economic growth and development. A sound industrial policy enables a country to identify and address industrial constraints impeding economic growth and development.

Similarly, institutions are fundamental to achieving industrialization through their intermediary role such as provision of public services, finance capital, technical support or strengthening network cohesion. In general, these institutions and the way they evolve shape economic performance. The appropriate institutional setup and quality services reinforce investment flow and the execution of the industrial policy and strategies.

The implementation of industrial development strategic plan requires the coordination and concerted efforts of all stakeholders. One way to bring about the required collaboration and synergetic effect is the setting up of appropriate institutional organization, design of systems and a work culture that facilitates the industrial development.

The coordination between government and private institutions, as well as other supporting organizations need to be strengthened through different mechanisms supported by adequate institutional setups.

The current manufacturing industry of Ethiopian may be characterised by relatively weak industrial capabilities, with low value added activities, insufficient capacity utilization and productivity performance. In fact, there is an increased investment inflow and development in the manufacturing sector which is encouraged by industry policy and strategy. However to bear industrial growth it needs to be supported by appropriate institutional arrangement. Hence, it is essential to get the institutional arrangement right for the proposed Ethiopian industrial development road map and strategic plan.

## **1.2 The key Role of Institutions in Industrial Development**

One of the prerequisites for sustainable industrial development is the existence and functioning of strong institutions. These institutions play a key role of creating enabling environment and facilitating and supporting the industrial development and growth process. Supporting institutions need to be efficient, capable and contributing development agents through their quality services using a vibrant civil service.

As the current situational assessment revealed, there are a number of government and private institutes which are providing support for the development of the manufacturing sector of Ethiopia. However, these institutions need to be strengthening their capabilities to exert more thrust towards supporting the sector's development. In general, many of the government institutions appear to be at crossroads between the supporting and facilitating role and the regulating role. More importantly, it is necessary for these institutions to have highly motivated and committed staff with the required resources to execute their mandate.

The government will take the initiative to strengthen these institutions for ensuring faster growth of the industrial sector. All supporting government institutions ought to work to support both foreign and domestic investors by promoting culture of professionalism.



## **2. Part II - Key Issues Related to Institutional Support**

### **2.1 Introduction**

One of the prerequisites for sustainable industrial development is a strong institutional support which can play a catalytic role of creating enabling environment and facilitating and supporting the growth process.

Supporting institutions need to be efficient, capable and contributing for the industrial growth. Public institutions need to be play supporting and facilitating role rather than regulating role. Hence institutional transformation is a requirement for sustained growth of industrial development.

A number of institutions both in the public and the private sector have been developed, and worked in the system. However, in order to introduce structural changes in the national economy caused by industrial sector the current institutional setup do not seem to be capable enough and adequate to support industrial growth in the country.

There is a weak institution coordination among main government ministries in terms of joint planning and implementation in relation to industrial activities. Lack of integration of activities among different stakeholders, included public and private sectors; university - industry linkage and between industries and SMEs are some to mention.

The situation analysis indicated that there is absence of strong institutional setup to lead the country's foreign trade and lack of strong institution and regulatory system which ensure controls and monitors the quality and standard of products of the sector industries. The following Observable gaps are identified in the following issues which are pertinent for industrial development of the country.

### **2.2 Situational Analysis Related to Institutional Support for Industry**

#### **2.2.1 Coordination and Joint Planning**

There are a number of master plans and strategies to lead individual priority sectors. However, there is a lack of policy coordination, integration, and synergy, and lack of management commitment to implement the policies and strategies. Such task forces like the export promotion committee and recently established economic council to

deal with inter-ministerial issues are encouraging, but still more effort is required in terms of joint planning and implementation practices to steer the sector development among supporting institutions.

The creation of a competitive manufacturing sector requires a strong linkage among the various stakeholders in the sector including the private sectors. These stakeholders need to have a system whereby they could develop a joint plan to effectively utilize their efforts and strategically lead the sector development. The synergy that comes along with such effective coordination among key actors provides the momentum to develop faster and create competitiveness of the sector.

Some of the major institutional support issues that need to be addressed in terms of coordination and joint planning include:

- Limited joint planning and implementation among different stakeholders in the sector;
- Limited participation and representation of the private sector in major industry planning and decision making process;
- Weak intra- and inter- institutions coordinations;
- Absence of strong institutional setup to lead the country's foreign trade;
- Lack of strong institution and regulatory system that ensure controls and monitors the quality and standard of products of the sector industries;
- Weak University - Industry Linkage;
- Weak coordination and poor linkage between Small & Micro Enterprises (SMEs) and Medium & large Enterprises (MLEs) and
- Weak forward and backward linkage with other sectors/industries.

### **2.2.2 Investment**

Investment in the industrial development of a country has a significant contribution. Promotion of foreign and local investment has potential benefits for industrial growth in the country. New Investments (local and foreign) also lead to higher productivity of industries through access to new ideas, technologies and organizational skills either through direct exposure to overseas markets, or indirectly by creating linkage between companies.

The Ethiopian government has been working on investment promotion and support to foster the industrial sector leadership in the country's economic development. These include availability of different incentives to attract local investors as well as FDI to involve in manufacturing sector. The development of industrial zones has been started. The manifestations of these efforts of the government are the growth of investment flow in the priority sectors even though it is not satisfactory.

Some of the major institutional support issues in relation to investment that need to be addressed are mainly described as:

- Lack of organized investment promotion center/institution which resulted in fragmented and bureaucratic investment service;
- limited coordination and collaboration of institutions working on investment;
- Inadequate one window service delivery in investment licensing and support services;
- Lack of special support units in investment supporting institutions for the priority sectors identified by the government; and
- Lack of government institutions working on capital intensive projects in some sectors.

### **2.2.3 Finance**

There are encouraging results in terms of the local and foreign investment into the sector, including government huge outlays for industry development. The Development Bank of Ethiopia ( DBE) and other public and private financial institutions are providing their support for the sector. There is an attractive investment capital provision to investors (30:70 ratio) which encourages investors. However, a number of difficulties are observed in the implementations.

Some of the issues that are related to the institutional support related to industrial financing include:

- Lack of financial institutions exclusively focusing on industrial financing;
- Institutional capacity of financial providers , both local and foreign currency is limited; and
- Slow responsiveness of financial institutions for demand of investment and working capital.

#### **2.2.4 Human Resources and Capacity Building**

Trained labor in line with the industry demand is a key factor to bring industrial development. Weakness in this area is endemic at all levels from policy implementation institutions to the industrial level. At the policy implementation level trained human resources, who can address strategy and structure issues, are lacking. Similarly, at operational level trained human resources, who can implement strategies, monitor performances and take remedial action, are missing. Likewise, at firm level, there is lack of skilled manpower both at supervisory and management level. The industries have low labor productivity and high labor turnover.

There are also critical shortage of qualified technicians (operators, designers, maintenance staff etc.) which leads to a mismatch between demand and supply of highly trained labor force.

Despite the fact that there is an improved TVET system and focus on expansion of science and technology education at higher education level, there is still a mismatch between the skill of the graduates and the labor market demand. Moreover there are Inadequate specialized training Institutes coupled with non standardized assessment system to support the required technology in the industries.

#### **2.2.5 Customer service**

Most of the activities and performance of the industries under MOI are highly dependent on other governmental offices readiness to discharge their responsibility, like the Ministry of Agriculture in the case of raw material sourcing, Ministry of Trade in case of trading, licensing, export, etc, National Bank, customs, logistics and transport, power, are some of the obstacles observed and reasons mentioned for inefficiency of the sector. Therefore, such problems cannot be solved in a piece mill treatment rather it is relevant to address them institutionally and have a great role that contribute to the synergetic effect.

The various focus group discussion with stakeholders' held on improving the business environment of the sector, the provision of quality service has been raised repeatedly. A number of institutions that deliver services related to licensing, investment , financing , taxation, service utlitiies, business operations and other services have to improve their service delivery.

