

Japan's Contribution to GTP2 for Industrialization with Quality

**Overview of major cooperation components
and issues to be tackled by the Ethiopian side**

GRIPS

JICA

Addis Ababa, February 2017

1. Framework for Japan's Cooperation during the GTP2 Period

(Note) This diagram is prepared based on the "Matrix"

1. Policy Learning

(A) Industrial Policy Dialogue

5. Strategic FDI Attraction

- (G) Investment promotion & investor support in general
- (G) Improving quality of industrial zones
- (G) Attraction of Japanese FDI
- Establishment & operation of industrial areas for Japanese FDI
- Providing investment & loan facility for Japanese FDI and/or industrial zones

4. Improving Investment Climate

- (G) Improving investment climate
- Shortage and allocation of foreign currency, tax and customs, logistics, power
- Bilateral investment agreement & bilateral tax agreement

2. Kaizen

- (D) Promotion and upgrading of Kaizen in Ethiopia
- Kaizen National Movement
- (D) Dissemination to other countries
- (D) Infrastructure (kaizen center)

3. Domestic Private Sector Transformation

- (B) Research on productivity and wage
- (C) Creation of champion companies
- (C) FDI-local firm linkage and technology transfer
- (E) Export promotion (CPA)
- (F) Management Improvement
- Industrial human resource

FDI



Local

(A) Bilateral Industrial Policy Dialogue

Outline

Objective:

To contribute to the effective implementation of GTP2 and the formulation of next five-year development plan (esp. industrial objectives), by sharing Asian perspectives and providing the policy learning process with the Ethiopian authorities.

Duration:

- Preparation (2008-09)—3 meetings with PM
- Phase 1 (2009-11)—8 High Level Forums
- Phase 2 (2012-15)—8 High Level Forums
- Preparatory Forum for Phase 3 (July 2016)
- **Phase 3 (2017-20)—10 High Level Forums (planned)**



Main Activities

Conduct policy dialogues with the Ethiopian authorities, through the following channels:

- Dialogue with Prime Minister
- High Level Forums—at minister & state minister level
- Individual discussions—with ministers/state ministers & policymakers, as well as various stakeholders (e.g., private sector, researchers, donors).
- Action-oriented, operational meetings—with implementing agencies (for handholding pilots).

Combine policy discussions with Japan's concrete industrial (or related) projects (to be expanded in the GTP2 period) and monitor the progress of all cooperation projects by Japan.

(A) Bilateral Industrial Policy Dialogue

Joint Responsibilities



Bi-annual High Level Forum

- Continue to serve as an important vehicle to discuss cross-cutting policy issues & related research findings.
- Give special attention to **Quality, Productivity & Competitiveness (QPC)**-related issues, where Japanese industrial cooperation has a comparative advantage.
- Possible topics (phase 3):
 - Wage and productivity
 - Labor market & migration
 - FDI impact on trade balance
 - Assessment of the quality of industrial parks (incl. Hawassa model)
 - FDI-linked technology transfer
 - Champion company creation (DPST)
 - Investment & export promotion agency (such as JETRO model)

Ethiopia

- Co-organize HLF, twice a year.
- Actively participate in HLF (incl. presentations), to share priority policy issues and relevant research results.
- Organize action-oriented, operational meetings with implementing agencies (preferably, by MOI), to initiate & monitor the progress of handholding pilots.
- Provide research inputs.

Japan

- Co-organize HLF.
- Provide timely policy inputs to the Ethiopian authorities (e.g., letters, written comments, sharing the findings of industrial policy missions), throughout the entire cooperation period.
- Organize study tours for Ethiopian policymakers, as necessary, to Japan and third countries.

(B) Research on Productivity and Wage Outline

Objective:

To provide basic information and data for all stakeholders to share the productivity-related issues and suggest policy solutions for enhancing productivity in Ethiopia.

Background and Issues:

While GTP2 extensively features QPC, it fails to delineate concrete action plans except kaizen. JICA/EIFTRI undertook the initial survey on productivity & wage in 2015. This should be followed up by the Ethiopian side more systematically and comprehensively.

