THE RISE AND RISE OF ETHIOPIA

By Hana Alemaw

As we heard recently the CIA World Fact book reported, Ethiopia has now become the 7th biggest economy in Africa and the 69th biggest economy in the world with a 118.2 billion USD GDP PPP (Purchasing Power Parity) for 2013.

That is over 9 billion USD growth from the previous year's and was hailed as a remarkable annual growth particularly for an economy without oil, gas, or any significant minerals and much ahead of many notable countries including Tunisia, Uzbekistan, Bulgaria, Burma, and Dominican Republic.

As the Permanent Secretary for the UK's Department for International Development (DfID), Mark Lowcock, recently expounded Ethiopia's development over the past decade and its double digit growth as "impressive" and pointed to the commitment and clarity of vision as an important foundation for the country's economic success.

Indeed, The Government has repeatedly asserted that development, particularly poverty reduction, is the primary agenda of the state. The provision of basic services, expansion of infrastructures and increasing productivity are all geared toward achievement of the country's developmental objectives. The impressive economic and social progress achieved over the past decade is compelling evidence of the success of these effective and pragmatic policies.

Similarly, the CIA World Factbook underlined: "Once again, the right policies outlined by the government and the ruling party are proven to be working. The credit for such sustainable high growth rate goes to all hard working public servants, specifically, to the late Premier Meles Zenawi, who was the architect of the economic reforms."

This fact is verified by several scholarly works and reputed international economic analyses. For example, the Commission for Growth and Development established by the World Bank reviewed and assessed thirteen economies that demonstrated sustained and transformational growth and set out the features they shared. The growth models had some common elements: strategic integration with the world economy; macroeconomic stability; focus on the future; importance of property rights; and government capacity and commitment to growth.

Ethiopia's socio-economic development track displays all these elements and more. What sets the Ethiopian experience apart from similar fast-growing economies around the world has been the unparalleled policy focus on pro-poor development and the mobilization of the large part of public expenditure towards the provision of basic services and investment that aims to decrease the economic vulnerability of previously marginalized sections of society.

The growth of the Ethiopian economy is as broad-based as it is pro-poor, and its phenomenal development has not neglected, nor sidelined, the majority the population. This sustained double-digit growth has been instrumental in lifting out millions of citizens out of poverty and increasing the productivity of households across the country. This achievement is the result of making poverty reduction and sustainability the central focus of the country's development, and this will remain at the core of Ethiopia's economic growth.

The best demonstration of the Government's commitment to this is that pro-poor spending has accounted for almost 70% of government expenditure during the GTP period to date. The deliberate focus of policy on pro-poor strategies is paying off: Ethiopia is now one of the handful countries on course to meet almost all the Millennium Development Goals.

As a review of the three years progress of the Growth and Transformation Plan shows, Ethiopia is on the right-track with prudent macro-economic policies, poverty reduction, structural transformation, among others. In the previous fiscal year, the economy continued its impressive growth, maintaining a robust GDP growth rate at 9.7 % making it "rapid, broad-based and well above the average growth rate of about 5% registered by Sub-Saharan African countries for the same period."

The GDP growth was also in line with the structural changes aimed by the GTP. That is transforming the structure of the economy from its agrarian base to an industrial one, The sector specific breakdown of the GDP growth demonstrates that aspect of the growth track.

The industry sector has registered an outstanding 18.5 % growth rate, while agriculture and services grew at 7.1% and 9.9% respectively. As a result of this, the sector's share of GDP came to 12.4% in 2012/2013, showing a steady increase from the 10.3% it had in 2009/2010, while agriculture decreased to 42.9% from its relatively high level of 46.5% earlier.

One of the GTP's directions in the industry sector is building a manufacturing base mainly through the development of micro and small scale enterprises. That has delivered remarkable qualitative changes besides substantial success in terms of generating employment opportunities. In 2012/2013 alone, more than two million jobs were created.

The GTP's objectives of pro-poor and sustained growth give emphasis to the agricultural sector, as it is the major source of growth and employs 80% of the labor force.

As a result, in the last fiscal year, Ethiopia registered a 10 percent increase in crop production. The Central Statistical Agency (CSA) report also stated that 254 million quintal yield is expected this fiscal year from 12 million hectares of land. This will be a 23 million quintal increase on last year's produce on almost the same amount of land.