Not only in the areas of the procedure to be completed and the time required to access the services , but also the motivation and capability of the human resources to satisfy their customers needs improvement. Some of the areas that require institutional responses are related to:

- Government institutions working on tax issues (MoFED ,ECRA, ...) need to consistently provide quality and timely services with regards to income , excise , and Sur taxes;
- Limitation in the implementation of the multimodal transport system;
- Absence of one window service exclusively for manufacturing firms;
- Absence of experts in some areas at ECRA creating some unnecessary delay and conflict;
- Non uniform understanding and interpretations of rules and regulations by government employees at various levels ( ECRA);
- Absence of detailed directives in terms of incentives for manufacturing sectors; and
- Limited internet connectivity and low reliability provided by Ethio Telecom.

### **2.2.6 Market**

Ethiopia has distinctive competitive advantages over many multinational and global firms through its privileged access to European and US markets. Exploiting the domestic, regional and international market opportunities is critical for the manufacturing sectors. This, on one hand, requires that the manufacturing sector to be competitive in all these markets, and also there should be a concerted effort to institutionally support the market penetration in existing markets and also to enter new markets.

Some of the major issues that need interventions in terms of marketing include:

- Firms lack experience and exposure in the international market;
- Absence of marketing strategies at firm levels;
- Absence of foreign trade promotion and existing markets are characterized as small, and at times windfall type;
- Market promotion at sector level as well as national level is weak;
- Limited market segmentation and targeting to position firms' products;

- Absence of a well-established market information system for the manufacturing sector;
- The local market is dominated by few industries with no market transparency;
- Export is limited to few countries due to lack of regional and international market linkage; and
- Limited marketing effort to boost the consumption of locally manufactured products.

Therefore, institution-based effort by providing relevant and timely market information to the manufacturing sector is critical to its development and diversification. The sector could only sustain its development by manufacturing what is demanded in the market. Adopting clear marketing strategy is also essential by firms, and they need to be supported by other institutions who could help in identifying , developing and building unsustainable marketing relationships.

Accordingly, it is recommended to

- Optimally use international and preferential market access to EU, USA and regional market;
- Develop appropriate marketing strategies based on membership to COMESA and WTO; and
- Develop strategy to engage the Ethiopian diaspora and Embassies towards development and implementation of marketing strategy.

### **2.2.7 Research and Development**

The dynamic nature of industrial development requires continuous improvements supported by research and development activities. Enhancement of industrial competitiveness can be achieved by adopting new technology and implementing research outputs.

The country has a science and technology policy to support the industrial development process. However, currently there is an absence of institutionally organized Research and Development system coupled with weak integration of research and product development effort at the national level. No adequate qualified and experienced man power and facilities exist to undertake research and product

development activities in research institutes. To transform some industrial products to a higher level of value addition in textile and leather sectors; where highest priority is given; there is no fashion and design practices due to low capacity of institutes for research and innovations. The practice of research and development activities at firm level is highly limited and the institutional support to enhance their research capability is not in place and the private sector is reluctant to invest in research and development.

### **2.2.8 Technology Transfer**

In the transfer towards knowledge based economy the contribution of technology transfer and innovation is emphasized as “the growth engine of economy” in many middle income countries. The technology transfer issue in the Ethiopian context has been tried in a fragmented and not focused manner. The effort of encouraging SMEs and other industries to work on import substitution, government support of technology adaptation in different universities and institutions and establishing a system that protects the intellectual property rights are some of the fragmented efforts to support technology transfer. Even though these efforts can be mentioned the contribution of these efforts for the development of the priority sectors has been negligible.

Regardless of these efforts the basic institutional challenges and shortcomings that should be solved for betterment of the development are:-

- Absence of national and regional research/technology transfer centers focusing on diversifying the manufacturing and industry sector;
- Lack of well organized and focused sector based research centers or institutes or GRIs working on productivity improvement, value addition, diversification and upgrading;
- Lack of specialized university research centers that can support industries
- Lack of research centers focusing on industry zones;
- Lack of collaboration between existing institutions working on technology transfer;
- Lack of competent governmental institution that works on supporting investors in proper technology selection and adaptation;

- Lack of a system that convey researches and new technologies from universities/TVET's and industries as well as weak industry university linkage in technology transfer;
- Absence of technology innovation and development centers of indigenous technology; and
- Shortage of institutions working on engineering services in the area of adopting and developing of machinery parts, rehabilitation & modification, replacements.

### **2.2.9 Industrial Inputs and Raw Materials**

One of the main elements for industrial development is the availability of industrial raw materials supply with minimum cost. While some of the raw materials are available locally, they are either not sufficient to meet the requirements of industries, or offered costly. As the industrial sector diversify and develop to potential growth areas, there will be a high need to adequate and timely supply of the required raw materials at competitive cost. The current institutional capacity in custom, bank, logistics and other service providing institutes is inadequate to facilitate fast and cheap industrial imports.

The problems encountered regarding the raw material supply for manufacturing industries include narrow raw material supply base, absence of standardized input marketing system are the reflections of limitations of institutional capacity. Lack of institutional capacity to carry out bulk purchase of raw materials and lack of modern storage system and facilities are some of critical constraints as a result of weak institutional coordination.

### **2.2.10 Enterprise Cultivation**

Enterprise cultivation is one of critical areas that must be addressed for the rapid development of industrialization. As the private sector is the engine of the development, creating and building the capacities of the private and government manufacturing firms is important. There is a need for institutional support to provide the required business development services that encourage the spirit of enterprise development and entrepreneurship. Local private firms need to get support from different institutions as to create a strategic partnership with



multinational and global firms. The involvement of the private sector in the institutional support services also non-existence.

The current development of SMEs in the country is an experience that need to be sustained more aggressively and continued institutional support is essential to further develop some of these enterprises to MLEs as they eventually grow.

Some of the major issues in terms of enterprise cultivation are:-

- Limited capacity of supporting organizations working closely with SMEs development and growth;
- Slow growth of the existing SMEs to MLEs;
- Lack of a federation of SMEs;
- The need to further strengthen the entrepreneur - skill of local manufacturers;
- Limited efforts to develop and sustain an entrepreneurship cultivation program; and
- The potential entrepreneurship capacity of women and youth not fully unleashed.

### **2.2.11 Infrastructure**

Better infrastructure is a precondition for broad- based growth in Ethiopia. Good infrastructure raises productivity and lowers production cost. To counteract the disadvantages that come with being a land-locked country, Ethiopia will have to aim at enhancing competitiveness by providing efficient, reliable infrastructural services at reasonable costs and where possible at low costs.

The government has invested in social infrastructures including road, electricity and water supply across the country. In view of the industrial development there is still a big gap to be filled in infrastructure developments for which mega infrastructure projects are underway.

The industrial infrastructures developed todate need to be serviced to support the country's development. The institutional service provision capacity of telecom, electricity and water services is inadequate and need continuous improvements to meet the demand of industrial growth.

Inefficient transport infrastructure with high inland transport tariff and freight cost hamper the local industries to be competitive. The multimodal system is not

implemented properly due to absence of skilled human resources in the service providing institutes and lack of proper coordination among them. There is a limited institutional capacity to materialize adequate and timely provision of land and other related services for investors to enhance industrial development.

Supportive infrastructure including electricity to power industry, telecommunications, roads, railways, and ports to transport goods has long been recognized as a key element of the enabling environment for economic growth. There exists causal relationships by which infrastructure development contribute to economic growth, poverty reduction and improved access to services.

Economic returns to infrastructure investment in developing countries like Ethiopia are likely to be very high, and power and transport infrastructure are likely to present the highest immediate economic returns. Road and other transport infrastructure construction and maintenance can provide significant short-term employment opportunities as well as boosting economic opportunities, but sustainability requires institutional strengthening. This is equally true for water and telecommunication infrastructures.

The present status of infrastructure in the country, despite the effort of the government in improving it, has been creating the constraint on the industrial sector development. Evidence on enterprise surveys suggests that infrastructure constraints are responsible for a major percent of the productivity handicap faced by Ethiopian firms.