Duration: One year (proposed for the first topic of joint policy research)

Main Activities:

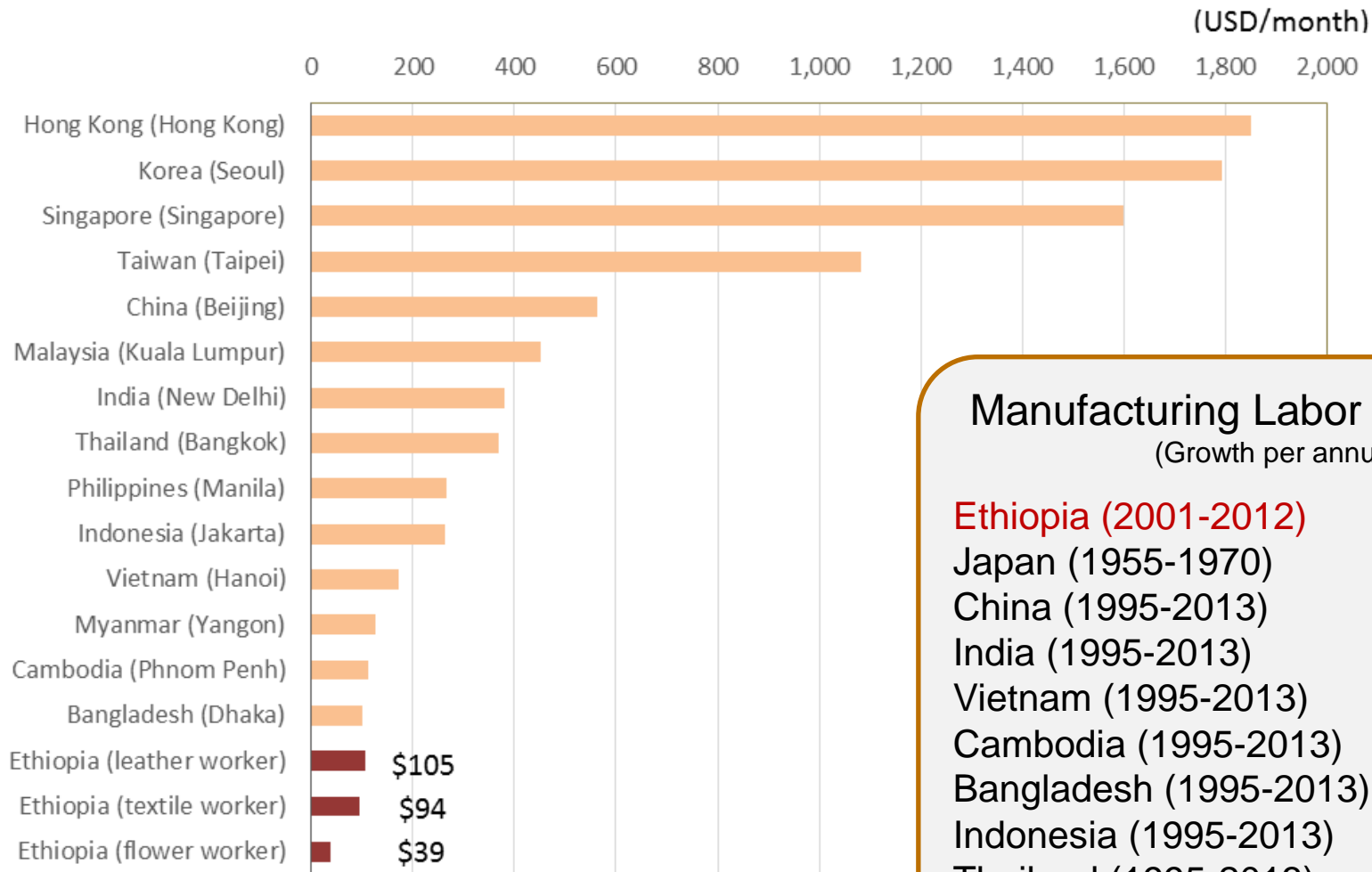
Produce a **comprehensive productivity report**, jointly with qualified Ethiopian research institutions. The report could address the following issues:

- Concept of productivity
- Measurement of labor productivity
- Ethiopian productivity in international comparison
- Wage-productivity nexus
- Other productivity measures
- Policies to enhance productivity in Ethiopia

Interact with stakeholders (e.g., govt., business, academics) at various stages.

Compile publication and disseminate.

