



**THE Federal Democratic Republic of
Ethiopia**

Manufacturing Industry Policy



The Federal Democratic
Republic of Ethiopia

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Policy**

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01 Introduction

The manufacturing industry plays a critical role in national economic growth and structural transformation, contributing significantly to foreign currency acquisition, attracting foreign direct investment, replacing imported goods with locally produced alternatives, and creating sustainable jobs. It is to be recalled that an industrial development strategy was developed in 2001/02 to lead this sector. This strategy and successive development plans that were implemented were pivotal in enhancing the manufacturing sector contribution to the national economy.

Numerous micro and macroeconomic factors, coupled with the inability to provide quality and reliable input on time, have restricted the production, productivity and competitiveness of the sector. This in turn has played its role in the stunted growth of the sector's foreign currency earnings and the continued dependence of the country on imported industry inputs and consumable goods, not to mention the national trade deficit. Conversely, our national economy has been growing over the last several years but the expected national economic structural transition remains elusive. It can be observed from the experience of other countries that this structural transition depends on the successful performance of their manufacturing industry

This policy has therefore been formulated in order to enhance the role of the manufacturing industry in the economy, address gaps that were not fulfilled by the current strategy and policy directions, and to exhaustively use the potential of the sector and the opportunities therein, and adapt to the dynamic nature of the same.

02 Foundation of the Manufacturing Industry Policy

The 2001/02 industrial development strategy that has been implemented since 2001/02 had the following as its core principles: the private investor as the powerhouse of the industrial development, agriculture-led industrial development, export-led industrial development and power-intensive industries. Moreover, the need to create a conducive environment for the manufacturer, the duties and responsibilities of concerned executive bodies and the synergy envisioned between the public and the private sector, the investor and the industrialist, employers and labor were the principles, policy directions and implementation strategies included within the strategy.

To strengthen the strategic policy direction, since 2017 industry parks were one of the main focus areas of the government. Similarly, the policy that had small industries as its focus aimed for the expansion of industries and structural change aimed at import substitution by supporting large metal and engineering, chemical and pharmaceutical industries.

Thus, according to the industrial development strategy and the consecutive policy directions that were in place, the government invested heavily in infrastructure expansion for the sector, including the construction of industry parks and sheds as well as the provision of various financial and non-financial incentives to promote local and foreign investment.

However, limited linkage between sectors, heavy dependence of the manufacturing sub-sectors on imported raw materials, non-uniformity of incentive framework, lack of sustainable linkage practices, absence of industrial culture, the managerial

skill and quality limitations, lower production and productivity, limitation of research institutions in generating sector-specific solutions that would enhance productivity, the poor linkage between universities, research and as well as technical and vocational training institutes, limited capacity to use technology, shortage of land, insufficient utilities supply shortage of foreign currency, and government services were some of the major challenges that the strategy and the policy directions haven't addressed.

It has therefore been impossible to achieve goals such as the creation of sustainable job creation, substitute imports and attracting local and foreign direct investments in to the manufacturing industry sector.

In summary, the sector's contribution to sustainable economic growth, the use of technology to minimize input waste and costs, and the facilitation and strengthening of linkages between economic sectors—resulting in the integration of productivity with quality to enhance competitiveness—are still in their early stages. It has therefore been deemed necessary to examine and improve the policy directions and strategies due to the low performance of the manufacturing industry despite the keen focus of governmental policy and development plans.

03 The Policy Rationale, Guiding Principles and Objectives

3.1 The Policy Rationale

The basic reasons for the re-formulation of the manufacturing industry policy are outlined below:

- To address policy direction gaps in the implementation of the 2001/2002 industry development strategy and to amend and improve on the policy principles and directions adopted therein;
- To lead the sector in harmony with the Home Grown Economic Reform ; to develop and utilize the sector latent potential ; to build resilience capability adoptable to the dynamic nature of the sector and the need to build flexibility needed therein; and to grow the sector production and productivity with the excellence thereby ensuring competitiveness on a global scale;
- To achieve balanced industrialization by shifting the sector's focus from solely export trade to a harmonious integration of both export and import substitution strategies."to increase the participation of the private investments in the manufacturing sector; To enhance the effectiveness of incentives and credit facilities by establishing a system based on natural resources and promoting anchor industries that prioritize high-quality and competitive production;
- To harmonize and synergize the manufacturing sector with the other sectors of the economy- to integrate manufacturing industry with other sectors and macroeconomic policies in

order to achieve the desired results;

- To identify and incorporate policy implementation strategies that ensure transparency and accountability, including the organizational structure, roles, and responsibilities for executing the policy, legal and procedural frameworks, development programs, and monitoring and evaluation system;
- Therefore, it was deemed necessary to formulate a uniform and comprehensive manufacturing industry sector policy;

3.2 Principles of the Policy

To ensure effectiveness, the manufacturing industry policy shall be guided by the following principles:

- **Market-led:** The manufacturing industry development shall be guided by follow market-led principles.
- **Private-sector driven:** The private sector will be the key player in the manufacturing industry. The manufacturing industry development will seek to grow local enterprises utilize local and foreign investment linkages including foreign direct investment promotion.
- **Clear government role:** The main role of the government is to create a conducive manufacturing environment especially the provision of synchronized and harmonized governmental services for the manufacturing industry. the government shall intervene in industries where the private sector is unable or unwilling to engage, particularly those identified as 'strategic,' to fill market gaps in an economically feasible manner. This involvement may occur in partnership with the private sector or independently. The government shall withdraw when the private sector becomes sufficiently developed. Industry clusters: the development of the manufacturing sector shall follow industry cluster approach based on products, services and integrated input supply. This shall take into account natural resources endowments,

and urban and rural integration in line with environmental plans.

- **Balanced focus on export and import-substitute products:** The policy shall aim to achieve trade balance by exporting goods based on their relative comparative and competitive advantages, and by substituting strategic imports with locally produced goods. Inclusive and sustainable development of the sector: The implementation of the policy shall ensure an inclusive and sustainable development of the manufacturing sector
- **Harmonized legal framework:** The policy shall be implemented in a manner that is compatible with the regional, bilateral and multilateral agreements to which our country is a member.

3.3 Objectives of the Policy

The main objective of the policy is to increase the productivity and competitiveness of the manufacturing industry and it shall have the following specific objectives:

- Creating a conducive enabling environment for the manufacturing sector;
- Enhancing local and foreign investments into the manufacturing industry;
- Enhancing the labor productivity of the sector;
- Transitioning the sector to a high-intensive production system;
- Improving the sector production capacity, value-addition and quality;
- Promoting inclusiveness and environmentally sustainable manufacturing industry.

