

»» Ethiopia – from land of famine to land of hope?



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Ethiopia – set for growth

Ethiopia is one of the world's least developed countries. With 100 million inhabitants, Africa's second most populous country is also one of the world's fastest-growing economies, boasting average real GDP growth rates in excess of 10% between 2004 and 2016. Ethiopia has also recorded astonishing socio-economic progress for over two decades. The government has been pursuing a comprehensive development strategy that has gradually improved living conditions in this East African country through targeted public investment in health care, education and employment.

Impressive achievements:

- Thanks to the establishment of health centres in all communities, life expectancy has gradually increased by nearly one year each year since 2000.
- Thanks to the construction of more than 30,000 new primary schools, enrolment has quadrupled to 85% since 1995.
- The creation of a country-wide network of agricultural consultants,

among other initiatives, has enabled small farmers to double their grain yields since 1990.

Another significant effect has been a more significant drop in birth rates than anywhere else in Africa, from 7 to 4.6 children per woman. This is lowering population growth and changing the age structure. As the next age cohorts are becoming smaller, the structure of the population shifts to young people of working age who have fewer children to look after. The country is thus heading for a demographic bonus that can be converted into a development boost under the right conditions.

Many challenges remain

Ethiopia still has a long way to go to be one of the first Sub-Saharan countries to benefit from what is referred to as the 'demographic dividend'. The labour force is growing faster than jobs can be created and the increasingly more qualified young people in particular lack prospects. At the same time, the expansion of basic infrastructure can hardly keep up with population growth. Ethiopia's population is growing by five inhabitants every minute who will have to be supplied with food, health services, education and, above all, jobs.

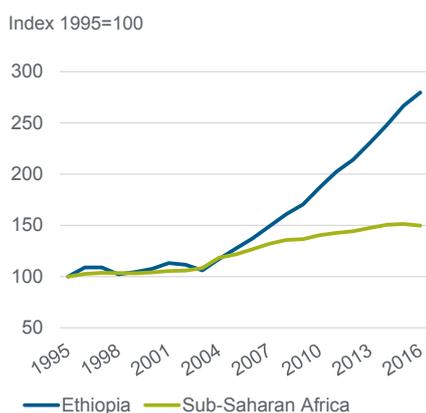
enterprises. In this context, Ethiopia is doing all it can – with the support of the international donor community – to attract foreign investors who it hopes will support the country's industrialisation process. Thus, foreign direct investment will not only generate jobs for the growing young labour force, as is already occurring in the textile industry, for example, but an important knowledge transfer as well.

In order for this to succeed, the framework for private sector involvement must be improved further. Ethiopia currently ranks 161st out of 190 countries on the Ease of Doing Business Index, behind Zimbabwe and Sierra Leone. Fundamental reforms are also necessary in the financial sector, for example to ease access to foreign currency – particularly for local firms.

... and on reforms

As a member of the 'Compact with Africa' initiative, Ethiopia is a reform partner country of Germany and receives additional development cooperation funds. These funds are designed to support specific reform efforts on the ground so that conditions for the sustainable development of the private sector can improve and the ambitious development goals can be achieved. ■

Figure: GDP per capita – 1995 to 2016



Source: World Bank

Focus on the private sector ...

Hopes are now pinned on Prime Minister Abiy Ahmed, who was appointed in April, to speed up the initiated reform process and introduce further necessary forms and measures to secure sustainable growth and create two million new jobs a year.

Ethiopia's development plan envisages a growing transformation of the economy with a clear focus on the development of the private sector, which includes the privatisation of state-owned

Further reading: Berlin Institute (2018): [From Land of Famine to Land of Hope: Will Ethiopia Become a Model for an African Upswing?](#)