

WITH FUNDING FROM
AUSTRIAN
DEVELOPMENT
COOPERATION

Berlin Institute  for Population
and Development

KFW DEG

GfK Verein

From Land of Famine to Land of Hope

Will Ethiopia Become a Model
for an African Upswing?



still widespread +++ protests show dissatisfaction +++ better education - but too few perspectives +++ gradual structural change +++ declining fe
k +++ climate change threatens food security +++ industrialisation through foreign investment +++ construction boom beyond the capital +++ resta

About the Berlin Institute

The Berlin Institute for Population and Development is an independent think tank investigating issues related to regional and global demographic change. The Institute was founded in 2000 as a non-profit foundation. Its mission is to raise awareness about demographic change, promote sustainable development, introduce new ideas into the political debate and develop concepts to solve demographic and development problems.

The Berlin Institute carries out studies, pens discussion and background papers and prepares scholarly information for the political decision-making process.

For further information or to subscribe to our free regular newsletter "Demos" (in German), you may visit www.berlin-institut.org.

Support the independent work of the Berlin Institute

The Berlin Institute receives no public funding. Its successful work is made possible by project grants, research commissions, donations and endowments. The Berlin Institute is a registered charity. Donations and endowments are tax-deductible.

The Friends of the Berlin Institute is a sponsor group which brings together interested and committed private individuals, companies and foundations who are willing to support the Berlin Institute with ideas and money. You can find out more about the Friends of the Berlin Institute under <http://www.berlin-institut.org/foerderkreis-des-berlin-instituts.html>

Bank transfers should be made to:
Bankhaus Hallbaum
IBAN DE50 2506 0180 0020 2864 07
BIC/SWIFT HALLDE2H

Contact:
Berlin Institute for Population and Development
Schillerstraße 59
10627 Berlin
Phone: +49-30-22 32 48 45
Fax: +49-30-22 32 48 46
E-Mail: info@berlin-institut.org



From Land of Famine to Land of Hope

Will Ethiopia Become a Model
for an African Upswing?

Imprint

September 2018

© Berlin Institute for Population and Development

This work is protected by copyright. All rights reserved.

Published by the

Berlin Institute for Population and Development

Schillerstraße 59

10627 Berlin

Phone: (030) 22 32 48 45

Fax: (030) 22 32 48 46

E-Mail: info@berlin-institut.org

www.berlin-institut.org

You can find the Berlin Institute on Facebook and on Twitter (@berlin_institut).

Translation: Tradukas GbR

Consulting: Tanja Kiziak

Editing: Jennifer Grundwald, Tanja Kiziak

Research assistance: Ruth Müller, Daniel Hegemann, Philipp Mayr, Laura Thomale

Design and Layout: Jörg Scholz (www.traktorimnetz.de)

Printing: Laserline Berlin

Some thematic maps have been created with the programme EasyMap supplied by Lutum+Tappert DV-Beratung GmbH, Bonn.

ISBN: 978-3-946332-44-2

The authors:

Alisa Kaps, 1991, Master of Science in Economic and Social Geography at the University of Salzburg. Researcher at the Berlin Institute for Population and Development.

Alexandra Reinig, 1989, Master of Arts in Sociology at the University of Bielefeld. Researcher at the Berlin Institute for Population and Development.

Dr. Reiner Klingholz, 1953, Doctorate from the Department of Chemistry at the University of Hamburg. Director of the Berlin Institute for Population and Development.

CONTENTS

CAN A POOR COUNTRY SERVE AS A MODEL?	4
THE KEY POINTS	6
1. HEAVYWEIGHT IN THE HORN OF AFRICA	8
2. ETHIOPIA'S DEVELOPMENT PATH – THE STORY SO FAR.....	18
3. A LOOK INTO THE FUTURE – THE DIRECTION IN WHICH ETHIOPIA COULD DEVELOP	50
4. BEACON OF HOPE OR TINDERBOX?	58
FOOTNOTES AND SOURCES	66

The Berlin Institute would like to thank the Austrian Development Agency (ADA) for funding the project with funds from the Austrian Development Cooperation, as well as the DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH and the GfK Verein for financial support.

Special thanks to those who have made themselves available as informants and discussion partners as part of an expert workshop and a research trip to Ethiopia. For the constructive comments on the manuscript we thank Dirk Hoekstra and Prof. Dr. Wolfgang Lutz.

CAN A POOR COUNTRY SERVE AS A MODEL?

In Germany demographic change sometimes carries the stigma of doom. Yet in reality it represents a human success story. Declining fertility rates and rising life expectancy have caused societies to grow older and prevented the population from growing of its own accord. All this has happened because people are achieving an ever higher standard of living. For with growing wealth, improved education, better health and more leeway for people to plan their own lives, the desire for large families has declined everywhere in the world. Thus, no developed country in the world (with the exception of Israel) has a birth rate that enables the population to remain stable without immigration.

Development and declining fertility go hand in hand

High fertility rates can be found today only in countries where hunger and poverty are still widespread, where people die early and where education is accessible only for a limited segment of the population. This is particularly the case in parts of West Asia, the Middle East and sub-Saharan Africa. There, economic growth barely keeps pace

with population growth, so that there has been no per capita increase in wealth for decades. In this respect declining fertility rates, especially for countries that have just begun their socio-economic development, are a sign that they are on the right track.

So if a country like Ethiopia, which has long been synonymous with poverty, underdevelopment, hunger and conflict, embarks on such a path, it is worth asking how it managed to do this, what factors and interventions are behind this development and which actors are responsible. And the question arises as to whether such a path can serve as a model for other countries still trapped in the cycle of persistent poverty and high population growth. This study sets out to answer these questions, at least in part.

In Ethiopia the average number of children per woman has dropped in the past two decades from around seven to about four. In other words, from a very high level, observable only under the worst development conditions, to a level that, though still high, at least gives grounds for hope that it will continue to decline. The

rate of decrease is impressive: after all, there is no other country in sub-Saharan Africa where child numbers have fallen as fast in absolute terms during this period as in Ethiopia.

Government is on the right track

There must be reasons for this decline in the fertility rate that are traceable to positive developments in the country. And, indeed, it is precisely those indicators that the textbooks say lead to lower fertility rates that have improved in Ethiopia: the government has upgraded the healthcare system so successfully that today only 68 out of 1,000 children die before they reach the age of five – compared with 212 in 1990. Experience has shown that a decline in child mortality is a prerequisite for parents not to want so many children. The number of schools has increased by a factor of 25 in less than 20 years; and, moreover, today most girls can expect to be able to go to school – a development that cannot necessarily be taken for granted.

In the period from 2004 to 2016, Ethiopia recorded the highest economic growth in sub-Saharan Africa, and life expectancy –

When growth becomes dangerous

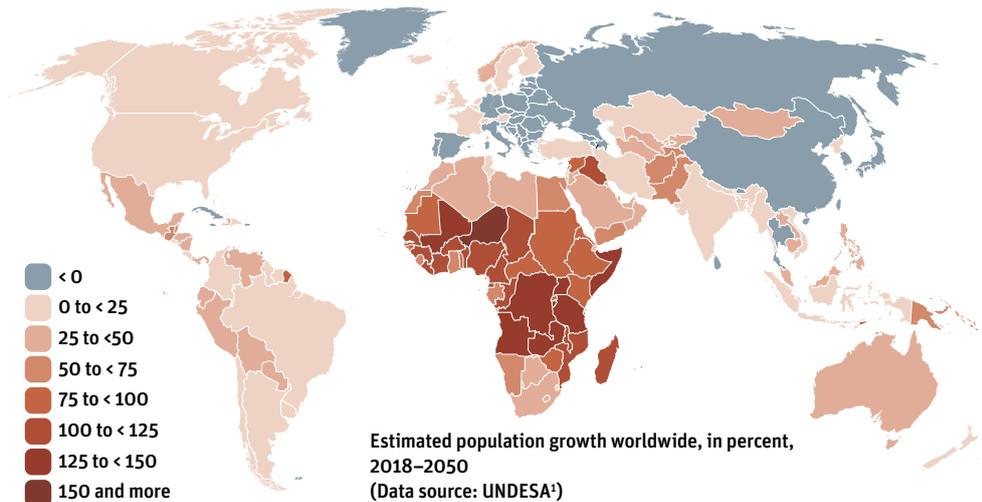
Nowhere is the population growing faster than in sub-Saharan Africa. This makes it particularly difficult for poor, little-developed countries to provide their populations with the necessary goods and services – and especially difficult to provide them with jobs. Ethiopia is showing the first signs of successful socio-economic development, as evidenced by the already significant decrease in the fertility rate.

one of the best cross-sectional indicators of well-being – is now six years above the average for sub-Saharan Africa.

All this has freed Ethiopia from many of the negative headlines it was making just a few years ago and turned it into an African success story. A story that is, however, far from over and where no happy end is guaranteed. For one thing, because the country still has many poor people who are hoping for a better future. For another, because of old problems for which solutions are only just beginning to be found and because the population is still growing by more than 2.5 million people per year.

There is no alternative to development

Nevertheless, by African standards, Ethiopia is on the right path. It is developing in much the same way as European development cooperation organisations imagine it should. The latter, namely, have made it a much publicised goal to assist African countries in fighting the causes of flight or to curb uncontrolled migration. This idea is rather short-sighted, because development by no means prevents migration but does exactly the opposite: it puts more people in a position to plan and finance migration. But, of course, unwanted migration and the causes



of flight cannot be combatted through a lack of development either. Under these conditions, the population would continue to grow very strongly, which, in turn, would stir up conflicts, cause the situation of the people to deteriorate further and drive them to migrate out of sheer desperation. There can be no alternative to development.

That is why it is so vitally important that, following its initial success, Ethiopia continues to develop steadily and peacefully under stable political conditions, with a government that respects human rights and democracy and that gives private entrepreneurs and investors a chance to harness their ideas and their energy for the good of the country. For African countries need one thing more than anything else: jobs for the growing number of young people. Only in this way can Ethiopia really become a model for other countries in difficult situations, an example of development. For it is precisely when once poor and war-torn countries, such as Ethiopia in Africa or Bangladesh and Vietnam in Asia, manage to escape the cycle of poverty and high population growth that there is reason to hope that other countries can enjoy similar success. The two Asian countries are already benefiting from the so-called demographic

dividend, which arises when the number of children born falls and the last high fertility cohorts reach the age at which they begin to earn their living and are able to give their country a decisive economic boost.

Europe should actively help Ethiopia along this route. Because, under its new prime minister, Abiy Ahmed, with his enthusiasm for reforms and comparative openness to democracy, the country deserves it; because people are waiting for opportunities to use their own energy and talents to create more prosperity; but also because Europe cannot afford to let Ethiopia fail. After all, it is home to more than 100 million people. If Ethiopia were to descend into chaos, the entire Horn of Africa would be destabilised and a wave of migration generated in which neither the people concerned nor European policymakers could have any interest.

Berlin, September 2018

Reiner Klingholz
Director, Berlin Institute for Population and Development

THE KEY POINTS

Ethiopia, with more than 100 million inhabitants Africa's second-most populous country, is one of the world's least-developed states. It comes very near the bottom of the Human Development Index. The majority of the population live from agriculture as subsistence farmers or pastoralists and are therefore at the mercy of nature. Failed rainfalls and recurring periods of drought regularly endanger food security, while climate change poses an additional challenge for the agrarian economy.

In the fast lane

Yet this country, in which a quarter of the population still lives in extreme poverty, is also one of the fastest-growing economies in the world. Having achieved sustained high rates of economic growth for almost two decades now, Ethiopia is clearly undergoing a transformation. Today the capital, Addis Ababa – home to the main headquarters of the African Union – is a metropolis where high-rises reach towards the sky and the first electric tram in sub-Saharan Africa symbolises the country's progress. But much has changed in rural regions, too, above all thanks to Ethiopia's comprehensive development strategy, which has set a timetable for improving living conditions. The achievements are impressive:

- The establishment of health stations in all communities nationwide has contributed to a halving of child mortality since the turn of the millennium. Women use contraceptives more frequently and are medically supervised during pregnancy. There has been a radical reduction in infectious diseases, such as malaria and HIV/AIDS, and the expansion of the health system has led to a considerable rise in life expectancy: since 1990, the Ethiopians' average lifespan has increased by around 16 years (see Chapter 2.2).
- Thanks to major investment in education of up to 30 percent of the national budget, far more people now have access to education. Above all, girls and young women now have a much better chance of attending school following targeted measures: while in 2000, seven out of ten girls between the ages of nine and twelve had never set foot in a school, by 2016 that number had fallen to two (see Chapter 2.3).
- Having recognised early on that agriculture – Ethiopia's largest employer – is an important driver of development, the government took measures to raise production. The cultivation methods and yields of smallholders have improved in many places, among other things through the establishment of a nationwide network of agricultural advisers. Grain yields have more than doubled in less than 25 years. The proceeds from the sales of Ethiopia's number one export, coffee, have increased more than six-fold, and the country has become one of the world's leading exporters of cut flowers (see Chapter 2.4).

Heading for the demographic bonus

Better food supplies, improved healthcare and the rising level of education – in particular, education for women – have led to another positive trend. The number of children per woman has decreased rapidly. In no other country south of the Sahara has the fertility rate fallen more sharply since the mid-1990s than in Ethiopia. This has triggered a demographic transformation that is fundamentally changing the country's age structure. Because the new, upcoming cohorts are smaller than the preceding ones, the concentration of the population is shifting to young people of working age. Since the early 2000s, the working population has been growing faster than the population as a whole, which, in itself, means an increase in per capita wealth. Thus, Ethiopia is heading for an age structure which elsewhere in the world has paved the way to more growth and prosperity: the demographic bonus.

