Ethiopian Industrial Development Strategic Plan (2013-2025)

FDRE Ministry of Industry

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Acronyms

ASTU	Adama Science and Technology University
CSA	Central Statistical Agency
EFY	Ethiopian Fiscal Year
ECBP	Engineering Capacity Building Program
EC	Ethiopian Calendar
EEPA	Ethiopian Electric Power Authority
ERCA	Ethiopian Revenue and Customs Authority
ETB	Ethiopian Birr
FDI	Foreign Direct Investment
FMSEDA	Federal Medium and Small Enterprise Development Agency
FGD	Focus Group Discussion
FIE	Foreign Invested Enterprise
GDP	Gross Domestic Product
GTP	Growth and Transformation Plan
GVP	Gross Value of Production
HEIs	Higher Education Institutions
HR	Human Resource
HRD	Human Resource Development
ICT	Information Communication Technology
ID	Industrial Development
IDSP	Industrial Development Strategic Plan
IPAP	Industrial Policy Action Plan
ISSP	Industrial Strategy Study Process
LIDI	Leather Industry Development Institute
MDGs	Millennium Development Goals
METEC	Metals and Engineering Corporation
MFI	Micro Finance Institutions
MIDI	Metal Industry Development Institute
MLE	Medium and Large Enterprises
MoA	Minstry of Agriculture
MoCS	Ministry of Civil Service
MoE	Ministry of Education

MoFA	Ministry of Foreign Affairs
MoFED	Ministry of Finance and Economic Development
MoI	Ministry of Industry
MoM	Ministry of Mining
MoST	Ministry of Science and Technology
MoT	Ministry of Trade
MoWE	Ministry of Water and Energy
NIPF	National Industrial Plan Framework
PASDEP	Plan for Accelerated and Sustained Development to Eradicate Poverty
PPP	Public Private Partnership
PPPE	Performance of Public Private Enterprise
R&D	Research and Development
REMSEDA	Regional Medium and Small Enterprise Development Agency
SDPRP	Sustainable Development and Poverty Reduction Program
SLOT	Strengths, Limitations, Opportunities and Threats
SMEs	Small and Micro Enterprises
SOC	Social Overhead Capital
SOEs	State Owned Enterprises
STII	Science Technology and Innovation Institute
TIDI	Textile Industry Development Institute
TVET	Technical and Vocational Education and Training

Executive Summary

The strategic plan for the Ethiopian industry development (2013 -2025) provides the overall framework in terms of the vision, goal, strategies and programs that need to be implemented in the coming thirteen years in order to support the country's progress towards becoming a middle-income country by the year 2025. This strategic plan document begins by reviewing the industrial growth and challenges encountered during the PASDEP and the first two years of the GTP period.

The target set for the industrial sector during the PASDEP period is to register an average annual growth rate of 11.5% and thereby increase the sector's share in the overall GDP from 13.6% in 2004/05 to 16.5% by the end of 2009/10. The average growth rate achieved in PASDEP period was 10%. The industry sector share of real GDP reached 12.9% at the end of the plan period. The strategic industrial sectors during this plan were Textile and Garment, Leather and Leather Products, Sugar Industry, Flowers and High-Value Fruits and Vegetables, and Cement Industry.

The encouraging results obtained during the PASDEP period are mainly attributable to the improvement in agricultural and industrial development and the enhanced linkage between the two sectors. The linkage between the agricultural and industrial sectors also provided an opportunity for the expansion of the service sectors including domestic trade, transport, banking and finance.

The major constraints for the growth and development of the industrial sector include inadequate human resource capability (both technical and managerial); shortage of foreign exchange to import the required raw materials, spare parts and other inputs; disruption of electric power supply ;and lack of access to efficient and effective credit and other services.

The assessment of the current performance of the industry sector focused on the first two years of the GTP period (2010/11- 2011/12). The industrial development strategies focuses on industries which are labor intensive and having wide market; have broad linkages with the rest of the economy; use agricultural products as input; export-oriented and import substituting; and industries that can contribute for faster technology transfer. The priority sectors in the manufacturing sector are agro –

processing, textile and garment, Leather and leather products, metal and engineering, and chemical and pharmaceutical sectors.

The country has registered an overall economic growth rate of 11.4 % and 8.5% in 2010/11 and 2011/12 respectively. The average performance of the economy in the first two years of the GTP period was 10 percent. According to MoFED (2012), the industry sector has gone through promising achievements by registering an average growth rate of 14 percent in the first two GTP implementation years. The Construction sector and the priority industries under medium and large-scale manufacturing and the achievements in Micro and Small Scale Enterprises (MSEs) were the major contributing factors for the growth. Although the growth achievements of the industry sector during the two GTP years were above the PASDEP period average, the predominantly narrow industry base has hindered the sector not to go beyond 10.85 percent of the GDP.

With respect to export, it was planned to generate 471.3 million USD from the sector in 2011/12 while the achievement was 255.4 million USD which is 54.2% of the target. The major causes for the gap between the target and actual performance of the sector are presented in the SWOT Analysis section of this document.

Remarkable successes have been registered in terms of Small and micro enterprise cultivation through a concerted effort of the government and stakeholders. Accordingly, job opportunity is created for about 1.7 million youth and women. (Detailed performance of each of the priority sectors is provided in Part One of this document).

The second part of this plan provides results of the current situation analysis made using the SLOT and Stakeholders analysis techniques and the strategic issues of the sector. The major strengths, limitations, opportunities and threats of the current manufacturing sector are identified.

Key stakeholders of the industry sector are also assessed in terms of their expectations and their importance to the sector development. The results of these analyses helped to identify strategic issues that need to be addressed in the future plan of the sector. These include the following:-

- Inadequate enabling business environment;
- Poor human resource development system and shortage of highly qualified human resource;
- Insufficient industrial inputs and infrastructure;
- Lack of well-established investment and technology development;
- Poor market diversification and development;
- Inadequate institutional support and enterprise development; and
- Weak strategic sectors development and diversification.

The industrial development vision, goal and strategies are presented in the third part of the plan.

The vision of the industrial development plan is stated as" ***building an industrial sector with the highest manufacturing capability in Africa which is diversified, globally competitive, environmentally-friendly, and capable of significantly improving the living standards of the Ethiopian people by the year 2025"***

The overall goal of the industrial development strategy is to bring about structural change in the economy through industrial development. Specifically it is aimed at by increasing the share of the industry sector as % of the GDP from the current 13% to 27% by 2025, and also increasing the share of the manufacturing sector as % of the GDP from the current 4% to 17% by the year 2025. In accordance to this overall goal, specific strategic objectives are set.

The five strategic objectives, which guide the implementation strategies and programs, are:-

- To further expand and develop the existing manufacturing industry priority sectors;
- To diversify the manufacturing sector to new sectors;
- To enhance Enterprise Cultivation and Entrepreneurship;
- To increase public, private and foreign investment; and
- To develop and operate Industrial zones and cities.

A number of key strategies that need to be pursued in order to achieve the stated vision and goal are selected. These key implementation strategies are:-

- Ensuring conducive business environment;
- Availing competent human resource;
- Availing quality industrial inputs for value- addition;
- Developing and diversifying local, regional, and global markets;
- Enhancing technology transfer; and
- Developing and providing institutional support.

Detailed description of these strategies are presented in Part Three of this document

Part Four of the industrial development strategic plan deals with the manufacturing sector development programs and the implementation plan for the three phases of the plan from 2013-2025.

Six major programs are designed to achieve the five strategic objectives of the industrial strategic plan. These programs are:-

- Priority Sectors Expansion Program;
- New Manufacturing Sectors Development Program;
- Industrial Enterprise and Entrepreneurship Development Program;
- Local (Private) and Foreign investment Promotion Program;
- Government (Public) Sector Investment Program; and
- Industrial zone Development Program.

For each of these programs, the implementing strategies are described along with the major projects and activities to be carried out under the program. Targets for each of the implementation years are indicated and an estimate of the required financial investment is included. A total of 583 Billion Birr is required for the implementation of the thirteen-year plan. The detailed implementation plan is provided as Annex 1-4 in this document.

As the current strategic plan is a long-term plan, it is necessary to prioritize and focus on those major and urgent projects that should be accomplished in the short term. Based on the results of the short term, the plan may be reviewed and targets may be readjusted as required. For this reason, top priority and most urgent projects are selected by the government in collaboration with the private sector and development partner countries for implementation. These projects demand about 173 billion Birr for the coming three to four years. Therefore, the government is

required to allocate a considerable amount of investment in order to realize accelerated industrial development in the country.

The collaboration of development partner countries is also very critical in the development of industrial zones and industrial complexes in Ethiopia. As financing these projects will be challenging, diverse sources of finance including governments, continental and international financial institutions need to be consulted. Provision of better incentives to local and foreign investors also creates a welcoming environment to embark on the development programs.

Part Five of this strategic plan document introduces the institutional set up developed for the implementation of the Industrial Development Road Map and the Strategic Plan. The Industrial Development Road Map and the Institutional Setup are presented as separate documents.

The last part of this document deals with monitoring and evaluation of the plan. This part also discusses expected risks and their mitigation mechanisms.

1. Part I - Overview of the Industry Sector

1.1 Introduction

The government of the Federal Democratic Republic of Ethiopia has been designing and implementing integrated national policies and strategies to alleviate poverty, bring about sustainable development and build democratic culture. These policies and strategies have brought significant changes in the lives of the Ethiopian people and built a progressive image of the country as a whole. However, driven by global competitiveness, the current status of Ethiopian industries, the existence of untapped resources and enabling socio-political context of the nation, it is deemed necessary to design and implement a national manufacturing strategy so that Ethiopia will become a middle income country by the year 2025.

On the basis of the Industrial Development Road Map (2013 -2025) of the country, this comprehensive Industrial Development Strategic Plan (IDSP) has been developed. The document presents major areas of interventions required to accelerate the growth and development of the selected industrial sectors and enable them contribute their share to Ethiopia's vision of becoming one of the middle income countries by the year 2025.

This strategic plan document consists of six parts. Part One begins with an introduction and brief account of the historical development of industry in Ethiopia. The industry sector performance during the PASDEP period and the first two years of the GTP are presented. Particular emphasis is given to the industry performance of the last two years, both at the industry level as well as at each of the manufacturing priority sectors level. The major achievements and the challenges are discussed to understand ways and means of enhancing future performances.

Part Two of the document has focused on the analysis of the current situation by using SLOT analysis and stakeholders analysis methods. The SLOT analysis has provided an insight into the strength , weaknesses, and external factors that are considered as opportunities and threats to future industrial development. Strategic planning process for industrial development of the country are identified based on the analyses.

Part Three deals with the vision , goals and the strategies that should be pursued in order to realize the industrial development that support the achievement of the the country's vision of becoming one of the middle income countries by the year 2025. This strategic plan positions Ethiopia to be a country with the highest manufacturing capability in Africa in the next thirteen years. It is an ambitious plan that requires an extraordinary effort to achieve it. Therefore, a number of strategies are put forward that help to bring about the structural change in the Ethiopian economy whereby the industry plays a leading role in the overall development of the development.

Part Four outlines the major programs that need to be undertaken to reach the strategic goals set in the plan. In each of the six programs, major projects and activities that need to be accomplished are listed out. The implementation plan for each of the programs provides targets set for each year, performance indicators, the required resources as well as responsible bodies for implementing the plan.

As the implementation of this strategic plan lasts for duration of 13 years, it is important to focus on a more detailed activities on those top priority and most important activities that need to be done in the immediate future. Accordingly, the implementation plan for urgent interventions for the coming three to four years is separately presented to seek immediate decision and determine the immediate actions required for starting the implementation of the industrial development process.The detailed implementation plan for all the six programs is attached as an annex to this document to be used by the implementing organs of this plan.

It is hardly possible to achieve extraordinary results without the right institutional support and quality service delivery from organizations that play important part in the industrial development. Creating a conducive business environment through appropriate legal framework and institutional support plays critical role in determining the success of the programs. Part Five of this strategic document introduces the general institutional setup for the industrial development.

The last part of this document deals with monitoring and evaluation of the strategic plan. It also discusses the risks that are anticipated in the implementation of the plan as well as their mitigation mechanisms.

1.2 Historical Background of the Industry Sector[1]

In Ethiopia, manufacturing industry began to appear in the 1950's much earlier than in many of the Sub-Saharan African countries while modern industries began to emerge in the second half of the 1950s aiming at substituting imports. The early 1970s ushered a central planning system of economic management. This development, however, frustrated whatever little there was in private initiative that had appeared in the earlier period.

By the early l970s, Ethiopia's industrialization policy included a range of fiscal incentives, direct government investment and equity participation in private enterprises. This government's policy attracted considerable foreign investment to the industrial sector. For instance, in 1971/72 the share of foreign capital in manufacturing industries amounted to 4l percent of the total paid-up capital and many foreign enterprises operated as private limited companies, usually as a branch or subsidiary of multinational corporations. The Dutch had a major investment (close to 80 percent) in the sugar industry while Italian and Japanese investors participated in textiles; and Greeks maintained an interest in shoes and beverages. Italian investors also worked in building, construction and agricultural industries.

In l975, the main characteristics of the manufacturing sector inherited by the revolution included a predominance of foreign ownership and foreign managerial, professional, and technical staffing; heavy emphasis on light industries; inward orientation and relatively high tariffs; capital-intensiveness; underutilized capacity; minimal linkage among the different sectors; and excessive geographical concentration of industries in Addis Ababa.

The economic dislocation that followed the 1974 revolution had a significant impact on the manufacturing sector. Private sector capital investment ceased and labor's marginal productivity began to decline. A period of decline from l974/75 to l977/78 and an average annual growth rate of l8.9 percent for l978/79 and l979/80 was followed by a reduction of about 3.1 percent per annum between l980/81 and l984/85 and 3.8 percent per annum from 1985/86 to 1988/89.

[1] *Refer to Annex of the ROADMP DOCUMENT for detailed historical account of the industry development in Ethiopia*

The industry sector in general and the manufacturing sector in particular were given due national importance following the formulation of the national industry policy in 2002 by the FDRE. This policy was designed within the framework of global environment based on the following underlying principles of free- market economy:-

- Accept that the private sectort is the engine of the industrial development strategy;
- Following the direction of Agriculture- led Industrialization;
- Following Export-led Industrialization;
- Focusing on Labor Intensive Industries;
- Using Coordinated Foreign and Domestic Investment; and
- Mobilizing the whole society for industrial development.

The 2002 industry policy has identified priority sectors that deserve attention to build the platform for the industry to take its key leading role in the economy. These sectors include textile and garment, leather and leather products industry, chemical, metal, agro-processing industry and construction industry. The industry policy has continued to be the corner stone for future industrial development in Ethiopia.

1.3 Industrial Growth and Challenges under PASDEP

The main focus of the programs related to industry sector under PASDEP was on strengthening small scale manufacturing enterprises as they are the foundation for the establishment and intensification of medium and large-scale industries. The small scale manufacturing enterprises also had opened employment opportunity for those who had not engaged in other sectors. They had also served as alternative/additional income source for those involved in agriculture.

At the beginning of the PASDEP, the share of the industrial sector including manufacturing, construction, hydropower, and mining, has not exceeded 14% of the GDP on average of which the manufacturing sector (cottage industry, small and micro enterprises and medium and large scale manufacturing industries) accounted for 5.5% of the GDP on average. The average share of manufactured products to total exports did not exceed 5% of GDP on average.

To realize the objective of the PASDEP, the strategic pillars installed in the PASDEP have played a significant role in laying a foundation for the growth of the industrial sector in general and the manufacturing sector in particular. The pillars related to strengthening the infrastructure backbone of the country, Building all-inclusive implementation capacity and strengthening human resource development were instrumental.

The following were among the measures that were put forward through the Industrial Development Strategy:

a) Creating conducive environment for industrial development and investment; and
b) Providing direct support and guidance to strategic sectors.

The Government had established two alternative growth scenarios under PASDEP. The first scenario (the base case) was established in line with the requirements of MDGs, while the second scenario (the high case) which is equivalent to the 'MDGs Plus' scenario was based on the requirements of the vision of the country. In the base case scenario, 7 % annual average real GDP growth was targeted while the target in the higher case scenario was set at an average real GDP growth of 10 % (See Table 1).

Table 1: Growth Targets in Gross Domestic Product and Performances under PASDEP

Sector	**Average Growth Targets (2005/06-2009/10)**		**Average Growth Achieved (2006-2010)**	**%share of real GDP 2009/10**
	Base case scenario	High case scenario		
Real GDP (%)	7.0	10.0	11.0	100
Agriculture and related activities	6.0	6.4	8.0	41.6
Industry	11.0	18.0	10.0	12.9
Services	7.0	10.3	14.6	45.5

Source: GTP (2010-2015)

The average growth rate achieved during the PASDEP period was 10%, which was about double compared to its beginning. Share of the industrial sector in the real GDP during the target year was 12.9% which was above the target in base case scenario and more above 5% at the beginning of the plan period. This is impacted by

improved development and interrelation of agricultural sector with industrial sector. The linkage between the agricultural and industrial sectors also provided the opportunity for the expansion of the service sectors including domestic trade, transport, banking and finance.

Diversifying export items and imposing value addition on export products helped to stabilize the country's annual export revenue. The measures taken have been instrumental in supporting the industry through refining the ongoing duty drawback scheme, voucher, and bonded manufacturing warehouse schemes, and ensuring access to land and finance. As a result, the activities undertaken during the planning period had contributed for better performance of the export sector (See Table 2). This experience can be extended to other sectors.

Table 2: Import and Export Trade Share of GDP (%)

Item	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Average
Export	6.9	6.6	6.1	5.5	4.5	4.0	5.4
Import	29.5	30.3	26.3	25.5	23.8	23.3	26.1
Trade balance	-22.6	-23.7	-20.2	-20.1	-20.0	-19.3	-20.9

Source: GTP (2010-2015)

The country's achievements in providing industrial policy support during the PASDEP period are summarized as follows:-

(i) *Policy support***:** the master plans of leather and leather products, textile and garment, food processing, basic metal and engineering, sugar, etc. were completed to lead their respective sectors.

(ii) *Selective export promotion:* priority sectors were chosen owing to the resource potential which includes meat, leather and leather products, textile and garment, and food processing which were given highest attention and generous incentives.

(iii) *Export steering committee:* an export steering committee was established and its monthly meetings were used as a high-level instrument to monitor export promotion and solve problems encountered.

(iv) *Industrial policy toolkit:* common techniques such as benchmarking, scaling up of pilot projects, business matching, institutional twinning, public private

dialogue, etc. have been learned and implemented. Among them, benchmarking has become a very popular tool for comparing performances and setting targets for Ethiopian manufacturing industries. The concept of kaizen was later added to the toolkit.