This remarkable progress is a result of sustained effort. One of them is the level of irrigated land. In 1992, out of the 5.3 million hectares of land suitable for irrigation, only 61,000 hectares were cultivated. That number has since risen all-too-slowly up to 127,242 hectares in 2010. When all the current projects under the GTP are completed, the total area of land under irrigation is expected to reach more than 785,500 hectares.

This will boost the productivity of small-scale farm-holders, which is already registering sustained increases. Irrigation development projects like the Qoga Irrigation and Water

Shed Management Project in Megech Woreda of the Amhara Regional State aim at further strengthening the rural development gains achieved so far. The Qoga Project, for example, is expected to advance real accomplishments in poverty reduction and food security for more than 14,000 farming households.

Another initiative under the Growth and Transformation Plan is the Meki-Zway Pressurized Irrigation Development Project. This project, which is under construction in the East Shoa Zone of the Oromia Regional State, will play a key role in increasing food productivity in the zone and in attaining an improved water conservation rate for the watershed. Other irrigation projects expected to significantly advance the overall productivity are the Rib Irrigation and Drainage Project, which will benefit 40,000 farmers, the Raya Valley Pressurized Irrigation Development Project, for another 10,000 farmers, and the Gidabo and Billate Irrigation Project, which will benefit 16,000 farmers.

It should be emphasized, however, that the irrigation strategy defined in the Plan is not, limited to modernizing household farming; it also includes developing large-scale cultivation of arable and irrigable lands. In line with its policy of modernizing the agriculture sector in order to increase agriculture productivity and build the base for agro-processing and related industries, the Government has made 3.6 million hectares of arable land available for investors. This available land is intended for commercial farm investment, to cover such crops as cotton, palm trees, sugarcane, coffee plantations and similar primary products. So far, about 450,000 hectares of land has been provided to private investors.

With the completion of a number of major irrigation projects now in their final stages, the country is set to increase its cotton growing area from approximately 40,000 hectares to nearly 3 million hectares by the end of the Plan period in 2015. In line with that, the Growth and Transformation Plan aims to increase the annual sugar production from its current volume of 300,000 tons to 2.25 million by the end of the Plan's period, in 2015. Out of this amount, some 1.2 million tons is expected to be sold for export. The sugar development strategy also intends to increase the annual production of ethanol from the existing quantity of 14,500 cubic meters to more than 181,000 cubic meters by the end of the period. In order to achieve these goals, the government has embarked on an ambitious project of building 12 new sugar factories, including the massive Tendaho Sugar Development Project, and expanding the two older factories at Wonji-Shoa and Fincha.

Ethiopia's sugar development strategy is a perfect example of an integrated development initiative. It will cultivate 200,000 hectares of previously undeveloped land through irrigation and will, at completion, create more than 200,000 jobs.

Another aspect of the strategy deals with energy. The sugar factories will not only be self-sufficient in energy consumption but will also contribute a significant amount of electric power to the national grid. The Tendaho Project alone is expected to produce 120mw of electric power and feed 90 MW to the national grid by the time its second phase is complete.

Overall, the sugar projects now underway are expected to make Ethiopia one of the world's top ten sugar producing countries. The Tendaho sugar factory, the largest sugar factory under construction, would have the capacity to crush 13,000 tons of sugar cane a day in the first phase of the project. It is expected to be completed and go operational within a few months. The factory will ultimately attain a production capacity of 619, 000 tons a year, utilizing sugar cane planted on 10,500 hectares

Five of the ten new sugar factories, which are being constructed in the South Nations Nationalities and Peoples Regional State, are expected to utilize sugar cane grown over a total 175,000 hectares. Three of these factories will each have the capacity to crush 12,000 tons of sugar cane a day, and the other two will crush 24,000 tons a day. The Kuraz 1 factory, whose construction has now started, will go operational at the end of 2014. Elsewhere, the Tana Beles Sugar Project, which includes 3 factories and a capacity for crushing 12,000 tons of sugar cane a day, is being implemented in the Benishangul and Amhara Regional States of Ethiopia. With 45% and 39% completion of the civil construction and manufacturing plant assemblies, the two factories are expected to be operational by the middle of 2014. The Wolkait Sugar Development Project, which is located in Tigray Regional State, will have the capacity to crush 24,000 tons of sugar cane a day drawn from 50,000 hectares.

