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Ethiopia

A growth miracle



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Ethiopia's growth miracle

Ethiopia's growth miracle, coupled with its large population and significant land mass, has attracted the attention of many international companies. Over the last ten years, the country has achieved double-digit growth in real terms, averaging 10.6% per year, which is the second fastest in Africa after Angolaⁱ and even surpasses that of China (10.2%)ⁱⁱ. Growth is expected to continue at a rapid pace although forecasts suggest that it will moderate to just over 7% over the next five years.

These growth rates are the fruit of years of investment and reform that have seen the country entrench economic, social and political stability. Prior to 2004, the economy was extremely volatile, experiencing violent contractions in 1985, 1992, 1998 and 2003, with a milder recession in 1989. Economic vulnerability was driven by an unfortunate blend of unfavourable weather conditions, armed conflict and policy that undermined access to food. The result was a series of famines, the worst of which made world headlines in 1985.

Ethiopia has historically experienced severe droughts more or less once every ten yearsⁱⁱⁱ. Drought, combined with poor farming practices - including almost total dependence on rainfed agriculture - has certainly contributed to negative economic growth in Ethiopia in the past, but conflict, government policy inhibiting access to food and the excessive dependence of the whole economy on agriculture have been far more important drivers. Many potential investors eager to avail themselves of the rich opportunities that Ethiopia now offers will want to reassure themselves that past threats to the country's economic and political stability belong firmly in the past, and that solid measures have been put in place to mitigate these risks in the future.

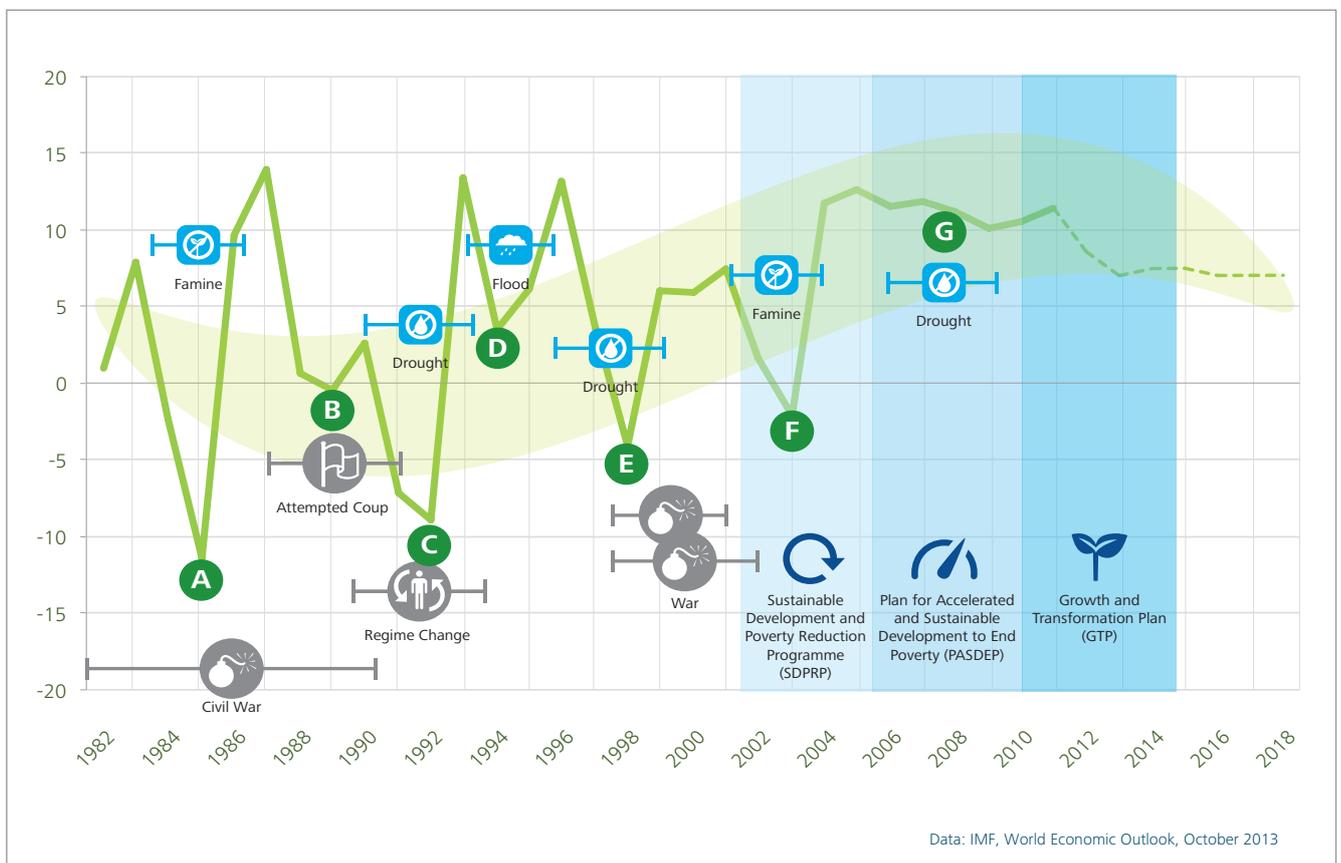


Figure 1: Understanding economic drivers, 1980-2018

Political stability

After more than two decades of civil war, the effects of which were exacerbated by international conflicts with Somalia (1977 and 1998) and Eritrea (1999)^{iv}, Ethiopia has now enjoyed more than a decade of peace. The ruling Ethiopian People's Revolutionary Democratic Front (EPRDF) - a coalition of former rebel groups that overthrew the Derg's military dictatorship in 1991 - commands almost total hegemony.

Ethiopia is a multiparty democracy, but in practice there is little opposition to the EPRDF, which won more than 90% of the vote in the 2010 elections, up from just under 60% in 2005. The strength of this mandate has certainly helped to make it possible for the Ethiopian state to deliver the economic results the country so badly needs, yielding success where a weaker state might have failed, given the odds.

