



ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

**CHALLENGES AND OPPORTUNITIES OF THE PRIVATE
MANUFACTURING SECTOR, IN ADDIS ABABA ETHIOPIA (THE CASE
OF KALITY SUB CITY)**

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JANUARY, 2017

ADDIS ABABA, ETHIOPIA

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY SCHOOL OF
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SCHOOLOFGRADUATESTUDIES
FACULTYOFBUSINESS

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Declaration

I, Hagos Geremew, hereby declare that the thesis entitled “***Challenges and Opportunities of the Private Manufacturing Sector, in Addis Ababa Ethiopia (the Case of Kality sub city)*** is the outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the requirement for the Master of business administration (MBA) program.

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ENDORSEMENT

This thesis has been submitted to St.Mary's University College, School of Graduate Studies for examination with my approval as a university advisor.

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January, 2017

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List of Abbreviations and Acronyms

AACCSA-	Addis Ababa Chamber of Commerce and Sectoral Association
EEC -	Ethiopian Economic Associations
EIA -	Ethiopian Investment Agency
FDI -	Foreign Direct Investment
FDRE –	Federal Democratic Republic of Ethiopia
GDP -	Gross Domestic Product
LDCs –	Least Developed Countries
NGOs -	Non-governmental Organizations
UNCTAD –	United Nations Conference on Trade and Development
IMF -	International Monetary Fund
MOFED-	Ministry of Finance and Economic Development,
GTP-	Growth and Transformation Plan

Abstract

Good private manufacturing investment is a basic for the whole economy. However, many private investors in less developed countries are not participated in manufacturing sector. Since Ethiopia is one of these LDCs its Economy depends on Agriculture. Therefore, private manufacturing investment is essential for the local as well as for the whole economy. The study used survey data collected from 55 respondents randomly selected sampled of private investors and from klality sub city Addis Ababa. The survey responses were analyzed through descriptive analysis such as frequency, percentage and graphical interpretations. Therefore, this study aims to determine challenges and opportunities of private manufacturing investment in Addis Ababa kality sub city. Data collected has been analyzed using descriptive analysis techniques for the characteristic and demographic of the respondents. The results of the study showed that shortage of funds to finance, lack of advices and information regarding creating a business network, availability of inputs, weak infrastructural development, high price competition in the regional market and skill shortages are found to be the main key issues faced by private manufacturers' in kality sub city.

Keywords: *Private Manufacturing Investment, challenges and opportunities, Addis Ababa, Ethiopia*

CHAPTER ONE: INTRODUCTION

This chapter indicates the set up basis of the current research. A general background of the study is provided as an introduction in order to describe the area in which the study is conducted and further on, justify the importance of the specific research in terms of objectives, significance, scope and limitations along with research problem and the structure of the paper

1.1 Background

Ethiopia has been one of the top 20 fastest-growing economies in the world since 2004. Its average real GDP growth rate over the past decade has been double that of SSA's, despite being relatively resource poor, and is expected to remain significantly higher going forward. The country is set to be the second-fastest growing economy globally in 2015, with a GDP growth rate of 8.67%, according to the International Monetary Fund (IMF).

Underpinning this notable growth track record in recent years has been a focus on infrastructure and capacity development, as put forward in Ethiopia's Growth and Transformation Plan (GTP I), which was implemented from 2010 to 2015. The second such plan, GTP II, will run from 2015 to 2020 and explicitly aims to increase the country's manufacturing and agricultural exports, focusing on strategies that promote a globally competitive private sector. This includes government looking to invest in key economically enabling supporting infrastructure, including power generation. GTP II aims to achieve an average GDP growth rate of 11% per year during the five year cycle and plays a key part in the government's aim of becoming a middle income economy by 2025 (Deloitte,2015).

Following this, the manufacturing sector makes an important contribution to the Ethiopian economy and employs about 173 thousand people in the year 2012/2013 furthermore the sector had about 2,610 manufacturing establishments in the same year mainly engaged in the following broad subsectors namely food and beverage products, textile and apparel products, leather and leather products, wood and pulp products, chemical and chemical products, rubber and plastic products, other non-metallic minerals products and metal and engineering products industries

The top two manufacturing subsector; food and beverage and metal and engineering industries accounted for 51% of the sector's GDP and the food and beverage sector alone accounted 38% of the employment in the sector in the year 2012/2013. The manufacturing sector contribution to the GDP in 2012/2013 was 4.8% though the performance of the sector has been affected by low productivity of workers and use of obsolete technologies which is attributed to the poor state of physical infrastructure, limited access to finance, limited research and development, poor institutional framework, and inadequate managerial technical skills (AACCSA,2015).

Private Investment of manufacturing is essential for Economic Development since effective private investment utilize the economy in terms of employment, income generation and for the extra investment plus the activity is powerful for economic growth. Many developing countries want and need private investment; they often fear that individuals or companies from other countries will become too economically and politically powerful within their country. If this happens, the nation's employment, wages and even social conditions might be greatly influenced by foreign private investors who invests in production facilities. Not all foreign aid is given in the form of money, of course some aid provided in the form of capital goods, such as: machineries, technical assistance is a kind of foreign aid (Dr. Lawrence W., 1982).

The industrial policy plan of a country is its official strategic effort to encourage the development and growth of the manufacturing sector of the economy. The government takes measures aimed at domestic firms and promoting structural transformation. A country's infrastructure (transportation, telecommunication and energy industry) is a major part of the manufacturing sector that usually has a key role (Bingham, Richard D. (1998).

Since the liberation of the Ethiopian Economy in 1992, the government has provided various incentive packages to attract foreign investors. A Number of macroeconomic reforms have been implemented with the objective of achieving macroeconomic stabilization & growth. The macroeconomic reforms include privatization of state owned enterprises, liberalization of trade policy, reduction of import tariff rates, elimination of non-tariff barriers, devaluation of price & exchange rate controls (UNCTAD, 2002).Whereas the encouragement and expansion of investment especially, in the manufacturing sector, has become necessary so as to strengthen the domestic production capacity and there by accelerate the economic development of the country and improve the living standards of its people (Proclamation No. 769/2012).

Accordingly the Ethiopian government provided Investment Incentives and Investment Areas Reserved for Domestic Investors as well as income tax exemption for new enterprises through (Tax exemption Regulation No 270/2012). In addition for investors who are exporting products/services have additional incentives if investors export at least 60% of their products/services, they can take up additional two years exempt from income tax (Tax exemption Regulation No 270/2012). Furthermore Manufacturing is one of the key sectors of development and the government also encourages this sector through different reforms. One of them is investment and investment areas reserved for Domestic Investors (Regulation No. 84/2003).

Therefore, this study aims to assess and analyze the extent of the investment challenges and opportunities of the private manufacturing sector, in Addis Ababa Ethiopia with a particular emphasis in Kality sub city.

1.2 Statement of the Problem

Promoting private investment in manufacturing sector has a significant benefit in enhancing innovation, accelerating economic growth and reducing poverty. It creates more job opportunities, generates more revenue and increase income of the poor; and it eventually ensures long-term socio-economic development (Fietas & Sinha, 2011). To this end, therefore, knowing the challenges and opportunities of private investment in the manufacturing sector has a crucial role to play in facilitating all the requirements necessitate for establishing a manufacturing firm and beginning operations. According to the data found from Ethiopian Investment Agency, there are 50,107 registered private investment projects in manufacturing sector, of which only 10.78 percent are operational, and the rest 89.12 percent are in pre-implementation and implementation stage (EIA, 2012). The number of manufacture which was 408 in 1980/81 increased to 2,610 in 2012/13. Declining growth between 1980 and 1991(408 to 283), lower growth between 1991 and 2001 (283 to 909), modest growth between 2001 and 2013(909 to 2610) (AACCSA,2015).

Similarly, the present state of private investment in manufacturing sector development of kality sub city in Addis Ababa has remained low down though it should be noted that there are still ample opportunities for investors in which they invest and enlarge their business projects. Since the establishment of the Regional Investment Office, within 2012/13, a total of 3,347 projects, which had registered 31.4 billion Birr capital, had gotten investment licenses to invest in

manufacturing economic sectors (AIO, 2012). However, only 121 are operational while the rest, 2,562 are in pre-implementation and 664 are in implementation stages. Looking at kality sub city, a total of 1,579 investment projects, which were expected to generate new employment opportunity for about 148,559 people on permanent and temporary bases, had gotten license within the same years. However, only 208 are operational and the rest, 1,085 and 286 are in pre implementation and in implementation stages, respectively. Generally, the actual operational projects are only 25.8 percent of the total registered projects in the City (AIO, 2012).

This result implies that there is an acute need for addressing the challenges and opportunities of private investment (manufacturing sector). Failure to do so, competitiveness of the city with regard to private investment might be remained at its minimal. This in turn will impair the efforts made by the Government to reduce poverty through assessing the challenges and opportunities of private investment (manufacturing sector). Furthermore, this will give shade some light on the attempts made at national level to realize the Growth and Transformation Plan (GTP, 2010) and the government's endeavor to reach middle level income. Despite these challenges and opportunities, there are some researches done trying to assessing the challenges and opportunities of private investment (manufacturing sector), particularly, focusing on specific regional areas, so far. Thus, there is limited empirical basis regarding the topic under study in the capital city hence, this has triggered study the topic under study with limited scope in one of the major sub city of Addis Ababa i.e. kality sub city. Thus, this research is conducted with an aim of filling the aforementioned gap and contributes to the development of the sector in pinpointing the challenges and opportunities of the sector in the kality sub city that may in turn can be used as an input to replicate the same in the capital city Addis Ababa to come up with a much comprehensive result.

1.3 Basic Research Questions

Following the problem of the study, the research questions under this study are e as follows;

- ✓ What are the main challenges/Constraints that the private manufacturing sector faces in kality sub city Addis Ababa?
- ✓ What are the main opportunities that the private manufacturing sector has in kality sub city Addis Ababa?

1.4 General Objectives

The general objective of the study is to investigate the challenges and opportunities of private investment (manufacturing sector) in kality cub city Addis Ababa

1.5 Specific objectives

On the basis of the literature review, the specific objectives of the study will be to:

- Identify the main challenges/Constraints that the private manufacturing sector faces in kality sub city Addis Ababa with related to the following factors (*Incentives by Government, Awareness and Utilizations of Free Trade Agreements, Domestic and Foreign Market Challenges, Material Inputs Availability, Labor Productivity, Plant Capacity and Technology Utilization, Access to Finance, Operational Constraints, and Entry Barriers*)
- Investigate the main opportunities that the private manufacturing sector has in kality sub city Addis Ababa.

1.6 Definition of Terms

Operational definition of terms

- **Ethiopia's Growth and Transformation Plan:** The current plan (GTP 2010/11–2014/15) provides the medium-term strategic framework that guides the country's efforts towards accelerating GDP growth and employment creation. The GTP seeks to transform Ethiopia to an industrialized economy and increase the per capita income of its citizens to middle-income levels by 2025.
- **Productivity and Skills for Development:** Productivity gains are a key factor in determining long-term economic growth and improvement in living standards. Empirical evidence, globally, reveals that about half of long-term growth is driven by increases in productivity rather than just factor accumulation.
- **Skills and Productivity:** A key determining factor of productivity is the ability of an economy to supply the skills needed for companies to grow and to thrive

- **Constraints for Manufacturing Growth:** Private investment, both domestic and foreign, is crucial for developing the manufacturing sector. A better investment climate that fosters the growth of existing firms, while encouraging the creation of new firms is key to attracting and increasing private sector investments. The business environment affects the performance of all firms, irrespective of their size, however certain aspects such as regulatory burden and information asymmetry may be of particular consequence
- **Access to Finance:** Financial intermediation is a driving force for economic development—an expansion in credit to the private sector enables firms to invest in productive capacity, thereby laying the foundation for a sustainable growth path.
- **Operational Constraints:** Countries whose policies are more conducive to foreign investors stand a better chance of attracting foreign direct investment (FDI).
- **Entry Barriers:** Business entry regulations and processes are consistently highlighted by the private sector as burdensome and obstructive of firm entry and dynamism.
- **Incentives by Government:** Empirical evidence shows that where countries have managed to build lasting competitive advantages, this was in almost any case achieved on the basis of concerted public-private efforts. Governments have always had an important role in creating incentives to invest in new technical and entrepreneurial skills, facilitating collective action, developing and ensuring all kinds of quality standards, motivating investors to surmount technological lags, or avoiding too strong trade shocks that might have wiped out entire industries. And even today they continue doing so in all major industrialized countries (see Cimoli et al., 2006; Fagerberg & Godinho 2005).
- **Awareness and Utilizations of Free Trade Agreements:** Improved state-business relations can be assumed to contribute to a better understanding of private sector needs by the government and thus to a more efficient allocation of resources in the economy. A government that is informed through regular meetings with the private sector about investment climate problems will usually have stronger ownership for reforms. Being in constant dialogue with private investors is also necessary to enable public officials to assess

where markets can be expected to work and where they are likely to fail and to offer or withdraw public support accordingly.

- **Plant Capacity and Technology Utilization:** All countries of SSA are at a development stage where existing innovative activities are focused on minor improvements in products or processes and largely confined to learning by using existing foreign technologies. Very few firms pursue systematic research and development activities (see also Gamba, 2005). Innovation processes in SSA are thus largely related to diffusion and only rarely to inventions
- **Domestic and Foreign Market Challenges:** A low number of businesses export a relatively low number of products, mostly of scant technological content, to global and regional markets. Integration into global value chains is an exception.

1.7 Significance of the Problem/Study

The study might be significant in identifying the problem and its impact in the socio- economic activities, so the Investment office, Private manufacturing Investors and the workers of sub city can strengthen and mitigate the weakness in their identifying daily activities. The study plays its own role in identifying the main challenges that the private manufacturing sector faces in kality sub city Addis Ababa and as the result for the purpose of further investment as well as it may also serve as a starting point for other researchers who may want to do a similar research in the area of the study. The result of the study will also provide the problems on the impact of private manufacturing investment to the authorized bodies such as the Regional and Zonal Bureaus of Investment, NGOs, and the Investors themselves as well.

1.8 Delimitation/Scope of the Study

Every piece of research has its scope, and the scope of this study arise from its relatively narrow research focus. It does not attempt to propose a model that would be fully comprehensive or universally applicable. Rather, it should be viewed to some extent as a preliminary insight into the relatively unexamined and unknown territory of the challenges and opportunities that the private manufacturers face in Addis Ababa specifically in kality sub city and caution must be considered in regard to the generalize ability of this study to the application of results across

Addis Ababa. Moreover the research focus will be almost entirely on the private manufacturing investors.

Another point to take into consideration will be methodologically speaking; the present research will apply percentages, frequency and few graphical tools to examine the main challenges and opportunities that the private manufacturers face in Addis Ababa specifically in kality sub city. Moreover, it assesses with the following factors “*Incentives by Government, Awareness and Utilizations of Free Trade Agreements, Domestic and Foreign Market Challenges, Material Inputs Availability, Labor Productivity, Plant Capacity and Technology Utilization, Access to Finance, Operational Constraints, and Entry Barriers*”. No doubt a better understanding may be gained concerning the strength of association between the variables if a more rigorous statistical analysis had been used, for example, using structural equation modeling.

1.9 Organization of the Research Report

The study has been organized in to five chapters.

Chapter one is introductory part that covers background of the study, statement of the problem, research question, objective of the study, significance of the study, Delimitation (Scope) of the study, Research Design and Methodology, Limitation and organization of the study.

The second chapter is review of related literature, enabling to develop the document and logically sequenced rational of problem.

Chapter three will include the type and design of the study; the participant of the study; the sources of data; the data collection tools/instruments employed; the procedures of data collection; and the methods of data analysis to be used.

Chapter four will provides results and discussion, which summarize the results/findings of the study, and interpret and/or discuss the findings while the last chapter, chapter five provides the summary, conclusions and recommendations of the study.

CHAPTER TWO: REVIEW OF RELATED LITERATURE

To gain a better understanding the basic terminology of mobile banking and background of mobile banking technology, this chapter presents a theoretical review with an aim to provide relevant literature in the subject area. Furthermore, the chosen theory, factors influencing usage private manufacturing firms in less developed countries are assessed and used to develop the framework of the study.

