

A close-up photograph of a computer keyboard is shown at the bottom of the page. A purple keycap is the central focus, with a white text overlay on it. The text reads 'Manufacturing Export Performance in Ethiopia'. The word 'Export' is significantly larger and bolder than the other words. The background shows other keys in white and green, slightly out of focus.

# Manufacturing **Export** Performance in Ethiopia

# Acknowledgment

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## I. Introduction

Ethiopia has demonstrated strong economic growth and commendable social developments in the past decade. Economic growth (real GDP) averaged 10.9 percent per annum in the past ten years. Social services such as education, health, water and sanitation has been expanded and poverty has been declining. The incidence of poverty has markedly declined from 45.5 percent in 1996 to 29.6 percent in 2011 and estimated to have further declined to 23.4 percent in 2015. These were results of pursuing stable macroeconomic policy management and sound social policies. Ethiopia has been implementing an ambitious midterm strategic plan - the Growth and Transformation Plan (GTP) that foresees to double the country's GDP over the medium term and become a middle income country by 2025. Among the major priorities of the GTP include building economic resilience through galvanizing the private sector to play a more complimentary role in stirring the transformation process. Agriculture is still the mainstay and backbone of the Ethiopian economy contributing 41 percent of GDP while the share of services has substantially increased in the past years and reached 45 percent in 2014. The contribution of the industrial sector however remains low hovering around 14 percent for the past several decades.

The successor to the GTP, the second growth and transformation plan (GTP II) which is currently under preparation is envisioned to focus on the industrial sector and particularly on increasing the contribution of the manufacturing sub sector which is targeted to reach at 18% of GDP from the current level of 4.4% in 2015. Though the industrial sector is witnessing growth in all arenas, its contribution to GDP and capacity to generate foreign exchange as well as employment creation has fallen short of the expected target. In order to realize the vision of reaching a middle-income country status by 2025, the industrial sector also needs to compensate for the past short falls as well as achieve new targets that will be set in GTP II which will definitely be higher than its predecessor.

Government showed strong determination to create conducive business environment, raise efficiency and competitiveness of industry, trade and investment. Within this broader framework, the GTP II foresees strong manufacturing export performance as the sector is key to further boosting economic growth, improve terms of trade, and acquiring foreign exchange earnings that is essential to meet import needs of the country and broadly meet the financing requirements of the successive transformative plans. Export values have been growing on average by about 22% annually in the past decade. In 2011/12, the value of total export was \$3.2 billion and the total import bill was \$11.0 billion resulting a trade deficit of \$7.9 billion. Ethiopia's trade deficit has been widening largely due to the substantial growth in imports and less than commensurate growth in exports. Ethiopian exports is predominated by agricultural products such as coffee, oilseeds, Chat, leather and leather products, pulses, cut flower, fruits and vegetables, live animals that contribute to approximately 70% of total exports. Recently gold export posted the highest growth of 30% in 2011/12 compared to the previous fiscal year largely driven by higher volume and favorable international prices and has become the second important export commodity. Nonetheless, Ethiopia's merchandise export can only finance about one-fourth of the total import bill. Meanwhile, capital goods, petroleum products and semi-finished goods imports accounted for over 60% of the total value of imports.

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<sup>1</sup>GTP runs from 2010/11-2014/15.

While the export sector holds promising potential and is witnessing progress over the past years, challenges remain. Majority of merchandise exports are low value-added agricultural products and unprocessed agricultural goods which have minimal impact on substantially increasing export earnings, and bringing in the required technology development in the domestic economy. Hence, price volatility in world agricultural markets have a serious impact on the value of merchandise exports. Moreover, the sector is faced with supply side constraints related to inadequate infrastructure (roads, telecom, electricity), high cost of transportation, limited participation in the regional and multilateral trading systems and insufficient knowledge about international trade. The performance of the export sector is also affected by drawbacks in accessing niche markets due to entry barriers, lack of appropriate information, and limited financing capacity of exporters. The cost of doing business in Ethiopia is also among the highest standing at 111 out of 183 countries measured by ease of doing business (World Bank 2012) and time to clear exports in Ethiopian remains one of the highest in the region. Due to these constraints Ethiopia has not yet fully benefited from its export potential and available market access opportunities.