04 Key Policy Issues and Strategic Directions

Six key policy issues have been identified to achieve the vision, purpose, and objectives of the new manufacturing industry policy. These issues aim to implement fundamental changes in the principles of the industrial development strategy while also reinforcing and scaling positive advancements. The policy issues are: macroeconomic and business environment/ecosystem/minimum viable ecosystem, provision and access to finance, human capital development and administration, technology and innovation, product development and competitiveness as well as inclusiveness and sustainability.

4.1 Product development and competitiveness

Increasing the competitiveness of the manufacturing industry products is a key focus, enabling them to remain competitive in both local and international markets. Accordingly, the development of the sector shall be product based, adhering to the industry cluster model, supported by a strong agricultural input development and linkage and driven by a focus on both export trade and import substitution, as well as quality management.

4.1.1 Establishing a product-based industry cluster framework

Locating product-based manufacturing industries in close proximity enhances input linkages, optimizes manpower utilization, improves market access, and facilitates technology and knowledge transfer. The current industry zones, industry

villages, industry parks, integrated agro-industry parks and small and micro industry shades and the manufacturing industries outside these clusters do not have a well-established integrated and interlinked industrial linkage practices. A linkage system that aligns with input-output industrial marketing, as well as with natural resource endowments, particularly one that supports manufacturing industries, has not yet been established. The dependence of the industry on imported inputs has limited the value addition by manufacturing industries. Similarly, organically evolved clusters were not promoted which has stunted the transition into a desirable industrial development path. Therefore, the following policy directions will be in place in order to address these challenges.

- The development of the manufacturing industry sector shall follow cluster based approach guided by industrial maps
- The cluster model will be based on natural resource endowments, primarily focused on strategic industrial products. These strategic products shall be anchored in competitive manufacturing industries, emphasizing competitiveness. The cluster model shall ensure the growth and inclusion of organic clusters development

4.1.2 Ensuring input linkage for the Manufacturing Industry

Forward and backward linkages between the development of local inputs and products supply plays a key role in strengthening the manufacturing industry competitiveness thus, it is essential to implement value-adding linkage systems based on primary input supply development, especially agricultural inputs, and inputs from the mining sector as well as horizontal linkage among manufacturing industries.

However, an adequate framework has not been established to realize these objectives, particularly in the agricultural sector, where production has not aligned with the demands of the manufacturing industries. Although contract farming has been introduced at an early stage, its implementation remains insufficient. A lot remains to be done in terms of implementing this framework fully. Similarly, there is no framework for the development of minerals which can be used as inputs in the manufacturing industry. Moreover, linkage practices among industries has not been adequately developed. The insufficiency of the supply of locally produced inputs has, in turn, caused the low production capacity of industries and the high cost of foreign currency due to the dependence on imported inputs.

It was not possible to stimulate the capacity to utilize local inputs and improve the quality of supply as there was no predetermined local input usage ratio and incentives schemes to ensure the use of inputs (manpower, raw materials, technology, knowledge, etc) from the local economy within each manufacturing industry value-chain. Therefore, manufactured export products and local producers for import substitution shall be competitive to meet buyers demands.

To that end, the following measures shall be taken in order to address the policy gaps and challenges identified above:

- Strengthen the incentives framework (including the "Agricultural Production Contract Proclamation No. 1289/2023) to enhance linkage of input products between manufacturers and primary level input supplying sectors (particularly agriculture and mining);
- Strengthen the support and incentive mechanisms (including amendments to protective tariffs) to promote input product linkage among manufacturing industries;

- The local input ratio development and implementation shall ensure manufacturing industry export, integrated under product based industrial clusters development model. This will allow for the establishment of effective, transparent and accountable input linkage practices and organizational structure.

4.1.3 Promoting manufacturing industry export

By exhaustively utilizing the strategic location advantage of the country and duty free market opportunities which are suitable for export trade, the manufacturing industry can play a greater role in generating foreign currency earnings and ensuring continued competitiveness and productivity of the manufacturing industry sector. However, lack of a comprehensive export trade framework, and the absence of an effective institutional coordination, which ensures accountability towards export trade failed to promote export trade, productivity and competitiveness of the manufacturing sector. quality and competitiveness. To address these challenges, the following policy directions will be implemented:

- Establishing systems in which products are to be traded abroad in a manner that expands export trade capability in the manufacturing sector including the forming of a manufacturing export consortium;
- Put in place an effective, institutional coordination mechanism which ensures accountability towards export trade promotion by taking into account the unique characteristics of the manufacturing industry;
- Creating an enabling environment on the basis of export trade by the manufacturing sector and the value chain of neighboring and regional countries. These conditions will bolster international competitiveness.

4.1.4 The substitution of imported goods by locally manufactured products

Countries that successfully expanded their industrial base, met domestic demand with high-quality and competitive products, and built industries capable of sustainable international exports often achieved these outcomes through a focus on import substitution. It is crucial to pursue import substitution in areas where there is sufficient capacity, with particular emphasis on selected products. This includes focusing on inputs for exporting manufacturing industries and high-potential import substitute end products.

Although the plan to substitute imported goods with local products has been part of the government's policy since the Growth and Transformation Plan II, a comprehensive incentives scheme that lends support to potential import substitute products and the producers thereof has not been put in place. To demonstrate this gap in the policy, one needs to look no further than the heavy tax and duties levied on semi-finished inputs that are imported to be used in producing finished products especially those supplied to the local market. This has led to an import-dependent economy and trade imbalance. Additionally, locally produced goods could not compete with substandard products that are imported either lawfully or unlawfully.

Therefore, the following policy directions shall be implemented:

- Product competitiveness shall be ensured by providing the necessary support and incentives to substitute selected imported products locally;
- The tariff protection mechanism and import of manufacturing industry inputs shall be strengthened to ensure that goods are imported lawfully
- The promotion of locally manufactured goods shall be strengthened;

4.1.5 Strengthening the production quality management system of the manufacturing industry

The manufacturing industry (MI) must continuously enhance the quality of its products to meet market standards and remain competitive internationally. Promoting local products also requires that they match the quality standards of imported goods and are priced competitively. However, a comprehensive, incentives-based quality management framework has yet to be established.

Therefore, the following measures will be implemented:

- A scheme that supports and encourages a quality management system shall be put in place;
- A strong implementation strategy shall be put in place to this end.

4.2 Human capital development & management

This includes providing skilled labor that is steeped in industrial culture as well as recruiting this labor force and increasing productivity.