2.1 Theoretical Literature

Private investment is an investment which is invested by individuals or group of individuals and it plays its own role in the economic growth within a state. Here, there are different factors applied for the purpose of economic growth which is act by the government but the performance of the government is very limited and it cannot achieve the growth independently. According to this point the government gives the opportunity for the private sector as well. So, Private investment can get the opportunity in order to play its own role in the economic growth. In addition to the government economic activities, the contribution of the private sector is high and this helps the economy by creating employment opportunities, income generation, market stability and in general on poverty reduction. Sustained economic growth and in terms of employment opportunities and income generation is necessary for poverty reduction and require enhanced private sector investment resulting in economic growth, reduction in poverty and improved quality of life for the majority of the population. Private initiative, unleashed in competitive markets is key to promoting growth and poverty reduction in parallel with public sector efforts. Tax revenues generated by private markets and employments are critical to support public expenditure programs. Private Sector Development (PSD) is about enabling the enhanced utilization of labor and other resources of the country through the growth of private businesses by providing predictable and enabling environment both in domestic and overseas markets. PSD is about the maintaining a good balance between the complementary functions of the state and the private sector about judicious refocusing of the role of the state not about indiscriminate privatization but about sound government policies that provide room for private initiative and that set a regulatory framework which channels private initiative in ways that

benefit society as a whole. One of the major contributing factors to the economic crises of Ethiopia during the 1980s was the restrictive policy imposed on the activities of the private sector. At the beginning of the transition period i.e. 1991/92, it was obviously clear that without changes in the policy regime of the 1980s efforts to realize socio-economic recovery and sustained development would be futile. As a result, the New Economic Policy took the creation of an enabling environment for both domestic and foreign private investment as one of its objectives. The series of reforms since 1992/93 have shifted the policy regime of the 1980s and did go a long way to create enabling environment for private sector investment. Thus, the Poverty Reduction Strategy (PRS) now proposes to build on these reforms and broaden them into a comprehensive strategy for private sector development that is meant to foster a qualitative jump in the role of private activity in generating growth and supporting poverty reduction (MoFED Annual Report, 2012).

The role of the private sector for sustained, pro-poor economic development has been clearly set out in the Government's legal, institutional development policy, strategy and programs. Because of the fact that the private sector is at its infancy stage struggling to get out of real and perceived handicaps, strong institutions of dialogue and consultation will be productive. Moreover, public sector institutions giving support and services to the private sector are still in their learning and development stage. This makes the establishment of public-private consultation forums an essential component of the government's PSD program. The efforts already underway will be nurtured for more advanced co-operation and partnership between the private sector and the Government (MoFED, 2012).

There is great importance of private manufacturing sector for the purpose of economic development within a state. When viewed as one aggregate industrial sector, South Carolina's manufacturing sector represents the largest industry cluster in the state's economy. This report is a brief overview of some of the many highlight of the industry and the importance of the sector to South Carolina's economy. South Carolina's manufacturing sector, like manufacturers across the country, has experienced significant declines in employment over the last decade. This trend continues today and the current economic crisis has only made this decline worse. Since 1998, there have been over 151,000 manufacturing jobs lost in South Carolina. However, the sector still represents a major employer in the state with over 15% of total employment in the sector. In

addition, the sector pays wages well above those of the state average. The average manufacturing wage is 27% above the state average.

The importance of manufacturing varies across the state. In some counties, the sector represents more than 20% of the total employment and helps elevate the counties' per capita income levels well above the state average. In some counties, the sector is hardly represented and not surprisingly, these counties typically exhibit relatively low per capita incomes levels. In addition to the jobs that manufacturing creates and their corresponding high wages, the industry pays a major portion of the local government property tax bill. Statewide, the manufacturing sector pays almost 13% of all property taxes. In some counties the manufacturing sector pays more than 50% of all property taxes. If these industries left these counties, the tax bill on the rest of the county residents could almost double. And finally, this report documents the tremendous economic impact that manufacturing has on the state's economy. The direct and indirect impacts from manufacturing total over \$141 billion per year. This includes the direct impacts of over \$95 billion and indirect impacts of another \$46 billion. It is estimated that before the current recession hit the state, the manufacturing sector supported over 585,000 (The Economic Impact of Manufacturing in South Carolina 2009).

Industrialization leads the country higher technology and then to higher productivity and using of resources efficiently. Advanced manufacturing is generally characterized by relatively high levels of skills and technology requirements and encompasses sectors such as automotive, electronics and others. These sectors are often driven by private manufacturing investors who own the proprietary knowledge involved and who subcontract original equipment manufacturing. (National Industrial Policy Frame Work, South Africa 2012) Advanced manufacturing is generally characterized by relatively high levels of skills and technology requirements and encompasses sectors such as automotive, aerospace, electronics, and nuclear energy. These sectors are often driven by foreign direct investors who own the proprietary knowledge involved and who subcontract original equipment manufacturing (National Industrial Policy Frame Work, South Africa 2012).

A considerable amount of work has been done on the determinants of investment in general and particularly private investment. In the context of countries in the developing world the relationship between private and public investment (in terms of "crowding in" and "crowding

out“) has been a major focus of analysis. Beyond the relationship between private and public investment, the concern for private investment has been in terms of its impact on growth. Among the authors who have contributed to investment analysis in Africa are Oshikoya (1994), Mlambo and Oshikoya (1999), Devarajan *et al.* (1999), Mataya and Veeman (1996), Khan and Reinhart (1990), and Gunning and Mengistae (1999). Writing on the macroeconomic determinants of domestic private investment in Africa, Oshikoya (1994) found a positive relationship between public investment and private investment. The study spanned 1970 to 1988 and covered seven African countries, namely, Cameroon, Mauritius, Morocco, Tunisia, Kenya Malawi and Tanzania. Though public investment ratios had fallen in some of the countries, particularly in Mauritius and Morocco, a strong positive impact of public investment on private investment was observed. The results suggested that: “the productivity of these types of investment may be as important as their magnitude in influencing private investment” (Oshikoya, 1994).

The World Bank (2006) drawing from empirical studies on the role of small firms in economic growth noted that, while SMEs together create more jobs than large firms, they also tend to experience higher layoff rates. Large firms on the other hand account for a greater share of net employment. The share of net job creation by large firms in the early 1990s was 76% in Zimbabwe, 74% in Kenya and 56% in Ghana. In terms of opportunities for low-skilled workers, the World Bank observed that a larger role was played by SMEs. The importance of SMEs in the creation of jobs was also emphasized by Albaladejo (2002). He observed that through the expansion of existing firms and the creation of new start-ups, SMEs in Africa account for most of the private sector jobs available.

Other advantages associated with SMEs include: a contribution towards a more equitable distribution of income; serving as stimulus for local and regional development as they tend to agglomerate to make an effective and rational use of resource endowments; and the promotion of a culture of entrepreneurship and other business-related skills by virtue of low entry barriers (Albaladejo, 2002). The issue of whether investment incentives influence the location of industries in the SME sector was examined by Ayeles (2006). Using a country case study on Ethiopia from 1992 to 1998, the author found that import and income tax exemptions were “weak policy instruments of indigenous SMEs and regional development in Ethiopia” because

“most SMEs founders set up enterprises where they live, work, and in industries where they have obtained training or experience” (Ayeles, 2006, p. 12). What seemed to be the driving force for the start-up of enterprises in Ethiopia were better infrastructure, market and a broader enabling environment.

Private investment effects on macroeconomic variables are based on data not beyond the first half of the 1990s. This current study, which spans 1990 through 2004, goes beyond the existing ones by capturing recent investment trends and quantitative impact on some macro variables. Moreover, it appears, to the best of our knowledge, that the evidence on SMEs in Africa is relatively sparse and until recently there had been limited firm-level data on the SME sector in Africa to allow for in-depth analysis on growth performance of SMEs. With the availability of World Bank’s enterprise survey data for a number of private sector firms in Africa, and with the appropriate standardization of these datasets, this study provides recent insights on SMEs in Africa.(UN,2008)

If the transformation of the manufacturing structure has a strong association with a country’s economic development, the speed of exploiting the advantage in existing industries and laying the foundation for emerging industries through investment becomes key for fast economic growth. This shows the estimated development patterns of industries in value added per capita (food and beverages, wearing apparel, basic metals, and electrical machinery and apparatus) and the actual development paths of the Republic of Korea, Malaysia and Sri Lanka. The three countries have advantages in different industries that reflect their stage of development. Sri Lanka’s is in relatively labor-intensive industries, such as food and beverages and wearing apparel, and thus rapid growth in these industries is foreseen. Malaysia has already lost its advantage in these industries, but can still expect continuing growth for some time in basic metals as well as long-term growth in electrical machinery and apparatus. The Republic of Korea has already lost, or is about to lose, its advantage in basic metals, but should keep its advantage in electrical machinery and apparatus for the foreseeable future. Despite similar development trajectories, the speeds at which these three countries have exploited their advantages – and thus increased their income and, possibly, shifted their advantage from one industry to another. All four industries developed much faster in the Republic of Korea than in Malaysia even during a similar stage of economic development: in wearing apparel around 20 times faster, and in basic

metals and in electrical machinery and apparatus about 10 times faster. Sri Lanka's industries lagged behind Malaysia's, apart from wearing apparel. Productivity increases are crucial in accelerating development. The higher the growth of labor productivity, the faster a country moves along the development trajectories (Haraguchi, 2012).

Productivity growth is especially important in explaining the speed of transformation of high-tech industries; productivity and other factors, such as wages, may be associated with the growth of low-tech industries. The Republic of Korea has experienced a fast manufacturing transformation in pursuit of raising living standards, and was much – perhaps two or three times faster than the advanced countries that preceded it. Stagnant countries, conversely, may stay with the same structure and income for decades. Hence, private manufacturing investment play its own role not only on the production process but also for higher educational institutions has its own impact in order to certified skilled and educated human resource. And this helps the country to develop in all rounded economic activities. Because manufacturing is the way for industrialization and this needs high level of skilled human resource (Private Investment for Structural Transformation and Growth in Africa 2011).

2.2 Empirical Review on the Impact of Private Manufacturing Investment

2.2.1 Role of Private Manufacturing Investment on GDP

Private manufacturing investment has a great role for the development of the whole economy. And this is in terms of different reasons. It can be played its own role on the employment, income generation and the GDP as a whole. Hence, developing the manufacturing sector is essential for economic development. The manufacturing sector in Ethiopia operates at very low technological level well behind world technological standards even in the activities in which it specializes. Imports of licensed technology are negligible with no sign of increase. This may not be unusual in less industrialize countries. However, increasing the export of manufactures cannot be achieved without the rapid introduction of modern technology at least for those industries of comparative advantage aiming to produce for export. The various policy reform measures taken during the 1990s brought about increases in the number of manufacturing enterprises and gross value of production. However, the manufacturing sector is still at its infancy and has a number of problems hindering meaningful growth. During the period 1991/92 to 1998/99 the contributions

of the sector to GDP and export earnings were on the average about 6.2% and 6.5% respectively. In 1998/99, the sector's foreign exchange earning covered only about 18% of its own requirements. The average annual imported input utilization for medium and large manufacturing enterprises during the above period was about 46% of their total input requirement. Most of the enterprises are of the import substitution type and use old technology, low level of skill and management. The liberalization of the market in the early 1990's resulted in unfavorable competitive conditions as a result of imports of manufactured goods. Average capacity utilization fell to 60%. Considering the importance of the manufacturing sector to the success of ADLI and the strategy for poverty reduction, the government has short-to-medium term programs to implement a comprehensive capacity building program to improve competitiveness by enhancing private sector institutions, human resource inputs, research and development and the introduction of different schemes for capacity building.

Manufacturing raises not only the production but also the quality and time the production and then increase competition. Establish a Research and Development Institute starting with the processing industry to upgrade the efficiency and productivity of the food-processing sector;

The Government would also look into other areas, which are relevant for the growth of the manufacturing sector such as the introduction of incentive mechanisms for resource-based industries engaged in the export sector. This can include the modernization of the technological base through transfer arrangements, provision of credit, the establishment of industrial estates and other support schemes (MoFED, 2012).

The manufacturing sector also uses for transformation the system of production in terms of technological transformation. Manufacturing provides greater opportunities to accumulate capital, exploit economies of scale, acquire new technologies and more fundamentally foster embodied and disembodied technological change. Large economies show exactly the opposite trend: manufacturing accounts for a much higher share and value-added gains towards high-productivity activities with larger opportunities for innovation and value-added expansion would thus become the core of structural change and more broadly economic development. Once structural change is understood from this latter perspective, manufacturing becomes one of the main engines of economic growth, and thus any shift of resources from low-productive activities (such as rural agriculture or urban informal services) towards Manufacturing entails an important

structural change bonus, in what some authors have labeled “growth enhancing structural change” (McMillan and Roderick 2011). The literature presents several arguments to support the idea that manufacturing is the main engine of economic growth. Perhaps the most influential came from Nicholas Kaldor in the 1960s. In his view the capacity to generate dynamic, increasing returns and thus greater productivity through expanded production was at the core of manufacturing.

Industrialization leads the country higher technology and then to higher productivity and using of resources efficiently. Advanced manufacturing is generally characterized by relatively high levels of skills and technology requirements and encompasses sectors such as automotive, electronics and others. These sectors are often driven by private manufacturing investors who own the proprietary knowledge involved and who subcontract original equipment manufacturing (National Industrial Policy Frame Work, South Africa 2012).

Carefully chosen and implemented interventions can promote industrial growth and employment, as confirmed by evidence from the results of impact evaluations for high-income countries published in 2010 and 2012. For instance, subsidies to manufacturing firms can increase employment at comparably very low cost per job (Criscuolo et al., 2012). Well-allocated firm level subsidies can also boost total factor productivity (Aghion et al., 2012), and tariffs that account for the varying skill levels among industries have the potential to boost economic growth (Nunn and Trefler, 2010). Manufacturing in industrializing countries is geographically highly concentrated, with the five leading economies accounting for 70.9 percent of total production in 2012, up from 52.7 percent in 1992. The high and sustained MVA growth in China over this period 11.4 percent on average is behind its emergence as the factory of the world: in 2012, 50 percent of industrializing- country manufactured goods were produced in China. Of all other large industrializing-economy manufacturers, only India 7.4 percent average annual MVA growth kept pace with China’s expansion. It gained MVA share to become the second leading manufacturer among industrializing economies, superseding Mexico and Brazil, which saw their MVA(Manufacturing value) added shares fall by more than half from 11.7 percent and 10.5 percent in 1992 to 5.7 percent and 4.9 percent in 2012. Turkey’s steady MVA growth (4.5 percent on average a year over 1992–2012) enabled it to preserve its position as the fifth largest manufacturer among industrializing economies (Industrial Development Report 2013).

Hence, private manufacturing investment play its own role not only on the production process but also for higher educational institutions has its own impact in order to certified skilled and educated human resource. And this helps the country to develop in all rounded economic activities. Because manufacturing is the way for industrialization and this needs high level of skilled human resource

2.2.2 Impact of Private Manufacturing investment on Local Economy

Communities and states are investing substantial and increasing levels of resources in economic development initiatives, motivated in large measure by the benefits which they expect to result from these efforts (Burnier 1992; Bartik 1991). Among the benefits commonly anticipated to result from new or expanded manufacturing facilities (or from growth in other basic economic sectors) are both direct impacts (the jobs in the new facility, its expenditures to employees and suppliers, and its tax payments) and secondary impacts (jobs created in other sectors of the local economy, increased sales of local trade and service firms, etc.). However, the benefits to be expected from a new development activity are not always easy to assess. In some cases, many of the new jobs promised by developers have not materialized, or most of these jobs have been filled by outsiders. The firms were asked to provide a variety of information, including current employment, employment five years prior to the survey, gross sales, the distribution of expenditures by type (i.e., for raw materials, Processed materials, direct labor, subcontracting, and other), and the percentage of each type of expenditure which was made to entities within the state. In order to estimate the secondary economic effects of the various types of firms, the estimates of each firms in-state expenditures were applied to the North Dakota Input-Output Model (Hertsgaard et al., 1984). Input-output have been used extensively in estimating secondary economic impacts of a variety of projects and programs (Otto and Johnson, 1993). Based on each firms in-state expenditures, the input-output model provided estimates of the total economic impact (gross receipts or gross business volume of all sectors) resulting from its annual operations, as well as the secondary (indirect) employment attributable to its activities.

