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≡ The Oxford Handbook of  
**THE ETHIOPIAN  
ECONOMY**

# Ethiopia: how did we get here?

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# Dramatic Political & Economic Moment

- Abiy's commitment to the Ethiopian national frame (cf. his acceptance speech and the vote of confidence at home and in the diaspora)



- **The Big tent politics** – amnesty and the opening of the political space (the NTRC - National Truth & Reconciliation Commission) –but overshadowed by the surge in anti-Tigrean sentiment National Truth and Reconciliation Commission
- Changing basis of political legitimacy –from revolutionary democracy/democratic centralism to personal charisma (buttressed by divine power claims) and its discontents

- **The new spin on Centre-Periphery relations –** Developing Regional States from “Agar/Partners” to “Members” of the EPRDF coalition?
- Revisiting ethnic federalism – The IBC (Identity & Boundary Commission) to solve contested territorial and identity claims + possible changes in the institutional design of the Ethiopian federation
- Electoral politics – the Election Board under Birtukan
- The future of EPRDF – towards merger or ultimate disintegration



- **New dynamics in Inter-governmental and inter-communal relations**
  - ✓ Fed-States (assertion of federal power Vs. greater demand for regional autonomy – the federal intervention in Somali region; Tigray's greater insubordination; the rise of Amhara ethnonationalism/NaMA; Fed-induced leadership changes in SNNPR; Gambella & Afar)
  - ✓ Inter-regional dynamics (territorial dispute b/n Somali & Oromo; territorial/identity dispute b/n Tigray & Amhara )
  - ✓ Deadly communal violence and the massive IDPs

## Alarmist discourse on the rise...

“The dominant agenda in Tigray today is how to save Tigray from negative effects of Ethiopia's disintegration. ...

Tigray and Amhara are almost in an open war with no possibility of negotiation and reconciliation. ... PM Abiy's appointment and its consequences for the country – in the coming transition- will be that disintegration becomes the dominant agenda.

# Increased Ethiopian fragility and key risk factors:

- Federal government with decreasing authority to instruct and control RS
- When the authoritarian state is abolished, old and new conflicts resurface
- 2,6 mil. Conflict IDPs in Ethiopia (5 mil. Total): 1,8 new under Abiy...
- Competing and contradictory political ideologies leads to intra-regional state confrontations (Oromia, Amhara, SNNPR, Somali regions in particular)
- Federal arrangement under pressure:
  - “Ownership” of Addis Ababa / Finfinne: new clashes, killings, and arrests
  - SNNPR disintegrations: Sidama, Wolaita, Kaffa, Gurage...
  - Somali regional state: ethno-national increase; ONLF deal – referendum?
  - Tigray: Ethno-nationalist wants independence
  - Amhara regional state: ethno-nationalists with territorial expansionist claims
  - Pan-Ethiopianists challenging the constitutional order
  - Oromia: Struggle for hegemony – or division?

# Scenarios

- The Reform and the push back – the status quo ante? (assassination attempts on the life the PM; destabilization of Abiy's admin)
- Continued charismatic rule marked by political fragility (uninstitutional and undirected political change)
- Towards the institutionalization of the reform leading to an elected government in 2020
- EPRDF disintegrates and Ethiopia heading towards state collapse and / or growing secessionist politics (ONLF, OLF, Tigray?)



## PM Abiy's Core economic reform agenda: is the developmental state dead?

- Ensuring sound macroeconomic management
- Improving the investment climate and access to credit to foster the private sector
- Modernizing the financial sector
- Maximizing private finance for public investment projects
- Reforming public enterprises
- Advancing economic integration through coherent trade policy