The current major issues related to infrastructure are mainly categorized as follows:

- Lack of institute working on properly designed industrial zones with integrated services;
- Lack of harmonized program and cooperation between institutions working on infrastructure development;
- Inefficient and expensive operational capability on inland transportation institutions;
- Inefficient port administration and operational capability;
- Lack of ICT institution working on industrial sector in particular;
- Lack of rail way infrastructure;

- lack of programs, collaboration and clear mandates of different institutions working on the land and
- inefficient and ineffective support of existing institutions working on land for both new investors as well as already existing ones.

### **2.2.12 Institutional Support for Policy and Strategy Development**

The overall economic and industry development policies and strategies are laid down to provide the foundation for future efforts. As the market is dynamic and competition strategies often change globally, the manufacturing sector need to respond more proactively to remain successful .

Such continual search for better ways of staying in the competition need the industries flexibility and responsiveness, and also the development of relevant policies and strategies that help the sector health and growth. Institutional support in terms of materializing policy and strategic option for competition is then essential. At national level and regional levels, forums, institutions, and think tanks, which focus in bringing together key actors in policy and strategic implementation for industrial development play a pivotal role.

On the other hand , the development of institutions which focus on the capacity building of individuals and organizations that help the strategy and policy development need to flourish.

Some of the issues related to institutional set up for industrial policy and strategy formulation include:

- Weak capacity for strategy formulation for sector specific development and diversification issues;
- Limited forums and institutions focusing on industrial development;
- Limited Capacity building activities on policy and strategic implementation development capacity

### **3. Part III - Institutional Framework for Industrial Transformation**

#### **3.1 Necessity for Institutional Framework**

Development plans may not be fully realized partly owing to the absence of a well-defined institutional and governance framework. The experience of dynamic and developing economies demonstrates that such factors external to firms, like the intermediate institutional support systems, play an important role in enhancing the competitiveness of manufacturing industries.

This institutional setup aimed to bring economic structural change by 2025 will orient the institutional support system towards coordinated action across all the government structures; appropriate enterprise linkages, capability-building and also industrial development council to catalyze the implementation of development policies and strategies. The institutional mechanisms could in effect serve as industry business -level-implementing arms of government policy.

The institutional arrangements recognize the implications of structural differences at various levels of a country's development especially in terms of the appropriate institutions and policies, and the development supports for the private sector in the process of structural change. The industry structure in the National economy structure planned to be transformed from 11% share of GDP to 27% share of GDP and the manufacturing sector from 4% to 17.5% of GDP by the year 2025.

Effectively diversifying the economy in the industrial sector, creating an enabling business environment and promoting competition in the domestic and global markets are cross cutting issues that demand institutionalizing of industrial endeavors of major actors from both the Government and private sectors.

#### **3.2 The Governance Framework of Industrial Sector**

To support the industrial development process and to enhance the role of private sector involvement in industrial sector investments the industrial development act will be introduced. New development supporting institutes will emerge and the implementation mandate upgrading for the existing support institutes will be effected. The industrial act shall be the governance framework for the implementation of the Industry development in the country and the roadmap will be the guiding document for industrial transformation upto 2025.

### **3.2.1 The Industrial Development Act**

To bring industrial transformation in the national economy structure, an Industrial Development Act shall be promulgated. The industrial development act will grant the legal framework for the overall industrial endeavours towards flourishing of the local and foreign investments and creating sustainable industrial environment.

The industrial development act, among others, shall indicate the formation of National Industry Development Council including the membership, function, financing, its relationship with other bodies and power of the Council. The Act also will provide additional mandate to Ministry of Industry to broaden the implementation capacity of the National Industrial Development Plan. The industrial development act shall also clearly indicate the role of regional governments in the industrial development process.

The Councils, forums and support institutes will be formed by this act to provide close support to the manufacturing industry sector in order to bring substantial economic growth and monitor the implementation of industrial development roadmap and strategic plan 2025.

### **3.2.2 National Industrial Development Road Map**

The National Industrial Development Road Map will be the leading document in implementing the industrial development plan inline with the industrial development policy and the industrial development act.

## **3.3 Industry Setor Institutional Framework**

The key industrial development actors along the public at large are the government, private sector, the civil society and development partners.

### **3.3.1 The Government**

The government has the leading role to create legal and conducive business environment suitable for the growth of the manufacturing industry sector. The industrial development plan will be implemented within the framework and in tandem with the existing national policies and government Act. Inline with the main governance structure the key elements are represented by National Industrial development council; Ministry of Industry; and public Financial Institutions.

The Government actions and measures required for the promotion of industrial development among others include:

- promotion of good political, economical, and governance; subscription to macroeconomic stability; democratic governance; rule of law; and greater transparency and accountability;
- establishment, enhancement and maintenance of an investment-friendly, effective and industry-supportive policy and institutional environment;
- mainstreaming industrialization into National Development Strategies;
- Integration of industrialization in national development policies especially in poverty alleviation strategies;
- establishment of strong linkages between Industry, and higher educational institutes and Research & Development Institutions;
- mobilize resources and lead implementation of industrial development plans,
- create awareness and mobilize the public at large in support of the industrial development plan,
- determine programmes and projects in line with the policy framework,
- coordinate the interministerial activities, development partners, NGOs, CBOs, and CSOs and the private sector inline with the industrial development plan,
- provide forum for participation of industrial community,
- provide special incentives to enhance the private sector involvement in manufacturing, industry development in line with the policy framework and
- monitor and evaluate output targets and programme outcomes.

### **3.3.2 The Private Sector**

The private sector as an engine for growth will continue its developmental activities in conformity with the Government's policies, rules and regulations governing the private sector operation. Inline with the main private sector structure the key elements are represented among others by investors; Chambers; Industry associations and private financial institutions.

The private sector will

- Take active part in councils and forums to enhance industrial development;
- Make sure the policies and priorities of the industrial development promote the private sector and National economic development;
- Invest resources in the key industrial development priority areas;

- Enter into partnership arrangements with public sector institutions for investment and service provisions;
- Carryout it's social responsibilities in industrial development process and
- Monitor and evaluate the effects of private sector activities in industrial development.

### **3.3.3 Development Partners**

The implementation of the plan will also employ technical and other necessary assistance from the development partners. Inline with the main development partners included development assistance group countries; bilateral and multilateral agreed countries but not limited to and represented by UN development agencies; World Bank, IMF and private financial institutions.

Development partners among others may

- Support programmes and projects identified in strategic plan;
- Re-shape existing programmes to support the priority areas in industrial development;
- Provide financial and technical support to relevant industrial development programmes and projects;
- Take active part in reviews on spending and discussions of findings from monitoring and evaluation and
- Support independent evaluation of plan implementation.

### **3.3.4 Civil Society**

The implementation of the industrial development plan activities has also depended on the partnership with the civil society. The implementation of the plan will continue harnessing such partnership as a basis for sustaining the industrial growth. Inline with the main civil society actors the key elements are represented by professional associations and employees association.

## **4. Part IV - Institutional Setup for Industrial Development**

The institutional arrangements to materialize the strategic plan included the establishment of National Industrial Development Council; emerging of new support institutes and ; improvements and mandate extension of the existing institutes.

### **4.1 National Industrial Development Council**

The successes of industrial development plan depend on high-level political commitment and support to bring the required industrial transformation. It is important to mobilize a coordination and active involvement of many line ministries and institutes and relevant stakeholders to bring substantial growth in the industry sector. Furthermore, monitoring and periodic reviews of policies and implementation programs must be rigorously undertaken and, if required, corrective actions speedily put in place. These two critical requirements demand the establishment of an authoritative body to spearhead Government's leading role in the industrialization process. Such a body shall also be able to coordinate the implementation of policies and development strategies in the industry sector and recommend when necessary changes or amendment to policy instruments.

To implement industrial development plan and achieve industrial growth it is essential to ensure coordination activities with the private sector and at all levels of government, and to this effect a National Industrial Development Council (NIDC) will be established at the highest level of government, and private sector representatives. The NIDC will be responsible to and chaired by the Prime Minister where the Ministry of Industry may function as its secretary and it may consist of:

- The Ministry of Industry;
- The Ministry of Finance and Economic Development ;
- The Custom & Revenue Authority ;
- The Ministry of Agriculture;
- The Ministry of Trade;
- The Ministry of Education;
- The Ministry of Water and Energy;
- The Ministry of Transport;
- The Ministry of Science & Technology;
- National Bank of Ethiopia;



- The Chamber of Commerce and Industry and
- The industry forums representative.