There is great importance of private manufacturing sector for the purpose of economic development within a state. When viewed as one aggregate industrial sector, South Carolina's manufacturing sector represents the largest industry cluster in the state's economy. This report is

a brief overview of some of the many highlight of the industry and the importance of the sector to South Carolina’s economy. South Carolina’s manufacturing sector, like manufacturers across the country, has experienced significant declines in employment over the last decade. This trend continues today and the current economic crisis has only made this decline worse. Since 1998, there have been over 151,000 manufacturing jobs lost in South Carolina. However, the sector still represents a major employer in the state with over 15% of total employment in the sector. In addition, the sector pays wages well above those of the state average. The average manufacturing wage is 27% above the state average.

The importance of manufacturing varies across the state. In some counties, the sector represents more than 20% of the total employment and helps elevate the counties’ per capita income levels well above the state average. In some counties, the sector is hardly represented and not surprisingly, these counties typically exhibit relatively low per capita incomes levels. In addition to the jobs that manufacturing creates and their corresponding high wages, the industry pays a major portion of the local government property tax bill. Statewide, the manufacturing sector pays almost 13% of all property taxes. In some counties the manufacturing sector pays more than 50% of all property taxes. If these industries left these counties, the tax bill on the rest of the county residents could almost double. And finally, this report documents the tremendous economic impact that manufacturing has on the state’s economy. The direct and indirect impacts from manufacturing total over \$141 billion per year. This includes the direct impacts of over \$95 billion and indirect impacts of another \$46 billion. It is estimated that before the current recession hit the state, the manufacturing sector supported over 585,000 (The Economic Impact of Manufacturing in South Carolina 2009).

2.2.3 Impact Of Private Manufacturing On Employment Opportunities

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The average manufacturing wage is 27% above the state average. The importance of manufacturing varies across the state. In some counties, the sector represents more than 20% of the total employment and helps elevate the counties' per capita income levels well above the state average. In some counties, the sector is hardly represented and not surprisingly, these counties typically exhibit relatively low per capita incomes levels. In addition to the jobs that manufacturing creates and their corresponding high wages, the industry pays a major portion of the local government property tax bill. Statewide, the manufacturing sector pays almost 13% of all property taxes. In some counties the manufacturing sector pays more than 50% of all property taxes. If these industries left these counties, the tax bill on the rest of the county residents could almost double. And finally, this report documents the tremendous economic impact that manufacturing has on the state's economy. The direct and indirect impacts from manufacturing total over \$141 billion per year (The Economic Impact of Manufacturing in South Carolina 2009).

Manufacturing is still fundamental to the labor market. Manufacturing jobs tend to be more productive than others, and so tend to be better paid and to offer better labor conditions, such as security and employment benefits. This particular feature of manufacturing lies at the heart of the growth-enhancing structural change argument. Further, manufacturing's strong productive linkages with other sectors lead to a much greater impact on employment creation due to indirect effects. A job in manufacturing is typically associated with more jobs in other sectors. This subsection aims to quantify the number of jobs created in manufacturing around the world over the last 40 years, but faces two methodological problems. First, sector-disaggregated employment data are limited, especially in developing countries and over a long period. Second, even when there are data, comparability among countries may be affected by different definitions for employment status, type of occupation, coverage and so on. Still, two main sources of information can be used: industry surveys and general household surveys. Most countries carry out industry surveys. They typically provide reliable data on the number of manufacturing employees working in formal enterprises and over a long period.

But depending on country they may well cover firms employing at least 5 or 10 workers, and exclude self-employed workers and unregistered employees, thus heavily under estimate. Manufacturing jobs possess some characteristics that make them more desirable than other types of employment, including higher productivity from a macroeconomic viewpoint and higher wages, better working conditions, more opportunities for skill upgrading and many jobs for women from a social view point. Higher productivity jobs are normally associated with higher wages. Historical evidence for the advanced economies and the successful newly industrialized countries shows that wage gains associated with industrializing structural change have greatly helped pull large sections of the population out of poverty (Weiss, 2013).

Manufacturing is also important for absorbing workers with modest skills and providing them with stable jobs and good benefits – as the sector where “the world’s middle classes take shape and grow” (Rodrik, 2011). Some employment-intensive industries seem particularly well suited for this purpose, such as garment industries in many low-income countries (Fukunishi, 2012). These industries provide wages that are generally higher, rural opportunities with low entry barriers for less educated workers (especially females) and a relatively easy promotion to better positions. Many individuals see manufacturing as a major source of good jobs. Besides offering higher wages, it typically provides better employee benefits and security than jobs in other sectors and tends to develop higher skills than equivalent jobs in the rest of the economy (Lavopa and Szirmai, 2012).

2.2.4 Impact of Private Manufacturing on Market Stability and Poverty Reduction

Sustained economic growth and employment generation is necessary for poverty reduction and require enhanced private sector investment resulting in economic growth, reduction in poverty and improved quality of life for the majority of the population. Private initiative, unleashed in competitive markets is key to promoting growth and poverty reduction in parallel with public sector efforts. Tax revenues generated by private markets and employments are critical to support public expenditure programs. Private Sector Development (PSD) is about enabling the enhanced utilization of labor and other resources of the country through the growth of private businesses by providing predictable and enabling environment both in domestic and overseas markets. PSD is about the maintaining a good balance between the complementary functions of the state and the private sector about judicious refocusing of the role of the state not about

indiscriminate privatization but about sound government policies that provide room for private initiative and that set a regulatory framework which channels private initiative in ways that benefit society as a whole.

One of the major contributing factors to the economic crises of Ethiopia during the 1980s was the restrictive policy imposed on the activities of the private sector. At the beginning of the transition period i.e. 1991/92, it was obviously clear that without changes in the policy regime of the 1980s efforts to realize socio-economic recovery and sustained development would be futile. As a result, the New Economic Policy took the creation of an enabling environment for both domestic and foreign private investment as one of its objectives. The series of reforms since 1992/93 have shifted the policy regime of the 1980s and did go a long way to create enabling environment for private sector investment. Thus, the Poverty Reduction Strategy (PRS) now proposes to build on these reforms and broaden them into a comprehensive strategy for private sector development that is meant to foster a qualitative jump in the role of private activity in generating growth and supporting poverty reduction.

Competitiveness is the key to success in sustained economic development. Domestic private sector needs to be more competitive to capture the opportunities in the global market. The most important factors that should come into the basis of competitiveness are: a) Investment Climate, b) Investment Finance, c) Infrastructure, d) Input/output Markets, and e) Institutions that run and support the system, Investment climate focuses on peace and stability and macro-economic environment. Macro-economic stability reflected by exchange rate, money supply (interest rate and credit) and fiscal policy (taxes and expenditure), is enhanced and sustained by sound policy and regulatory framework covering the investment regime and market conditions that can foster competitiveness both domestic and at international level and an equitable and objective tax regime. Investment finance plays an important role in PSD. The availability of financial management transparency, efficiency and the equitability of access are the key factors. Efficient management of investment finance concerns both the financial institutions and private sector operators who use resources for business development. An equitable disbursement system based on transparency and objective evaluation is an essential element for all players in the financial sector. Investment finance is comprised of both equity finance and debt finance. Variety and accessibility of financial services with efficient pricing are key factors. In the absence of security

markets, well-functioning financial intermediaries are critical. For disbursement, information and skill for credit and collateral evaluation and cash flow analysis is critical.

Together, the combined manufactured exports of the largest country in each industrializing region – China, India, Mexico, Poland, South Africa and Turkey – accounted for 67.5 percent of the industrializing countries’ total in 2011, up from 59.9 percent in 2002 and 55.1 percent in 1997, confirming the higher dynamism of the larger countries and a worrying widening gap with the smaller economies (Industrial Development Report, 2013). The role of the private sector for sustained, pro-poor economic development has been clearly set out in the Government’s legal, institutional development policy, strategy and programs. Because of the fact that the private sector is at its infancy stage struggling to get out of real and perceived handicaps, strong institutions of dialogue and consultation will be productive. Moreover, public sector institutions giving support and services to the private sector are still in their learning and development stage. This makes the establishment of public-private consultation forums an essential component of the government’s PSD program. The efforts already underway will be nurtured for more advanced co-operation and partnership between the private sector and the Government (MOFED 2012).

Following this line it has been argued that manufacturing is the main driver of productivity growth. Compared with other sectors, manufacturing provides greater opportunities to accumulate capital, exploit economies of scale, acquire new technologies and more fundamentally – foster embodied and disembodied technological change. So, not only the level but also the dynamism of productivity is higher in manufacturing than in other sectors and thus the shift of resources into manufacturing entails static and dynamic structural change bonuses (Szirmai, et.al. 2013).

The dynamism of manufacturing also has key effects on the rest of the economy. Manufacturing has a pulling effect on other sectors arising from productive linkages. Its development stimulates, for example, the demand for more and better primary goods (in agriculture, forestry, fishing and mining) and services (such as banking, insurance, communications, trade and transport).are crucial for competitiveness. For instance, manufacturing is the main vehicle for technology

development and innovation, representing today's hub for technical progress (Industrial Development Report 2013).

2.2.5 Impact of Manufacturing on Productivity

We now turn to look in more detail at a particular feature at the core of the special role of manufacturing as the engine of growth. Its larger opportunities for productivity gains compared with other sectors of the economy. We analyze how the relative productivity of each major sector (here taken to be agriculture, manufacturing, non-manufacturing industry and services) evolves as countries develop. Relative productivity is here simply defined as the ratio between the output labor ratio of each sector and that of the whole economy. This coefficient is obtained by dividing the share of manufacturing in GDP by the share of manufacturing in total employment. To get figures of this coefficient by income, we estimate the average (weighted) shares of each sector in GDP and total employment for all countries and years that fall in that income range. In the light of the evidence showing structural breaks over the last 50 years, we restrict the analysis to the last two decades (Industrial Development Report, 2013).

2.2.4 Opportunities for Private Manufacturing Sector

Private manufacturing sector needs its own environment. It depends on the suitable environment such as; peace and stability, macroeconomic stability, Institutional and Legal environment, and Taxation that can be considered as good opportunities for the private manufacturing investment.

2.2.4.1 Peace and Stability

Peace and stability is a key factor for investment attraction and sustained economic development. Investors need free and fair conditions to be able to pursue productive activity. They also need to have conditions where contracts and property rights are respected and corruption is kept at its lowest possible level. The Federal Democratic Republic of Ethiopia (FDRE) constitutes a federal system of government where both economic and political responsibilities have been considerably decentralized giving more autonomy to regional and *Woredaa* administrations with the objective of deepening the democratization process and bringing about improved governance. In order to deepen the decentralization process, implementing powers and responsibilities for resources

allocation are being designed for *Woreda* and *Kebele* level administrations. The civil service reform program, which includes the judicial system, is being implemented. Overall, the democratization process has helped to create peace and stability in Ethiopia.

2.2.4.2 Macroeconomic Stability

Low inflation, low interest rates and a realistic exchange rate, continuing trade reforms and relatively decreasing role for the state through privatization and deregulation helped to redress the imbalances of the 1980s and created conducive environment for sustained macroeconomic stability. This is a strong feature of the Ethiopian economy since the beginning of the economic reform in 1992/93. Trade, exchange rate and other structural reforms resulted in about 6.3% average annual growth in real exports. However, despite this trend, Ethiopia's participation in the global economy is still minimal. Per capita exports were less than US\$ 15.00 in 1999 compared to the Sub-Saharan Africa average of US\$ 163.00. The reforms of the 1990's have not led to a diversification of exports away from agriculture nor have they spurred the export of agricultural produces and manufactured goods significantly.

2.2.4.3 Institutional and Legal Environment

An Investment code was issued in 1992, which created space for private investment with a number of incentives. Investment Offices were also established at federal and regional levels to coordinate and facilitate private sector investment. A one-stop arrangement was also put in place to reduce the cost of doing business and expedite private investment implementation. Furthermore, the investment code was revised several times to improve the investment environment. The last revision was made in May 2002. Improvements introduced by the new Code that would help enhance the investment climate are the reduction of the minimum threshold for FDI to US\$ 100,000 for wholly foreign-owned ventures, to US\$ 60,000 for joint ventures, to US\$ 25,000 for joint investment in the areas of engineering, architectural, accounting and audit services, project studies or consultancy, and no minimum investment requirement for those exporting at least 75% of output.

2.2.4.4 Access to Land

Expedient access to land is an important input to enhance investment. However, it is recognized that impediments exist for the smooth progress of investors' desire for the implementation of projects. Such constraints include high land lease rate, bureaucratic hurdles to secure land and absence of infrastructure services. In consideration of these constraints, the Government is taking steps to considerably reduce the minimum lease rate and increase the supply of land to minimize escalation of prices during auction, streamline the bureaucracy involved in the identification and delivery of land, and prepare/develop infrastructure on plots to be offered for lease. Moreover, the Government plans to improve governance in all major towns and put in place a transparent and investor friendly system to minimize the bureaucratic impediments in the delivery of land.

The government and the private sector will continue to be engaged in consultations to reach an understanding on how to further improve the land lease system. Issues for future consultation will relate to lease policy collateralization of land held under lease and assisting investors in large-scale commercial farms to have access to agricultural land with basic infrastructure.

2.2.4.5 Taxation

There had been revisions in the tax regime many times in the past reducing income tax from 89% to 40%. But overall, the measures taken were piece-meal and essentially left the system of tax assessment and collection full of loopholes for evasion and non-payment of taxes. A comprehensive tax reform is currently underway with the objective of removing past weaknesses. The tax reform program has measures to broaden the base and build the capacity of tax administrators. It is envisaged that the reform process would reduce the rates but enlarge the base improving tax collection. The tax rate is set to fall from 40% to 35% for individuals and single proprietor businesses, from 35% to 30% for companies. Furthermore, value-added Tax (VAT) will be introduced from January 2003 replacing sales tax. All exports of goods and basic services will be exempted from VAT. The present rate of capital gains tax will also be reduced to enable a free and transparent fixed asset market. The administrative measures that are to be introduced include the introduction of Tax Identification Number (TIN) beginning fiscal year 2002/2003. This will enable the Government and other operators (banks and other financial institutions) to work from an objective database. Audited books of accounts on which tax has

been paid and property and income records will be easier to produce. The implementation of the TIN and the tax reform program will start at Federal level and standard application in all the regions is under discussion.

The Government and the private sector representatives will try and alleviate capacity problems related to the effective implementation of the tax reform program. Manuals prepared to train taxpayers and tax collectors will be in place initially in Addis Ababa and subsequently in the regions. One of the issues for further consultation with the private sector will be capacity building for the majority of taxpayers to maintain proper books of accounts. The Government will assist in the provision of the necessary resources through private sector and donor assistance to educate and enable private sector operators in general and Small and Medium Enterprises (SMEs) in particular to build the required capacity to maintain proper accounting records (MoFE, 2002).

2.2.5 Manufacturing Policy of Ethiopia

Evolution: Industrial policy & development

In Ethiopia, modern manufacturing factories emerged in 1920s (As of 1927 about 25 were set up mostly by foreigners) the sector started to get momentum in the 1950s (after brief disruption in the WWII period).The 1950s also marked by start of a comprehensive plan to promote the country's industrial & economic development. Ethiopia has seen three regimes over the last eight decades Imperial regime (up to 1974) Dergue regime (1974-91) EPRDF-led regime (since 1991) Successive regimes adopted different policies for the development of industry.

The imperial regime (up to 1974)

Between 1958-73 three successive development plans were implemented. The implementation of the initiatives attracted foreign investors and boost the manufacturing sector (World Bank, 1985). But by the end of the Imperial regime...