The strategic direction put forward by the government to address some of the challenges highlighted above include raising efficiency of the overall export sector, establishing a favorable business environment for exporters, and promoting competitiveness in the export market. These measures are believed to boost the overall export performance particularly of manufacturing sector and stimulate private sector development. This places strengthening the export sector among the top priorities of the government. In this regard, UNDP commissioned a strategic study that explores export performance of the manufacturing sector. The study identified binding and other determinants to manufacturing exports and proposed detailed policy recommendations. This summary highlights the key findings of this detailed assessment of the manufacturing export sector. This summary is organized as follows. Section two will briefly summarize situation analysis and sections three and four deal with binding and other determinants of manufacturing exports, respectively. Section five gives policy recommendations.

## 2. Situation Analysis

There is need for enhancing exports as it can produce bursts of economic growth. This is because exports facilitate aligning of the domestic economy with areas in which a country has comparative advantage leading to appropriate resource allocation. Furthermore, successful exports being subject to competition at the international level, produce efficiency gains through economies of scale, adopting state of the art technologies and business processes. This in turn leads to significant productivity gains giving rise to higher wages and creating jobs. Besides exports bring in foreign exchange which is needed for the growth of the economy. The foreign exchange finances imports including those of capital goods and enables countries to maintain a favorable balance of payment situation; countries are able to repay their external loans and companies are able to carry out trade. Manufacturing exports has the additional benefit that it can absorb a relatively large part of the work force in higher productivity jobs.

## 2.1. Overall Assessment:

Performances of the various sub-sectors of manufactured exports against targets set in 2010 in GTP have generally been lower than 50%. This, however, needs to be viewed in the larger perspective. It may be possible that the targets set were ambitious to begin with but it needs to be appreciated that they were set with the intention of rapid overall development of the entire sector; had major world markets for Ethiopia's products not continued to be sluggish, the targets could well have been within reach at least for some product groups despite supply side challenges including those of power and raw material supplies. Besides, it is possible that the enterprises were not categorized in terms of the type of needs when support was extended. In any case, the GTP-I years were not really the right time for any country to dramatically improve manufactured exports as was envisaged.

It is worth noting that the targets set for all exports under GTP were in terms of value measured in US Dollars; that there has not been much of a 'shortfall' in the quantities exported but rather of total export value caused by a general decline in world prices; that there has been a positive change in level of product diversification. Unfortunately along with the other sectors, the decline in world prices has affected Ethiopia's manufactured exports sector as its products are mostly non-differentiated, lack a wider range, low value addition, the flexibility to change quickly with changes in the market, complexity and branding – attributes that are not easy to achieve in the competitive international market place for a still young private sector.

## 2.2 Sector Assessments:

Looking at exports of manufactured products textiles and garments, chemicals and pharmaceuticals have had marginally better growth during GTP- I; the sector comprising leather and leather products, meat and milk have had relatively lower growths. The slightly better growth of the textiles and garments sector can be attributed to major investments that have taken place in the sector; while on the other hand the output from similar large investments in the leather sector are yet to be reflected. However, the principal reason why the agro, leather and meat sectors have fared less well -- they are in many ways connected to each other -- is that there are greater supply side challenges in the sector than in any other sector. Most value chains in the sector are small holder driven, geographically dispersed and completely fragmented. If greater attention is given to achieving higher levels of output and on getting farm and agricultural produce to the market more efficiently, the entire manufactured export sector particularly the meat and leather sub-sectors, would indeed gain very significantly.

### 3. Performance of Ethiopia's Manufactured Export Sector

This performance assessment identified what it calls “binding” and “other” deterrents to the manufactured exports. These determinants are briefly summarized as follows.

