

**Presentation at UNIDO'S Seminar on
"Sustainable Industrialization for Shared
Prosperity"
UNIDO's Programme for Country
Partnerships(PCP): The Case of Ethiopia
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*Japan, Tokyo
May 14, 2015*

Presentation Outline

- I. Introduction: National Development Priorities and Industrial policy
- II. Growth and Transformation Plan (GTP)
- III. Industrial Development Strategies
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I. Introduction: National Development Priorities and Industrial policy

- ▶ Ethiopia aspire to embrace manufacturing since 1920s
- ▶ the sector started to get momentum in the 1950s (after brief disruption in the WWII period)
- ▶ Manufacturing Industry intensified in the 1960s
- ▶ Successive regimes adopted different policies for the development of industry
- ▶ Dictatorial military regime discourage private sector and hampered the growth of infant industry
- ▶ Nationalized enterprises run inefficient industries with state subsidies and heavy protection
- ▶ Private enterprises reduced to small and micro levels
- ▶ Various industrial development planes failed including the 10 year perspective plan

Introduction: cont...

- ▶ The first decade (1991-99) marked by various reforms reversing the command economy
 - ❑ Implemented three phases of IMF/WB sponsored reform programs
 - ❑ In 1998 government adopted Export Promotion Strategy
 - ❑ Privatization of previously nationalized industries (inefficient ones)
- ▶ A full-fledged Industrial Development Strategy (IDS) was formulated in 2002/03

Introduction cont...

- ❖ Concretized into action by various sub-sector strategies and by the successive development plans such as;
 - ❑ Sustainable Development and Poverty Reduction Program (SDPRP) 2002/03-2004/05 and
 - ❑ the Plan of Action for Sustainable Development and Eradication of Poverty (PASDEP) 2005/06-2009/10.
 - ❑ The Growth and Transformation Plan (GTP) 2010/11-15/16
 - ▶ Agricultural Development Led Industrialization (ADLI) : a two-sided strategy, integrating:
 - External sector (export -led part)
 - Internal sector (forward and backward relationship b/w agriculture and industry)

II. Growth and Transformation Plan (GTP)

- ▶ Growth and Transformation Plan (GTP)I (2010/11 -2014/15); GTP 2 (2015-2020) under preparation
 - ▶ The first of a three five-year plan to propel the country toward a climate resilient middle income status
 - ▶ Places special emphasis on agriculture and rural development, industry, infrastructure, social and human development, as well as democratization and good governance
- ▶ The Growth and Transformation Plan (GTP) has the following main Objectives:
 - ▶ Maintain at least an average real GDP growth rate of 11% and attaining of MDGs;
 - ▶ Expand and ensure the qualities of education and health services sectors and achieve MDGs in the social sectors;

GTP cont...



GTP cont...

- ❑ Establish suitable conditions for sustainable nation buildings through the creation of stable democratic and developmental state; and
 - ❑ Ensure the sustainability of growth by realizing all the above objectives with in the stable macroeconomic framework.
- ▶ GTP sets ambitious targets for improvements in trade logistics by rolling out the authorized economic operator programme across export-oriented industry parks, and by improving the main export corridor to Djibouti.

III. Industrial Development Strategies

Three policy documents are prepared to guide intervention in industrial development:

- ▶ The Industrial Development Roadmap (IDR)
 - ▶ provides a strategic framework for industrial development for the next ten years;
- ▶ The Industrial Development Strategy Plan (IDSP)
 - ▶ defines strategies, programs and projects for the implementation of IDR; and,
- ▶ The Industrial Development Institutional Setup (IDIS),
 - ▶ provides an institutional framework for industrial development.

