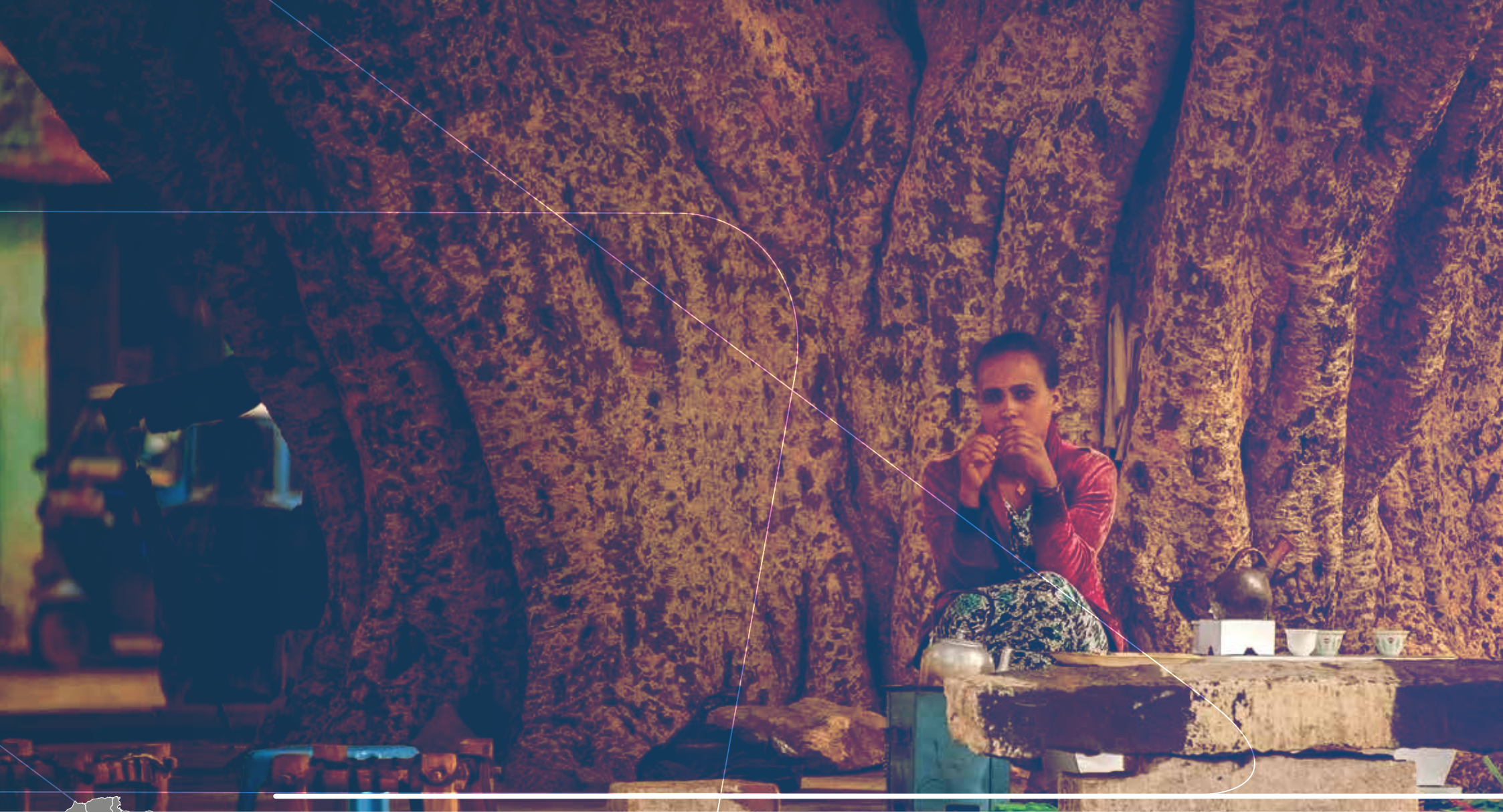


# IOA | 2019 | ACBR

AFRICA COUNTRY BENCHMARK REPORT



## Ethiopia Profile



**A woman drinks coffee under an immense baobab tree in a moment typical of the vibrant cultural scenes offered by Ethiopia, whose status as East Africa's leading economy has not affected traditional ways.**