The death of Meles Zenawi in 2012, first elected as prime minister in 1995 and who effectively led the country for more than twenty years, has created some uncertainty over who will lead the coalition after the federal elections scheduled for 2015. It is not a given that Acting Prime Minister Hailemariam Desalegn will be put forward as the EPRDF candidate. However, the consensus is that political stability, in the form of a strong coalition government led by the EPRDF, will prevail.



Currency stability and exchange rate policy

The National Bank of Ethiopia operates a managed float and has a policy of gradual depreciation of the Birr (which is not freely convertible), with occasional sharper adjustments reflecting changes in the parallel market^v. Ethiopia was granted debt relief under the Highly Indebted Poor Countries (HIPC) initiative in 2001. This provided considerable support to the balance of payments until 2011, but the overall cost of servicing foreign debt quadrupled between 2009 and 2012^{vi, vii}.

In keeping with the primary goal of poverty alleviation, the government prefers to use foreign exchange reserves to help fund development programmes. Due to this, foreign reserves are not expected to exceed three months of import cover, and tend to be a bit lower. Relatively low reserves and the trade deficit have created downward pressure on the Birr for some time, a trend that is expected to persist. However, thanks to the central bank policy of a managed float, the volatility of the Birr tends to be low, particularly for an emerging market currency. Exchange controls are strict, but processes are in place to help foreign investors satisfy their needs for foreign currency^{viii}.

New technology to speed up inter-bank processing

Swiss-based BPC Banking Technologies has been selected by Eth-Switch SC, a consortium of all sixteen Ethiopian banks, to implement an electronic transfer system that will enable electronic transfers between banks, clearing of cheques and sharing of automated teller machines (ATMs). It will take a year to implement the project, which will mark a major milestone in the journey towards an efficient, modern banking system.

Credit cards become more widely available as the banking system matures

The banking system in Ethiopia is developing quickly. One indication of this is the availability of internationally recognised credit cards such as Visa and Mastercard. Visa cards are now available through two leading Ethiopian banks, the Commercial Bank of Ethiopia and Dashen Bank. Until recently, Dashen Bank was the only Ethiopian bank to distribute Mastercard, but in March 2014 Awash International Bank (AIB) announced a partnership with Mastercard International.

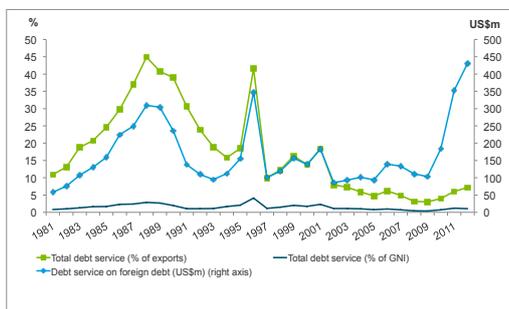


Figure 2: Debt service has increased but is sustainable



Figure 3: Exchange rate, foreign reserves and the current account

Inflation management

Banks in OECD countries typically use interest rates as a mechanism for managing inflation, price stability being their primary mandate. Capital markets in Ethiopia are still under development. This makes it difficult to use interest rates as a tool for managing inflation, which has reached double-digits in six years out of the last ten. Although the depreciation of the Birr has contributed to price spikes, the main driver has been food prices. Poor harvests lead to domestic food shortages, which in turn cause local prices to rise. At the same time, an increased need for food imports exposes consumers to volatile international food prices.

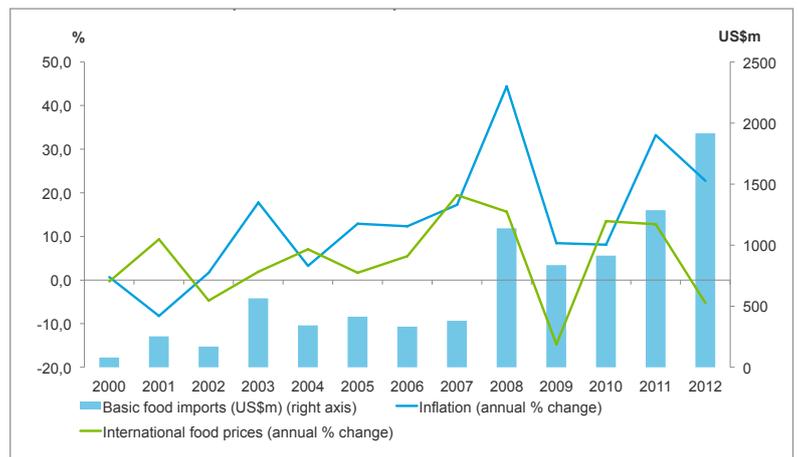


Figure 4: Food prices and food imports as inflation drivers



Changing structure of GDP

Dependence on agriculture has decreased significantly since the 1980s, falling from 56% to 46% of GDP. This still makes the sector far more dominant than is usual elsewhere in Sub-Saharan Africa. The change in structure has emerged due to the growth in services, driven by an increase in financial intermediation, public administration and retail trade, rather than the growth that was hoped for in industry and specifically manufacturing. As a result, more measures to support the growth of industry - and especially manufacturing - have been put in place and there are indications that manufacturing is beginning to expand, even though it is too early for the changes to be reflected in the national accounts^x.

The expansion of mining activity will also contribute to reducing Ethiopia's dependence on agriculture. In 2012 mining contributed 1.6% to GDP, and just under 10% to export revenues. The 2009/10 Growth and Transformation Plan aims to see this contribution increase to 10% of national output^x. Until recently, little had been invested in mapping the country's mineral resources, but the last decade has seen intensifying interest from global mining companies such as Vale, BHP Billiton and Petronas, to name but a few^{xi}. New investment has resulted in fresh discoveries of gold, tantalum and potash reserves. In 2008 that the government began exporting opals, of which Ethiopia is now the second largest producer in the world.