If the decline in fertility continues, Ethiopia may well achieve such a bonus by 2030. Under the right framework conditions, this could then be transformed into a demographically determined spur to development of the kind experienced by the Asian tiger states. Ethiopia could become one of the first countries in sub-Saharan Africa to profit from the demographic dividend.

Moreover, this change might even be accelerated. Increased investment in education, for example, could help to provide an opportunity for Ethiopia to transform its demographic bonus into a demographic dividend almost a decade earlier than would otherwise be the case. Additional family planning and economic reform efforts would improve the prospects still further. If Ethiopia continues to invest in the three core areas of development – health, education and jobs – it can expect rapid socio-economic progress (see Chapter 3).

A rocky path

What sounds like a simple recipe in theory is often difficult to implement in practice – especially for one of the poorest countries in the world. The past two years have shown that the situation is not as rosy as the development data would suggest, because the government has so far bought this progress through a hard-line style of leadership. The result has been political instability caused by recurring protests and government-critical mass demonstrations by Ethiopians who do not see themselves as beneficiaries of the development progress.

The appointment of the young Abiy Ahmed as the new prime minister has revived hope that Ethiopia will be able to continue on its positive development path. The prime minister's first acts after taking office inspire confidence that he will quickly introduce the necessary reforms. But the challenges Abiy faces are enormous. Ethnic tensions are giving rise to conflict in some parts of the country, usually over land. The number of people of working age is growing faster than jobs can be created for them so that better qualified youth in particular lack prospects. At the same time, the development of basic infrastructure

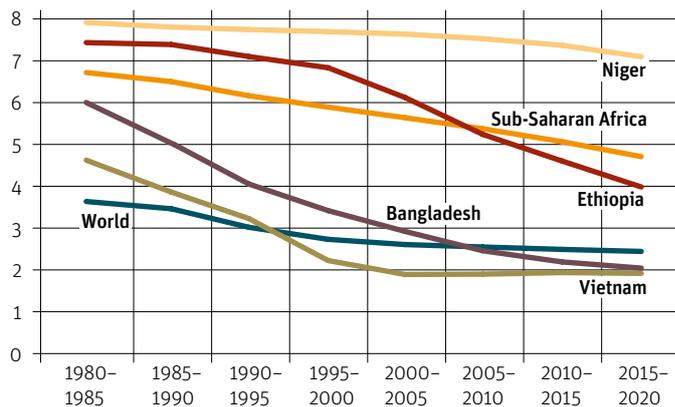
can barely keep pace with population growth. Ethiopia is currently gaining five inhabitants a minute, all of whom must be supplied with food, healthcare, education and, above all, jobs in the future.

In order to cope with these challenges, Ethiopia needs outside help. Without assistance, the country, whose financial resources are less than the budget of the City of Vienna, will not succeed in generating prospects for its growing population. If Ethiopia fails, the consequences would be disastrous, because people without prospects are a breeding ground for social and political conflicts. Ethiopia could be transformed from a stabiliser to a destabiliser in the Horn of Africa and plunge the entire region into chaos. Flight and expulsion would be the inevitable results.

Success in numbers

With development, better access to health services and educational facilities, fertility rates fall everywhere. This is evident in the formerly poor and war-torn Asian countries, such as Bangladesh and Vietnam. Ethiopia is Africa's showcase example of this connection. Things are very different in the West African state of Niger. There development has scarcely got off the ground. With more than seven children per woman, the population is growing at a record level.

Children per woman



Development of the fertility rate, 1980–2020 (Data source: UNDESA²)

1

HEAVYWEIGHT IN THE HORN OF AFRICA

Ethiopia evokes many associations. It is the country of origin of Arabica coffee, it is the African country with the longest Christian history and, last but not least, it is the home of “Lucy”, the female biped of the species *Australopithecus afarensis*, long considered the oldest remains of a prehistoric person ever found. The more than three-million-year-old skeleton discovered by scientists near Hadar in the north-east of the African state thrust Ethiopia into the limelight in the 1970s.^{1,2}

At that time, Ethiopia was generally making negative headlines as a synonym for poverty in a little developed continent. The picture painted by the Western media was largely one of starving people, of emaciated children in dusty refugee camps and of drought and civil war.

Still poor

In fact, the largest country in the Horn of Africa is still one of the world’s poorest and most backward countries today. It is ranked 174th of 188 countries in the United Nations Human Development Index and thereby numbers among the states with the socioeconomic status of “low human development”.³ About one quarter of the population has to get by on the equivalent of less than 1.90 US dollars per day. The average income of Ethiopians is barely half the average income in sub-Saharan Africa.⁴

Seven out of ten people in Ethiopia live from agriculture, most of them from what they can produce as subsistence farmers on their plot of land.⁵ A majority of the population is thus dependent on rainfall to grow their crops and feed themselves. The unreliability of the rain is evident from the periodic droughts that endanger the livelihoods and lives of millions of people in rural areas time and again.⁶ Since 2015, Ethiopia – like all of East Africa – has been suffering from the most serious drought of recent decades. The lack of rainfall, especially in the lower-lying regions in the

south and east of the country, repeatedly leads to crop failures and food shortages.⁷ According to estimates by the United Nations World Food Program, around 7.8 million Ethiopians are likely to depend on food aid in 2018.⁸

Hunger is still part of everyday life for many people in Ethiopia. According to the latest *Demographic Health Survey*, a nationwide household survey, one in three children under the age of five was underweight in 2016 and one in ten was severely malnourished.⁹ But as shocking as these figures are, they are a significant improvement over the past. Since the turn of the millennium, the share of underweight children, as well as that of the population suffering from malnutrition, has nearly halved.^{10,11}

Ethiopia today is significantly better able to cope with food crises and provide its people with essentials in an emergency. While the last great famine, which occurred at the beginning of the 1980s, claimed

just under half a million lives, another catastrophic famine has so far been avoided during the current drought. Thanks to new early-warning systems, better food storage and distribution mechanisms and new roads, people in the affected regions have been able to receive emergency rations in good time.¹²

Ever more progress

Better distribution of food aid is just one of the advances that Ethiopia has made in recent decades. The country has undergone a socio-economic development that is unparalleled on the African continent. In particular, the country's high economic growth has repeatedly drawn considerable attention in the last few years. Ethiopian gross domestic product grew year on year by more than 10 percent on average between 2004 and 2016. No other country in sub-Saharan Africa saw higher economic growth during this period. Ethiopia is thus among the fastest-growing economies in the world.¹⁵

The change is most evident in the capital city of Addis Ababa. Even at the turn of the millennium, corrugated iron shacks, dirt roads and herds passing through the city still dominated the urban landscape. Today, many areas of the metropolis, whose name translates as the "New Flower", have a completely new face. Characterised by a growing skyline and modern office complexes, Addis Ababa symbolises the belief in progress not only in Ethiopia but in all of Africa. Four-lane highways now traverse the city of 4.4 million residents.

The Giant in the Horn of Africa

Together with its neighbours, Eritrea, Djibouti and Somalia, Ethiopia forms the Horn of Africa, so called because the eastern-most part of the African continent protrudes into the Indian Ocean like a spearhead. Ethiopia covers an area of more than 1,100,000 square kilometres – roughly three times that of Germany – and is thus the largest state in the region.¹³ With a population of more than 100 million, it has five times as many people as the other three states of the Horn of Africa combined. This makes Ethiopia Africa's second-most populous country.¹⁴



Rich history

Ethiopia not only has the oldest records of human history, it is also the longest existing state on the African continent.²⁷ Today, the Ethiopians are as proud of the millennia-old history of the Abyssinian Empire as they are of the fact that they have never been colonised. Only with the overthrow in 1974 of the last emperor, Haile Selassie, did the Ethiopian monarchy, which had reigned since the first millennium B.C., come to an end. It was followed by a brutal military regime whose "red terror" cost thousands of people their lives.^{28, 29}

More than 3 million years B.C.

A biped of the genus *Australopithecus afarensis* dies. 3.2 million years later the bones of "Lucy", one of the oldest examples of the hominid family, are discovered.

2nd century A.D.

The late antique Kingdom of Aksum becomes highly prosperous owing to its highly productive agriculture and trade across the Red Sea.

New skyscrapers and shopping centres soar towards the sky in ever more places. In 2012, the new headquarters of the African Union, funded by China, was opened ceremoniously in the “Brussels of Africa”, so called because many Pan-African organisations have their headquarters in Addis. Three years later the first electric tram south of the Sahara went into operation – the first step towards a public transport network of a kind that to date exists in no other city of the continent.¹⁶

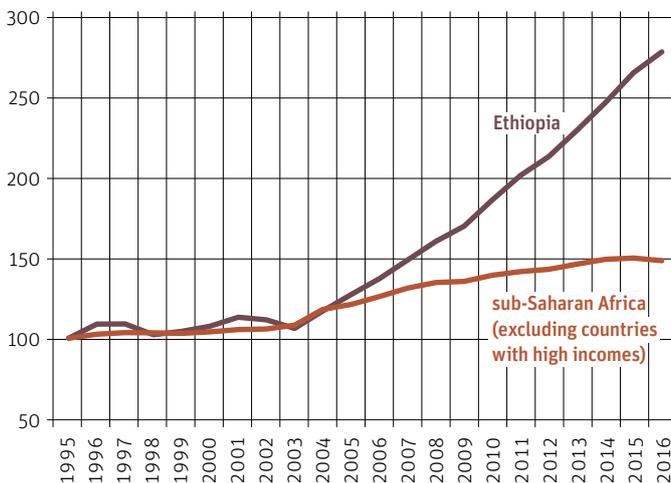
Construction boom extends beyond the capital

Progress in the country is not limited to the capital but is increasingly reaching more rural and more remote regions. New roads and railway lines are opening up access to more and more parts of the country. In many places, greenhouses, factories and industrial parks are emerging. Ethiopia is already the second-largest African exporter of cut flowers after Kenya; and these are being produced at a growing number of locations.¹⁷ On the Blue Nile in the far north of the country on the border with Sudan, the most powerful dam on the continent is currently being built. The *Grand Ethiopian*

Visible upwards trend

Today, Ethiopians still have significantly less disposable income than the average citizen of sub-Saharan Africa. In 2016, per capita income adjusted for purchasing power was around 1,600 US dollars a year in Ethiopia, not even half the average level in sub-Saharan Africa. For the Ethiopians, this was nonetheless more of an improvement over the past than for most of their neighbours. Since 1995, their income has almost tripled, while incomes in sub-Saharan Africa as a whole have risen on average by a factor of only about 1.5.²⁰

Percent



Gross domestic product per capita, index (1995 = 100), 1995–2016 (Data source: World Bank)²¹

Renaissance Dam is intended, together with other hydroelectric power stations, to make Ethiopia the largest energy producer in the Horn of Africa and to more than double the country’s power generation capacity.¹⁸ If that succeeds, the Ethiopian government is likely to come a good deal closer to achieving its aim of reaching “lower middle income” status in the World Bank

definition, simply by achieving climate-neutral growth by 2025. Ethiopia is also striving for annual revenues amounting to around one billion US dollars from the sale of electricity to neighbouring countries.¹⁹

4th century
A. D.

Christianity begins to flourish in Ethiopia, the first African country it reaches.

7th century
A. D.

Aksum loses its access to the Red Sea. The kingdom declines.

12th century
A. D.

The Kings of the Zagwe dynasty make Lalibela the new centre of power and build the famous rock-hewn churches there.

1270

An alleged descendant of King Solomon and the Queen of Sheba lays the foundations for the more than 700-year existence of the Solomonic dynasty of Ethiopia, which ends only with the fall of Haile Selassie.

1582

While most of the Christian world adopts the Gregorian Calendar, Ethiopia retains its own calendar and thus remains seven years behind.

1889

Addis Ababa, meaning the “New Flower”, is founded and becomes Ethiopia’s capital city.

