

# **United Nations Conference on Trade and Development (UNCTAD)**

**Presentation on Productive Capacity  
Workshop**

**The Role of Manufacturing Sector in Economic  
diversification and industrialization of Ethiopia:  
*Opportunities and Challenge in fostering export-led  
industrialization in late comer economy.***

**By**

**Sileshi Lemma, Deputy Director General – Ethiopian  
Manufacturing Industry Development Institute  
(EMIDI)**

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# Introduction (1)

## □ MoI/MIDI/EED (1.1)

- Restructuring of government Executing organs
  - Split of MoI and MoT
  - MoI
    - ✓ EED – taking – care of micro, small and medium mfg.
    - ✓ MIDI – look after the growth and development of the mfg. sector

- ETIDC – EMEDC
- ELIDC – ECCIDC
- EFBDC – EKC

- **Role of Manufacturing (1.2)**

- It is the transformation of raw materials and other inputs into tangible products
- It is driven by a series of applications, each of which causes well-defined changes in the **PHYSICAL & CHEMICAL** characteristics of the material –value addition

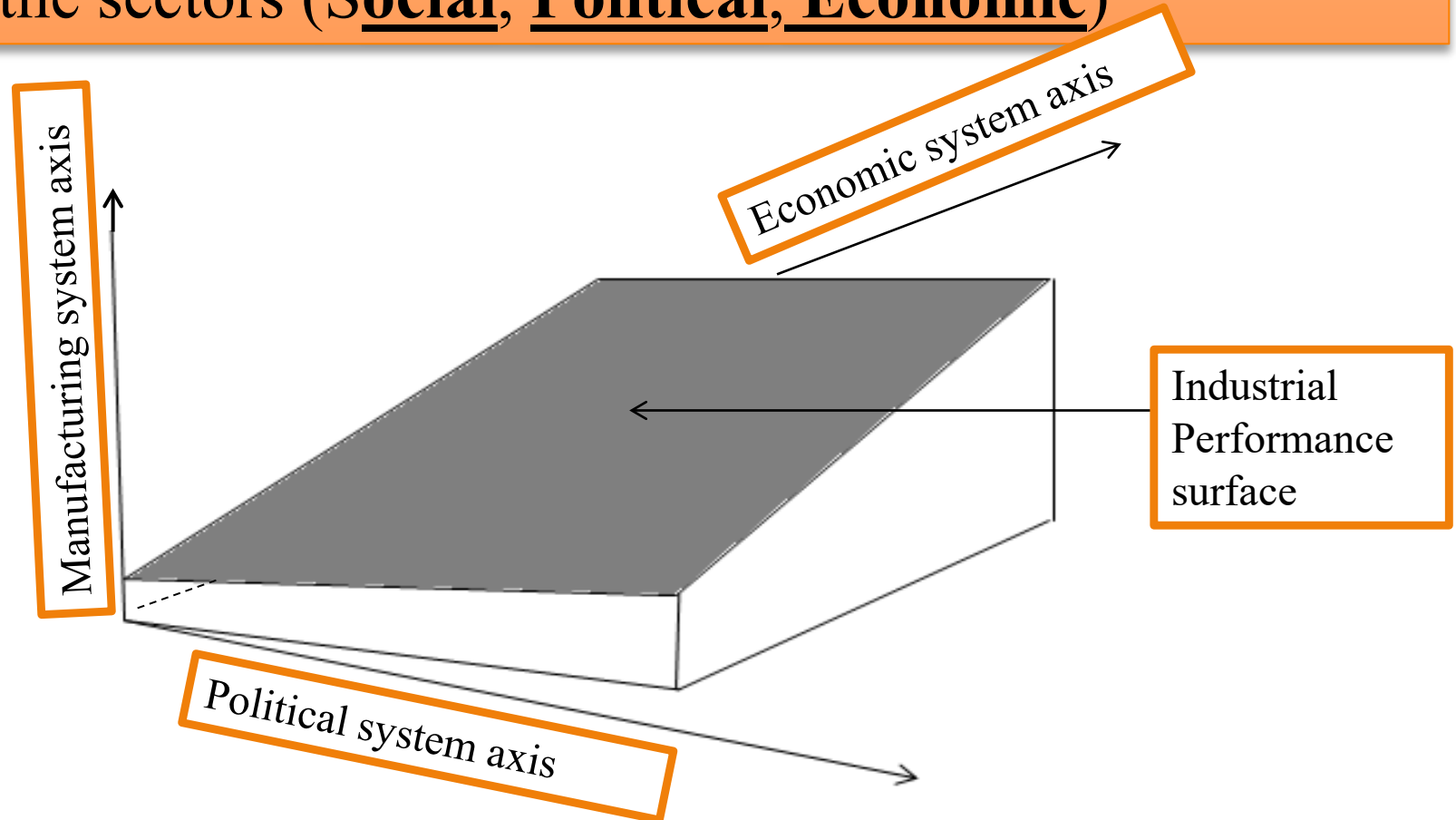
- Provide basic means for human being – without mfg of products and goods humans are unable to live
- Creating wealth of nature – without which become poor or otherwise rich
- It provides the foundation for sustainable industrialization
- It is therefore a key foundation for national dev't