(v) *Human resource development in technology and engineering*: to enhance the country's engineering and technology capability, the government has launched a fast-track program to build a number of science and technology universities, TVET and research institutes all over the country. Staff trainings of these universities and institutes have been undertaken. Admission policy to higher education institutes is also changed in favor of science and technology whereby 70% of the students study science and technology and the remaining 30% are in other fields of study.

(vi) *Development centers and training institutes***:** in order to serve as focal points to strengthen priority sectors and receive assistance, a number of development centers and training institutes were established in leather and leather products, textile and garment, metal products, and so on.

(vii) *Public-private dialogue***:** a comprehensive system of public-private dialogue is being set up and enhanced at the national, regional and local levels and industrial and business associations to promote business activities and communicate with official bodies

(ix) *Infrastructure development:* transport and power are the two most important infrastructure services that are given top priority in industrial promotion

The major constraints to the proper functioning and growth of the Ethiopian industrial sector are inadequate managerial and technical skills of the human resource, shortage of foreign exchange for importing raw materials, lack of spare parts and other inputs, electric power disruption, and lack of access to efficient and effective credit and other services.

Although a substantial increment was observed in the share of the industrial sector in the GDP during the PASDEP period, there was no significant growth in the manufacturing industry sector. This shows that much has to be done to enhance the contribution of the sector to the country's GDP in the future.

Based on the achievements marked in policy, capability building and the lesson learned from its limitations during the PASDEP period, the Ethiopian Government has now embarked on the next five-year Growth and Transformation Plan to enhance the contribution of the industrial sector and make it play a leading role in the national economic development.

1.4 Current Performance of the Industry Sector

The industrial sector is one of the envisioned sectors expected to play a great role in GDP growth, job creation, foreign exchange earnings, SMEs development, etc… in the GTP period. In line with this, a particular emphasis is given to the promotion of micro and small enterprises as well as supporting the development of medium and large-scale industries. Industry zones development and public enterprises management and privatization are also the focuses of GTP in industrial development strategy of the country. These Industrial Development strategic directions for which policy support was provided focused on industries which are labor intensive and having wide market; have broad linkages with the rest of the economy; use agricultural products as input; export-oriented and import substituting; and industries that can contribute for faster technology transfer.

Moreover, the policy direction and plan states that it is the private firms, not state-owned enterprises that must be the engine of production and investment. It also contends that state must use its authority to guide private firms away from rent seeking and toward investment, technology and global competition. In light with the aforementioned directions, several activities were carried out in the last two years of the GTP period.

There are eleven main groups of manufacturing industries as classified by Ethiopian industrial classification. Accordingly, 32% of them fall under the category of food products and beverages, 20% of them under engineering industries, and 19% of these industries are categorized under non-metallic products.

According to the 2010/11 CSA report, there are 2,170 medium and large scale industries established in Ethiopia out of which more than 40% are located in Addis Ababa. The other national regional states have the following share: 23% in Oromiya, 11% in Amhara, 11% in SNNP, 9 % in Tigray, 3.23% in Dire Dawa, 1.01% in

Harari, 0.6% in Somali, 0.37% in Afar, 0.09% in Benshangul and 0.05% in Gambella regional states.

1.4.1 Performances of the Manufacturing Sector

The growth rate of the GDP by major industrial classification indicates that agriculture, industry and services have registered growth rates of 9 percent, 15 percent and 12.5 percent respectively. Comparison of the targets with the previous fiscal year performance is shown in table 3. The significant contributions made by agriculture, industry and services to the overall economic growth show that the growth is broad-based.

Table 3: Growth Rate of Real GDP in 2010/11 (percent)

Sector	Base Year (2009/10)	2010/11 Fiscal Year		2011/12
		Planned	Actual	Actual
Over all real GDP	10.6	11.0	11.4	11.2
Agriculture and allied activities	7.6	8.5	9.0	8.5
Industry	10.8	14	15.0	17.9
Services	13.2	12.5	12.5	11.5

Source: MoFED (2012)

Within the industrial sector, construction and manufacturing sub-sectors have registered high growth rate of 12.8 percent and 12.1 percent, respectively. Accordingly, the share of these two subsectors in real GDP averaged 5.8 percent and 4.9 percent, respectively in the first two years of the GTP period .

Whole Sale Trade, Hotels & Restaurants sub- sector and Real Estate, Renting & Business activities accounted for 12.8 percent and 10.7 percent of GDP in 2010/11, registering a growth rate of 5.9 percent and 22.1 percent, respectively. Table 4 shows the contributions of agriculture & allied activities, industry and services to the GDP.

Table 4: GDP Share of Sectors in the Economy (%)

Sector	Base Year (2009/10)	2010/11 Fiscal Year		2011/12 performance in %
		Planned	Actual	
Agriculture and related activities	42	40.6	41.0	39.7
Industry	13	13.2	13.4	14.0
Services	45	46.2	45.6	46.3
Total GDP	100	100	100	100

Source: MoFED (2012)

In terms of foreign exchange earnings from the manufacturing sector, it was planned to generate 471.3 million USD in 2011/12 while the achievement was 255.4 million USD, which is 54.2% of the plan. See Table 5 below.

Table 5: Foreign Exchange Plan Performance in Manufacturing Sector (in Million USD)

No	**Sub sector**	**Base year (2010/11)**	**2011/12 Fiscal Year**		**2011/12 Performance in %**
			Planned	Actual	2011/12
1	Textile and garment	62.22	171.37	84.63	49.4
2	Leather and leather products	104.34	206	112.06	54.4
3	Agro- processing	34.45	82	51.75	63
4	Pharmaceuticals & chemical products	6.91	11.92	7.01	58.7
	Total	207.92	**471.3**	**255.4**	**54.2**

Source: Ministry of Industry (2012)

With regard to enterprise capacity utilization, many firms claim that their first major reason for their low capacity utilization is inadequate and poor quality of raw materials. Because of this and many other factors, the contribution of the sector to GDP has remained at less than 5 % for the last 20 years.

The average cost of the ratio of imported to total consumed raw materials was 70% for chemical industries, 92% for rubber & plastics, 80% for basic iron and steel, 85 % for fabricated metals and 60 % for paper. These challenges resulted in low local investment, low productivity, weak international competitiveness, weak technology

transfer, low capacity utilization, high investment and production cost and slow progress in the country's industrialization.

The government of Ethiopia has been supporting the private sectors in order to enhance their contribution, particularly to attract investment in activities that can link manufacturing and agricultural sectors. In Fiscal Year 2011/2012, support and supervision was furnished to textile investment, Leather and leather products, cement factories and sugar industries, for Input Supply and Production Network as well as Market Network and Expansion of these sub sectors. Table 6 shows number of investments and their status.

1.4.2 SME and MLE Development

The GTP envisions ensuring more rapid and sustained development of the industrial sector and enabling the sector to play its key role in the economy. To this end, particular emphasis is given to the promotion of micro and small enterprises as well as supporting the development of medium and large-scale industries. The role of SMEs is important to this country for they stimulate economic growth, create employment opportunity and reduce poverty. In order to achieve this purpose, a comprehensive micro and small enterprises development strategy was devised and approved by the government in consultation with all relevant actors. In addition, the responsible federal agency for the execution of the strategy was reorganized to strengthen its institutional capacity.

These enterprises are booming in different towns and expected to produce industrial products that are competitive in local and international markets, and they are also expected to play a crucial role in technology transfer. They could create job opportunity for 1,148,000 unemployed youth and women. This helped to reduce unemployment rate from 18 percent in 2010/11 to 17.5 percent in 2011/12 fiscal year.

Table 6: Manufacturing Sector Investment Attraction, Both Local and FDI (2011/2012)

No	Sector	No. of investment		**Investment status**
		New	Expansion	
1	Textile	4	4	• One commenced Production (Ethio-Turkish) • The construction of another company was completed (Ethio-Turkish)
2	Leather	8	---	Eight (all not started.)
3	Agro processing	10	---	Four Started producing, and the construction of six Projects were completed
4	Chemical & Pharmaceuticals			
	a) Pharmaceutical	3	---	Start producing in 2012
Import substitution				
	b) Cement	10	---	Seven Started producing and 3 are ready to start producing
	c) Caustic soda and PVC	1	---	Feasibility study completed
	d) Soda ash project		1	Implementation was delayed
	e) Ceramics	1		Received land
	f) Calcium carbonate	1	1	• Received land for expansion • On production test
	g) Pulp and paper	1	---	Civil wok was started
	h) Soap and detergent	7	3	Three soap factories Started productions. Four soap factories are under machine erection, and Three soap expansions factories started production.

5. Metal sector

Year	Planned Value in Billion Birr	Actual Value in Billion Birr	Performance in %
2010/11		5.5	
2011/2012	20	6.65	33.2
Production			
2011/12	Planned	Actual	
a) Sugar	424,063 ton	265,000 ton	62.4
b) Ethanol	42,500m^3	14,500m^3	34

One of the major goals of the GTP is the establishment of broad- based, sustainable and accelerated economic growth so as to alleviate poverty nationwide. Evaluation of the last two years' result and development trends indicate that the plan has

enabled to create job opportunity for unemployed youth and poverty is tangibly reduced. The GDP per capital income has increased from 392 USD in 2010/11 to 412USD in 2011/12. The government has allotted 1015 million Birr in order to strengthen the capacity of SMEs and to solve their financial constraints .in addition, trainings were offered for SMEs members in different thematic areas such as business management, entrepreneurship, technical and vocational training. Moreover, 5000 hectare of production area, 1757 shads and 46 buildings were constructed and offered for SMEs.

Table 7: Summary of Achievements in SME Development

Indicators	Unit	Year	
		2010/2011	2011/2012
Training	Number of trainees	453,511	15106
Land	Hectare	452	5000
Shades	number	1463	1747
Building	number	71	46
Loan	Million Birr	983	NA
Job created	Number	541,883	1,148000
Women share of jobs	percent	53	40
Urban un employment	percent	18	17.5
Plan achievement	percent	NA	107.2

Source: GTP Performance report (MoFED, 2012)

In the last two years of the GTP, the government strived to enable the Medium and large scale manufacturing industrial sector to play its role in assuring rapid and sustainable technological development so as to make the economy to be competent, resolve the shortage of foreign currency and to support the progress of SMEs and agricultural sector.

1.4.3 Job Opportunity in the Manufacturing Sector

Between 2007 and 2011 over 175,000 persons were engaged in all the manufacturing industries surveyed in 2010/11 (2003 E.C.). More than 38% of the persons engaged in the manufacture of food products and beverages, 8% in the

textile industry, and almost 11% in non-metallic mineral products. Further details are presented in Table 8 below.

Table 8: Number of persons employed in the manufacturing sectors - public and private

Sector	2006/7	2007/8	2008/9	2009/10	2010/11
Manufacturing sector	125,634	132,172	149,672	186,799	175,641

Source: CSA 2010/11

1.4.4 Performance of Public Enterprises

Corporate governance system was put in place to support, monitor and evaluate the performances of public enterprises management and privatization processes. In addition, directives and regulations are developed and implementation follow-up mechanisms have been strengthened. Some of the activities carried out include corporate capacity building, technical and marketing supports, establishment of network and cooperation among the enterprises, governance, corporate improvement programs and professional training. As a result, there are improvements in capacity utilization, sales revenue and profit, and export performance of the enterprises.

During the 2011/2012 fiscal year, the productive capacity utilization of public enterprises was 82 percent, and their profit before tax was Birr 2 billion. Moreover, their value addition was worth 2.4 billion Birr while the export earning was USD 61.5 million in the same year. The achievement is 83.7 percent for capacity utilization, 49 percent for profit before tax, 60.5 percent for value addition and 80.7 percent for export earnings all from 2010/2011 to 2011/12. It was also planned to privatize 10 enterprises in 2011/12 and 30 percent of the target is attained by transferring only 3 public enterprises to private ownership. This low performance was due to absence of interest by the private investors to take over the ownership of the enterprises.

Table 9: Performance of Public Enterprises

SN	Major activities	Base year (2010/11	2011/12 Fiscal year		Difference from base year in percent	
			Planned	Actual	2011/12 plan	2010/11
1.	Value added amount (in billion Birr)	3.2	3.97	2.4	60.5	(25)
2.	Capacity utilization (in percentage)	78.0	98.0	82	83.7	5
3.	Profitability before tax(in billion Birr)	2.6	4.06	2.0	49.0	(23)
4.	Export earnings (in million USD)	72.4	76.2	61.5	80.7	(15)

Source: MoFED-2012

1.4.5 Industrial Zones Development

The GTP also emphasizes the establishment of industrial zones in different parts of the country. Accordingly, the industrial zone development plan was designed and being implemented. Infrastructures are built in order to create market linkages for these zones. Supports are provided to establish three industrial zones in different parts of the country. The construction of the Eastern Industrial Zone at Dukem was completed, while Ethio-Turkish Industrial Zone and the Kombolcha textile cluster are a bit lagged due to absence of preparation from the investors' side. However, investors are not engaged as it was expected. The Ministry of Industry (MoI) has also signed part of a 1.2 billion Birr civil works agreement with 13 local contractors for the construction of Bole Lemi Industrial Park that was recently inaugurated. In a similar manner, medium industrial zones have been established by a few regional states in the past few years, but their performance has not been according to the plan. The Ministry of Industry has also received 3,537 hectares of land at Addis Ababa, Kombolcha, Dire Dawa and Hawassa City Administrations.

Efforts are under way to speed up the implementation through close supervision and support. Bilateral agreements, civil work agreements, and feasibility studies are underway to establish these industrial zones.

1.5 Sub-sectors Profile and Performance

1.5.1 Agro-processing Sector Performance

In 2011/12, within the manufacturing sector the share of agro processing was around 20.2 %, next to the leather and textile sub sectors which have 44.1 % and 33% shares respectively. After GTP within the last two years, the export of agro processing has shifted to non-sugar products such as processed oilseeds, food, spices, honey, beverages, and other processed export products. The export of these products increased from 17.86 million USD in 2008/9 budget year to 51.76 million USD in 2011/12. The export of oil seeds was increasing from 17 million USD in 2010/11 to 26 million USD in 2011/12, followed by different food products like spices from 577 thousands USD to 4.1 million USD. Moreover, the export performance of meat and meat products is increasing from 26 million USD in 2009/10 to 78 million USD in 2011/12.

The gross value of production shows an increasing trend in all sub sectors particularly in sectors like grain milling, sugar and beverage. In two years time, the agro processing sector gross value of production (GVP) increased from 8.7 to 16.2 million USD, almost by 100 %.

New investments were under operation by different companies. An increasing trend was observed in some sub sectors like grain milling, soft and mineral water drinks, while no change in others. In general, the number of companies in the sector increased from 485 (2007/08) to 572 (2009/10).

According to the 20010/11 CSA data, out of 686 food-processing companies about 482 were operating under capacity and 251 of them were facing shortage of raw materials.

The level of capacity utilization in different agro processing sub sectors was grouped as: Industry group with better capacity utilization, (brewery and Winery 101%, sugar 99.7%, malt and liquor 85%); industry group with moderate capacity utilization, (edible oil and fats 53%, macaroni and spaghetti 42%, Flour mills 40.4%) and industry group with least capacity utilization (meat, fruit & vegetable (19%).

According to the data obtained from CSA of 2010/11, the agro processing sector have likely employed about 60,110 people both SMEs and large factories under government and private owned companies. The employment rate has increased from 41 thousand to 60,110.The sector shows an increasing employment trend particularly in selected sub sectors like food, bakery, grain milling and malt sectors.

1.5.2 Chemical and Pharmaceutical Sub-sector Performance

The chemical industry is a basic industry that converts natural, agricultural, and mineral resources in to chemical products that are raw materials for broad range of industries and other sectors. The chemical industry involves the use of chemical processes such as chemical reactions and refining methods to produce a wide variety of solid, liquid, and gaseous materials. Globally, chemical Industry includes manufacturers of inorganic industrial chemicals (e.g. ammonia, nitrogen, sodium hydroxide, sulfuric acid, and nitric acid), organic-industrial chemicals (e.g. acrylo nitrile, phenol, ehylene oxide, urea); petrochemicals (e.g. ethylene, proplyen, benzen, styrene) , agrochemicals (e.g. Fertilizers, Insecticides, Herbicides); polymers and rubber (e.g. polyethylene, bakelite, polyester); oleo chemicals (oils, fats, waxes lard); explosives (nitroglycerin ammonium nitrate, nitrocellulose); fragrances and flavors ; pharmaceuticals and other closely related industries like petroleum, glass, paint, ink, sealants, and adhesive**.**

The chemical industries in Ethiopia are established by both government and individual investors with of different size, technology, political period, production and market strategies. These industries include basic chemicals, pharmaceuticals and medical equipment, paint and varnish, plastic and rubber, paper, pulp and printing, soap and detergent, cosmetics, glass, cement and non-metal construction materials.

According to the 2010/2011 CSA data, the total number of medium and large establishments in the sector is 712. In terms of regional distribution, Addis Ababa City Administration contributes 42.2 % of the total number of establishments whereas Oromiya and Tigray regions contribute 21.0 and 11.9 percent respectively.

According to the 2003 E.C CSA data, the total actual production of the chemical industry sector was 14.44 million Birr while the average capacity utilization was 69.5%. With regard to job creation in the PASDEP period (2005/06-2010/11), the

chemical sector employment showed an annual average growth of 15.55%, and employed 48,034 individuals in 2010/11. Moreover, the average annual GVP growth rate of the chemical sector was 33.4%, with an amount of 14, 361,940 Eth. Birr, whereas the average annual value added growth rate for the chemical sector was 28.2% with an amount of 6,652,054 Birr in 2010/11.