Image courtesy of Rod Waddington



# ETHIOPIA



## OVERVIEW ANALYSIS

The installation of new reformist Prime Minister Abiy Ahmed in April 2018, following the surprise resignation of Hailemariam Desalegn, has made Ethiopia a new country. Ethiopia has replaced Kenya as East Africa's largest economy. Oppression of minority groups through human rights abuses and states of emergency have ended under Ahmed. Liberalisation has been extended to foreign relations, as decades of hostility with Eritrea ended with Ahmed's bold visit to Asmara for reconciliation aimed at wrapping-up drawn-out border crisis. Many of the indicators used to compile Ethiopia's scores were taken prior to the Ahmed administration. Data reflecting newer social and political realities will certainly boost Ethiopia's sector and overall score.

### KEY OPPORTUNITIES

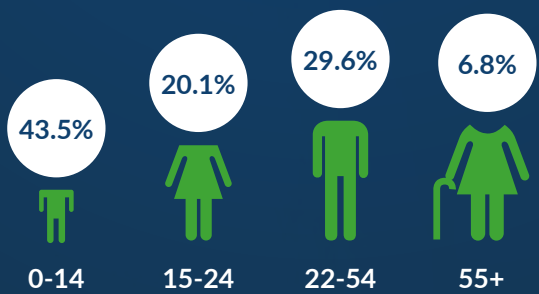
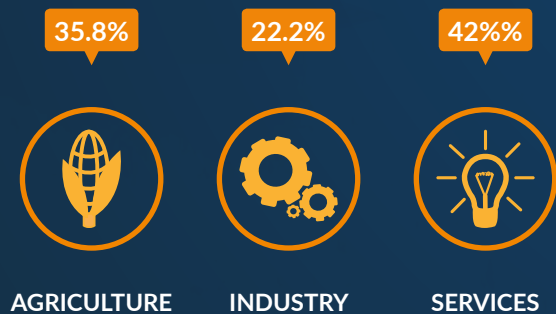
- Wise investment policy and spending on infrastructure has given Ethiopia East Africa's largest economy
- The energy sector is thriving under an aggressive policy of hydro-generation
- Tourism is a growth industry, founded on Ethiopia's unique scenery

### KEY CONCERNS

- Agricultural land is limited and requires investment in new technology for better yields
- Ethiopia's landlocked placement adds to shipping costs
- Education levels are low, and skills tutoring is required

## COUNTRY HIGHLIGHTS

<b>PREDOMINANT RELIGION</b>  Ethiopian Orthodox	<b>PREDOMINANT LANGUAGE</b>  Oromo	<b>POPULATION WITHOUT ELECTRICITY</b>  57.1% (#28) ▲ <sup>9</sup>	<b>LITERACY RATE</b>  49.1% (#42) ▼ <sup>1</sup>	<b>PRIMARY ELECTRICITY SOURCE</b>  Hydroelectric
<b>IMPORT/EXPORT</b>  Machinery/ Vegetable Products	<b>EXTERNAL DEBT</b>  US\$ 29.09 billion (#8) —	<b>ACTIVE CONFLICT</b>  No	<b>LAND SIZE</b>  1,104,300 km <sup>2</sup> (#10)	<b>INTERNET PENETRATION</b>  15.4% (#32) ▲ <sup>1</sup>