- “No country has achieved successful economic development and industrialization without developing mfg capability”  
[Tesfachew Taffre]

### □ Drivers for its growth and development

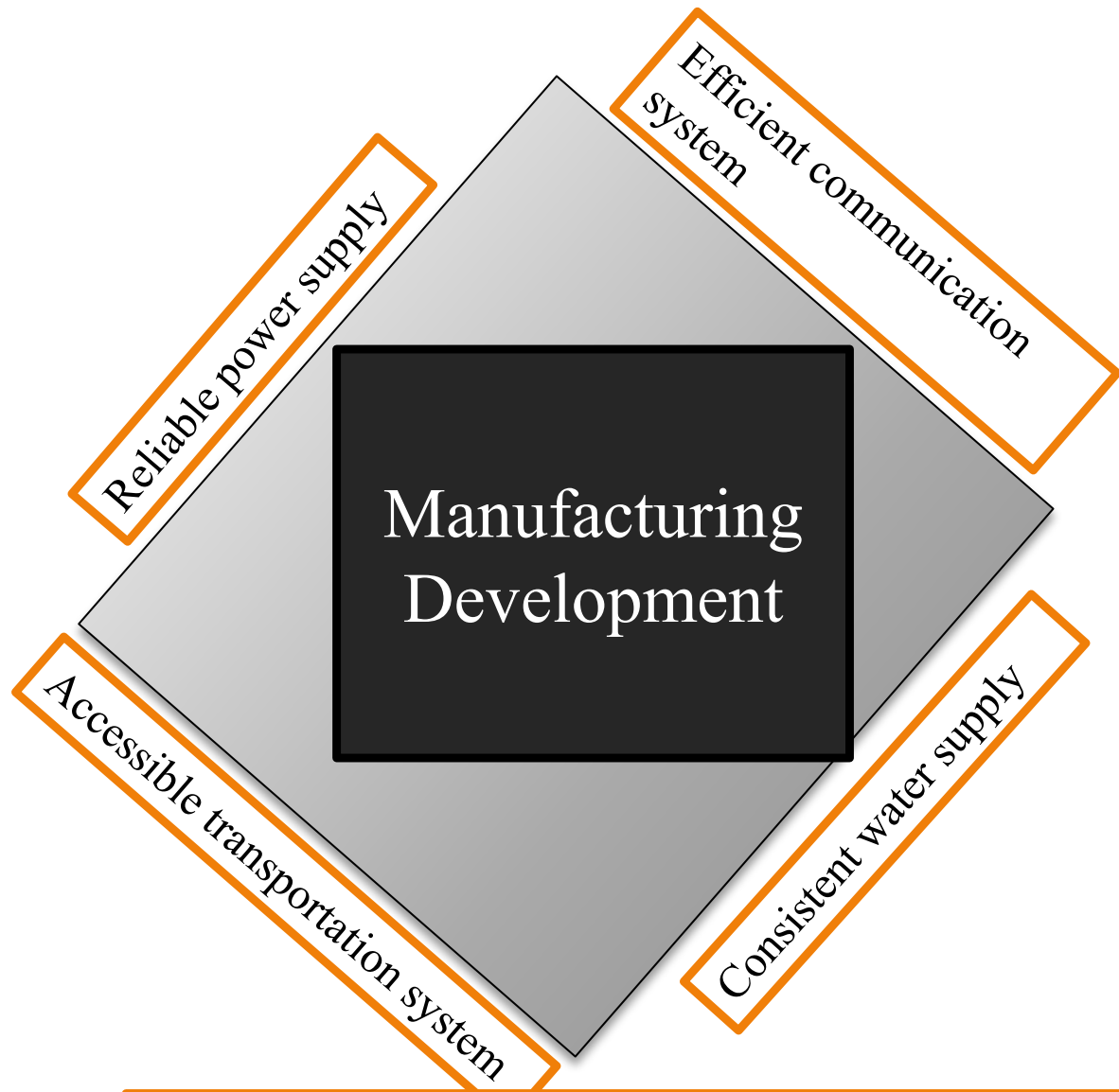
- Mfg system depends on the advances in Economic and Political systems.
- The building blocks of industrial performance are dependent upon the +ve interplay of mfg, economic and political systems