Table 10: GTP Performance of the Chemical Sector

No.	Product types	Performance Indicators	Year	
			2011	2012
1	Cement	Cement production in millions tons	2.8	3.8
		Per-capita cement consumption in (kg)	35	47.5
2	Fertilizer	Domestically produced urea and DAP fertilizers(in million tons)		Civil construction of one fertilizer factory started
3	Caustic soda and soda ash	Construction progress of a factory that can produce 50,000 tons of caustic soda in a year (%)		Ready to start civil construction
		Construction progress of a factory that can produce 35,000 tons of caustic soda in a year (%)		Under feasibility study
4	Soap and detergent	Number of factories established to produce soap and detergent up to 166,000tons		Eight soap factories with annual capacity of 156,000 tons
		Growth in capacity utilization (%)	40	50
5	Pulp and paper	Paper factories established with a capacity to produce 82,000 tone individually		Civil construction of a factory with daily capacity of 150 tons is started
		Factories established for short pulp with a capacity to produce 7 8,670 tons each.		Feasibility study of a factory with annual capacity of 150,000 tons of pulp and paper is completed
		Growth in capacity utilization (%)	65	70
6	Plastic industry	Construction progress of a factory that produces 37,000 tons of plastic which covers 30% demand	NK	Under feasibility study

7	Rubber	Land cultivated in commercial rubber tree (in hectare)	NK	2763
		Annual supply of natural rubber input (in tons)	NK	1,955 liters
		Construction of a factory which produces 6,700 tons of T.S. Rubber annually	NK	Under feasibility study
8	Pharmaceutical	Growth in capacity utilization (%)	40	35
		Domestic market share (%)	20	15
		Income gained from export(in million USD)	2	2.4

1.5.3 Textile Sub-sector Performance

Textile subsector is one of the major sectors of the manufacturing industry. Textile manufacturing industry consists of both medium and large enterprises. The sector comprises of a small number of State Owned Enterprises (SOEs) and a growing number of private sector participants at all levels. The main activities of these industries include spinning, fabric formulation, dyeing, finishing and sewing. Ethiopia also has cotton based traditional handloom industry with a large number of traditional weavers. The share of textile sub-sector to the manufacturing sector reached a maximum of 10% with GVP 1043 million Birr in 2004/05. However, it has declined to 7 % in the preceding years as summarized in following table.

Table 11: Textile Sub-sector Share in GVP (2002/3 -2009/10)

	Year	2002/3	2003/4	2004/5	2005/6	2006/7	2007/8	2008/9	2009/10
(GVP) (million Birr)	Textile	825	1,043	960	999	1,371	1,082	2,141	2,957
	Manufacturing	9,024	10,872	12,316	15,047	18,574	22,986	28,829	42,008
	Share of textile (%)	9	10	8	7	7	5	7	7

Source: TIDI 2009/2010

The contribution of this sector in the country's foreign currency earning has significantly improved from year to year mainly due to market access to major industrial countries. The export performance has also increased from 11.1 million

USD in 2005/06 to 84.6 million USD of in the year 2011/12 as shown in the table below.

Table 12: Textile Sub Sector Export Value (in million USD)

No.	Product types	Budget year and export value (in million USD)						
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
1	Yarn	-	-	-	3.7	8.5	9.1	8.9
2	Fabric	4.2	4.4	4.6	3.7	6.3	23.0	8.3
3	Apparel	6.9	8	9.7	6.6	6.7	26.7	63
4	Handloom products	0.1	0.2	0.4	0.4	1.7	3.4	4.4
Total achievement		11.1	12.6	14.6	14.4	23.2	62.2	84.6
Performance						46.4%	73.2%	49.4%

Source: TIDI (2012)

In the domestic market, the value generated by the sector has also showed an increasing trend in the year 2009/10 by reaching 1.187 billion Birr**.**

Table 13: Textile Subsector Revenue (in Thousands Birr)

No	Industrial Group	2005/6	2006/7	2007/8	2008/9	2009/10
1	Manufacture of Textile	94,960	34,976	58,225	136,471	187,697
2	Manufacture of Wearing Apparel,	760	43,184	92,939	31,432	87,568
3	Total Textile Industry	95,720	78,160	151,164	167,903	275,265
4	Total (Industrial Group)	1,288,609	622,913	1,310,618	1,100,373	1,187,292

Source: TIDI (2012)

The following table shows the investment made in the textile sub sector during the first two years of the GTP period as measured in million Birr.

Table 14: Investment Performance of the Textile Sector in the First Two Years of GTP

S.N	Product type	Unit	Attained capacity 2002	Attained production capacity			
				2010/11		2011/12	
				Plan	Attained	Plan	Attained
1	Yarn	ton/day	80	146	121	190	240
2	Woven fabric	thousand meter/day	128	223	230	294	407
3	Knitted fabric	tons/day	7	67	61	79	83
4	Knitted fabric processing	tons/day	21	63	48	72	60
5	Woven fabric processing	thousand meters/day	109	259	93	384	163
6	Woven fabric	thousand pieces/day	34	53	52	53	52
7	Knitted fabric	thousand pieces/day	52	146	146	167	159

Source: TIDI (2012)

Ethiopia has indigenous raw cotton and the potential to produce other natural fibers such as hemp, ramie, flax, linen, silk and bamboo. In addition, there is a potential in silk production, though the current production is very low. On other hand, the country entirely depends on imports for other textile raw materials such as synthetic fiber/yarn, wool, dyestuffs, chemicals and related accessories.

Ethiopia has an integrated textile supply chain that includes spinning, weaving, knitting, dyeing and finishing although they need modernization and expansion to attain better achievements in the future. The industry largely caters to the domestic market although it exports a small proportion of output to USA, European and African markets.

In terms of the domestic market, competition has become very tense due to the penetration of low priced imported textile and clothing in Ethiopian markets. In addition, the country's domestic trade environment is facing a number of challenges which include:

- Low productivity of the industries;
- Competition of imported / illegal imports of textile and apparel;

- Limited product mix and low quality of products;
- Expansion of used cloth trade throughout the country; and
- Low purchasing power of majority of the population and, as the result, limited local demand.

The technology used in most textile and garment units in Ethiopia is at a basic or medium level. However, in the newly established clothing factories, equipment and machineries are modern. There are some spare parts and hand tool manufacturers who supply to the textile industry, and each factory has its own workshops that can produce some parts for its own use.

Machineries used in the textile sector come mainly from suppliers in China, Italy, Germany, Japan and South Korea. Typical and Juki are most popular types of sewing machines in use in the garment factories.

1.5.4 Metal Industry Sub-sector Performance

The International Standard for Industrial Classification classifies metal industry into basic metal and engineering industry. According to this classification, the engineering industries can be further grouped into four areas: manufacture of basic iron and steel, manufacturer of fabricated metal products except machinery and equipment, manufacturer of machinery and equipment, and manufacturer of motor vehicles, trailers & semi-trailers.

The total number of medium and large establishment in the sector is 194. Manufacturer of fabricated metal products except machinery and equipment contributes a share of 72.7 percent from total number of establishment in the metal sector where as manufacture of basic iron and steel, manufacture of motor vehicles, trailers & semi-trailer**s** and manufacture of machinery and equipment contribute shares of 20.1, 4.1 and 3.1% respectively (CSA, 2012).

During the PASDEP period, the metal sector employment shows an annual average growth of 28.74%. The growth of employment in the public companies is much higher than in private companies.

From 2005/6 to 2010/11, i.e. in the first year of the GTP period, the employment rate grew at an annual average of around 13%. The employment in the

manufacturing of machinery and equipment, manufacturing of basic iron and steel, manufacturing of motor vehicles, trailers & semi-trailer and manufacture of fabricated metal products except equipment has increased by an annual average of about 80.9% ,36.5% , 16 % and 12.9 % respectively as shown in the table below.

Table 15: Employment in the Metal Sector

Industrial Group	**Number of Employment**					
	2005/6	**2006/7**	**2007/8**	**2008/9**	**2009/10**	**2010/11**
Manufacturing of basic iron and steel	2,122	1,923	1,328	1,710	4,016	4,927
Machinery and manufacturing of fabricated metal products except equipment	5,796	3,517	5,180	5,884	9,977	6,040
Manufacturing of machinery and equipment	400	171	185	170	859	648
Manufacturing of motor vehicles, trailers & semi-trailers	1,456	3,131	1,725	1,684	1,671	1,623
TOTAL	**9,774**	**8,742**	**8,418**	**9,448**	**16,523**	**13,238**

Source: MIDI 2012

From 2005/7 to 2010/11, that is the first year of the GTP period, the annual average growth rate of GVP was about 27.1%. The GVP in the manufacturing of machinery and equipment, manufacture of fabricated metal products except machinery and equipment, manufacture of motor vehicles, trailers & semi-trailer and manufacture of basic iron and steel has increased by annual average of nearly 189.8%, 47.7%, 34.9 % and 16.8 respectively. See the table below.

Table 16: GVP in the Metal Sector (in Birr)

Industrial group	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Manufacturing of basic iron and steel	1,374,069	1,473,048	1,081,328	1,204,310	1,699,510	2,563,704
Manufacturing of fabricated metal products except machinery and equipment	527,746	728,217	1,203,517	1,634,347	3,402,348	3,099,514
Manufacturing of machinery and equipment	25,961	12,497	18,273	21,284	222,265	208,198
Manufacturing of motor vehicles, Trailers & semi-trailers	422,851	1,237,412	789,883	511,494	800,166	776,088
TOTAL	**2,350,627**	**3,451,174**	**3,093,001**	**3,371,435**	**6,124,289**	**6,647,504**

Source: MIDI (2012)

The growth trend shall be considered from quantity (ton) perspective as the price of metal products are volatile and it is important to identify whether the annual Production in ton is actually increased like the value in Birr. Hence, the annual average growth of production in the metal sector is 137.7%. From 2005/7 to 2010/11 i.e in the first year of the GTP period, import showed an annual average growth of about 30.4%.

Table 17: Local Production and Import in the Metal Sector

Year	Local Production (in billion Birr)	Import (in billion Birr)	Total (in billion Birr)	Local production share (%)
2005/06	2.35	13.3	15.65	15
2006/07	3.454	17.0	20.454	16.9
2007/08	3.833	23.0	26.833	14.2
2008/09	4.255	29.4	33.655	13.1
2009/10	6.124	40.2	46.324	13.2
2010/11	6.648	50	56.648	11.7

Source: MIDI (2012)

From 2005/6 to 2010/11, the total fixed assets increased by annual average of about 32.4%. The total fixed assets in the manufacturing of machinery and equipment, manufacture of fabricated metal products except machinery and equipment, manufacture of basic iron and steel and manufacture of motor vehicles, trailers & semi-trailer are increased by annual average of around 227.6% 46.56% , 37.99 % and 29.42 respectively (See Table 18 below).

Table 18: Total Fixed Asset in Metal Sector

Industrial group	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Manufacturing of Basic iron and steel	394,321	317,100	120,502	254,682	571,386	776,145
Manufacturing of fabricated metal products except m/c and equip	271,342	252,256	376,844	366,104	1,145,771	920,221
Manufacturing of machinery and equipment	7,745	4,552	7,374	8,718	106,300	84,780
Manufacturing of motor vehicles, trailers & semi-trailers	96,807	297,111	123,780	116,736	115,075	121,593

Source: MIDI (2012)

In general, the average GTP performance in terms of production value in the metal sector is about 34% whereas the production quantity is 20 %.

Table 19: Performance of the Metal sector (2010 -2012)

Year	Annual Production (Ton)	Value in Billion Birr	Steel Consumption per capital	Percentage		
				Annual Production (Ton)	Value in Billion Birr	Steel Consumption per capital
2010/11	201,846	6.65	13.5	17.36	33.25	94.87
2011/12	325,435	8.8	13.33	21.86625	33.85	74.97

Source: GTP report (2012)

1.5.5 Leather Sub-sector Performance

a) Employment and Gross Value of Production (GVP) in the Leather Sector

The leather subsector has three major industrial components. These are tanneries, the footwear manufacturers, and the leather products manufacturers. There are large and medium size plants in the formal sector and micro enterprises operating in the informal sector of the economy, particularly in footwear manufacturing. According to the CSA report of 2010/2011, among the total 141 large and medium establishments, most of them (87) are found in Addis Ababa city administration. During 2010/2011, the subsector created employment opportunity for 14,019 persons, generated Birr 3.4 billon worth GVP which is 7% of GVP of the manufacturing industry. The GVP of the subsector showed sharp increase during 2010.

Table 20: Employment and GVP

Dimensions	**Employment**				
	2006/7	**2007/8**	**2008/9**	**2009/10**	**2010/11**
Tanning and dressing of leather ,luggage and handbags and Manufacture of footwear	8,351	8,568	8,750	10,707	14,019
Tanning and dressing of leather ,luggage and handbags	3,793	3,703	3,635	5,061	7,352
Manufacture of footwear	4,558	4,883	5,115	5,651	6,667
Total	**16702**	**17154**	**17500**	**21419**	**28038**
Gross value of production (000 Birr.)					
Tanning and dressing of leather ,luggage and handbags and Manufacture of footwear	1,213,791	1,447,236	1,332,345	1,639,518	3,410,512
Tanning and dressing of leather ,luggage and handbags	883,728	1,006,299	818,582	896,859	2,207,448
Manufacture of footwear	330,063	440,937	513,763	742,660	1,203,064
Ratio of value added* To Gross Value of production	0.126	0.179	0.169	0.162	0.331
Total Manufacturing sector	**18,579,125**	**22,946,588**	**28,787,689**	**42,008,056**	**52,325,424**

Source: CSA large and medium manufacturing industry survey report, 2010/2011

a) Export and Import

Export

Following the adaption of the industrial development strategy, which is agriculture-led and export-oriented, the government of Ethiopia has focused on promoting value addition and encouraging the tanning industry to move towards producing finished leather goods. After January 2009, 150% tax had been levied on export of pickle and wet blue products which is in line with the value addition strategy of the sub- sector. The banning of pickle and wet blue products was helpful in shifting the finishing capacity of tanneries from these first stages of the material to crust and finished leather. Similarly, 150% tax had been levied on export of crust starting from December 2011. As a result of the value addition strategy, more factories managed to attain leather finishing capabilities resorting from crust leather to finished leather. The government set 500 million USD export target to be reached at the end of the GTP period for this sub-sector. Though the export performance showed increasing trend, the actual performance was less than the plan.

Table 21: Export Performance of the 2011/2012-2012/2013(in million USD)

Product Type	2011/2012		2012/2013	
	planned	achieved	planned	achieved
Leather	120.1	45	140	100.2
Crust	49.2	20.1	41.8	48.7
Finished leather	70.9	24.9	98.2	51.46
Shoes	59.5	8.8	61	10.16
Leather goods and garments	0.84	0.2	5	1.74
Total	180.4	104.1	206	112.06

Source: LIDI 2012

Import

The import of this sub -sector is dominated by footwear products; there is highly negative trade balance between export and import in this industry. The following table shows footwear import and export trend from 2005/2006 to 2010/2011.

Table 22: Trade Balance of Footwear Industry (000`USD)

year	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Import	23,067	25,101	20,582	22,259	30,804	31,860
Export	805	2,349	6,040	7,650	6,114	6,449
Trade Balance	22,263	22,752	14,542	14,609	24,690	25,412

Source: Summary based on ERCA data

b) Investment Trend

From 2008 to 2011, the total numbers of licensed projects were counted to be 136 projects. Among these projects, only 6 of them were operational, 127 were under pre- implementation while 6 of them were under implementation (EIA) phases .This sub-sector had paid up capital of 1.4 billon Birr in 2010/2011 and the lion share of the investment (76.6%) was by Ethiopians investors.

Table 23: Paid up Capital in of 2010/2011(in `OOO Birr)

Industry	Public	Private			Total
		Ethiopian		Non-Ethiopian	
		Male	Female		
Tanning and dressing of leather manufacture	80,006	934,533	145,147	248,250	1,407,937
Tanning and dressing of leather, luggage and handbags	13,506	523,716	50,718	177,200	765,141
Manufacture of footwear	66,500	410,817	94,429	71,050	642,796

Source: LIDI 2012

There is great disparity between the GTP export plan and the footwear production capacity. According to the GTP, the share of footwear export from the total leather and leather products export (500million USD) should reach 63.5% (a value of 315 million USD). To attain this target by the end of this GTP, 21.8 million pairs of shoes should be produced annually .However, including the current 8 shoes projects which are in investment and operational phases, the total annual production of

medium and large shoes factories can only reach 11.7 million pairs of shoe, which will be 53.74% of the GTP target unless new investment is injected. This shows the urgency of expansion and attraction of new investments in this industry.

c) Challenges of the Sub-sector

The main challenges of the leather industry subsector include:

- Low off take rates of live animals, and weak meat industry,
- weak linkage between the leather industry and agriculture,
- Lack of chemicals, accessories and spare parts ,
- low capabilities in product development , R&D, fashion and design,
- Scarcity of working Capital,
- Less productivity and capacity utilization
- Environmental challenges,
- Infrastructural problems , transport and logistics constraints
- Limited marketing capacity at factory levels

2. Part II - Situation Analysis and Strategic Issues

2.1 Situational Analysis

Before developing a strategic plan, it is important to analyze the situation of the industrial sector as this analysis is critical for identifying and sustaining the comparative advantages of the sector. As the environment, both internal and external to the industry, is constantly changing, it would be necessary to identify factors that affect its future development.

The situational analysis undertaken in this study has helped to explore the external and internal factors that influence the development of the manufacturing sector in particular and the industry sector in general. The recognition of these factors helps as an important input for the development of appropriate strategic objectives and implementation strategies for the industrial development. Thus, the situation analysis provides an overall understanding of the existing industry sector.

The boundary between external and internal factors is not always clear as the industry sector involves multiple stakeholders that need to cooperate for the achievement of a certain pre-defined goal and/or act as independent entities in most cases. The table below summarizes the internal and external factors for industrial development in Ethiopia.

Table 24: Strengths and Limitations of the industry sector

Strengths	Limitation
• Availability of easily trainable work force at low cost • The existence of industry development strategy and selected priority sectors • Improved export performance over the last few years • Strong development performance in the overall economy • Creation of conducive environment for investment • Establishment of research and development institutes in some priority sectors. • Massive investment on infrastructure (road, communication, and power generation for industrial development • Availability of incentives to attract local and foreign investment , and increased trend of investment in the sectors • Growing number of enterprises of all sizes , and potential to link SMEs with medium and large enterprises • Improving role of the private sector	• Lack of joint planning, coordination, and collaboration among different public and private institutions • Limited capacity of the existing Institutions to implement policies and strategies • Limited strategic linkage between industry and agriculture • Lack of strong marketing strategy at the national and sectoral level • Limited quality service delivery of the public institutions • Limited FDI flow as compared to the need for industrialization • Limited working capital provision • Weak transport and logistics services • Limited capacity of the existing HEI,TVET, and R&D Institutes to train qualified professionals and specialists for the industry • Inadequate alignment of the training system with the demand of the manufacturing sector • Unavailability of effective Industrial zones and agro-processing parks • Lack of input/output quality control and standardization system • Slow growth in the graduation of the existing SMEs. • Absence of technological innovation and application of indigenous technology • Inadequate technology transfer and low capacity utilization of the manufacturing sector. • Lack of machinery maintenance, rehabilitation, modification, and replacement.