4.2.1 Developing and enhancing the skill of the sector's manpower

Developing human capital with the knowledge and skills needed in the manufacturing industry, as well as fostering entrepreneurial skills and an industrial culture, is crucial for the sector's sustainable growth. The large youth population offers a significant opportunity for employment in the manufacturing industry. However, current education and training frameworks fail to ensure labor force quality. School curricula do not address the MI's needs or include practical training in industrial culture and entrepreneurial skills.

Additionally, the lack of an incentives-based framework for linking industry with higher education institutions has been a gap, hindering the effective transfer of technology and increasing costs due to reliance on foreign expertise. There is also no certification framework for assessing and accrediting skills, especially those gained through experience, leading to an unmet demand for skilled personnel in the MI. Consequently, the productivity of the country's human capital remains suboptimal.

To address these issues, the following policy measures will be implemented:

- Establish an implementation framework to link the MI with higher education and training institutions. This will include internships, apprenticeships, externships, female trainee and graduate empowerment, and facilitating experienced manufacturers teaching at these institutions, along with promotion and accountability schemes.
- Develop a framework that enables higher education and training institutions to align their curricula with the MI's quality and quantity needs.
- Strengthen technology transfer and innovation incubation strategies to foster skills.
- Implement skills development initiatives tailored to the MI's management and technical needs, with incentives and support to ensure that leadership in these initiatives is based on relevant knowledge and skills.

4.2.2 Improving the productivity of the sector's human capital

The growth of the manufacturing industry is expected to create diverse employment opportunities, potentially leading to management and ownership roles, making it more attractive than opportunities in other sectors. The government plays a crucial role in coordinating the efforts of employees and employers to foster industry growth. However, a comprehensive awareness-raising system to attract talent from other sectors—highlighting both opportunities and challenges within the manufacturing industry—has not yet been established. Additionally, the current labour proclamation has gaps in areas such as talent attraction, retention, productivity improvement, and disciplinary measures. Efforts to enhance productivity have been largely government-driven and have not effectively promoted collaboration between the private and public sectors, contributing to low productivity in the MI workforce. To address

these issues, the following policy measures will be implemented:

- Improve labour relations in the manufacturing industry to enhance productivity.
- Address occupational health and safety concerns for manufacturing industry workers.
- Develop a framework to govern relationships between the government, employers, and employees, focusing on promoting productivity while respecting the rights of all parties.
- Implement strategies to improve product quality and leadership.

4.3 Technological and innovation capacity

Technology and innovation are crucial for enhancing the productivity and competitiveness of the manufacturing industry and for transitioning to modern production systems. Strengthening domestic technological and innovation capacity is essential for creating, developing, and effectively deploying new technologies. This involves improving research capabilities and promoting advancements in technology, information technology (IT), and emerging technologies.

4.3.1 Increasing the research and development (R&D) capacity of the MI

Ethiopia can only effectively copy, adapt, improve, develop, and utilize technology when a robust research framework is in place, with all relevant actors playing their respective roles. However, a review of the current implementation reveals several gaps. There is a lack of a legal and procedural framework governing R&D in

the manufacturing industry, and no incentives exist to foster a strong R&D culture. Additionally, there are no comprehensive frameworks for manufacturing industry- centred technological innovation, incubation, and development. Furthermore, the absence of a system for intellectual property protection and royalty payments has stifled the development of new technologies and innovations within the MI sector.

To address these gaps and challenges, the following policy directions will be implemented:

- The manufacturing industry R&D framework shall be designed to increase the participation of all actors, especially from the private sector, and to enhance the effectiveness of R&D efforts through an integrative strategy.
- Strengthen the commercialization of R&D outcomes by bringing new technologies, products, and services to market.
- Provide incentives and support to promote the use of locally developed R&D products within the MI.
- Enhance and support partnerships between the MI and higher education and training institutions for R&D initiatives.
- Establish and strengthen incubation and development centers.
- Implement a more robust intellectual property protection and royalty payment system.

4.3.2 Promoting Technology transfer in the MI

One of the key factors determining the international competitiveness of the manufacturing industry is access to suitable technology. Technology plays a critical role in achieving

the comprehensive development our nation strives for, particularly in the manufacturing industry, which is still in its early stages.

However, the current policy and its implementation framework lack a comprehensive system to support and lead technology transfer and the integrated collaboration of technology institutes. There is also a lack of robust systems to facilitate the importation, improvement, and utilization of technology within the manufacturing industry. Additionally, no system governs the interaction between technology and power-intensive industries. As a result, the manufacturing industry has not received sufficient technology, and the transfer of technology is progressing very slowly.

To address these challenges and gaps, the following policy measures will be implemented:

- The manufacturing industry technology roadmap will be revised to establish a framework for selecting, importing, using, improving, developing, and disposing of effective technology.
- Strengthen the transfer of technology in the manufacturing industry and enhance the collaboration between technology institutes.
- Establish and strengthen manufacturing industry technology and innovation parks.
- Create a system for manufacturing industry technology information and knowledge management.

4.3.3 Improving MI's usage of IT and emerging technologies

It is necessary to build capacity through the utilization of modern information technologies with the view of enhancing technological advancement and usage which, in turn, would ensure the sustainable competitiveness of the manufacturing industry. However, a comprehensive incentives and management system that encourages the use of information technology in order to become competitive internationally in terms of quality and price has not been established. This has hindered the use of IT in the sector which, in turn, has negatively affected product competitiveness. On the other hand, emerging technologies have leveled the playing field by providing equal opportunities to developed and developing nations. These are biotechnology, nanotechnology, material science and artificial intelligence (AI) and others. There is untapped potential in these areas in our country.

The following policy measures shall, therefore, be taken:

- Incentives and support shall be provided to selected manufacturing industry in their use of IT and emerging technologies in order to realize the fourth industrial revolution; Priority will be given to utilizing a manufacturing industry workforce that aligns with the national AI policy framework in a socially inclusive manner.
- An incentives and support framework for the use and management of IT in the MI will be established.
- An incentives and support framework for the adoption and management of emerging technologies in the manufacturing industry will be established.

4.4 Provision and accessibility of finance

It is essential to utilize robust credit facilities, foreign currency resources, insurance coverage, and other non-bank financing options to ensure the provision of adequate and effective financial services to the manufacturing industry.

4.4.1 Increasing the credit supply to the MI

It is necessary to provide sufficient long-term project and working capital loans to the MI at the right price in an efficient and transparent manner. However, a comprehensive scheme in which the Development Bank of Ethiopia provides long-term project and short-term operation loans to the manufacturing sector in conjunction with commercial banks has not been put in place. The loan process is typically long, costly and lacking transparency which prevented the provision of efficient services. The post-loan support and monitoring system has proven to be ineffective.