As contemporary economic history recommends a high rate of savings and a higher rate of investment demonstrate a country's focus on the future. The development experience of East Asian countries underlines this basic economic tenet. As one observer recently pointed out, seen from this perspective the prospects for Ethiopia's future economic growth are largely positive. Although the current saving levels are lower than those achieved by East Asian countries' at a similar economic stage, the saving rate in Ethiopia has shown constant growth. This provides a meaningful addition to an already strong investment growth rate.

The GTP is on track on this aspect. The government took significant measures to increase the level of domestic savings, as a higher rate of saving is essential to boost investment and these efforts have more than tripled, from 5.2% of GDP in 2009/2010 to 17.7% in 2012/2013. The rate of domestic investment, which to a certain extent mirrors rates of domestic savings, also showed a significant increase from 24.7% in 2009/2010 to 33% in 2012/2013. This was said to be relatively high compared to countries at similar stage of development with Ethiopia.

During the last fiscal year, the GTP had also registered a notable increase in the administration of public finance in several areas. While gross expenditure for the year 2012/2013 was 153.9 billion birr, the total government revenue amounted to 137.2 billion birr. These figures underline the fast growth of the economy, but more importantly, they also demonstrate a striking improvement in the composition of government revenue. Out of the total government revenue received for the year under review, 91%, amounting to some 124 billion birr, was sourced from the domestic economy. Out of this, tax revenue accounted for an impressive 107 billion birr, covering 78% of total government revenue.

Another major element of the GTP is infrastructure development. The construction of the Grand Ethiopian Renaissance Dam progressed to 32%), while the Gilgel Gibe-III reached 77%. Electricity coverage reached 53.5% up from the low level of 41% in 2009/2010.

The government managed to build more than 85,000 Kms, by 2012/2013, which is a huge leap from 26,550Kms in 1996/97. Of all types of road in place, asphalt roads were only 3,542 Kms long of in 1991/92, which is now 11, 301 Kms. The expansion has significantly decreased the time it takes to reach an all-weather road across the country to an average of 2.4 hours and equally increased accessibility to roads throughout the country. By the mid-term of the GTP period, the proportion of roads in good condition had also increased to 87% of the total road network. This, in fact, already surpassed the final target set for the end of the Plan in 2014/15.

Indeed, the ambitious road expansion initiative of the GTP can be credited with providing employment opportunities for more than 50,000 people; and even by 2011/2012 those jobs had generated more than 1.5 billion birr of income for those employees.

While the long-term target is defined as the construction of nearly 5000 Kms of railway across the nation, more than 2,400 Kms of the railway network are expected to be completed within the GTP period. Among the projects laid down for this period is the rail line to connect Addis Ababa with Djibouti, the central part of the rail network linking central Ethiopia with the most important port outlet for the country. The Addis-Djibouti line, extending more than 600 Kms, is also an example of regional collaboration as it is being undertaken by the Governments of both Ethiopia and Djibouti. The line, with 20% of its construction now complete, will, of course, provide significant economic benefits once operational, halving travel time between the two countries and providing substantial transport capacity from and to the port of Djibouti.

The railway transport infrastructure planned for the GTP also includes the Addis Ababa Light Rail Transit Project. Intended to provide a modern, fast and convenient mass transport system that can accommodate the demands of a booming capital city, the Light Rail Project covers a total of 34.25 Kms on a north-south and an east-west axis. The double-track system, with 43 % of the work currently complete, will significantly improve transport services for the growing population of the city and contribute to its rapid modernization.

The Growth and Transformation Plan also emphasized the significance of the private sector's and its contribution to the rapid growth of the economy. Hence, private investment, principally in manufacturing and commercial farming has been encouraged and the fundamentals further enhanced over the last two years. Domestic trade and services have realized a great deal of private sector investment over the years and is currently the largest sector in Ethiopia surpassing agriculture. Overall, the contribution of the private sector in the economy has been steadily growing.

Ethiopia's economic revival is primarily the result of a set of policies designed to attain results on several fronts, from infrastructure to education, from energy to urban development, from health to agricultural productivity. All these areas have seen momentous developments, translating into across the board transformation.