**Term:**  
25/10/2018 - present  
6 years (2 term limit)

**Political Party:**  
Independent

**Recent Electoral Information:**  
25/10/2018  
Parliamentary vote - 659  
100%  
Voter turnout: N/A



**President**  
Sahle-Work Zewde

## CONTRIBUTIONS TO GDP BY SECTOR

## POPULATION AGE BREAKDOWN

## NATIONAL GOVERNANCE

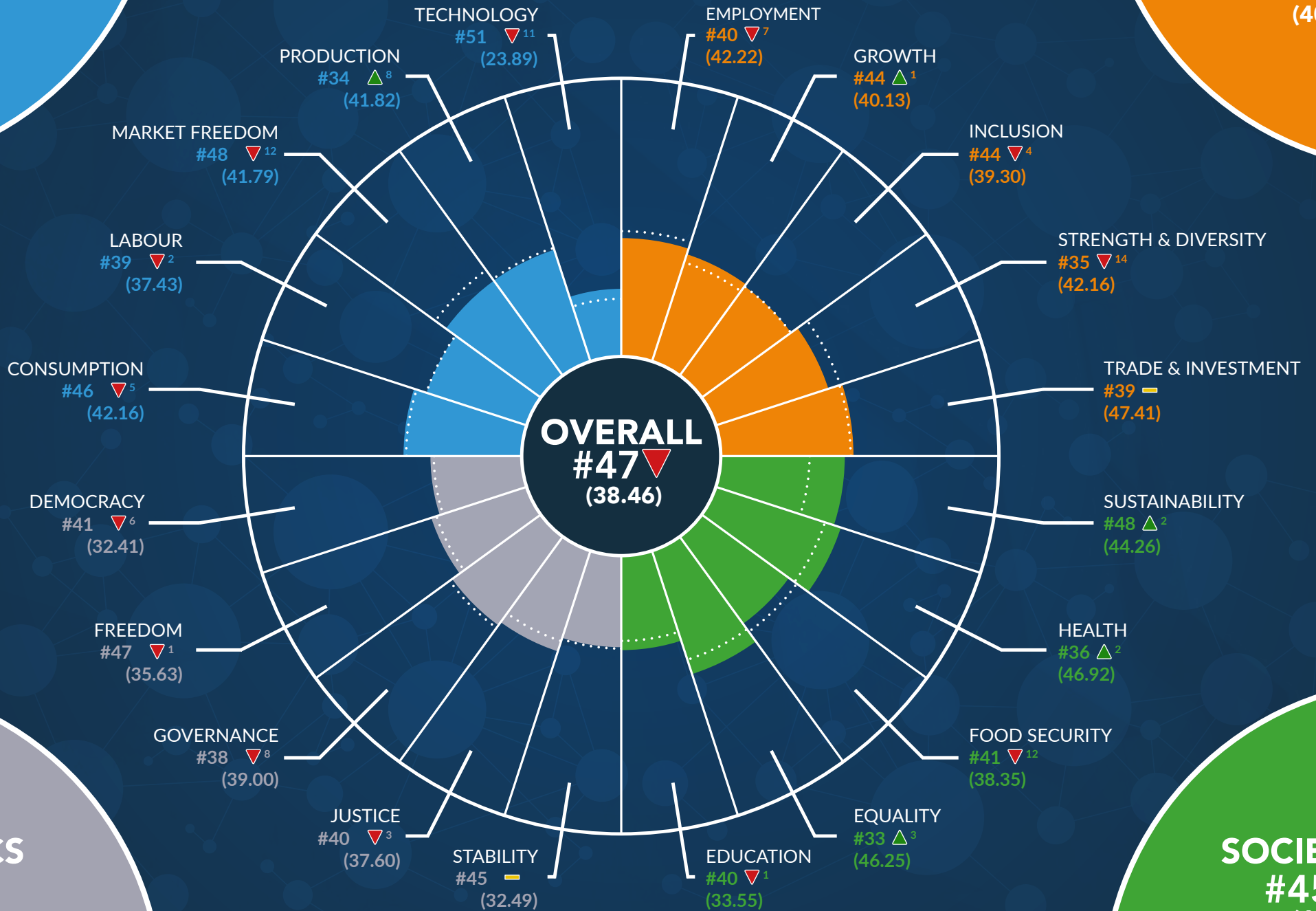
# BUSINESS

#50  
(37.42)

## ETHIOPIA PERFORMANCE OVERVIEW

# ECONOMICS

#42  
(40.51)



▲ Increase from 2017

▼ Decrease from 2017

▬ No change

..... 2017 Score

# POLITICS

#44  
(35.43)

# SOCIETY

#45  
(40.50)