Table 25: Opportunities and Threats of the Industry Sector

Opportunity	Threats
• Existence of stable and peaceful socio-political environment and supportive macroeconomic policies • Sustainable industrial development strategy • High government investment in capital intensive sectors • Transformation of the agricultural economy to industrial -led economy development • The shift of labor intensive manufacturing factories from developed to developing countries • Vast international and preferential market access to EU, USA and regional market • Relatively large domestic market • Expansion of educational infrastructure (Universities, and TVET colleges) • Improvements in hydroelectric power, wind and geothermal electric power, • Rail way and road projects across the country as well as building ICT infrastructure • Improved relationship with the private sector and international development partners	• Inflation and global financial crisis • Unavailability of FDI as required • Weak University -industry linkage. • Inadequate rural infrastructure to access agricultural inputs • Increasing costs of import-export transportation and logistics • Relatively slow development of social overhead capital (SoC) compared to the urgency for industrialization • Lack of adequate supply and value chain management • Global climate change

2.2 Stakeholders Analysis

The development and implementation of the industrial development strategic plan requires the participation of stakeholders in the planning and execution process. Thus, it is necessary to identify the potential stakeholders and secure their involvement in the processes. It is equally important to determine their contribution

and power of influence in all the processes starting from planning to the implementation stages in order to identify the interests and expectations of these stakeholders and, later on, develop appropriate strategies to harness their potentials.

Based on the results of the study and the strategic plan documents of the Ministry of Industry, the major stakeholders and collaborators identified and are prioritized as high, medium and low degree of importance. The criteria used for the categorization are the following:

- Support given to the industry in realizing its objectives (50%)
- Influence on income or budget generation of the industry (30%
- Direct beneficiary of the services and products of the industry (20%)

Table 26: Stakeholder Analysis

No	Stakeholder	Expectations of the Ministry of Industry	Services and products expected by stakeholders	Likely reaction and /or impact if expectations are not met	Degree of Importance
1	**MOFA**	• FDI promotion • Technology and knowledge transfer • Integration of initiatives • Partisanship with the industry • Latest and complete database	• Latest data • Integrated services	• Less FDI attraction and limited technology transfer	High
2	**MOFED**	• Legal registration of investors • Latest data exchange • Coordinated services • Strong partnership • Sustainable fair and free market system • Efficient and quality services to investors	• Updated data • Integrated and result-oriented collaboration	• Expansion of illegal trade • Lack of coordination • Unfair market competition among industrialists	High
3	**MoWE**	• Partisanship with the industry while delivering services • Power supply required by the	• Coordinated systems • Latest and complete data	• Failure to use full capacity of the industries • Less market competitiveness	High

		industry • Irrigation development			
4	**MoM**	• Raw materials • Research results • Latest and complete data	▪ Latest and complete data ▪ Integrated and result oriented collaboration	▪ Over dependence on imported raw materials ▪ Less market competitiveness	High
5	**MoST**	• Efficient technology transfer and utilization of the results • Support to problem solving and applied researches • Protection of patents and innovations • Result- oriented availability of technologies	▪ Latest and complete data ▪ Integrated and result-oriented collaboration	▪ Sluggish and inefficiently transfer of technology and knowledge	High
6	**MoE**	• Qualified and experienced labor force • Joint technology transfer, research, conferences, publications and utilization of the results • Qualified staff for consulting services • Support to problem solving and applied researches • Result oriented availability of technologies	▪ Research and consultancy support ▪ Access to laboratories and workshops owned by the ministry of Industry ▪ Student internships ▪ Access to latest and complete data ▪ Integrated and result-oriented collaboration	▪ Less qualified and unmotivated workforce ▪ Sluggish and inefficient transfer of technology and knowledge ▪ Lack of access to data and resources ▪ Improper placement of internees	High
7	**FMSEDA/ SMEs**	• Enhancement of entrepreneurship • Becoming bases for industry expansion and development	• Training and technical support • Network for raw materials and market • Latest and	▪ Less contribution to the economy ▪ Unfair competition	High

			relevant technology		
8	**Regional Government and City administration**	• Access to land infrastructure development • Urgent response to the problems raised by industrialists and investors • Latest and complete data • Establishment of integrated systems for all forms of services • Supply of raw materials	• Latest and complete data • Promotion of local and FDI • Support needed	• Procrastination of investment initiatives • Lack of trust • Lack of coordination	High
9	**All Quality Assurance Agencies and Centers**	• Establishment of international quality standard systems and trainings • Development of latest policies • Giving top while delivering services to the industry	• Coordinated initiatives • strong support to the establishment of inbuilt quality assurance and standard systems • Latest and complete data	▪ Less global competiveness	High

No	Stakeholder	Expectations of the Ministry of Industry	Services and products expected by stakeholders	Likely reaction and /or impact if expectations are not met	Degree of importance
10	**Infrastructure development agencies (EEPA, Road, Telecommunication, Water)**	• Efficient and effective infrastructure development • Complete and latest data	• Coordinated services and latest data • Development of industrial zones •	• In availability of properly developed infrastructure • Less number of industrial zones	High
11	**Financial institutions**	• Financial support to priority sectors • Coordinated services • Conducive and flexible financial policy •	• Coordinated services • compete and latest data	• Failure to deliver financial support to the priority sectors of the industry sector	High
12	**Government development organizations**	• Filling any market gaps • Increase profitability • Complete and latest data	• Better corporate leadership • Latest information	• Less accountability	Medium
13	**Mass Media Agencies**	• Promotion of products and services by the domestic and global l media • Provision of right information to stakeholders so as to increase participation • Promotion	• Data to attract investors in the sector • Coordinated efforts	Failure to attract new investors and support the existing ones	Medium
14	**Development partners**	• Support in the implementation of GTP • Following up all donations and supports	• Feasibilities and practical projects in the sector • Various supports and rewards • Transparent and efficient services	• loose relationship with development partners and prevalence of sluggish achievements of goals	Medium

No	Stakeholders	Expectations of Ministry of Industry	Services and products expected by stakeholders	Likely reaction and /or impact if expectations are not met	Degree of Importance
15	**Ministry of Women, Children, and Youth Affairs**	• Gender mainstreamed systems establishment • Monitoring and evaluation systems establishment	• Gender based data • Efficient, equitable and result oriented services	• Lack of sufficient support • Lack of trust •	Medium
16	**Ministry of Labor and Social Affairs**	• Efficient services to investors • information and data exchange • Coordinated services • conducive labour proclamations	• Data and information • Coordinated services • implementation of labour laws and proclamations	• Procrastination of duties • Unhealthy relations	Medium
17	**Ministry of Construction and Urban Development**	• Enhancement of the linkage between SMEs and LMEs • Development of designs and construction of industrial zones • coordinated services	• linkage between SMEs with medium and large industries • Coordinated services • Industrial zones ready for industries	• sluggish development of industrial zones • Weak networks between SMEs and medium and large industries	High
18	**Environmental Protection Authority**	• joint initiatives • Relevant data	• Expansion and development of green and environment friendly industries	• Environmental damage • Unhealthy relations	Medium
19	**Sectoral and Professional Associations**	• Active participation • Problem solving and applied research results	• Participatory systems for the services and duties • Conducive work environment	• Failure to provide the right support	Medium
20	**Labor Unions/Associations**	• Development partnership and peaceful industries • Positive attitude of employees • Healthy relations between the employers and employees	• Conducive work environment • Complete fringe benefits • Implementation of labour laws	• Lack of peace in the industries • Lack of motivation for work	Medium

Source : MoI 2012 and survey data

2.3 Strategic Issues

Strategic Issues are the cornerstones for the strategic planning process. The identified strategic issues need to be addressed in such a way as to bring about a major impact on the course and direction of the industry development. These issues are related to future activities that will help the manufacturing sector to be more competitive and support the achievement of the industrial vision.

In due course of developing the industry strategic road map, seven strategic issues are identified based on the situational analysis (SLOT) and stakeholders' analysis. These strategic issues are

1. Inadequately developed business enabling environment
2. Poor human resource development system and shortage of highly qualified human resource
3. Insufficient industrial inputs and infrastructure development
4. Lack of well-established investment and technology development
5. Inadequate market diversification and development
6. Inadequately developed institutional support and enterprise cultivation
7. Weak strategic sectors' development and diversification

Therefore, the current industrial development strategic plan needs to address these issues by developing appropriate strategies and implementation plan to ensure that the industrial sector development targets are achieved.

3. Part III - Industrial Development Vision, Goal and Strategies

3.1 Industry Sector Vision, and Goal

In view of its growing contribution to the national economy and based on national vision to be archived at the end of 2025, and as stated in the Industrial development Roadmap, the vision of the Industry Sector development Plan is:

> ***"Building an industrial sector with the highest manufacturing capability in Africa which is diversified, globally competitive, environmentally-friendly, and capable of significantly improving the living standards of the Ethiopian people by the year 2025"***

The realization of this vision is guided by the principles stipulated in the Ethiopian industry development strategy (2002) which includes accepting the private sector as the engine of the industrial development strategy; following Export-led Industrialization; focusing on Labor Intensive Industries; using Coordinated Foreign and Domestic Investment; strong leadership role of the government and mobilizing the whole society for industrial development.

Accordingly, the overall goal of the industrial development strategy is to bring about structural change in the country's economy through industrial development by:

- Increasing the share of the industry sector as % of GDP from the current 13% to 27% by 2025

- Increasing the share of the manufacturing sector as % of the GDP from the current 4% to 17% by 2025

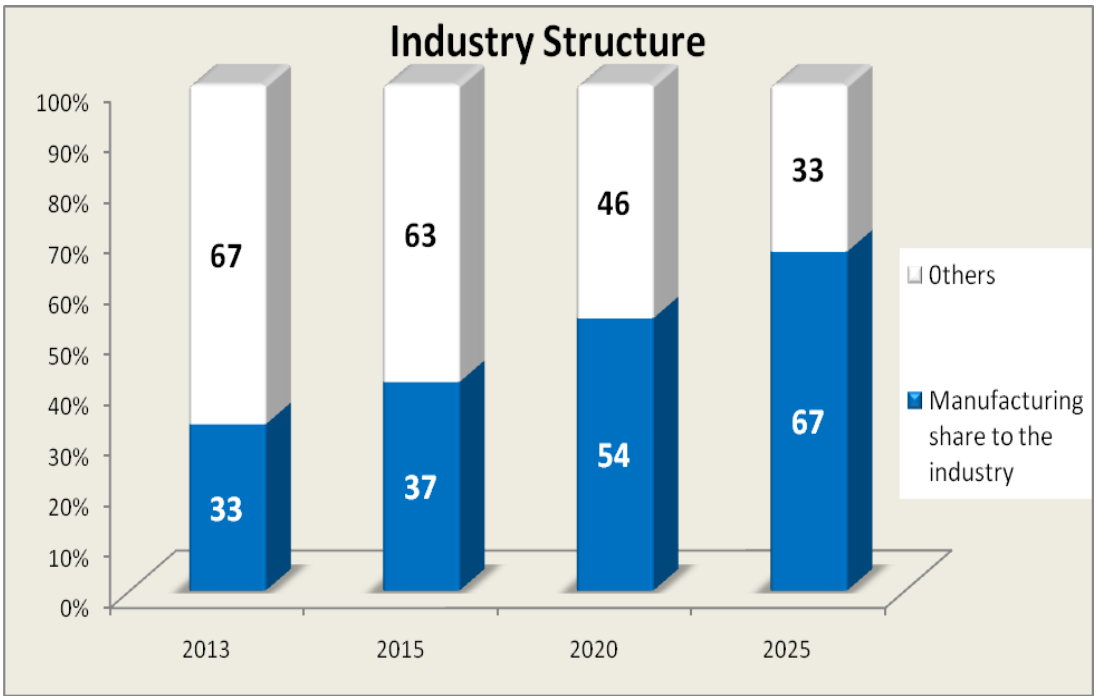
The above overall goal is based on the vision and the selected macro targets of the national economic development targets set in the roadmap. These macro targets are shown in the table below.

Table 27: Selected Macro Targets

Sector share (%)	Targets for the year												
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Agriculture	38.17	37.28	36.38	35.89	35.39	35	34.53	34.09	33.7	33.35	33.03	32.82	32.7
Industry	15.25	16.86	18.73	19.4	20.08	20.8	21.58	22.37	23.2	24.12	25.07	26.16	27.3
Service	46.58	45.86	44.88	44.72	44.53	44.2	43.89	43.54	43.1	42.53	41.89	41.02	40
GDP growth rate	11.28	11.22	11.37	10.11	10.13	9.95	9.95	9.99	9.86	9.73	9.66	9.28	9.12
Poverty head count	24.4	23.3	22.2	21.1	20.0	18.9	17.8	16.7	15.5	14.4	13.3	12.2	11.1
Share of manufacturing sector to GDP	5	6	7	8	9	10	11	12	13	14	15	16	17

Source: MoFED 2012

Currently the manufacturing sector accounts for 36% of the industry sector. Using the industry growth rate projection of the MoFED (2013-2025), the share of the manufacturing sector in the industry will be 33% by the end of 2013 and reaches 63% in 2025. The diagram below depicts the expected industry structure in terms of the manufacturing sector and other non-manufacturing sectors. Accordingly, the share of the manufacturing sector in the industry is targeted to be 37% by the year 2015 and finally to attain 63% by the year 2025.



3.2 Manufacturing Sector Strategic Objectives

The situational analysis of the current industrial sector was carried out by the involvement of all relevant stakeholders. The results of this analysis has helped to highlight seven distinct but interrelated key strategic issues Based on the identification of these strategic issues, the following five strategic objectives are formulated. The successful implementation of the industrial development strategy depends on the implementation of the programs, projects, and major activities that are pivoted tightly with the strategic objectives of the development plan. The

implementing strategies are also designed based on these strategic objectives. The five strategic objectives that guide the implementing strategies and programs are:

Strategic Objective 1: To further expand and develop the existing manufacturing industry priority sectors;

Strategic Objective 2: To diversify the manufacturing sector to new sectors;

Strategic Objective 3: To enhance enterprise cultivation and entrepreneurship;

Strategic Objective 4: To Increase public, domestic and foreign investment; and

Strategic Objective 5: To develop and operate industrial zones and cities.

3.3 Key Implementing Strategies

The achievement of the strategic objectives clearly calls for the choice of appropriate implementation strategies. Based on the overall strategic directions outlined in this study, the following key implementation strategies are developed.

Ensuring Conducive Business Environment for Industrial Development

Industrial development requires conducive business environment which ensures economic stability, growth, and that enhances the flow of local and foreign direct investment. In this regard, the involvement of the government is crucial through formulation and proper implementation of appropriate monetary and fiscal policy, setting and enforcing the legal frameworks, removing all bureaucratic hurdles by ensuring good governance and providing efficient service. The government should also lay the foundation for the advancement of new key industries, and eventually building high-tech industries.

In addition, membership to different international and regional trade and economic zones may create fertile ground to promote export and to attract FDI. However, such membership should be made in a way that benefits the national industrial development.

Availing competent Human Resource for Industrial Development

The country's work force plays a crucial role to enhance the productivity of the manufacturing industry. In the absence of a work force that is equipped with the necessary knowledge and skills, it is impossible to make industrial products be competitive in the global market. Hence, short-term training and skill upgrading programs should be designed so as to fill the skill gaps and current demands of the manufacturing sectors. Conducive working environment should also be created to retain and motivate the existing skilled labor force. In addition, the industrial transformation plan requires diversification and introduction of new industries to ensure that the sector will play a leading role in the economic growth of the nation. This requires the education system to produce adequate and technically skilled local experts in science and engineering fields. Moreover, the education and training system, capacity building and technology transfer programs need to be aligned with and be dynamic with the demand of the new key manufacturing industries.

Moreover, achieving the vision of becoming a middle-income country demands not only the development of light and medium industries, but also the establishment of high tech-industries, which calls for higher education system of the country to produce high competent engineers and specialists. Furthermore, it requires the establishment of research and development centers and other support institutions to promote high tech - industries and build technology transfer capabilities.

Availing Quality Industrial Inputs for Value- Addition

The critical success factor for local production and distribution of goods is the availability of locally produced cost-competitive and quality raw materials and other inputs. Due to inefficient value-chains, major local raw materials supplies are inadequate, low quality, costly which has forced the local manufacturers to rely mainly on imported raw materials and inputs. In order to increase the availability of local raw materials in the manufacturing sector, measures will be taken to encourage increased private sector investment such as commercial agriculture to expand the cultivation of selected agricultural raw materials for agro-industry. This will be complemented with measures to enhance productivity through improved agronomy, input supply, and access to infrastructure such as road, electric power, ICT, and

irrigation facilities. Industrial zones will also be established in order to attract new manufacturing industries.

Developing and Diversifying (Local, Regional, Global Markets) Markets for the Industry

The Ethiopian manufacturing sector should strive to become competitive at local, regional and global levels. Therefore, it is important to device appropriate marketing strategy to further expand and enter into new markets particularly in the domestic, regional and international market. Not all the sectors with the industry could follow similar strategy and this requires each sector to define its markets, to segment it, and position its products and services to get higher returns.

Emphasis to enter into new markets within the COMESA and the larger African continent provides a huge potential for the manufacturing sector development .However, appropriate timing and caution are necessary to reap the benefits of entering the COMESA free market without endangering the development and maturity of the sector. By and large, the outputs of the manufacturing sector should target the demand and requirement (standard) of the market at different levels.

The success of industrial diversification and building up of high-tech industries is highly dependent on the level of competitiveness of local products in local and international markets. In this regard, enhancing local and global competitiveness through developing a sound marketing strategy, developing marketing research capability, creating local and global market access, diversifying the regional and international market are some of the important issues that will be addressed in improving the competitiveness of the manufacturing sector at large.

In order to diversify the local and global market opportunities, the competitiveness of the existing industries will be enhanced by establishing computerized market information system; maintaining strong regulatory systems that oversee the quality and standard of products before they reach the market; improving local, regional and global market linkages with improved distribution outlets and better infrastructures; and by reducing illegal business activities and transforming the informal sector to formal sector.

Enhancing Technology Transfer for Industrial Development

One of the alternative ways of technological transfer is foreign direct investment. Since there has been a small number of FDIs in Ethiopia, the room for technology transfer is very limited. Technology transfer and development requires the practice of technology adoption and adaptation, enhancement of indigenous technology, establishing technology parks, reverse engineering and setting innovation and technology transfer systems.

Developing and Providing Institutional Support for Industrial Development

To realize economic transformation in the country, the industrial development process needs to be supported by appropriate institutional setups. Accordingly, the alignment of planning and implementation will be enhanced by elevating the level of coordination among federal government offices, and between federal and regional government offices to ensure joint planning and collaboration.