Manufacturing Wage (2015)



Manufacturing Labor Productivity (Growth per annum)

Ethiopia (2001-2012)	2.7%
Japan (1955-1970)	10.0%
China (1995-2013)	8.8%
India (1995-2013)	4.8%
Vietnam (1995-2013)	4.5%
Cambodia (1995-2013)	4.3%
Bangladesh (1995-2013)	2.9%
Indonesia (1995-2013)	2.1%
Thailand (1995-2013)	1.9%
Malaysia (1995-2013)	1.6%
Philippines (1995-2013)	0.7%

Source, JICA/EIFTRI survey (2015) for Ethiopia, and JETRO annual survey for others.

Note: no rapid wage increase is detected in Ethiopia at present.

Source: Asian Productivity Organization except Ethiopia & Japan.

(C) Pilot Handholding Outline



Objective:

To strengthen the domestic manufacturing sector by selecting a small number of high- potential companies and comprehensively supporting them for a few years until they attain pre-set goals.

Background and Issues:

Ethiopia needs to develop a comprehensive enterprise support program in a customized way, based on the diagnosis of each company. This requires not just kaizen, but also other functions such as management, technology, finance, marketing, IT, accounting, labor.

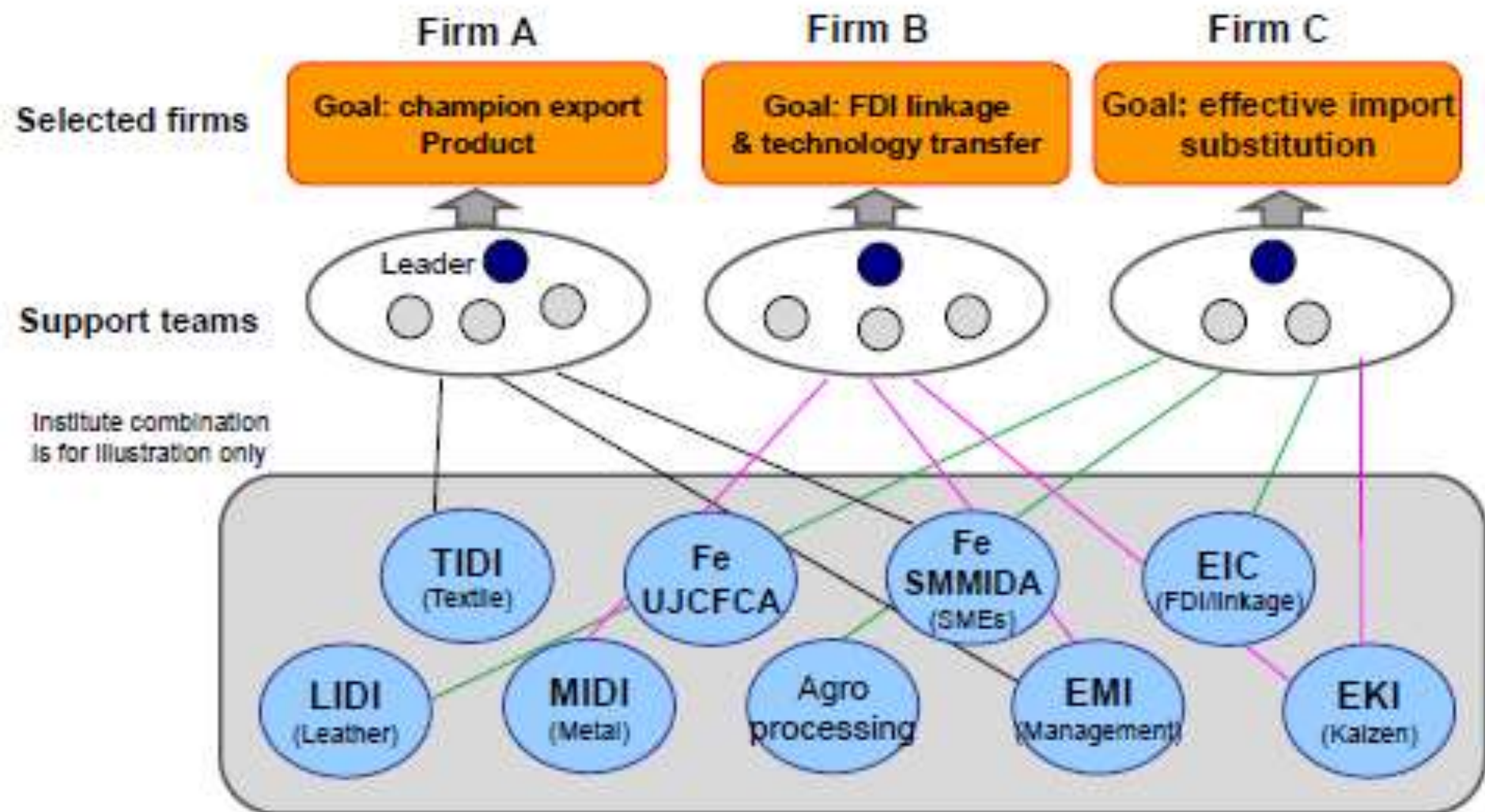
Duration: 2-3 years for respective support programs (for a small number of companies)