Similarly, Regional Industrial Council (RIC) with corresponding representation will be established in each regional state. The latter will periodically report their activities to the Secretariat established at the Federal level.

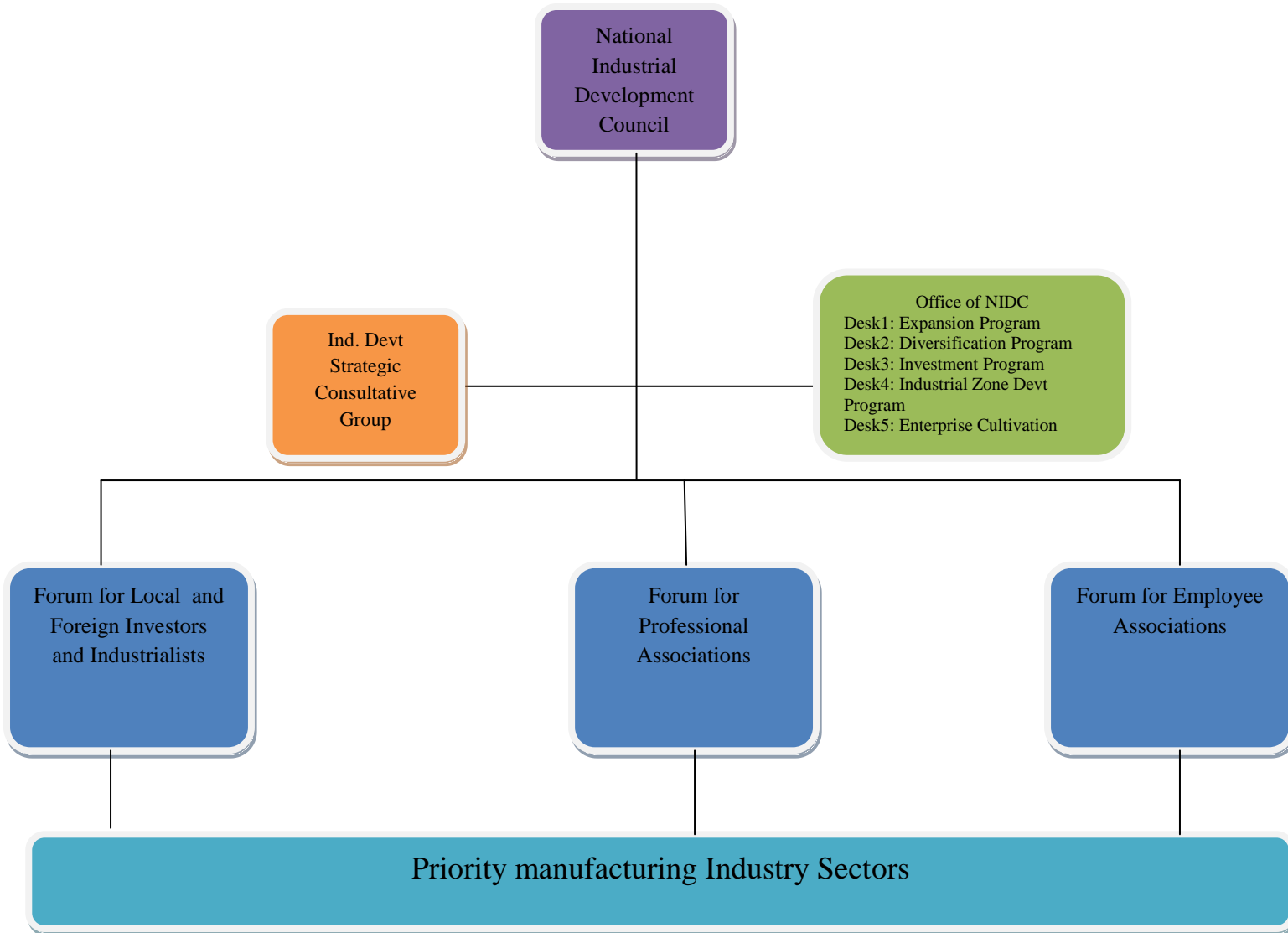
### **The functions of the NIDC**

The issues which are pertinent for industrial development including, but not limited to; investment flow ; Infrastructure development & servicing; public service provisions and industrial inputs and marketing are the areas which will be closely followed up and decided by NIDC.

Accordingly, the functions of NIDC will include:

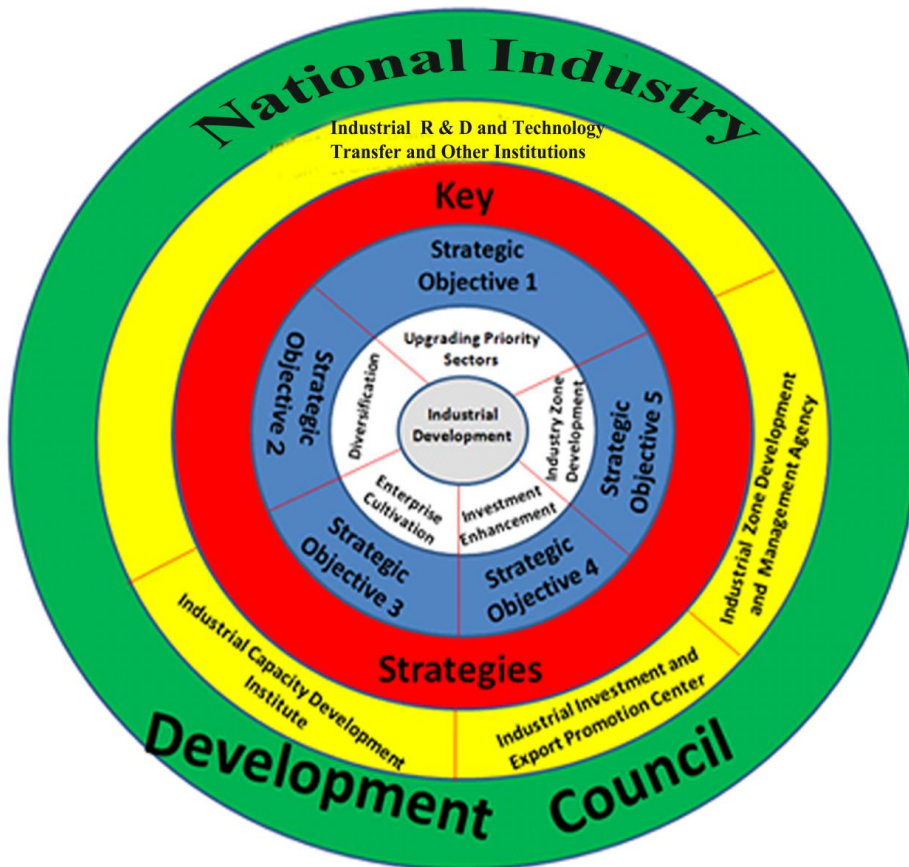
- Coordinating, supporting and monitoring the proper implementation of industrial development plan;
- Assisting the government in formulating strategies for the development of industrial subsystems;
- Oversees the export activities as well as reviewing the country's export performance on a regular basis and advises the government on new policy initiatives designed to boost exports.
- Acting as an intermediary between the private sector and the Government to ensure continuous dialogue and a level playing field for all;
- Monitoring tendencies toward market concentration or other forms of market distortion and recommend appropriate measures;
- Organize a forum for domestic and foreign investors; professional and employees associations to address the emerging needs and challenges to industrial development; and
- Organizing specialized programs to encourage healthy competition, and inaugurate and hold annual National Awards for Excellence for the best performance in quality, export achievements etc; in manufacturing sectors.

The functional structure of the National Industrial Development Council and its links with the industrial forums and strategic consultative group is depicted in the following Figure-1.



**Figure 1: Functional structure of the National Industrial Development Council**

The NIDC as the governance council for industrial development and its relation as an umbrella in the overall industrial development roadmap & development directions, strategic plan including support institutions is indicated in Figure 2.