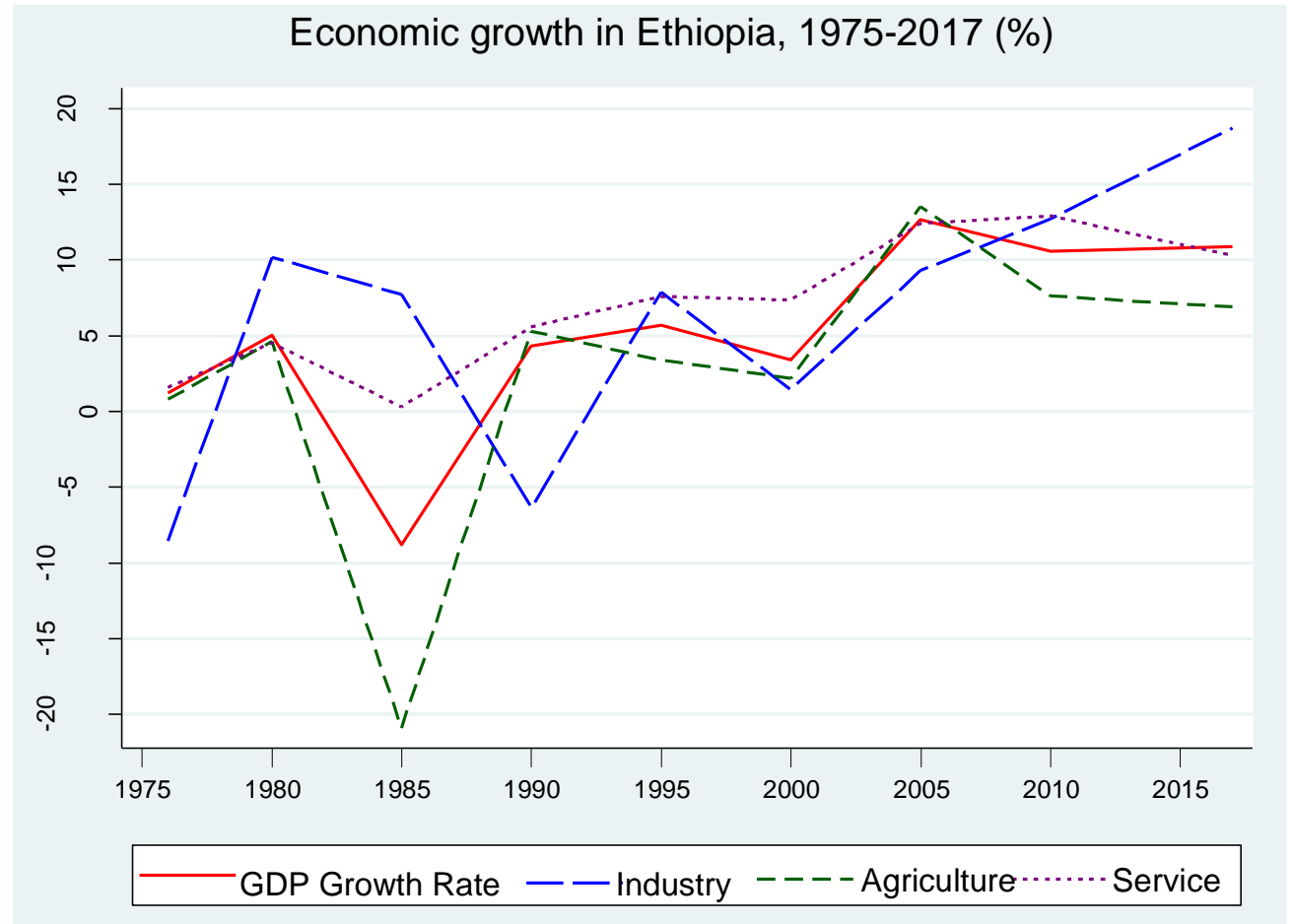
# Against this background, how did we get here?

When there has been rapid economic growth, some structural change, and poverty reduction

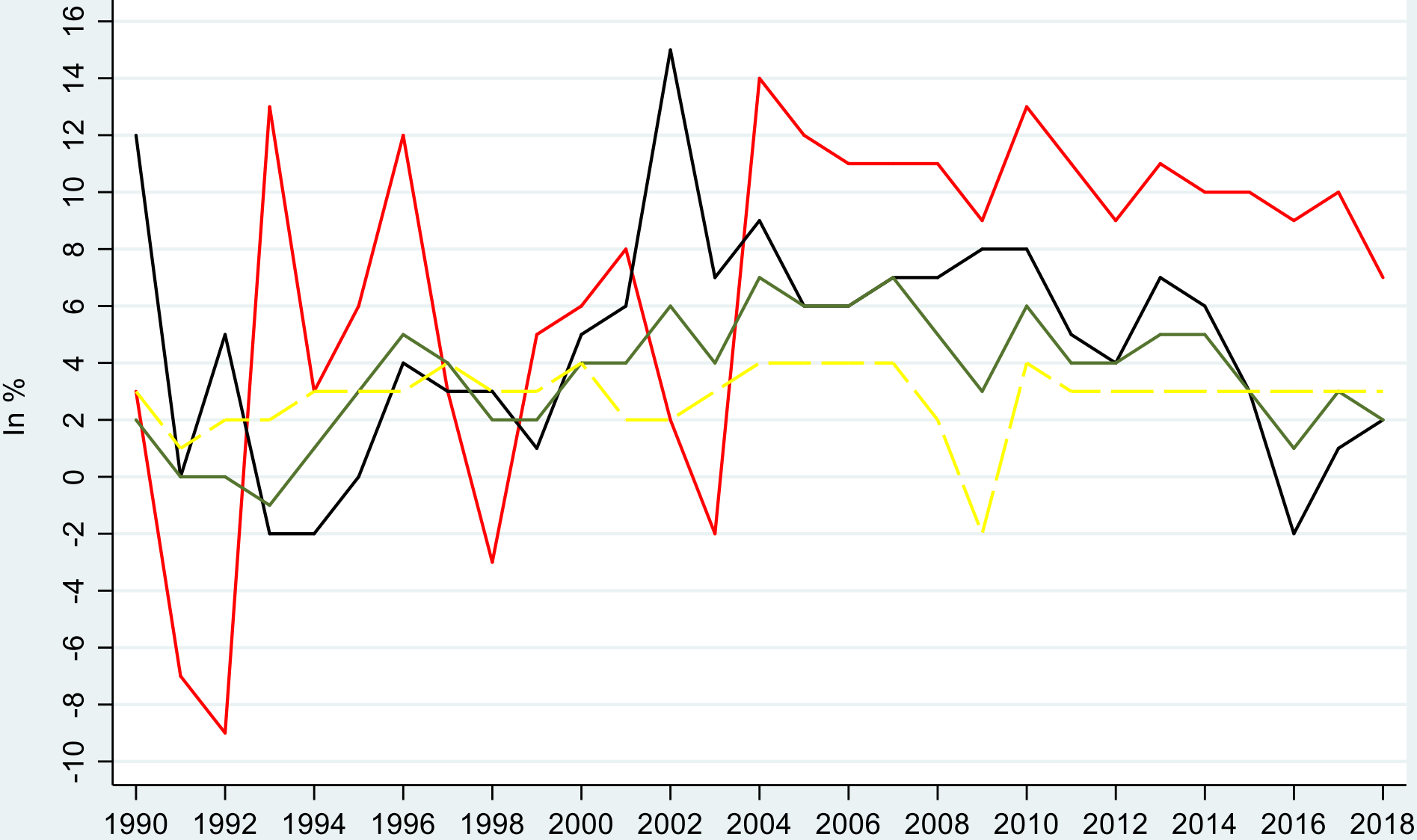
And if the success has been achieved through heterodox policies, why change?