#### 3.1 The binding determinants of performance of the manufactured exports sector are:

*i) Building of Physical Capital; Investments:* In order to reach major export growth targets and to be able to compete, penetrate and grow in overseas markets, it is necessary to manufacture quality products in substantial quantities competitively. For this physical capital, in the form of technologically advanced plant, buildings, assembly lines and machinery are required, designed to operate at a scale that can produce major product volumes.

*ii) Raw Material Supplies:* The quality and quantity of raw material supply is inadequate for almost all products of the manufacturing export sector except cement and to an extent, chemicals. Access to raw material is inadequate and often delayed for most enterprises in textiles and garments, leather and garments, agro-industry and the meat sectors; raw material import procedures are long; adequate cultivation of agricultural raw materials including organic cotton, is also inadequate. Paradoxically owing to the absence of an assured domestic market partly as a result of insufficient linkages between farmers unions and manufacturing industries;

*iii) Logistics and Transportation:* The time required for the transportation of a container has been estimated to vary considerably between 10 to 44 days compared to an average of 26 days for comparable Rwanda; the cost has been estimated to be around \$2,100 and \$2,500 for a 40 ton container for export and import, respectively including empty return, which is competitive. However further significant savings are possible including in trade protocol between Djibouti and Ethiopia, facilitation en route to Ethiopian dry ports, quality of trucking, trade finance services, decreasing turn-around time of containers, decreasing congestion at Modjo Dry Port, avoiding penalties/demurrage of vessels and by increasing the free time for containers.

*iv) Export Profitability:* For the local manufacturer, exporting most manufactured products from Ethiopia is not very profitable at present compared to sales in the domestic market. The level of protection of the domestic market and the high costs of logistics and transportation, among other issues, result in domestic prices being higher.

*v) Building of Human Capital: Educated and Skilled Work Force:* The availability of a broad base of human capital is essential for the sustainability of growth in a competitive market place. Depth of universal primary education and literacy levels ensure that on-the-job learning and cognitive skills of the workforce are present and advanced. Investing enterprises find it easier to upgrade the skills of such workers, to use new and advanced technology and to continuously improve productivity for the continuous growth of efficiency and competitiveness.

*vi) Growth of Productivity; Absorbing Foreign Inputs:* All forms of technological inputs which can improve productivity need to be welcome in a developing country seeking rapid export led growth; such inputs can include processes such as manufacturing under license, support for reverse engineering and arrangements such as buy back investment packages to meet buyers' specific requirements.

*vii) Credit, Power and Foreign Exchange:* A major constraint especially to domestic enterprise growth is the system of granting of loans by banks. When considering a loan application, the banks consider not only issues like business performance, its credit profile and management capabilities but also several compliance requirements including tax clearance, customs clearance, delinquency clearance, provision of recently audited statement by approved auditor, restrictions imposed on the bank's credit limits for a single enterprise, government lease value of land and lease values of land from the market for asset valuation. Furthermore there is inadequate use of newer alternative financing systems such as equity financing, leasehold financing and warehouse financing;

*viii) Rate of Exchange:* The rate of exchange has a direct bearing on export volumes and value of exports. A strong over valued local currency hurts the entire export sector including the manufactured export sector. A recent study has indicated that the real effective exchange rate in Ethiopia has appreciated which makes exports less competitive.

*ix) Interventions for Exports: Incentives: Controlling Price Distortions:* A wide range of incentives for exports are in place at present and they have a very positive effect on exports. However for established local enterprises, though they are equal in terms of benefits and entitlements with FDI enterprises which operate under the voucher scheme and are AEOs, the effects of the incentives on the ground are not equal. Unless they make new large investments themselves, domestic export enterprises compete at a disadvantage with FDI enterprises in the same destination export market.