- The overall industrial base was weak
- The manufacturing sector characterized by dual structure

- The modern sector constituted few hundreds of factories employing no more than 60,000 people And dominated by import substituting light industries and foreign ownership

The EPRDF-led government (since 1991)

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

A full-fledged Industrial Development Strategy (IDS) was formulated in 2002/03 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

Industrial policy should seek to promote structural change from agriculture to labor-intensive or resource-based manufacturing at an early stage of industrialization; through upgrading and diversification in manufacturing at a later stage; and through technological innovation at an advanced stage. Industrial policy is a widely used term but difficult to define. According to Warwick suggests any type of intervention or government policy that attempts to improve the business environment or to alter the structure of economic activity towards sectors, technologies or tasks that are expected to offer better prospects for economic growth or societal welfare than would occur in the absence of such intervention, i.e. in the market equilibrium (Warwick 2013). The main objective of industrial policy is to “anticipate structural change, facilitating it by removing obstacles and correcting for market failures” (Syrquin, 2007).

Hausmann and Rodrik identify three main types of market failure that are particularly relevant for new activities to emerge (thus changing the industrial structure), where identification and correction provide a rationale for industrial policy: coordination externalities, as specific new industries or activities require simultaneous, large investments to become profitable; information

externalities, as discovery of new activities requires an investment whose returns cannot be fully appropriated by the investor; and labor training externalities, as firms regard labor mobility as a disincentive to invest in on-the-job training, thus reducing technological spillovers. At the initial stage of industrialization agriculture is still the largest sector for employment, though it tends to be the least productive (Herrendorf, Rogerson and Valentinyi 2013). This lower productivity than in the more advanced sectors leaves a great potential untapped, suggesting that manufacturing can still play a major role as an engine of growth through the reallocation of resources.

To promote structural change by moving from agriculture to manufacturing, low-income countries need to align agricultural and industrial policies. They need agricultural development strategies with a strong emphasis on increasing agricultural productivity, which will translate into cheaper agricultural products and release a typically unskilled and cheap labour force. And to absorb the released labor and to benefit from cheaper agricultural inputs, industrial policy should seek to create or support labor-intensive and resource-based manufacturing with low entry barriers, which are likely to favor industrial SMEs important for broadening the industrial base. Support for SME development should thus be an integral part of industrial policy at this early stage.

According to Peres and Primi (2009), the state can promote industrial development in four main ways: as a regulator establishing tariffs, fiscal incentives or subsidies; as a financier influencing the credit market and allocating public and private financial resources to industrial projects; as a producer participating directly in economic activity through, for example, state-owned enterprises (SOEs); and as a consumer guaranteeing a market for strategic industries through public procurement programs. This subsection discusses the main policy instruments for these roles, and notes that successful industrial Policy is not only about picking winners but also about letting losers go (Gunther and Alcorta 2011). Beneficiaries should be aware that government support is time limited (through “sunset clauses”) and based on performance incentives (Industrial Development Report 2013).

Ethiopia's government recognizes the need to support private sector development as the engine of economic growth and productivity enhancement and it is clearly committed to advancing industrialization and other high-value activities. The government describes itself as a revolutionary democracy and developmental government. It can in fact be characterized as "developmental" in the sense that its attitude and activities are strongly driven by the desire to lay the foundations for long-term economic development. Probably few developing countries show such a determined and credible commitment to industrial development, technical and vocational education and training (TVET) as well as science and development. Substantial investments have been made in new universities, expansion and reform of the TVET system, specialized institutions for sector-specific technology development, and a new Ministry for Science and Technology; Pro-poor spending.

There is a strong policy focus on improving education and health as well as rural infrastructure, microfinance, and to maintain land policies that protect the livelihoods of the poor; Papers written by the Prime Minister, EPRDF documents and the Industrial Development Strategy all refer to the lessons that Taiwan and Korea (and in some cases Japan) hold for Ethiopia's development. These include: early focus on productivity growth in agriculture in order to accumulate capital, increase supply for agro-industries, and generate demand for manufactured goods; restriction on ownership of land; a nationalized banking system that has enabled governments to channel credit from rent-seeking to value-creating activities; incentives for export-orientation; „carrot and stick“ policies for enterprises, e.g. Setting productivity and export targets; a focus on export-led industrialization; and control of industries as a "cash cow" to generate the financial means the ruling party needs to retain political hegemony.

These elements in fact are a powerful factor in shaping Ethiopia's industrial policy. Agricultural demand-led industrialization is regarded as the starting point for industrial development and the financial sector is set to remain under government control the Board of Directors of the Commercial Bank is appointed by the government, and the bank lends on the basis of "strategic" political criteria; export orientation is strongly encouraged; specific performance targets for major firms are set; and government control of economic sectors – e.g. telecommunications – is

maintained as a source of revenue for the government. In 2003/04 the government received 13.5% of its total revenue from SOEs and government-owned property.

The Industrial Development Plan mentions a few general principles – e.g. to recognize the role of the private sector as an engine of growth; the importance of state leadership to challenge and support developmental firms; and the need to build on both foreign and domestic investors. Furthermore, it specifies priority areas for *selective* interventions that favor certain sectors over others. What follows presents and critically analyses the main criteria for selective support. When it comes to modern industrial policy, governments formulate industrial policies in a participatory process that enables them to elicit information from private stakeholders in order to address specific market failures. This requires both close interaction with these stakeholders (“embeddedness”) and independence in decision-making (“autonomy”), in order to avoid serving the interests of particular lobbyists (Evans 1995). Moreover, modern industrial policy is designed as an open-ended process of experimentation or “self-discovery” (Hausmann Rodrik, 2006).

Temporary incentives may be provided if they are necessary to trigger private sector responses that may generate positive externalities; but they should be phased out when there is evidence that the private sector does not respond as expected, or when market development takes off and generates sufficient response. In order to take these decisions, close monitoring and evaluation of policy performance is needed, and stakeholders should be invited to provide their feedback. Hence good industrial policies build on an evidence-based, participatory and transparent institutional learning process. Moreover, policymakers should make use of private service providers whenever possible, providing incentives if necessary, and encourage competition among service providers, rather than implementing each and every service through government channels (Industrial Policy in Ethiopia Tilmann Altenburg Bonn 2010).

2.2.6 Challenges Facing the Manufacturing Sector

Private investment, both domestic and foreign, is crucial for developing the manufacturing sector. A better investment climate that fosters the growth of existing firms, while encouraging the creation of new firms is key to attracting and increasing private sector investments. The business

environment affects the performance of all firms, irrespective of their size, however certain aspects such as regulatory burden and information asymmetry may be of particular consequence to private manufacturers. Access to finance is a top obstacle to private manufacturers' as firms in Ethiopia are more likely to be credit constrained than global comparators. There is strong evidence that lending to micro-enterprises and larger firms in Ethiopia is relatively adequate, while private manufacturers' are left behind ("missing middle phenomenon"). The intensity of business operational constraints and entry barriers vary depending on whether firms are large, FDI financed, or domestic SMEs. Business entry regulations and processes are consistently highlighted by the private sector as burdensome and obstructive of firm entry and dynamism (*world bank,2015*).

Most Binding Constraints to Doing Business in Ethiopia, Various Rankings

	Doing Business 2015	Global Competitiveness Index 2014–2015	Consultations on National Business Agenda 2015	Enterprise Survey 2011
1	Starting a business	Inefficient Government Bureaucracy	Tax Administration	Access to finance
2	Trading across borders	Foreign Currency Regulations	Access to finance	Access to land
3	Getting credit	Access to finance	Access to land and construction permits	Electricity
4	Protecting minority investors	Corruption	Availability/quality of energy	Paying taxes
5	Paying taxes	Inadequate supply of electricity	Unfair competition	Customs, trade regulations

Source: World Bank Doing Business Report (2015); Global Competitiveness Report (2014 and 2015); and National Business Agenda (2014); and World Bank Enterprise Survey (2011).

CHAPTER THREE: RESEARCH DESIGN & METHODOLOGY

This chapter discusses the processes and techniques used in carrying out the study. It also gives a description of the respondents including information on the study population, the number of respondents and how they were selected. It also provides an outline of research design and the instruments for data collection. The methods adopted in the administration of the research instrument, data collection procedure, data analysis and measures used to ensure validity of the instrument used.

3.1 Research Design

As Burns & Bush (2002) stated, research can be used for three Purposes. These are descriptive, exploratory, and explanatory. Causal research primarily explains why events occur by defining the cause-and-effect relationships amongst variables and suitable when the research problem is already well documented (Zikmund, 2003). Descriptive research ‘paint a picture’ using words or numbers and present a profile, a classification of types, or an outline of steps to answer questions such as who, when, where and how (Neuman, 2006, p. 35). While exploratory studies are common in the initial stages to gain a better understanding of the problem with in-depth investigation by breaking down a broad problem into smaller and well-defined sub-problems (Wong, 1999).

A survey questionnaire is adopted (self-administered questionnaire) to obtain primary data that enables the researcher to measure the relevant constructs in a quantitative manner through the use of statistical techniques (mainly percentage, frequency and graphs) to analyze the respondents’ level of agreement or disagreement in the differences between variables employed in the study and the barrier factors. The survey is cross-sectional with the data collected at one point in time. Finally, for the study, the researcher uses both qualitative and quantitative research approach to assess the impact of private investment of manufacturing on the local economy through mixed methods involves combining or integration of qualitative and quantitative research and data in a research study. Qualitative data tends to be open-ended without predetermined responses while quantitative data usually includes closed-ended responses such as found on questionnaire adopted in the study.

3.2 Population and Sampling Techniques

Subsequent to the justification of the research methodology, a sample design is chosen to collect relevant information for the research problem. In selecting a valid sample customer of private investors' of manufactures in Addis Ababa mainly *kaliti* sub city, definition of the target population, selection of sampling method, and determination of sample size is essential

3.2.1 Population

Population is described as a group of elements or cases, whether individuals, objects, or events, that conform to specific criteria and to which we intend to generalize the result of the research (McMillan and Schumacher, 2001). For the present research the target populations for this study are licensed investors that are involved in the manufacturing sector, key informants and concerned government offices in the sub city.

3.2.2 Sampling Frame

There are 137 private investors of manufacturing on operation in *kaliti* sub city which are in ten subsectors and out of them, a random sample of 55 (40%) manufacturers were selected and surveyed using a random sampling technique formula to estimate sampling size computed as

$$n = N / (1 + Ne^2)$$

where:

n = no. of samples

N = total population(137)

e = error margin / margin of error with a confidence level of 90 percent (giving a margin error of 0.1),

$$n = 137 / (1 + 137 * 0.05^2)$$

$$n = 137 / (1 + 1.37)$$

$$n = 54.80591 = 55 \text{ samplings}$$

The private investors of manufacturing would be asked in terms of *Incentives by Government, Awareness and Utilizations of Free Trade Agreements, Domestic and Foreign Market Challenges, Material Inputs Availability, Labor Productivity, Plant Capacity and Technology Utilization, Access to Finance, Operational Constraints, and Entry Barriers* through data collection instruments: survey questionnaire and check list.

3.2.3 Sample size

The ideal sampling frame as in many research methodology literatures is based on the notion of its accessibility to the researcher. And so, in the case of this research, since there is no readily available sampling list (frame) for the target population on-probability sampling method and random sampling technique is used to select respondents from the population since non-probability sampling method is less costly and saves time. Moreover, it is also the only feasible alternative sampling method as a result that the total population may not be available for this study.

Accordingly in this study the researcher used a random sampling technique. And the sample for the study would be drawn randomly from 137 private manufacturers. There are 10 sub-sectors, there are 3 furniture, 2 leather, 2 paper & paper products, 10 plastic, 48 electromechanical, 4 chemical, 7 textile, 7 printing service, 20 non-metallic minerals and 33 food complex and all are under the manufacturing sector; therefore, the study will be focused on the impact of investment of manufacturing on the local economy.

Random samples required the creation of a complete list of all the units in a population from which units of that population will be selected randomly to the study. First the total private manufacturers listed out and the researcher would be selected randomly based on their sub economic sectors. Accordingly, for the random sampling the researcher used the lottery method. Under this method the various units of the universe were numbered on small and identical slips of paper which folded and mixed together on the plate thoroughly. A blindfold selection has been made of the number slips required constituting the desired size of sample where the private manufacturers were selected randomly from the firms' attendance by called the first and last numbers and 40 firms added the tenth number. According to this 55 /40%/sample out of 137 private manufacturers administered using structured questionnaire. Accordingly,

- ❖ 01 /33.3%/ from Furniture
- ❖ 01 /50%/ from Leather
- ❖ 01 /50%/ from Paper & Paper products
- ❖ 04 /40%/ from Plastic
- ❖ 14 /29.2 %/ from Electromechanical
- ❖ 02 / 50%/ from Chemical
- ❖ 04 /57%/ from Textile
- ❖ 02 /43%/ from Printing Service
- ❖ 13 /65%/ from Non-metallic Minerals
- ❖ 13 /39.4 %/ from Food Complex

Totally, 55 / 40%/ manufacturers included in the study.

3.3 Types of Data and Tools/Instruments of Data Collection

Data collection is the process of gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer the stated research questions, and evaluate outcomes. Both qualitative and quantitative data are collected. The qualitative data have been obtained from the survey instrument open ended questions that are expected to support the analysis along with the investment office reports cooperative promotion office reports and informal discussion conducted in between collecting the survey questioners'. In addition, magazines, investment guidelines and other research papers, leaflets, national and regional Negarit Gazeta, journals, and other electronic and print media were reviewed as supporting documents, whereas the study uses a self-administered paper-based questionnaire (the survey method) which is designed according to the aims of the research to be employed in obtaining quantitative data with the appropriate stakeholders including key informants from households and officials of the sub city.

The questionnaire has three parts; the first part of the questionnaire is containing company type and number of employees they have . the second part mainly contain closed ended questions related with variables *Incentives by Government, Awareness and Utilizations of Free Trade Agreements, Domestic and Foreign Market Challenges, Material Inputs Availability, Labor Productivity, Plant Capacity and Technology Utilization, Access to Finance, Operational*

Constraints, and Entry Barriers. The third part will be an open ended question related with opportunities and challenges' in the sector.

3.4 Procedures of Data Collection

Data used to test the research questions were gathered from a sample of respondents who are coming to sub city office for several reasons. The sub city employees approach the prospective respondents as well using a branch intercept technique during working hours (9:00 AM-4:00 PM) of the week days (Mondays-Fridays). The screening ensured that only the quality sub city private manufacturing investors are participated in the study. The filled questioners are collected by hand right after the respondents done filling.

3.5 Methods of Data Analysis

Data analysis was carried out using the Statistical Package for Social Science (SPSS) version 23. The methods of statistical analysis include descriptive statistics, percentages, frequency, charts, and tables are used.

3.6 Ethical Consideration

In order to keep the confidentiality of the data given by respondents, the respondents were not required to write their name and assured that their responses will be treated in strict confidentiality. The purpose of the study and a reasonably expected possible benefit to the respondents and the sub city investment office employees is disclosed in the introductory part of the questionnaire. Furthermore, the researcher tried to avoid misleading or deceptive statements to be incorporated in the study. Lastly, the questionnaires were distributed only to voluntary participants.