Research and development institutes will be established and work in collaboration with universities, industries and overseas benchmarked R & D institutions so as to enhance and play pivotal role in adopting and disseminating appropriate technologies which support the industrialization process. The existing support institutes will be upgraded and twined with benchmarked institutions.

SMEs and MLEs will be strengthened by creating sustainable linkages and forming clusters and establishing a dependable and modern information exchange systems so that they can produce quality industrial products. Establishing sustainable coordination systems among stakeholders through joint planning and evaluation systems has to be created so that new enterprises are cultivated and the capacities of the existing enterprises will be enhanced.

4. Part IV - Manufacturing Sector Development Programs and Implementation Plan

4.1 Major Programs of the Industrial Development Plan

Six major programs are designed to achieve the five strategic objectives of the industrial strategic plan. These programs are described as follow.

4.1.1 Priority Sectors Expansion Program

The Ethiopian government has currently identified a range of priority sectors for industrial development. The industrial transformation, however, requires diversifying the sector beyond the existing priority sectors into new and more labor-intensive and high value-adding manufacturing industries. Concerted effort shall be made on the existing priority sectors for their further upgrading and their product diversification considering their comparative advantages in the local and foreign market. Therefore, the priority sector expansion program focuses on the major activities and projects that are related to the deepening, expansion, and upgrading of the current priority sectors.

Implementing Strategies

The following strategies are to be pursued in order to implement the various projects and major activities in this program:-

- Ensuring conducive business environment;
- Availing competent human resource;
- Availing quality industrial inputs for value- addition;
- Developing and diversifying markets for the manufacturing industry outputs (local, regional, global markets);
- Enhancing technology transfer; and
- Developing and providing institutional supports.

Major Projects and Activities in the Program

Manufacturing - Sector level Projects: The major projects and activities to be undertaken at the manufacture sector level focus on the deepening and expansion of the current manufacturing priority sectors. In particular, product and market diversification as well as productivity enhancement are central to this program. In this regard, six relevant projects are identified in the whole sector. These include:-

- Enhancing investment capability and business climate project;
- Human Resource Development Project;
- Enhancing quality and quantity of industrial raw material and inputs;
- Developing and diversifying markets project;
- Enhancing technology development and transfer project; and
- Strengthening institutional support project.

Details of the implementation plan are presented in Annex 1.

The five manufacturing sector priority areas have produced their own specific projects based on the six development programs of the strategic plan. It is expected that planned projects would bring about product and market diversification within the priority areas. The implementation plan provides the specific major activities to be undertaken for the expansion and product diversification of the priority areas. Details of the implementation plan are presented in Annex 1.

Various stakeholders need to be actively engaged in order to implement this program. To accomplish the projects and activities described both at the manufacturing sector level and the respective priority areas, about Birr 96 billion will be required over the coming 13 years.

All estimations prepared for the programs and projects are based on the current costs of similar undertakings in Ethiopia. The estimates are also done by taking price quotations for equipments and plants from different sources as to get the best possible cost for the planning purpose. In fact, there may be discrepancy between the planned and actual cost and these deviations will be amended at the beginning of the investments.

4.1.2 New Manufacturing Sectors Development Program

Diversification of sectors and products will keep the economy less exposed to external shocks; and bring an increase in domestic and foreign trades; higher productivity of capital and labor; and accelerate better regional economic integration.

The diversification of the manufacturing sector focuses on additional new sectors by considering the global value chains and the country's resource potentials and other criteria such as critical resource and capacity, market and demands, and multiple linkages. The diversification of the manufacturing sector into biotechnology, ICT (both software and hard ware), and petrochemical industries is a key component of this program.

Implementing Strategies

The implementation of the program relies heavily on the appropriate selection of the strategies for implementation. Accordingly, the following strategies are relevant to be followed to achieve the desired results.

- Ensuring conducive business environment;
- Availing competent human resource;
- Availing quality industrial inputs for value- Addition;
- Developing and diversifying markets for the manufacturing industry outputs (local, regional, global markets);
- Enhancing technology transfer; and
- Developing and providing institutional support,

Major Projects/ Activities

The following industries will emerge during the different phases of the planning period:-

- Food processing industry (including fish industry and spices extraction and processing industries);
- Large scale Wood based products manufacturing industries;

- Natural fibers in addition to Cotton, like wool, silk and sisal;
- Man-made fibers and technical textile manufacturing industries;
- Rubber, plastic and textile shoes fabrications industries;
- Packaging industries;
- Machinery and equipment manufacturing industries;
- Iron and Steel Industry**;**
- Automotive industries including agro machinery parts);
- Chemical industries including:
    - Petro chemical /Bio-based/ industries,
    - Special chemicals (construction chemicals ,dyes and dyestuffs) industries
    - Alcohol based chemical products (acetic acid ,acetone etc) industries;

- Pharmaceutical industries:
    - Specialty medicines and manufactured indigenous medicines,
    - Food supplements,
    - Pharmaceutical components and ingredients,
    - Cosmetics;
- Bio-technology industries;
- Electrical and electronics equipment manufacturing industries; and
- ICT software and hardware manufacturing industries.

The investment requirement, the level of technological sophistication and the availability of the required human resources in these areas may pose challenges to its realization. However, all actors need to embark on such an ambitious plan to realize the industrial development strategy of the country. The implementation plan shows the different phases at which each of these projects and new industries emerge.

An indicative budget requirement is estimated for the diversification program till 2025. It requires about Birr 111 Billion (one hundred eleven Billion Birr) to accomplish the projects and activities. In fact, such estimate is subject to periodic review as prices fluctuate. Refer to Annex 1 for the details of the implementation plan.

4.1.3 Industrial Enterprise and Entrepreneurship Development Program

Business enterprises are the core of the industrial development. Accordingly, this program focuses on further strengthening and development by considering them SMES as engine for development and job creation. More importantly, the development of medium and large industries is undoubtedly a key to realize the structural change that this plan envisions. Partnership of local industries with multinational companies and global firms is also critical for the realization of the program.

Moreover, this program also focuses on the development of entrepreneurship, and enterprise cultivation. Since the private sector is the engine of the envisioned growth and transformation, the development of private enterprises and flourishing of entrepreneurs will be critical. Activities that support such development are the major features of this program.

Implementing strategies:

The major implementing strategies that are necessary for the execution of this program are:

- Ensuring conducive business environment
- Availing competent human resource
- Developing and providing institutional support

Major Activities

The major activities to be carried out in this program are grouped under four projects. These are:

- Government enterprise development support services
- Marketing system development
- Capacity building projects for entrepreneurship development
- Enterprises cultivation focusing on value chain and cluster development strategy

This program is estimated to require a total of Birr 15 billion to implement the four major projects under the program. The details are provided in Annex 2.

4.1.4 Local (Private) and Foreign investment Promotion Program

This program aims at attracting more private investment flow for industrial development. Achieving accelerated manufacturing sector development plan requires huge investment that the government alone cannot shoulder. Hence, it is important to devise ways and means to attract more investors into the industrial sector. In this program various investment promotion activities are designed to encourage both local and foreign private investments. Besides the creation of conducive business environment, provisions of specific incentives to encourage investment in selected industries are considered.

The key implementing strategy for investment promotion program is developing and providing appropriate legal and institutional support to facilitate and support all promotion endeavours for sustaining industrial development.

Major Activities

As the private sector is the engine of growth, the industrial development will not be realized without the active engagement of the private sector. Equally important is also the government support for the flourishing on enterprises and the spirit of entrepreneurship. The role of the government is critical for the enterprise cultivation and entrepreneurship development. The major activities outlined in this program are focused on activities that the government need to undertake. These include

- Formulating comprehensive and sector specific FDI strategy through the Industrial Bill
- Strengthening /Establishing appropriate institutional setup for promoting FDI
- Further mobilization of the diplomatic community and the Diaspora
- Institutionalizing one stop services for investors

In general, this program is estimated to require a total of 54 million Birr to accomplish the projects. The detailed implementation plan is provided in Annex 3.

4.1.5 Government (Public) Sector Investment Program

This program calls for continued public investment in social overhead capital, infrastructure as well as capital-intensive flagship projects. To achieve the required structural changes, specific interventions /projects by the government are considered to be the major activities of this program. Mobilization and allocation of resources to the manufacturing sector need to be a priority as compared to other components of the economic development.

The major implementing strategies for carrying out this program are:

- Availing competent human resource
- Availing quality industrial inputs for value- addition
- Enhancing Technology Transfer

Some of the major Projects and activities within this program include

- Development of appropriate macroeconomic policies that further enhance FDI flow
- Formulation of sector and industry specific incentive policies and strategies
- Mobilization of the Ethiopian diplomatic missions and Diaspora for attracting FDI
- Sustaining government investment in social overhead capital
- Maintaining government investment in capital intensive and flagship projects

The implementation of the projects in this program requires a total of 300 billion Birr. The detailed implementation plan is provided in Annex 3.

4.1.6 Industrial Zone Development Program

The industrial zones development program focuses on how to develop an integrated economic development zone or city that builds and develops industrial parks, business centers, as well as residential area for employees. This program requires a

strong public-private partnership as well as development partner governments. Furthermore, matters pertaining to the leadership and management of such economic development area are one of the major activities in this program**.**

Implementing Strategies

The major implementing strategies of this program include:-

- Ensuring conducive business environment
- Availing competent human resource
- Diversifying local, regional, global markets
- Availing quality industrial inputs for value - addition
- Developing and providing institutional support

The projects and activities that are to be undertaken in this program are outlined in the implementation plan of this program, which is attached in Annex 4. The major intervention areas for this program include:

- Formulation and implementation of industrial act that attracts investors and partner countries to establish industrial zones that evolve to industrial cities
- Development of infrastructure for the new industrial zones in Dire Dawa , Hawaasa, Kombolch and Addis Ababa
- Capacity building in the development and management of industrial zones and cities

The financial requirement that is estimated to implement this program is about Birr 61 in the coming five years. The detailed implementation of the program including the targets, period and implementing bodies are shown in Annex 4.

4.2 Implementation Plan

The implementation plan covers the period from 2013 – 2025 which is subdivided into three phases. Phase one is from 2013 until the end of 2015. Phase two extends from 2016- 2020, while phase three covers the period from 2021-2026. For each of the six industrial development plans, the major projects and activities that need to be carried out are identified in each phase. In addition, performance indicators are

provided to help the monitoring and evaluation process of the implementation. The targets set for each of the years are considered as the expected performance level for the given period of the implementation plan. The financial resources required for the implementation of the projects and major activities are indicated. However, in most cases, the required budget may considerable vary as the assumptions made to estimate the finance requirement may change with time. The implementing bodies for the projects and major activities are indicated. In fact, at operational level, the implementing bodies may assign further responsibilities for various bodies within their ministry or organizational structures.

This plan is based on the crucial assumptions made in forecasting the future. These assumptions are:

- The national economy outlook of Ethiopia for the next 10 years will continue growing on average of 10% per annum
- The targets set for the industry sector in the GTP are projected f to continue at similar pace after 2015.

In most cases, as the industrial development issues are diverse and involve others beyond the sector, it is proved that it is difficult to set specific targets without valid references. The presence of a national development plan would have helped to resolve these difficulties. Indeed, industrial transformation would be difficult to envisage without the transformations in the agriculture and service sectors.

Therefore, this implementation plan would be reviewed when the national development plan is in place with specific targets for the agriculture, industry, and service sectors.

The implementation plan is based on selected programs that show the various activities and projects to be undertaken to achieve the strategic objectives set forth.

The implementation plan for all the programs are presented in Annex 1 of this document. It is assumed that further detailed action plans would be developed for the specific projects and activities by each implementing body. In addition, the implementation plan provides the basis for future decisions and actions by the stakeholders.

As this implementation plan is a long term one, it would be difficult to be specific in terms of the activities to be carried in the later years. Owing to changes in the environment and unforeseen circumstances in the global and national economy, it is opted to have detailed plans for the first phase and part of the second phase, and plan in general terms for the third phases of the plan.

It is also essential to identify top urgent and most important activities to be undertaken to create an impact and gain momentum at early stage of the plan period. As many of the long term projects and activities require huge resources, prioritization of activities to create leverage with the available resources is critical. Accordingly, a number of projects and major activities to be undertaken are selected for implementation by the government in collaboration with the private sector and development partner countries.

These important interventions are to be implemented in the first three years of the plan period and require the decision of the government to be embraced as top national priority projects for the industrial development process. The industrial development process needs critical monitoring and evaluation of the performances of the first three to four years with respect to the selected national projects and makes review of plan for the next years.

The following table shows these selected top priority projects that make the plan more concrete and help the decision of resource allocation as well as the monitoring and evaluation activities.

Table 28: Top Priority Projects (2013-2016)

No.	Project	Number of plants	Target for the Implementation Period				Estimated Finance (in million Birr)
			2013	2014	2015	2016	
1	Industrial zone development in Dire Dawa, Kombolcha , and Hawassa	3	1	1	1		80,000
2	Mojo leather industry complex / city	1		1			500
3	Shoe manufacturing complex/city	1		1			400
4	Studio type tanneries for finished leather	5	1	2	1	1	55
5	Footwear , leather goods & articles cluster shades in Addis Ababa and regions	8	2	3	3		160
6	Development of Mega food parks in the Regions	9	1	3	3	2	900
7	Spice extraction industry	3	1	1	1		120
8	Edible oil production complex	6	2	2	2		80
9	Industrial complex for the manufacturing of agriculture and agro processing machineries including packaging industries	3		1	1	1	6,000
10	Manufacturing machine parts and machineries production plant	3		1	1	1	3,000
11	Manufacturing of Construction machinery (Railway and building) and their components	2		1		1	6,000
12	Manufacturing of Electrical and electronics equipment	3		1	1	1	8,000
13	Plastic factory	1		1			500
14	Soap and detergent factories	3	1	1	1		30
15	Pulp and paper factories	5	2	1	2		12 ,000
16	Chloro Alkali industry	1		1			300
17	UREA and DAP factories	5	1	2	2		55 ,000
18	Ginning Industry	2		1	1		100
Total Investment							**173,145**

The projects that are listed as top priority and most important, requiring about 173.1 billion Birr are related only to the development of the manufacturing capability in the immediate future in terms of plants and factories development. This does not mean that other activities like capacity building, marketing, infrastructure development projects, and similar strategic actions are to be delayed. Instead, these activities as well need to be implemented according to the detailed implementation provided in Annex 1 of this document. Furthermore, these activities and projects need to be done on the top of the activities planned in the remaining GTP plan period. The projects design for institutional support for the industrial development plan needs to be set up in the coming three years. In short, the overall industrial development process is rather ambitious and requires coordinated efforts of all concerned stakeholders.

As these projects demand about 173.1 billion Birr for the coming three years, the governments need to allocate a considerable amount of finance in order to take the lead in bringing accelerated industrial development in the country. The collaboration of development partner's countries is also very critical in the development of industrial zones and industrial complexes. As financing of these projects is challenging, diverse sources of finance including loans from governments, continental and international financial institutions need to be secured. Provision of more incentives to local and foreign Investors also provides the necessary advantage to embark on the development programs.

The Need for Mobilizing the Whole Society for Industrial Development

The Ethiopian industrial development strategy (2002) clearly indicates that the private sector is the engine for industrial growth and development. The role of the government is also critical in terms of creating conducive business environment as well as making public investments in infrastructure and in providing quality services. However, the private sector and the government alone could not bring about an accelerated and sustainable industrial development unless and otherwise the whole society is mobilized and actively engaged in the development process. As the experiences of fast developing countries indicate, it is the combined effort of the government, the private sector, and the society that brings about the desired change in the industry development and transformation in the economic structure.

A starting point for the mobilization process could be the articulation and communication of a clear vision of the industrial development plan to all stakeholders. Accordingly, the vision of "*building an industrial sector with the highest manufacturing capability in Africa"* needs to be well communicated at all levels of the government, the society, and the private sector. It is also important to create awareness and build consensus among all the stakeholders. As the vision is owned by all key actors, the implementation of the development plan and process will be laid on a strong foundation that paves the road to success. Every actor in the development process realizes that each of them have stake in the industrial development and also share the benefits of the development.

Furthermore, there should be national development plan for 2025 that encompasses the industry, agriculture and the services sectors of the Ethiopian economy. Unless there is coordination and joint planning among these economic sectors, it would be difficult to plan for the industrial development alone without a national development plan that integrates the various aspects of the economy. Therefore, it is highly recommended that such all- inclusive national development plan be developed envisioning the achievement of a middle income Ethiopia by the year 2025.This study could be part of the national development plan. Mobilization of the whole society could be easier if all stakeholders have the same development framework or national plan to implement.

Indicative Financing of the Plan

According to the World Bank (2012), the Ethiopian government allocates nearly 18% of its GDP for capital expenditure every year. This public investment stands as the third highest government investment in the world. Currently, the share of the Ethiopian private sector to the capital expenditure is minimal as compared to the public investment. It is essential to reverse this imbalance and enable the private sector to take the lion share of the capital investment outlays and play its non-substitutable role of becoming the engine for industrial development of the country.

This plan requires a total of 583 billion Birr investment for the implementation of the overall thirteen-year plan. However , the top priority and most urgent projects which are selected to be implemented by the government in collaboration with the private sectors and development partner countries in the coming three years requires

about 173 billion Birr. For these top urgent industries, it is assumed that at the beginning of phase one 30% of the investment will be covered by the private sector while the government covers the remaining 70%.

This plan further assumes that the share of the private sector to the industrial development will steadily increase and reach 70% at the end of the plan period. The table below shows the expected share of the private and government investment in capital expenditure at the end of each of the three phases of the industrial development plan.

Table 29: Share of Government and the Private Sector in Capital Expenditure

Capital Investment	Source	Baseline (2012)	Targets for End of		
			Phase I (2015)	Phase II (2020)	Phase III (2025)
Government		**70%**	**60%**	**50%**	**30%**
	Domestic source	50%	40%	35%	20%
	External sources (loan and grants)	20%	20%	15%	10%
Private	Local and foreign investors	**30%**	**40%**	**50%**	**70%**

5. Part V - Institutional Setup and Governance Framework

The history of many developing countries show that national development plans have not been fully realized without a well-defined institutional arrangement and governance framework. The experience of dynamic regions across countries demonstrates that factors external to manufacturing firms, that is, intermediate institutional support systems, play an important role in enhancing the competitiveness of manufacturing industries.