Main Activities

Introduce and implement handholding (HH) pilots for creating champion companies, FDI-local firm linkage or technology transfer, and other goals.

- Discuss and agree on the methodology and required actions for pilot HH among MOI & industry-related institutes, with the GRIPS/JICA team (preferably, MOI should lead and organize action-oriented operational meetings).
- Create a combined Long List of companies with good prospects; evaluate and reduce them to Medium List & eventually Short List (about 10 companies).
- Choose a few final candidates for pilot HH. For each firm, form a support team consisting of relevant institutes and a Japanese expert.
- Plan and implement the support program by regular visits. Monitor and report the progress.

SUPPORT TEAMS FOR INDIVIDUAL COMPANIES



Coordination & supervision by MOI (in cooperation with other ministries)
JICA/GRIPS & Japanese expert to provide guidance & support

(D) KAIZEN

Project Outline

Objective (Phase 3)

To develop KAIZEN practitioners in both private and public sectors through the KAIZEN dissemination system led by EKI.

Duration

- 2009-2011 Phase 1 : 30 pilot companies selected for Kaizen implementation
- 2011-2014 Phase 2 : Kaizen introduced to 250 companies and 60 Kaizen trainers
- 2015-2020 Phase 3 (current phase)

Main Activities (Phase 3)

- EKI's management capacity in KAIZEN dissemination is enhanced through the accumulation and standardization of best practices.
- EKI becomes able to provide intermediate-level KAIZEN training and consultancy services to private and public sectors.
- A coordinated system is put in place whereby (1) quality of KAIZEN training and consultancy services provided by EKI and other institutions is ensured and (2) KAIZEN dissemination is promoted at national level.

(D) KAIZEN

Project Outline

Progress

(Phase 3)

- Introduction of second level Kaizen to dissemination nation-wide. A total 30 companies will be benefited in 5 year and 90 EKI staffs will be capacitated in second level Kaizen
- KAIZEN dissemination
 - Kaizen Month Movement: September is declared as Kaizen month since 2014 and activities are conducted nation wide.
 - City-based Kaizen movement: So far in Dessie-Kombolcha and Mekele
 - Dissemination in Africa : (1) Knowledge Sharing Seminar in 2016 with participation of 12 African countries. (2) On-going discussions with NEPAD to launch Kaizen Initiative in Africa

Issues

- Office space: Delay in progress on TICAD Complex building through Japanese grant aid.
- Lack of 2nd & 3rd level Kaizen consultants: Slow pace of producing competent consultants.
- Huge demand for Kaizen throughout the country: Slow progress on regional Kaizen institutes cause burden to EKI.
- Low level of commitment by companies' leadership during Kaizen implementation

(E) Export Promotion: Champion Products Approach

Project Outline

Objective

To promote export through the Champion Products Approach

Duration

- Phase 1: May 2013 to March 2014
- **Phase 2: November 2014 to February 2017 (current phase)**
- Phase 3: April 2017 to March 2022 (tentative)

Main Activities

- Identify and promote export of Ethiopian unique high quality products (Champion Products) with **national branding** to the international market
- Establish the “**Ethiopian Highland Leather**” brand as a showcase Champion Product through improving product quality and strengthening brand management
- Facilitate export through analyzing and tackling bottlenecks in export process



Creativity in Motion



LOGO: Ethiopian Highland Leather



International Fashion Fair

(E) Export Promotion: Champion Products Approach

Progress and Issues

Progress

(Phase 2)

- Produced the “**Creativity in Motion**” video and promoted national branding
- Identified Ethiopian sheep leather as having highest potential and developed the “Ethiopian Highland Leather” brand
- Developed and introduced “Ethiopian Highland Leather” products in the Japanese market

Note: During IFF in April 2016, 190 business negotiations were held and 52% (out of 190) was for next actions such as actual order (6%), sample order (23%), further negotiations, etc.

