

Ministry of Industry

National policy perspectives on building MSME resilience and formalization



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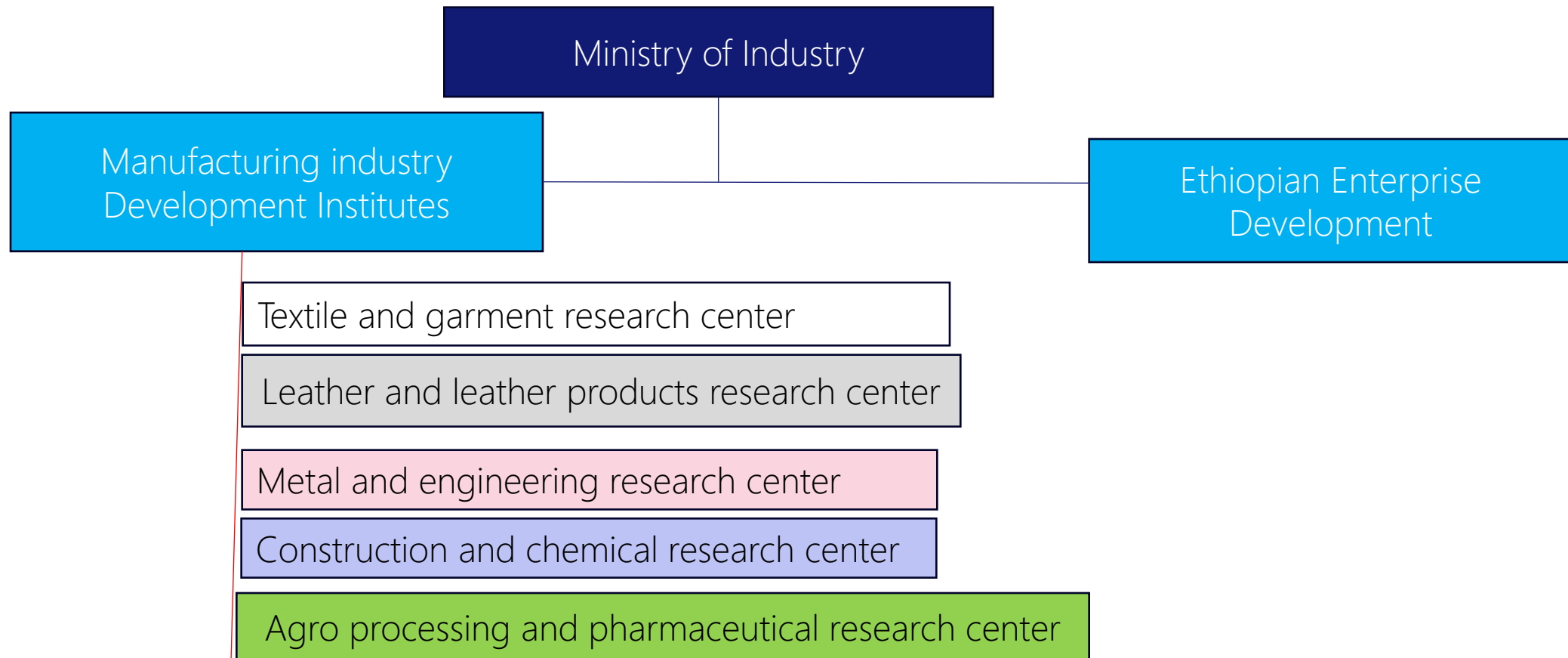
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Introduction

**The Ministry of Industry and other institution's established based on Proclamation No. 1263/2021
Definition of Powers and Duties of the Executive Organs. MoI has the following structure**



Definition of MSMEs

Category/level	Total assets(ETB)	Number of employees
Micro	<600,000	<10
small	600,001-10,000,000	11-50
medium	10,000,001-90,000,000	51-100
large	>90,000,000	>100

Formalization of SMEs



We have over 26000 manufacturing SMEs registered as formal businesses and still, there are SMEs engaged in informal businesses.

Ethiopia's manufacturing SMEs sector contributed 6.9 % to the country's GDP. But the growth rate of the manufacturing sector is 10.1%.(MoI report ,2023/2024)

Formalization of SMEs/manufacturing industries/ and contributions



KPI	2013/2020	2014/2021	2015/202022	2016/2023
Manufacturing GDP contribution	6.8	6.7	6.7	6.9
Average manufacturing growth rate	5.1	4.8	7	10.01
Average production capacity of manufacturing industries	46	52.65	55.79	59.39
Job creation in manufacturing sector	171,373	255,068	254,885	272,034

Supporting MSMEs affected by multiple crises in Ethiopia and recovery of the private sector



- The government, especially the Ministry of Industry, has done various programs to support manufacturing enterprises (MSMEs) whose business activity has slowed down due to the Covid-19 pandemic. In this way, it was possible to save many enterprises from closed by involving various development partners to further strengthen the support. Therefore, together with development partners, the following supports have been made;

1. Ensure continuity of critical support functions and businesses at risk of collapse in crisis-affected

262 Businesses at risk of collapse were supported.

- Women account for 27.8% of the total beneficiaries while 14% are youth.
- These businesses employ a total of 1,148 people, of whom 793 (69%) are youth
- Identify/incubate 30 digital entrepreneurs and start-ups that can contribute for the response

2. Business recovery and resilience building through pre-and post-investment support impacted MSMEs

-Business development service (BDS) skill enhancement is provided to a total of 121 business advisory firms, professional trainers, coaches, advisors, and consultants