The institutional setup to bring about the desired economic structural change by 2025 will orient the institutional support system for coordinated action of the relevant ministerial structures, appropriate enterprise linkages, capability-building and industrial council, and catalyzing implementation of policies and strategies. They could in effect serve as industrial business -level-implementing arms of the government policy.

The institutional arrangement s, required for transforming the manufacturing sector, recognize the implications of structural differences at various levels of a country's development. This is especially true in terms of the appropriate institutions and policies, and the constraints and incentives for the private sector in the process of structural change.

The institutional set up developed for implementing the Industrial development road map and strategic plan is presented as separate volume entitled *Institutional Setup for Industrial Development.*. This volume discusses the role of institutions in the industrial development and addresses the key institutional support issues in the manufacturing sector. It recommends a new institutional framework to implement the planned industrial development strategy through strong public –private partnership. The new governance framework and institutions that need to be established are presented in the study by incorporating the improvements in the existing support institutions. (Please refer to the third deliverable for the institutional arrangement).

6. Part VI - Monitoring & Evaluation, and Risks & Assumptions

6.1 Monitoring and Evaluation

The possibility of achieving Ethiopia's vision 2025 and the strategic objectives identified for the industrial development depends on the effectiveness of the implementation and monitoring processes as well as formulation and implementation of the right policies. In this respect, in addition to providing and maintaining internal consistency of the design of the industrial development strategy, it is also obligatory to develop a mechanism which continuously monitors the effectiveness of the implemented strategic objectives, activities, regulations and measures, can identify major gaps and barriers for change on time and recommend timely measures.

A continuous assessment of the implementation of the industrial development programs provides the necessary information for leaders and implementers of this plan. A strong performance monitoring and evaluation mechanism plays a critical role in assessing the achievements and shortfalls in the industrial development programs and project implementation. It also helps to have reliable record of changes in inputs, outputs, effects and outcomes over time , and to indicate problems that may be resolved while the project is ongoing.

Monitoring should be conducted at every stage of the program by collecting, analyzing, and using data regularly. Evaluations are usually conducted at mid-term or at the end of each of the three phases of this strategic plan and focus mainly on how well the programs have achieved their goals and targets, and the extent to which changes in outcomes can be attributed to the programs. Information from M&E helps stakeholders to make informed decisions on future strategies and interventions in terms of the relevance, effectiveness, efficiency, impact and sustainability of the development program.

The performance of the various programs and projects need to be monitored and evaluated to ensure that the industrial development process is on the right path and take necessary corrective actions whenever required. In fact, this roadmap and long-term strategic plan should cascade down to the possible lowest level to ensure responsibility and ownership of the various critical activities. The different sectors and stakeholders need to take their share in contributing to the monitoring and

evaluation of the success of the industrial development. Each of the sectors need to have clear roles and expected outputs. Accordingly, the monitoring and evaluation of the development plan will take place at different levels; national, sectoral and enterprise levels.

At the national level, the National Industrial Development Council (NIDC) will monitor and evaluate focusing on the broad policy issues, strategic objectives, intervention-areas and programs, expected outcomes and performance indicators in the three phases of industrial development strategy. The M&E at this level plays a critical role in setting the strategic level issues that need to be addressed at national and industry levels. The results of the M&E at national level provide the necessary support to implementers to ensure that national goals and targets are achieved. Special desks could be established by NIDC as necessary to expedite the M&E process, and make decisions as to the frequency of the evaluations to be undertaken. As it would be important to make an internal and external evaluation, the different consultative forums under the NIDC would have a significant role in this respect.

At sector level, the Ministry of Industry leads and coordinates the M&E activities of all the manufacturing sectors based on the industrial development goals and targets. Continuous monitoring of all programs and activities on a regular basis hinges on the Ministry of Industry and the various institutions under its jurisdiction. Developing M&E capacity within the Ministry of Industry and engagement of external evaluators is important to achieve the desired results. With respect to the M&E, the Ministry of Industry will be the main organ in determining the frequency of monitoring and reporting; in coordinating monitoring activities across agencies; in managing database; in communicating with stakeholders; and in integrating the results into decision-making and planning processes.

At the organizational or project level, a monitoring and evaluation system should provide the necessary information to improve the efficiency of the implementation process and the performance of those involved. Government and private institutions will undertake the M&E activities and provide feedback on their performances to the Ministry of Industry regularly. The various sectors in the manufacturing industry need to develop their own M&E plans and report accordingly on a regular basis.

The overall M&E effort focuses on building a system that encourages improvement and adaptation as to enable actors achieve the desired changes.

Periodic review of the development plan

As the manufacturing sector environment changes, there is always the need to revisit the development plan periodically in order to accommodate these changes. The dynamism in the manufacturing sector entails a constant review of the assumptions made in the study, and replanning whenever required. Therefore, one component of the M&E should be ensuring that the plan itself is revised as often as necessary. Goals and targets need to be considered in the light of the changing situation both in the manufacturing sector and in the external environment at large.

6.2 Risks and Mitigation Mechanisms

Several risks are anticipated during the implementation of the industrial development strategic plan envisioning a middle-income country in 2025. These prevalent risks need to be considered and measures should be taken in order to reduce their impact to acceptable level. Therefore, the risk management of this strategic plan is considered in order to take precautionary measures in good time and thus prevent failure of the implementation of the industrial development strategic plan.

Overall, the following factors are considered as major risks that are anticipated in the industrial development processes of the country:-

Low implementation capacity and lack of commitment

A plan is as good as its implementation. Hence if the implementation is not becoming a reality, then all the planning effort will be fruitless. In the current context, unless there is a high implementation capacity, the industrial development plan will be at risk. In addition, the actors need to be fully committed to the attainment of the goals and targets set in each phases of the development process. Therefore, low implementation capacity and lack of commitment are some of the major risks that need to be considered and mitigated.

Limited flow of FDI to match the development goals and targets

Notwithstanding the need to be self –reliant, it will be essential to attract FDI for the industrial development. In this regard, competition from other countries will be very stiff and poses a risk of being unable to finance the various programs and projects of this plan. In many cases, developing countries will try to lure FDI to their own country by providing attractive investment schemes and Ethiopia is required to win in a fierce competition today. Though the flow of FDI is not the only factor risking the implementation of the plan, appropriate steps are necessary to enhance the FDI flow into the industrial sector.

Fierce global competition in the manufacturing sector

The products and services from the manufacturing sector need to fulfill the required quality standards in the global market. The global value chain in the manufacturing sector requires that international standards should be met in order to remain competitive.. It is, therefore, essential to sustainably increase the quality of manufacturing products/services and become part of the global value chain. Possible marketing strategy and quality issues need to be addressed since development of the sector will be at risk if these issues are not well managed.

High entry barriers to market

Entry to some markets may be much more difficult to developing countries. In the context of the current Ethiopian industrial development strategy, getting access to the manufacturing products poses threat for the envisioned development of the sector particularly for those which are export oriented. Selection of competitive products /services and viable market segments need to be given special attention as to reduce the risk of not getting markets for the products/services of the sector.

Slow pace of the private sector development compared to the need for development

Ethiopia's industrial development strategy has clearly stipulated that the private sector is the engine for the country's industrial development. The private sector along with the government and the society should contribute significantly to the

industry development. The current situation in the manufacturing sector shows an improvement in the engagement of the private sector although it is still below what is expected. Thus, it is essential for the private sector to develop faster and take the lion's share in the investment and capital expenditure as compared to the government. In this regard, it must be emphasized that as the development and engagement of the private sector takes a slower pace, the realization of the industrial development will be at risk.

Inadequate technology transfer

Inadequate selection and adaption of appropriate technologies that provide the opportunity for faster industry development is one of the critical risks. In order to leapfrog, developing countries like Ethiopia need to make use of the available technologies through technology adaptation, adoption, and innovation. At the earlier stage of the industrial development, particular attentions need to be given for the transfer of appropriate technologies that could provide leverage for quick transition and development. This shows that the industrial sector development will be at risk if appropriate technology transfer is not effectively carried out and utilized.

In order to mitigate the risks, diverse measures need to be taken. The table below shows the major risks and mitigating mechanism that need to be followed in order to reduce the possible impacts on the development of the industry sector.

Table 30: Major Possible Risks and Mitigation Measures

S.N.	Risks	Mitigating Measures
1	Low implementation capacity and lack of commitment	• Strong and unwavering political leadership of the government • Mobilization of the private sector, government , and the society for the shared vision of creating the highest manufacturing capability in Africa • Aggressive human capital formation through term training, development , and education • Continued and active engagement of stakeholders in the industrial development process
2	Limited flow of FDI to match the development goals and targets	• Optimum utilization of domestic resources through mobilization of the society, the private sector and government. • Broadening the tax base and effective administration of tax and other domestic revenues • Increasing national domestic savings • Effective utilization of the Ethiopian diplomatic missions to attract FDI • Developing appropriate strategies that position Ethiopia better than other developing countries to compete for FDI
3	Fierce global competition in the manufacturing sector	• Improving business environment and focusing on champion products • Exploiting every opportunity through bilateral and multilateral relationship for Ethiopia's economic advantage. • Maximizing the return from free access to markets though trade agreements at continental and global level • Effective utilization of the Ethiopian diplomatic missions to promote Ethiopian businesses • Increasing the quality of manufacturing products and becoming part of the global value chain
4	High entry barriers to market	• Effective segmentation and positioning of markets and products depending on the country's competitive and comparative advantages • Speeding up the process of membership of international trade agreements such as COMESA, WTO, etc...
5	Slow development pace of the private sector	• Improving services for business start-up, expansion, etc... • Mobilizing and supporting developmental capitalists through differential incentive schemes, • Discouraging dependent capitalists that focus on rent-seeking • Facilitating the provision of capital loan to local investors from local and international banks • Zero tolerance for corruption in government and private institutions • Strengthening the anti-corruption rules and regulations to include various sectors
6	Inadequate technology transfer	• Selecting and adapting appropriate technologies • Developing partnership with multinational and global firms to get access to technology development and transfer • Creating stronger linkage between FDI and technology transfer • Integration of training and education system with industry development • Active engagement of higher education, research, and TVET institutions in technology transfer

Appendices

Annex 1: Manufacturing Sector Expansion and Diversification Program

1.1 Manufacturing Sector Expansion and Diversification Implementation Plan

Table A- Manufacturing Sector Level Expansion and Diversification

Program	Major Projects and Actions	Indicator	Target by year									Estimated Finance (Million Birr) 2013-2015	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021 – 2025		
1. Expansion Program for priority Manufacturing Sector	1. **Enhancing investment capability and business climate project**	GDP Ratio (%)	5	6	7	8	9	10	11	12	13-17		MOI and investment agency as well as bureaus
	1.1. Establishing and developing information centers for promoting investment and other business potential in the sector	Established number of centers (%)	1	-	-	3	-	-	-	-	-	**5**	
	1.2 Conducting a study for improving investment and other business incentive systems	Study document	1	-	-	-	-	-	-	-	1	**0.5**	
	1.3 Creating a system for participatory planning and coordination among supporting institutes	Established system	1	-	-	-	-	-		-	-	**o.2**	
	2. Human Resource Development Project												MOI and MOE/TVETS

Program	Major Projects and Actions	Indicator	Target by year									Estimated Finance (Million Birr) (2013-2015)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025		
1. Expansion Program for priority Manufacturing Sector	2.1Widening professional certification services for technicians, technologists, and engineers in major manufacturing activities/processes	% of established certificate providing centers	-	-	-	4	2	-	-	-	-	**10**	
	2.2 Improving the capacity of TVET and other related institutions	% of local and regional competent institutions	20	40	50	60	70	80	85	90	-	50	
	2.3 Developing a better incentive scheme for in-house skill development initiative	% of beneficiary firms	-	-	20	30	40	50	55	60	70	0.5	
	3.Enhancing quality and quantity of industrial raw material and inputs												MOI,ECRA, Quality related service providing institutions
	3.1 Undertake a detailed study of mineral resource potential of the country	Study document	-	-	1	-	-	-	-	-	1	10	
	3.2 Enhance marketing system for industrial inputs and raw materials	% of established system	-	70	100	-	-	-	-	-	-	0.5	
	3.3 Developing a special incentive schemes for local raw material and input production and its import	% of developed incentive scheme	-	70	100	-	-	-	-	-	-	0.1	

Program	Major Projects and Actions	Indicator	Target by year									Estimated Finance (Million Birr) (2013-2015)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025		
1. Expansion Program for priority Manufacturing Sector	3.4 Establishing enhanced and comprehensive standards and quality control/assurance system for imported raw materials and inputs	% of established system	-	70	100	-	-	-	-	-	-	0.1	
	4.Developing and diversifying markets project												MOI,ECRA, Quality related service providing institutions
	4.1 Establishing market intelligence information centers/units	No of established centers	-	-	4	-	-	-	-	-	-	5	
	5.Enhancing technology development and transfer project												MOI,MOST, Universities
	5.1 enhancing and scaling up technology transfer and development centers/units	No of established centers	-	-	-	4	-	-	-	-	-	15	
	5.2 Strengthening technology and innovation award schemes	% of established award schemes	-	-	-	70	100	-	-	-	-	0.5	
	6.Widening and Deeping institutional support project												MOI

Program	Major Projects and Actions	Indicator	Target by year									Estimated Finance (Million Birr) (2013-2015)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021-2025		
1. Expansion Program for priority Manufacturing Sector	6.1 Enhancing Design and Manufacturing Capability (training, coaching and system development)	Newly cultivated number of enterprises providing services	-	-	15	17	19	21	23	25	30	0.2	MOI
		Number of factories receiving such capacity building services (%)	-	10	20	30	40	50	60	70	80	0.1 5	
	6.2 Widening and deepening engineering services	Newly cultivated no of enterprises providing aforementioned services	-	5	10	13	16	19	21	22	30		
		% of support institutes with built engineering service capability	-	40	50	60	70	75	80	85	95	0.15	
	6.3 Improving managerial and entrepreneurial capability	Newly cultivated number of enterprises providing services	-	5	10	15	20	25	30	45	60	0.2	
		% of firms with built managerial and entrepreneurial service capability	-	10	20	30	40	50	60	70	95	0.15	

Program	Major Projects and Actions	Indicator	Target by year									Estimated Finance (Million Birr) (2013-2015)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025		
2.New Manufacturing Development Program	**1.Creating a very competitive investment and business climate project**												**MOI and investment agency as well as bureaus**
	1.1 Creating a competitive incentive scheme for new sectors	% of established schemes	-	-	-	-	-	-	-	70	100	0.5	
	2.Human Resource Development Project												MOI and MOE/TVETS
	2.1 Upgrading TVETS and other related institutions into a better competitive stage	% Competent Institutions	-	-	-	-	-	-	-	-	95	1	
	3.Enhancing quality and quantity of industrial raw material and inputs												MOI,ECRA, Quality related service providing institutions
	3.1 Developing a strong and more competitive incentive schemes towards local raw material and input production and its import	% of developed incentive implementation	-	-	-	-	-	-	-	70	100	0.2	
	4.Developing and diversifying markets project												MOI and MOFED
	4.1 Enhancing need-based marketing capacity for new sectors	% of firms with built capacity	-	-	-	-	-	-	60	70	80	0.6 0.2	

Program	Major Projects and Actions	Indicator	Target by year									Estimated Finance (Million Birr) (2013-2015)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021-2025		
2.New Manufacturing Development Program	**5.Enhancing technology development and transfer Project**												MOI,MOST, Universities
	5.1 Building product design and development capacity of firms	% of firms with built capacity	-	-	-	-	-	-	60	70	80	0.5	
	6.Widening and Deeping institutional support project												MOI
	6.1 Building technical and managerial capability of firms	% of factories receiving such capacity building services	-	-	-	-	-	-	60	70	80	0.5	

1.2 Metal and Engineering Services Sector Expansion and Diversification Program
Table B- Metal and Engineering Services Sector Implementation Plan

Program	Major Projects and Activities	Indicators	Target by year									Estimated Finance (Mil. Birr)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025	2013-2015	
1. Expansion and Diversification Program for Metal Sector	**Major Target of the Metal Sector**	GDP Ratio (%)	0.7	1.22	1.5	11	11	11	15	15	15	22,620 (Total investment Cost)	MIDI
		GVP	33.8	50.7	101.4	131.8	171.37	222.78	289.61	376.5	489.4-1398		
	1. Human Resource Development Project												MIDI
	1.1 Building the capacity of factories and supporting service providing institutions to establish in house skill development system	% of firms with built in-house skill development system	10	30	50	70	75	80	85	90	95	57.37	
	1.2 Developing a special project fund/ incentive for foreign skill development initiative	% of Firms incentivized with foreign skill development initiative	10	30	50	70	75	80	85	90	95	600	
	2.Enhancing sustainable supply of industrial raw material and inputs projects												MOI/MIDI and MOM
	2.1 Establishing a system for bulk purchase/import of raw materials and input	% of established system	70	100								130,200 (Raw material cost	
	2.2 Create a supply chain system between upstream and downstream industry to fulfil downstream Industry raw material requirement.	% of established system	70	100								0.5	

Program	Major Projects and Activities	Indicator	Target by year									Estimated Finance (Mil. Birr)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021-2025	2013-2015	
1. Expansion and Diversification Program for Metal manufacturing Sector	2.3 Government involves in ferrous and non-ferrous ore extraction project	% of projects completed	20	50	70	100							
	3.Developing and diversifying markets project												
	3.1 Developing a market penetration strategic plan to integrate the metal sector into a global value chain	% of study document completion	-	100								1.20	MOI/MIDI
	4.Enhancing technology development and transfer project												
	4.1 Technology upgrading, adoption and utilization study and implementation plan regarding manufacturing and design in some selected sub-sectors of metal industry	% of study document completion		70	100							2	MOI/MIDI
	4.2 Capacity building for factories and support service providing institutions to establish in house research and development center specially in the area of reverse engineering	% of firms with built in capacity		20	30	40	50	60	70	80	85	60	

Program	Major Projects and Activities	Indicator	Target by year									Estimated Finance (Mil. Birr)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025	2013-2015	
1. Expansion and Diversification Program for Metal Sector	**5.Widening and Deeping institutional support project**												MOI/MIDI
	5.1Enhancing Design and Manufacturing Capability (training, coaching and system development)	Newly cultivated no of enterprises providing the services	-	-	10	12	14	16	18	20	28	50	
		% factories receiving such capacity building services	-	20	30	40	50	60	70	80	-	115	
	5.2 Improving managerial and entrepreneurial capability	% of firms and institutions with built managerial and entrepreneurial service capability		20	30	40	50	60	70	80	95	115	
		Number of newly cultivated enterprises providing the services	-	-	10	13	16	19	21	22	30	50	
	5.3 Widening and deepening engineering services	% of factories receiving such capacity building services		10	20	30	40	50	60	70	80	115	