In addition to these visible changes, the data of the United Nations and the World Bank confirm the progress Ethiopia has made. Although living conditions are still often even more difficult than in other sub-Saharan African countries, most Ethiopians are better off today than they were in the 1990s. Between 1995 and 2015, the share of people affected by absolute poverty more than halved.²² The life expectancy of Ethiopians has risen by approximately one year annually since the turn of the millennium: by 2015, it had reached 64, which is around six years above the average for sub-Saharan Africa.²³ At the same time, school enrolment rates have more than doubled since the beginning of the 2000s.²⁴

Poor starting conditions

The socio-economic advances that Ethiopia has made in recent decades are remarkable. However, the country started from a very low base. In the 1970s, when it was still ruled by the long-time monarch, Haile Selassie, people on average did not live to be older than 43. Hardly a single adult

woman had ever attended school and few men had received any kind of education.²⁵ Following the fall of the last emperor of Ethiopia, in 1974, the situation became even worse. Under the subsequent communist dictatorship, Ethiopia was plagued for many years by ethnic conflicts, border disputes with its neighbours and the independence war with the province of Eritrea, which began in 1961. After almost two decades of tyranny and war, conditions for quickly embarking on a positive path of development were appalling in Ethiopia following the end of the communist regime in the early 1990s. To make matters worse, Ethiopia has no significant raw materials and is regularly plagued by devastating droughts.²⁶

A new beginning

Political stabilisation and economic restructuring played a decisive role in the country's rise out of poverty.³⁰ In a sense, 1991 was "year zero" for Ethiopia. After 17 years under the military dictatorship of the Coordinating Committee of the Armed Forces, Police and Territorial Army, known as Derg, a small rebel group from the north succeeded in bringing to an end the reign of tyranny. Weakened by years of fighting with Eritrea and other provinces seeking

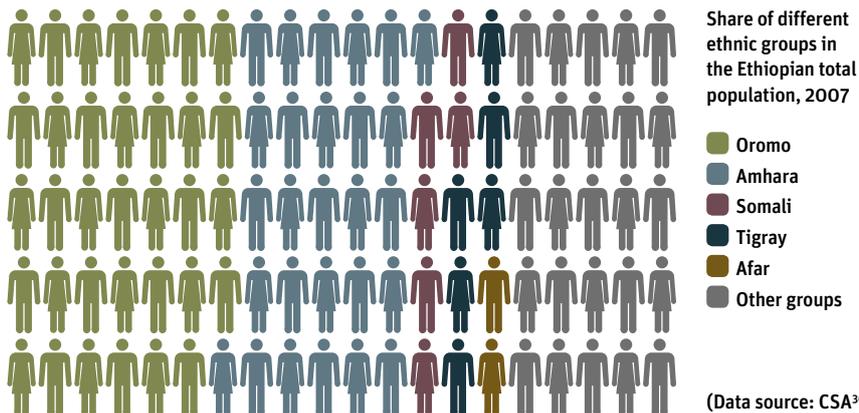
independence, the Ethiopian military was no longer able to resist the growing opposition groups. In May 1991, the guerrillas of the People's Liberation Front of Tigray (TPLF) marched into Addis Ababa and put an end to the spectre of the Derg.³¹

Shortly after the Berlin Wall had fallen and the end of the Soviet Union was looming on the horizon, communism likewise ended in Ethiopia. The regime left behind a war-devastated country in which hardship and hunger were omnipresent. With the fall of the military regime, it was now up to the former rebel groups to stabilise and pacify the country. A difficult task given that none of its members had any experience in governing a state. The TPLF started by looking for alliance partners and eventually forged a coalition government along with three other liberation movements from different regions of the country. Until the first elections in 1995, the Ethiopian People's Revolutionary Democratic Front (EPRDF) took over the government in Ethiopia for a transitional period. However, it is still governing today.^{32,33}



If Ethiopia were a village of 100 people

Like many African states Ethiopia is characterised by huge ethnic, linguistic and religious diversity. There are more than 85 different ethnic groups who speak around 83 different languages.³⁷ According to the latest census conducted in 2007, the Oromo make up the largest share of the population – about 34 percent – followed by the Amhara with 27 percent. All the other population groups are much smaller with a maximum share of 6 percent.³⁸ Whether this ratio still applies ten years after the last census will soon become apparent, because a new census has been under way since 2017.



Two years after the end of the Derg regime, the Ethiopian transitional government granted Eritrea independence and at the same time began to reorganise the rest of the Ethiopian state politically and economically. At that time, the government under the leadership of the young TPLF politician Meles Zenawi faced a dual challenge: to bring peace to the country it had to initiate the transformation from a formerly totalitarian dictatorship to a democracy that, at least in theory, would allow all ethnic groups in the country to have a say.³⁴ Economically, the government had to bring about a transition from a

socialist planned economy to a capitalist market economy that could survive on the globalised market.³⁵ And it had to do all this with the limited resources of one of the poorest countries in the world.

Decentralisation and “developmental state”

The recipe for achieving a political balance between the many different ethnic groups in the country was decentralisation and the introduction of a federal system. To this end, the government divided the Ethiopian state with its new borders into nine federal states and two city-states, each with its own government and a representation at the federal level. As dividing lines the

transitional government used the linguistic boundaries between the different ethnic groups in each region.³⁹

To crank up the economy the Meles government was inspired by a model already used by Asian countries such as South Korea, Taiwan and especially China to bring about economic advancement – a model that scientists often refer to as the “developmental state”, which denotes a kind of managed capitalism.⁴⁰ In line with this model the opening of the economy and Ethiopia’s integration into the world market is to be controlled and monitored by a strong state. The state’s task is not only to create the infrastructure for a functioning economy but also to ensure that economic

1974

Emperor Haile Selassie is overthrown. The Military Committee assumes power.

1977–1978

The communist military regime quashes protests, the struggle is known as the “Red Terror”.

1984–1985

Half a million people die during the biggest famine the country has ever experienced.

1991–1993

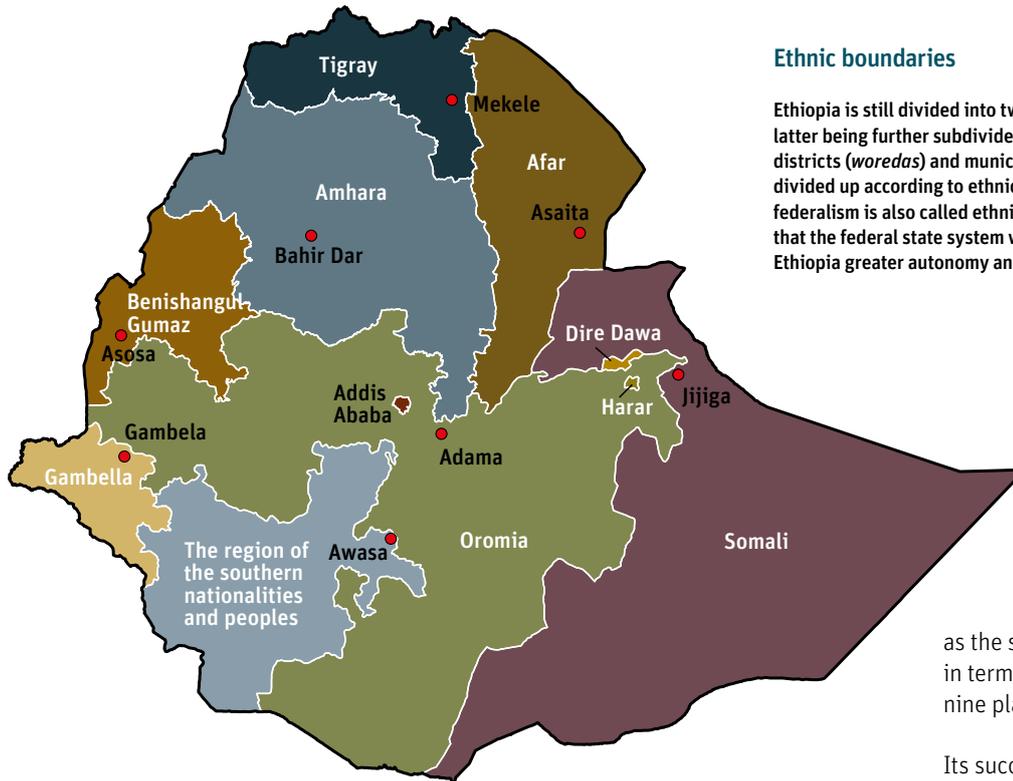
The military regime is crushed by rebels. A transitional government is formed under the leadership of the TPLF party.

1993

Eritrea gains independence peacefully after a referendum.

1995

The Democratic Federal Republic of Ethiopia is proclaimed and former guerrilla leader Meles Zenawi is appointed prime minister.



Ethnic boundaries

Ethiopia is still divided into two city states and nine federal states, the latter being further subdivided into administrative districts (zones), districts (*woredas*) and municipalities (*kebeles*). Because the country was divided up according to ethnic settlement areas, the Ethiopian model of federalism is also called ethnic federalism.⁴³ The idea of its architects was that the federal state system would give the different ethnic groups in Ethiopia greater autonomy and self-determination.⁴⁴

benefits are used for the implementation of a national development strategy.⁴¹ In 1995, a first national development plan was launched, whose main aim was to reduce poverty in the country through the development of basic social infrastructure.⁴²

Young beacon of hope

Ethiopia's change of direction under the EPRDF government soon yielded results. The rapid economic upturn, which began in 2004, earned Ethiopia the reputation of an economic miracle country. In less than 15 years, Ethiopia, which in 2000 still ranked

as the second-poorest country in the world in terms of per capita income, moved up nine places in the global index.⁴⁵

Its success in terms of the Millennium Development Goals (MDGs) has shown that the country's progress is not limited to economic factors alone. Ethiopia has made major progress on six of the eight goals formulated by the world community in 2000 as guidelines for future development progress to be achieved by the end of the 15-year implementation period. These include reducing hunger and poverty, lowering child mortality and improving access to education.⁴⁶

1998–2000

A border dispute between Ethiopia and Eritrea leads to war again. 70,000 people are killed, tens of thousands displaced.

2000–2001

A peace agreement is concluded between Ethiopia and Eritrea via UN mediation. Disputed areas remain under Ethiopian occupation.

2005

Controversial elections lead to months of violent protests.

2012

Meles Zenawi dies. Hailemariam Desalegn takes over as prime minister.

2015–2016

Government plans to expand the capital, Addis Ababa, into the surrounding Oromia region trigger protests. In October, a state of emergency is proclaimed.

2018

After continued protests, Hailemariam Desalegn resigns. Abiy Ahmed becomes prime minister and promises far-reaching changes.

Developing according to plan

Ethiopia sets its long-term development goals regularly in five- or ten-year plans. The second Growth and Transformation Plan (GTP II) is the fourth macroeconomic development plan since 1995. Its implementation is designed to help reduce poverty in the country and to catapult Ethiopia into the group of countries with lower middle income by the year 2025.⁴⁸

National Development Plans in Ethiopia, 1995–2020
(Source: Donnenfeld et al.⁴⁹)

1995–2005

Sustainable Development and Poverty Reduction Program (SDPRP)

Themes:

- Devolution to regions
- Government establishment at all levels
- Open economy
- Develop social sectors

2005–2010

Plan for Accelerated and Sustained Development to End Poverty (PASDEP)

Themes:

- Pro-poor growth
- Poverty reduction
- Government strengthening
- Aid management

Better health and more education in the context of the MDGs have contributed to a significant drop in the fertility rate in Ethiopia. In terms of development policy it has long been known that women who go to school for as long as they can have fewer children than women who have attended only primary school or even had no access to education at all. While Ethiopian women still had 6.8 children on average in 2000, they now have only 4.6. Ethiopia has thereby experienced the largest decline in the fertility rate of anywhere in sub-Saharan Africa over the past two decades.⁴⁷

Stabiliser in the Horn

The progress Ethiopia has made since 1991 – in particular, its rapid economic growth – has turned it into a positive example in Africa in the eyes of Western governments. Over the years, they have secured the Ethiopian government the financial support of the industrialised nations. Between 2005 and 2015, a total of 37 billion US dollars in development aid flowed into Ethiopia. During this period, no other country in sub-Saharan Africa received greater financial support from the international donor community.⁵⁰

The EPRDF government is internationally not only a reliable and popular partner in development cooperation; as the largest military and Western-oriented power in the Horn of Africa, the country is also a key partner in peacekeeping efforts in the region. Since 2012, Ethiopia, despite its modest defence budget, has made a larger peacekeeping contribution to UN missions on the continent than any

other African country.⁵¹ In addition to operations in South Sudan, Darfur, Liberia and Côte d'Ivoire, the Ethiopian UN peacekeeping forces are mainly involved in the Amisom peacekeeping mission in Somalia.⁵² Ethiopia is also an important partner of Western countries in combating Islamic terrorism in the region through its involvement in the neighbouring country and its proximity to the only African US military base in Djibouti.⁵³

Compared with its neighbours, Ethiopia has remained to a large extent politically stable in recent decades. This circumstance makes the country a haven for thousands of people fleeing from crisis countries such as Somalia and South Sudan. At the end of 2017, Ethiopia was giving shelter to around 890,000 refugees, most of them from immediate neighbouring states, making it the third-largest host country for refugees on the African continent after Uganda and Sudan.⁵⁴

2010–2015**First Growth and Transformation Plan (GTP I)****Themes:**

- Economic growth
- Industrial development
- Infrastructure development
- MDG attainment

2015–2020**Second Growth and Transformation Plan (GTP II)****Themes:**

- Economic growth and diversification
- Industrialisation and mechanisation
- Advanced sciences and technologies
- Sustainable development goals' attainment

From flagship country to problem case?

Over the past two decades Ethiopia has thus in many respects become a heavyweight in Africa in terms of foreign and economic policy and, not least, in view of its large population. A peaceful, stable and upwardly mobile Ethiopia, where living conditions are improving for the population, could exert enormous influence in the conflict-ridden environment in the Horn of Africa. Conversely, the destabilisation of the country would have a disastrous impact on the whole region, potentially triggering massive refugee movements throughout East Africa and beyond.

How the country will continue to develop is currently uncertain, because in spite of all the success stories, there has been cause for concern in recent years. Recurring protests and government-critical demonstrations recently illustrated that in the “flagship state” not everything is as rosy as development indicators

alone would suggest. Many Ethiopians do not see themselves as beneficiaries of the progress made to date and have increasingly expressed their dissatisfaction and displeasure with the undemocratic leadership style of the government.