Moreover, the long process and the preconditions set out for the lease financing of machinery at the Development Bank hindered the achievement of its very purpose. There is a legal limit to the percentage of credit commercial banks can supply to long-term project loans much needed by the sector. The focus by commercial banks on disbursing loans to other commercial sectors which can turn profit in short periods of time and are less risky has also been challenging to the manufacturing industry. Additionally, these banks require loan securities that are of significantly greater value to the loan amount to be disbursed by them. In sum, the banking sector has not been able to furnish sufficient and effective loan services to the MI.

Therefore, in order to address these gaps and challenges:

- Increase the share of credit allocated by commercial banks to the MI sector and diversify loan types to improve credit availability.
- Expand the range of acceptable loan securities for the manufacturing industry to include movable property.
- Implement a credit and finance scheme specifically designed to support the manufacturing industry.

4.4.2 Increasing the forex supply to the MI

The manufacturing industry requires foreign exchange for the procurement of machinery, spare parts and inputs. The various administration mechanisms put in place to promote export trade did not consider the unique features of the manufacturing industry. The measures taken by MI input importers in particular to address the forex shortage, namely procuring local products (especially agricultural products) at high cost and selling it at low price or at loss on the export market, has been challenging to the MI due to the high price set for imported inputs aiming to compensate for the loss incurred in the export market.

The allocation of foreign exchange for importing high-cost goods and services that do not contribute to export production has posed significant challenges for the manufacturing industry. There is a lack of systems to monitor banks' forex supply and usage, as well as mechanisms to prevent banks from prioritizing their commercial interests. These issues have hindered the sufficient and comprehensive provision of foreign exchange to the sector

To address these challenges, the following measures will be implemented:

- The foreign exchange supply mechanism will be updated to better align with the needs of the manufacturing industry.
- Manufacturing industries will be allowed to use the forex they earn from exports to import inputs and finance capital goods.
- A system will be established to monitor the supply of foreign exchange to the manufacturing industry, ensuring it is proportional to the foreign exchange generated by the industry. This will be linked to a results-oriented incentives scheme.
- Alternative methods of providing foreign exchange to the manufacturing industry shall be introduced;

4.4.3 Increasing insurance coverage for MI

The manufacturing industry faces numerous challenges, including issues related to production facilities, machinery breakdowns, product distribution, employee safety, and various macroeconomic factors, all of which require reliable insurance coverage. Although the government's industry policy aims to enhance social security for employees through the expansion of insurance and pension services, and to utilize funds from these schemes for investment financing, comprehensive insurance coverage for manufacturers has not yet been established. Additionally, gaps in indemnity payments for conflict-related damages negatively impact investment flows.

To address these issues, the following measures will be implemented:

- Support and incentives will be provided to insurance providers to encourage the offering of comprehensive insurance coverage to the MI.

4.4.4 Enhancing the non-bank financing to the manufacturing Industry

Non-bank sources of finance are a viable financial alternative for the manufacturing industry. In Ethiopia, other non-bank sources of finance are not widely available. The following measures should be taken to address these gaps:

- Alternative & long-term financing, such as the capital market, venture capital, lease financing, treasury bills, project expense financing and contract manufacturing shall be made available.
- Funds collected from pension, insurance and social security schemes shall be made accessible as alternative sources of finance in collaboration with banks for the manufacturing industry in a manner that takes into consideration risks.

4.5 The macroeconomic & business environment

Creating a predictable, stable macro economic condition and an enabling business environment have been at the forefront of policy priorities. The policy direction issues are as follows:

4.5.1 A stable macroeconomic climate

A stable macroeconomic environment is crucial for the development of the MI. The government has been implementing various legal frameworks with respect to inflation, interest rate and foreign exchange. However, these efforts did not bring about macroeconomic stability to the required degree. Double-digit inflation, unpredictable foreign exchange policy and forex shortage, debt stress and the finance system that favors government investment and services are cases in point. This has led to investors focusing on economic activities that can turn profit within a short period of time, rather than long term value-adding investment activities. Additionally, the implementation of the foreign exchange policy was not led in a manner that encourages the manufacturing industry. The macroeconomic risk management system that responds to domestic and international economic and political instabilities was not led effectively.

Therefore, the following policy measures shall be taken in order to tackle the policy gaps and the challenges within the sector:

- The government shall establish a stable and predictable macroeconomic framework that takes into account the unique characteristics of the manufacturing industry, particularly its capital-intensiveness and yielding results late.

- Support shall be provided to the manufacturing industry in the form of managing inflation, stable forex rate, interest rates and a balanced flow of finances and resources;
- A macroeconomic risk management system that helps to withstand domestic and international economic and political instabilities shall be implemented;
- Enabling macroeconomic conditions shall take into consideration the country's latent potential, competitive products on the international market, as well as the structural gaps in the use of capacity;

4.5.2 Enabling business and investment climate for the MI

A conducive business climate is the minimum requirement for the continued investment in the manufacturing industry and improving competitiveness. The government has established a system for a private-sector-driven manufacturing industry investment focusing on attracting foreign direct investment. The industry parks administration proclamation has created a conducive environment to enable establishment of parks by both the public and the private sector. The amendments to investment and commercial laws over time, along with measures to enhance the efficiency of the commercial landscape, have created an enabling environment for the manufacturing industry. It is essential to effectively lead the sector by providing targeted support and incentives to domestic manufacturers, facilitating the transfer of skills and technology, and carefully monitoring the quality of foreign investors, all while considering the unique characteristics of the manufacturing industry necessary to promote private investment by ensuring that the business and investment climate of the manufacturing industry (including the establishment of parks and other economic zones) is efficient and transparent.

It is also crucial to attract investment in the manufacturing industry by considering foreign direct investment (FDI), domestic producers, local investors, and their potential partnerships. Strengthening the system that integrates tax registration and invoice control within the manufacturing industry is essential. The focus on FDI in the allocation of production land within industrial parks should be broadened to encourage and support local producers engaged in import substitution. A critical aspect of this effort is the need to guide the sector by identifying strategic products that the private sector currently cannot manufacture and involving the government in filling market gaps through feasible investment initiatives that promote public-private partnerships.

The following policy measures shall be taken:

- The manufacturing industry development mechanism shall be established by taking into account the sectors unique features. Schemes that will incentivize and promote partnership between domestic and foreign investors, and contract manufacturing shall be put in place and strengthened.
- A Manufacturing Industry Council that includes all manufacturing industry associations shall be established in order to bolster the collaboration between the government and the private sector;
- A system that aims to expand the investment of home-grown manufacturers shall be established;
- The system that integrates the tax registration and invoice control mechanisms as well of a conducive business climate shall be improved that captures manufacturing industry unique characteristics;

- The development of industrial parks and cluster centers shall be a joint effort between the private and public sectors, with incentives and support provided to facilitate technology transfer and input linkages.
- The government shall involve in manufacturing in which the private sector is unable or unwilling to participate to address gaps in the market. This involvement shall be limited to strategic products, based on feasibility studies and supported by a robust monitoring mechanism. The government will exit the market once the private sector and market capacity have sufficiently matured.