# ETHIOPIA BUSINESS ANALYSIS



## BUSINESS OVERVIEW

Ethiopia is Africa's second-most populous country, which provides an ample domestic market for the retail and services sectors, as well as for indigenous industries, from food processing to electronics, to find ready local buyers for manufactured products. While Ethiopia's landlocked status adds to shipping costs, transportation links to the sea are good and represent heavy investment. The most recent is the opening of a high-speed electric railway to the Porto Djibouti in 2017. A total of US\$ 2.8 billion has been spent on 372 km of 'mega-roads', some of which are opening new areas to mining. The spectacular success of Ethiopian Airlines has positioned the company to be Africa's leading airline, owning stakes in other African airlines. The airline is a part of the transportation sector's strong contributions to GDP. With

the services sector, these two sectors comprise 42% of GDP. Traditionally, the country's most active sector is agriculture, which contributes 37% to GDP.

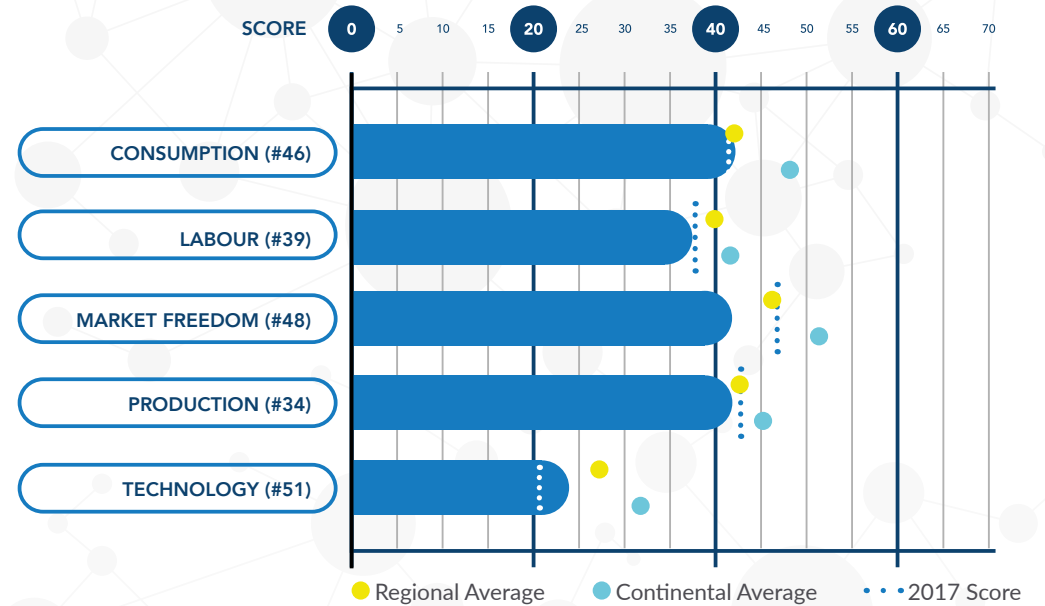
Textiles is a growth industry, abetted by Ethiopia's status as one of the World Bank's top 10 Sub-Saharan Africa's countries for ease of doing business with. Reforms are needed to overturn what has long been a command economy. Ahmed supports a policy of selling off state-owned enterprises. These reforms have yet to materialise when ACBR 2019 was compiled.

Ethiopia actually dropped seven ranks in the Business quadrant from 43<sup>rd</sup> to 50<sup>th</sup> place. This drop was primarily due to a poor but outdated score in Market Freedom.