The most recent wave of protests, in 2015, was triggered by the government's plans to expand the capital, Addis Ababa, into areas in the neighbouring state of Oromia. Many farmers feared losing their land and their livelihood and protested against the expansion of the metropolis. After violent clashes had broken out between demonstrators and government security forces, the government dropped its plans. But the protests widened and eventually reached the Amhara region, the most populous region in the north-west of the country, in July 2016.⁵⁵

Ethnic inequalities

The roots of the protests lay mainly in the country's ethnic inequalities. Many Ethiopians felt both economically and politically disadvantaged by a government dominated by the Tigray minority – above all, Oromos and Amhara, who make up nearly two-thirds of the Ethiopian population.^{56,57}

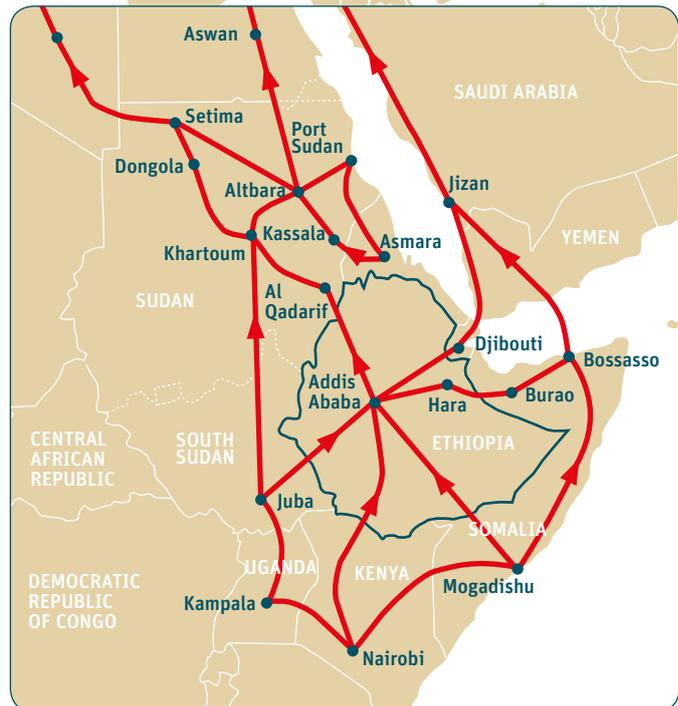
The response of the Ethiopian government to the protests was predictable from an authoritarian regime which itself had always bought stability and development progress at the price of crackdowns and repressions. Security forces repeatedly used violence against protesters, while critical journalists and opposition figures were imprisoned and in many places Internet access was restricted. According to the government, the protests had claimed around 500 deaths by the end of 2016, but other sources put the number much higher.⁵⁸ In October 2016, the government declared a state of emergency in which the repressions were further intensified.⁵⁹

Since the resignation of Hailemariam Desalegn in February 2018 and the appointment of the Oromo politician Abiy Ahmed as prime minister two months later, the protests have died down. Many Ethiopians hope that Abiy Ahmed will herald a change and break up the dominance of Tigray in the government. The first official acts of the new young leader inspire confidence, but many challenges remain. Ethnic conflicts – usually about land – continue to fester.⁶⁰ In many places there is a lack of jobs and prospects, especially for the growing number of young people.

Migration hub in the Horn

Ethiopia is an important hub for migrants of all kinds in the Horn of Africa. Thousands of people from the unstable neighbouring countries go to Ethiopia looking for refuge and new prospects, while for others it is simply a transit stop. However, Ethiopia is not just a migrant destination and transit country but also an important source country of migrants. The majority of Ethiopians who leave their country go to Saudi Arabia or other Gulf States. Others set off for South Africa or try to reach Europe via Sudan, Libya and the Mediterranean.⁶⁵

Important migration routes in the Middle East, Africa and the Horn of Africa (Source: IOM⁶⁶)



According to official figures, only one person aged 15–24 in ten is neither in work nor in education.⁶¹ But unless they are among the few attending school at this age, many young people are likely to be either tending the family plot or working under precarious conditions in the informal construction and service sector.

In addition, many people are still denied democratic rights. Ethiopia is so far only nominally a democracy; de facto it remains an autocratically governed country in which free and fair elections, human rights and freedom of expression and press freedom are far from reality. In the latest *Freedom in the World Report*, the country scored just 12 out of a possible 100 points and was again classified as “not free”.⁶² The new prime minister, Abiy Ahmed, promises to change this in the future. He has already lifted the Internet blockade and released political prisoners. He has admitted the mistakes made by the previous government, deposed old EPRDF functionaries, lifted the state of emergency proclaimed in February 2018 and declared the border war with Eritrea ended.⁶³ Thanks to Abiy’s initiative, the long-time rivals Ethiopia and Eritrea have resumed diplomatic relations again for the first time in nearly twenty years.⁶⁴ If Abiy is successful, it will be the first bloodless regime change in Ethiopia’s recent past. But whether Abiy Ahmed can initiate a genuine process of democratisation in the country through his conciliatory approach remains to be seen.

Fragile stability

The eruption of protests in 2016 has shown just how fragile Ethiopia’s internal stability and its role as a stabiliser in the Horn of Africa are. Data indicate that the instability in the country increased during the wave of protests. In the *Fragile States Index*, which measures the conflict risk of all countries worldwide on the basis of social, political and economic indicators, Ethiopia in 2017 was classified in the category “high alarm”, which covers countries with the second-highest risk potential. In no other state did the situation deteriorate as much in 2017 as it did in Ethiopia.⁶⁷ For 2018 the index sees an easing of risks in Ethiopia, but the situation remains tense.⁶⁸ On the conflict barometer of the Heidelberg Institute for International Conflict Research, the conflicts between the different ethnic groups in Ethiopia were recently classified for the first time as “war”.⁶⁹

Even after the change of government, ethnic conflicts have yet to calm down. In June 2018 alone, violent confrontations in the south-west of Ethiopia forced almost a million people to leave their homes and to seek refuge in another part of the country. At the same time, people have repeatedly sought protection in some neighbouring countries.⁷⁰ In March 2018, for example, 10,000 people fled across the border to Kenya after an abortive military operation in Moyale, a small town in the Oromia region in the south of Ethiopia.⁷¹

Similarly, the number of people who embarked on the long journey to Europe rose temporarily during the protests. In 2015 and 2016, the number of initial applications for asylum in the EU was 5,525 and 6,075, respectively, and hence more than three times the average number of applications in the previous five years. Nevertheless, in 2016, just 0.5 percent

of all new applications for asylum in the EU were accounted for by applicants from Ethiopia. The latest figures for 2017 show a declining trend,⁷² but the question is how reliable these data are. Some Ethiopian asylum-seekers pretend to be Eritreans or Somalis to improve their chances of obtaining protection status.⁷³ The influx of Ethiopians to the EU for other reasons remained largely at a low level between 2010 and 2016. Just 0.1 percent of the residence permits issued in the EU for family, educational or commercial purposes went to Ethiopian citizens in 2016.⁷⁴

With the coming to office of Abiy, Ethiopia might once again be able to look forward to calmer times after the turbulent recent years. That is, at least, what is hoped. But to ensure that the country is not transformed from an anchor of stability into a tinder box, profound changes are necessary. The new head of state faces the difficult task of stabilising the country politically to reconcile the different ethnic groups, to bring the peace process with Eritrea to a conclusion and to implement economic reforms in order to realise the country’s ambitious development goals and to consolidate past successes.

How Ethiopia has achieved its development progress to date, which problems continue to exist and which factors may prove to be obstacles to consolidating successes will be more closely examined in the following chapters.

2

ETHIOPIA'S DEVELOPMENT PATH – THE STORY SO FAR

Ethiopia has set itself ambitious development goals for the future: to become a middle-income country by 2025 and thus to enter the World Bank category that its neighbour Kenya has already achieved. There, the average income is almost twice as high as in Ethiopia.^{1,2} In addition, the country aims to achieve the UN's Sustainable Development Goals (SDGs) by 2030. For the people of Ethiopia this would mean that no-one would be living in poverty or starving any longer, that all ethnic groups would live together peacefully, that everyone would be able to earn a living, that men and women would have equal rights and that everyone would receive a basic level of education and healthcare as well as have access to clean water and electricity.³

To achieve all these objectives in less than 12 years would seem virtually impossible, especially for one of the world's poorest countries. The EPRDF government, however, appears to be guided by the principle that if you set your sights high you have a major incentive to achieve more. How Ethiopia intends to attain these goals is abundantly clear: by following the development path that paved the way to prosperity and security for many other countries in the past. But what does this path look like?

2.1 How development functions in theory: the demographic transition

There are many theories about why states succeed or fail and about why some are prosperous while others are still poor. Frequently, this phenomenon is explained in terms of external factors such as geographical location or culture. But a more plausible explanation, one that has been repeatedly confirmed empirically, is the theory of demographic transition. This is based on the observation that all countries that have ever managed to achieve socio-economic advancement have followed the same demographic path. In the course of this process, not only the size of the population but also its age structure gradually changes.⁴

The theory essentially describes the transition from high to low fertility and mortality rates in a country. In traditional societies many children are born, but at the same time many people of all ages die, which is why the size of the population hardly changes. More favourable living conditions, such as a better diet and hygiene, eventually lead to a decline in the mortality rate. But because fertility initially remains high, the population grows strongly for a certain period. A drop in the fertility rate due to better education, more individual life planning and broader prosperity occurs with a time lag. Population growth then slows down until it eventually comes to a halt.⁵

Demographers assume that with some delay and at different speeds, every country in the world will undergo this demographic transformation. As "pioneers", the now industrialised nations took 200 years to go through the first three phases of this development, while the Asian "tiger economies" of South Korea, Singapore,

Taiwan and Hong Kong required only a few decades. Other countries, most of them in sub-Saharan Africa, are now in the second phase of the demographic transition, having left the first phase, marked by high mortality rates, behind them. But so far the fertility rate in these countries has fallen only slightly. The result is rapid population growth.⁶

Favourable age structure

The demographic transition is so far the only theory that can describe the socio-economic advancement of regions and countries in general terms. The phases of development always follow the same order and once the number of children born has begun to decrease this course

of development proves irreversible.⁷ Declining fertility rates not only slow down population growth, they also change the age structure of the population as the last “baby boom” cohorts become young adults and form the new main group of the population. This change in the demographic structure has always proved to be the starting point for potential socio-economic progress.⁸

At this point there are a large number of people of working age but relatively few children compared with the previous phase and not yet many older people to be provided for. Both individual families and the state thus have more resources available to invest in the shrinking younger cohorts. In addition, a disproportionately large number of people of working age are available to the economy as a productive workforce. This age structure is called the demographic bonus.⁹

Growth spurt in the tiger states

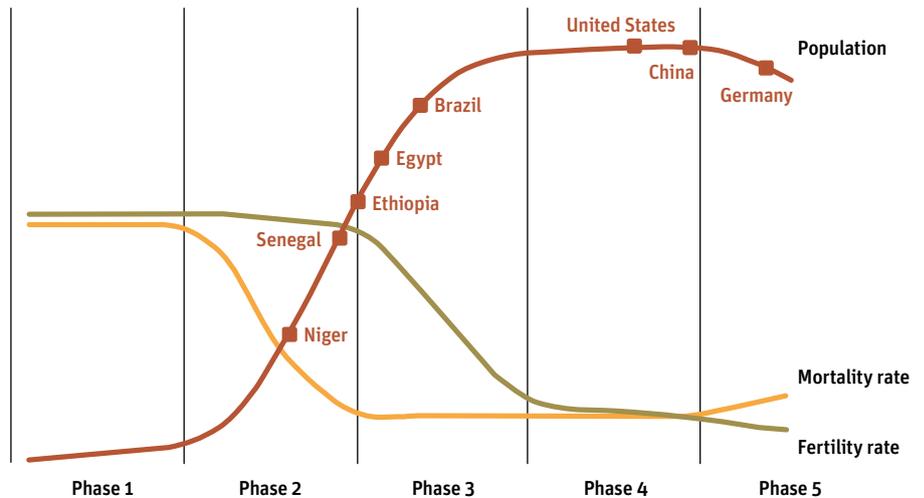
In principle this bonus can culminate in a significant and prolonged spur to development – the so-called demographic dividend. The Asian tiger states as well as Thailand, Malaysia and China have been able to move rapidly from the status of developing country to that of emerging nation in a short period.¹⁰ Economists agree that the Asian economic miracle is largely due to good use having been made of the demographic bonus.¹¹ What is more, the trend towards fewer offspring, more prosperity and better education has ultimately led to a decline in domestic and international conflicts.¹²

However, such a positive development is anything but a sure-fire success: only if the responsible governments invest in family planning and education do fertility rates

The path is pre-determined

Every country in the world goes through a demographic transition in the course of its socio-economic development. In Phase 1 both mortality and fertility rates are high and the population barely grows. In Phase 2 the mortality rate falls owing to improved living conditions; because fewer children die the population increases rapidly. This development is followed in Phase 3 by a decline in the fertility rate. In Phase 4 fertility and mortality rates stabilise at a low level and population growth eventually comes to a standstill. Most of the countries of sub-Saharan Africa are at the beginning of this transition.