The Industrial Development Strategy (IDS) principles

- ▶ The IDS is based on a broader development vision - ADLI
The philosophy of ADLI is that agriculture development plays a leading role in the industrialization process by preparing various conditions for full-fledged industrialization
- Primary principle of IDS is the linkage b/n industry & agriculture
- ▶ Other principles
 - Export oriented sectors should lead the industrial development and be given priority
 - Labor intensive sectors also be given priority to maximize employment
 - Public-private partnership - gov't not merely as a facilitator but also as a leadership

Ethiopia

- ▶ Why light and labor intensive Manufacturing is a priority for Ethiopia?
 - ▶ Easily trainable labor force (532 TVETs are creating close to half a million medium skilled labor force)
 - ▶ Potential for cheap renewable electricity
 - ▶ Favorable legal and institutional environment
 - ▶ Huge potential for raw materials for labor intensive industries (cotton, hides and skins, mines, cash crops and food products)

Ethiopia cont...

- ▶ Establishing industry zones and developing Industrial parks are the sought to be the successful mechanism to provide comprehensive infrastructural and logistic support to investors
- ▶ Number of industrial parks proved the success and many more parks are under development in around Addis Ababa and the country's Eastern and Southern corridors
 - ▶ Kombolcha
 - ▶ Dire Dawa
 - ▶ Hawassa

Industrial Zones...

Bole-Lemi Industrial Park



Industrial Zones...



Mechanisms of engagement

- ▶ Mechanisms of engagement with the private sector
 - (1) Creating conducive environment
 - (2) Direct support for selected sectors
- ▶ The IDS identified a number of concrete intervention areas to create conducive business environment maintaining macroeconomic stability
 - ✓ building a functioning and well-regulated financial sector
 - ✓ creating dependable infrastructure services;
 - ✓ developing skilled and effective human resource;
 - ✓ creating efficient civil service and legal framework;
 - ✓ developing industrial zones in major cities and towns with all required infrastructure facilities

UNIDO Response

Focus of UNIDO's assistance to Ethiopia:

- ❑ Technical assistance in agro-processing (incl. leather and textile)
- ❑ Support to industrial policy/ strategy development,
- ❑ Institutional and human capacity building,
- ❑ Investment promotion,
- ❑ Product Quality and Standardization

IV. Programme for Country Partnerships (PCP) in Ethiopia

- ▶ Ethiopia selected as one of the two African pilot countries for ISID implementation:
 - ↳ Reasons for selection:
 - ▶ UNIDO's longstanding and good partnership with the Government
 - ▶ Stable Country with a clear National Development vision and related macro-economic Strategy focusing on industrialization promotion, strong institutions and conducive environment for doing business.
- ▶ The PCP is closely aligned to the Growth and Transformation Plan (GTP) and the Industrial Development Strategy of Ethiopia.
- ▶ Areas of UNIDO's engagement were selected based on the country's priorities, relevance for growth and poverty reduction, as well as UNIDO's comparative advantage and potential for building partnerships, and synergies with other development actors.

Contn...

- ▶ Ethiopia selected as one of the two African pilot countries for ISID implementation:

- ↳ Major Focus areas:

- Leather and leather products
- Textile and apparel
- Agro-Food processing



- ▶ These industrial sectors hold the prospect of employment for low-skilled young people, increased export earnings, benefits to local SMEs, and strong backward linkages to the agricultural sector, creating market opportunities for smallholder farmers.
- ▶ These sectors will also attract investment for businesses that intend to take advantage of cheaper labour costs and preferential access to large markets, such as those in the USA and EU (through the AGOA and Cotonou Agreement).

Contn...