*x) Differentiation of Focus:* Though the private sector is still in its infancy, Ethiopia has been successful in initiating the buildup of relatively diversified industry base; FDIs have set up major export enterprises in industry zones and these enterprises make substantial exports. The domestic export industries and SMEs too have grown; however the difference between the two categories remains very significant:

*xi) Use of the Internet:* Access to Commercial Information; e-Procedures: Enterprises have established and regular procedures for working with the government, banks, customs and other authorities. These procedures are carried out by physically filing papers. Though they were efficient earlier they involve considerable cost and time at present as the volume of transactions has grown manifold over the years with the growth of the economy.

### **3.2 Other determinants of performance of the manufactured export sector are:**

*i) Sharing of Growth; Support Services and Institutions:* Export manufacturing is considerably more complex than manufacturing for the domestic market. The export market is more demanding in terms of quality, planning and delivery than the domestic market. It also requires far greater organization, communication and operational capabilities.



*ii) Targets for Productivity, Value addition and Diversification:* Improvements in productivity, value addition and diversification in processes and products secure higher export prices that are vital for the export growth that has been targeted.

*iii) Unit Prices, Value addition: Packaging, Diversification; Branding, Retailing:* Currently Ethiopia's manufactured product exports compete in the international market mainly on price. Accordingly pricing sheets for many products show that export sales are made on a cost plus profit basis. Also, in the absence of differentiation in the export market or of the presence of brands, the products exported do not trigger any noteworthy recall in customers' minds; products exported are sold to an intermediate buyer: there is very little retailing in any export market either physically or over the internet.

*iv) Ease of Doing Business: Conduciveness of the Business Environment:* At present to start a domestic business a large number of steps are needed, a considerable amount of time spent and significant costs incurred. This is detrimental to starting a business; the environment is generally not conducive to business growth;

*v) Role of the Government; Regulatory Quality: Private Sector Growth:* In order that more enterprise growth can easily take place, greater regulatory support for enterprise growth is required through reducing the steps and costs of starting a business, accessing international level certification facilities and testing laboratories, ensuring domestic competitive practices, reviewing the customs duty database and appeals system, rationalizing asset valuation norms and rationalizing bank requirements for granting credit;

*vi) Competition:* The major export manufacturing segments in Ethiopia are dominated by a handful of large enterprises which generate a bulk of the exports. The rest are smaller enterprises which together account for a small percent of the total exports; also, there is insignificant growth in the number of domestic export enterprises.

*vii) Utilization of Trade Preferences:* Studies indicate that there is relatively low utilization of existing trade preferences by Ethiopian exporters in the EU and the US markets due to procedural reasons including documentation relating to rules of origin. The level of trade with countries in sub-Saharan Africa is also low and amounts to under trading in the region.

*viii) Industry Zones:* The industry zones that have been started have been well formulated; they currently significantly increase exports. The FDI enterprises in the zones are large, well organized and use more advanced processes and machinery; their export orders are generated by their principals abroad; the enterprise here only executes the orders.

*ix) Non-monetary Incentives; Public Recognition; Excellence Awards: Role of the private sector:* Exporting from Ethiopia at present, is a more difficult and less rewarding process for domestic exporters than carrying out domestic sales. Those domestic exporters who do export in substantial quantities perform a vital function for the nation. Public recognition and awards from the Hon. Minister or Head of State as non-monetary incentives are necessary for successful exporters; they serve to motivate and reward as well as support growth of entrepreneurship;

*x) Monitoring and Evaluation: Information and intelligence:* Currently sector wise export performance is measured in terms of export value in US dollars; information is furnished by the sector institutes and the customs on a monthly basis. For more control, the information system needs to be modified to combine information and intelligence.