Mfg demands for inputs = Backward & forward linkages with all the sectors (Social, Political, Economic)



Interdependence of Political, economic and industrial system





Four-sided manufacturing infrastructure model

## □ Brief overview of the status of Ethiopian mfg sector (02)

- Manufacturing is the summation of

- ✓ Micro

- ✓ Small

- ✓ Medium

- ✓ Large

Category

- Looking at the data on 2019/20, Ethiopia's GDP emanates from:

- ✓ Agriculture 32.8%

- ✓ Service 39.4%

- ✓ Industry 27.8% [6.9% share of mfg]

- A further look at by industry component
  - ✓ Construction 70.98%
  - ✓ Mfg 25.26%
  - ✓ Electricity 2.78%
  - ✓ Mining 0.98%
- Over the last five years (2015/16-2019/20)  
sector GDP contribution growth rate
  - ✓ Agriculture 4.3%
  - ✓ Service 5.3%
  - ✓ Industry 9.6% faster growth rate

- In 2019 Ethiopia attracted an outsized share of FDI in the East Africa Region, Amounts 2.5 billion US\$ whereby 50-60% goes to the mfg. sector
  - This achievement were enabled with highest public investment
    - ✓ Power
    - ✓ Transport
    - ✓ Logistics
    - ✓ Special economic zones
    - ✓ Education
    - ✓ Health care
- ↑  
Drives for mfg  
dev't  
↓

# Manufacturing industry is one of the major pillars in the Home Grown Economic Reform Agenda and the 10 year Perspective Development plan



A Homegrown Economic Reform Agenda:  
A Pathway to Prosperity

September 2019



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ETHIOPIA: AN AFRICAN  
BEACON OF  
PROSPERITY

Ethiopia 2030: The Pathway to Prosperity  
Ten Years Perspective Development Plan (2021 – 2030)



Grow the local manufacturing sector capacity utilization to an average of 85% from 50



Create 5 million new job opportunities



Grow the local market share from 30 to 60% by substituting imported goods



Grow the manufacturing sector forex earning from 400 million USD to 9 billion USD

This will result in achieving the national goal to make Ethiopia a lower middle income country

# Ministry of Industry has its regular annual plan to achieve the set targets but further has 10 initiatives to address challenges

## Initiatives

- 1 ኢትዮጵያ ታምርት! የንቅናቄ-**National Movement**
- 2 **Military Uniform manufacturing for import substitution Initiative**
- 3 **Student School bag and shoes for import substitution Initiative**
- 4 **Mojo Leather City Initiative**
- 5 **Integrated Agro Industry Park Promotion**
- 6 **Industry Information System Implementation**
- 7 **Revision of the Ethiopian Manufacturing Industry Development Policy**
- 8 **Develop a tailor made manufacturing industry incentive**
- 9 **Capacity Utilization improvement initiatives**
- 10 **Develop software's to improve ease of doing business in the manufacturing industry**

This initiatives are to

- ✓ Resolve the grave challenge the sector has by creating awareness of the need to support the manufacturing sector
- ✓ Create market for manufacturers which will in turn save forex expenses and also create backward and forward linkage which will further result in improved quality
- ✓ Allow Ethiopia use its competitive advantage by focusing on industries such as leather and agro-parks
- ✓ Revise policies and develop strategies that speaks to the post covid pandemic and socio-economic condition Ethiopia
- ✓ Identify major bottlenecks that are lowering capacity utilization of manufacturers and implement a coordination
- ✓ Allow the manufacturing industry be technology based

Attracting new investment to the sector remains to be the major task as there is untapped local and regional market that is accessible to Ethiopia

# Opportunities/Potentials Vs Challenges/Constraints

## Country advantages – Ethiopia



Ethiopia has an estimated population of 110 mn with an employment to pop ratio of +70%. With a further 3.5 billion people living within 8 hrs. flight from Addis Ababa.

Ethiopia is a member of the AfCFTA, which brings with it free trade advantages, covering 55 countries, 1.3 billion consumers, and 3.4 trillion GDP.