## Timing and wider significance

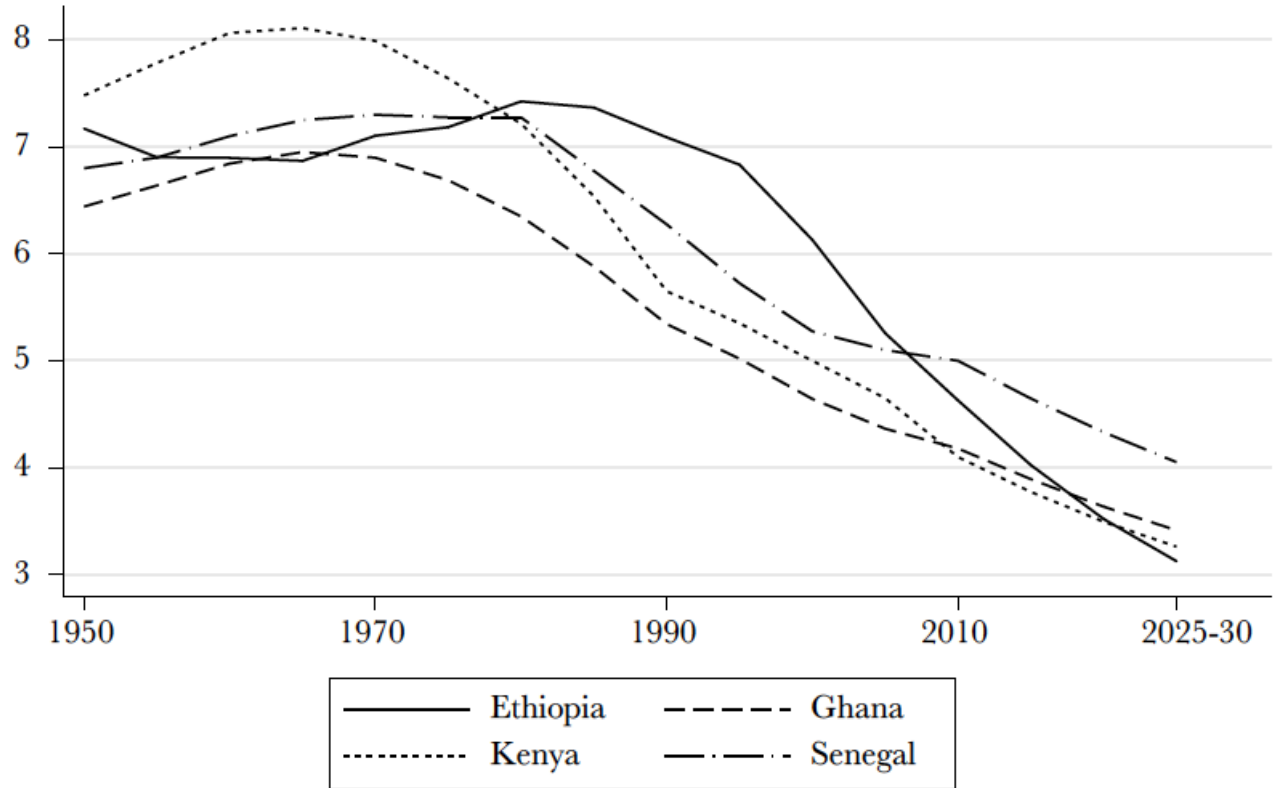
- An economic history of post-1991 period (successes and strains)
- Sustained, rapid growth
- Strong performance on many socio-economic indicators
- Heterodox policies
- An ambassador's comment...



# Economic growth: Ethiopia, Nigeria, SSA



**Figure 7.3: Total Fertility Rate in Selected Sub-Saharan African Countries (1950-2030)**



Source: UN World Population Prospects: The 2017 Revision

Growth and transformation, in fact (Ziway, 2001-2018)





# So where does this book fit?

- It is the first single African country economics Oxford Handbook
- A portrait of the baby that ought not to be thrown out with the bathwater?
- In many ways of much wider interest