## 4. Overall Recommendations

Based on the assessment of performance of the manufacturing export sector the report forwarded sets of overall and associated policy recommendations:

### 4.1 Overall Policy Recommendations

*1. Increase Physical Capital; Investments:* Attract foreign and domestic investments in manufactured products, especially investments that create physical capital and involve the latest technology and processes; ensure investor confidence through continued macroeconomic stability, low inflation, investor protection arrangements; set targets for investment and physical

*2. Ensure Raw Material Supplies:* Set up a Raw Material Information and Supply Enterprise: Ensure raw material supplies particularly for the domestic export enterprises;

*3. Provide Better Logistics, Transportation:* Reduce costs of logistics further by avoiding penalties/demurrage of vessels, decongesting and better administering Modjo Dry Port, increasing free time and decreasing turnaround time for containers;

*4. Improve Export Profitability:* To increase export profitability for domestic export manufacturers, it is necessary to lower domestic costs by lowering costs of transportation and trade finance, improving sector productivity, lowering costs and time for customs clearances; increasing use of on-line clearance systems, increasing the domestic levels of competition by facilitating domestic enterprise growth, joining COMESA FTA and gradual lowering of tariffs. It needs to be noted that at present if goods of value US\$5,000 are imported from China in a 20-foot container, the buyer in Addis will have to pay US\$13,500 for it.

*5. Improve Human Capital: Educate and Empower:* set up National Skills Development Corporation: To meet the substantial demand for skills that will arise from (a) GTP-II targets, (b) expansion plans of existing FDI enterprises and (c) from fresh investments, a private sector- government forum needs to be set up to supplement the skill building work currently being done by many enterprises. Besides, a National Skills Development Corporation will be required to be set up to prepare new entrants and coordinate inclusive skill building at the national level covering all geographic regions. To reduce costs, skill development inputs will need to be given by private sector professional skill developers.

*6. Facilitate Growth of Productivity:* Absorb Technology: Seek investments that will use state-of-the-art technology; seek a wide range of technological inputs; facilitate export buy-back arrangements; encourage the use of IT driven management and control systems; encourage incremental improvements in the work place and manufacturing processes; seek investments in newer diversified products; set sector wise targets for productivity growth;

**7. Credit, Power and Foreign Exchange:** Review bank and compliance conditions for granting of credit to domestic export enterprises including for SMEs, especially for working capital; the conditions that need to be reviewed should include bank rules, DBE and NBE requirements, law enforcement for bad loan recoveries and social issues involved in resale of property.

The performance track record of export manufacturing enterprises should be designated as the major criterion for granting of credit. Ensure more autonomy for banks and greater use alternative financing systems like equity financing, lease financing and warehouse receipt financing; create a more enabling environment for their use; more use of back-to-back LCs, trading on account. Improve NBE's capacity to forecast financial flows; allocate foreign exchange to offset seasonal fluctuations of export earnings;

**8. Review the Rate of Exchange:** A strong local currency hurts the entire export sector including the manufactured export sector. However any decision in this area needs to take into consideration Ethiopia's past experiences with devaluation when exports had not increased significantly and to consider its likely impact on major construction projects that are currently underway which involve very substantial imports. The way out is to review the rate once the bulk of the procurement processes of these projects are over.

**9. Review Interventions and Incentives for Exports:** Extend Income Tax Exemption Periods: Support Accessories Manufacture; e-Retailing: Encouragement to all enterprises to register and claim export incentives; extend income tax exemption by 5 years for all domestic export enterprises; for small holder exporters like for honey, unconditional tax exemption proportionate to their exports; designate as Accessories Economic Cooperators enterprises which manufacture at least 25% of their accessories for export; provide preference to them in foreign exchange allocation; provide free skill building for all exporters; put in place systems that facilitate customs to easily segregates export and domestic outputs; ensure transparency of procedures and valuations by customs; more enterprises need to be brought under the AEO programme to provide customs facilities at their premises; a one-time subsidy of up to \$25,000 needs to be given to selected enterprises for installing interactive websites for e-retailing;

**10. Differentiate Focus:** Though trade and industry policies need to be common for all enterprises in Ethiopia, there is a need to differentiate focus and provide support depending on the specific needs of enterprise categories; this will create a win-win situation by boosting exports both from the domestic export manufacturers including SMEs and from the 100% export FDI enterprises; both categories of enterprises, even though at present the former is much smaller than the latter, are vital to Ethiopia; to illustrate the differential, in textiles, FDI accounted for 77% share of the total exports while private domestic investment contributed only 14.5%; the rest, which is about 8.5%, was from two SOEs;