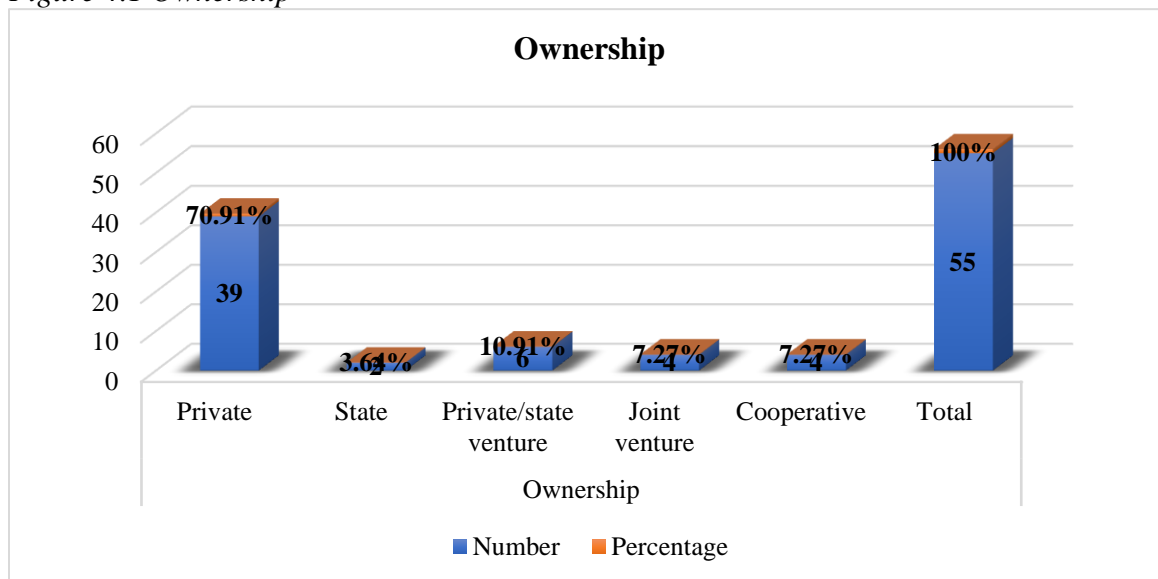
CHAPTER FOUR: RESULTS & DISCUSSION

In this chapter, a brief overview of the respondents' profile is derived to support findings based on demographics. Statistical procedures, carried out using SPSS 23 package, are presented in line with study objectives. Furthermore, percentages, frequency and graphs were computed, and to assess the variables. Additionally, the results of the analysis are presented in the most appropriate manner

4.1 Data Analysis

4.1.1 Demographics of the Respondents'

Figure 4.1 Ownership



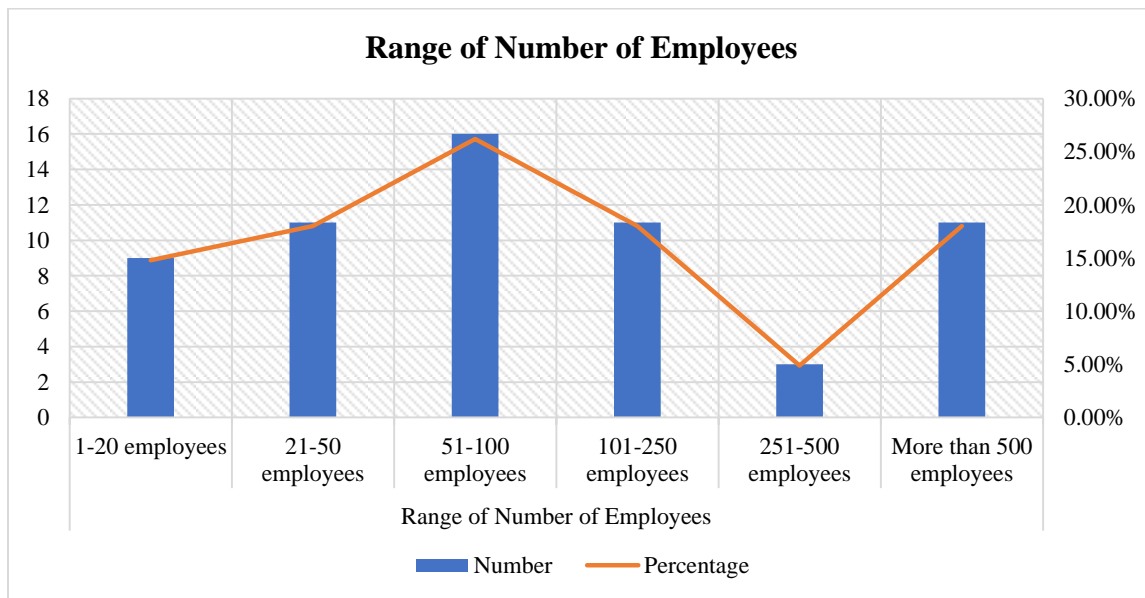
Source: Author's own compilation of Survey data 2016

As indicated in the above graph above 70.9 percent of sample manufacturing firms were privately owned while the remaining 28% constitute joint venture, private/state ventures and cooperatives. As the survey shows there were different expectations for investors to be initiated for participating in manufacturing investment activities in the sub city of the study. Indeed, the reasons are different from sector to sector. Meanwhile, to reveal what motivated them to invest in the manufacturing sector, the study has identified some of the following reasons. For the majority of respondents, the common factors to invest includes expectations of the high demand for the product to be produced, the intention of investors to contribute for local economy, availability of high potential resources, access to infrastructures, cheap labor force etc.

particularly, many investors look for investment areas which are new with low competition for skimming the market and increasing profit. Some other investors have invested intentionally to create job opportunity and benefit local communities through contribution for local economy. In addition to the above reasons; Interest of investors for gaining experience in the manufacturing sector, Government policy: Conducive investment policy attracts investors to invest in the manufacturing sector and direct invitation by government to invest in the area, Favorable environmental condition for investment in the manufacturing sector, Initiated by other successful investors, and an intention to introduce new technology are among the reasons.

4.1.2 Employees Status

National level manufacturing survey conducted by CSA (2014) showed that the total number of employees under this subsector can be estimated at some 67,000, which accounts almost about 21% of the labor force absorbed by the manufacturing industries found in all parts of the country in the year 2012/2013. Based on result obtained from the survey analysis out of the total respondents 26.20% of the private manufacturers in the sub city have employees of 51-100 while 18% of the private manufacturers in the sub city have 101-500 employees while the remaining 18% firms claimed that they have more than 500 employees' working at the moment.



Source: Author's own compilation of Survey data 2016

Figure 4.2 Range of Number of Employees that the private manufactures they have

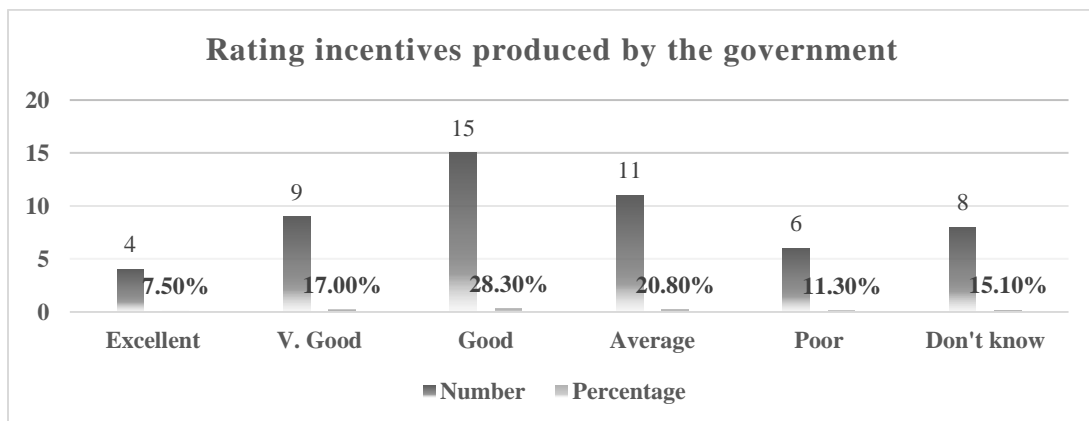
4.2 Companies Rating of Incentives by Government, Awareness to export under free trade agreement or preferential market opportunities and Utilizations of Free Trade Agreements

Liberalization of merchandise trade has supported exports and in turn Ethiopia's economic boom. In 2014, the country's total bilateral merchandise trade was valued at US\$22.4 billion, up from US\$3.5 billion in 2004. China, Kuwait, Saudi Arabia, India and the US have been Ethiopia's top five trading partners, accounting for 57% of its total bilateral merchandise trade basket, with China alone accounting for 28%. Despite a nine-fold increase in exports between 2000 and 2014, Ethiopia runs a trade deficit, largely importing goods that aid the construction and agriculture sectors (CSA 2014).

In 2014 the country imported goods four times the value of goods exported, with the main import being petroleum (19% of imports). Other top imports are motor vehicles for the transport of goods, telecommunication equipment, fertilizers' and civil engineering equipment, all of which are important inputs for development. Ethiopia's three largest exports by value are all agricultural in nature: vegetables, coffee and oil seeds followed by petroleum products (not crude) and live animals. These account for 81% of Ethiopia's export earnings, with vegetables and coffee alone making up 39.5% of the total value of exports (AACCSA,2015).

4.2.1 Rating Incentives Produced by the Government

Figure 4.3 *Rating Incentives Produced by the Government*

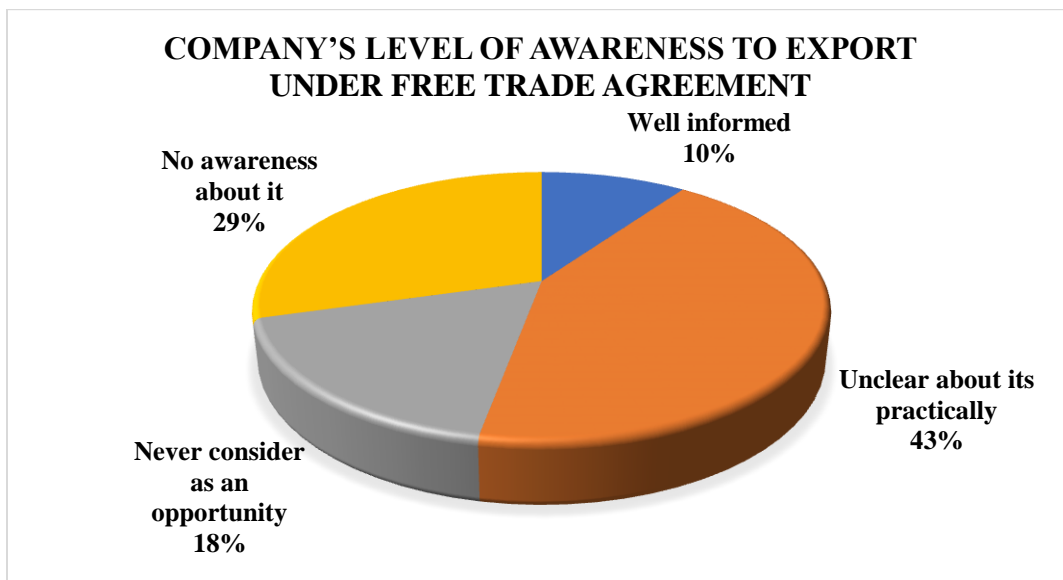


Source: Author's own compilation of Survey data 2016

Government of Ethiopia has offered different form of incentives to industries to promote export trade as well as to encourage import substitution product producers sampled for this survey rated the incentives currently provided by government of Ethiopia to be Excellent (7.5%), Very Good (17%), Good (28.3%), Average (20.8%) and Poor (11.3%). Information obtained through informal discussion with producers’ representative also revealed that even though the government had offered the above listed incentives and duty free importation schemes, in practice they were ineffective, due to the long-bureaucratic processes it takes to undertake the measures. Export augmenting incentive was key recommendation requested by respondent producers’ representative. The government of Ethiopia is also working hard to make export trade attractive to investors through establishing bilateral/multilateral free trade agreements with other nations, regional duty free market agreements and preferential market opportunities like COMESA, AGOA, EU-EBA etc.

4.2.2 Company’s level of Awareness to Export under free trade Agreement or Preferential Market Opportunities

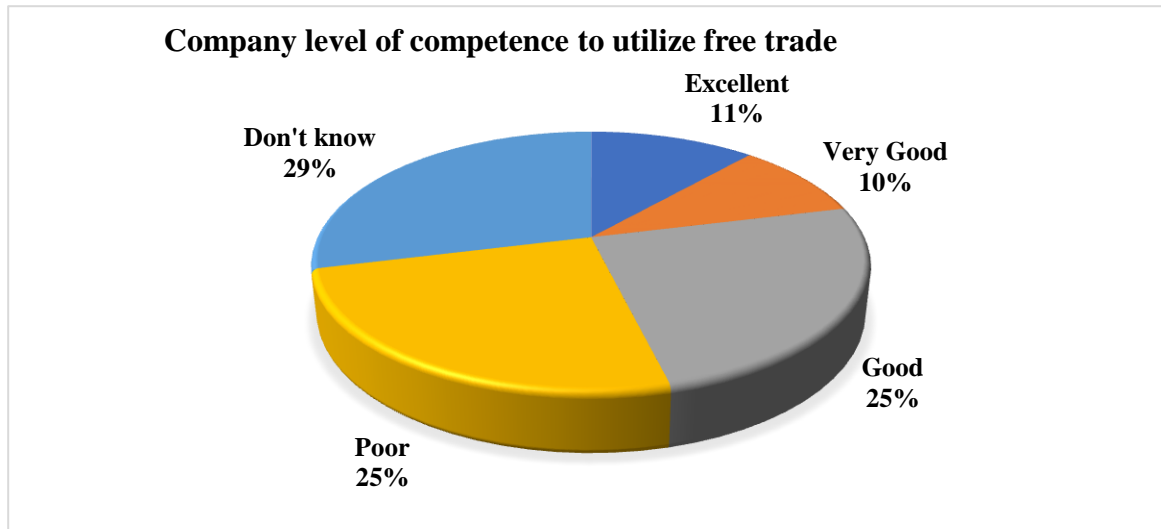
Figure 4.4 *Level of awareness to export under free trade agreement*



Source: Author’s own compilation of Survey data 2016

Based on the information used in this study, about 43% of companies were Unclear about the practicality of these opportunities, while 29% of them did not know about it at all. From the total respondent’s 18% of them has never considered it as an opportunity and leaving only 10 % of the private firms were well informed about it and utilized to market products overseas.

4.2.3 Company level of competence to utilize free trade agreement and overseas duty-free



market access

Figure 4.5 Company level of competence to utilize free trade Number

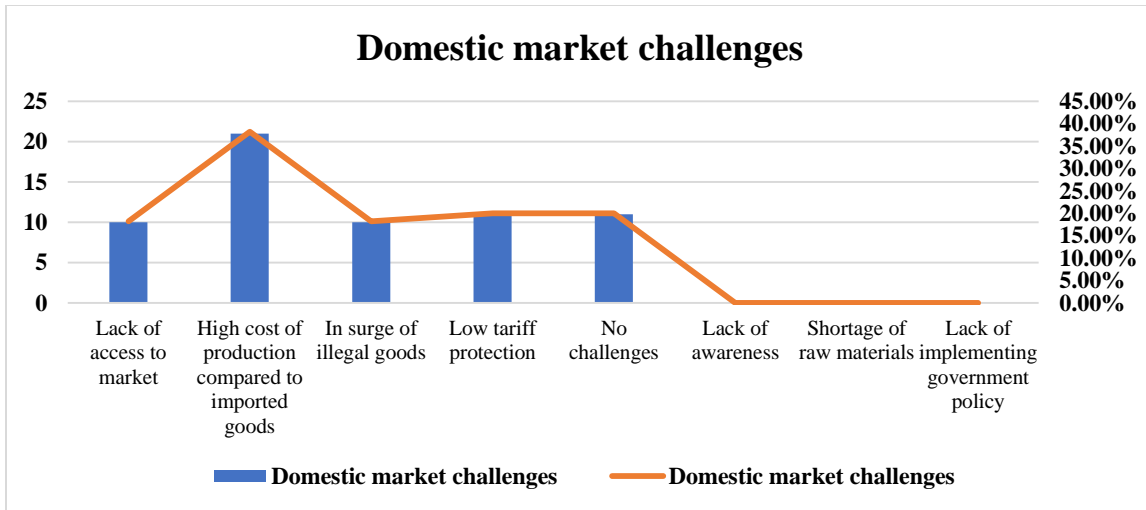
Source: Author's own compilation of Survey data 2016

Looking at the survey result indicated in the chart a total of 21% of the private manufacturers claimed that they are competent manufacturers to utilize the free trade /duty free accesses. on the other hand 25% of the respondents' feel good while and 25% indicated that they are not totally ready to completely utilize the free trade opportunity available though 29 % of the respondents indicated that they don't know or not sure at the moment.