**Figure 2: NIDC as overall governance of industrial development plan**

### Office of NIDC

The office of NIDC will be formed to support the Council in focused and selected manufacturing industry sectors. The office will organize Desks which follow up selected industry development programs and their implementation and feedback to NIDC. The desks will be responsible for expansions program, diversification program, investment program, industrial zone development program and enterprise cultivation program.

Up on formation of the NIDC, the office will organize and update pertinent data about status of manufacturing industries including the following issues:

- progress of the implementation of the plan;
- status of industries and constraints facing them;
- Industrial input and infrastructures supply and problems;
- potential levels of production and export;
- requirement for public infrastructure, fiscal and other public policy support;
- financial and budgetary requirements;
- achievements of targets for the industries;
- environmental impact and measures to improve environmental damage;
- mechanisms to help infant industries to develop products that meet both national and international standards, and
- Other relevant issues related to industry development.

#### **4.1.1 Industrial Development Strategy Consultative Group (IDSCG)**

In order to provide the required support for the accomplishment of the objectives of NIDC, It is deemed necessary to establish the Industrial Development Strategy Consultative Group (IDSCG). The IDSCG will act as a "think tank" as well as the repository of industrial and technological intelligence in Ethiopia.

The IDSCG will establish close contact with appropriate industrial policy and research organizations, including the Ministry of Science and Technology, Ministry of Industry, the Ethiopia Policy Research Institute (EPRI) and the Ethiopia Industrial Research Development Institute (EIRDI), etc. in order to promote industrialization of the economy.

The NIDC can set up ad-hoc thematic deliberation committees on issues that cut across the industrial sector, for example, infrastructure, finance, investment, and skill and work force development. Key policy and implementation issues will be debated in this group and the outcome will be recommended to NIDC.

The consultative group will consist of key stakeholders of the government, private and civil society organizations closely working on industrial development agenda and related issues. Its members are high –level strategic focal persons, whose advise

and consultation serve the NIDC, through their respective expert opinions, in order to get inputs for industry policy and strategy formulation.

Members of the consultative groups are drawn from Professionals from the industry, Businesses, HEIs and development Institutions, professional and industrial associations, and the others. The fulltime experts may support the industrial strategy consultative group.

Furthermore, the consultative group reviews and technically analyse the proposals and recommendations forwarded by the different forums to the NIDC.

#### **4.1.2 Consultative Forums for Industry Development**

The NIDC will have four forums, which provide the necessary support for the council to execute its mandate. These forums are the local investors and industrialist forum, foreign investors and business forum, the professional association's forum, and the industry employee associations Forum.

These forums are focal points for dialogue among the federal & regional governments, private sector and development partners and serves as a platform to discuss new and emerging concerns regarding the business environment and the implementation for industrial development. The Forum will serve to address potential bottlenecks and structural problems which may hinder the proper function of the industry sectors.

Additionally, these forums may set up various technical groups to undertake detailed studies to address pertinent issues related to the industrial development. The forums will provide recommendations, feedback, and ideas to the National Industrial Development Council on activities for the improvement of the industrial plan implementation, increasing the industry competitiveness, as well as for sustaining the enabling Competitive Business environment.

#### **4.2 Establishment of New Institutions**

The following new institutions will be established to implement the industrial development strategic plan and to enhance the industrial development process of the country.

#### **4.2.1 Industrial Investment and Export Promotion Centre**

The Ethiopian Investment Agency (EIA) is a government section established to promote, encourage and facilitate private investments in general and foreign investment in particular. EIA operates as a one-stop shop to enhance prompt services for the potential investors.

To respond more effectively and efficiently to the growing needs of industrialization, the Ethiopian Investment Agency will be upgraded, restructured and strengthened to make it more effective in providing a genuine "one-stop" facility and to conform to international standards, advising potential investors on issues of technology transfer and the popularization of subcontracting activities between large foreign investors and local small and medium scale enterprises.

The need for creating favorable and conducive ground for the growth of private involvement in industry sector caused for specific and focused treatment by establishing the industrial investment and export promotion center (IIEPC) under the Ethiopian investment Agency. Hence, Ethiopia industry investment and export Promotion Centre (IIEPC) is established to encourage investments and meant to function as a one-stop section that supports local and foreign investors in the manufacturing industry sector as well as searching and expanding potential markets for industrial products.

The Industry Investment and Export Promotion Centre (IIEPC) will own two wings working on the investment promotion and export promotion activities.

The Industry Investment Promotion Section (IIPS) in IIEPC will work to attract foreign investment from foreign countries integrating its activities with Ethiopian diplomatic missions abroad. Core industries which are identified in the planning phases and which will lay the foundation for industrialization will be highly promoted by the IIPS. The Investment and Export Promotion Center in consultation with MoFED and the Ministry of Industry, and other relevant ministries will review the adequacy of incentives needed to attract investors to develop these strategically selected industries.

**Duties and responsibilities of IIPS are described as:**

- Advising the government on industrial policy measures needed to create an attractive investment climate for investors;
- Promoting the country's investment opportunities and conditions in industry sector to foreign and domestic investors;
- Identifies specific industrial development projects related to growth directions and invite interested investors to participate;
- Ensure and facilitate the provision of land and industrial infrastructure in a one stop windows service;
- Collects, compiles, analyzes and disseminates information about investment opportunity in the country and advise upon request on the availability of partners for joint ventures;
- Registers and keeps records of all technology transfer agreements relating to industrial sector investments;
- Initiates, organizes and participates in local and external industrial investment promotional activities such as Trade fairs & exhibitions, conferences and seminars to promote opportunities in Ethiopia;
- Reviews, evaluates and forwards policy recommendations to the concerned government body for approval;
- Providing other pre- and post-approval services to investors and
- Performs such other functions that would enhance the attainment of its objectives.

In general, the establishment of the Ethiopia Industry Investment Promotion Center (EIIPC) will serve to attract more domestic and foreign investors in manufacturing industry sector by promoting and facilitating conducive business environment and reducing the cost of doing business in the country.

**The Industry Export Promotion Section (IEPS) in EIIEPC**

As Ethiopia is pursuing an export- oriented industrial development strategic focus need to be given to its industrial exports. The upgrading of priority industry sectors especially in textile, leather and Agro-processing sectors will make the industries to produce more value added products which compete in global markets. Strategically the country needs to have an institution that exclusively works on the export side of the foreign trade to explore potential market for industrial products. Hence, an Industrial Export promotion section in EIIEPC will be established.

The section could carry out specific mission to support and advance Ethiopia's business interests in the global marketplace by assisting in the development of the export process.

It shall be responsible for establishing international business relationships, and for providing market research, international trade data, and sales leads for the export industry. It need to emphasizes on promotion of manufacturing products.

The section shall act as the official entity in charge of the country's industrial export promotion effort. It should promote the successful entry and development of Ethiopia's manufacturing key industries and priority sectors into the export sector. It needs to provide a range of services to exporters, including programs for training, consulting, market analysis, branding, and promotion.

Its objectives include promoting diversification of Ethiopia's manufacturing sector exports, increasing the proportion of high value-added products in the export mix, and streamlining the export bureaucracy.

The Section will be responsible to Ministry of Industry and the organizational structure of the section should include at least the following directorates: the International Markets Directorate which would be responsible for all international promotion activities; the Commercial Intelligence Directorate which conducts market studies and gather market intelligence; the Single Window Directorate which handles all export processes and paperwork; the Development and Service Directorate which maintains section's office and IT infrastructure and monitors the operation of the country's export processing zones when established.

It organizes an integrated activities of marketing diroctorates in industrial development institutes. In addition to its accessibility to international markets and audiences through an integrated interface (for example through a website targeting), the section should have easy access to internal exporteres that provide support for new as well as existing exporters. Basically, the export promotion delivery mechnaism include creation of awarness for the non- exporting company; building export-readiness; selecting target markets; identifying sales opportunities and supporting industry and companies to close their business deals.



#### **4.2.2 Industrial Research & Development and Technology Transfer Institute**

Industrial research and development and technology transfer endeavours are the pivotal task to bring and sustain industrial growth of the Nation. The activities of industrial R&D and technology transfer to end users should be integrated to bring sustainable growth in the manufacturing industry sector.