## BUSINESS DATA COMMENTARY

<p>Ethiopia data availability <b>98.9%</b></p>	<p><b>REGIONAL AVERAGE</b> 70.97%</p>	<p><b>AFRICAN AVERAGE</b> 77.78%</p>	<p><b>CONTINENTAL RANK</b> #11</p>
	<p>The highest of all quadrants, Ethiopia scores an impressive 98.90% for business data availability, thus ranking 11<sup>th</sup> continentally. This stands in substantial excess of both the regional average for Eastern Africa, currently at 70.79%, as well as the continental average of 77.78%. As one of the fastest growing economies on the continent, comprehensive business data is essential to the further development of Ethiopia's commercial capacity. Hence, both government and private sources serve as reliable repositories.</p>		

## BUSINESS SCORES & RANKINGS



## BUSINESS STATISTICS

<p><b>% POPULATION IN URBAN CENTRES</b></p> <p>20.8% (#49)</p>	<p><b>LABOUR FORCE IN MILLIONS</b></p> <p>52.82 million (#2)</p>	<p><b>INDUSTRIAL PRODUCTION GROWTH</b></p> <p>10.5% (#3)</p>	<p><b>PRIME LENDING RATE</b></p> <p>13% (#22)</p>
<p><b>% ADULTS WITH A BANK ACCOUNT</b></p> <p>34.83% (#27)</p>	<p><b>ANNUAL AIR PASSENGERS</b></p> <p>9.57 million (#3)</p>	<p><b>MOBILE SUBSCRIPTIONS</b></p> <p>50.02 per 100 (#42)</p>	<p><b>NATIONAL 3G COVERAGE</b></p> <p>85% (#12)</p>

# ETHIOPIA ECONOMIC ANALYSIS



## ECONOMIC OVERVIEW

GDP growth rate for 2017 was an impressive 10.9%, up from a robust 8% in 2016. Averaging 8-11% growth over recent years, Ethiopia has the largest growing economy of any of the International Monetary Fund's 188 member states. In 2017, industrial growth was 10.5%. Nevertheless, significant reforms are required to end the remnants of Ethiopia's command economy and to truly reach the economy's full potential. Government has a hard habit to break with their long history of a state-planned economy. However, under the Ahmed administration, the first liberalising measures have been put into place in the communications and financial sectors. Speedy economic growth has also kindled inflation, which rose to 10.8% in 2017. Balance of trade is another troublesome

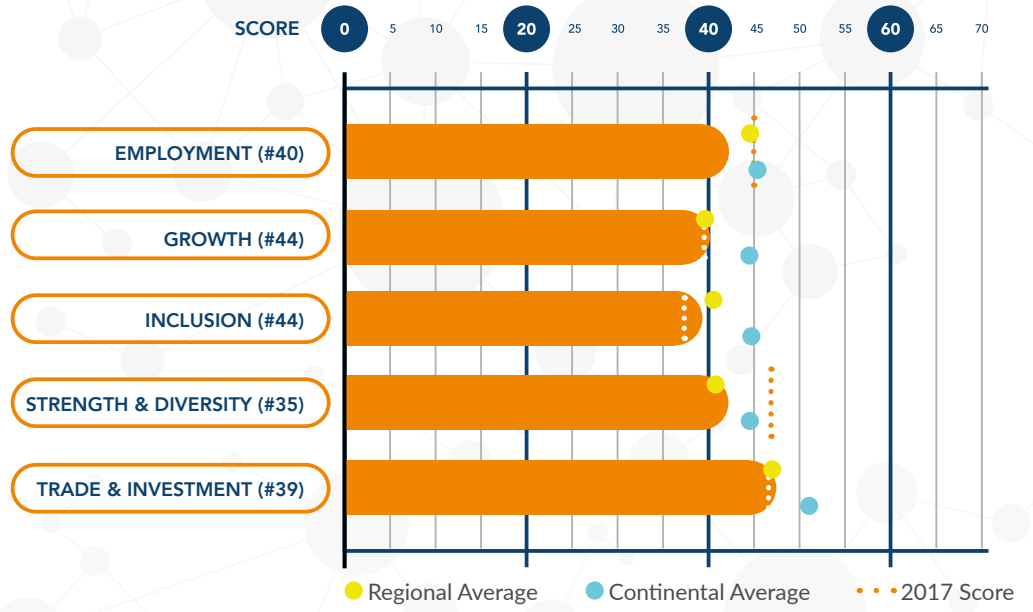
area. In 2017, US\$ 14 billion in goods were imported against only US\$ 3 billion of local products exported. The agriculture sector also needs modernisation, with many farmers and herders working virtually at the subsistence level. With urban unemployment considered, the poverty rate among Ethiopians stands at 30%. Government owns all land but is now granting long-term land use certificates in some areas.