4.5.3 Increasing the supply of production land for the MI

Land is a strategic infrastructure for the growth of the MI and providing in the required quantity and pace is critical to create a conducive business environment. However, zoning and pricing mechanisms on the basis of the type of manufacturing investment are lacking. There is no comprehensive framework that addresses sustainable development, benefits to local communities, and inconsistencies in compensation schemes for expropriation across federal, regional, and municipal administration structures. Consequently, the land provision process for the manufacturing industry is lengthy, non-transparent, and prone to corrupt practices. The emphasis on foreign direct investment (FDI) in land allocation within industrial parks has not been inclusive or supportive of local producers engaged in import substitution. Additionally, there is no comprehensive framework ensuring transparency and accountability in the provision of production land to small- and micro-scale manufacturers.

Therefore, the following policy measures shall be implemented. The provision of manufacturing land shall be on the basis of the industry map and in a manner that integrates industry

clusters and latent manufacturing potential areas;

- Industry clusters development shall be guided in alignment with environmental development plans and integrated with the provision of manufacturing land, water, electricity, residential housing development and social services.
- Land designated for industries shall be cleared of all encumbrances and made available to investors engaged in the sector, complete infrastructure at a low price;
- Support regional and municipal administrative bodies in order for them to provide land for investors looking to establish outside of areas designated for industry parks, SEZs and other industries;
- Land for production and sale of products shall be provided to micro- and small-scale manufacturing enterprises by government authorities at each level;
- The provision of land to manufacturing industries shall be conducted on the basis of the natural endowment of the locality.
- A clear and responsive mechanism of ensuring accountability at every level of federal, regional and municipal government shall be established, ascertaining that investors use the land for the intended manufacturing purpose and taking into account the sustainable and inclusive development of the community.

4.5.4 Increasing the supply of electricity to the MI

The provision of reliable electrical power plays a significant role in the growth of the manufacturing industry. Despite the government's efforts to generate and distribute power from renewable sources, there is no harmonized mechanism to provide reliable (sufficient and uninterrupted) power to the manufacturing industry lacking, an incentive and implementation schemes to construct energy infrastructures for investment expansion projects.

Hence, this has resulted in unreliable energy supply s for manufacturing industries. causing lower production capacity utilization and machinery malfunction resulting in reduced production and productivity. The following measures shall thus be taken:

- There shall be a sufficient and reliable power supply as per the manufacturing industry demand and industrial cluster establishments.
- The provision of power shall be conducted in a manner that ensures accountability, responsiveness, and transparency at all levels of federal and regional government.;
- Incentivize and support the manufacturing industry for developing and using alternative sources of power; ensure financial services are provision d;
- A contract agreement scheme for the sale and procurement of power between the power provider and the manufacturing industries shall be established. This scheme will include provisions for accountability, customer complaints, and responses to damages caused by power interruptions.

4.5.5 Improving the provision of transportation and logistics to the development of the manufacturing industry

The availability of efficient transportation and logistics services at a fair price and in a manner that is aligned with the distinct characteristics of the sector is essential to the creation of a conducive manufacturing industry business environment. The government has been actively involved in the expansion and maintenance of the road network. However, the provision of transportation and logistics services is not aligned with the needs of the manufacturing industries. The services provided are of low quality and high cost compared to those in competing countries, and there is a lack of a comprehensive mechanism for accountability and responsibility. . Moreover, modern means of product transportation, packaging, warehouse management services, transportation management services as well as inventory management services have not grown as the provision of logistics services relies on a limited type of services. This has proven to be a major challenge for export and import trade as well as to the facilitation of the domestic manufacturing input production and linkages.

Thus, the following policy measures shall be taken in order to address these gaps and challenges:

- The provision of transportation services shall be expanded to facilitate export and import trade as well as domestic input product linkage;
- The setting up and provision of logistics services shall follow the development of the manufacturing industry;
- The development of feeder roads that connect areas where industrial inputs and agro-industries are located shall be prioritized along with other transport and logistics infrastructures;

- Expand additional logistics services that will streamline export and import trade for manufacturing industry and facilitate of linkage; this shall be achieved through public private partnerships;

4.5.6 Improving customs services for the MI

Customs services are one of the enablers for an efficient import and export trade. Several reform initiatives were implemented to enable the provision of relevant and standardized customs services. However, there is a need to modernize the production input assessment system, and the regulatory mechanism that verifies procurement invoices as well as post-clearance audit systems. There is also the need to update input assessment skills sets, provide clear and up-to-date customs rate information for manufacturing enterprise, and strengthen accountability of customs and clearance professionals, introduce means for post-payment of duties and taxes, improve services delivery standard, improve service to selected special-privilege beneficiaries, customs warehouse administration and contraband control.

Thus, the following policy measures shall be taken:

- Improve the mechanisms and efficiency of input assessment and customs procedures (post-clearance audit and verification of procurement invoice) and business process in order to render customs services properly.

4.5.7 Results-oriented incentive schemes for the manufacturing industry

To catalyze the development of the manufacturing industry and create a conducive environment for investors, the government has established various incentive mechanisms. It is essential

to develop incentives that address the unique characteristics of the manufacturing industry and implement a system to monitor their effectiveness. Additionally, this scheme should be designed to attract and encourage local investors widely. This approach will ensure the efficient use of limited public resources and contribute directly to sector development by identifying and supporting specific, high-impact industries.

- Implement a results-based manufacturing industry incentives mechanism that ensures proper stewardship of the country's resource utilization and supports the growth and effectiveness of the manufacturing sector. This shall be accompanied by the establishment of a robust monitoring and control mechanism.
- Implement an incentives mechanism that focuses on competitive manufacturing industries and products;

4.5.8 Provision of transparent public services for manufacturing industries

It is of utmost importance for the promotion of the manufacturing industry that the provision of governmental services is conducted in a transparent, effective, and efficient and conducted in a manner that ensures accountability. Various systems, including civil service reforms, have been implemented to clarify the government's leadership role in the sector. To ensure the sustainability of the manufacturing industry, it is crucial to provide transparent, accountable, and efficient services, establish a supportive tax and information system, and manage justice effectively. Additionally, implementing further incentives and accountability mechanisms for civil servants, tailored to the unique features of the manufacturing industry, is essential. Establishing both vertical and horizontal collaborative mechanisms is also important to ensure accountability, prevent mission conflicts, enhance efficiency, and provide adequate

support and monitoring for investors. .