While maintaining and strengthening sector based institutes research activities, establishing national level industrial development & research and technology Transfer institute is necessary to support and integrate industrial endeavours in the industrialization process of the country.

Ethiopia Industrial Research & Development and Technology Transfer Institute (EIRDTTI) as a multi-disciplinary institute to be established with a mandate to conduct research, development and technical services and technology transfer activities on industrial processes and products of manufacturing industries. It will carry out applied research, for the adaptation and development of suitable technologies, and value addition to indigenous resources through industrial processing and their transfer to end industrial users. EIRDTTI will also assist the industrial sector of Ethiopia by providing technical expertise and support services on process and quality improvements, advising in technology imports to upgrade their technology base and the transfer of appropriate technologies.

Ethiopia Industrial Research & Development and Technology transfer Institute (EIRDTTI) will be responsible to the Ministry of Industry and will integrate its activities in collaboration with Ministry of Science and Technology; higher educational institutes; Science and technology Universities and institute of technologies (IoTs) and sector based industrial development institutes.

The Institute will have industrial Research & Development Section and technology transfer sections with the functions described below:-

- Coordinate research and development activities in industry sector development institutes, which are carrying research in the fields, specified in their mandate;

- Plan and organize industry sector based development institutes when found the demand and Co-operate with other organizations and institutions of higher learning in training programs and on matters of relevant research;
- Carry out problem solving industrial reserches in conjunction with need assessment of the manufacturing sector;
- links industrial research to socio-economic activities by working with other national research institutions and universities to transform the results into practical solutions to problems facing the manufacturing industry;
- Provide Technical Support to Industry in terms of research projects and physical tests aim at increasing production capacity and quality of their products;
- Disseminate research findings to industries;
- Co-operate with other organizations and institutions of higher learning in training programmes and on matters of relevant research;
- Develop the scientific and technological capacity with a focus on the use of R & D results by the industrial and SME sector;
- Strengthen human, material and institutional resources in order to improve the capacities of R &D operators, including quality evaluation and management processes;
- Co-operate and advise the Ministry of industry and the relevant research committee in matters pertaining to research policies and priorities and
- Organizing a continuous dialogue between all those involved in research and end-users (industry, SMEs) and implementing interaction mechanisms between research and industry in public and private sectors.

The Industrial Technology Transfer Section will focus on issues related to industrial based technology transfer, diversification, innovation and research. Explicitly its main duties would be working on:-

- National and regional research/technology transfer, focusing on diversifying the manufacturing industry sector;
- Organizing resources in universities and research center at regional level to support industries in those regions;
- Supporting focused sector based research centers or institutes or GRIs working on productivity improvement, value addition, diversification and upgrading;

- Update universities to specialized research centers considering the regional industrial needs;
- Working on researches and technology transfer as well as innovation issues specifically for newly coming sectors as well as diversification areas;
- Coordinating the collaboration between existing institutions working on technology transfer;
- Support investors in proper technology selection and adaptation;
- Serves as a center of communication between industries and universities/TVET's in conveying researches and new technologies strengthening industry university linkage in technology transfer and
- Work on research, innovation and development as well as technology adoption for Indigenous technologies which have significant national importance.

Ethiopia Industrial Technology Transfer Institute (EITTI) will be responsible to the Ministry of Industry and will integrate its activities in collaboration with higher educational institutes; Science and technology Universities and institute of technologies (IoTs) and sector based industrial development institutes.

#### **4.2.3 Industrial Zone Development and Management Agency (IZDMA)**

Industrial Zones have increasingly played a crucial role in the development of national industrial capacity, economic and social development of a number of countries. In the developing economies, industrial zones generates foreign exchange, creates employment, attracts foreign capital and advanced technology, helps in acquiring labor management skills and creates linkages between Export Processing Zone industries and the domestic economy.

Industrial parks will be equipped with the required infrastructure for enhancing the clustering of vertically and horizontally related activities. They provide integrated industrial services under one roof. Within each park, there will be a collective set of institutions responsible for providing full fledged industrial services for operating enterprises.

An industrial zone development authority (IZDA) will be established to facilitate industrial expansion, enable private-sector development of industrial zones, and ensure an efficient and business-friendly regulatory environment.

The development of industry zone will include industries in priority industry sectors along their value chains including agro processing zones for edible oil, fruits and vegetables, essential plants and herbs, flour, meat and other potential crops. Preferably the industrial zone development will be in line with country's cluster development strategy.

IZDA will be responsible to Ministry of Industry and assume an eminent role in:

- Designing policies and implementation schemes for developing industrial parks;
- Develop industrial zones development program guidelines and Regulations;
- issues directives on the implementation of the cluster development strategy
- It will be the sole entity responsible for regulating and licensing the establishment of new industrial parks and extensions of existing ones, be it public or private;
- It should also be responsible for the allocation and leasing of land to be used for industrial purposes in coordination with other respective governmental authorities;
- Facilitating all logistical procedures for the establishment and operation of industrial entities in the parks, and offering an adequate set of incentives for new investments in collaboration with IIPA;
- Coordinating between all involved entities to insure alliance with all national regulation, e.g. environmental regulations, regulations for the use of land or energy, and so forth;
- Ensure the building of industry zones with adequate infrastructures including techno parks and administer industry zones jointly with regional states and city administrations;
- Work with joint venture with partners, with foreign industry zone developers;
- Facilitate one stop service in industry zones by coordinating with service providers/custom, banks, telecom, electricity; etc. and
- Overseeing industrial entities outside parks, besides its basic role in managing industrial parks.

#### **4.2.4 Agro-processing Industry Development Institute**

As in many developing countries agriculture has been expected to play a key role in generating surplus capital to speed up the overall socio-economic development of Ethiopia. However, there are indications that the Ethiopian manufacturing sector is on the truck to take over the lead in some evaluation parameters.

Among the manufacturing sectors, Agro processing industrial development is being considered as one of the best option for Ethiopian economic growth and transformation goal attainment. In this regard, a very strong pragmatic and vibrant institutional set up is proposed to lead the sectors' growth with more expectation from agro processing subsector with better value addition and diversification of processed agricultural products.

The Agro Processing Directorate of the Ministry is limited to few areas mainly Food and beverages processing sub sectors focusing on the exportable products. But agro processing is not only limited to food and beverage sector. Other food and non food agro processing sectors shall be considered. Therefore, in order to give multifaceted service to the sector, it requires strengthening or restructuring the Agro-Processing Industry Development Directorate and upgrade it to institute level with full mandate, qualified manpower, necessary material and facilities so that it can give direct and holistic support to all small, medium and large industries.

The major functions of the institute shall include:

- Delivering of supports to already functioning companies to improve their capacity;
- focusing on giving technical and engineering support;
- delivering technology transfer, research and development to diversify product type;
- availing skilled manpower, access to finance and market development etc
- supporting and formalizing the informal sectors working in agro processing area.

This supports will be delivered by the institute giving equal focus to both domestic and exporting companies, so that some of the domestic sectors will graduate to export.

#### **4.2.5 Chemical Industry Development Institute**

The chemical industry is a back bone for most of industry led economies. In Ethiopia the sub sector is at an infant developmental level with little contribution to the national economy. There are very few basic chemical industries that could serve as part of the foundation for development of the sub sector. Other industries in Ethiopian chemical sector mainly focus on the processing of chemical based products.

To support the growth of the sector the Ethiopian Chemical Industry Development Institute (ECIDI) will be established to overcome the challenges in the chemical and allied industry sector and It is accountabel to the Ministry of Industry.

The Ethiopian Chemical Industry Development Institute (ECIDI) will mainly work on:

- research and development activities (market, technological...) on chemical industries;
- appropriate technology adoption/transfer and innovation on chemical industries;
- give training on specialized skill development for the chemical industry;
- diversification of new chemical industry sectors (feasibility study of new projects);
- strengthening the allied industries (like cement, pulp and paper ceramics) to stand alone
- Plans the establishment, expansion and coordination of Chemical Corporation which is supposed to control the daily and yearly activities of governmental chemical and allied industries and
- coordinate and support of public chemical industries and training as well as capacity building of chemical industries.