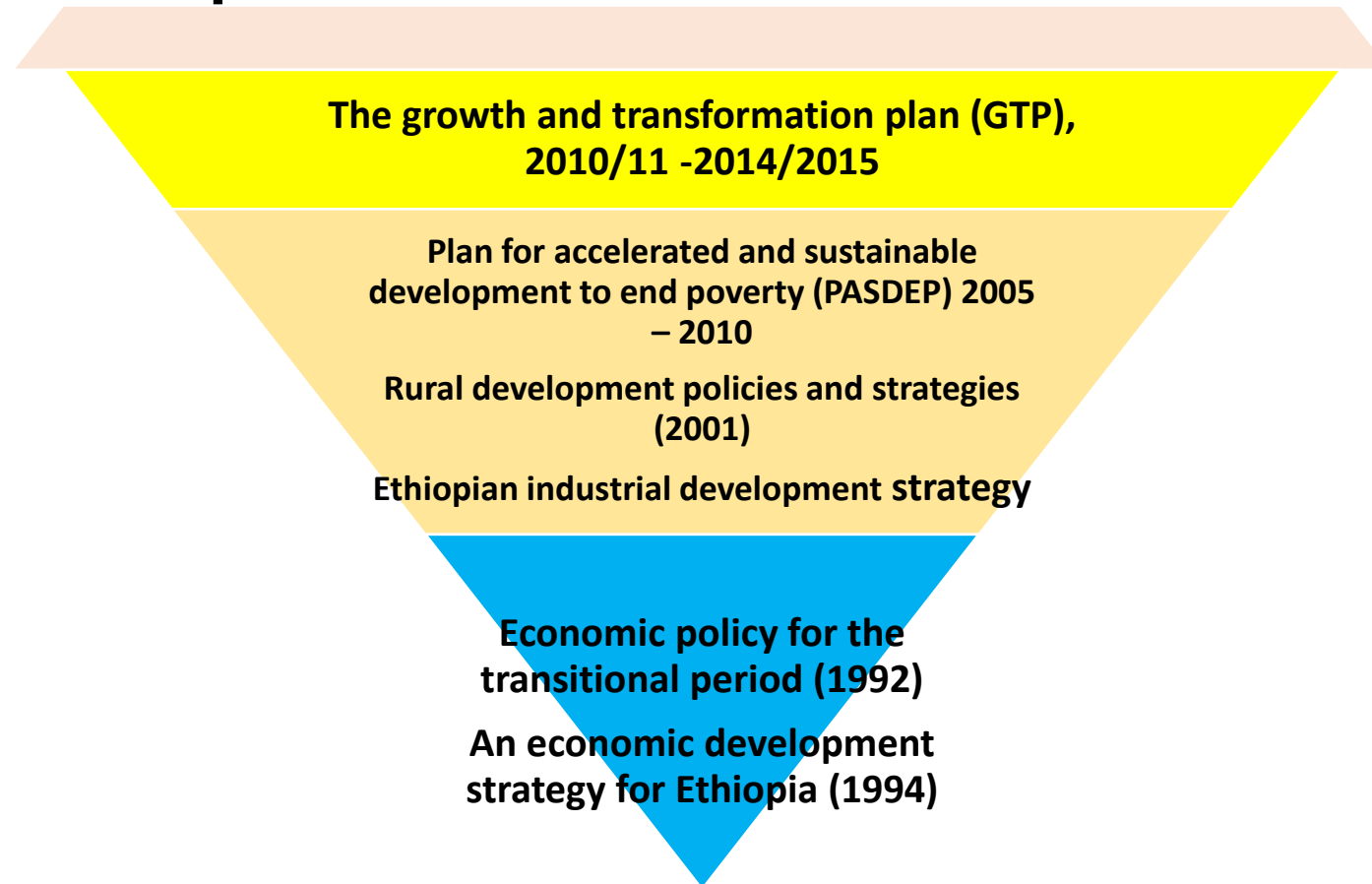
# A bit about the book

- Had to keep politics out of it as far as possible
- Diversity of views
- Diversity of authorship
- Collaborative process

# Six sections

- ***Part I.* Context, Concepts, and History** [8 chapters]
- ***Part II.* Economic Development** [10 chapters]
- ***Part III.* Social Policy & Development** [7 chapters]
- ***Part IV.* Agriculture & Rural Transformation** [9 chapters]
- ***Part V.* Industrialization & Urban Development** [10 chap]
- ***Part VI.* Structural Transformation & the African Context** [6 chap]

# The path to 'Utopia': the developmental state in action



# GTP (2010-15)

- The 1<sup>st</sup> Five-Year Plan, *Growth and Transformation Plan (GTP)*, outlines an ambitious development strategy to transform the country into 'middle-income' status by 2025 under the guidance of a strong developmental state.

