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Presentation of reports on science, technology and innovation policy reviews

Statement submitted by

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Statement by Ethiopian mission

On the Twenty-second CSTD session on STIP review of Ethiopia

Geneva, 15 May 2019

Mr. Chairman,

Excellences and Ladies and gentlemen,

I wish – from the outset – to thank UNCTAD for organizing this session and for the opportunity to discuss the progress so far in the implementation of the Science, Technology and Innovation Policy review of Ethiopia by UNCTAD.

Excellences,

As many of you know, Ethiopia has been one of the fastest growing economy in Africa since the mid-2000, for most part the period achieving a rate of double-digit growth, that has been able to improve agricultural productivity and increase the level of investment to over 30 per cent of GDP, higher than the average for the African continent. This impressive growth performance has enabled the country to reduce the level of poverty radically, exceeding the targets set by the Millennium Development Goals (MDGs).

The main drivers of these achievements are the adoption of a clear national economic policy that mainly focuses on promoting the economic efficiency and growth, development of domestic technological capacities and capabilities for the promotion and development of small, intermediate and capital goods industries and proper implementation of series of five-year development plans that the Government introduced since 2000. The current Second Growth and Transformation plan (GTP II), which aims to lay down the foundation for the transformation of the country into a middle-income economy by 2025 is underway.

Building on these successes, Ethiopia has recently embarked on the next and more ambitious stage of its development by launching a manufacturing-based and export-led industrialization strategy. This endeavour is supported by Industrial Policy and Industrial Development Strategy, which map out the sectoral priorities and the policy instruments that will guide the industrialization process, including through Industrial Park development

programme aimed at attracting foreign investment and producing manufactured goods targeted for export.

In this regard, the government decided building a comprehensive industrial hubs with the aim of developing 25 Industrial Parks across carefully selected growth corridors throughout the country. As of today, 6 public and 3 private, modern, environmentally sound industrial parks that contain all services necessary to kick-start are built and are operational. This Industrial Parks represent the Governments new approach to enhance investment and trade, signaling it's determination to pursue different policy instruments to achieve the industrialization goal.

The parks have proved that they become magnets to export-oriented foreign investment, particularly in the production of apparel and leather products. Since 2012, for example, FDI inflows into Ethiopia have grown by almost 50% per year on average, reaching US\$3.2 billion and US\$3.6 billion in 2016 and in 2017 respectively the country being one of the top five recipient of investment in Africa of which much of this investment has occurred in export-oriented manufacturing activities.

However, it has become increasingly evident that in the rapidly evolving international economic system, competitiveness in the export market and attracting FDI is not determined by prices and low wages alone, but increasingly depends on enterprises' ability to keep up with technological progress and acquire the knowledge and innovation capability required to use the latest technologies and produce a wide range of products at the required standards.

As the country pursues its industrialization agenda in this regard, it has become increasingly clear that success in the industrialization strategy requires building the technological and innovative capabilities that enhances higher-productivity and manufacturing and exporting, higher-value and more sophisticated goods. Therefore, If the country is to sustain the growth momentum achieved in recent years and build a dynamic economy, the Government of Ethiopia is aware that upgrading technological capability and building innovative enterprises is not a choice but a necessity.

It was in this context that the Government of Ethiopia has requested UNCTAD to revise the current Science, Technology and Innovation Policy with a view to upgrading and making it compatible with the country's new development agenda. At this juncture I would like to express that we are pleased that UNCTAD has agreed to upgrade Ethiopia's STI policy and align it with the country's national development strategy and sectoral priorities.

The STI policy review by UNCTAD will focus among other things - on two sectors that the Government has identified as priority focus areas for export promotion and import substitution. These are, the apparel and textile sector and the pharmaceutical industry sector.

The two sectors are selected as a priority focus because, Ethiopia has a long history in the production of textile-based products, although – until recently – the main source of demand was the domestic market, learning from past experience and through the injection of new technologies, production processes and knowledge linkages generated by FDI, Ethiopia expects its apparel and textile sector to become a major export earning sector and an important manufacturing hub in Africa.

Similarly, the government is mindful that encouraging investment in the pharmaceutical industry focusing mainly in import-substitution of the diverse range of medicines that the country currently imports using the scarce foreign currency at its disposal is equally important as export. In this regard, we have witnessed that other LDCs like Bangladesh, with a large population like Ethiopia, becoming a leading manufacturers and exporters of pharmaceutical products through targeted import-substitution programme. We believe that there is no good reason why Ethiopia - with a population of over 100 million - should continue to depend on imports of the medicines needed to keep its population healthy and to meet the health-related goals set in the SDGs.

In these two sectors, we expect the ongoing STI policy review by UNCTAD will indicate us on how the country's technological capability and national innovation system could be strengthened and utilized as an effective tool in support of the growth and industrialization agenda.

In conclusion Mr. Chairman, I would like to take the opportunity once again, to thank UNCTAD for its support so far in upgrading Ethiopia's STI policy and wish also to reassure the Secretariat that the Government, through the Ministry of Innovation and Technology, is awaiting with great expectation for the final outcome of the review process.

On the Government side, the establishment of an inter-Ministerial committee to assist with the STI review is an indicator of the importance that we attach to the revision of the STI policy by UNCTAD. The Government believes that the sectoral focus along with new insights on technology transfer and the role and impact of new technologies, including digital technology, will enrich greatly the country's STI policy framework. We hope that UNCTAD will identify concrete recommendations that the Government to implement in support of the country's export-led industrialization agenda.

Thank you for your attention.