#### **4.2.6 Institute for Industrial Capacity Development**

One of the competitive advantages Ethiopia has is the availability of trainable human resource. In order to outperform other competing countries with this regard, it is essential to develop and provide the labour market with competent workforce. The provision of globally competent workforce required the development of institutions and systems that ensure the continued supply of capable human resources as per the demand of the industry.

The establishment of the Institute for Industrial Capacity Development is essential in order to respond effectively to the current industrial capacity development challenges being faced by the rapidly growing manufacturing sector.

The training programs related to industrial capacity development programs that are to be carried out by the institute are aimed at encouraging the systemic development of engineering and technology capabilities along value chains of important manufacturing processes. It provides short term training at individual and institutional level on key issues pertaining to sustainable industrial capacity development and provide opportunities for experience sharing. It also focuses on institutional capacity development program towards the utilization of modern working methods and approaches to make the manufacturing sector more competitive.

The institute should serve as a platform for knowledge creation, knowledge sharing and as a catalyst for innovative solutions and ideas for addressing specific capacity challenges to achieve more inclusive and sustainable way of building industrial capacity of the country. The institute works closely through partnership, and networking with TVET institutions, HEIs, R&D institutes, Kaizen institute, and other similar institutions for capacity building of the workforce required to bring about the development of the manufacturing sector.

The industrial capacity building institute that specifically focuses on building capacities in Engineering and technology as well as in industrial management. It strives to impart skills, and knowledge specific to the industrial development demand in the following areas:

- **Technical skills development**

The main focus of this function of the institute is to provide industry standard technical training and employability skills for current and prospective industry technical personnel to equip them with the technical skills and competences that lead them to be more productive and professional. The provision of technical training based on the industry demand is central to these services.

The services need to provide access to comprehensive, industry defined career and technical programs that help individuals and institutions for a better performance.

### **Industrial management skill development**

This division of the institute provide training to improve the leadership management of the enterprises as to deliver strategic leadership based on best practices. The skills to work through people and with people always play the key role into enhancing organizational performance, employee motivation, and establishing a stable industrial relations. In cooperation with public and private institutions , the institute strives to upgrade and develop the human resource in the various level of management in enterprises.

### **Business and entrepreneurship skill development**

The Business and Entrepreneurship Development division of the institute provides supports business enterprises and entrepreneurs by empowering individuals, businesses, and communities to start, grow, and sustain business. It promote continually entrepreneurship and ensure that the business skills needs of the manufacturing sector enterprises are met. Its education, training programs, and consultation services help enterprises to become more successful and innovative. The content of such services depend on the challenges enterprises and entrepreneurs face in the industry sector. Through cooperation with other institutions, it will help individuals and entrepreneurs to develop their skills and share experiences from successful business enterprises and entrepreneurs.

- **Quality and Productivity improvement**

This component of the capacity building is focusing on capacity development of both the government and private sector enterprises through such an approach as the Kaizen. The experience in many countries show the quality and productivity improvement centers are similar with that of Kaizen centers. Therefore, the integration of existing Kaizen institute of the MoI could be the critical mass to begin these services of the institute.

Recognizing the significant changes and improvement shown in the national outcome based TVET system and that of the focus in science and technology education



in HEIs , it would be essential to further complements such human resource development initiatives by developing such an instititute that provide manufacturing sector specific capacity building programs for existing and the prospective workers and enterprises.

#### **4.2.7 Export Processing Zone Authority**

The experience of fast developed countries show the catalytic role played by developing Special Economic Zones for the promotion of their export industrial investment one of which is Export Processing zone (EPZ).

Companies benefit from operating in free trade conditions, streamlined government red tape allowing one stop registration and licensing and also a facility of long term tax concession.

The establishment of a number of EPZs in Ethiopia help to enhance the development of the manufacturing sector and the national economy and The objectives of the establishing EPZs include:

- To attract and promote investment for export-led industrialization;
- To increase Foreign Exchange earnings;
- To create and increase employment opportunities;
- To attract and encourage transfer of new technology and
- To promote processing of local raw materials for export (value addition)

As the establishment of export processing zones are envisioned, the establishment of an institution that oversee the effective functioning of the EPZ is necessary. It is therefore, essential to establish by law the EPZ Authority responsible for the licensing, monitoring and regulation of Free Zones in Ethiopia. EPZ Authority shall be vested with powers to approve and grant all licenses and permits to the exclusion of all other Agencies, enforce obedience and compliance to rules and regulations. In effect, It should also define the policy directions and provide a One-Stop-Shop business transaction without bureaucracy.

It will be essential for the authority to identify number of location for the development of EPZ and clearly promote and provide a number of financial and non-financial incentives that manufacturing industries opertaing within it gain. Some of these incentives may include:

- Complete tax holiday for all Federal, regional and Local Government taxes, rates, customs duties and levies;
- One-stop approvals for all permits, operating licenses and incorporation papers;
- Duty-free, tax-free import of raw materials and components for goods destined for re-export;
- Duty-free introduction of capital goods, consumer goods, machinery, equipment, and furniture;
- 100% foreign ownership of investments, repatriation of capital, profits and dividends;
- Waiver of all import and export licenses , all expatriate quotas for companies operating in the zones and
- Lease -free land for the first few years , and others.

The EPZ Authority could also identify and continuously develop further the list of industry sector types that are permissible in the EPZ by taking account the prevailing conditions. It should also develop clear eligibility criteria for enterprises that would like to operate in the zone as EPZ operator (undertaking EPZ manufacturing operations), EPZ developer (investment in construction of EPZ factory buildings and warehouses for lease or hire/rent), or as a EPZ service provider (providing utility services within the EPZ).

## **5. Part V - Improvements in Existing Institutions**

The institutional setup demanded some improvement in the existing industrially related support institutes. While some required reorganization of service delivery system specific to industry sector the others need to extend their mandates.

### **5.1 Industrial Financing by the Development Bank of Ethiopia**

In spite of the role being played by the Development Bank of Ethiopia, the emphasis on the development of the industry sector as to take the leading role in the economic development of the country entails a special attention to address the pertinent and prevailing financing problems that hindered the growth and diversification of the industry.

In order to achieve the strategic goals set up in the Industry road map and strategic plan, changes will be introduced in the financial and banking institutions in a way that support the envisioned economic structural change. The industrial development fund will be established to support the foundation of heavy and capital intensive industries.

The Development Bank of Ethiopia will organize separate sections to extend its efforts to further support industrial and economic development by promoting, establishing, expanding and modernising of the medium and large-scale industrial enterprises, for the manufacturing and other sectors of the industry. It exclusively support the growth and diversification of the industry sector.

The industrial section of DBE could provide the following forms of financial service to the industry sector:

- Medium and long-term finance for the creation of fixed assets to new industrial projects as well as for expansion;
- Financing of working capital for expanded industries;
- Machinery finance and export trade related banking facilities;
- Direct equity investment; guarantees for loans from other sources and
- Technical, financial and managerial advice to its clients in planning and execution of the industrial projects.

## **5.2 Manufacturing Industry Policy Issue and Implementation Unit**

The Ministry of Industry has a directorate to follow up export incentive schemes however it is required to upgrade to the overall industrial policy implementation and followup level. Hence the Ministry of Industry shall organize a policy and implementation follow up directorate to analyse the implementation of industrial policy and strategy issues. The unit will have the following major roles:

- formulate Industrial policy and strategy, follow up its implementation;
- formulate industry Incentives and follow up its implementation and asses the impact of incentives;
- develop Industry products marketing strategy;
- promot industrial products of Ethiopia with coordination of the relevant institutes and
- create national industrial Database, analyzing and report for appropriate bodies.

## **5.3 Domestic and Export Manufacturing Sector Support Divisions**

The Ministry of Industry is the key institute for designing and implementing industrial policies along with its subsidiary departments. It is the main agency responsible for planning, monitoring, coordination and policy implementation pertaining to industrial development.