# The main pillars of the GTP

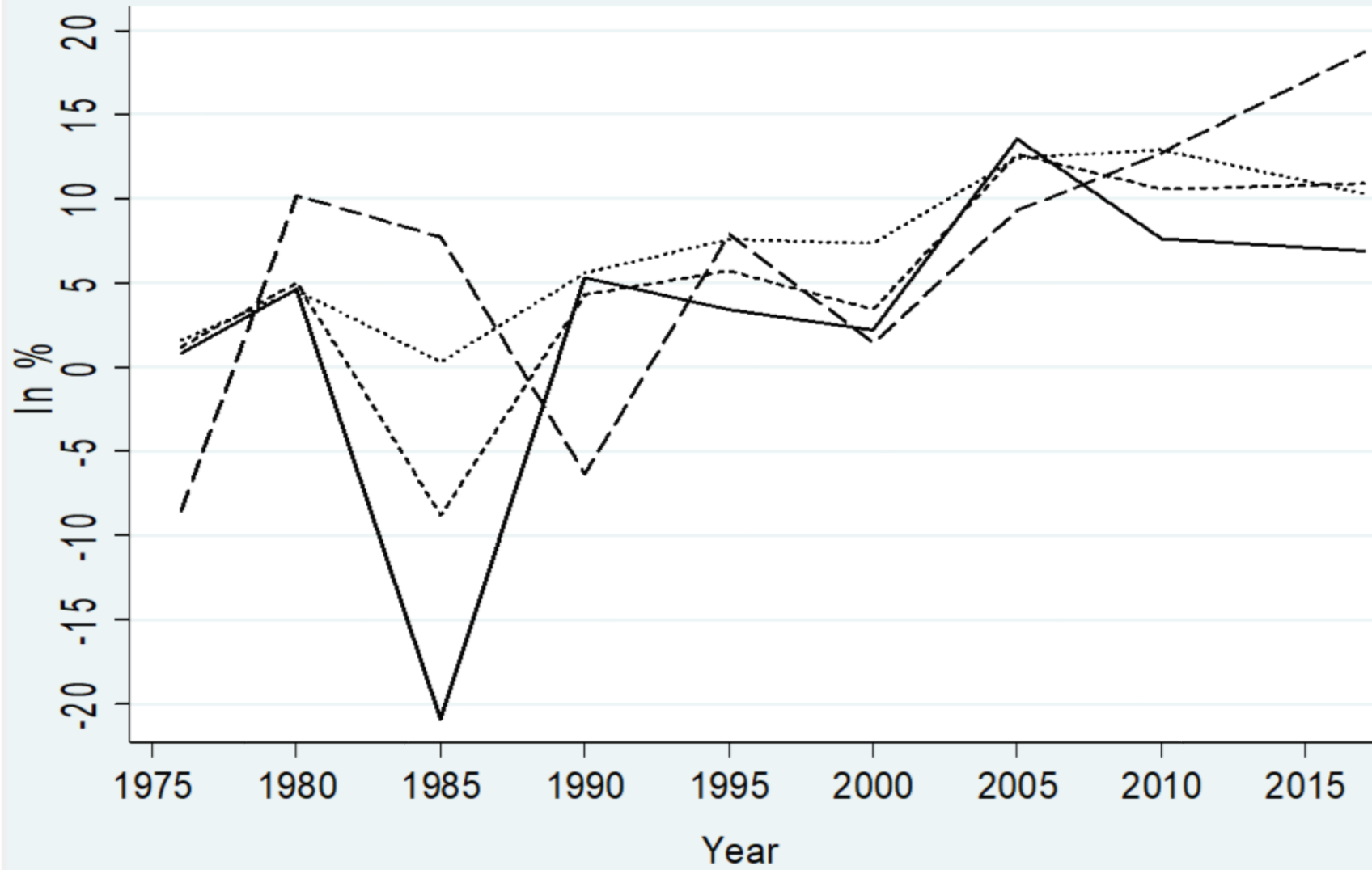
- Pillar 1: rapid and equitable economic growth
- Pillar 2: transforming agriculture
- Pillar 3: creating conditions for industrial growth
- Pillar 4: infrastructure development
- Pillar 5: quality of social development
- Pillar 6: deepening good governance
- Pillar 7: gender and youth employment & equity



# Real GDP growth and sectoral distribution, 2009-2013

	2004-2008 Average	2009/10	2010/11	2011/12	2012/13	2014/15 target
<b>Real GDP growth (%)</b>	<b>11.0</b>	<b>10.5</b>	<b>11.4</b>	<b>8.8</b>	<b>9.7</b>	<b>11.4</b>
<b>Agriculture</b>	<b>8.4</b>	<b>7.6</b>	<b>9.0</b>	<b>4.9</b>	<b>7.1</b>	<b>8.7</b>
<b>Industry</b>	<b>10.0</b>	<b>10.8</b>	<b>15.0</b>	<b>17.1</b>	<b>18.5</b>	<b>23.7</b>
<b>Manufacturing</b>		<b>13.6</b>	<b>14.1</b>	<b>15.9</b>	<b>14.5</b>	--
<b>Services</b>	<b>14.6</b>	<b>13.2</b>	<b>12.5</b>	<b>10.6</b>	<b>9.9</b>	<b>9.0</b>
			<b>% Share</b>			
<b>Agriculture</b>	<b>44.6</b>	<b>41.6</b>	<b>45.6</b>	<b>44.0</b>	<b>42.9</b>	<b>36.9</b>
<b>Industry</b>	<b>13.1</b>	<b>12.9</b>	<b>10.6</b>	<b>11.1</b>	<b>12.4</b>	<b>18.8</b>
<b>Manufacturing</b>		<b>2.6</b>	<b>2.6</b>	<b>2.8</b>	<b>2.9</b>	--
<b>Services</b>	<b>43.3</b>	<b>45.6</b>	<b>44.5</b>	<b>45.6</b>	<b>45.2</b>	<b>44.3</b>

Economic growth in Ethiopia, 1975-2017



— Agriculture — — — Industry ..... Service - . - . GDP Growth Rate

# Social development before and after developmental state

Indicator	Before developmental state		After developmental State	
	1995	2002	2005	2010
<b>Health Sector:</b>				
Health coverage	40	60	71	89
No. of health centers	246	412	644	1,787
Maternal mortality rate/100,000	1400	--	871	590
Child mortality rate/1,000	161.3	--	121	105
<b>Education Sector:</b>				
Primary school enrollment (%)	36.6	61.6	69	88
No. of students in higher educat.	30,538	77,077	91,655	260,241
Total no. of teachers	105,892	146,626	194,459	323,566
<b>Drinking water supply:</b>				
National (%)	19.1	34	35.9	68.5