Schematic diagram depicting the development phases of birth and mortality rates as well as the overall population. (own diagram)



decline. And only if the working-age cohorts not only gradually become better qualified but also find lucrative employment will economic development gather pace. The example of North African and Middle Eastern countries shows that this process is not always successful. Although the fertility rates have declined there and educational indicators have improved, the lack of jobs has led to major dissatisfaction, especially among young people; indeed, their frustration was what triggered the so-called Arab Spring. Political instability and conflicts subsequently emerged in many places.¹³

From peasant economies to industrialised countries

In all formerly poor countries that are economically successful today, one factor was crucial: their development was always accompanied by economic structural changes that yielded a large number of new jobs. Except in city-states like Singapore, this change always began with productivity gains in agriculture: as soon as farmers began to use more efficient farming methods, they were able to produce surpluses and thus earn more. Not only were people better fed, but ever fewer workers were needed to work the land. The workforce thus freed was able to migrate to urban centres and be more productive in the factories that were being built than

they had previously been in the fields. In this way, an industrial and service sector emerged in Europe in the second half of the 18th century and in South Korea and China in the 20th century.¹⁵

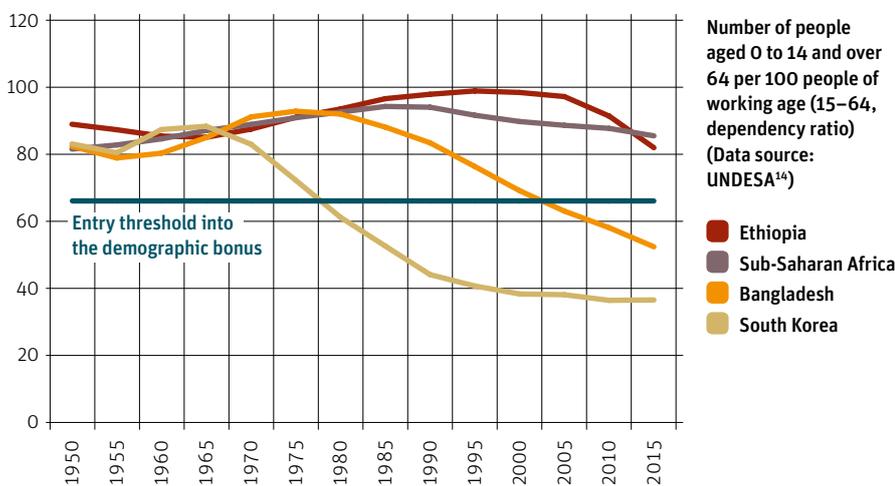
In the course of economic restructuring, South Korea and China became driving forces of the global economy. Ever-better educated employees were able to advance into more productive industries with greater value added and earn higher wages. In turn, public revenues grew, allowing more investment in education and research, the creation of more efficient health and social systems and high-performance infrastructure.¹⁶

Fewer children, a longer life

This socio-economic change has already begun in Ethiopia, but real prosperity is yet to come in the best-case scenario. For Ethiopia is still only in the middle of the demographic transition.¹⁷ Mortality, in particular child and maternal mortality, has already significantly decreased. In the 1950s, only two out of three children on average survived until the age of five; nowadays almost 95 percent do.¹⁸ Fertility rates have fallen, too, since the early 2000s, from 6.8 to 4.6 children per woman. This is the largest decline in fertility in sub-Saharan Africa for this period, but it is still at a level at which the population is rapidly increasing. Today, more than 100 million people – about one-third more than at the turn of the millennium – live in Ethiopia. The annual rate of population growth today remains 2.6 percent but is nonetheless about one percentage point less than at the beginning of the 1990s.¹⁹

Changing age structure

In the 1960s, South Korea and Bangladesh were still among the world's poorest countries, with meagre economic power and high fertility rates. Owing to a decline in the number of children per woman, the number of younger and older dependents per 100 people of working age halved in South Korea in the 1970s and 1980s. The same development, promoted by investment in education and family planning programmes, began shortly thereafter in Bangladesh, but it was slower in that country. In Ethiopia, the proportion of dependents has decreased steadily over the last decade, gradually leading the country towards a demographic bonus. This favourable age structure is achieved when the dependency ratio falls below a value of 66.



The life expectancy statistics likewise illustrate how life has changed for the better. Today, new-born boys in Ethiopia can expect to live to the age of 62, girls to 66 – a gain of 15 or 16 years over 1990.²⁰ In sub-Saharan Africa only Rwanda, Angola and Zambia have recorded larger increases in life expectancy.²¹

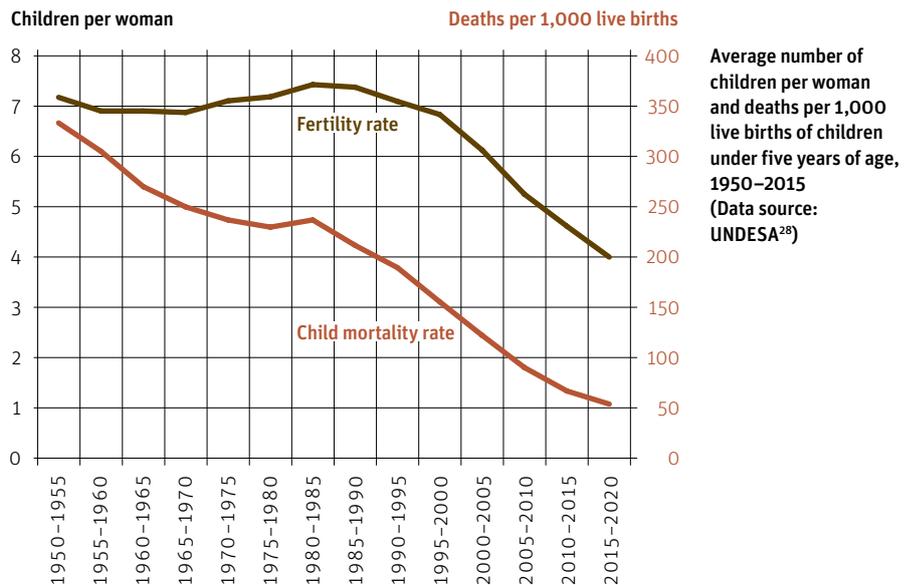
There are good reasons for the decline in the fertility rate and the consequent slowdown in population growth, each of which has to do with social development: First, parents tend to choose to have fewer children if the likelihood of their offspring surviving increases. Second, access to modern methods of family planning in Ethiopia has improved.²² And third, the educational level has risen throughout the country. Educating women has a dual effect: more educated women look after their own and their children's health better. In addition, they usually want fewer offspring and can more easily fulfil this wish.²³ An Ethiopian woman with higher secondary education has 3.8 fewer children on average than a woman who has received no education at all.²⁴ In light of the progress made in the country, all these parameters can be expected to improve further and accordingly the fertility rate is likely to continue to fall, possibly even quite quickly. The chance of a demographic bonus, which, given the right educational and labour market conditions, could be turned into a demographic dividend, would then increase significantly.

Now that the trend towards smaller families has begun, the age structure of the population is changing – and already significantly to boot. Ethiopia still has one of the youngest populations in the world, but while in 1990 adolescents under 15 years of age accounted for almost half (46 percent) of the population, the cohort of children and young people today is only 40 percent.²⁵ Thus the concentration of people is slowly shifting to young adults of working age. Since the early 2000s, the workforce has grown faster than the population as a whole.²⁶

These demographic changes spell not only opportunities but also new challenges for Ethiopia.²⁷ Which improvements in health, education and the economy have contributed to Ethiopia's now favourable demographic situation and which problems still need to be overcome is discussed in the following chapters.

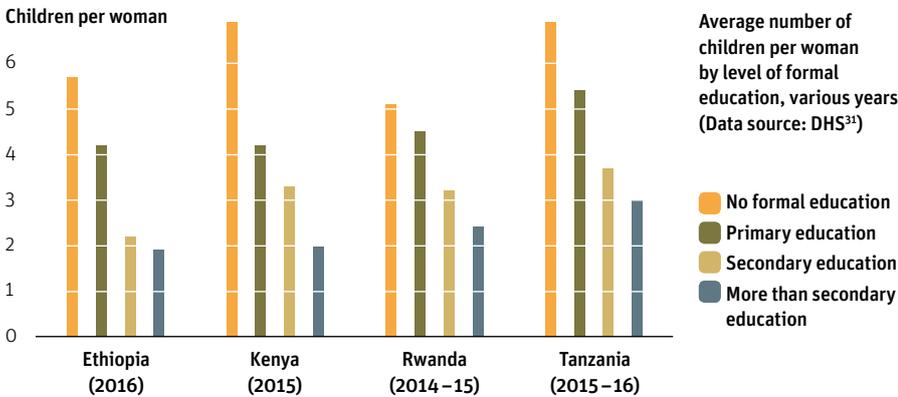
Infant mortality and fertility rates influence each other

In the 1950s, one child in three in Ethiopia died before the age of five. For this reason, the fertility rate was high, too, because parents in poor countries try to ensure support in their old age by having a minimum number of children.²¹ Decreasing child mortality is therefore the prerequisite for declining fertility. In Ethiopia, women on average wanted one child fewer in 2016 than they did in 2000.³⁰ In turn, fewer births help improve the health of both mothers and children. This meant that the decline in child mortality gained momentum once again in the 2000s.



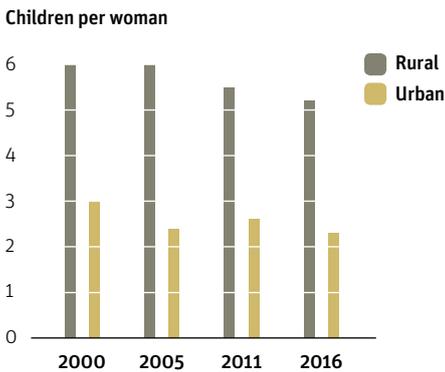
Education makes all the difference

Educated women have fewer children than uneducated women – especially if they have attended secondary school after primary school. If all women in Ethiopia had a higher secondary education, the fertility rate would already be below two children per woman. An end to population growth would then already have been ushered in.



Two-track Ethiopia

The decline in fertility rates is not equally advanced in all parts of Ethiopia. Large differences in the number of children born can be observed, especially between the cities and the rural regions. In the capital, Addis Ababa, where new ways of thinking and behaviour are becoming established more quickly, the fertility rate is 1.8 and hence at the level of north European countries such as Denmark.³³ In no other country in the world is the city-country divide as marked with respect to the fertility rate as in Ethiopia.³⁴



Average number of children per woman in urban and rural regions, 2000-2016 (Data source: DHS³²)

2.2. Health

Health is a central prerequisite for development progress. This fact is reflected in the eight Millennium Development Goals, three of which have to do with health: reducing child mortality, improving maternal health and combatting HIV/AIDS, malaria and other infectious diseases. By the MDG target year of 2015, Ethiopia had already achieved two of these three goals. Only with respect to maternal health is it still short of the mark.³⁵

Progress in the health sector has been remarkable. However, it was urgently needed, because until the 2000s, the people of Ethiopia still had little access to health facilities. That was true particularly if they lived outside cities, which more than 85 percent of the population did in 2000.³⁶

Low base

Attempts to build a nationwide healthcare system that guaranteed medical care beyond the city boundaries had already been made in imperial times. In 1947, Haile Selassie founded the Ministry of Public Health, Ethiopia's first national health facility. Until the end of his reign, the ministry undertook efforts with the support of international organisations to improve healthcare in rural areas, albeit with mixed results. In 1972, just before the outbreak of the revolution, state spending on medical care per person in Addis Ababa was more than 20 times higher than in the rest of the country.³⁷

The communist regime that came to power in 1974 likewise attempted to expand the healthcare system. But after years of war with separatist groups in Eritrea and elsewhere, not much was left of that system. By the time the interim government took over in May 1991, many health facilities had been destroyed or looted, and there was a shortage of medical personnel everywhere. The provision of medical care was at its lowest level since the 1960s.^{38, 39}

Fresh start in health policy

It is for this reason that, in its 1993 strategy paper on health policy, the Transitional Government tried to make basic health services available for all population groups in all regions of the country. In 1997, a 20-year strategy for the development of the health sector established a timetable for the future in the form of five-year plans, as was usual for a communist-influenced government. The rather mixed progress during the first five-year plan quickly showed that the instruments used until then had not been suitable to improve

access to health services for the rural population or to reduce the gap between city and country in healthcare.⁴⁰

In response to this ongoing challenge, the Ministry of Health, in collaboration with international partners, launched the so-called Health Extension Program (HEP) in 2003. Its goal was to bring health care facilities to as many corners of the country as possible in the shortest possible time with the few financial resources available to a poorly developed country such as Ethiopia. The innovative aspect of HEP was to train lay people as medical personnel within a few weeks to provide basic healthcare for everyone in their own communities and villages. Another of their tasks was to impart basic information about health to local families to enable them to take disease-prevention measures themselves.^{41, 42}

Helpers for better health

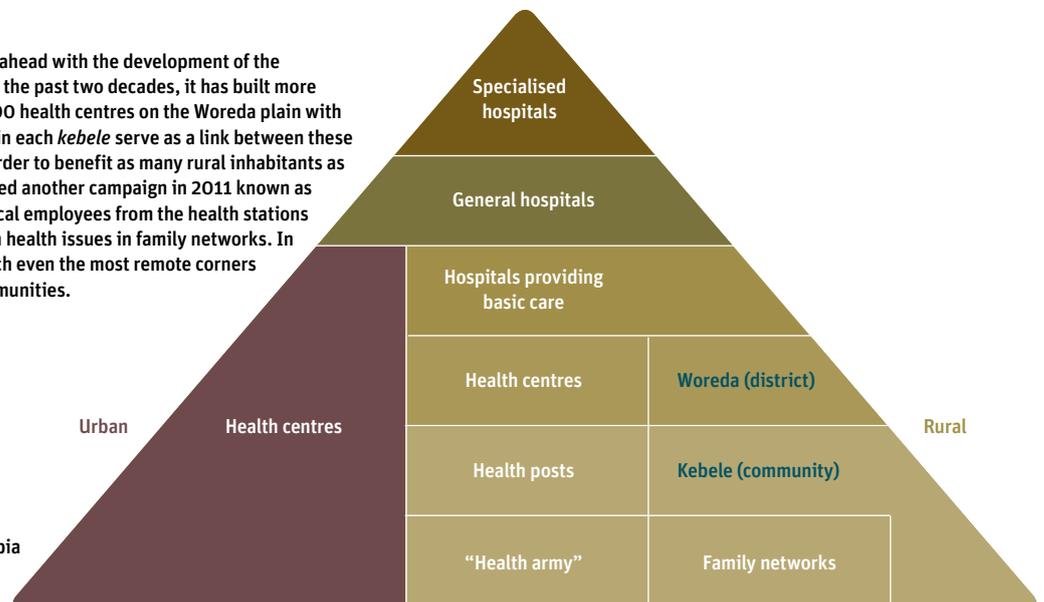
In order to reach as many people as possible, the government set up more than 15,000 health posts within the framework of the HEP – one in each *kebele* (community) – to provide for an average of 5,000 people. In order to have two health assistants for the patients in each of these facilities, more than 30,000 women were trained in 40 new training centres for medical personnel.⁴³ The idea was, on the one hand, to give women with secondary education an opportunity to have an income and, on the other, to strengthen the acceptance of health measures in the community.⁴⁴

A main task of these so-called health extension workers is to improve the health of mothers and their children as well as to prevent contagious diseases. To this end, the trained women working in these health posts offer 16 medical services in four areas: family health, disease prevention,

hygiene and health education. They care for pregnant women until the birth, make sure that infants are vaccinated and protected from typical childhood diseases such as diarrhoea, and inform women about family planning methods. But the health extension workers also educate the local population about infectious diseases such as malaria and HIV/AIDS and distribute mosquito nets and condoms for the necessary prevention. They are supported in these endeavours by volunteers from local families, who together form a “Health Development Army”, as the government calls it.⁴⁶

Trickle-down effect

The Ethiopian government has pushed ahead with the development of the healthcare system on several levels. In the past two decades, it has built more than 300 hospitals and more than 3,500 health centres on the Woreda plain with international support. Health stations in each *kebele* serve as a link between these institutions and rural households. In order to benefit as many rural inhabitants as possible, the Ministry of Health launched another campaign in 2011 known as the “Health Development Army”. Medical employees from the health stations train volunteers who provide advice on health issues in family networks. In this way, healthcare is intended to reach even the most remote corners of the country, including nomadic communities.