Ethiopia leverages its natural resource advantage by creating fertiliser industry
Ethiopia has the third largest potassium deposit in the world. A recent deal signed with Israeli Chemicals Limited (ICL) Africa will see the development of Ethiopian Allana Potash's Danakil deposit, expected to produce one million tonnes of potash per year. This will help to introduce the new fertiliser to farmers in Ethiopia, boosting yields, and introducing a new product for export. The Allana-ICL partnership has already invested US\$25 million of a planned US\$642 million total investment.

Agriculture's share of GDP has not altered much, but the composition of agricultural output has changed as dramatically as its overall value has increased. This growth has been achieved by expanding the area of land under cultivation rather than by increasing productivity, which remains low. It is a problem that could and should be addressed, and solving it is core to the current Growth and Transformation Plan. For instance, the use of fertiliser is still limited - even if imports of fertiliser increased from less than US\$50,000 in 2001 to nearly US\$630,000 in 2012 - and dependence on rain-fed agriculture is still high. The African Development Bank estimates that a 1% change in average annual rainfall results in a 0.3% change in GDP growth the following year, reflecting the impact that changes to farming techniques could have on the economy^{xii}.

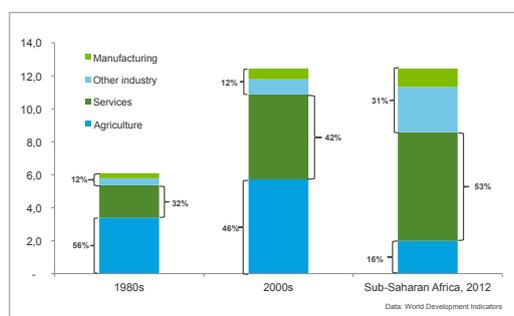


Figure 5: Evolution of the Ethiopian economy

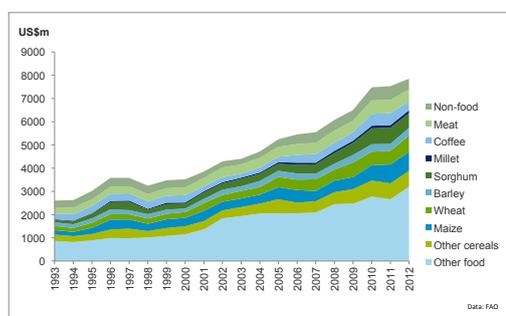


Figure 6: Evolution of agricultural output (US\$ million)

Changes in the composition of agricultural output are also reflected in the pattern of exports, which has seen the emergence of totally new categories in the top ten goods. For example, exports of cut flowers and fresh vegetables were practically non-existent in 2003 but figured in the top five exports by 2012, together making up one quarter of all exports. Although coffee is, for the moment, still the cornerstone of exports, its share of the total is gradually decreasing. The strategy of diversification and focus on comparative advantage are paying off. Over the same decade that has seen the Birr's value relative to the dollar halved, exports have expanded tenfold in US dollar terms.

Effective partnerships led to the birth of rose farming in Ethiopia, along with its twin - a functional cold chain

The Ethiopian flower industry simply did not exist until 2005. Today, Ethiopia is the world's second largest supplier of roses, which make up the lion's share of cut flower production - as well as 13% of exports, worth over US\$500 million in 2012, and still growing fast. The sector employs 85,000 workers (mainly women) on more than 100 farms.

The story of Ethiopia's roses illustrates how effective partnership between donors, the private sector and government can be. The Ethiopian government provided generous incentives to attract investors, made state-owned land available at affordable prices close to Bole International Airport, and initiated discussions between producers and Ethiopian Airlines, who leases cargo planes to the industry. The Dutch government provided private sector investment grants to partnerships between Dutch companies and Ethiopian producers, who had also formed the Ethiopia Horticultural Producers and Exporters Association (EHPEA) to promote the sector. The birth of Ethiopian rose farming has also served to generate a functional cold chain.



Investment in infrastructure

Over the last decade, investment in Ethiopia has ratcheted up and is now amongst the highest in the world, relative to GDP. This is entirely necessary, since it is estimated that the country needs to invest an average of US\$5.1bn per year in infrastructure alone for an entire decade in order to overcome existing constraints to development^{xiii}.

Investors come from a well-diversified set of countries^{xiv} and in 2012, foreign direct investment (FDI) overtook Overseas Development Assistance (ODA) for the first time. 2012 also saw the creation of two private equity funds specifically targeting Ethiopia for the first time^{xv}. Obtaining more investment from the private sector is crucial if the objectives laid out in the Growth and Development Plan are to be achieved, setting in motion a virtuous circle that stands to benefit investors, state and ordinary Ethiopians alike.

Investment comes from a well-diversified set of countries

Vegpro Group, a Kenyan firm that is partly backed by the International Finance Corporation (IFC), is said to be finalising a deal to lease and manage two packaging houses just south of Addis Ababa. Vegpro is one of the largest suppliers of food to supermarkets in Europe. The company will provide farmers with seeds and then collect produce for packaging and export after the harvest.