This requires high-level government leadership to drive productivity and competitiveness in the manufacturing industry and to foster a dynamic movement within the sector.

- Government services supporting the manufacturing industry should be strengthened, led by a robust regulatory system, an integrated organizational structure, and high-level decision-making bodies.
- A mechanism must be established to ensure vertical and horizontal collaboration and accountability among government organizations that support the manufacturing industry.
- Enhancements should be made to provide efficient and integrated one-window services at government agencies, improve civil service quality management, upgrade digital services, establish customer service time standards, and enhance special-privilege services and other related areas

4.6 Environmental sustainability and social inclusiveness

Ensuring the inclusiveness and sustainability of the manufacturing industry is a multi-faceted task that will be integrated into the main policy areas discussed above. Consequently, policies and directions that promote environmental sustainability and enhance the participation, contribution, and benefits for women, youth, and persons with disabilities have been identified.

4.6.1 Increasing the environmental sustainability of the manufacturing industry

Manufacturing industries should consider environmental concerns, community safety, and compliance with both local and international environmental laws and requirements in their production methods. They are expected to adopt sustainable practices, including recycling inputs and products, minimizing input usage, properly disposing of waste (especially chemical waste), reducing by-products, increasing productivity, and decreasing environmental pollution. The government has developed an environmental policy framework and a climate-resilient green economy strategy to support and promote the development of a sustainable manufacturing industry.

However, a comprehensive incentives and implementation mechanism that promotes circular economy methods of production including sustainable and green manufacturing processes as well as an integrated structural organization are lacking. As a result, the manufacturing industry is contributing to environmental pollution, which adversely affects the competitiveness of its products, especially in meeting international environmental standards for exports. Additionally, the industry has caused health issues in the communities where

it operates. To address these challenges and gaps, the following policy measures will be implemented:

- The manufacturing industry shall adopt and promote circular production methods.
- Robust implementation strategies will be established to ensure adherence to these methods

4.6.2 Ensuring the participation, contribution & benefits of women in the MI

Article 35 of the FDRE Constitution guarantees that women have equal rights with men in enjoying the rights and protections. To ensure the full participation and benefits of women, the government has developed, implemented, and updated women's policies and development strategies. These efforts have created a supportive environment, leading to increased participation of women as owners and permanent employees in the sector. Furthermore, women's issues have been integrated into various development plans. However, implementation mechanisms that support and promote the provision of foreign exchange, land, electricity and technology services that ensure the participation, contribution and benefits women are inadequate. This has, in turn, limited the participation, contribution and benefits of women in the MI. Thus, the following policy measures shall be taken;

- A strong implementation mechanism that promotes the participation, contribution and benefits of women in the MI shall be established;
- Strengthen the provision of land and financial services to, the use of the technology and innovation by, and the product quality, competitiveness and market linkage for women manufacturers.

4.6.3 Ensuring the participation, contribution and benefits of youth in the MI

There has been put in place various policy directions that ensure the holistic participation, and contribution of the youth. It has endeavored to create a conducive environment that enables the participation and benefits of the youth as owners and permanent employees in high industries. Nonetheless, systems that support and promote the innovation activities of youth have not been put in place. This is particularly evident in the limited finance available innovative ideas. Furthermore, mechanisms for monitoring and implementation the participation of youth in the MI have not been established. This has impeded the participation, contribution and benefits of the youth in the MI. Unemployment of educated and uneducated youth is also prevalent.

The following policy measures shall thus be taken:

- A robust implementation mechanism that ensure the participation, contribution and benefits of the you in MI shall be established;
- The provision of land and financial services to, the use of the technology and innovation by, and the product quality, competitiveness and market linkage of young manufacturers shall be strengthened.

05 Key result areas of the policy

Increasing production and productivity:

Growing production capacity, efficiency and productivity are crucial in ensuring the competitiveness of the MI. In order to increase production capacity, it is necessary to identify and subsequently develop the supply of inputs in conjunction with input supply sectors, namely agriculture and mining. It is also imperative to identify and attract tertiary industries and investments that promote input integration with the view to increasing input linkage within the industry. The results metric shall be implemented in a manner that is based on the industry map and environmental/local potential and by taking into account the infrastructural development, the availability and usage of human and capital resources all with a view to increasing production and productivity.

Increasing the capacity of the manufacturing industry:

Efforts shall be exerted to increase the relative product advantage, particularly competitive advantage by enhancing the sector's use of technology and innovation through research and development as well ensuring international competitiveness in product diversity and quality as well as productivity. In order to supply a skilled and knowledgeable workforce, a curriculum and integration plan as well as short-, medium- and long term training programs that will promote industry skills and culture shall be developed and implemented. This shall be implemented through the development of business development service support frameworks for micro and small enterprises. The creation and expansion of incubation and development centers that grow usage of technology and innovation, enhances the capacity of R&D centers, and is MI-centered is the end-goal of this focus area. Another indicator of this results metric is the establishment and strengthening

of a technology commercialization system that is based in the needs of the MI.

Increasing the product diversity and the share of substitute products in export trade

Strengthening and expanding the diversity of export products in quality and quantity, attracting quality new investment as well as establishing long-term result-oriented incentives scheme to grow the share of export in improving the country's trade balance and identifying strategic products, the development of substitute products through public-private partnership and availing the same on the local and international market have been identified as the results metric of this policy.

Establishing a sustainable manufacturing system:

One of the focus areas of this policy is ensuring the sustainability and competitiveness of the MI by enabling adherence to sustainable methods of production including product and input recycling, reducing amount of input, proper waste disposal, low amount of byproducts, reducing environmental pollution and the safeguarding the safety of communities, and in consideration of the international and domestic environmental agreements, laws, requirements as well as the inclusion of women youth and persons with disabilities.

06 Power to issue MI policy and scope of the policy

This MI policy is developed by the initiative of the Ministry of Industry and shall come into force after approval by the Council of Ministers. This policy is applicable to micro, small, medium and large manufacturing enterprises and industries.