4.3 Domestic and Foreign Market Challenges

4.3.1 Domestic Market Challenges

Figure 4.6 *Domestic market challenges*

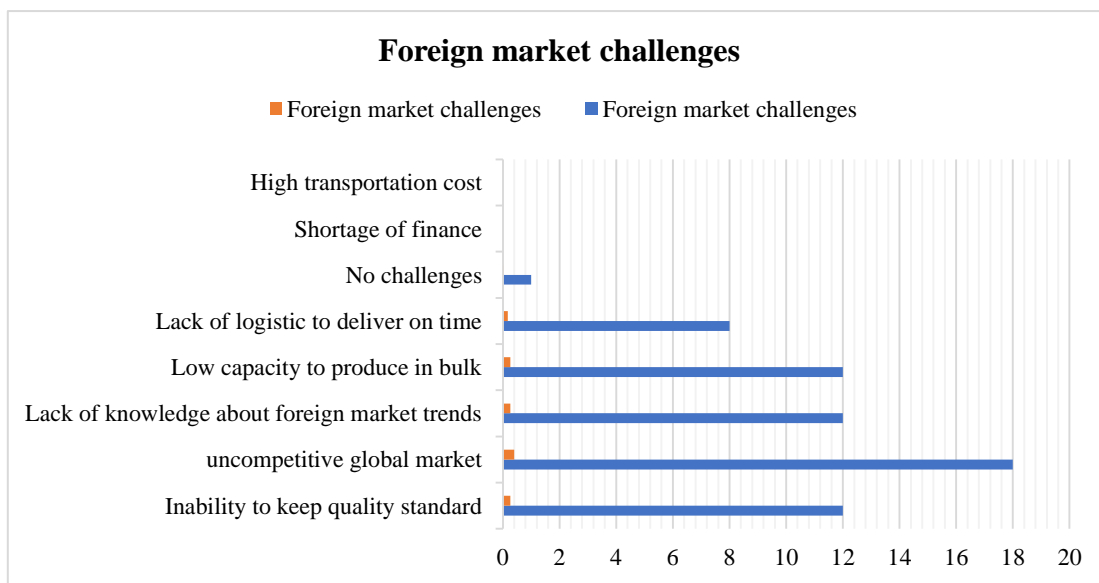


Source: Author's own compilation of Survey data 2016

Surveyed sample manufacturers from the sub city reported that they have problems to reach out the domestic market due to challenges such as, high cost of production compared to imported similar products lack of low tariff protection. Similarly lack of access to market and high cost of production are major challenge reported by these manufactures to address the local market demand as can be seen from the figure.

4.3.2 Foreign Market Challenges

Figure 4.7 Foreign market challenges

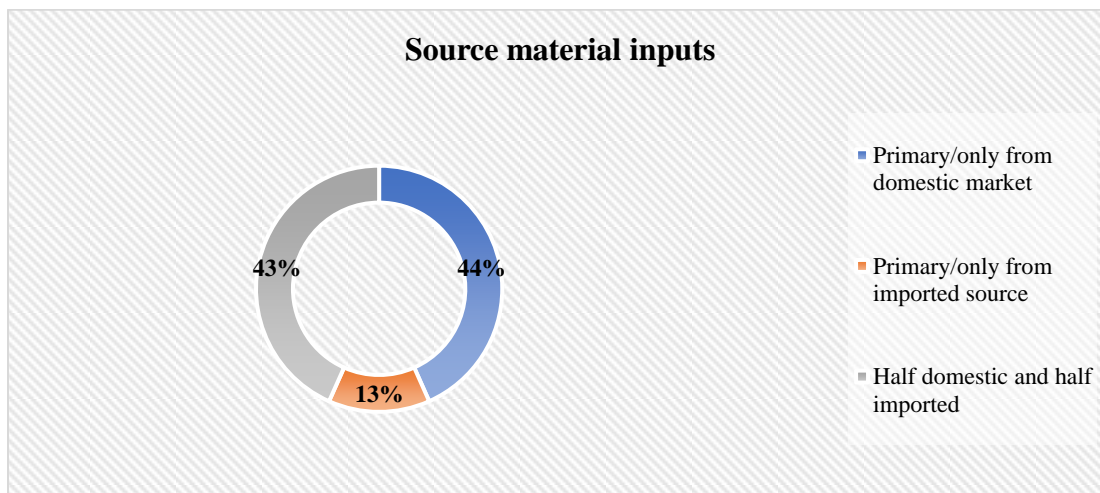


Source: Author's own compilation of Survey data 2016

In a similar manner, the surveyed sample manufacturers from the sub city reported that they have problems to reach out the foreign market due to challenges such as, uncompetitive global market compared to imported similar products, Inability to keep quality standard and Lack of knowledge about foreign market trends. Similarly Low capacity to produce in bulk ,lack of logistic to deliver on time are major challenge reported by these manufactures to address the foreign market demand as can be seen from the figure.

4.4 Material Inputs Availability

Figure 4.8 Source material inputs



Source: Author's own compilation of Survey data 2016

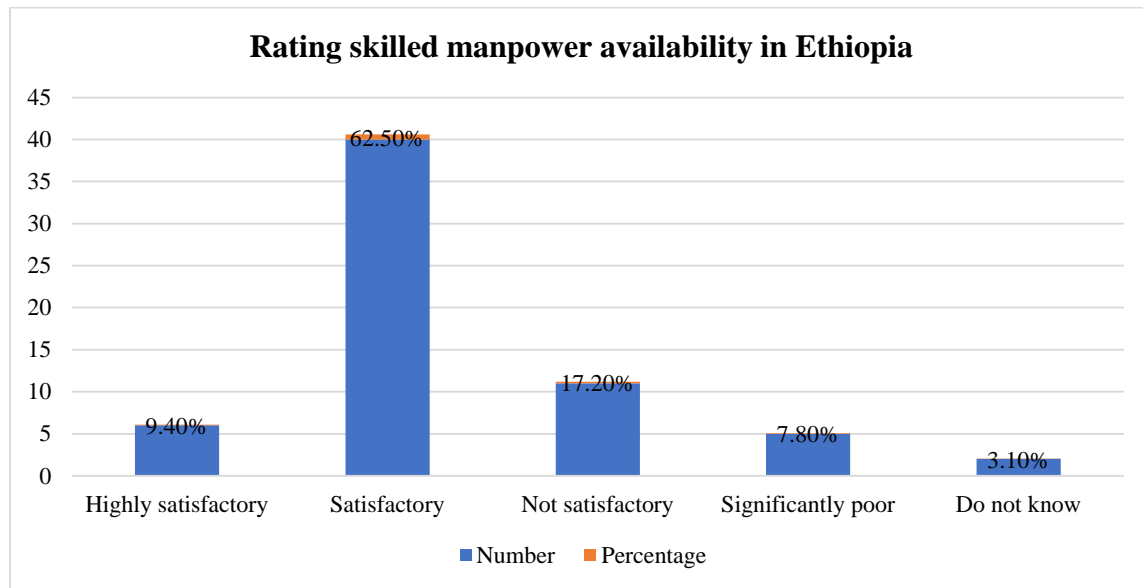
Most raw materials used in the subsector are available domestically. Above 60 of the sampled companies reported that they had accessed inputs from domestic market. This indicates that The production of processed products therefore to a large extent depends on the quality of the materials available.

4.5 Skills and Productivity

4.5.1 Rating skilled manpower availability in Ethiopia

Availability of skilled manpower is another determinant factor that determines the wellbeing of private manufacturing firms in the sub city. Unskilled workers are available for the entire manufacturing industries of the country. In conformity with this national level status, data collected through company level survey revealed that availability of skilled manpower is not an issue at current condition.

Figure 4.9 Rating skilled manpower availability in Ethiopia



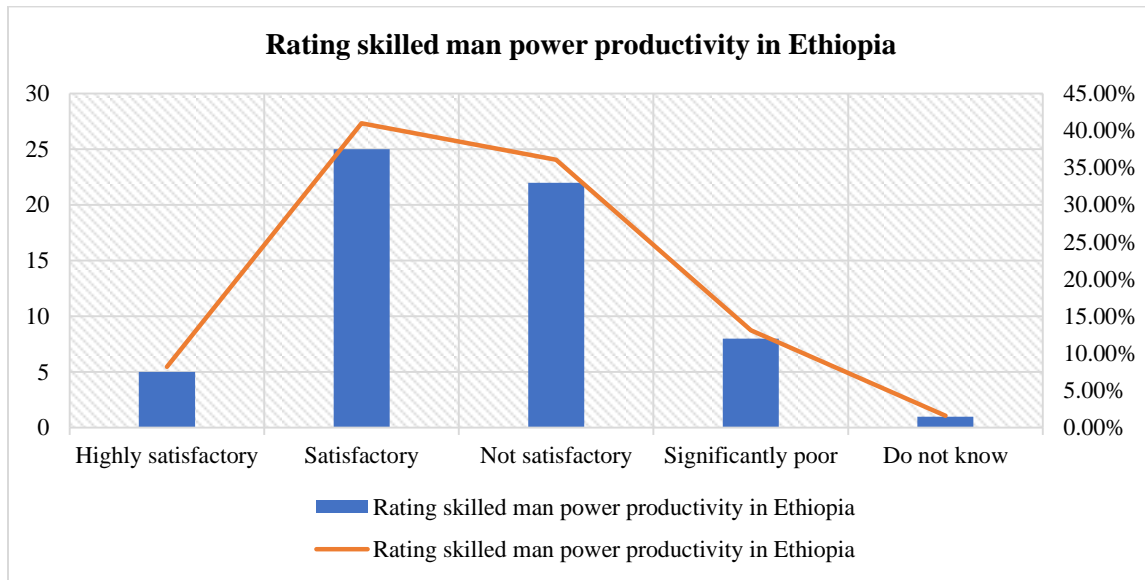
Source: Author's own compilation of Survey data 2016

The majority of surveyed companies (62.5%) in the sub city rated the availability of skilled manpower in the country and that could work in this sector as “highly satisfactory” while only 7.8% of the respondent replied availability as “significantly poor”. However Skills shortages in Ethiopia constitute a key constraint to growth and improved productivity in the manufacturing sector, although data demonstrates variation by firm size, the age of the firm, and other characteristics. Analysis demonstrates that larger and foreign-owned firms are significantly more likely to cite poor skills as an impediment to increased productivity in the manufacturing sector. This observation resonates with the findings of an analysis of light manufacturing in Africa (World Bank, 2012), which highlighted the poor supply of appropriately skilled labor as a major obstacle to improving the competitiveness of the manufacturing sector in Ethiopia

4.5.2 Rating Skilled man power Productivity in Ethiopia

The majority of surveyed companies (47.5%) in the sub city rated the productivity of skilled manpower in the country and that could work in this sector as “highly unsatisfactory” while only 8.2% of the respondent replied availability as “highly satisfactory” The productivity of firms is strongly and positively correlated with worker education and training in Ethiopia.

Figure 4.10 Rating skilled manpower productivity in Ethiopia



Source: Author’s own compilation of Survey data 2016

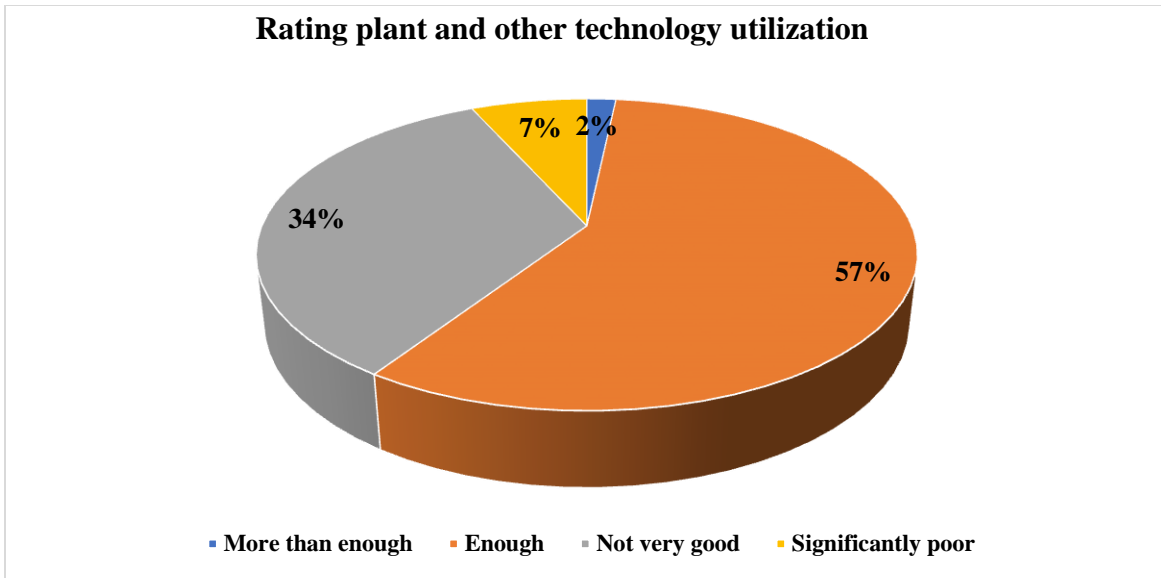
This is particularly pertinent given Ethiopia’s relatively poor secondary education enrollment profile. In the manufacturing sector, a one-year increase in the average education of a production worker is associated with an increase of 33 to 41 percent in various measures of labor productivity. Consequently, increasing enrollment at all levels above primary education, as well as improvements to the overall quality of education delivered through the Ethiopian education sector, should have a strong and positive impact on firm-level productivity.

4.6 Plant Capacity and Technology Utilization

4.6.1 Rating Plant and Other Technology Utilization

Companies are asked to rate efficient utilization of plants and technologies under their management. About 57.6% of the sample respondents’ rating was “enough” for their plant utilization while “not enough” and “significantly poor” were responses by 33.9% and 6.8% of the samples, respectively. Only 1.7% of them said that plant and available technologies utilization under their control is “above enough”.

Figure 4.11 Rating plant and other technology utilization



Source: Author's own compilation of Survey data 2016

4.6.2 Producing in Full Capacity

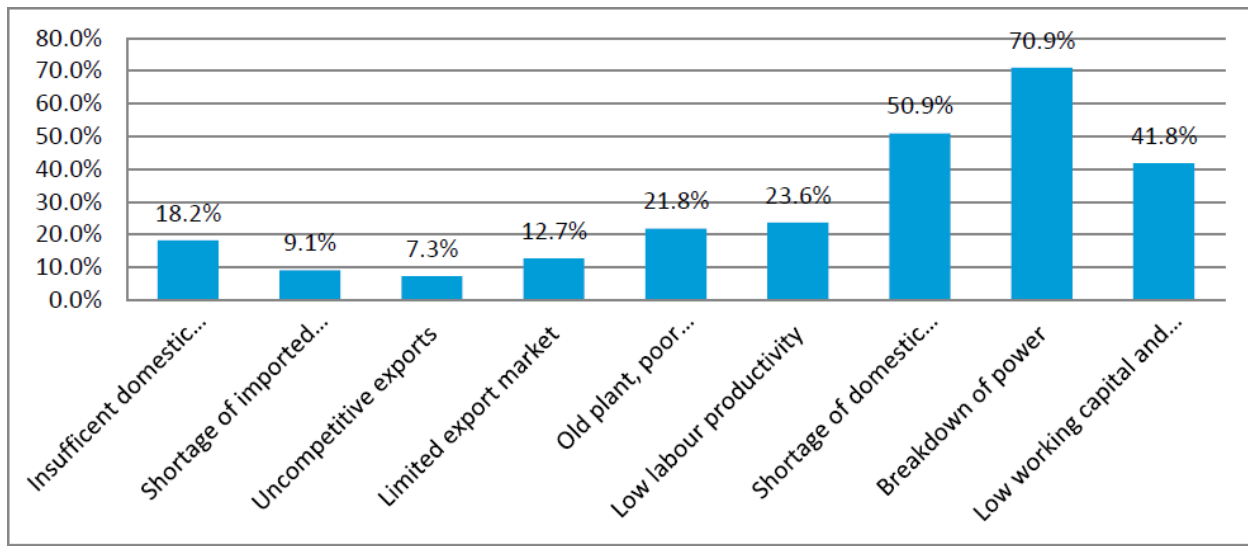
Table 1 Response on whether or not they produce at full capacity

		Frequency	Percentage
Are you Producing in full capacity	No	56	90.30%
	Yes	6	9.70%

Source: Author's own compilation of Survey data 2016

Sample companies in the sub city are also required to give information on whether they are currently producing with their full capacity or not. To get information, the following question was raised. "Are you producing in full capacity?" Thus, the finding has revealed that more than 90% of the sample companies replied "no" answer for this question. For those who replied "no" to the above case, additional question was presented: "what is the reason for underutilization of capacity?" as figure (12) below portrays, breakdown of power, shortage of domestic inputs, and low working capital and high credit costs are the most significant and frequently mentioned reasons reported by 70.9%, 50.9% and 41.8% of sample respondent, respectively. The following figure summarizes the result of the survey in detail.