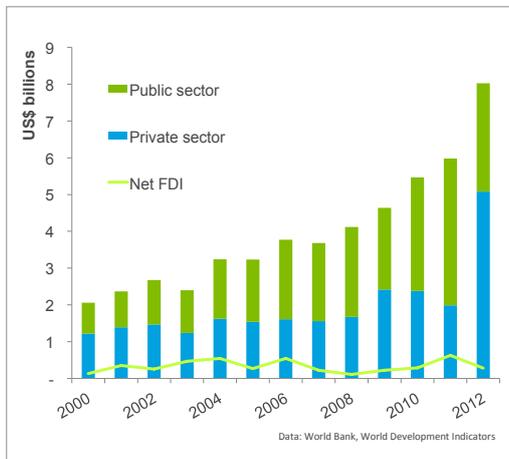


Figure 7: Gross fixed capital formation (US\$ billions)

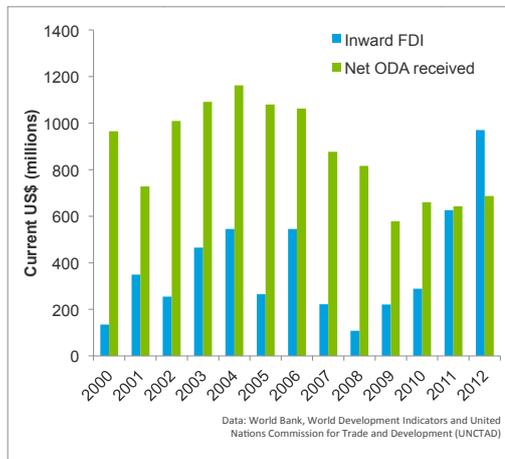


Figure 8: Foreign investment overtakes foreign aid

Creating new industries by integrating supply chains

Cotton production is not new to Ethiopia but this year will see the emergence of the country's first organic cotton farms, to supply the textile industry with the raw material it needs to satisfy European demand.

By sourcing its main input locally, AYCOOM Agricultural Development Plc - a joint venture between Ayka Addis Textile & Investment Group and Omo Valley Agricultural Development Plc - will stem Ayka's increasing need for foreign exchange to source organic cotton abroad. In 2013 alone, Ayka spent more than US\$3.5 million on imported organic cotton.

The new venture is expected to require an investment of about US\$40 million and will use state-owned land leased for a nominal fee.

Turkish firm Ethiopia relocated to Ethiopia in 2010 with an investment of US\$140 million. Its expansion plans go well beyond the new joint venture and are intended to nearly triple its export earnings from US\$56 million (just over half of all Ethiopian textile exports) in 2012/13. Ayka currently has five plants in the outskirts of Addis, and is building a new facility that will create 13,000 jobs. At present, the company has a permanent workforce of 7,500 - a significant share of the 40,000 workers employed in the entire Ethiopian textile industry.

Other Turkish textile manufacturers are expected to follow in Ayka's footsteps, while a number of South Korean textile companies are planning to set up operations in Boli Lemi industrial zone, which is under construction.

Light manufacturing leverages fine Ethiopian leather: a new shoe industry is born

Chinese Huajian Group started producing shoes for the US market in 2012. Its Ethiopian plant is based in Dukem, 30km south-west of the capital. The company produces shoes for brands such as Guess and Calvin Klein, and hopes to see its exports from Ethiopia reach US\$4 billion within ten years.

Hiroki Co. Ltd recently announced that it is setting up a US\$500 million manufacturing operation in Ethiopia, where it will produce shoes and other luxury accessories made from leather.

For the last seven years, the Japanese manufacturer has imported Ethiopian sheepskin to its factory in Beijing. Hiroki is already training Ethiopian workers at its Chinese plant, and has brought experts from Japan to train the rest of the staff in Ethiopia. The move to Ethiopia has been driven by the high quality of sheepskin.

Exports of leather, which were practically non-existent in 2003, were worth US\$23 million in 2012.

"Ethiopia is one of the most inspiring markets"

Diageo acquired Ethiopian brewery Meta a few years ago for US\$225 million and invested a further US\$50 million in the business, which is growing by more than 50% per year and employs over one hundred people. This growth is driven by the expanding consumer base as more and more people move out of poverty. And, like firms in other sectors, Diageo is sourcing its inputs from local sources, by working with over 1,000 farmers.

Policy: the developmental state

The primary goal of the Ethiopian government is to eradicate poverty by delivering economic growth and transforming the structure of the economy. To this end, the government has developed three successive blueprints that have been implemented with varying degrees of success:

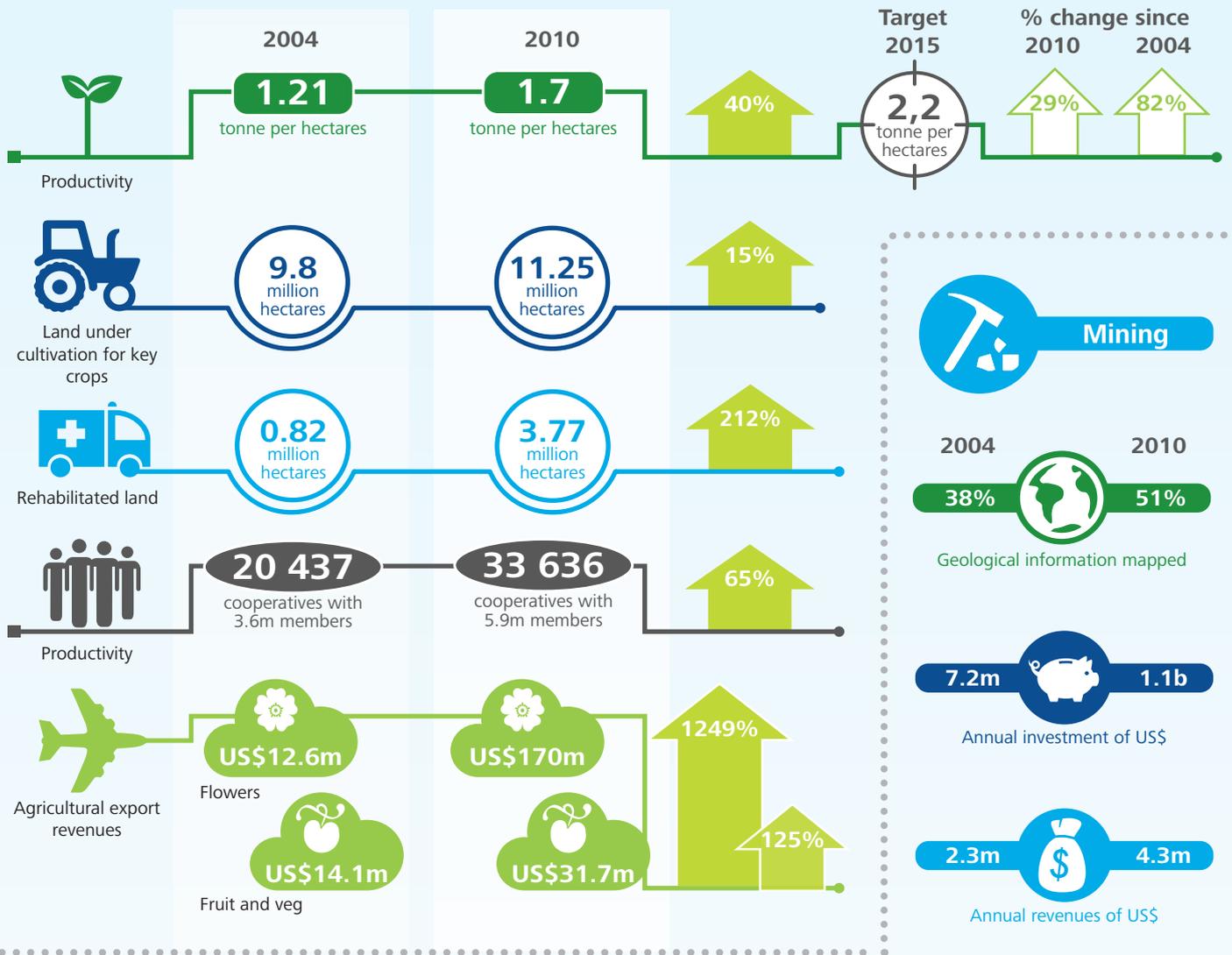
- The Sustainable Development and Poverty Reduction Program (SDPRP), implemented from 2002/03 to 2004/05
- The Plan for Accelerated and Sustained Development to End Poverty (PASDEP), implemented from 2005/06 to 2009/10
- The Growth and Transformation Plan (GTP), covering 2010/11 to 2014/15^{xvi}

Earlier reform programmes implemented in 1990s focused on rehabilitating and reconstructing the economy in the wake of the long civil war, and incorporated both macroeconomic and structural reforms. These took account of the fact that Ethiopia had a centrally controlled economy with a very limited private sector and a severely under-resourced public service^{xvii}. The plans implemented since 2002 have built on the progress made in previous years and also benefited from the debt relief obtained by virtue of Ethiopia reaching completion point in the enhanced Highly Indebted Poor Countries' (HIPC) programme. The total debt relief amounted to just under US\$2 billion, spread over 17 years from 2004 to 2021^{xviii}.

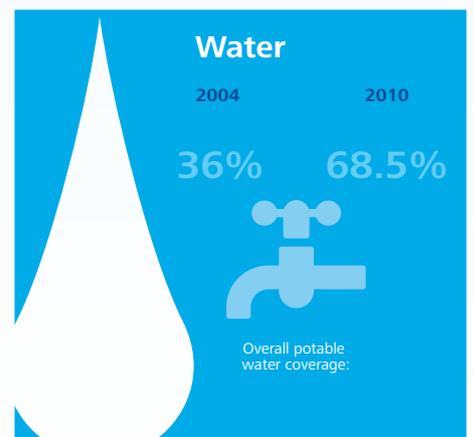
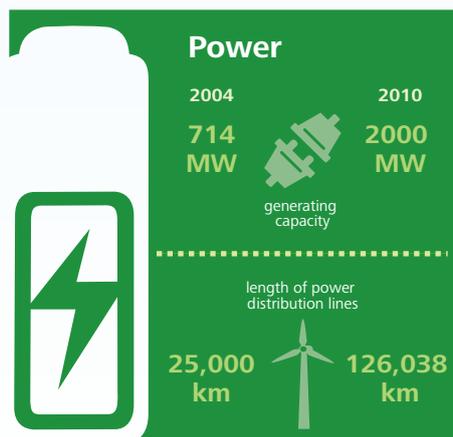
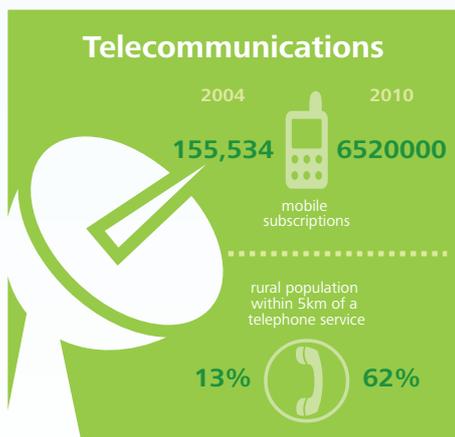
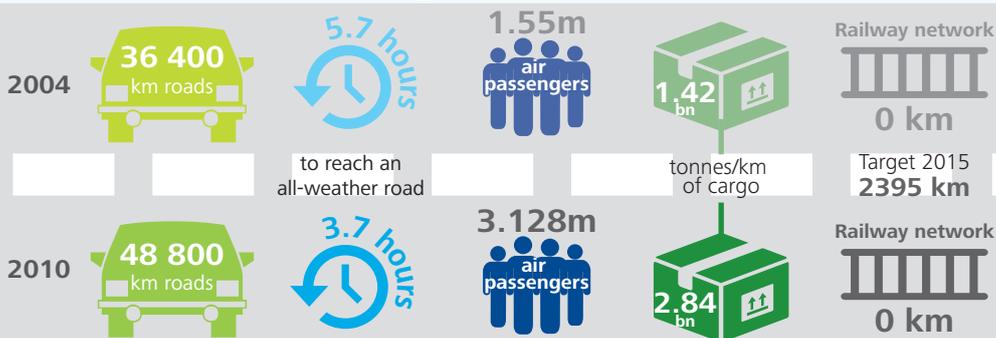
Ethiopia's achievements in the economic sphere are all the more impressive when considered alongside the ground covered with respect to human development indicators - such as poverty reduction, health and education - and infrastructure improvements, including "institutional" infrastructure or governance.