# Trends in Poverty Reduction 2000-2011

	YR 2000	YR 2011
% of population living below national poverty line	44	30
Population living on less than U\$1.25 PPP a day	56	31
% of population without education	70	50
% of population with electricity	12	23
% of population with piped water	17	34
% of children under 5 years that are stunted	58	44
% of rural women receiving an antenatal checkup	22	37
Life expectancy (years)	52	63
Total fertility rate	6	4

# What contributes to the success of the GTP?

- 1. *Proper identification of the sources of growth:*** concentrated efforts on a few sectors with growth potentials: **agriculture; Leather; cement; floriculture; textile** (*value-addition central to the strategy*)
- 2. *Macroeconomic prudence:*** low inflation; reduced budget deficit; increased domestic resource mobilization; protected pro-poor elements of public spending.
- 3. *A redistributive agenda:*** by focusing on ADLI; expanded support to small farmers; increased public expenditure to the social sector; PSNP as an integral part of the government plan.
- 4. *Selectivity, pragmatism & learning by doing.***

# A rare case of heterodox developmental success in Africa?

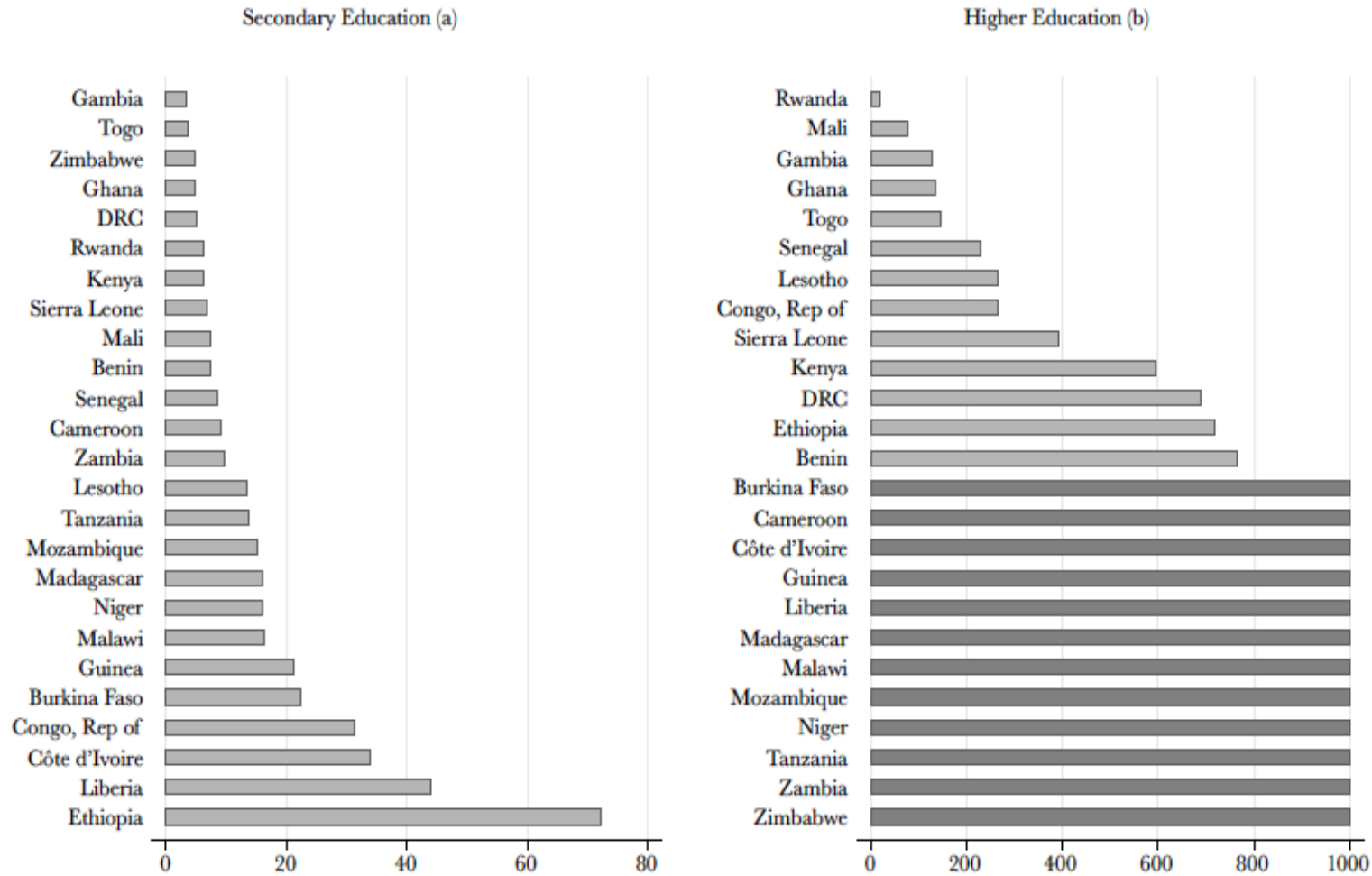
- Part VI (Chang and Hauge; Lopes; etc.)