Figure 4.12: Rating skilled man power productivity in Ethiopia



Source: Author's own compilation of Survey data 2016

4.7 Operational Constraints

4.7.1 Service delivery from the Government

Table 2 Service delivery from the government

Overall service delivery process of the governmental investment offices	Response	
	Frequency	Percentage
Highly satisfactory	3	2.8
satisfactory	12	34
Not satisfactory	26	40.8
Significantly poor	6	14
Don't know	8	7.7
Total	55	100

Source: Author's own compilation of Survey data 2016

The respondents tried to evaluate the service delivery process of the different governmental offices related to investment activities. Out of the total respondents, 14 percent, 34 percent, 40.8 percent, 7.7 percent, and 2.8 percent of respondents replied the service delivery process of government investment offices as “Significantly poor”, “Not satisfactory”, “satisfactory”, “Don't know“, and “Highly satisfactory” process respectively indicating that the respondents are in general unhappy about the level of the service quality they are getting from the government offices.

4.8 Access to Finance

4.8.1 Credit Access

Table 3 Credit access from financial institutions

Credit access from financial institutions	Response	
	Freq.	Percentage
Highly satisfactory	8	14.81%
Satisfactory	10	18.52%
Not satisfactory	28	51.85%
Significantly poor	4	7.41%
Don't know	4	7.41%
Total	54	100.00%

Did you able to get the loan amount as per your request	Response	
	Freq.	Percentage
Yes	8	16
No	42	84
Total	50	100

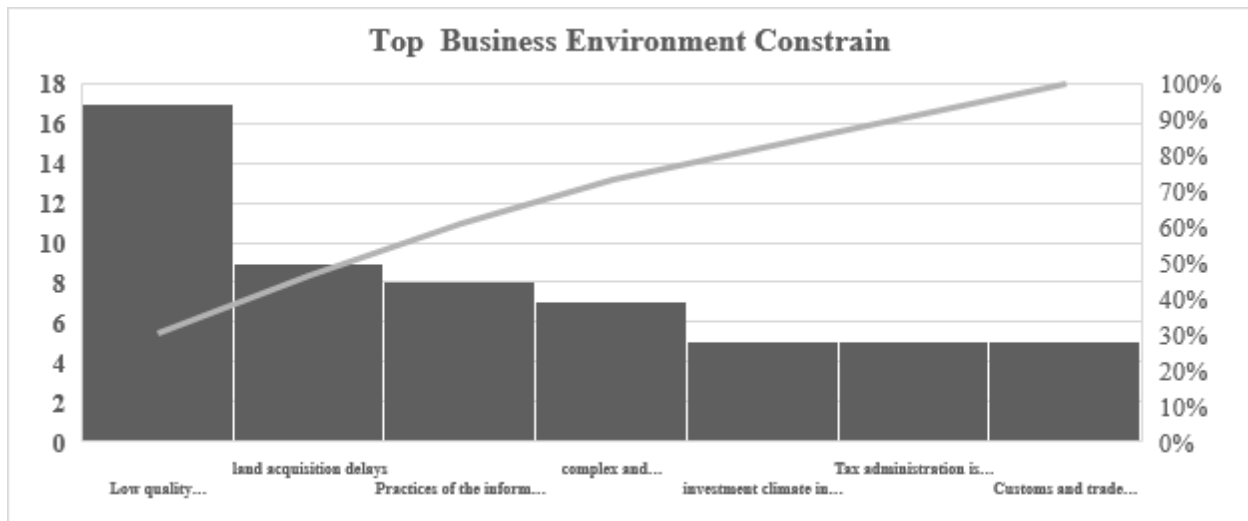
Source: Author's own compilation of Survey data 2016

Table3 shows 52 Percent of the respondents are satisfied with the service rendered by different financial institutions whereas; over 56 Percent of the respondents are not satisfied with the service provided by the financial institutions. Very weak and time consuming banking service due to network interruption, Large number of customer in the banks while low number of staff Understating a high value collateral, Insufficient credit provision and absence of long term credit, Long process during loan grant particularly in banks, unable to identify and provide sufficient credit to some profitable projects which can have good repayment capacity, Shortage of foreign currency during import of machineries, and Problem on the supply of credit and LC (letter of credit) opening (it takes a number of months) are the main reasons for their dissatisfaction mentioned by respondents.

4.9 Operational Constraints

Figure 1.14 provides a comparison of binding constraints for business in kality sub city Addis Ababa and to the World Economic Forum's Global Competitiveness Index (2014 and 2015), the top five problematic factors for doing business in Ethiopia are: inefficient government bureaucracy, foreign currency regulations, access to finance, corruption, and inadequate supply of infrastructure. This is supported by results of the study as well, where firms identified the top five critical and binding constraints as: tax administration, access to finance, limited access to land and availability and quality of electricity, and market/unfair competition.

Figure 12 *Operational Constraints*



Source: Author's own compilation of Survey data 2016

4.10 Opportunities to Invest in Manufacturing Industries in Ethiopia

Despite the current performance and contribution to national economy of Ethiopian manufacturing sector is influenced by multifaceted challenges, from the open ended questions provided in the survey questioner respondents' in general indicated that there are good chances to invest in this sector of the economy, too and listed out are among the mostly mentioned by the respondents' regarding opportunities that they think of attractive environment if one wants to invest in the manufacturing sector:

Political and social stability

- Macroeconomic stability and rapidly growing economy
- Excellent climate, fertile soils and abundant mineral resources
- Private sector friendly government
- Strong investment guarantees
- Relatively cheap labor force and rapidly increasing number of trained peoples
- Relatively cheap electricity supply compared to any African country and growing size of electricity production

Competitive incentive packages

- ✓ Custom duty exemption (100% exemption from payment of custom duty imported capital good and 15% on imported spare parts)
- ✓ Exemption from income tax (for new investment and those investors establish in regional areas like Gambella, Benishangul/Gumuz, Afar etc.)
- ✓ Export incentives and
- ✓ Loss carry forward

Access to wide market:

- ✓ Large domestic market

CHAPTER FIVE: CONCLUSIONS & RECOMMENDATIONS

The aim of this chapter is to present a summary of all the findings and to make conclusions based on that.. Finally, the limitations of the study and suggestions for further research have been presented.

5.1 Conclusions

Under the Growth and Transformation Plan (GTP), the government envisions creating a foundation for the industrial sector to take a leading role in the economy. But the manufacturing industry is still struggling with the same challenges that gripped it for decades. Major challenges of the manufacturing sector in *kaliti* sub city Addis Ababa as identified through survey, key informant interview and through desk review are listed below but not limited to:

Limited access to finance to fund projects in manufacturing sector

- Shortage of foreign currency to import raw materials and capital goods
- Low productivity of laborers working in manufacturing industries
- Low productivity of plants and machineries
- Low capacity utilization
- Quality problem in finished products
- Shortage of supply of skilled manpower in the labor market
- High cost of importing raw materials from foreign market
- Limited supply of raw material in domestic market
- High rate of employees turnover
- High logistics and transportations costs
- Poor tariff protections laws to encourage investment domestically
- Power shortage and frequent interruptions
- Poor infrastructure of electricity, road, water and telecommunication and internet
- Bureaucratic red tape, corruptions and lengthy process to execute new investments
- Lengthy bureaucratic procedures in customs clearance
- Limited promotional activities with regard to incentives plans, market opportunities, information on new regulations and legislations etc.
- Lack of R&D for most manufacturing industries

- Weak industry-university linkages
- Limited inter-industry and industrial-sectorial-institutes level linkages

5.2 Recommendations

Enhance Access to Finance:

Limited access to finance to fund manufacturing projects and shortage of foreign currency to import raw material and intermediary goods are the main problems of the manufacturing firms in the sub city. Thus, the government should alleviate this problem by coordinately working with financial service providers found both within Ethiopia and abroad in order to make available funds for new investment in manufacturing sector in addition to giving due attention to reserve foreign currently that useful for importing raw materials and capital goods.

Improving Availability of Material Inputs:

Although the country's major natural resource base is its rich agricultural potential, it has not been utilized for the development of the industrial sector. As a result this, manufacturing industries which primarily consuming agricultural inputs such as agro-processing, textile and leather industries encountered facing chronic raw material supply shortage.

Furthermore the manufacturing sector itself has continued to be import dependent for machinery and equipment, spare parts and other inputs with no possibilities for self-sustained development. Thus, the government of Ethiopia should consider these as major challenge facing the sector and do the right to increase raw materials availability with the required quality by means of strengthening raw materials producers' capacity and by creating market linkage with foreign suppliers. AACCSA could play a role to this part by organizing trade fairs to promote market linkage with foreign counterparts for partnership.

Upgrading Technological Capability of the Firms:

Developing technological capability require adequate and continuous investment not only on equipment, machinery and related assets; but also investment on information, labor, educations and technological know-how. AACCSA, governmental ministries, higher academic institutions and sectorial associations/institutions should work together and develop strategy plan on which

manufacturers' overall capability in terms of technology usage and manpower skill could be enhanced and improved.

Promoting Investment in the Manufacturing Sector:

Encourage investment in manufacturing industries, especially, attracting foreign investors to invest, because they do not only invest their capital but also new technology. As new technology comes to the country or expanded by domestic investors, it is easy to transfer from one firm to another so that possible way of expansion of new technology, without incurring high costs. This technological level is developed either by carried out of R&D by firms or research institutions in addition by providing on-the –job learning and trainings to works. AACCSA, differential ministerial sectors (MoT, MoI, etc.) and higher institutions needs to come together and develop a strategy to facilitate investment in manufacturing sector.

Promoting Market Opportunities through Advisory and Advocacy Services:

AACCSA, Ministry of Foreign Affairs, MoT, MoI, MoFED, MOARD, Ethiopian Custom and Revenue Authority and sectorial institutes/associations could work collaboratively on promoting issues that determine marketing performance of manufacturers' such as industry policy of the country, investment and export incentives offered, market opportunities due to regional and international trade agreements, obligations and rights on issues such as tax, customs and existing enabling environment to invest in the country so as to enhance the development of the manufacturing sector in Ethiopia.

Improve Infrastructural Facilities:

The inadequacy of infrastructure has been one of the major constraints for the manufacturing sector development. This study has identified that roads, energy, water supply, and other facilities are not well-developed to support the development of the manufacturing sectors in Ethiopia. The scarcity of these services means that slower manufacturing growth which in inurns lags the country's goal to become middle-income-industrialized nation by 2015. So, in order to mitigate this kind of problem, infrastructural investment has to be given priority. Thus, to achieve sustainable development in the manufacturing sectors in today's context, manufactures requires government's effort supplying infrastructural facilities, particularly electrifying project

areas as most manufacturers described shortage of supply and interruption of power hindered the performance of their production processes.

5.3 Limitations and Directions for Future Research

The study has several limitations that offer scope for future studies. Firstly, this study identified five factors that influence private manufacturing industry in Addis Ababa, *kality* sub city. The literature contains many additional factors that influence private manufacturing industry in less developed countries such as Ethiopia that are not considered in this study. Future empirical research is therefore needed to examine how other factors such as *investment policy, business environment, research and development* impact on the private manufacturing industry. The sampling method used in this study could be seen as a limitation given that the study used a Random sampling. Moreover, the study took place in only in one of the 14 regions of Ethiopia (in the capital city, focusing only in one of the sub city) and is not cross-sectional in nature; this limits the implications of this research for private manufacturing industry throughout the country. Future studies can explore the possibility of probability sampling methods using a larger sample drawn from different parts of the country to make the results generalizable to a wider population.

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**Annexure –I Questionnaire addressed to private manufacturing owners/managers in kality
sub city Addis Ababa**

**St. Mary's University
School of Graduate Studies
Facility of business**

Dear respondent,

A research study regarding the challenges and opportunities of private investment (manufacturing sector) in kality cub city, Addis Ababa is being conducted by me for fulfilling the requirements of Master of Business Administration (MBA) of Saint marry University. This questionnaire has been prepared to assess the challenges and opportunities of private investment (manufacturing sector) from perspectives of investors.

As private investor, your opinions would enable me to evaluate the challenges and opportunities of private investment (manufacturing sector). The information to be provided by you would be kept confidential and used for academic research purpose only. In case you are interested to learn about the findings of the study, I will be happy to share the executive summary of the research report.

Thank you for your time!

December, 2016

A. General Description

1. Respondents Name and Address

Name of the firm's owner ----- Kind of Sector -----

Please, thicken the X mark in the box and give your opinion on the blank space where necessary.

2. Ownership

<i>Private</i>	<i>State</i>	<i>Private/state venture</i>	<i>Joint venture</i>	<i>Cooperative</i>

3. Range of Number of Employees that you have

<i>1-20 employees</i>	<i>21-50 employees</i>	<i>51-100 employees</i>	<i>101-250 employees</i>	<i>More than 250 employees</i>

4. Rating incentives produced by the government

<i>Excellent</i>	<i>V. Good</i>	<i>Good</i>	<i>Average</i>	<i>Poor</i>	<i>Don't know</i>

5. Company's level of awareness to export under free trade agreement or preferential market opportunities

<i>Well informed</i>	<i>Unclear about its practically</i>	<i>Never consider as an opportunity</i>	<i>No awareness about it</i>

6. Company level of competence to utilize free trade agreement and overseas duty-free market access

<i>Excellent</i>	<i>V. Good</i>	<i>Good</i>	<i>Average</i>	<i>Poor</i>	<i>Don't know</i>

7. Which of the following is your Domestic market challenges

<i>Lack of access to market</i>	<i>High cost of production compared to imported goods</i>	<i>In surge of illegal goods</i>	<i>Low tariff protection</i>	<i>No challenges</i>	<i>Lack of awareness</i>	<i>Shortage of raw materials</i>	<i>Lack of implementing government policy</i>

8. Foreign market challenges

Inability to keep quality standard	uncompetitive global market	Lack of knowledge about foreign market trends	Low capacity to produce in bulk	Lack of logistic to deliver on time	No challenges	Shortage of finance	High transportation cost

9. Appropriate success rate in the last 12 months

Profitable above expectation	Profitable within expectation	Profitable below expectation	Break-even above expectation	Break-even within expectation	Break-even below expectation	Breakable	Un Breakable

10. Source material inputs

<i>Primary/only from domestic market</i>	<i>Primary/only from imported source</i>	<i>Half domestic and half imported</i>

11. Rating skilled manpower availability in Ethiopia

<i>Highly satisfactory</i>	<i>satisfactory</i>	<i>Not satisfactory</i>	<i>Significantly poor</i>	<i>Don't know</i>

12. Rating skilled man power productivity in Ethiopia

<i>Highly satisfactory</i>	<i>satisfactory</i>	<i>Not satisfactory</i>	<i>Significantly poor</i>	<i>Don't know</i>

13. Rating plant and other technology utilization

<i>More than enough</i>	<i>enough</i>	<i>Not very good</i>	<i>Significantly poor</i>