Structure of the health system in Ethiopia (Data source: own diagram based on WHO⁴⁷)

More equality benefits everyone

If women are socio-economically disadvantaged, they have more children over the course of their lives than if they earn their own living. This strengthens their position in the family. Especially with respect to family planning, a greater say for women usually means a decrease in the number of children born – with long-term positive effects on the development of whole nations.⁴⁸

Since the turn of the millennium, Ethiopia has made progress both in education and with respect to the share of women in the workforce. According to government figures, the proportion of women in employment increased by six percentage points between 1999 and 2013 to 78 percent.⁴⁹ In agriculture today, they work for wages more often and start their own small businesses more frequently, such as restaurants or hairdressing salons. But opportunities have improved in other areas as well: women are earning their own living by working, for example, on cut flower plantations, in grain mills or as teachers and health assistants in the state service.⁵⁰

The higher labour market participation of women is a positive trend, but it still needs to be increased. Women are more seldom formally employed than men and experience discrimination in many areas. Particularly in rural regions, social norms change slowly. Men often remain sceptical towards an equitable division of labour and shared decisions in the family.⁵¹

Healthier children and mothers

The idea of involving as large a share of the local population as possible in basic healthcare and of empowering primarily women has already had an impact. While in 2000 only about a quarter of the women in Ethiopia were supported by a medical professional during pregnancy, the corresponding figure in 2016 was almost two-thirds.⁵² This has contributed to more births being medically supervised. Although at 26 percent the proportion of children who are born in a healthcare facility is not even half as high as in Kenya or Tanzania, this is already a five-fold increase compared with 2000.⁵³

The positive effects are reflected in the probability of survival of both infants and mothers. Pregnancy-related mortality among women has halved since the turn of the millennium to 0.4 deaths per 100 live births. While it was still the case in

Distribution of the causes of death in children under the age of five, in percent, 2014

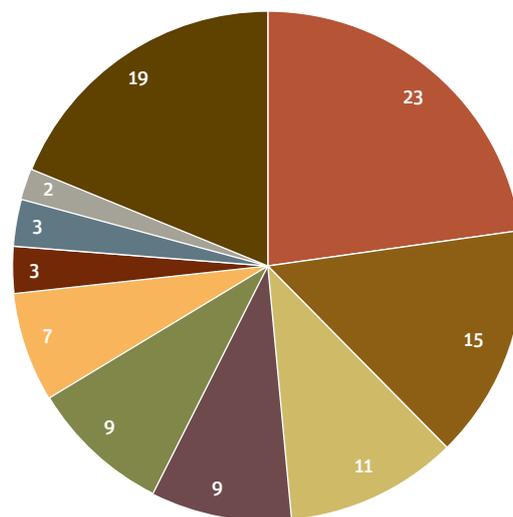


(Data source: African Health Observatory⁵⁶)

2000 that 10 of 100 babies born alive did not survive until their first birthday, that number had halved to five by 2016.⁵⁴ The decline in the number of children who died in their first five years of life was equally steep in this period, falling from 17 to 7 deaths per 100 live births within 16 years.⁵⁵ Above all, avoiding dirty drinking water (the most common cause of diarrhoea), combatting hunger and administering more vaccinations against childhood diseases such as polio and measles have helped to reduce child mortality.

Why children die in Ethiopia

Child mortality in Ethiopia has fallen rapidly. Nevertheless, about one child in fifteen still dies before it reaches the age of five, mostly of diarrhoea, pneumonia or malaria – deaths that can be prevented by antibiotics, hygiene and other prophylactic measures. Better access to safe drinking water and sanitation are other important steps that would further improve children's health. In this context, the fight against hunger is important, too, because undernourishment and malnutrition make children particularly vulnerable to communicable diseases. In 2016, one child in ten in the country was undernourished.



The fact that more infants and young children now survive has contributed significantly to the decline in the fertility rate in Ethiopia. Another key factor, however, is educating people about family planning methods. This is often done by the health assistants in conjunction with non-governmental organisations.⁵⁷ Between 2000 and 2005 alone, the percentage of women using a modern method of contraception more than doubled from 6 to 14 percent. In the subsequent 11 years, it increased once again 2.5 times to 35 percent – all in all an almost six-fold increase in 16 years.⁵⁸ As a result, the proportion of women who use contraceptives is around six percentage points above the average for sub-Saharan Africa.⁵⁹

Fewer infectious diseases

Through the Health Extension Program, Ethiopia has also made progress in combatting infectious diseases. Take malaria, for instance: although more than 65 percent of the population live in malaria-risk areas, there has been no malaria epidemic since 2003. In the past, Ethiopia was ravaged by such an epidemic every five to eight years.⁶⁰ However, information campaigns about protective measures and the distribution of mosquito nets have led to an eleven-fold decrease in the number of new cases of malaria since 2000 to six infections per 100 people living in a malarial area.⁶¹ At nearly 80 percent of the nationwide health posts, this tropical disease can now be treated with drugs.⁶²

Ethiopia has also achieved success in the fight against HIV/AIDS. Between 1994 and 2016, the new infection rate in the country fell according to United Nations (UNAids) estimates by more than 80 percent to 30,000 new infections – the second-largest decline in East Africa after Burundi. The number of HIV/AIDS-related deaths has declined since its peak in 2004 by around 80 percent, not least because since 2005 modern anti-retroviral drugs for combatting autoimmune disease have been distributed free of charge.⁶³ In 2014, Ethiopia's anti-HIV campaign even made it into the Guinness Book of Records: To mark World AIDS Day, nearly 3,400 people in the Gambella region received free HIV consultations within eight hours and were able to be tested for the virus. The government and the UNAids campaign aimed to inform the people living in the region with the highest rate of new infections about HIV prevention and treatment services.⁶⁴

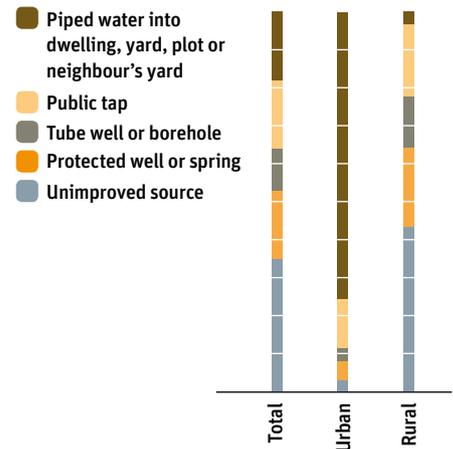
MDGs reached, but still way short of the ultimate target

The Health Extension Program has played a central role in achieving the Millennium Development Goals in Ethiopia. Above all, the improvements have helped Ethiopians to raise their life expectancy to an average of more than 64 years – an increase of more than 10 years since the turn of the millennium.⁶⁷

But for all the rejoicing about the progress made in the health sector, it is important to mention that it has been achieved off a very low base. In global terms, infant mortality, for example, remains high – six times higher than in Romania and Bulgaria, the two poorest countries of the European Union.⁶⁸ Preventable infectious diseases are still the leading cause of death, especially among children.⁶⁹

Unequal access to the elixir of life

Wherever clean water and sanitation are lacking, parasites and pathogens spread very quickly. In 2000, only 25 percent of Ethiopian households had access to safe drinking water, compared with 65 percent in 2016. But this is still worse than in most regions of East Africa. In addition, the regional differences in the country are enormous: while 96 percent of people in cities have clean water, only 57 percent of rural residents do.⁶⁵



Type of drinking water access for the urban and rural as well as total population, in percent, 2016 (Data source: DHS⁶⁶)

The health posts in the *kebele* were an important step, but not sufficient to ensure good healthcare for all Ethiopians – especially since the number of people in the country is constantly increasing. Nearly half of the population still has to travel more than 15 kilometres to reach such a post.⁷⁰ Moreover, the quality of the healthcare often leaves much to be desired. The medication and medical equipment required to treat even the most common diseases is frequently lacking. In addition, many health assistants are poorly trained and do not have sufficient knowledge of the healthcare services they are supposed to provide.⁷¹ Anyone who is seriously ill

often has to make the long journey to the nearest city, as health professionals are still unevenly distributed across the country. Specialised doctors and medical graduates are to be found almost exclusively in the cities.⁷²

Shortage of doctors in both urban and rural areas

The increasing urbanisation and the growing middle class in the cities have promoted the emergence of private hospitals and healthcare facilities. About 80 percent of these establishments are currently concentrated in the capital city of Addis Ababa.⁷³ The government's health strategy deliberately includes private hospitals. The idea is that they should help improve access to health services and provide more choice for patients – at least for those willing or able to pay more for better healthcare.⁷⁴

However, private and public hospitals and healthcare facilities alike have a crucial problem: despite investments in the framework of the HEP there is a shortage of medical personnel throughout the country – especially of doctors, nurses and midwives. In Ethiopia there are only seven medical professionals per 100 inhabitants on average. To ensure good primary care, three times as many would be needed, as the government itself admits.⁷⁵

Little money, new challenges

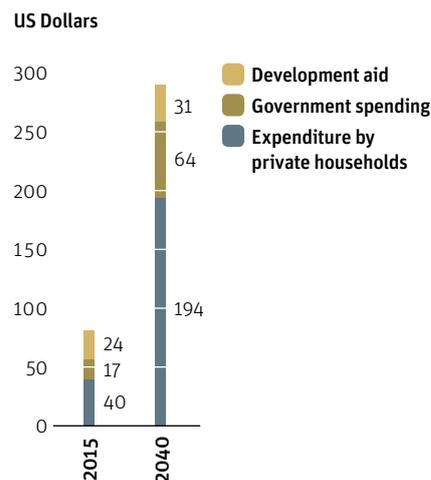
A major challenge remains the financing of the health system. Since 2004, Ethiopia has spent between 3 and 7 percent of its state budget on health – slightly less than most other countries in East Africa.⁷⁶ The country is thus a long way from the WHO recommendation of spending 15 percent of the annual national budget on health. Financing the Ethiopian health system would be impossible without the help of international donors. In 2014, nearly half (44.7 percent) of the funds for the health sector came from international development aid. The government itself finances about a quarter of the cost of healthcare, while the remainder must be borne by households themselves – a huge burden, especially for the poorest.⁷⁷

Healthcare costs are likely to continue to increase in the future, because with rising life expectancy and socio-economic progress, other kinds of disease will become more prevalent. While Ethiopia today has to contend especially with infectious diseases such as diarrhoea, malaria and respiratory illnesses, in future non-communicable and age-related illnesses such as heart attacks and strokes will become more common. In 2016, for the first time, ischemic heart disease became the third-most common cause of death,⁷⁸ a sign that the so-called epidemiological transition, in other words, the increase in the significance of non-communicable diseases vis-à-vis infectious diseases, is already under way in Ethiopia. On the one hand, this is an advance that has been observed for some time in developed countries; on the other hand, it is a problem because the treatment of non-communicable diseases is more expensive than that of infectious diseases.⁷⁹

Thus, the Ethiopian government faces the challenge of, first, expanding the healthcare system to cope with the increasing number of people; second, ensuring good healthcare provision in both the city and in the country; and, third, preparing to deal with a new range of diseases. In addition, it will have to find new ways of funding the health sector.

Rising costs

In 2015, Ethiopia's average health expenditure per capita was 81 US dollars. In Germany, health expenditure per capita in the same year was 5,532 US dollars. The epidemiological transition – from infectious diseases to the diseases of civilisation and age-related diseases – will, however, mean rising healthcare costs for Ethiopia. In 2040, health expenditure per capita is likely to increase by a factor of 3.5. Most of the additional burden will be on private households, partly because the share of international development aid in total spending on health is likely to be lower in the future.