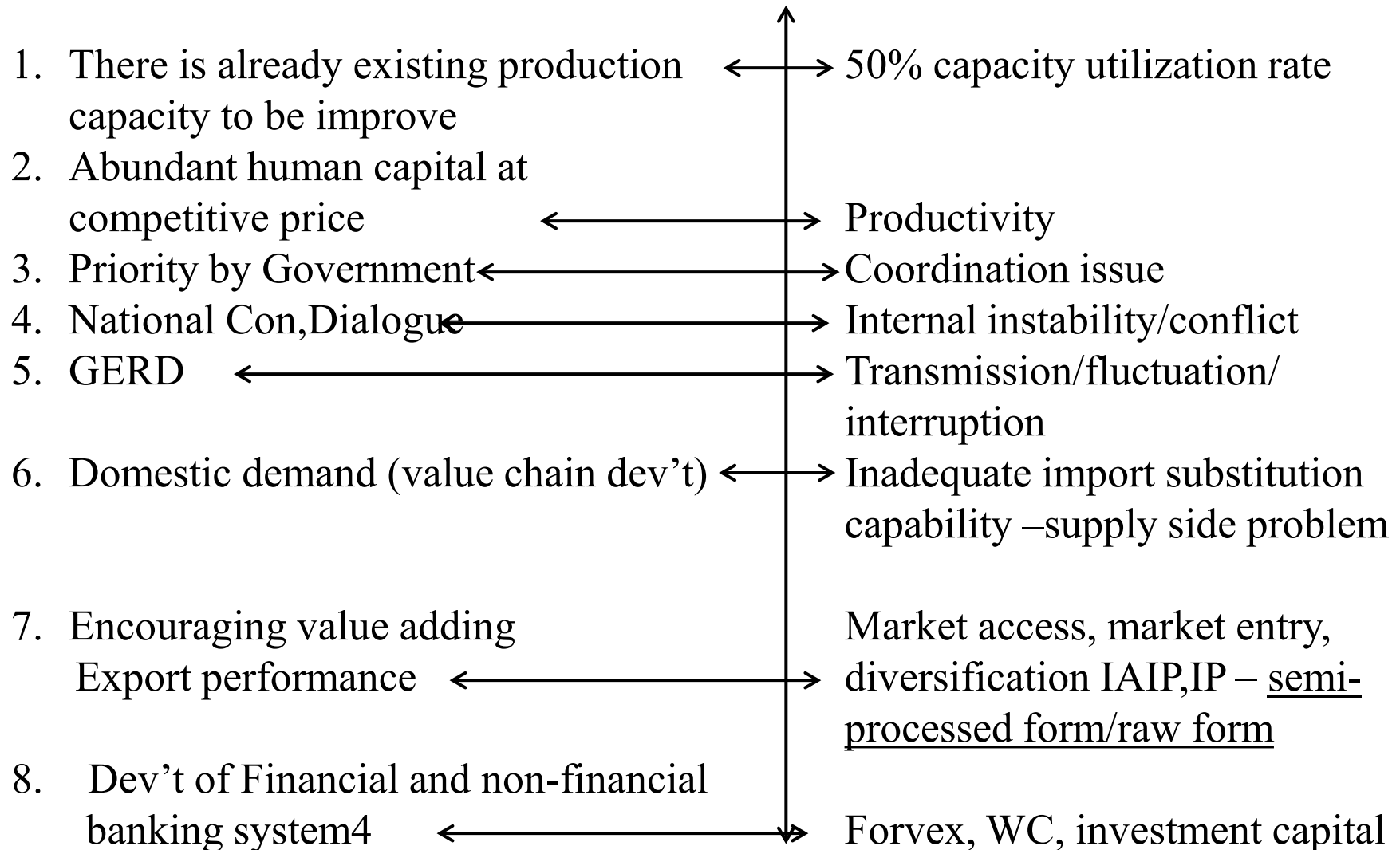


Ethiopia's geographic location and its active membership in regional and bilateral trade agreements also makes the country a desirable investment destination.



European Union - Everything but Arms; Member of the Multilateral Investment Guarantee Agency (MIGA), and has concluded over 30 bilateral investment promotion and protection agreements.

## Opportunities/Preospects Vs Challenges/Constraints





## **The way-forward (5)**

- ❑ Increase production capability
  - ❑ Capacity utilization enhancement
  - ❑ Additional investment
    - ❑ Technical and financial assistance
    - ❑ Investment promotion
- ❑ Building institutional capability
- ❑ Export promotion and diversification
- ❑ Supporting value chain development
- ❑ Support in industry policy implementation

Thank you