14. Are you producing in full capacity at the moment ?

<i>Yes</i>	<i>No</i>

15. Reason for underutilization of capacity

Insufficient domestic demand	Shortage of imported inputs	Uncompetitive exports	Limited export market	Old plant, poor maintenance and low plant productivity	Low labour productivity	Shortage of domestic inputs	Breakdown of power	Low working capital and high credit cost

16. The overall service delivery process of the governmental investment offices

<i>Highly satisfactory</i>	<i>satisfactory</i>	<i>Not satisfactory</i>	<i>Significantly poor</i>	<i>Don't know</i>

17. credit access from financial institutions

<i>Highly satisfactory</i>	<i>satisfactory</i>	<i>Not satisfactory</i>	<i>Significantly poor</i>	<i>Don't know</i>

18. If you have access to credit, did you able to get the loan amount as per your request

<i>Yes</i>	<i>No</i>

19. Reason for lack of Access to finance

<i>High collateral requirements of the banks</i>	<i>poor market segmentation of banks</i>	<i>lack of in-depth customer knowledge by the banks</i>	<i>lack of proper business strategy by the banks</i>	<i>Effect of legal and regulatory framework impact the ability of banks</i>

20. Operational Constraints that mainly affects your business

<i>investment climate in Ethiopia does not foster productivity growth for new comers</i>	<i>land acquisition delays</i>	<i>Low quality Infrastructure</i>	<i>Tax administration is costly and time consuming</i>	<i>complex and bureaucratic entry procedure</i>	<i>Customs and trade regulations</i>	<i>Practices of the informal sector</i>

B. Opportunities for private Manufacturing Investment

1. What kind of opportunities are available in the business area that you engaged in ?

2. What impact does the available opportunities have on the private manufacturing investors?

a. Incentives for private Manufacturing Investment

1. What kind of incentives are available in your business area ?

2. What impact does the available opportunities have on the private manufacturing investors?

Annexure -II Partial list of private manufacturers in quality sub city

No	Year(G.C)	Licensing Office	Name of Investor	Country of Origin	Phone	Post	Investment Activity	Region of Investment	Zone of Investment	City/Town of Investment	Werda of Investment	Investment Status
2395	2009	EIC	Wei Guoning	China	0911-867121/0114347262	0114-347424	Glue factory	Addis Ababa		A.Kaliti	10	Operation
2878	2012	EIC	YONG SHI	China	0911644345		CONSTRUCTION MACHINERIES RENTAL	Addis Ababa		A/Kalility	6	Operation

3024	2013	EIC	ZhihaiPu	China	0924909 219/093 5326888		Manufacturing of household & office furnitures excluding those made of ceramics	Addis Ababa		A/Kaliti	07	Operation
3033	2013	EIC	Earth Overseas Private Limited /Ethiopia Branch/	India	0912652 696/ 0912642 438		Water Well Drilling /Grade One/	Addis Ababa		A/kaliti	04	Operation
3038	2013	EIC	Jianhui Wang	China	0118400 727/091 3544422		Manufacturing of office & h/hold furniture /Excluding those made of ceramics	Addis Ababa		A/kaliti	10	Operation
924	2004	EIC	WelGuoning	China	638716		Foam Manufacture	Addis Ababa		A/Kality	12	Operation
1717	2006	EIC	Patorian PLC	Britain/India/Ethiopia	011-223093/ 091-1470582	28354/1000	Children Food Manufacturing	Addis Ababa		A/Kality	10	Operation
2107	2008	EIC	Piko Juice Factory PLC	Lebanon /Ethiopia	0114390 107/091 1-507573/ 0115-505290/ 9	28119 code 1000	Juice Factory	Addis Ababa		A/Kality	10	Operation

2439	2009	EIC	Qaim Automotive Industries PLC	Pakistan	0912439490/0116188987		Automotive Parts Manufacturing	Addis Ababa		A/Kality	10/11	Operation
2915	2012	EIC	Athenians House Office Furniture Manufacturing and Aluminum Works	Canada/Greek/Ethiopia	0911034869/0911202853		House Hold and Office Furniture Manufacturing	Addis Ababa		A/Kality	10	Operation
2917	2012	EIC	Zhanjun Jiao	China	0912623352/0911511628		Construction Machinery and Equipment Rental	Addis Ababa		A/Kality	07	Operation
2955	2012	EIC	Al-Bedey Construction Machinery Rental Plc	Britain/Sudan	0114391909/0911522287	27621/1000	Real Estate Development	Addis Ababa		A/Kality	10	Operation
2980	2012	EIC	Earth Work Geotech Private Limited (Eth. Branch)	India	0918791492/0912642440	232/1230	Water Well Drilling Grade one	Addis Ababa		A/Kality	04	Operation
3003	2013	EIC	AK Steel Engineering PLC	Turkey	0923277718/0913378196/0911763766		Manufacturing of Basic Iron Steel Pipe and Tube Mills	Addis Ababa		A/Kality	11	Operation

3100	2014	EIC	Shengya Machinery Engineering PLC	China	0939998933		Manufacturing of Special Purpose Machinery (For Agriculture, Construction and Similar Activities)	Addis Ababa		A/Kality	07	Operation
3212	2014	EIC	Viro garden furniture manufacturing PLC	China	0919198241/0929003999		Manufacturing of office and household furniture (excluding those made of ceramic)	Addis Ababa		A/Kality	07	Operation
3213	2014	EIC	Zhiyong Zhou	China	0913967927		Manufacturing of plastic products excluding plastic shopping bag (Expansion)	Addis Ababa		A/Kality	05	Operation
3228	2014	EIC	ALS Services PLC	Australia/Cameroon	0945436909	22898	Technical testing and analysis	Addis Ababa		A/kality	10/11	Operation
4	1992	Addis Ababa	MARFEL P.L.C.	Italy/Ethiopia	514083	1337	Plastic Shoe & Sole Manufacturing	Addis Ababa		Akaki		Operation

31	1992	Addis Ababa	Mohammed Yusuf	Ethiopia	340999	4234	Sanitary Napkin manufacturing plant	Addis Ababa		Akaki		Operation
62	1993	Addis Ababa	Alfakeb Aluminium & Metal Products P.L.C.	Ethiopia	753906	50157	Aluminum & Metal Pro.P.L.C Nail	Addis Ababa		Akaki		Operation
79	1993	Addis Ababa	VahakKarihan	Ethiopia	116922	40260	Textile Factory	Addis Ababa		Akaki		Operation
194	1995	Addis Ababa	M.K. Commerce and Industry PLC	Ethiopia	552442	1337	PVC compoundingMfg	Addis Ababa		Akaki		Operation
279	1996	EIC	MARFEL plc	Italy/Ethiopia	552442	1337	Plastic shoe & sole Manufacturing	Addis Ababa		Akaki		Operation
336	1997	EIC	Ethiopian Steel PLC	Kenya/Mauritius	514752/514754	19120	Continuous galvanizing line and corrugation	Addis Ababa		Akaki		Operation
521	2001	Addis Ababa	Ricardo Perilli	Italy	09-210334		Construction Machinery Rental	Addis Ababa		Akaki		Operation
1229	2005	EIC	Muhammad Yasin	Pakistan	09/635613/0114393714		Soap and Detergent Factory	Addis Ababa		Akaki		Operation
1586	2006	Addis Ababa	ZafuHsho	Ethiopia	091-1319649		Construction Machinery Rental	Addis Ababa		Akaki		Operation

1781	2006	EIC	Oromya Pipe Factory PLC	Egypt/Ethiopia	091-1201772		Pipe Factory	Addis Ababa		Akaki		Operation
729	2003	EIC	Sino-Ethiop Lion King PLC	China/Ethiopia	203139	182065	Garment Factory	Addis Ababa		AkakiKali ti	09	Operation
893	2004	EIC	Star Soap and Detercent Industries PLC	Saudi Arabia/Ethiopia	392036/0911211097	5521	Toilet and laundry soap manufacturing	Addis Ababa		AkakiKali ti		Operation
1214	2005	EIC	ABAY Processing and Packing PLC	Yemen/Ethiopia	340017		Tea and Coffee Processing	Addis Ababa		AkakiKali ti		Operation
1815	2006	EIC	Addis Fujian Investment PLC	China/Ethiopia	091-1619493		EVA Compound Manufacturing for Shoe	Addis Ababa		Akakikali ti		Operation
2386	2009	EIC	Spe Metal Products PLC	China	0910-178449		Nail Factory	Addis Ababa		AkakiKali ti	10/11	Operation
2406	2009	EIC	Kali Metal Products Factory	Ethiopia	0911-206726/0114-340162	5751	Steel Tube And Corrugated Sheet Manufacturing	Addis Ababa		AkakiKali ti	27	Operation

2995	2012	EIC	SelvoChemical and Industrial plc	Syria	0931739197		Manufacturing of Detergent, Soap and Cosmetics	Addis Ababa		AkakiKaliti	05	Operation
1755	2006	EIC	Super Shine Investment PLC	India/Ethiopia	011-4394818	25751/1250	Audio-Video Cassettes, CDS And DVDR, Manufacturing/Assembling Replication Factory (Expansion)	Addis Ababa		AkakiKaliti		Operation
2434	2009	EIC	Yilong Blanket Manufacture PLC	China	0912001628/0920300777		Blanket Manufacturing	Addis Ababa		AkakiKaliti	10/11	Operation
1196	2005	EIC	Sunshine Briqueting PLC	India	394301	14841	Briqueting Plant	Addis Ababa		Akaki/kaliti		Operation
357	1997	EIC	ENGSKO Ethiopia Mfg & Trading	Denmark/Ethiopia	513403	62178	Millstone Mfg	Addis Ababa		Akaki/Kaliti		Operation
1878	2007	EIC	Alfa Doors PLC	Greece/Italy	0115-556034/0116556030	1539	Manufacturing and Assembling of House Hold and Office Furniture	Addis Ababa		Akaki/Kaliti		Operation

17662	2006	EIC	Yoky Industry PLC	China	091-1683115/0114-349339		plywood Manufacturing	Addis Ababa		Kaliti		Operation
1133	1993	Addis Ababa	Termo Plastic Industry P.L.C.	Ethiopia	340107	4787	Plastic Materials Production	Addis Ababa		Kaliti		Operation
1633	1994	Addis Ababa	RUSKUO Shoe & Plastic Factory P.L.C.	Ethiopia	340520	7955	Plastic Sport Shoe Manufacturing	Addis Ababa		Kaliti		Operation
2022	1995	Addis Ababa	FisihaEshete	Ethiopia	341697	13169	Wheat flour manufacturing	Addis Ababa		Kaliti		Operation
2333	1996	Addis Ababa	Thermo Plastic Industry Plc	Ethiopia	340107	4787	Plastic products mfg	Addis Ababa		Kaliti		Operation
2755	1996	EIC	Stars Soaps & Detergent Industries PLC	Saudi Arabia/Ethiopia	011-4392036	011-4391170	Powder Soap Mfg	Addis Ababa		Kaliti		Operation
12733	2005	EIC	Chew Chun Yan PLC	China/Ethiopia	203526	205102	Battery Manufacturing	Addis Ababa		Kaliti		Operation
16900	2006	EIC	DalloTechnology & Business College PLC	Ethiopia	011-4404603	55	Higher Education	Addis Ababa		Kaliti		Operation
11755	2005	Addis Ababa	TewodrosTeshomeAdinew	Ethiopia	011-4340260/091-1670384	266081000	Construction machinery Rental	Addis Ababa		kaliti/Akaki		Operation

248	1996	Addis Ababa	Al hamik Plastic Factory PLC	Ethiopia	160876/612600	25886	Plastic shoes	Addis Ababa		Kality		Operation
318	1997	Addis Ababa	Debebe W/mariam	Ethiopia	160347/519222	3269	Dairy farming	Addis Ababa		Kality		Operation
331	1997	Addis Ababa	Gelan Metal Industry PLC	Ethiopia	116336/341793	22528	Metal Products	Addis Ababa		Kality		Operation
350	1997	EIC	Modern Building Industries PLC	Saudi Arabia/Ethiopia	517737/511989	13093	Terazzo Tiles Manufacturing plant	Addis Ababa		Kality		Operation
980	2004	EIC	Geosynthetics Industrial works PLC	Egypt/Ethiopia	627762		Geosynthetics plastic Manufacturing Industry	Addis Ababa		Kality		Operation
1760	2006	EIC	WelGuoning	China	011-6638716		House Holding, Office Furniture and Chipwood Factory	Addis Ababa		Kality		Operation
2422	2009	EIC	Abyson Industries PLC	Britain	0911510800	1534 code 1250	Candle & Incense Stick Manufacturing	Addis Ababa		Kality		Operation
2375	2009	EIC	Yangfan Motors PLC	China	0913-075220/0114-160577	400037	Assembling of Cars Motorcycles & General machine	Addis Ababa		KalitySub ctyLevel e 09		Operation

1811	2006	EIC	Galaxy Industries PLC	India	011-1561212	4461	Manufacturing of Raw Materials for Shoe	Addis Ababa		Kalti		Operation
715	2003	EIC	Wang Dian Hai	China	711792	70337	China Specialized Restaurant	Addis Ababa		Kirkos	03	Operation
976	2004	EIC	Standard last International PLC	Canada	421995/091-1623531		Last manufacturing plan	Addis Ababa		Kirkos	08	Operation
1303	2005	EIC	Rakesh Suresh Salian	India	011-6622320	120544	Plastic Products Manufacturing	Addis Ababa		Kirkos		Operation
1312	2005	EIC	Eyro General Business PLC	Italy/Ethiopia	011-6624936/091-1245396	62310	Construction machinery Rental	Addis Ababa		Kirkos	15/16	Operation
1321	2005	EIC	Anna Teresa Dies	Italy	0115159926/011-6186824/091-1679279		Tour Operation	Addis Ababa		Kirkos		Operation
2450	2009	EIC	Digital Opportunity Trust (Ethiopian Branche)	Canada	0911345456	1014	Consultancy IN ICT &Entrepreneurs hip	Addis Ababa		Kirkos	10	Operation
2463	2009	EIC	EL-ouzeir Health and Safety PLC	Lebanon	0911-367358		Cardiac Center	Addis Ababa		Kirkos	10	Operation

2801	2011	EIC	Unitrac Engineering Consultancy PLC /Mr. Daher Sami AL-Dahergm/	Jordan/ Yemen/ Ethiopia	0115528286/0910076011	Construction Machines Rental	Addis Ababa	Kirkos	02	Operation
2922	2012	EIC	Pulse Co. ltd (Eth. Branch)	Sudan	0913010696/0115510268/0911010696	Net Work Support and Maintenance	Addis Ababa	Kirkos	02	Operation
2927	2012	EIC	Tecno-Tel Consultants plc	Britain/Sudan/Ethiopia	0926835892/0931177219	Consultancy Telecom Engineering	Addis Ababa	Kirkos	02	Operation
2937	2012	EIC	Kanoria Africa Textiles plc	India	0923570753	Textile Manufacturing	Addis Ababa	Kirkos	03	Operation
3053	2013	EIC	Mrs. NebihaYousuf Mohamed	Ethiopia	0915740234	Tour Operation	Addis Ababa	Kirkos	10	Operation
3112	2014	EIC	Siyaha Investment PLC	Sudan/Ethiopia	0118694943/0922727052/0911606881	Tour Operation(Grade One)	Addis Ababa	Kirkos	02	Operation

3 2 4 2	20 15	EIC	Aguilar Engineeri ng Services PLC	Ethiopia	0929180 987	Informat ion Commu nication Technol ogy consulta ncy Service	Addis Ababa	Kirkos		Opera tion
3 9 2 3	20 15	EIC	Huawei Technolo gies Ethiopia PLC	Hong Kong/N etherlan ds	0911542 278	Informat ion commu nication technolo gy constult ancy	Addis Ababa	Kirkos	08	Opera tion
3 9 4 6	20 16	EIC	General Electric (Ethiopia) PLC	Austria/ Netherl ands	0922583 706	Mechani cal engineer ing consulta ncy	Addis Ababa	Kirkos	08	Opera tion