07 Implementation Strategy

7.1 Institutions responsible for the implementation of the policy

The following bodies shall be primarily responsible for the implementation of this policy:

- **Regional and city governments** to provide land for industry parks, SEZs and other investors intending to engage in areas other than those designated for industries free of any encumbrance as well as the extensive supply of quality manpower suitable for the MI;
- **Ministry of Agriculture and Ministry of Mines:** Identify agricultural and mining products that can be used as input in the MI and supply the same in quality and quantity; shall stimulate the domestic manufacturing industry by using as inputs in the agricultural and mining sectors goods produced by the local MI. Additionally they shall, until such time as the MI is placed on a strong foundation, prioritize meeting the needs of the domestic MI and export the rest of agricultural and mining products and obtain forex for the MI;
- **Ministry of Water and Energy:** Shall provide sufficient, reliable and quality power; shall explore avenues through which industries are enabled to use their own alternative power sources; shall develop incentives frameworks in collaboration with other concerned bodies;
- **Ministry of Education, Ministry of Labor and Skills:** shall provide the MI with a competent and skilled labor force; supply skilled manpower by developing and implementing

industry-university linkage curricula that involve hands-on training beyond theoretical learning. Additionally, they shall lead and coordinate research and dissemination programs that tackle the challenges of the MI community and are market-oriented;

- **Ministry of Transport and Logistics:** improve the efficiency of and update the logistics and transportation methods in use to transport input products both domestically and internationally; shorten the port time of imported and exported industry inputs and products to ensure profitability of the MI;
- **Ministry of Urban Infrastructure, city governments:** provide land to the MI at fair price and develop and coordinate industry clusters by taking into account the industry map and local potential; Ensure that sufficient infrastructure is made available to the MI by coordinating with concerned bodies; Extensively provide skilled, quality manpower as industry input;
- **Ministry of Foreign Affairs, Ethiopian Investment Commission, Ethiopian Investment Holdings:** implement and cause the implementation of investment promotion that shall attract effective and high-quality investment; coordinate with the concerned bodies to establish an incentives mechanism for MIs; monitoring and regulation to ensure MIs are being carried put properly; take corrective measures against MIs and manufacturers failing/inappropriate/unlawful;
- **National Bank of Ethiopia:** prioritize the MI in the allocation of forex to promote the sector; create conducive environment that enables MIs to exhaustively utilize the forex they acquired toward expansion; develop a compulsory legal framework that requires private banks to prioritize the MI in disbursing loans and monitor the implementation of the same;

- **Environmental Protection Authority:** establish and implement mechanisms that enable the mitigation of the impact of environmental pollution in the country; it shall monitor the management of polluting byproducts; it shall develop frameworks, where it deems the impact of these is high,
- **Ministry of Revenues and Ministry of Finance:** implement duty exemptions that have been allowed and will be allowed to promote the MI; develop results-based incentive schemes with relevant stakeholders; develop incentives schemes that will enable the usage of locally produced inputs domestically; cause the prioritization of the MI in resource allocation to build the sectors implementation and execution capacities;
- **Ministry of Technology and Innovation:** Conduct, with the relevant stakeholders, the development of technology (in collaboration with other actors in the sector) that will enable the selection, adaption and cause the entry into production and the wide use in production of new technologies that will enhance the productivity of the MI; provide comprehensive support to novel technological innovations through research and development with the view to ensuring the competitive advantage of the MI;

7.2 Legal frameworks designated for the implementation of the policy

Five proclamations, nine regulations and eight directives have been identified to effectively implement this policy:

Future proclamations: proclamation to establish a manufacturing industry bank, a proclamation to establish land administration and use, proclamation to for effecting strong, well-coordinated and regularly monitored manufacturing industry ntegrated; proclamation to provide for the relationship

between the government, labor and employers in the MI

Proclamations to be amended: the results-based manufacturing industry I incentives framework proclamation shall be amended.

Regulations to be issued: regulation for the government's investment in the MI sector; regulation providing for the vertical and horizontal integration and accountability of gov't institutions supporting the MI; regulation providing for the technology ownership registration and royalty payment; regulation to provide for the implementation of the linkage between the MI, higher-education and training institutions; regulation establishing the land administration and use; local content usage regulation; circular economy regulation;

Regulations to be amended: MI production land regulation; industry parks and Special Economic Zones regulation.

Directives to be newly issued: energy sale and procurement agreement between the MI energy providers (including an accountability and response mechanism for damages caused by power disruptions); directive to incentivize banks (including interest-free banking) to increase the share of loans disbursed to the MI and ensuring the accountability of the allocation; directive to provide for the diversification of the types of security for loans disbursed to the MI; in line with results-based incentives scheme, a directive providing for the proportional supply of forex to the MI to forex obtained or saved by the same; directive providing for the expansion of insurance coverage for the MI.

Directives to be amended: Directive providing for the allocation of, supply to and usage of forex by banks in light of the unique features of the MI (including the mechanism through which the policy bank obtains and administers forex) as well as directive to provide for civil service incentivizing and accountability system amendment directive (in line with the unique features of the MI).

7.3 Development programs designated for the implementation of the policy

To augment production and productivity: The following programs shall be implemented: input development enhancement program; accessible infrastructure and civil service program; program to enhance the supply of finance to the MI; program to enhance the MI's human resource development; and product-centered industry cluster and domestic manufacturer's development programs. The input enhancement program shall be implemented in order to support production and productivity enhancement activities. This will mainly focus on enhancing primary-level input supply from the agriculture and mining sectors; develop the value chain of the MI and establish an input market system with a view to boosting the productivity of the MI. The accessible infrastructure and government service program shall aim at tackling major infrastructure and governmental service issues by updating, upgrading and efficiently providing these services with a special focus on industry clusters. To ensure that the MI has sustainable access to finance, special MI support financing programs that aim to address the availability of input and capital goods [financing] shall be implemented along with provisions in the regular finance system. The product-centered industry cluster program shall be implemented to support the designation, preparation and provision of production land that takes into account the development potential. The domestic producers' development program shall aim at promoting micro, small, medium and large industries and it shall primarily focus on provision of infrastructure, training and providing support to industry extension in general.

Enhancing the MI's capacity: Sub-programs to be implemented under this program include: building the capacity of research centers' research and dissemination programs in

order to boost use of technology and innovation; the creation and expansion of MI-centered technology incubation and development centers and the strengthening of technology commercialization schemes. The human resource development and use of technology as well as the boosting of innovation shall be implemented through this policy. Other sub-programs include short, medium and long term training programs that foster industrial culture and enhance skills and implementation capacities and skills needed in the MI, the development of curricula that enable university-industry linkage. Additionally, development of support framework for micro and small enterprises' business development services. Growing techno parks to enable the MI promote innovation, allocate the investment capital needed to acquire research infrastructure and necessary human resource shall be undertaken.