→ Cross-cutting interventions:

- ❑ Capacity building
- ❑ Energy and environment
- ❑ Investment and industrial zones
- ❑ Trade facilitation

→ PCP Implementation structure

- ❑ National Task force, comprising key Government Ministries, the private sector, development partners under active establishment
- ❑ Technical branches at UNIDO HQs
- ❑ UNIDO Regional Office
- ❑ PCP unit (*under establishment*) within Ministry of Industry

V. Ethiopian Government's commitment to promote Programme for Country Partnerships (PCP)

- ▶ The prime minister's conformation of the commitment of his government to the implementation of the programme (showing great ownership of the Programme)
- ▶ The Ministry of Industry has established a National Technical Task Force comprised of representatives of different ministries and institutes, as well as from the private sector.
- ▶ A High-Level Joint Steering Committee has also been established under the leadership of the Prime Minister.
 - It is co-chaired by the Ministry of Industry and the Ministry of Finance and Economic Development.
 - The committee is composed of heads of development finance institutions (DFIs), development partners and representatives of international companies operating in Ethiopia.

Contn...

- ▶ **The national task force focuses on the execution of projects and programmes.**
- ▶ **The High-Level Joint Steering Committee is expected to provide strategic guidance on the implementation of the PCP, prioritize projects and programmes, and allocate resources for the execution of the PCP.**
- ▶ **The Ministry of Finance and Economic Development has been coordinating work with a range of development partners and DFIs for the implementation of the PCP and that the programme is in line with the country's growth and transformation plan.**

VI. Scaling up investments for PCP Ethiopia projects

- ❑ A platform for discussion with the International Bilateral and Multilateral Financial and Technical Partners has been set up for coordination and funds mobilization purposes.
- ❑ A number of commercial banks and DFIs have indicated their interest in scaling up investments in projects that feature under the Programme for Country Partnership for Ethiopia.
 - ❑ Integrated textile plant in Adama and Modjo Leather City projects are on the pipeline for possible financing

VII. UNIDO Projects Funded by Japan

1. One Village - Industrial Cluster

Major Achievements:

- ▶ A combined approach of One Village One Product (OVOP) and UNDO cluster development approach, (One Village- Industrial Cluster) OVIC
- ▶ Contributed to the success of the Spanish MDG-F Joint Programme on Edible Oil Value Chain in Bahir Dar / Amhara Region
- ▶ Successfully initiated bamboo value chain development in Hawassa/ Southern Region
- ▶ Final report prepared to conceptualize the good experience as an innovative approach for development of SMEs

Contn...

2 Ethiopian Advisory Programme by UNIDO ITPO Tokyo, started in Nov.2013

▶ Objectives:

- Support investment and business development activities of Japanese companies in Ethiopia,
- Enhance the flow of technology transfer from Japan to Ethiopia.

▶ Major Achievement:

- ▶ -More than 30 Japanese companies received support and advisory services to develop their existing and planned Investment/business in Ethiopia.

Success Stories of the Advisory program in Ethiopia

Six companies became successful in utilizing advisory program in Ethiopia

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3. Pipeline Programmes Projects

- 1) Edible Oil Value Chain Enhancement Joint Programme (*2nd Phase*),
- 2) Waste Management in Ethiopia and the Sustainable Use of Animal Bones
- 3) Development of Fishery Value Chain around Tana, Abaya and Chamo Lakes
- 4) Transforming Livelihoods in the Communities of Ethiopia through Value Addition to Fisheries Resources
- 5) Productive Work for Youth and Women through MSME Promotion in Ethiopia
- 6) Valorization and improved sustainability and inclusiveness of the Ethiopian coffee value

Business and investment promotion activities by UNIDO ITPO Tokyo office and Ethiopian Embassy in Tokyo

- ▶ UNIDO ITPO Tokyo office and Ethiopian Embassy in Tokyo have closely coordinated in promoting business and investment
- ▶ Successful events with significant number of audiences have contributed in boosting Ethiopian business and investment climate in Japan
 - ▶ Business and investment seminars in Tokyo, Nagoya and Osaka in Decemebr 2013
 - ▶ Agribusiness and investment Seminar in Tokyo on 29 May 2014
 - ▶ Ethiopian Light Manufacturing Workshop held in Tokyo on November 25 2014
 - ▶ Business and investment seminar held as a side event of inaugural flight between Narita and Addis Ababa

Thank You!