# Or did development deliver crisis?

- Political economy of being in a rush
- Balance of payments constraint (Coutts and Laskaridis)
- Food price inflation constraint
- Rising inequality
- Throttling the goose that lays the golden egg (bean) (Cramer and Sender)
- ADLI running out of steam (Dercon and Gollin)
- Manufacturing drive but... (Oqubay; Söderberg)

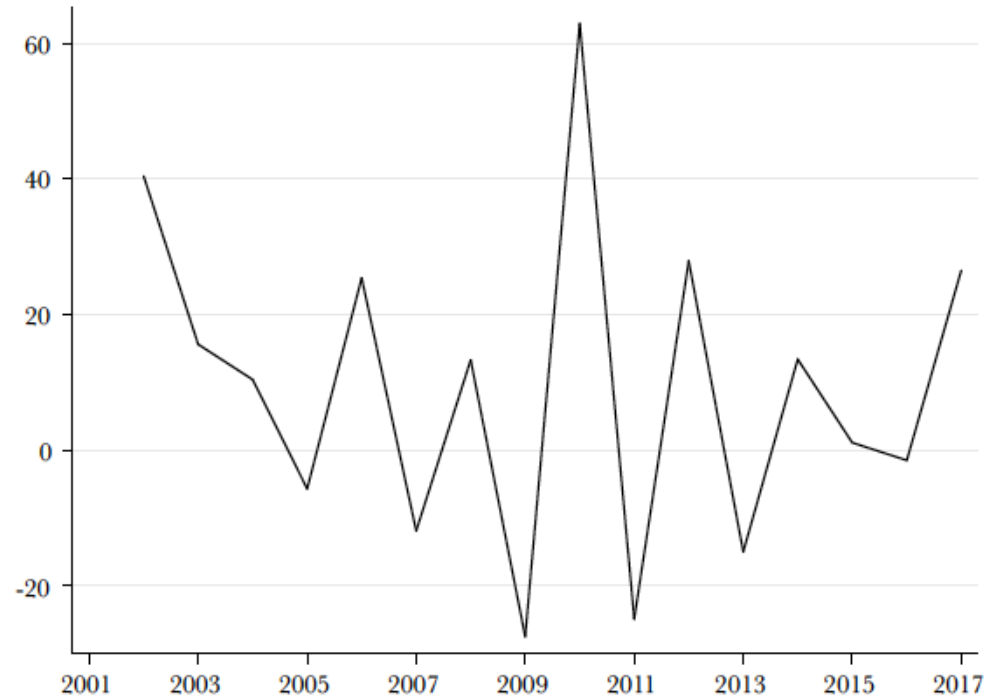
# Public spending on the richest decile relative to the poorest decile, by level of education



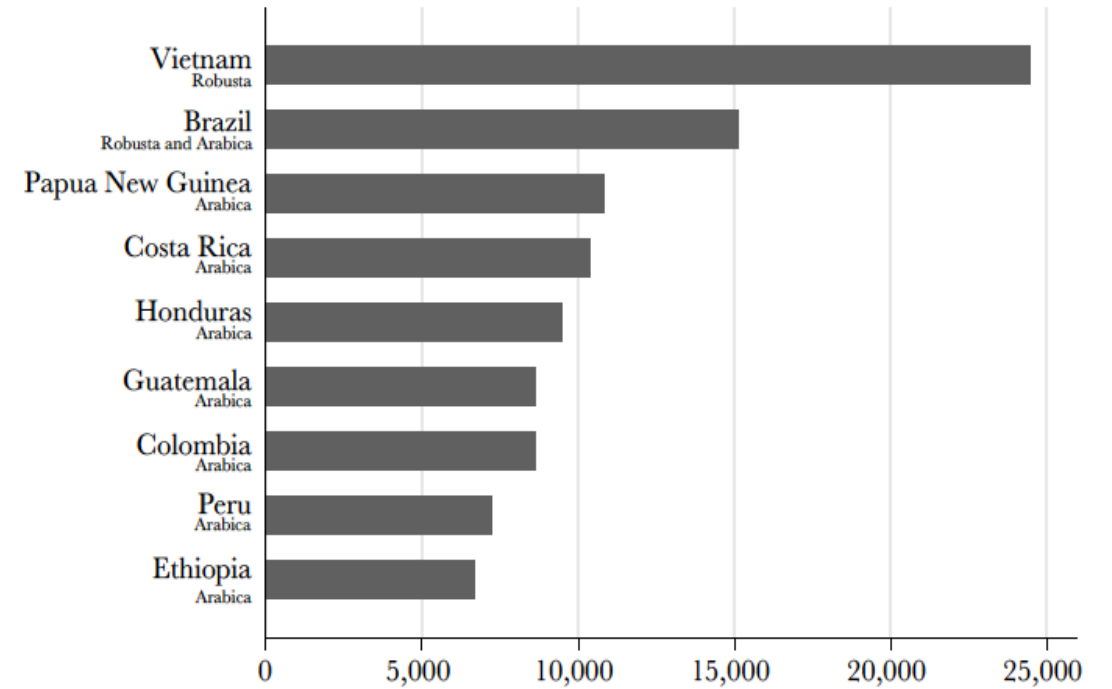
The darker shaded bars in Table (b) indicate countries where the richest:poorest ratio exceeds 1000.