Ethiopia dropped by three positions in the Economics quadrant to a rank of 42<sup>nd</sup>. The low position seems at odd with the thriving performance of Ethiopia's economy, which is now East Africa's largest and one of Africa's most impressively growing. However, the data reflects the pre-Ahmed government's command economy.

## ECONOMIC DATA COMMENTARY

<p>Ethiopia data availability <b>94.87%</b></p>	<p><b>REGIONAL AVERAGE</b> 69.37%</p>	<p><b>AFRICAN AVERAGE</b> 77.78%</p>	<p><b>CONTINENTAL RANK</b> #17</p>
	<p>Given the central importance of continued economic growth and development, economic data availability follows closely upon the previous quadrant with a score of 94.87% and a corresponding rank of 17<sup>th</sup>. Once again, this too stands far above the respective regional and continental averages of 69.37% and 77.78%. Limited trade information may be gleaned from the Central Statistics Agency, but it is multilateral institutions such as the World Bank that tend to provide the best information.</p>		

## ECONOMIC SCORES & RANKINGS



## ECONOMIC STATISTICS

<p><b>GDP PER CAPITA</b></p> <p>US\$ 2,100 (#36)</p>	<p><b>UNEMPLOYMENT RATE</b></p> <p>5.2% (#19)</p>	<p><b>TRADE BLOC MEMBERSHIP</b></p> <p>AFTZ, COMESA</p>	<p><b>INFLATION RATE</b></p> <p>8.1% (#38)</p>
<p><b>GDP AT PPP</b></p> <p>US\$ 200.2 billion (#6)</p>	<p><b>CURRENCY AND GOLD RESERVES</b></p> <p>US\$ 3.15 billion (#15)</p>	<p><b>FDI NET INFLOWS</b></p> <p>US\$ 3,400 million (#3)</p>	<p><b>BUDGET SURPLUS (+) OR DEFICIT (-)</b></p> <p>-3.2% (#15)</p>

# ETHIOPIA POLITICAL ANALYSIS



## POLITICAL OVERVIEW

Installed in April 2018, Prime Minister Ahmed has escaped two assassination attempts by forces opposed to his reforming agenda. A bomb killed two people in a July 2018 rally, held by his supporters to show their endorsement of his plan. In October 2018, soldiers invaded Ahmed's office, and a coup d'état was averted through quick thinking and humour by the prime minister. Factions of the military are unhappy that their control on governance has diminished in the reforming era.

The People's Revolutionary Democratic Front, the political party that controls Ethiopia's government, consists primarily of the Tigrayan tribe. This has resulted in years of discrimination by government against a major indigenous tribe, the

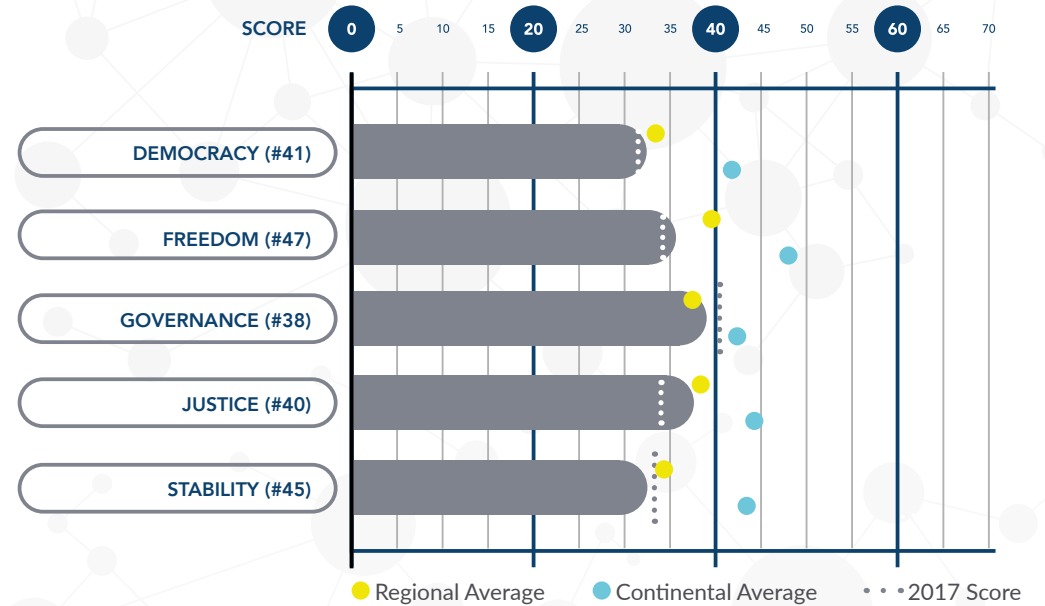
Oromo. The most significant political developments of 2018 involved Ahmed's reversal of repressive measures. He ended the latest state of emergency imposed to suppress political dissent, ordered the release of thousands of political prisoners, allowed Oromo dissidents to return home and unblocked hundreds of websites and TV channels used by the political opposition.