Purchasing power-adjusted health expenditure per capita according to financier, in US dollars, 2015–2040 (Data source: IHME⁸⁰)

2.3 Education

With respect to education, Ethiopia had to deal with catastrophic conditions following the fall of the military regime. When the interim government took over in Addis Ababa, more than 13 million adults – or more than three quarters of the population aged between 25 and 64 at that time – were unable to read or write. The level of education was especially low among women: in 1994, roughly nine out of ten women were illiterate.⁸¹

Until well into the 1990s, access to education in Ethiopia was extremely limited. During the imperial era, the Orthodox Church largely prevented the introduction of a modern education system. Only members of a small urban elite enjoyed access to a school education.⁸² While the Derg regime initially expanded access to education, the armed conflicts, droughts and famines that followed in the 1980s once again put paid to any improvement.⁸³ In the early 1990s, shortly after the end of military rule, less than 20 percent of children of primary school age were attending school. In no other country in the world at that time was the share of children starting school lower than in Ethiopia.⁸⁴

Setting the course for improved education

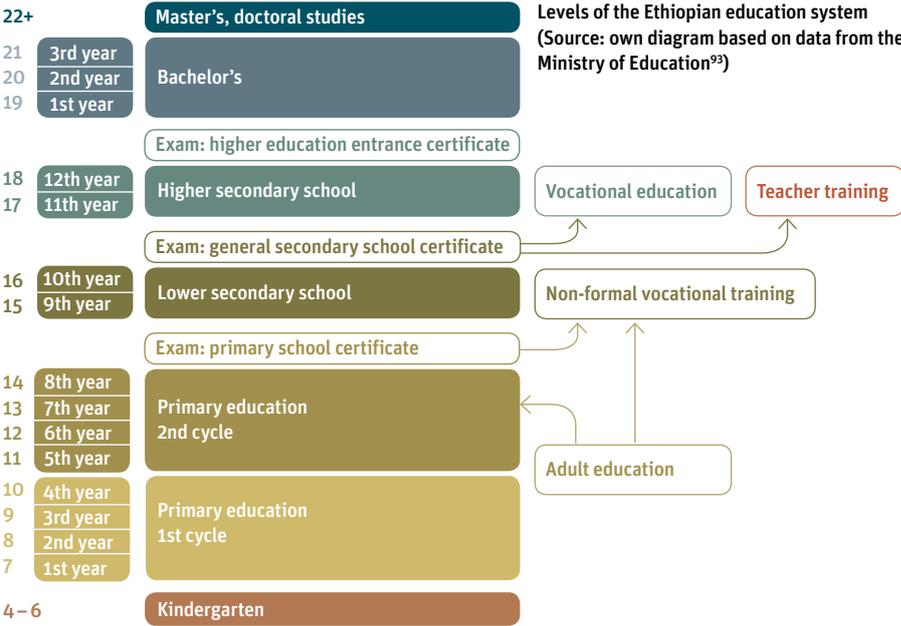
The decades of educational misery ended with the seizure of power by the EPRD. The Transitional Government made education a priority and in 1994 formulated policy guidelines for education and training as well as an Education Sector Development Program (ESDP). These laid the foundation for a rapid expansion of education.⁸⁵ In order to improve access to

education, primary schools were built in all communities or *kebele* and secondary schools in many places as well. Between 1995 and 2014, the number of primary schools increased from just under 1,000 to more than 32,000, while the number of secondary schools increased from a mere 326 to more than 2,300.⁸⁶ Thus, the number of schools in Ethiopia increased by a factor of 25 in less than 20 years.

At the same time, the new government abolished school fees, decentralised the education system and allowed provincial governments to decide the language of instruction in their region.⁸⁷ Since then, primary-school children of the largest ethnic groups have been taught in their mother tongue.⁸⁸ Nationwide, more than 20 different languages are now officially recognised as languages of instruction. The national education strategy also stipulates that Amharic and English should be taught as well from year one.⁸⁹

From kindergarten to university

Since 1994, the Ethiopian educational system has provided for eight years of primary school and two years each of lower and higher secondary school.* After kindergarten, which on average only 30 percent of children between the ages of four and six years attend currently, children start school at the age of seven.⁹⁰ Primary education is divided into two cycles and – at least officially – is free of charge and compulsory. Depending on the region, instruction is in the local language until fourth, sixth or eighth year.⁹¹ From secondary school onwards, teaching takes place in English. At the end of primary school, as well as in the tenth and twelfth years, pupils must take an examination in order to enter the next level of education. Examination results at the end of tenth year determine whether a student can attend secondary higher education, which prepares them for higher education, or complete a teacher training or vocational education programme.⁹²



* The UNESCO Institute for Statistics (UIS) assumes a different structure in the Ethiopian education system: six years of primary school followed by four years of lower and two years of higher secondary school. Thus, the published data on student numbers and school entry and transition rates in primary and lower secondary level do not reflect the reality of the Ethiopian system.

For the EPRDF government, the education sector plays a central role in the reduction of poverty, the main goal of its long-term development strategy. This is also reflected in the financial resources it has channelled into education. Between 1993 and 2013, the funds allocated for education rose from approximately 13 percent of the national budget to 27 percent and from 2.3 to 4.5 percent of GDP. Measured in terms of both indicators, spending on education has roughly doubled in the past 20 years.⁹⁴ Moreover, as the economy has grown, more money has flowed into the Ethiopian state budget, increasing the funds available for education in absolute terms: in 2013, the Ethiopian government spent approximately two billion US dollars on education – eight times more than in 1993.⁹⁵

Growing support

In addition to the growing state budget, the increased commitment of international donors has played an important role in the improved funding of the Ethiopian educational sector. Since the EPRDF government has worked closely with donor agencies such as the World Bank in drawing up its country-wide educational programmes, it has gradually been able to ensure a steadily rising level of financial support. An important incentive on both sides was the educational goal of the Millennium Development Agenda to provide all children with primary education by 2015.⁹⁶

After the turn of the millennium, which coincided with both the start of the MDG period and the completion of the implementation phase of the first educational programme, international donors began making increasing sums of money available for Ethiopian education.

From 2002 to 2016, they increased their funding for education by approximately 19 million US dollars annually on average. In 2016, Ethiopia received a total of 300 million US dollars for education – more than any other country in sub-Saharan Africa.⁹⁷

First educational successes

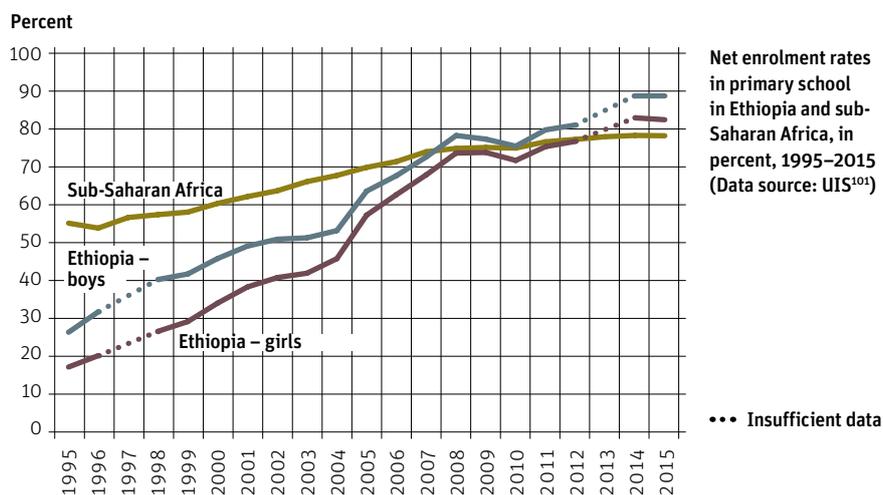
The efforts of the Ethiopian government combined with international support have made for substantial progress in the field of education, in particular in access to education. While less than 40 percent of children of primary school age were attending school in 2000, that figure had risen to 85 percent 15 years later. The enrolment rate for secondary schools has more than doubled: the share of young people with a school education rose from 12 to 30 percent over the same period.⁹⁸

At the same time, the educational initiative brought about an improvement in the literacy rate of the young population. The proportion of 15- to 24-year-olds who can read and write has risen since the turn of the millennium from just under 40 percent to 60 percent.⁹⁹

However, Ethiopia has made the most progress in the university sector. After the end of the Derg regime there were only two universities in the entire country. By 2015, the number of universities country-wide had increased to 36, with another 11 planned.¹⁰² While access to a university education is still available only to a very small part of the population, the number of students has risen markedly: from about 33,000 in 1990 to about 760,000 in 2014.¹⁰³ The importance the Ethiopian government attaches to expanding the higher education sector is also reflected in expenditure: 43 percent of the budget for education is accounted for by higher education.¹⁰⁴

The race to catch up

Ethiopia's race to catch up with respect to access to education, which began after the introduction of the National Education Strategy, is all the more impressive if one considers that the starting point was very low. While sub-Saharan enrolment rates increased by only about 20 percentage points between 1995 and 2015, they rose by more than 60 percentage points in Ethiopia – a quadrupling in just 20 years. For girls, the enrolment rate almost quintupled during this period.¹⁰⁰



As an alternative to an academic education, the EPRDF government has established a vocational education system for those who have completed lower secondary school but do not qualify for higher education. Vocational schools have been set up country-wide with the aim of equipping young people with the practical skills that the country needs for an economic upswing.¹⁰⁵ So far, only about 2 percent of 15- to 24-year-olds are attending a secondary vocational school, but enrolment numbers have increased by a factor of more than 100 since 1999 – to more than 350,000 students in 2015.^{106, 107}

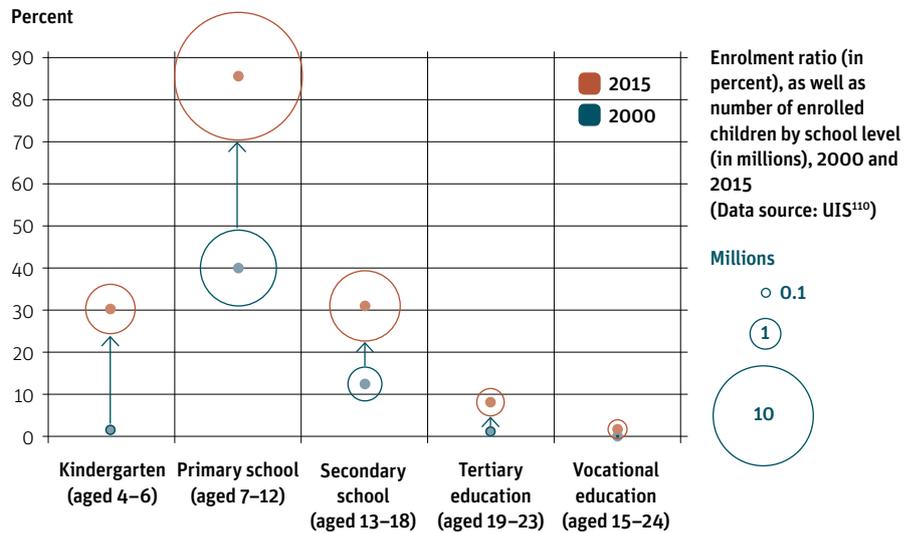
Improved chances for girls

A central concern of the Ethiopian education strategy is to improve educational access for girls. When the MDGs were first defined, only just over half of girls in sub-Saharan Africa were attending primary year one on average. In Ethiopia, only one in three girls was enrolled for primary school in 2000.¹¹¹

To put an end to this disadvantage, the government is trying to make school access easier for girls through concrete measures. These include awareness-raising campaigns in village communities designed to convince parents of the benefits of school education for their daughters. In addition, schools are to be made more “girl-friendly”, by building separate latrines for boys and girls and employing female teachers and head teachers whose role is to encourage girls in a targeted manner. In addition, Ethiopia has established girls’ clubs in schools and tutoring and counselling services for female pupils.¹¹²

Progress at all levels

School enrolment rates have risen in Ethiopia at all levels, including pre-school. While in 2000 only about two out of every 100 children attended kindergarten, in 2015 the corresponding number was 30 – significantly more than in most other sub-Saharan African countries for which data are available. This improvement is mainly due to private pre-school facilities in urban centres and the introduction of a welcome class in primary schools.¹⁰⁸ Furthermore, vocational school attendance is also higher than in many other sub-Saharan African countries. But very few young people between the ages of 15 and 24 – a mere 2 percent – undergo professional training in Ethiopia.¹⁰⁹



These measures have significantly improved the educational opportunities for girls. While in 2000, seven out of ten girls aged between nine and twelve had never set foot in a school, by 2016 that figure had fallen to two.¹¹³ At 82 percent, the school enrolment rate for girls in Ethiopia was no less than seven percentage points above the sub-Saharan average in 2015.¹¹⁴ However, girls are still often disadvantaged higher up the education system. In 2016, 60 percent of girls of higher secondary school age were not attending school, compared with only 50 percent of boys.¹¹⁵ Girls are at a particular disadvantage in higher education, where the share of male students is 11 percent of the population aged 19 to 23, more than twice that of female students.¹¹⁶

Qualified success

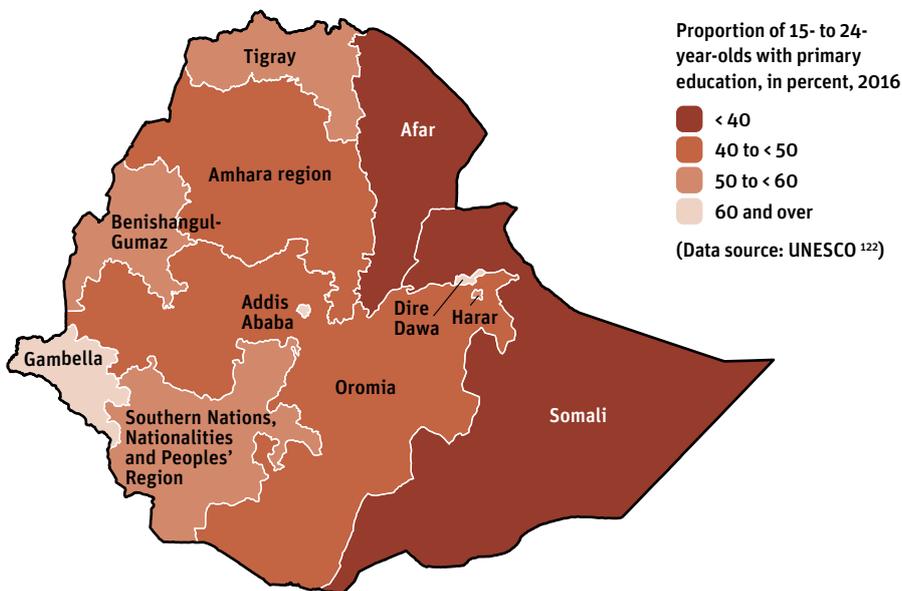
Given all the positive news, it is understandable that the expansion of Ethiopia’s educational system is often celebrated as a success story. But the country still fell just short of achieving the MDG target of giving all children access to primary education by 2015. The advances in the field of education are especially remarkable in view of the still rapidly rising population and hence the significant increase in the number of children who should receive a school education. Between 2000 and 2015 alone the number of children and young people between 7 and 18 years of age, i.e. of primary and secondary school age, grew to 10.5 million – an increase of 50 percent.¹¹⁷

The Ethiopian educational system is nonetheless a long way from constituting a model for Africa. A closer analysis quickly reveals that Ethiopia is struggling with deep-rooted problems in the educational sector similar to those experienced by many other sub-Saharan states. So far, the numerous deficits in the field of education have prevented the younger generation from learning what they need to know to improve their prospects for the future and to drive socio-economic change in their country.