**11. Use of the Internet;** Access to Commercial Information; e-Retailing: introduction of on-line systems are essential for all export procedures including banking and trade finance, filing of shipping papers with customs, customs appeals; there is need for e-linking with Djibouti Customs; e-tracking cargo movement and handling at Modjo Dry Port; e-information on raw materials availability; e-retailing in the EU. Introduce legislation for recognition of e-signatures;

## 4.2 Associated Recommendations

**12. Share Growth:** Increase Consultations; set up Ethiopia Trade Centers: Achieving GTP - II targets will need the full cooperation of all stakeholders, each of whom will need to be assured to substantial gains from the success of GTP-II; more planning in advance with enterprises and with other ministries will be essential; setting up Ethiopia Trade Centers in US, Germany and China for securing more export orders, export promotion, branding, and technology transfers; the centers will administratively report to the MOFA but functionally to MOI and be staffed by MOI;

**13. Targets for Productivity, Value addition and Product diversification:** In the GTP II period growth and its sustainability will assume major significance; greater industry awareness of this as well as the need for shifting from factor driven exports to efficiency driven, value added and diversified exports are needed. Targets are required to be set product group wise particularly for the domestic export manufacturing sector through a process of consultations, for value addition, productivity and product diversification. Targets also need to be set for a minimum proportion of packaged exports from the agriculture sector such as packaged cut flowers, roasted coffee in branded retail packs, bottled honey and processed sesame;

**14. Unit prices, Value addition, Diversification, Differentiation, Branding and Retailing:** In GTP II growth and sustainability of exports will assume major significance; this and the greater awareness of the need for shifting from factor driven exports to efficiency driven exports would be vital; exports need to be value added, branded and diversified and retailed for better prices; set targets for value addition, diversification and productivity according to product groups; facilitate access to packaging materials; encourage technology tie-ups; hold overseas brand building events; support licensing, trade mark initiatives and export buy-back arrangements; facilitate retailing in COMESA countries and e-retailing in the EU

**15. Ease of Doing Business, Conduciveness of the Business Environment:** There is a need to reduce the number of steps, the time and the cost of starting a business; costs can be totally removed for SMEs; there is need for decongesting Modjo Dry Port; better customs working including review of duty database and appeals system; increasing on-line filing of papers; review of customs procedures: more risk management to reduce delays; provision of single window facility; greater use of the green channel instead of the yellow; e-linking between Djibouti to ERCA. Basically the logistics sector must grow at the same rate as the industry sector, if not faster;

**16. Role of the Government; Private Sector Growth:** There is not enough growth in the number of export enterprises; although there are some medium size enterprises, there are no very large multi-product or multi-destination domestic export enterprises in any sector. Better regulatory support facilitating local export enterprise growth is required in areas of reducing the cost of starting businesses; certification; packaging; rationalized collateral requirements for credit facilities; greater competition and competitive practices;

**17. Competition:** Growth in the number of smaller enterprises can be limited by several factors including the dominance in the market of a few large domestic, FDI and SOEs; awareness of their impact on the overall growth and survival of smaller domestic export enterprise and SMEs need be raised; to increase competitive practices, general transparency and simplification of redress procedures; provide more investor protection.

**18. Utilization of Trade Preferences:** There is need to improve utilization of trade preferences by Ethiopian exporters to the EU and the US markets by improving their compliance with regulations including rules of origin; to increase regional trade with other African countries; to advance the timetable for the start of duty free trade with COMESA to 2017;

**19. Use Industry Zones:** The zones are very useful for generating bulk exports by 100% export oriented FDI enterprises. Expansion of zones and the setting up of more 100% export oriented FDI enterprises are required for accommodating more enterprises bringing in more physical capital and greater investments commensurate with GTP-II targets; however, utilization of current zones and their likely occupancy rates in the year ahead need to be closely monitored by using realistic projections; more efficient customs clearance and easier facilities for shipment of samples are required to be provided.

