The share of the industrial sector in the GDP remains low but has increased in recent years, from 10.4% in 2006/07 to 16.7% in 2015/16. The average share of the industrial sector in the GDP during this period was 12.2%, which remains low compared to the averages for sub-Saharan Africa (28.7%) and low-income countries (21%). Industry employs 7% of the labour force and generates about 20% of merchandise export values. The major industrial activities in Ethiopia include construction (9.5% of GDP), manufacturing (5.4% of GDP), electricity (1.1% of GDP) and mining (0.8% of GDP) in 2015/16. The corresponding GDP shares were 4%, 3.9%, 1.3% and 0.7% respectively in 2006/07. This indicates that most of the expansion in the industrial sector during the past ten years was led by construction, while the contribution of the manufacturing sub-sector remains small. However, the construction sub-sector has been growing rapidly, increasing at an average annual rate of 31.2% during the period 2011/12 to 2015/16 and contributing an average of 2.2% points to the real GDP growth rate. While the manufacturing sub-sector has increased by an average of 15.9% during this period, its average contribution to the real GDP growth rate has been minimal at 0.7% points.

Ethiopia's Industrial Development Strategy (IDS) was adopted in 2004 to guide the country's ambitions of achieving agricultural-led industrialisation. The IDS espouses various approaches towards industrialisation such as privatisation of public enterprises, export promotion incentives, entrepreneurship development, clustering and agro-industrial zones and skills development centres. The IDS identifies priority sectors for targeted support, namely: textile and apparel, leather and leather products, and agro-processing industries. Other focus areas include construction, cottage industries and small scale manufacturing enterprises.

National development plans, notably the Growth and Transformation Plans (GTP) I (2010/11-2014/15) and II (2015/16-2019/20) have also placed emphasis on promoting industrialisation. In particular, GTP I identified the agricultural sector as a foundation for industrialisation and prioritised structural transformation from agriculture to manufacturing. However, the share of manufacturing in GDP remained below 5% and the share of manufacturing exports in total merchandise exports was also low at about 10% during the GTP I period. The high costs of doing business, notably due to infrastructure bottlenecks; logistics; financial services and lack of land for investment were identified as key constraints to growth in manufacturing among the medium- and large-scale industries. For the micro and small enterprises, inadequate business advisory services, access to technology and capital were among the major bottlenecks. GTP II seeks to address these constraints to unleash export-led industrialisation, particularly in three priority sectors of leather and leather products, textile and apparel, and agro-food processing. GTP II prioritises improvements in infrastructure, trade and logistics, access to technology and finance, and business advisory/management support. Towards these goals, Ethiopia has adopted the Integrated Agro-Industrial Park (IAIP) development initiative, which is being implemented by the Industrial Park Development Corporation (IPDC).

The objectives of the IPDC include developing serviced land and other infrastructure to reduce the cost of doing business in the industrial sector. To maximise linkages, technology and knowledge transfer, foreign and domestic firms are given access to the industrial parks. Twelve industrial parks have been identified for development across the country and two of these parks, Hawassa and Addis Ababa, are operational. To ensure inclusive industrialisation, feasibility studies have been completed and resource mobilisation is underway for IAIPs in four regions, namely Oromia, Amhara, Southern Nations, Nationalities Peoples State and Tigray.

Ethiopia has a long history of entrepreneurship that began when the Aksumite Kingdom was a trading hub more than 2 000 years ago. However, the 2013 labour survey indicates that of the total employed population (about 72.7% of the total population), about 40.1% are self-employed and 48.7% are unpaid family workers. In addition, 6.5%, 75.3% and 10.3% of the self-employed are engaged in manufacturing, agriculture and trade, respectively.

A 2013 survey of MSEs in selected major cities indicates that 80% of the MSE operators are in the economically active age group (10 years and above), with about 33%, 34% and 1.6% having primary, secondary and technical vocational education training (TVET) education, respectively. The survey further indicates that the employment opportunities created by MSEs were primarily family based and the ownership structure is mainly sole proprietorship.

The Micro and Small Enterprises Development (MSED) Strategy (2011) provides the framework for entrepreneurship development with a focus on improving the business-enabling environment, increasing access to finance and enhancing market linkages. GTP II proposes several measures to consolidate the implementation of the MSED. These include strengthening TVET and establishing centres of excellence in 35 universities to support the development of entrepreneurial skills. The government also plans to establish over 2 000 one-stop service centres for business development services, among other things; as well as provide 9 000 hectares of serviced land and 15 000 production sheds to entrepreneurs during the GTP II period.

The institutional framework for entrepreneurship development is spearheaded by two agencies, namely: the Federal Urban Job Creation and Food Security Agency in the Ministry of Urban Development and the Federal Small and Medium Manufacturing Industry Development Agency under the Ministry of Industry. In addition, the government, in partnership with the UNDP, established the Ethiopian Entrepreneurs Development Centre (EDC) in 2013 to enhance the government's institutional capacity for supporting micro, small and medium enterprises. The EDC also provides business advisory services and promotes partnerships and stakeholders engagements for enterprise development.

Measures to promote private sector development have been implemented, including the privatisation of state-owned enterprises and the creation of a public-private sector dialogue to identify and address private sector bottlenecks. In addition, business regulatory reforms to ease licencing and registration procedures and investments in integrated infrastructure in industrial parks have been implemented to reduce the cost of doing business. However, measures to increase access to finance by addressing both the supply and demand for financial services are equally important.