Issues

- National branding
 - Lack of national branding strategy
- Export promotion
 - Clarification of mandate for export promotion / inter-ministerial coordination
 - Facility for showcase (e.g. Bole Airport)
- Ethiopian Highland Leather
 - Strengthening effective brand management
 - Improvement of leather materials and finished products quality
 - Improvement of business transactions

(F) Management Improvement :Business Development Services (BDS)

Project Outline

Objectives

To enhance Business Development Services (BDS) provision system for enterprises growth.

Duration

- Oct. 2017 to Oct. 2020 (tentative) (under preparation)
(Detailed Planning Survey: April, Trial B2B: August)

C/P

FeSMMIDA, FeUJCA and other relevant BDS providers (EKI , EMI , TIDI , LIDI , MIDI, private BDS providers, etc.)

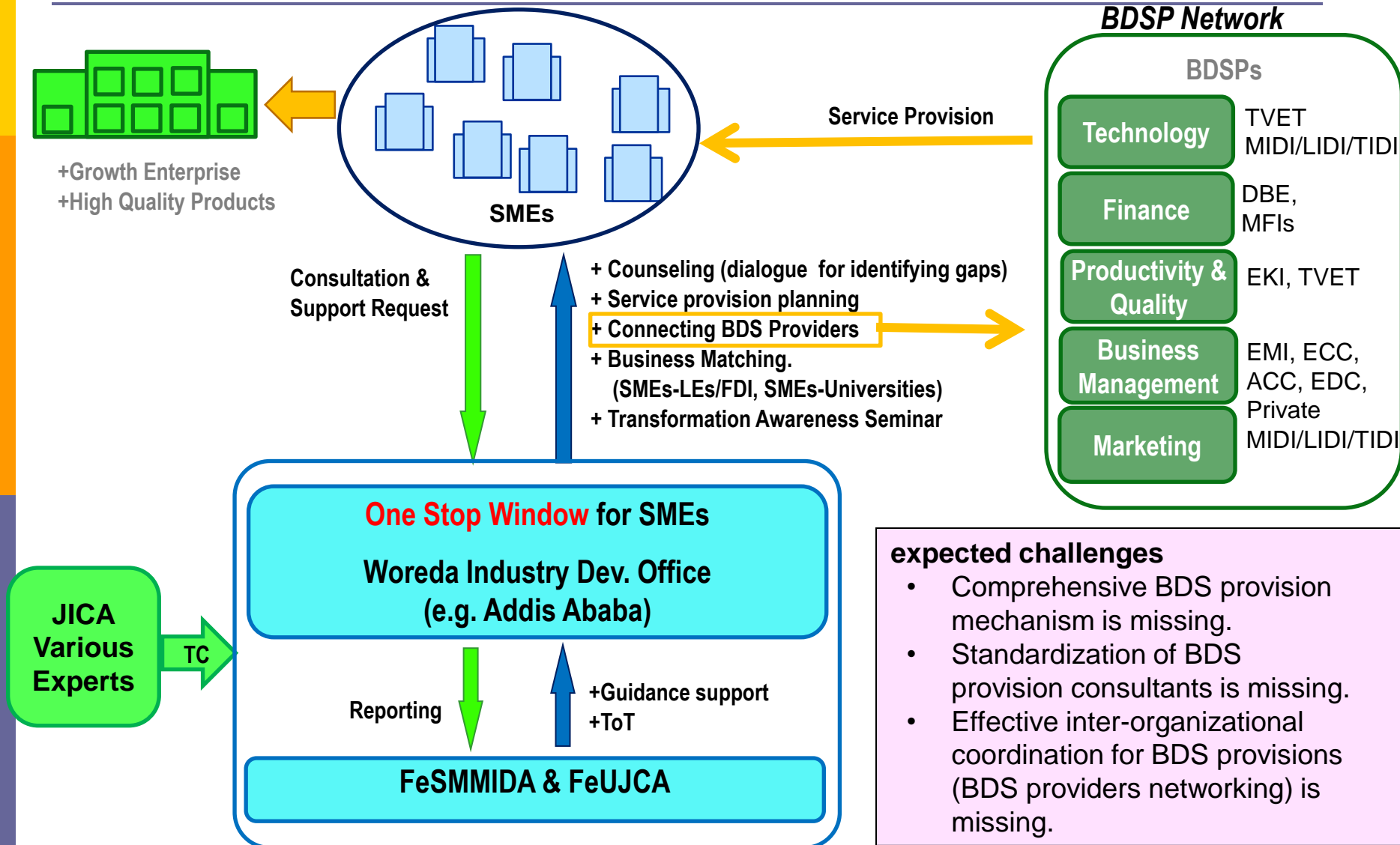
Main Activities

- Identify necessary BDS menu & levels and appropriate BDS providers (government and private).
- Develop and enhance BDS provision system including BDSPs (Business Development Services Providers) networking
- Strengthen capacities of BDS providers (with necessary evaluation/certification system to standardizing BDS providers) --

(Note) Contents of BDS : counseling, management, QC& productivity improvement, marketing, etc.

(F) Management Improvement :Business Development Services (BDS)

Progress and Issues



(G) Investment Promotion and Industrial Parks Development Project Outline

Objective

To promote quality investment through improved services of EIC and IPDC

Duration

January 2017 to December 2021

C/P

EIC and IPDC

Main Activities

- Prepare and implement investment promotion strategies
- Improve one stop service (OSS) and investor services
- Improve investment climate
- Strengthen capacity to regulate and supervise industrial parks
- Strengthen capacity to plan, develop, operate and manage industrial parks

(G) Investment Promotion and Industrial Parks Development

Progress and Issues

Progress

- First batch of Japanese experts arrived on 1 February 2017 to start working at EIC and IPDC.
- Detailed activities plan to be confirmed with EIC and IPDC during February 2017.
- Joint Coordination Committee for monitoring and evaluation planned to be held every November.

Issues

- Project activities are designed to respond to current issues/challenges in investment promotion and industrial parks development