Agriculture and rural development in Ethiopia



Transport infrastructure



Poverty reduction

In 1995, around 35 million Ethiopians - or just over 60% of the population - were living in extreme poverty at the international threshold of \$1.25 per day at purchasing power parity (PPP). Dire though this situation was, it was a fate shared by many more millions of people in developing Sub-Saharan Africa, where the incidence of extreme poverty obscured the existence of around 58% of the population.

By 2011, Ethiopia had succeeded in halving the incidence of poverty, using the same measure, despite having seen the population swell from 57 million to 83 million.

The poverty gap is a measure used to indicate the average percentage shortfall in income for people living in poverty. On this basis too, Ethiopia has made enormous strides, narrowing the gap from 21% in 1995 to just 8% by 2011, with most of the gains having been made in the last ten years. Over the same period, the poverty gap in developing Sub-Saharan Africa decreased only slightly, from 26% to 21%^{xix}.

Ethiopia has the second largest population in Africa, after Nigeria. Along with the country's economic growth record, the tremendous gains made in reducing poverty are attracting the attention of international consumer goods companies, drawn by the sheer size of this market.

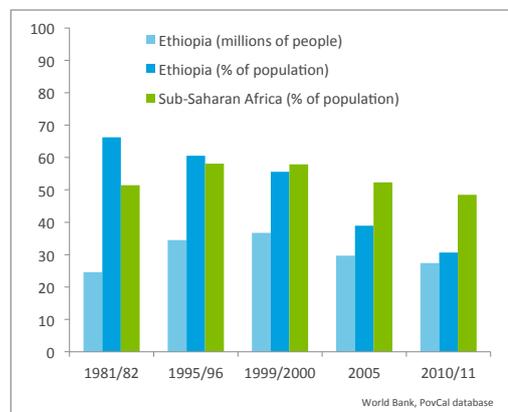


Figure 10: People living on less than \$1.25 per day at PPP



Health and education

Although Ethiopia's rank in the Human Development Index is still one of the lowest in the world, it has made significant gains in terms of key health indicators. These are summarised in the table below and were achieved by implementing a health extension strategy under the PASDEP plan, which saw over 33,000 health extension workers trained and deployed in rural health centres that grew in number from 4,211 in 2004/05 to 14,416 by 2009/10. 32 new public hospitals were built over the same period, bringing the total number to 111. Although these achievements are impressive, when measured as a proportion of the population it is clear that much more remains to be done.

Outcomes with respect to education are less clear. The number of pupils in primary education doubled between 2002 and 2012, and increased by 179% in secondary education. But proportionately fewer students actually complete primary school and the ratio of pupils to teachers - an indicator of the quality of education - has worsened. This has happened despite consistent investment into training more teachers, suggesting that, once trained, teachers might be attracted away from education to other sectors, a problem that is not peculiar to Ethiopia by any means.

With respect to higher education, both the number of graduates and the number of institutions have increased: by 2009/10 there were 200,000 students in total (including those enrolled in both undergraduates and post-graduate courses). By way of comparison, this is proportionately twice the number enrolled in universities in Kenya in 2012^{xx}.

Indicator	Measure	1992	2002	2012
Life expectancy at birth ²	Years	48	54	62
Under 5 mortality rate ²	Per 1,000 live births	194.5	133.1	68.3
Infant mortality rate ²	Per 1,000 live births	116.1	83	46.5
Children (1 year) immunised against measles ²	%	12	30	57
TB deaths per year (mid-point) ²	Per 100,000 population	42	37	18
Prevalence of HIV ¹	% of population ages 15-49	2.0	3.4	1.3
Health expenditure per capita PPP ²	Constant 2005 international \$	n.a.	23.93	51.96

Notes: 1 World Bank World Development Indicators; 2 Millennium Development Goals Indicators; n.a. = not available

Table 1: Selected health indicators

Indicator	Measure	1992	2002	2012
No. of teachers in primary ¹	thousands	68.4	259.6	270.4
No. of teachers in secondary ¹	thousands	23.7	n.a.	122.2
No. of pupils in primary ¹	millions	2.1	7.2	14.5
No. of pupils in secondary ¹	millions	0.8	1.7	4.9
Pupil:teacher ratio in primary	units	30	n.a.	54
Pupil:teacher ratio in secondary	units	33	n.a.	40
Pupils starting grade 1 who reach last grade of primary ²	%	233	51	414
Education expenditure ²	Current US\$m	283	182	8705

Notes: 1 World Bank World Development Indicators; 2 Millennium Development Goals Indicators; n.a. = not available.

Table 2: Selected education indicators

Infrastructure improvements

“In recent years, Ethiopia has made significant progress in infrastructure, and its infrastructure indicators compare relatively well with low-income country peers. The country developed Ethiopia Airlines (now one of the three main African airlines) and associated regional air transport hubs. It has launched an ambitious investment program to upgrade its network of trunk roads and is establishing a modern funding mechanism for road maintenance. Access to water and sanitation is expanding rapidly (from a very low base) thanks to judicious concentration on intermediate options such as traditional latrines, wells, boreholes and standposts.”