Source: adapted from S. Ilie, P. Rose (2017), based on UIS and DHS data

Annual rate of growth of coffee export quantities 2002-17



Coffee yields in selected countries (bags/ha)







# The comprehensive Economic reform package, 2018/2020

	Actions for 2018-19	Actions for 2020
<b>Justice and Democracy</b>	<ul style="list-style-type: none"> <li>-revise restrictive laws with a view to ensure to ensure compliance with HR standards</li> <li>-build national consensus by preparing and implementing comprehensive national roadmap for democratization</li> <li>-reduce incidence of communal clashes and violence through adoption of Hate Speech Law</li> <li>-take measures to enhance independence, impartiality and capacity of the judiciary and democratic institutions</li> </ul>	<ul style="list-style-type: none"> <li>-guarantee free and fair election in 2020;</li> <li>-implement the national roadmap of democratization &amp; strengthen constitutional democracy;</li> <li>-implement legal reforms to combat Human rights violations;</li> <li>-introduce administrative procedures laws to improve rulemaking to enhance transparency;</li> </ul>
<b>Public Service Delivery</b>	<ul style="list-style-type: none"> <li>-develop and endorse a comprehensive public service reform roadmap</li> <li>-streamline and simplify procedures for starting business</li> <li>-implement electronic filing and e-payment tax administration</li> <li>-simplify and operationalize the process for issuing construction permits and property registration.</li> </ul>	<ul style="list-style-type: none"> <li>-completion and implementation of e-government services;</li> <li>-implement a system to simplify the tax payment system;</li> <li>-final roll out of the civil service reform interventions</li> </ul>



<b>Macroeconomy</b>	<ul style="list-style-type: none"> <li>-maintain fiscal deficit of 3% of GDP or lower</li> <li>-improve public investment management through greater prioritization of investment</li> <li>-maximize the involvement of the private sector in infrastructure financing through PPP</li> </ul>	<ul style="list-style-type: none"> <li>-maintain fiscal deficit of 2.5% GDP or lower by reducing government subsidy;</li> <li>-improve debt management policy, including stronger control of SOCs borrowing policy</li> </ul>
<b>Productive Sectors</b>	<ul style="list-style-type: none"> <li>-increase productivity by expanding irrigation in selected areas and modernize agricultural practices;</li> <li>-support and enable investment in industrial parks to become operational;</li> <li>-enhance the contribution of the service sector, with special focus on ICT and tourism sector;</li> <li>-complete agro-industrial parks and make operational, expand small and medium enterprises</li> </ul>	<ul style="list-style-type: none"> <li>-increase service and manufacturing export to 15% of total merchandise exports;</li> <li>-export ICT services by creating an ICT cluster for young graduates;</li> <li>-increase the number of transit tourist arrival by 80%;</li> <li>-expand irrigated agro-industries</li> </ul>

<b>Exports &amp; Revenue Mobilization</b>	<ul style="list-style-type: none"> <li>-rationalize and improve tax incentives to increase and diversify exports;</li> <li>-implement a system to effectively control contraband trade</li> <li>-review all tax breaks and incentives schemes and revise as needed;</li> <li>-increase value added exports in selected agricultural products</li> </ul>	<ul style="list-style-type: none"> <li>-increase share of export to GDP to 15%;</li> <li>-increase share of mining and manufacturing to 35% of total exports;</li> <li>-Finalize Ethiopia's WTO CFTA membership;</li> <li>-increase share of tax revenue to 15% of GDP;</li> <li>-Implement new system of VAT and excise tax</li> </ul>
<b>Financial Sector</b>	<ul style="list-style-type: none"> <li>-develop a roadmap for introducing trade financing instruments including capital market;</li> <li>-increase loans available to private sector by 20% annually and insure its fair distribution;</li> <li>-expand credit registry to MFIs</li> </ul>	<ul style="list-style-type: none"> <li>-enhance the use of modern financial technology;</li> <li>-establish a system enabling e-commerce and digital financing;</li> <li>-introduce capital market</li> </ul>
<b>Human Capital</b>	<ul style="list-style-type: none"> <li>-implement new education roadmap</li> <li>-improve the organization, quality and leadership capacity of the sector;</li> <li>-promote private sector investment in primary education;</li> <li>-devise a preventive oriented national health plan, expand access to balanced nutrition and clean water;</li> <li>-expand health service coverage, improve quality and health services</li> </ul>	<ul style="list-style-type: none"> <li>-implement programs to increase international competitiveness in quality education;</li> <li>-increase % of women in undergraduate programs to 45%;</li> <li>-increase health professional assisted birth to 90%;</li> <li>-increase share of fully vaccinated children to 90%;</li> <li>-increase clean water access to 80%</li> </ul>

<p><b>Logistics</b></p>	<ul style="list-style-type: none"> <li>-launch a custom single window service;</li> <li>-enhance private sector participation in the entire logistic supply chain;</li> <li>-diversify Ethiopia's port access</li> </ul>	<ul style="list-style-type: none"> <li>-cut export transit time by half;</li> <li>-reduce the number documents required for import/export by half;</li> <li>-reduce average dwell time in dry ports to 2 days;</li> <li>-increase general cargo carried by multi-modal transport to 90%</li> </ul>
<p><b>Electricity</b></p>	<ul style="list-style-type: none"> <li>-implement a revised tariff structure and alleviate financial distress;</li> <li>-facilitate participation of the private sector in power supply</li> </ul>	<ul style="list-style-type: none"> <li>-increase access to electricity to 50%;</li> <li>-increase total installed capacity to 6,000 MW</li> <li>-reduce electricity outages to 15%</li> </ul>

# The political imperatives of economic policy 1991-2018

- Revolution, war, peace...and the peasantry as key to security/legitimacy
  - ADLI
  - Lingering vision of homogeneous rural smallholder population
  - Elective affinity with external ideas/organizations
- War with Eritrea, internal splits, 2005 elections: crisis
  - urbanization
- Recasting security, legitimacy, and policy: delivering development through structural change
  - Floriculture/horticulture
  - Big projects and industrialization/parks
  - FDI