- Issues will be further reviewed during project implementation.

2. Large Part of Japan's cooperation (=colored part) will be carried out under “Industrial Promotion Project” which was requested and agreed by Gov. of Ethiopia in 2016

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2. Industrial Promotion Project

Project Outline

Expected Goals of the Project

- To improve the quality and delivery of industrial policies through policy dialogues.
- To promote quality investment through improved services of EIC and IPDC.
- To promote export through the Champion Products Approach.

Duration: 5 years (Feb. 1st 2017 to Jan. 31st 2022)

Output 1: Industrial Policy Dialogue

(C/P: PM Office + EDRI, MOI)

(A) Industrial Policy Dialogue

(B) Research on Productivity and Wage

(C) Creation of Champion Companies

(C) FDI-local firm linkage and technology transfer



Output 2: Investment Promotion and Industrial Park (IP) Development

(C/P: EIC + IPDC)

(G) Investment promotion & investor support in general

(G) Improving quality of industrial zones

(G) Attraction of Japanese FDI

(G) Improving investment climate

Output 3: Export Promotion through CPA

(C/P: MOT, LIDI and ELIA)

(E) Export promotion

2. Industrial Promotion Project

Project Management by Joint Coordination Committee (JCC)

JCC 1 : Overall Project and Industrial Policy Dialogue (OUTPUT 1)

- ✓ Overall Project Director : **Advisor to PM, PMO**
- ✓ Project Manager : State Minister, PMO
- ✓ Members: PMO, EDRI, MoFEC, MoFA, MoI,EIC, IPDC, EKI, LIDI, TIDI, MIDI, MoT, MoST, JICA and other relevant org.

Held at least once a year during policy dialogue = **HLF**

JCC 2: Investment Promotion and IPs Development (OUTPUT 2)

- ✓ Project Director: **Commissioner, EIC and CEO, IPDC(Co-chair)**
- ✓ Project Manager: Deputy Commissioner, EIC and Deputy CEO, IPDC
- ✓ Members: EIC, IPDC, ERCA, ESLSE, MoT, MoA, MoLHUD, MoLSA, NBE, JICA and other relevant org.

JCC 3: Export Promotion (OUTPUT 3)

- ✓ Project Director: **State Minister of MoT(Chair)**
- ✓ Project Manager 1: DG, Export Promotion Directorate, MoT
- ✓ Project Manager 2: DG of LIDI and President of ELIA (Vice-chair)
- ✓ Members: MoT, EIC, LIDI, MoI, MoFA, MoA, ECCSA, EIPO, ELIA, JICA and other relevant org.

Held at least once a year prior to JCC 1

Thank you for your kind attention !