The Ministry of Industry need to provide the services for the two wings of domestic and export product processing industries. Giving equal recognition to both with different supporting mechanism, promotional and other things, the Ministry shall see the strategies applied, the supports given and follow up scheme so that the sector contribution will be organized according to the focus.

The Ministry of Industry is giving focus more for export oriented industries, leaving local processing companies as being under the Ministry of Trade, while the Ministry of Trade see only the trading part it did not see the issue of capacity improvement and development supports.

Therefore by improving internal capability and proper institutional structure of MoI need to provide the supports for the domestic processing industries to work at their full capacity, employ additional work force, and compete with imported goods and products so as to reduce the import volume.

#### **5.4 Foreign Trade Support Unit**

The Government gave due attention and followup of external trade by establishing high level National Export Committee and commendable achievements are exhibited. To extend further the achievements and attain the strategic goals set up in the Industry road map and strategic plan, there need to be changes in addressing the export sector in a way that support the envisioned economic target set in the planning period.

Accordingly the Ministry of Trade will organize separate sections for external trade to extend its efforts to further support industrial and economic development by providing allrounded supports separate with domestic trades. The Division will have among others the following roles:

- Formulates policy instruments and incentives for promote export of Ethiopia;
- Protects Ethiopia's interest in the international trade;
- Makes bilateral and multilateral trade negotiations;
- Develops country marketing strategy;
- Promots Ethiopia products by coordinating different sectors and
- Creats National trade data base, analyz export ,import and other trends and reporting to the relevant body.
- closely Work with diplomatic mission of Ethiopia to maximize the market shate of national products.

#### **5.5 Engineering Services in Industrial Development Institutes**

Engineering services are available in each industrial development institutes. The capacity of this units should be upgraded to undertake design and development capacity of market based products focusing on import substitutions of industrial inputs and products for export markets. The Engineering sections of the industrial development institutes will develop pilot scale units and proto-type units and contributes significantly to the small and medium level industrial sectors.

This mandate of the industrial development engineering service units inaddition to the above need to focus in the area of:

- Conducting of project profile, Feasibility studies, Selection of technology;
- Conducting project developments and implementation services including installation, erection, commissioning etc. ;
- Consulting and conduct Product design and development activities;

- adopting and developing of machinery parts;
- Rehabilitation & modification, replacement of machineries and plants;
- Providing specialized design and development training and consultancy services in all value chain of the respective industrial sectors;
- Providing professional certification, training and consultancy services at engineers, and technologist and technician level on foundry, welding, forging and other related technology;
- Provide specialized mechanical and electrical design and development training and consultancy services in all value chain of the metal sector;
- Collecting, organizing, develop and providing local, regional and market, technology and industrial information/database for stakeholders and
- Facilitating market linkage between MSEs and MLEs along the metal sector value chain.

## **5.6 Fashion and Designing Studio**

Leather Industry Development Institute (LIDI) has been already established to lead the country's leather industry sector. The Institute is undergoing twinning program with Indian Central Leather Research Institute and Footwear Design and Development Institute to improve its institutional capability. The institute will strengthen its R&D capability, and establish fashion and design studio centre for footwear and leather goods and articles.

## **5.7 Meat and Dairy Technology Institute (MDTI)**

The Meat and Dairy Technology Institute is was under the Ministry of Agriculture focusing on specific sector live stock products meat and dairy products. While currently transfered to Ministry of Industry as the Meat and Dairy sector is part of food processing sub sector, it needs to be treated with in the manufacturing sector of food processing. Moreover, the Meat sector should also consider promoting other meat sources that the country has better comparative advantage and potential like poultry, Fishery and pig. These sub sectors are highly considered in the global market, particularly poultry, in terms of food security, SMEs development and strong back ward linkage because it is less capital intensive and there is a niche market.

## **5.8 Extension of the Role of Horticulture Development Agency**

The Horticulture Agency is working under the Ministry of Agriculture mandated to deal with all Horticulture development including floriculture, fruits, vegetables and essential plants. Nevertheless, still the agency focuses on the agricultural products such as investment and export of cut flower, raw fruits and vegetables.

The task of the agency shall extend its role to:

- work to the level of value addition for fruits and vegetables;
- link itself with processing industries to solve the critical problem of raw material supply shortage and
- focus on facilitating export of processed horticulture products.

## **5.9 Expanding the Quality Assurance Related Institutes**

The institutes related to the assurance of quality of industrial products such as Ethiopian Standards Agency and Ethiopian-Conformity Assessment Enterprise will integrate their activities for defining standards in respect to all products produced or imported in the country, issuing Ethiopian standards and upgrade and promote quality. They will continue to play an important role of monitoring quality and standards. They also provide technical help to upgrade the quality of product. They also perform the task of inspecting the quality, certifying the product in compliance with required standards and accrediting laboratories.

The institutes shall continue providing integrated activities in metrology, standards, testing and quality assurance services meeting the modern needs of Ethiopian manufacturing industries.

By supporting the credibility of the National Quality Infrastructure of the country and improving the competitiveness of Ethiopian industrial products and services they will work to enhance the regional and international trade.

## **6. Part VI - Improvement in Customer Service Delivery**

The results of various stakeholders focus group discussion revealed the fact that a considerable progress have been made in providing speedy services by government institutions following the civil service reform programmes and other service improvement initiatives.

However, there are areas where the provision of quality customer service is lacking. Quality service delivery at various stage of a business , Start-up, Operation, Expansion, etc..., plays a crucial role in attracting investment and improving the overall business environment. Therefore, due attention need to paid by all concerned government institutions for improved quality services delivery including:

### **Services related to Access to utilities**

Access to reliable and affordable utilities is vital for the industrial sector development. All services providers of these utilities need to ensure their provision of quality services in line with the demand of the industries including uninterrupted electric power, water, internet connectivity.

### **Services related to Paying taxes, customs and duties**

Notwithstanding the current reforms being undertaken by Ethiopian Custom and Revenue Authority (ECRA), it will be necessary to maintain the provision of quality services by all concerned government institutions.

There is a good experience of service provision for authorized economy operators which are selected from priority industrial sectors. It require to expand this across all by changing the custom services approach inline to first facilitating and later control by post clearance audit.

The following Improvements in service delivery will be given due attention:

- Technology application, in clearance, voucher system, e-payment and e-filing systems, GPS coverage and control of logistics movements;
- Interfacing system software with other stake holders such as bank, logistics etc including neighboring countries;
- Single window service delivery;
- Data base formation which can be updated on the current price fluctuation;



- Provision of integrated services in industry zone parks including custom, bank and logistics and
- Establishment of custom laboratories to easily identify imported raw materials and products.

### **Services related to Employment relations**

The issues related to employee relations, and the labour law have surfaced as key topics in a number of stakeholder's focus group discussions. The owner- employee relationship and the provisions in the labour law need to maintain the creation of peaceful industrial environment. The Government institutions and employee and employers' associations should provide services that ensure this industrial harmony.

### **Service related to transport and logistics**

Taking into account the recent changes in the Ethiopian Shipping and Logistics enterprise, it is essential to address the implementation problems related to the multimodal transportation system. The quality service delivery at the ports and inland transport need to be highly improved commensurate with the envisioned industrial development process in the country.

## 7. Part VII - Institutional Establishment Plan

The industry development plan ranges from 2013 to 2025 where three distinct phases are presented. Each development phase has specific strategic goals to be achieved. Hence the establishment of new institutes and the overall performance of support institutes will be tuned towards supporting the achievements of strategic goals and industrial development vision. Accordingly the implementation for institutional setup is presented below.

Institute	Accountability	Establishment Year		
		2013	2014	2015
National Industrial Development Council	PM office	✓		
Industrial strategy consultative group	National Industrial Development Council	✓		
Consultative Forums	National Industrial Development Council	✓		
Industrial Investment and Export promotion centre	MoI		✓	
Industrial Zone Development Agency	MoI		✓	
Agro Processing Industry Development Institute	MoI		✓	
Chemical Industry Development Institute	MoI		✓	
Industrial capacity development Institute	MoI			✓
Industrial Research & Development and Technology Transfer Institute	MoST			✓
Export Processing Zone Authority	MoI			✓

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