1.3 Footwear, leather and leather products sector Expansion and diversification Program

Table C Footwear, leather and leather products sector expansion and diversification implementation plan

Program	**Major Projects and Activities**	**Indicator**	**Target by year**									**Estimated Finance (Mil. Birr) (2013-2015)**	**Implementing body**
			2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021 - 2025**		
1 Expansion of the Existing Industry	Increasing the production capacity of the existing products	Export earning in million USD	352	417	496	535	582	639	709	794			Private sector, LIDI, MOI, bank
1.1 .Compensation capital investment projects of GTP													
1.1.1 Tannery expansion													
GTP plan: 3 producing 30000ft.sq, status 28000 ft capacity are under investment, Gap:-2000ft.sq and Still there is shortage of finished leather for shoe factories.													
	Building 5studio type tanneries producing 1000 squ.fit finished leather	000` square fits of leather	217	230	242	261	284	311	345	387			
	Finance(million Br)		15	20	20							**55**	

Program	Major Projects and Activities	Indicator	Target by year									Estimated Finance (Mil. Birr) (2013-2015)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025		
1.1.2. Foot wear													private sector, LIDI, MOI,

Program	Major Projects and Activities	Indicator	Target by year									Estimated Finance (Mil. Birr) (2013-2015)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025		
GTP plan: - reaching 21 million pairs of shoe annual production capacity, Completing the shoe factories under investment will make annual production capacity 11 million pairs of shoes (excluding the Huajian shoe projects).	Support intensively to finish the Huajian shoe project to produce minimum 5 million shoe pairs annually /18 000 per day. -promote the investment of 6 new shoe factories with daily production capacity of 18000 shoe pairs/5 million pairs,(excluding the hujian project).	million pairs shoes	15	18	21	23	25	27	30	34			Bank
	Unit factory million Birr =105 (Excluding Huajian project)		210	210	210							**630**	

Program	Major Projects and Activities	Indicator	Target by year									Estimated Finance (Mil. Birr) (2013-2015)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025		
1.1.3.Leather goods and articles GTP plan:-4.4 million pair of gloves, status:- 3.6 million pair glove	Promote the expansion of investment on 0.8 million pair of gloves by the existing factories	thousand pieces	420	749	1,307	1,307	1,307	1,307	1,307	1,307			Private sector, LIDI, MOI, bank

Program	Major Projects and Activities	Indicator	Target by year									Estimated Finance (Mil. Birr) (2013-2015)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025		
	Unit cost in million Birr=20			20								**20**	
2.Diversification of the Industry													private sector, LIDI, MOI, bank
	-producing athletic (sport shoe)	Million pairs shoes				2	3	4	5	6			
	Finance(in million Birr)				250							**250**	
	Diversify Glove production	Million pairs of gloves				5	6	7	8	9			

Program	Major Projects and Activities	Indicator	Target by year									Estimated Finance (Mil. Birr) (2013-2015)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025		
	Unit cost million Birr=89				89							**89**	
3.Other Programs/Projects													
3.1. Infrastructure Development	Establishing leather industry complex	Number of leather industry complex build		1		1		1		1			

Program	Major Projects and Activities	Indicator	Target by year									Estimated Finance (Mil. Birr) (2013-2015)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025		
	building leather industry complex in Mojo city(unit cost= 600millonBirr)			600								600	private sector, LIDI, MOI, bank/NGO
	Building footwear , leather goods & articles cluster sheds in Addis Ababa and the regions	Number of shades build		**3**	3	2	2	2	2	2			FEMSEDA, LIDI, regional administration, bank.

Program	Major Projects and Activities	Indicator	Target by year									Estimated Finance (Mil. Birr) (2013-2015)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025		
	Unit cost(million Birr)=20			60	60							120	
	Establishing footwear and leather goods articles design and fashion studio centre at LIDI and regions	Number of studios established			1	1	1	1					LIDI, TVET agency
	Unit cost(million Birr)=15			15	15							30	
3.2. Research and Product Development(R&D)	-Research and product development on Ethiopian low land skin, transferring the technology	% of improvement in using low land skins		50	70							10	LIDI, private sector

Program	Major Projects and Activities	Indicator	Target by year									Estimated Finance (Mil. Birr) (2013-2015)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025		
	Unit cost million Birr=4			4	4							8	
	-Research and product development on Ethiopian hides (cow), transferring the technology.	Percentage of improvement of finishing capacity of hides		50	70								
	Unit cost=5			4	4							8	
3.3.Capacity Development	Twining LIDI with Italian footwear design and studios/local studios												LID
	Unit cost(million Birr=10)				20							20	
3.4Training of Trainees	Especial training on athletic(sport shoe)(training of trainee)	Number of trainees		100	100	100	100	100	100	100			LIDI, TVET agency
	Unit cost(million Birr=5)			5	5							10	

Program	Major Projects and Activities	Indicator	Target by year									Estimated Finance (Mil. Birr) (2013-2015)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025		
	Especial training on ,glove , leather goods and articles training(training of trainers)	>>		100	100	100	100	100	100	100			LIDI, TVET agency
	Unit cost(million Birr=5)			5	5							10	
3.5.Investment promotion	organizing investment promotion /forums in the presence of higher government official s/delegations	Number of forums /promotions		3	3	3	3	3	3	3			LIDI, MoFA
	Availing project profiles for potential investors	Number of project profiles taken by potential investors			30	30	30	30	30	30	30		LIDI
	Unit cost(million Birr=15)			15	15							30	
3. 6.Marketing	Upgrading the website of LIDI including its marketing data base	Number of people who uses/looks of the Data base in millions			1	2	3	4	5	6	7		LIDI

Program	Major Projects and Activities	Indicator	Target by year								Estimated Finance (Mil. Birr) (2013-2015)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025	
	Unit cost(0.5 million Birr)			0.5								0.5	
	Market matchmakings ,preparing national exhibition and participating in international exhibitions to promote Ethiopian products	Number of exhibitions prepared and number of trade fairs (leather, footwear, leather goods and articles		1,4	1,5	1,6	1,6	1,6	1,6	1,6			LIDI,MOI, MoFA
	Unit cost(5 million Birr)			10	10							20	
	Establishing leather ,footwear , leather goods articles outlets in Addis Ababa and regional cities	Number of established leather ,footwear and leather goods articles outlets in Addis Ababa and regional cities		1	2	2	2	3	3	3			ELIA,LIDI
	Unit cost=20 million Birr			20	40							60	

Program	Major Projects and Activities	Indicator	Target by year									Estimated Finance (Mil. Birr) (2013-2015)	Implementing body
			2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025		
3.7. Raw Hides and Skins Quality and Quantity Improvement	Training on slaughter, raw hides and skin collection, awareness creation	Number of trainees		100	100	100	100	100	10	100			MoA, LIDI NGOs, Banks, raw hides and skins collectors.
	Unit cost = 5 million Unit cost in Birr			5	5							10	
	Establishing raw hides and skins marketing centers starting from major regional cities.			10	10	10	10	10	11	11			
	Unit cost=5 million Birr			50	50							100	
	Total finance(million Birr)		**225**	**984**	**742**							**1,951**	

1.4 Agro Processing Sector Expansion and Diversification Program
Table D: Agro Processing Sector Expansion and Diversification Implementation Program

Program	Major activities and /or Projects	Indicator	Target by year/phase								Estimated Finance required (Mil Birr) (2013-2015)	Implementing body
			PHASE I			PHASE II				PHASE III		
			2013	201 4	2015	2016	2017	2018	2019	2020	2021 - 2025	
Industrial development expansion program of the existing agro-processing sub sector	**A, Produce competent human resource needed for industrial development (Expansion/deepening of the existing industries)** **1.** Enhance the number of business development services (BDS) by upgrading their skill and certificating their professional skill 2. Reinforce the industry-university linkage to supply skilled and middle level work force to the sector. (Harmonize, the University, TVET curriculum with the existing industry and expand their courses to produce the required expertise). 3. Assist and encourage the industry to cooperate and collaborate with universities and training institutes to	**Improved labour productivity & management efficiency**									**17.30**	MOI, Private sector Associations,
		number of BDS providers increased										MOI,MOE, TVET Agency, Industries
		University- industry linkage increased										MOI, MOE, Industries
		Number of qualified graduates increased										MOI, TVET, & Industries Industries,
		More Capable semi- skilled work force										TVET agency, MOI, industries
		Management leadership efficiency improved										MOI and training institutions

	produce the required workforce. 4. Align the vocational trainings with the demand of the industry sector to produce fresh technical graduates. 5. Provide compressive training to industry leaders, high level technicians for the development of the expansion program.												

Program	Major activities and /or Projects	Indicator	Target by year/phase								Estimated Finance required (Birr) (2013-2015)	Implementing body
			PHASE I			PHASE II					PHASE III		
			2013	201 4	2015	2016	2017	2018	2019	2020	2021- 2025		
Industrial development expansion program of the existing agro-processing sub sector	**B, Ensure consistent supply of high quality industrial raw materials, for identified strategic agricultural products and inputs with potential areas of producing regions.** 1. Support the production and productivity of agricultural domestic raw materials. 2. Establish strong supply linkage program between producers and processing companies through (strengthening the cooperatives, farmers unions, out growers and contract farming modalities)	**increased utilization capacity of companies in** **Efficient links are established** **At least one additional commodity exchange centre is in place** **Increased efficiency of logistics facilities**									**12.80**	**MOA, MOI, Cooperatives, unions Research institutes. MOT, MOI Customs, Associations. MOT, ECEA, MOA, MOI MOI, MOT, M o transport, MOFED, EAL**

	3. Support easy access to import raw materials and basic inputs 4. Assist Competitive marketing of crops and other inputs thereby pave the way to establish additional commodity exchange centers that can give similar marketing facilities like ECX. 5. Improve marketing infrastructure & marketing modalities (warehouse and cold chain management, banking, logistics and, transportation system),												

Program	Major activities and /or Projects	Indicator	Target by year/phase									Estimated Finance required (mil Birr) (2013-2015)	Implementing body
			PHASE I			PHASE II					PHASEIII		
			2013	201 4	2015	2016	2017	2018	2019	2020	2021 - 2025		
Industrial development expansion program of the existing agro-processing sub sector	**C, Developing and diversifying markets and investment for the manufacturing industries (local, regional, global markets of the existing industries)** 1. Assess domestic demand, the various imported processed foods quality, ingredients and contents and give proper market information. 2. Expand export markets through coordinated and comprehensive trade promotion activities in potential buying countries of neighboring countries, emerging markets and others. 3. Diversify the product range through R&D activities to ensure the products meet international standards, health and safety of products, quality. Encourage branding and product diversification. 4. Support to expand food safety testing and certification facilities to assure the quality and compliance with international certification requirements. 5. Establish market intelligence information centers for	Improved export performance									**49**	MOI, customs, MOT, MOI, MOT, industries MOST, ERI, MOI BDS ERI, FDCA, EQSA,MOI MOFA, MOT, MOI, MICT

	match-making, attract investment and market linkage (information system, and net working, promotion, etc.)												

Program	**Major activities and /or Projects**	**Indicator**	**Target by year/phase**									**Estimated Finance required (mil Birr) (2013-2015)**	**Implementing body**
			PHASE I			**PHASE II**					**PHASEIII**		
			2013	**201 4**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021- 2025**		
Industrial development expansion program of the existing agro-processing sub sector	**D, Enhancing technology and technology transfer for industrial development to improve the processing technology of companies.** 1. Assess the critical technological gap of existing companies and design ways of addressing the gap though benchmarking, and technical upgrading 2. Enhance and widen technology transfer and development centers/units (gather and organize information on global technological development) 3. Strengthen the technological adoption,		**x**	**x**	**x**							**6,220**	MOI, Companies, RI, MOST, MOI, Companies MOI, MOST, MOST, MOI, RI, MOI, Associ.

	copying and disseminate new technologies, etc…food preservation and packaging technology, extraction and purification technologies, applying biotechnology to obtain bio-active substances for ingredients. 4. Develop special food technology research centers and commercialize R&D findings of public research institutes. 5. Promote the private sectors to undertake research in collaboration with international and public research institutes.												

Program	Major activities and /or Projects	Indicator	Target by year/phase									Estimated Finance required (mil Birr) (2013-2015)	Implementing body
			PHASE I			PHASE II					PHASE III		
			2013	201 4	2015	2016	2017	2018	2019	2020	2021-2025		
Industrial development expansion program of the existing agro-processing sub sector	**E, Developing and Strengthening institutional support and infrastructure for industrial development** 1. Provide adequate assistance to meet the infrastructure to support the growth of food industry, improve the facilities of water and electric supply, cold chain facility of air port, 2. Support the relevant institution to address the high cost of transportation and logistics, customs and banking facilities. 3. Encourage food industry associations to further strengthen and keep the interests of the industry at a national and international level. 4. Strengthening the enforcement on compliance with food regulation and make the industries graduate to high level of food safety and quality certification 5. Establish agro-industrial clusters in various potential areas of the country	**Infrastructural facilities are well established** **Well organized associations** **The number of companies that meet standards increased** **At least four agro sector clusters are organized**									**32,100**	**MOFED, MOI,** **MOT, Customs, Banks, MOI** **MOI, Associ.** **MOST, MOE, MOI, Companies** **MOI, MOA,**

Program	Major activities and /or Projects	Indicator	Target by year/phase									Estimated Finance required (mil Birr) (2013-2015)	Implementing body
			PHASE I			PHASE II					PHASE III		
			2013	201 4	2015	2016	2017	2018	2019	2020	2021 - 2025		
Industrial development of new sectors Diversification program	**A, Produce capable human resource needed for industrial development of new sector and supply of highly skilled workforce,** 1. Enhance and diversify the number of BDS providers and the services by providing professional skill upgrading training 2. Strengthen the industry-university and institutes linkage to supply skilled workforce to the sector. (Harmonize, the University, TEVT curriculum with new industries and with the newly diversified sectors) 3. Establish new institute specialized in promotion, research and development of the new sector work force to support new technologies in areas of product and process design integration, food preservation, packaging, extraction, and product development.	**roductivity & management efficiency increased** **University industry linkage strengthened** **Well organized functional institution is established**											**MOI, Private sector Associations,** **MOI,MOE, TVET Agency, Industries** **MOI, MOE, MOFED, Industries** **MOI, Tvet and Industries Industries,**
	B, Ensure sustainable supply of high quality industrial raw materials, (diversification areas) 1. Develop and enhance the production and productivity of selected agricultural raw material production. (Oil seeds, sea foods, forestry, fodder and feed inputs etc.) 2. Promote and attract commercial farming investment on strategic crops with special incentives and link with processing industries. 3. Establish agro- food parks or industrial zones for food processing.	**The Enhanced capacity utilization of companies** **Improved Productivity Increased number of commercial farms Additional 5 parks are constructed**											**MOA, Industries, MOI and RI Moa,** **Cooperative Agency, MOI** **MOI, MOA, Regions**

Program	Major activities and /or Projects	Indicator	Target by year/phase									Estimated Finance required (mil Birr) (2013-2015)	Implementing body
			PHASE I			PHASE II					PHASE III		
			2013	201 4	2015	2016	2017	2018	2019	2020	2021 - 2025		
Industrial development of new sectors Diversification program	**C, Developing and diversifying markets for the manufacturing industry outputs (local, regional, global markets)** 1. Diversify the product range through R&D activities to ensure the products meet international standards health and safety of products, quality. 2. Encourage branding, product diversification and Support to expand food safety testing and certification facilities to assure the quality and compliance with international certification requirements. 3. Develop center of excellence for biotechnology based processing and production of food items to give multifaceted service for the sector. 4. Establish regional market coordination offices (Middle East, Europe, USA etc) to get access to market	**Improved export performance** **The number of new products and brands increased** **Well organized functional center of excellence is established** **At least ten companies work jointly with multi nationals**										**MOST, FDCA, MOI, MOT** **MOST, MOI, companies MOT.** **MoFAD, MOI** **MOFA, MOI, MOT, companies,** **MOI, companies, Promotion**

	intelligence information, match making and market linkage (information system, marketing strategy and net working, promotion) 5. Encourage large processing companies and look for strategic partnership with companies overseas which have strong marketing networks.												**Agencies.**

Program	Major activities and /or Projects	Indicator	Target by year/phase									Estimated Finance required (mil Birr) (2013-2015)	Implementing body
			PHASE I			PHASE II					PHASE III		
			2013	201 4	2015	2016	2017	2018	2019	2020	2021-2025		
Industrial development of new sectors Diversification program	**D. Enhancing Technology and technology transfer for industrial development.** 1.Widen technology transfer and development centers/units (collect and organize information on global technological development 2. Assist the dissemination of new technologies, food preservation and packaging technology, extraction and purification technologies, assist the application of biotechnology. 3. Develop special food technology research centers and commercialize R&D findings of public research institutes focusing on new strategic sectors. 4. Promote the private sectors to undertake research in collaboration with international and public research institutes. 5. Encourage local manufacturers of machinery and equipment and packaging industry to cooperate with the food based industry to	**More number of state of the art technology is applied** **The number of companies meeting standards increased** **Legal frame work is approved for the private sector to work in R&D** **Local manufacturers produce food processing machines.**										**MOI, MOST, Companies,** **RI, MOST, MOI, Companies** **MOI, MOST, MOST,** **RI, MOI, Associ.** **MOI, Associ, private sector**

	customize their products to the sector.												
	E, Developing and strengthening institutional support and infrastructural facilities for further investment of diversified industries. 1. Enhancing the investment and development of new industries in the sector **2.** Fostering the establishment of new institutions proposed for industrial development	**At least 10 additional processing companies are established,** **At least 2 supporting institutions are established**											**MOFED, MOI, Investment agency. Investment Agency, private sector, MOI, Development partners**

Financial Requirement for Agro-Processing Expansion and Diversification Programs

Capital investment projects during the GTP period								
Expansion And Diversification Area	**GTP Expected Plan**	**Current status**	**Reasons for delayance**	**Measures to be taken**	**2013**	**2014**	**2015**	**Required Finance In Million Birr (2013-2015)**
I, SUGAR SECTOR 1. Expansion **2.** New establishment	Expansion of the 4 existing sugar industries Establish 10 new industries	Under progress Partially under construction	Leadership, financial limitation Infrastructural, financial constraints	Address the challenges and constraints through investment and skill and technical upgrading	893.0 18417.3	906.1 25,017.8	461 19,401	**155,283.66** 85,479.55 69,804.11
II, Flour sector/Food staffs/ 1. Spaghetti Pasta, Macaroni, corn flex 2. Health care and baby foods **3.** Plan-peanuts	Two pasta, Macaroni and corn flex factories Four health care, baby foods, flour factories One plan-peanut processing	Some are operational while some are at construction and project phase	Financial limitation ,shortage of raw material and processing technology	Attract new investment, FDI and domestic or joint venture with public investment Address shortage of raw materials	130 45 60 =	105 45 60 70	60 = 60 =	**400** 90.0 240.0 70.0
III, Spices sector	Spice extraction factory	New	Luck of international market awareness	Promote the market opportunity to attract investment				**240.0**