- Africa Infrastructure Country Diagnostic

Although only 23% of Ethiopians had access to grid electricity in 2010^{xxi}, power production has increased steadily over the last ten years and is almost exclusively sourced from clean energy in the form of hydropower stations^{xxii}. Ethiopia has the second largest hydropower potential in Africa, after the Democratic Republic of the Congo and is already starting to implement its goal of becoming a major exporter of electricity in the region. Net potential exports could reach 26.3 TWh per year, bringing in US\$m 263, which is equivalent to about 2% of GDP^{xxiii}. The investment needed to make this happen is being sourced through a variety of channels including domestic bonds and foreign investment from the private sector^{xxiv}. New hydroplants constructed in the last ten years include Tekeze (300 MW, completed in 2009)^{xxv}, Gilgel Gibe II (420 MW)^{xxvi} and Tana Belese (460 MW)^{xxvii}. Completion of the Grand Renaissance Dam will see the existing capacity of 2,000 MW quadruple, changing the face of East African power infrastructure forever.

Improved access to water and water storage has been achieved by implementing a range of solutions, from rain-water harvesting to hand-dug wells to large-scale irrigation schemes^{xxviii}. The housing stock has been increased, with 213,000 units built during the PASDEP period, leading to new enterprise and job creation. The expansion of the construction industry has seen imports of inputs (capital goods and materials) increase pending the development of domestic supply. Until 2010, investment in roads - equivalent to around 3% of GDP per year - focused on upgrading and rehabilitating the trunk road system. However, only 10% of Ethiopia’s rural population live within two kilometres of an all-weather road, a serious challenge considering that 76% of the total population lives in rural areas. Solving this problem completely would require tripling the length of the road network, and so the strategy is to prioritise areas with high agricultural potential in order to improve food security^{xxix}. However, the construction of a 5,000km-long railway network is now being implemented by the Ethiopian Railways Corporation. Although the immediate priority is to get the line between Addis Ababa and Djibouti Port up and running - an achievement that will slash the current cost of international freight - ultimately the network is expected to reach every corner of the country^{xxx}.

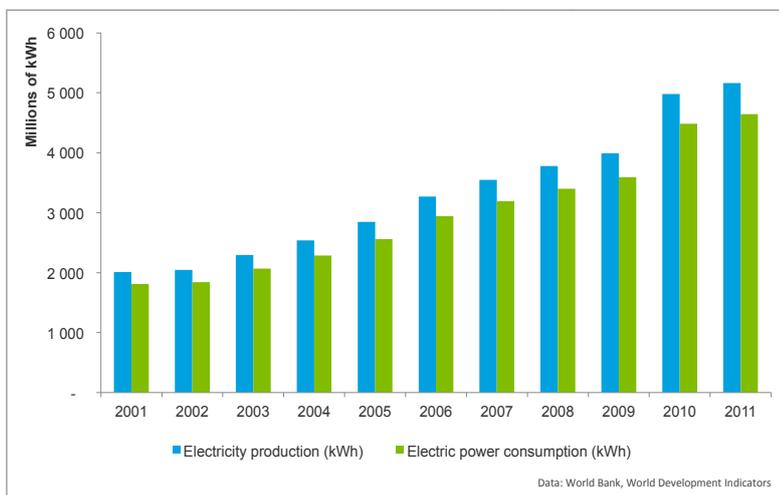


Figure 11: Electricity supply and demand

Road construction leads to new manufacturing plant

Israeli firm AnyWay Solid Environmental Solution first participated in a road building project in Ethiopia seven years ago. The company produces an environmentally-friendly chemical product used to convert poor quality soil into a strong impermeable layer. Stabilised earth block construction is also used as an innovative, cost-effective method for building low-cost housing.

As Anyway’s business in Ethiopia expanded, they reached the conclusion that they needed to produce their product locally, and have set the wheels in motion to establish a manufacturing plant that they hope will enter production later this year.

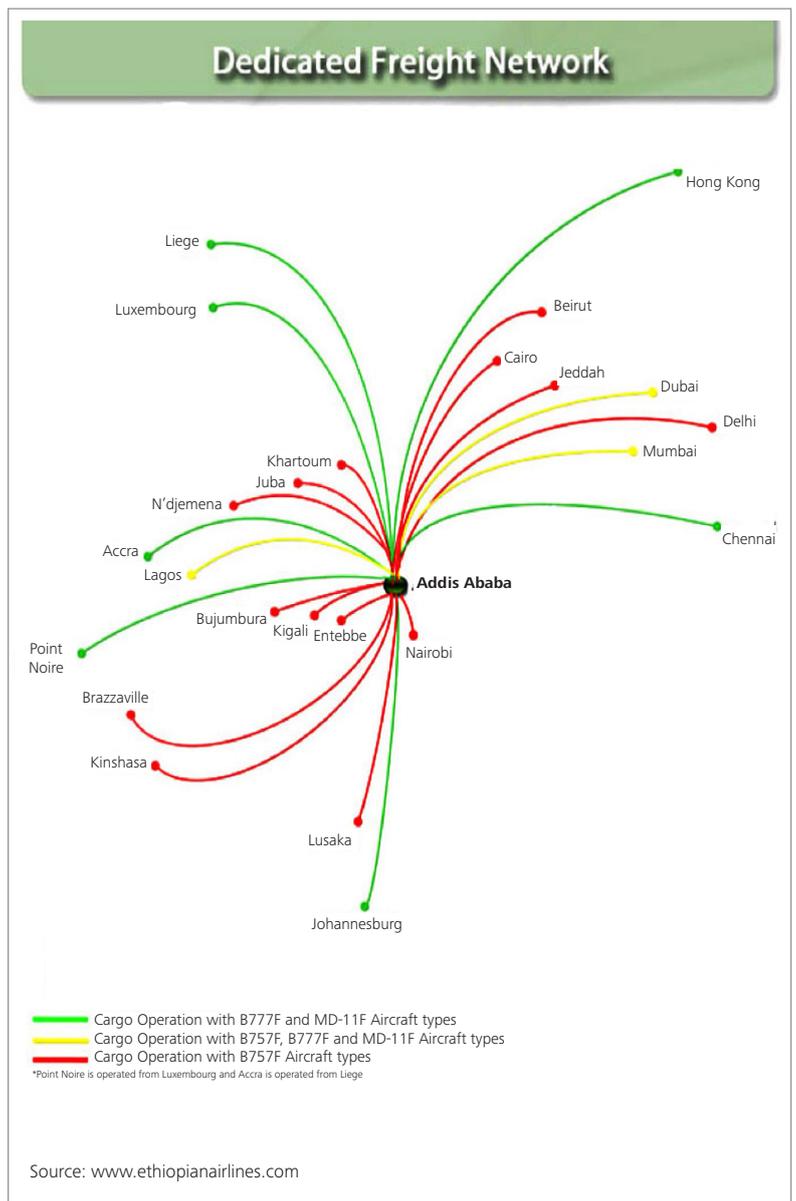
The transformation of Addis Ababa into a regional hub for air transportation, through the upgrading of Bole International Airport and launch of Ethiopian Airlines has been a major success for Ethiopia. The airline is now one of the top three in Africa and is expanding fast.