The political indexes drawn upon for ACBR 2019 were compiled before Ahmed's ascension to power and the enactment of his reforms. Therefore, they are behind the curve of these political developments. That Ethiopia dropped nine ranks in the Politics quadrant from 35<sup>th</sup> to 44<sup>th</sup> reflects the record of the Desalegn regime rather than the updated reality of the Ahmed reforms.

## POLITICAL DATA COMMENTARY

<p>Ethiopia data availability <b>95.04%</b></p>	<p><b>REGIONAL AVERAGE</b> 74.88%</p>	<p><b>AFRICAN AVERAGE</b> 82.86%</p>	<p><b>CONTINENTAL RANK</b> #18</p>
	<p>Given its tumultuous history, Ethiopia has long been of great interest to international political observers, thus landing it a political data availability score of 95.04% and a corresponding rank of 18<sup>th</sup>. As with the previous quadrants, this too stands far above the respective regional and continental averages of 74.88% and 82.86%. Despite the appointment of Prime Minister Abiy Ahmed in 2018, Ethiopia remains subject to intense repression, factionalism and tension, thus requiring continued political monitoring.</p>		

## POLITICAL SCORES & RANKINGS



## POLITICAL STATISTICS

<p><b>NUMBER OF POLITICAL PARTIES</b></p> <p>11 (#24)</p>	<p><b>MILITARY EXP AS % OF GDP</b></p> <p>0.7% (#36)</p>	<p><b>REFUGEE INFLOW</b></p> <p>912,472 (#31)</p>	<p><b>NUMBER OF RIGHTS</b></p> <p>77 (#3)</p>
<p><b>DATE OF INDEPENDENCE</b></p> <p>Approx. 100 BC</p>	<p><b>NET OFFICIAL DEVELOPMENT ASSISTANCE</b></p> <p>US\$ 4,074 million (#1)</p>	<p><b>WOMEN IN PARLIAMENT</b></p> <p>38.8% (#6)</p>	<p><b>CAPITAL PUNISHMENT</b></p> <p>Special Cases</p>

