

# **Opening Remark**

**By**

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**At**

**The Economic and Social Council (ECOSOC)  
High Level Africa Regional Consultation  
Meeting on “Small and Medium Enterprises  
(SMEs) as Drivers of Productive Capacity  
and Job Creation”**

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Chairperson;

Excellencies,

Distinguished Ladies and Gentlemen

Let me begin by welcoming you all to Addis Ababa. It is an honour for the Government and people of Ethiopia to receive you from all parts of the world. I hope despite your busy schedule you will find some time to visit the city.

I would also like to welcome you all to this important Africa Regional meeting on Small and Medium Enterprises as Drivers of Productive Capacity and Job Creation. As put forward by the organizers of this event, the outcome of this meeting will contribute to the preparations for the 2012 Economic and Social Council (ECOSOC) Annual Ministerial Review which will take place during the council's high level Segment scheduled for 2-9 July 2012 at the UN Headquarters in New York.

As you are aware, population growth, unemployment and poverty are the salient features of most developing countries. Significant portion of the population of developing countries are below the age of 30 and are unemployed. Employment generation and poverty eradication will remain the top priorities of many developing countries for the years to come.

The Ethiopian government has long recognized that rapid population growth is the major challenge in its poverty reduction effort. The labor force is growing much more rapidly than the population as a whole because of the young dominated demographic profile. Between 1994 and 2008 the total labor force has increased by an average of 2.2% per year. Creating productive employment opportunities outside the agriculture sector for the bulge of young people has therefore remained a top agenda to the government.

The significance of Small and Medium sized Enterprises (SMEs) in contributing to job creation, poverty reduction and growth is now widely accepted in both developed and developing countries. Many development economists, including the World Bank have shown that thriving Small and Medium Sized Enterprises are essential for the sustainable development of a country. According to the International Finance Corporation (IFC), there is a positive relationship between a country's overall level of income and the number of SMEs per 1,000 people. The World Bank's Doing Business reports indicate that a healthy SME sector corresponds with a reduced level of informal or "black market" activities.

SME sector is one of the principal driving forces for economic growth and job creation. This particularly holds true for many low income countries in Africa where SMEs and the informal sector represent over 90% of businesses, contribute to over 50% of GDP, and account for about 63% of employment.

The significance, contribution and potential of the SMEs to job creation, poverty reduction and economic growth have been recognized in Ethiopia. Accordingly, the government has adapted micro and small enterprises development strategy to promote the sub-sector. The policy document highlights the crucial contributions of the sector in Ethiopian economy and the government's commitment for improving their constraints.

Since the second medium term development Plan called Plan for Accelerated and Sustainable Development to End Poverty (PASDEP), the government has taken a number of initiatives to

promote and expand micro and small enterprise development in different regions and city administrations. In this regard, substantial support was provided including increased supply of credit, training, and provision of production and market facilities, technology support and provision of small enterprise information services.

Owing to the top priority and support provided to the SMEs sub-sector, over 1.5 million new jobs were created at the end of the PASDEP. The urban employment surveys since 2007 clearly shows that the trend of unemployment at the urban has significantly declined from 26.2% in 2007 to 18% in 2011.

The Government of Ethiopia has embarked on a new five year plan (2011-2015), called the Growth and Transformation Plan (GTP). The GTP aims to foster broad based development in a sustainable manner to achieve the Millennium Development Goals. The Plan envisages a major transformation of the economic structure, seeking to double agricultural production and boost the share of industry to 32% from its current 13%. MSEs Development is the key industrial policy direction contributing to the envisaged structural transformation of the economy. By the end of the plan period, MSEs are expected to create employment opportunities for over 3 million people. Achievement of this target will enhance citizens' income, contribute to rise in domestic savings and enhance the benefits of women and youth.

### **Ladies and Gentlemen,**

Creation, survival and growth of Small and Medium Enterprises in most African countries is not without challenges. Inadequate accesses to financing, weak technical capacities, poor market access, lack of favorable policy environment, are among the most significant impediments that face Small and Medium Enterprises in

Africa. As a result of these, graduation of small enterprises to a more growth oriented middle and large industries are minimal.

The government of Ethiopia believes that the Small and Medium Enterprises sub-sector will gradually become propeller of the industry sector. To date some 84 SMEs have graduated into medium industry level in Addis Ababa alone. Transforming successful micro and small enterprises to medium and large scale industries is therefore one of the key strategies of the industrial sector during the GTP plan period.

I strongly believe that the sessions during the day will help to identify main messages and policy recommendations to be transmitted to the 2012 ECODOC Annual Ministerial Review session.

Thank you for your attention!