-500 SMEs, of which 225 (45%) female-led and 150 (30%) youth-led, in crisis-affected areas, have implemented measures to improve their business recovery and resilience

-Provision of grant/subsidy for selected 30 high potential growth SMEs

3. Direct support to crises-affected entrepreneurs/start-ups

- Non-financial entrepreneurship development skill enhanced for 632 enterprises
- Grant support is provided to 999 at-risk informal businesses (607 female and 392male)
- Provision of requested machinery and equipment
- Providing technical support in various areas (such as finance, marketing & sales, production and others) Conducting
- executive coaching (providing training and coaching on key strategic business areas
- Peer to peer learning between businesses (including with successful businesses of similar sectors

Policies and government approaches



After the pandemic the government had done reforms in different sectors through home grown economic reform;

- Ministry of industry prepared 10 years perspective plan and revised its industry policy to boost industrialization and to be competitive in the global market.

This revised policy is designed to drive both near- and long-term growth in Ethiopia's manufacturing sector, focusing on four key result areas. The policy emphasizes a market-driven led by the private sector with public sector support, adopting industry strategies, balancing export promotion, import substitution and inclusive development.

The four key result areas identified in the policy include:

1. Increasing production and productivity
2. Enhancing technology utilization and innovation
3. Boosting the share of the manufacturing industry in exports and import substitution/localization/
4. Establishing an inclusive and sustainable manufacturing system.

Policies and government approaches



To support this policy, the Ministry of Industry initiated the Ethiopia Tamiret Movement (ETM), a flagship initiative to revitalize industry awareness, strengthen coordination across agencies, and implement key strategies to enhance manufacturing sector productivity. The ETM has established six specialized cluster structures and committees that bring together public institutions and private sector representatives to collaborate on various topics to boost the manufacturing industry. The six clusters are

1. Finance and custom cluster
2. Input supply cluster
3. Infrastructure development cluster
4. Investment promotion cluster
5. Capacity building and R& D cluster
6. Regional government cluster

Rationality for Implementing Rural Industrialization in Ethiopia

1. Economic Diversification

- **Reduced Dependence on Agriculture:** Ethiopia's economy heavily depends on agriculture, which is vulnerable to climate change and other external factors like global market fluctuations. Industrialization in rural areas would diversify the economy, providing alternative sources of income and creating jobs in non-agricultural sectors.
- **Increased Value Addition: Rural industrialization can help transform raw agricultural products into value-added goods, creating local industries** such as food processing, textiles, leather, and handicrafts. This would raise the agricultural sector's overall productivity and reduce the need to export raw materials at low prices.

2. Job Creation and Poverty Alleviation

- **Creating Employment Opportunities:** Rural industrialization generates jobs in manufacturing, processing, and distribution. This can directly alleviate poverty by providing more employment options for the rural population, who are often limited to subsistence farming.
- **Boosting Incomes and Standards of Living:** By moving beyond traditional agriculture and creating industrial jobs, rural industrialization helps raise the income levels of rural households, thus improving their overall standard of living.

New initiative ; rural industrialization



Rationality for Implementing Rural Industrialization in Ethiopia

3. Reducing Rural-Urban Migration

- **Decreasing Rural-to-Urban Migration:** Many young people in rural Ethiopia migrate to urban centers for better job opportunities. However, urban areas are often overburdened and lack sufficient infrastructure to accommodate this influx. Rural industrialization creates economic opportunities within rural areas, reducing the pressure on urban infrastructure and mitigating issues like urban unemployment and slums.
- **Encouraging Youth to Stay:** With the creation of local industrial hubs in rural areas, young people are more likely to remain in their home regions rather than seek opportunities in overcrowded urban areas. This helps maintain social structures and prevents the depopulation of rural communities.

4. Enhancing Agricultural Productivity

- **Linking Agriculture to Industry:** Rural industrialization can create synergies with agriculture by fostering agribusinesses, such as agro-processing factories and organic fertilizer production plants. This adds value to agricultural output and encourages more sustainable agricultural practices.
- **Promoting Sustainable Development:** As industries develop, there can be a greater focus on sustainable agricultural practices (e.g., agroecology, organic farming) that complement industrial growth while preserving the environment.

challenges

- Access to finance
- Access to market(UNDESA support us on digital marketing and e commerce training for SMEs)
- Lack of skills(industrial management and technical skills)
- Poor linkage (foreword and backward linages) or supply chain problems
- Adoption of technology
- Infrastructure supply
- Lack Collaboration and coordination of different stakeholders' to support MSMEs
- Etc

The way forward

- Need to address systemic challenges that hinder the growth of MSMEs in Ethiopia
- Creating an enabling environment for MSMEs and informal businesses: This includes policies that support access to finance, markets, and skills development.
- Supporting the development of sustainable financing mechanisms: This could include micro finance, guarantee schemes, and venture capital funds.
- Promoting public-private partnerships: This could involve partnerships with banks, businesses, and NGOs.

The way forward

- Technical support (regional & individualized)
- Executive coaching (incentive, consistent, ..)
- Peer to peer learning
- providing appropriate machinery can change the growth trajectory of the business

Access to Digital economy

- In a rapidly expanding global market, many promising local businesses are restricted to specific local markets. As a result, increasing enterprise knowledge of the digital economy and market will help businesses reach new markets, remain competitive, increase their income, and learn new ways to do business.
- etc

Thank You!