Capital investment projects at the GTP period								
Expansion And Diversification Area	**GTP Expected Plan**	**Current status**	**Reasons for delayance**	**Measures to be taken**	**2013**	**2014**	**2015**	**Required Finance In Million (2013-2015)**
IV, Oil seed sector 1. edible oil 2. treated oil seeds 3. Tahina and halawa	Three edible oil factories Four oil seeds processing Three high value added processing of oil seeds for food (hallawa, thaina)	Two treated oil seeds processing companies are under project One edible oil project is under study	Financial limitation , raw material supply shortage and weak focus as a priority	Attracting new investment, FDI and domestic or public joint venture with investment with special incentives and establishing good infrastructural facility.	130 60 40 70	105 90 20 70	60 130 20 70	**410.0** 120. 80.0 210
V, Meat sector 1. Canned beef meat 2. Special cut meat 3. Poultry **4.** Birds and pig meat	New Under start New	Two meat processing industries are under construction New New	Raw material sourcing, health and similar extension work, informal market etc	Give due attention to finalize the projects and address the challenges				Not known
VI, Wood sector	Furniture, house hold, construction and metal substitution products	New	Informal system	Formalize the informal sectors and work on the raw material base, technology etc.		40	240	**280**

Capital investment projects at the GTP period								
Expansion And Diversification Area	**GTP Expected Plan**	**Current status**	**Reasons for dalliance**	**Measures to be taken**	**2013**	**2014**	**2015**	**Required Finance in million (2013-2015)**
VII, Sea food sector 1. Fishery 2. Other sea foods	Canned fish and tuna fish products	New	Raw material & infrastructural base are crucial	Promotion & raw material base development work is needed				Not known
VIII, Organic products	Processed foods under special brand & origin	New	Lack of international market awareness	Promote the market opportunity to attract investment		50	70	**120.0**
Total investment required								**156,733.66**

1.5 Textile and Garment sector Expansion and Diversification Program

Table E Textile and Garment sector Expansion and Diversification Implementation Plan

Program	Major Activities (Projects)	Indicator	Estimated Budjet '000 Birr	Target By Year/Phase (Est. Finance)								
				2013	20 14	2015	2016	2017	2018	2019	2020	2021-2025
Expansion Program for Textile Sector & Diversification Program for Textile Sector	**1. Enhancing capacity utilization and investment in the sector projects/subprograms**											
	1.1 Conducting a study f improving investment and other business incentive systems by taking the following factors into consideration: * Technology transfer * Value addition * Employment * Linkage effects etc.	Study document	100		1	-	-	-	-	-	-	1
	1.2 Creating a system for joint planning and coordination among supporting institutes	System Establishment (%)	100	-	100	-	-	-	-		-	-
	2.Enhancing availability and competence of human resource											
	2.1 Widening professional certification services for technicians, technologist, and engineers	Number of established certificate providing services centers	6,000	-	-	-	4	2	-	-	-	-
	2.2 Improving the capacity of TVETS and other related institutions	Number of institutions with built capacity	100,000	3	5	5	3	3	3	3	3	
	3.Enhancing quality and quantity of industrial raw material and inputs											

Program	Major Activities (Projects)	Indicator	Estimated Budjet '000 Birr	Target By Year/Phase (Est. Finance)								
				2013	20 14	2015	2016	2017	2018	2019	2020	2021-2025
	3.1 Enhance marketing system for industrial 3.2 inputs and raw materials	System Establishment (%)	1,000	-	1							

Program	Major Activities (Projects)	Indicator	Estimated Budjet '000 Birr	Target By Year/Phase (Est. Finance)								
				2013	20 14	2015	2016	2017	2018	2019	2020	2021 - 2025
Expansion Program for textile Sector & Diversification programme for textile sector	3.2 Developing special incentive schemes for local raw material and input production and its import	Number of developed and implemented incentive schemes	100	-	1	-	-	-	-	-	-	_
	3.3 Establishing strong raw material and product supply chain among manufacturers	Number of established networks	100	1	-	-	-	-	-	-	-	-
	3.4 Establishing standards and quality control/assurance system for imported raw materials and inputs	System (%)	100	70	100	-	-	-	-	-	-	-
	4. Export promotion for textile sector											
	4.1 Establish market intelligence information centers/units	Number of established centers	10,000	-	4	-	-	-	-	-	-	-
	5.Enhancing technology development and transfer											
	a. Enhance and widen technology transfer and development centers/units	Number of established centers	10,000	-	4	-	-	-	-	-	-	

Program	Major Activities (Projects)	Indicator	Estimated Budget '000 Birr	Target By Year/Phase (Est. Finance)								
				2013	20 14	2015	2016	2017	2018	2019	2020	2021 - 2025
Expansion and diversification program for textile sector	5.2 Strengthen technology and innovation award schemes	% of established award schemes	1,000	70	100	-	-	-	-	-	-	-
	6.Widening and Deeping institutional support for industrial development											
	6.1 Enhancing capacity for fashion and design factories	Number of factories receiving such capacity building services	10,000	5	10	15	20	25	30	35	40	45
	6.2 Improving managerial and entrepreneurial capability	Number of factories receiving the capacity building services	1,000	_	10	20	30	40	50	-	-	-
	7.Develop curriculum and implement as per the need of the new diversified industries	% of developed curricula	10,000							100		

Financial Requirement for of New Investment Projects (2012/13-2014/15) in Million USD

		year			Total	Assumptions
		2013	2014	2015		
1	Ginnery	0.5	1	1	2.5	1 factory=Plant with 36 DR gin stands with investment cost of 1 million USD
2	Spinning	92.5	120	120	332.5	1 factory=plants having 50,000 spindles with investment cost of 120 million USD
3	Weaving	-	-	50	50	1 factory=plants having 140 looms with investment cost of 50 million USD 50 million USD
4	Knitting	-	-	40	40	1 factory=Two plant having105 knitting machines with investment cost of 40 million USD
5	Finishing (Woven)	77.2	38.6	38.6	154.4	1 factory=Plants finishing 50,000 sq. meters per day with investment cost of 38.6 million USD
6	Finishing (Knitted)	14	19.6	19.6	53.2	1 factory=plants having 20 soft flow dying machine with investment cost of 19.6 million USD
7	Apparel (Woven)	9.8	9.8	9.8	29.4	1 factory=plants producing 10,000 pcs per day having 544 machines with investment cost of 9.8 million USD
8	Apparel (Knitted)	12.8	12.8	12.8	38.4	1 factory=plants producing 29,516 pcs per month having 557 machines with investment cost of 12.8 million USD
Total					**700.4**	

Material Requirement of Large and Medium Textile and Apparel Industries 2012/13-2014/15 (Value in million USD)

No	Material	Unit	2013		2014		2015	
			Quantity	Value	Quantity	Value	Quantity	Value
1	Raw Cotton	Ton	233,664	84	297,727	113	367,778	26
5	Synthetic Fiber	Ton	**21,029**	**35**	**33,526**	**60**	**51,029**	**96**
6	Silk Fiber	Ton	**9,346**	**24**	**15,965**	**43**	**25,514**	**71**
9	Thread	Ton	**424**	**7**	**536**	**8**	**642**	**10**
10	Buttons	dozen in '000	**1,077**	**13**	**1,388**	**17**	**1,646**	**21**
11	Dyestuff and Chemicals	Ton	**8,834**	**26**	**13,742**	**40**	**19,632**	**57**
Total	**189**		**281**		**281**			

Capital Projects of TIDI for the Remaining GTP Periods (financial sources: government and development partners

No	Project Name	Responsible Bodies	Starting Times	Ending Times	Indicator	Quantity	Total Cost '000 birr	Utilized '000 birr
1	• Completing the construction of TIDI building, • **Construction of spinning, weaving and finishing workshop** • **Buying and installing of machineries for the workshops**	**TIDI**	**2005**	**2007**	**%**	**72%**	908,651	161,490
2	**Twinning of TIDI with relevant international institute**	**TIDI**	**2005**	**2007**	**%**	**100**	**89,751**	-
3	**Implementation of benchmarking in garments and textiles**	**TIDI and factory owners**	**2005**	**2007**	**Number of factories**	**36**	**485,900**	-
Total							**1,494,302**	**161,490**

1.6 Chemical Sector Expansion and Diversification Program

Table F Chemical Sector Expansion and Diversification Implementation Plan

Major strategies and Programs	Major activities (Projects)	Indicator	Target by year/phase									Estimated Finance (million Birr)	implementing body
			2013	20 14	2015	2016	2017	2018	2019	2020	2021 - 2025		
1.1 Expansion of the existing industry	Increasing the production capacity of the existing companies	Gross value production in million Birr	**8.9**	**12.9**	**20**	**21.5**	**23.4**	**25.5**	**28.5**	**32**	**247.3**		
	Establishing Chloro Alkali Industry	Construction progress of the companies (in %),which can produce 50,000 tons of caustic soda and 60,000 tons of PVC and 30,000 tones of soda ash	**50**	**85**	**100**							**300**	**MOI**
	Establishing UREA and DAP producing factories	Construction progress of 5 urea producing factories with a capacity of 1.5 million tons and DAP producing factory with production capacity of 750,000 tons per year	**50**	**85**	**100**							**55,000**	**MOI**
	Establishing Soap and Detergent factories	Number of factories established to produce soap and detergent up to 66,000 tons	**1**	**1**	**1**							**30**	**MOI**
	Establishing plastic producing factory	Construction progress(%) of the company which can produce 37,000 tons of polyethylene	**25**	**50**	**100**							**500**	**MOI**
	Establishing pulp and paper producing factory	Number of paper factories with annual production capacity of 82,000 tons	**1**		**1**							**1,591**	**MOI**
		Factory established for producing short pulp fiber with a capacity of 78,670 tons /year	**1**		**1**							**7,500**	**MOI**
		Factory established for producing long pulp fiber with a capacity of 79,000 tons/year		**1**								**3,500**	**MOI**

Major strategies and Programs	Major activities (Projects)	Indicator	Target by year/phase									Estimated Finance (in million Birr)	implementing body
			2013	**20 14**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021 - 2025**		
1.2. Diversification of the industry	Establishing Chloro Alkali and inorganic chemical Industries	Construction progress of the companies (%)				15	30	60	80	100			>>
	Establishing Petro Chemical Industry	Construction progress of the complex (%)									**100**		>>
	Establishing specialty chemical industry	Construction progress of the companies (%)				**25**	**50**	**100**					>>
	Establishing agro chemical industry	Construction progress of the companies (%)				**50**	**100**						>>
	Establishment of pulp and paper industry	Construction progress of the companies (%)				**20**	**40**	**60**	**80**	**100**			>>
1.3. Infrastructure development program	Establishing petrochemical complex industry	Number of complexes built									1		>>
	Building chemical industry clusters	Number of clusters built						2		2			>>
1.4. Capacity building programs	Twining , Bench marking program	Results achieved from the programs											>>
1.5.Human resource Development	Especial training on petrochemical production	Number of trained skilled workers							400	400	1000		

Annex 2: Enterprise Cultivation and Entrepreneurship Development Program
TableG. Enterprise Cultivation and Entrepreneurship Development Program Implementation Plan

S.N.	Program	Program Projects		Major activities/ Projects		Indicators	Target by year/phase									ESTIMATED FINANCE	IMPLEMENTING BODY
							2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025		
1	Enterprise Cultivation Program	1	Capacity building projects	1	Establish business incubation centers	Number of centers established.	10	20	30	30	30	30	30	30	150	108 million	Universities, TVET's, MoI
				2	Institutionalize and intensify entrepreneurship training & education	Number of entrepreneur trainees (in thousands)	40	60	100	70	70	70	60	60	250	780 million	FEMSEDA, MOI, TVET Agency,
		2	Infrastructure development projects		Implement e-business and ICT support services	Number of business services established	30	40	50	60	70	100	100	100			ETC, MoT, MoI
		3	Marketing system development projects	1	Develop market system and trade linkages	Number of efficient market systems and trade linkages established											MoT, MoI, MoA
				2	Initiate SME-MLEs subcontract agreements	Number of subcontract agreements signed.	100	300	500	1000	5000	5000	5000	5000	50000	35.95 mil	MoI

.N.	Program	Program Projects		Major Activities/ projects		Indicators	Target by year/phase									Estimated Finance	Implementing body
							2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025		
1	Enterprise Cultivation Program	4	Enterprise Cultivation programs	1	Promote investment of industrial input manufacturing enterprises	Number of input manufacturing industries established.	2	2	2	3	3	4	4	4	4	28,000,000	MoI
				2	Organize certified SMEs which will be linked to MLEs	Number of SMEs organized.	20	50	80	110	140	170	200	230	1600	100,000,000	TVET, FESMSEDA, MOI
Sub Total																**1,051,950,000.00**	

Annex 3: Government, Local and Foreign Investment Promotion Program

Table H Investment Promotion Program Implementation Plan

Program	Sub programs	Specific activities	Indicators	Target/estimated cost (USD)									Responsible body
				2013	2014	2015	2016	2017	2018	2019	2020	2021-2025	
Investment Promotion	FDI Promotion	Establish efficient FDI management System	Number of FDI in USD	-	1Bil	2bi	4 Bil	8 Bil	16 Bil	32Bil	64Bil	123Bil	Deputy rank of prime minister for economic cluster, MoI, MoFED, MoT, MOFA, investment agency
		Establish differential inceptive schemes to attract FDI		2 mil	5mil	7 mil	8 mil	10 mil	12 mil	14 mil	16 mil	20 mil	
		Institute one stop shop service for FD investors											
		Ensure access to finance for FDI											
	Local /Private investment Promotion	Formulate comprehensive and sector specific local /private investment strategy	Number of Local Private Investment in USD	2 Bil	5 Bil	6 Bil	10 Bil	15 Bil	20 Bil	25 Bil	30 Bil	40 Bil	Deputy rank of prime minister for economic cluster, MoI, MoFED, MoT, MOFA, investment agency
		Use different modern media/channels of communication to promote local investment Identify potential investment opportunities and make the information available for local investors		2 mil	5mil	7 mil	8 mil	10 mil	12 mil	4 mil	16 mil	20 mil	
		Organize national industrial investment conferences semi annually											
		Establish differential incentive schemes to attract local investors											
		Institute one stop shop service for FD investors											
		Establishing efficient local investment management system											
		Ensure access to finance for FDI											
		Sign bilateral trade agreements											

Program	Sub programs	Specific activities	Indicators	Target/estimated cost (USD)									Responsible body
				2013	2014	2015	2016	2017	2018	2019	2020	2021-2025	
Investment Promotion	Public investment promotion	build the investment and technological capacity of local investors	Number of Public Investment in USD	10 Bil	25 Bil	35 Bil	50 Bil	45 Bil	40 Bil	30 Bil	28 Bil	46 Bil	MoFED, MoI, Ministry of transportation, Minstry of energy and water, Ministry of construction
				5Bil	7.5 Bil	10 Bil	15 Bil	20 Bil	17 Bil.	22 Bil	25 Bil	20 Bil.	
		Avail especial industrial funds/budget from international and local sources											
		Establish forum to generate funds from local sources for local investment											
		Engage in capital intensive manufacturing industrial investment											
		Investment in industrial infrastructure development (road, construction, railway, electric power…)											
		Sustain government investment in social overhead capital											

Annex 4: Industrial zones Development Program

Table I Industrial Zone Development Program Implementation Plan

S.N.	Program	Program Projects		Major Activities (Projects)		Indicator	Target by year/phase (est. Finance)								Estimated Finance required	Implementing body
							2013	2014	2015	2016	2017	2018	2019	2020 2021 - 2025		
1	Industrial Cities, Parks, Special Economic Zones Development Program	1	Creating Conducive Environment for establishing industrial cities	1	Formulate and implement industrial city/ zone development policy, strategy and guideline	Number Legal frame work developed	Legal frame works developed and Implemented								-	HoR, CoM & MoI
				2	Promote and incentivize industrial input manufacturing firms and new investments of the industry zone	Number of industrial input manufacturing firms getting incentives	50	50	50	50	50	50			300 in number	MoI
				3	Support the implementation of efficient supply chains linkage and value chain systems for new and existing manufacturing firms	Strong supply chain and value chain systems implemented	Presence of strong supply chain								-	MoI
				4	Provide an organized one stop-shop service in the industry zone (registration, licensing and taxation systems, import system, warehousing)	Strong one-stop shopping system established in each industry zone	Presence of one stop-shop service provision								-	MoI, Customs, Banks, sector Institutes

S.N.	Program	Program Projects		Major Activities (Projects)		Indicator	Target by year/phase (est. Finance)									Estimated Finance required	Implementing body
							2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025		
1	Industrial Cities, Parks, Special Economic Zones Development Program	2	Infrastructure Development Projects	1	Develop feasible sites for industrial parks/ cities and special economic zones and industrial clusters	Number of feasible industrial cities and zones developed		20 billion Br	20 billion Br	10 billion Br	-					50 billion Br	MoI
				2	Upgrade physical infrastructure for viable existing and new industrial zones	Readymade physical infrastructure	-	2 billion Br	2 billion Br	1 billion Br	-					5 billion Br	MoWE, Road Authority
				3	Develop city facilities of the industrial zones including living premises, market areas, downtowns	Networks and cooperation established		2 billion Br	2 billion Br	1 billion Br						5 billion Br	MoI, City Administrations

S.N.	Program	Program Projects		Major Activities (Projects)		Indicator	Target by year/phase (est. Finance)								Estimated Finance required	Implementing body
							2013	2014	2015	2016	2017	2018	2019	2020	2021 - 2025	
1	**Industrial Cities, Parks, Special Economic Zones Development Program**	**3**	Capacity Building Projects	1	Selecting and organizing universities and TVETs to provide need based and skill oriented training for industry zoning and development of industry cities, formulating appropriate curriculums and strategies.	Number of specialized universities in industry zoning	2	-	-	-	-	-	-	-	-	200 million Br	MoE, MoI
Sub Total															61.1 billion Br	