Ethiopian Airlines - growing by 25% per year

Founded in 1945, Ethiopian Airlines is one of Africa's big success stories and has won numerous international awards over the years, including repeated recognition as the best airline in Africa. In 2011, it became the third African member of Star Alliance after EgyptAir and South African Airways and currently has code-share agreements with 15 other international airlines, as well as strategic partnerships with West African ASKY airlines and Malawi Airlines, as part of its plan to create multiple hubs in the region.

Ethiopian Airlines has grown rapidly over the last ten years and provides a valuable underpinning to the expansion of Ethiopian international trade and relations, acting as a catalyst to Addis Ababa's emergence as a regional and even global hub. As well as services to 17 domestic destinations, the airline now offers flights to 80 international destinations, the most recent addition being Shanghai.

Since 2003, the number of passengers has quadrupled, increasing from 1.12m to 4.64m. Cargo has grown even more, reaching 181,000 tonnes in 2012, up from just 36,000 tonnes in 2003. The fleet has been modernised and has also increased from 29 a decade ago to 62 by 2014. A further 33 aircraft - including 8 Boeing Dreamliners - are on order.



Addis as a hub

Addis Ababa has emerged as a regional hub and is home to key international organisations. The African Union (AU), set up as a successor to the Organisation of African Unity in 1999, has its headquarters in Addis Ababa, which hosts the heads of 54 member states at the annual summit, with permanent staff residing in the Ethiopian capital year-round. The new AU headquarters, a US\$200m gift from the Chinese government inaugurated in January 2012, dominates the skyline of the city and serves as a reminder of China's expanding influence on the African continent^{xxxii}. It also serves as a counterpoint to the headquarters of the United Nations Economic Commission for Africa, set up in 1961. Both organisations help to ensure that Addis is firmly entrenched as a continental - and international - meeting place.

Prestigious private jet services land in Addis

Houston-based Universal Weather and Aviation Inc. plans to open an office in Ethiopia in May 2014, driven by demand for its services by high level clients. The company, which has been in business for fifty years, has organised travel to Ethiopia for dignitaries such as Condoleezza Rice and former US president George Bush, as well as the Pfizer management team and Strive Masiyiwa, founder of Econet Wireless.



UNECA headquarters in Addis

Source: <http://www.africanmedialeadersforum.org>



New African Union headquarters in Addis

Photo by: Dereje Belachew - www.500px.com

International relations

Ethiopia's position in the troubled Horn of Africa region gives it a particular strategic advantage with the United States, which views it as a key ally. At the same time, Chinese influence has strengthened over the years, with increasing trade and extensive aid. Chinese companies have invested in infrastructure projects but also in light manufacturing, focusing on sectors that are being prioritised by the Ethiopian government, such as leather and textiles.

Ties with most of Ethiopia's neighbours have strengthened too, thanks to the country's participation in multilateral organisations such as the Amisom peacekeeping mission in Somalia and the proposed African Mechanism for Police Co operation^{xxxii}. Crossborder infrastructure programmes have also served to strengthen links. These include a water pipeline to Djibouti as well as the implementation of Ethiopia's hydropower potential, which will feed into a regional power pool. But the dam-building programme presents some challenges, particularly due to the strain put on relations with Egypt given the challenge to riparian rights to the Nile that is embodied in the development of the Grand Renaissance Dam. Relations with Eritrea remain at an impasse, but are broadly stable.



Prospects

The significant gains that Ethiopia has made over the last fifteen years - in terms of macroeconomic stability, growth, the development of hard and soft infrastructure, reducing poverty and improving the quality of life of ordinary Ethiopians - have contributed to creating the enabling environment that business - whether domestically-owned or foreign - needs to thrive and prosper. This environment is still a work in progress, and the investments planned in the framework of the current Growth and Transformation Plan (2010/11-2014/15) are designed to stimulate further success, while in many cases they embody business opportunities.

Meanwhile, investors from a wide range of countries have already set up operations spanning a variety of sectors. Some of these investments have already changed the structure of Ethiopian exports; others will gradually change the very structure of the economy, as the manufacturing sector matures.

Ethiopia's growth "miracle" has been less a miracle than the result of persistence and dogged determination to address poverty in measurable and meaningful ways: by creating the hard and soft infrastructure that will enable business success, by playing better to the country's comparative advantages in trade, and by ensuring both political and macroeconomic stability. In short, the factors underlying Ethiopia's stellar growth record have been simple, but setting them in place represents an extraordinary achievement.



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Annexure 1: Notes and references

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- viii Office of the United States Trade Representative http://www.ustr.gov/sites/default/files/Ethiopia_0.pdf
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- xxii World Bank, World Development Indicators
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