

G20 Compact with Africa

High-Level Forum on Private Sector-Led Diversification and growth

- I wish to welcome all participants to this **G20 Compact with Africa** forum on '**Private Sector-Led Diversification and Growth**'. I would like to thank the IMF for co-organizing this meeting and for sustaining the dialogue on the role that the private sector can play in Africa's economic diversification agenda.
- The Government of Ethiopia **highly appreciates the leadership of multilateral and bilateral development partners (in particular the IMF, WBG and AfDB)** for spearheading the G20 Compact with Africa initiative both globally and here in Ethiopia.
- Our Government **places high importance to the Compact with Africa initiative** as it provides a much-needed framework for boosting private investment and enhancing infrastructure in the country
- The Compact's premise that significant progress can be achieved when African countries, G-20 members and development partners work together to create a better environment for private investment **is fully in line with our development strategy**.
- Also, the **particular focus of the initiative on three priorities** - 1) Macroeconomic Framework, 2) Business Environment, and 3) Financing Framework – are fully aligned with our reform priorities
- Investment is, without doubt, one of the primary engines of growth and economic diversification in all economies. However, its effectiveness rests on strong complementarities with other important elements in the growth process, most notably technological progress, skills formation and the development of dynamic and competitive private sector.
- These elements make investment a natural point of departure for Governments seeking to formulate a sustainable growth and diversification strategy.
- The interface between investment and these other key determinants of growth, however, is not an automatic process. It requires, among other things, a conducive macroeconomic environment and a favourable investment policy framework and institutions aimed at attracting investment and creating a vibrant domestic private sector.
- A clear understanding of how such a synergy between investment policy, on the one hand, and economic diversification and private sector development, on the other, can be created is an essential prerequisite for designing an effective investment promotion strategy. The challenge for Ethiopia and other Africa countries is how to create this synergy.

- In line with the reforms that started last year, there is a renewed effort in Ethiopia to make the investment policy environment even more attractive and friendly to both domestic and foreign private investment. As you may be aware, we are revising our investment law to make it less restrictive, more transparent and predictable and to ensure that investment contributes towards the country's export-led and manufacturing-driven industrialization strategy. These reform measures will help sustain growth of FDI flow into Ethiopia.
- Although the role of FDI is critical and we will ensure that it continues to contribute to the country's development vision, I wish to highlight that ultimately our interest is not only to promote FDI but to strengthen the role of the private sector in general. In fact, the main thrust of our investment promotion strategy is based on the two basic premises:
 - ✓ First, FDI is a complement but not a substitute to domestic private investment. Therefore, efforts to attract foreign investment must not be allowed to overshadow those aimed at energizing domestic investment through appropriate incentives and targeted support. Indeed, our ultimate objective is to develop a vibrant, competitive and growing domestic private sector. In line with this thinking, the Government has initiated a private sector reform programme aimed at giving the domestic private sector a lead role in the economy.
 - ✓ Second, in the current global economic environment, policies and incentives designed to attract investment and to build the competitiveness of domestic enterprises must take into account changes that are taking place in the global economy, in particular rapid changes in technologies and their implications for trade and competitiveness. In this respect, I was pleased to see that the agenda items of this forum include issues such as technology and innovation and the implications for growth and economic diversification. We need to be fully aware and fully alert and adaptive to technological changes and their implications – be it in employment or e-commerce.
- As I conclude, I would like to **assure the Government's commitment to take all the necessary measures required to support private sector development in Ethiopia.**