**20. Increase Non-monetary Incentives; Excellence Awards:** Importance of exports: Annual public awards from H.E. the Minister are non-monetary export incentives; besides they emphasize the responsibility of the private sector to export since some may be of the view that exporting is the responsibility of the government; awards should be combined with monetary awards and be presented enterprise category wise for overall export performance and for functional improvements; awards to be given category wise including for SMEs and young entrepreneurs;

**21. Monitoring and Evaluation:** Projections and Price Information: Performance reporting and intelligence gathering are needed to be combined; the reports need to feature not just export values but also quantities, export prices; estimates of cultivation and supply position of quality raw materials; list of cargo held up for long at customs, congestion levels at Modjo Dry Port; availability of empty containers for exporters.

## 5. Strategic Recommendations

**1. Balance of Payments position:** Import Substitution: Need for focus on the Agriculture sector: In addition to using exports to improve the balance of payments position, this position can also be improved by higher levels of import substitution

**2. Growth of Exports from the FDI Enterprise Segment:** The overall strategy for growth of exports from the FDI enterprise segment should be:

- Attracting more investments and physical capital formation;
- Improving customs, transport and logistics facilitation;
- Support improvement of human capital availability;
- Integrating manufacturing plans with raw material cultivation/supply plans;

**3. Growth of Exports from the Domestic Export Manufacturing Segment:** For the domestic export manufacturing segment, the strategy for growth should be:

- Focus on building greater team spirit and trust between government and private sector;
- Encouraging growth of enterprises, range and value of products;
- Facilitating the entire range of support: raw material, credit, logistics and marketing;

Integrating manufacturing plans with raw material cultivation/supply plans to form seamless supply chains;

**4. Overall Coordination:** High Level National Export and Competitiveness Council of Ministers: Many of the recommendations, instruments and activities that must be performed for higher export growth are beyond the mandate of MOI; these include generating investments and physical capital growth, managing foreign exchange reserves, extending credit, providing adequate power, growing human capital, overseas trade promotion, increasing market access, reworking customs databases, improving logistics of movement and storage, evaluating exchange rates, expansion of internet facilities and legalizing e-signatures. Thus to ensure proper implementation of the strategies and recommendations MOI needs to be supported by and work closely with other ministries; for this it is necessary to:

- Designate MOI as the nodal ministry for all issues of manufactured products exports;
- Ensure regular reporting of GTP-II implementation (every 6 months) by other ministries to MOI;
- Have joint discussion and planning sessions held by MOI with other ministries;
- Ensure monitoring and evaluation by MOI of the relevant plans of other ministries and agencies;

**5. Institution set up/Modifications:**

- Raw Material Supply Corporation (already approved; operationalization awaited)
- Ethiopian Trade Centres in the US, Germany and China
- National Skills Development Corporation
- Individual desks/systems in MOI for different categories of enterprises
- Delinking of Revenue and Customs; review of need for Customs Authority to be independent of any Ministry since support to trade and industry is its primary function;
- High Level National Export and Competitiveness Council of Ministers

## 6. Conclusion

From an overview of the growth figures of the sectors of manufactured products exports it will be seen that textiles and garments, chemicals and pharmaceuticals have had marginally better growth during GTP; the sector comprising leather and leather products, meat and milk have had relatively lower growth. The slightly better growth of the textiles and garments sector can be attributed to major investments that have taken place in that sector; while on the other hand the output from similar large investments in the leather sector are yet to be reflected in the figures. However, the principal reason why the agro, leather and meat sectors have fared less well -- they are in many ways connected to each other -- is that there are greater supply side challenges in the sector than in any other sector; most value chains in the sector are small holder driven, geographically dispersed and completely fragmented. If greater attention is given to achieving higher levels of output and on getting farm and agricultural produce to the market more efficiently, the entire manufactured export sector particularly the meat and leather sub-sectors, would indeed gain very significantly.



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