Increasing the share of the MI in export product diversification and strategic substitute products: To be implemented in this program are results-based incentives, enhancing strategic import substitute products and export product diversification. The incentives scheme shall include the putting in place of a technology-based information exchange modality that links the performance of the MI with the incentives mechanism, the provision of finance and systems and the allocation of manpower. The strategic import substitute program includes the needs-based development and provision of financial, systematic and other supporting framework by identifying domestic manufacturers engaged in producing substitute products. Another focus of the program shall be identifying new investors that may engage in import-substitute production and enable them to invest by themselves or in partnership with the government. Export product diversification shall include: expanding the type, quantity and market destination of export products. This shall, in turn, include the identification and attraction of high-quality investors to the country.

Establishing a sustainable MI: the sustainable and green MI development program shall be implemented. Some of the chief

focus areas of this program are the reduction of greenhouse gases by establishing a circular production and product supply system suitable to the MI. This will require the building of financial, infrastructural and institutional capacity. Further, investment, input supply and capacity-building sub-programs shall be developed and implemented in order to increase the participation of female investors and persons with disabilities as well as establish a system focusing on the productive labor relations.

7.4 Monitoring and evaluation to ensure the effective implementation of the policy

Periodic monitoring and evaluation shall be conducted to examine the impact of the MI with respect to ensuring sustainable economic development and growth, reducing input waste and cost by the proper utilization of technology, accelerating and strengthening the link between the various economic sectors, establishing competitiveness on a strong foundation by combining productivity with quality as well as contributing to the economy in general. The monitoring and evaluation activities shall focus on implementation programs and projects designed on the basis of this policy. This shall ensure whether key performance areas were achieved, if timely measures were taken to enable their achievement, and whether there is a sufficient and conclusive reason for policy revision as necessary.

Overall, the following monitoring and evaluation mechanisms shall be implemented:

- Short-, medium- and long-term performance reports shall be prepared and evaluated. These reports shall be based on the annual plans drawn on the basis of policy programs the performance of which shall be closely monitored by the Ministry and officials of agencies accountable to the Ministry;
- Corrective measures shall be taken periodically by establishing a digital database and collecting data, examining the performance process and assessing whether the implementation of the policy's development programs is achieving its goals. In order to enable the cohesive and consistent leadership of the monitoring of the policy programs, the successive and consistent carrying out of major program activities planned by federal, regional and city governments shall be assessed against the timeline;
- The results of the MI policy shall be assessed every three years through medium-term evaluations and used as input for subsequent corrective measures. This shall be undertaken on the basis of data collection that includes stakeholders and communities as well as research activities.
- The policy may be amended based on the findings of a policy significance study.

08 Relevant development policies

The following are other relevant policies that aid in the implementation of the main policy issues and directions:

8.1 Economic development sectors infrastructural policies

- The agriculture and rural development policy is expected to promote the MI by tackling the current input shortage and quality issues through the provision of reliable, high-quality, reasonably priced and adequate inputs and utilizing manufacturing sector products as inputs;
- The mining policy is expected to address the current issues with respect to the shortage and quality of inputs by providing reliable, high-quality, reasonably priced and adequate industrial mineral inputs;
- The trade and regional integration policy is expected to assist the MI in producing high-quality goods, seek the proper markets for these products with special focus on the securing and expanding of alternative market destinations for foreign exchange generating products; ensure that imported goods do not weaken domestic MIs; undertake trade negotiations to protect local products from unnecessary competition and build the capacity of domestic MIs;
- The transport and logistics policy is expected to reduce unnecessary cost by providing domestic or international transport services for locally produced goods; put in place systems through which products, especially perishable goods, can be properly shipped in shipping containers;

ensuring the proper import of inputs for the domestic MI and reducing unnecessary demurrage costs;

- The electricity policy is expected to ensure that MIs get sufficient and reliable power supply as well as finding ways in which the MI can secure alternative sources of energy beyond the power supplied by the government. The water development policy shall ensure that MIs have water supply and support them to make use of underground water.

8.2 Social and human resource development policies

The education and training policy is expected to ensure that technology, engineering and other departments produce the skilled manpower needed by the MI, that student-trainees obtain hands-on experience at industries while still in training; and providing training to micro and small producers that will enable them to enter into the MI;

8.3 Science, technology and innovation policy

The innovation and technology policy is expected to integrate new technologies to boost the production and productivity of the manufacturing industry. It will facilitate the adoption and implementation of these technologies and support research and development to enable their widespread use in production. Additionally, in collaboration with governmental and non-governmental bodies, the policy will provide comprehensive support to startups to help them transition into full-scale production. The Ethiopian quality policy shall have the role of

ensuring that locally produced or imported inputs and devices meet standards.

8.4 Justice and administration policies

The civil service policy shall offer organizational support to enhance the effectiveness of the manufacturing industry and develop an incentives framework for professionals in this sector; The foreign policy shall play a crucial role in attracting investment to the manufacturing industry.

09 Definition of terms

Information Technology includes the digital, internet and wireless technologies of the MI;

Manufacturing industry (MI) shall mean a sector that produces a new product by altering, formulating, assembling or composing natural or altered raw materials and products through the use of machinery, human power in a chemical, physical or biological process;

Production capacity shall mean the use of the total production capacity by a manufacturing industry;

Industry cluster shall mean interrelated manufacturing industries gathered in close proximity in order to produce competitive products by collaborating and supporting one another and create input product integration, use manpower, increase accessibility to market and facilitate technology and knowledge transfer;

Industry map shall mean and integrated land use plan (master plan) that governs land/production land, water and electricity supply, residential quarter development, sewage and waste management system as well as social services;

Skill shall mean capacity developed through experience and training, knowledge, industrial culture and leadership ability;

Special Economic Zones shall mean geographical areas designated by the government to promote the growth of the industry. These zones shall offer various fiscal and non-fiscal incentives other than complete infrastructure and enhanced public services;

Technology shall mean the machinery, technical procedures, mechanism or knowledge;

Competitiveness is when the MI is an exceeding market competitor which sustainably delivers quality products at reasonable price and at the required time;

Local content ratio shall mean a predetermined ratio aimed at enabling or ensuring that the MI utilizes the necessary inputs (manpower, supplies, technology, knowledge, etc.) from the domestic economy;

Sustainable MI development shall mean the development of the MI in a manner that relieves disproportionate use of natural resources and negative environmental impacts (including sewage and waste disposal, land degradation, deforestation) and ensures occupational safety;

Inclusive MI shall mean an MI development that ensures the inclusion of all members of society, provides equal opportunities and equitable distribution;

Circular system of production shall mean a system of production and exchange within the sustainable and inclusive industrial development. This includes the taking into account of the environmental and human impact of each activity in the production process including the production of inputs to product storage, supply and the transportation between each.

Program refers to the interrelated sub-programs, projects and relevant activities aimed at achieving strategic policy objectives and results;

Any expression in the **masculine gender** shall include the **feminine equivalent**.



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MINISTRY OF INDUSTRY