# ETHIOPIA SOCIETAL ANALYSIS



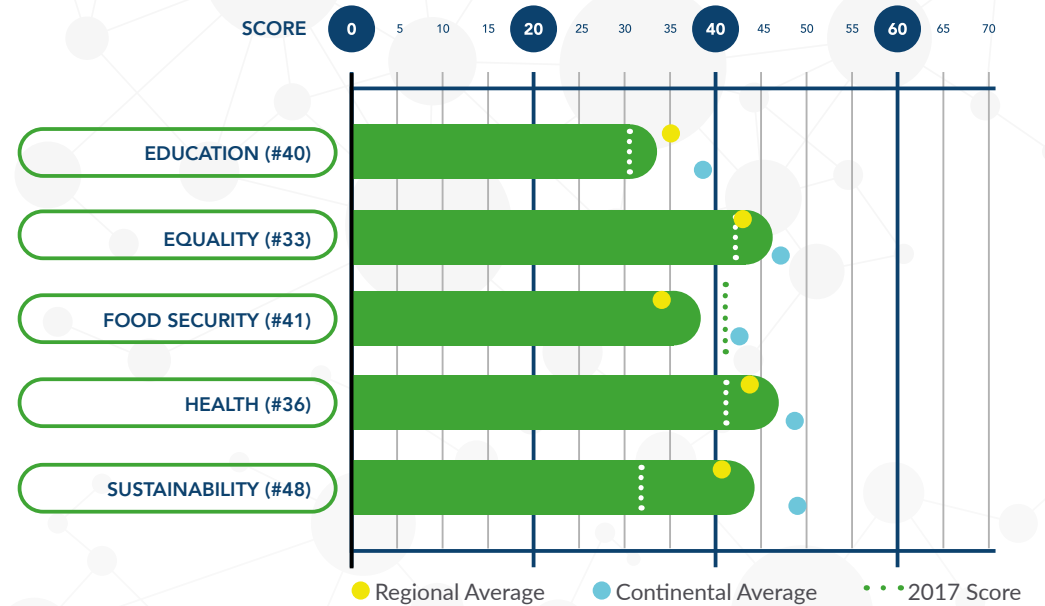
## SOCIETAL OVERVIEW

With the political reforms instituted by the Ahmed administration since their assumption of power in April 2018, Ethiopians are finding parity between the success of their economy and civil liberties and their social welfare. Official government antagonism towards the 38 million ethnic Oromo who reside in the country is over. The Oromo homeland is the most economically viable area of the country and generates 60% of Ethiopia's economic resources. An easing of political tensions will make the area more prosperous. Ethnic Eritreans living in the country also benefitted from Ahmed's reforms when he opened the border with Eritrea on 11 September 2018, reuniting long divided families.

Population growth of 2.85% a year is a problem, adding to poverty. With the average Ethiopian woman giving birth to five children, Ethiopia has the 14<sup>th</sup>-highest birth rate in the world. Furthermore, Ethiopia is largely rural, with less than 20% of the population living in urban areas. Poverty has led to a high rate of child malnutrition and one out of four Ethiopians under the age of five being underweight.

Ethiopia dropped two ranks in the Society quadrant to a low 45<sup>th</sup> place. Societal data was compiled prior to the reforms put in place by Ahmed, and with updated information, scores and rankings in individual segments will rise to reflect the current reality.

## SOCIETAL SCORES & RANKINGS



## SOCIETAL DATA COMMENTARY

<p>Ethiopia data availability <b>91.84%</b></p>	<p><b>REGIONAL AVERAGE</b> 63.78%</p>	<p><b>AFRICAN AVERAGE</b> 75.28%</p>	<p><b>CONTINENTAL RANK</b> #18</p>
	<p>The lowest of all quadrants, Ethiopia's score for societal data availability is 91.48%, thus ranking 18<sup>th</sup> continentally. Despite this, however, Ethiopia has still managed to surpass the respective regional and continental averages of 63.78% and 75.28% by a considerable margin. As part of its ongoing development, Ethiopia requires extensive societal data collection, especially pertaining to issues such as Female Genital Mutilation (FGM) and related trends. In this regard, partners such as UNICEF are particularly important.</p>		

## SOCIETAL STATISTICS

<p><b>POPULATION SIZE AND GROWTH RATE</b></p> <p>105,350,020 at 2.85% p.a (#2) (#10)</p>	<p><b>LIFE EXPECTANCY</b></p> <p>62.6 years (#26)</p>	<p><b>HIV PREVALENCE</b></p> <p>1.1% (#32)</p>	<p><b>SEXUALITY TOLERANCE</b></p> <p>Illegal</p>
<p><b>ACCESS TO DRINKING WATER</b></p> <p>57.3% (#44)</p>	<p><b>HEALTH EXPENDITURE (% OF GDP)</b></p> <p>4.05% (#42)</p>	<p><b>PRIMARY EXPENDITURE (% OF EDU. TOTAL)</b></p> <p>24.05% (#37)</p>	<p><b>SOCIAL MEDIA PENETRATION</b></p> <p>3% (#47)</p>

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