The problems start with access to schools, which remains a challenge in some places of residence. The formal achievements in the national school attendance rates conceal the big differences between regions. In the capital, Addis Ababa, where there is at least one school in every district, only about 5 percent of primary school children do not attend school. In the peripheral regions of Afar and Somali, where people still lead a nomadic or semi-nomadic existence, access to education is much more difficult. In places where the next school is far away or where families may not have permanent residence, it is almost impossible for children to attend school regularly. In these two regions, around 35 and 42 percent of primary school age children, respectively, attended no school in 2016.¹¹⁸

Regional differences

How much education children and young people receive in Ethiopia differs enormously from region to region. In Addis Ababa, the completion rates for primary school at 80 percent are more than twice as high as in the outlying regions of Afar or Somali.¹¹⁹ There, children often drop out of school in the first or second year, in other words, before they have learned to read or write.¹²⁰ This is also reflected in the literacy rates in each region: in Afar on average only one in three 15- to 24-year-olds can read or write.¹²¹



Poverty as an obstacle

It is not only the place of residence but also the income and educational level of parents that play a big role in Ethiopia in the issue of whether children and adolescents receive a school education. In poorer households, where parents have generally received no education themselves, children often have to work to help support their families. The differences in access to education are correspondingly high according to income groups: Around 40 percent of 9- to 12-year-olds from the poorest families had never attended school in 2016. In the most affluent group of the population, the corresponding figure was just 8 percent of children.¹²³

A study shows that children from wealthy families whose mothers have received an education and who live in a city have the best chance of receiving an education in Ethiopia – especially if they live in the capital, Addis Ababa. This is especially true when it comes to attending secondary school or university.¹²⁴

School enrolment does not necessarily mean education

Even if children have the opportunity to attend school, the mere fact of enrolment does not necessarily mean they will receive an education, because only a small proportion of children who enrol in primary school will complete that level

of education. According to the household surveys conducted by the *Demographic and Health Surveys* Program, not even half of 15-to 24-year-olds in 2016 had finished primary school.¹²⁵ Many drop out or have to repeat one or more school years because they have attended classes only irregularly. In 2014, nearly two-thirds of pupils had left school early by the end of year six.¹²⁶

Like in many other African countries, the number of people who attend secondary school after finishing primary school is still low in Ethiopia. According to UNESCO, the enrolment rate in secondary education in 2015 was 30 percent, slightly below the average for sub-Saharan Africa. The higher the level of the education system, the lower the proportion of children attending school.¹²⁷ The reasons why children and young people drop out of school range from the long distance they have to travel to the nearest school to the absence of transportation, the lack of financial resources for school fees and the need to support the family, as well as, in the case of girls, early marriage.¹²⁸

Unequal educational paths

Only a small number of children who enrol in school in Ethiopia make it through several levels of the educational system. In 2011, just one in ten 17- to 18-year-olds had attained a lower secondary education. How far children and young people climb up the educational ladder depends largely on their place of residence and the educational and income levels of their parents. Children from wealthy families are 20 times more likely to go to higher secondary school than children from poorer households.¹²⁹

Low achievement

Another reason why school prepares children inadequately for life is the poor quality of teaching. Neither teacher training nor infrastructure has been able to keep up with the rapid expansion of access to education. There is a huge shortage of school materials and appropriately qualified teachers. In primary school, the average number of students per teacher increased from 33 to 55 between 1995 and 2011.¹³¹

The lack of well-trained staff is reflected in learning achievements – at all levels of the educational system. An evaluation of primary school reading skills in 2010 showed that over a third of children in year two were unable to read a single word.¹³² In the National Learning Assessment, which regularly reviews educational progress in years 4, 8, 10 and 12, only 23 percent of pupils in year 10 and only 7.5 percent of pupils in year 8 in 2012 achieved at least half of the total possible score. Pupils in

year 12 – in other words, those who have made it into higher secondary education – did better in the test than their younger co-pupils, but their average test result was worse than in 2010.¹³³

The government is aware of the shortcomings in the quality of education. With the support of the World Bank, it introduced a programme for improving the general quality of education in primary and secondary education back in 2008. This foresaw, inter alia, the extension of primary school teacher training to three years.¹³⁴ And, indeed, the level of teacher training has improved since then, albeit mainly in the cities. In the outlying regions, where the living and teaching conditions are often more difficult, the percentage of qualified teaching staff is about half that in the cities.¹³⁵

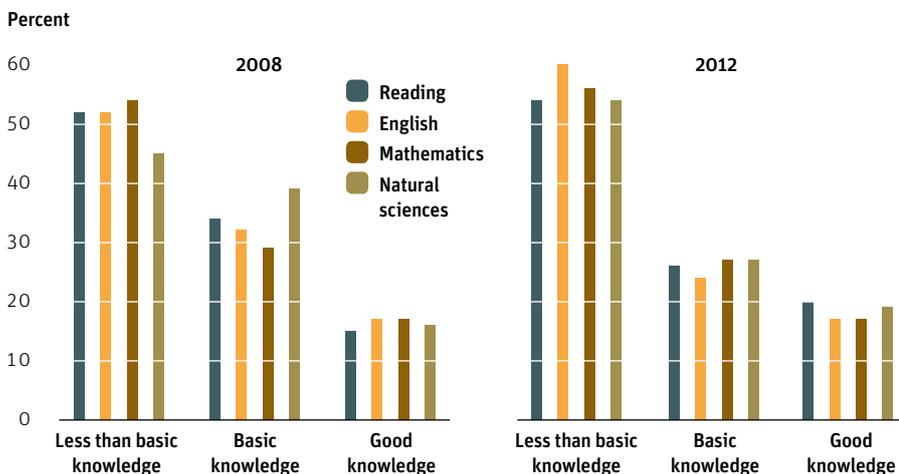
Because many schools cannot afford to meet even the minimum quality requirements, an increasing number of parents are sending their children to fee-paying private schools – if they are able to afford them, that is. There, children tend to make much better progress, because private schools pay higher salaries and therefore attract the best-qualified teachers. Wealthier families are increasingly willing to spend more money so that their offspring will learn



Percentage of young people in upper secondary education (aged 17–18) who have passed through, broken off or never attained various levels of education, by parents' income group, in percent, 2011 (Data source: Education Analysis¹³⁰)

Behind the expectations

Every four years, as part of the National Learning Assessment, the Ministry of Education reviews the learning progress of students in every region of the country. The results are sobering because the quality of teaching in Ethiopian schools is inadequate and learning achievements regularly fail to meet the government competence goals. Thus, the share of fourth-year pupils who did not have even a basic knowledge of the main school subjects increased further between 2008 and 2012.¹³⁶



Level of achievement of fourth-year pupils, in percent, 2008 and 2012
(Data source: Ministry of Education¹³⁷)

something.¹³⁸ So far the number of children attending a private school remains low, 800,000 at primary school and 330,000 at secondary school level.¹³⁹ And because most private schools are located in cities and often recruit their pupils through a selection process, they are likely to be a reason why the differences in educational attainment between children of different income groups are continuing to grow.

Often no prospects, despite education

The poor quality of education in Ethiopia is one of the main reasons why so many children and young people fall by the wayside in the educational system, some of them before they have even managed

to learn to read and write. And even those who finish primary school often fail the final exams. In secondary education, too, many pupils fail to pass the examinations. Anyone who leaves school early, fails the examinations or whose marks are too low for them to continue to go to school will have no real future prospects even after several years of schooling.¹⁴⁰

Many Ethiopians who expected to improve their own or their children's future prospects through education have so far been disappointed. After all, the Ethiopian labour market offers few job opportunities for the increasingly better-educated younger generation. This is especially true for the growing number of graduates. Just 6,000 job vacancies for the higher qualified were available for the approximately 67,000 students who completed their studies in 2010.¹⁴¹

The situation is further aggravated by the fact that graduates often do not have the skills that are needed on the labour market. This is true even for those who have undergone vocational training. Studies show that the qualifications of vocational school graduates barely meet the requirements of companies, because even in so-called Technical and Vocational Education (TVET), the quality of teaching leaves much to be desired.¹⁴² High unemployment among TVET graduates in many places has given rise to a certain degree of scepticism about this educational track, which in countries like Austria or Germany paves the way to a large number of well-paid professions where skilled workers are in demand.¹⁴³

The low quality of education in Ethiopia poses problems for the country in two respects: on the one hand, there is a shortage of well-educated professionals for the growing number of foreign companies investing in Ethiopia; on the other hand, the formally ever better educated young people in the country lack job opportunities. This not only limits the possibilities for economic development but is also a growing threat to the country's stability. The protests of the past three years, which were staged predominantly by the younger, better-educated population, have already demonstrated this. Particularly in rural regions, this circumstance is giving rise to ever more doubts among parents about whether it makes sense to send their children to school or university if their future prospects are not thereby improved. Such a rejection of education could have serious consequences for the long-term socio-economic development of Ethiopia. However, for young Ethiopians who have already received an education but are unable to find work, emigration is often the only way out.¹⁴⁴

Interview

Catherine Dom has been working in Ethiopia as a development consultant and researcher for many years. As part of the research project WIDE (Wellbeing and Ill-Being Dynamics in Ethiopia) she and her colleagues have carried out a long-term study in 20 rural communities in order to show what kind of socio-economic change has taken place there in the past two decades. In an interview with the Berlin Institute she explained what has happened in education in rural Ethiopia and what this means for the future prospects and wishes of young people.

What has happened in Ethiopia's educational sector in recent years? Has there been progress?

Yes, access to education has improved throughout Ethiopia, but not as much as the official statistics sometimes suggest. It is true that today almost every child goes to school at some point, but many of them leave school early. Some don't even finish the first years of primary school. This is a problem that up till now has not been acknowledged, and the government is only gradually beginning to admit that its boasting that Ethiopia has achieved universal primary education is not well received by the population. Because in reality we are a long way from being able to guarantee all children a primary school education.

What is the educational situation for children and younger people in rural areas?

In rural areas, too, young people today are receiving more schooling than the older generations, even if it is often of poor quality. That changes how young

people think and their ideas about how their lives could turn out. At the same time, young people are much better networked today. New roads and mobile phones have improved the links between the countryside and the cities but also with other regions worldwide. If you consider where some of these communities were and how remote they were, this is a spectacular change. And that is prompting greater awareness and a set of quite different aspirations that young people have.

What are their prospects today with "more" education?

Young people in rural areas have both more and fewer prospects. More because a certain process of industrialisation has begun that is creating new jobs. But at the same time fewer, because this process is not happening quickly enough and in rural areas there is nothing for young people to do. The government has not yet really become aware of this lack of prospects in the provinces. Up till now its focus has always been on youth unemployment in the cities, since this is of course more visible. So young people in rural regions have so far received little support to really use their education and help a large number of them to quit farming.

Can more vocational education provide better prospects?

More vocational education programmes are certainly a good thing, but they are conditional on young people completing year ten. In rural areas very few of them manage that. With the support of the World Bank the government is planning to expand vocational schools in rural areas into so-called centres of excellence. That is good and important, but the main thing

is jobs and prospects for better-qualified young people. The question is what all those kids are going to do who do not manage to finish tenth year? Those are the ones for whom prospects need to be created, otherwise their education is no use to them, especially the girls.

Why does that apply especially to girls?

If a girl chooses the "modern path" and receives an education that opens up completely new opportunities to her. She has the chance to become economically independent and to lead a life that is quite different from her mother's. So education is a source of hope most especially for girls. But if they don't manage to complete eighth year or, later on, say in the tenth year, fail, they have no other option than to go back to their village and submit to the social norms there, which are often very traditional. That means early marriage, having lots of children and taking care of the household.

What needs to change in future?

Education needs to be of better quality. But even more important is the question of what children and young people actually learn and what expectations they leave school with. Up till now the goal has been to prepare young people to go to university, which for most of them is completely unrealistic. The young people have to realise that not all of them need to go to university. There are also respected professions for which you need an education and that are increasingly in demand in rural areas – from tradesmen, plumbers and electricians to people who repair mobile phones. So especially in rural areas formal vocational education needs to be expanded and made accessible to those who have not completed secondary school.

2.4 The economy and the labour market

One achievement, in particular, has put Ethiopia into the international limelight over the past two decades: its enormously strong economic growth. From the mid-2000s onwards, the country recorded stable growth of more than 10 percent annually, thus leaving other strongly growing economies around the world in the shade. Of the 184 countries worldwide for which data are available, only the raw-materials country Qatar had even higher average growth rates between 2004 and 2016.¹⁴⁵

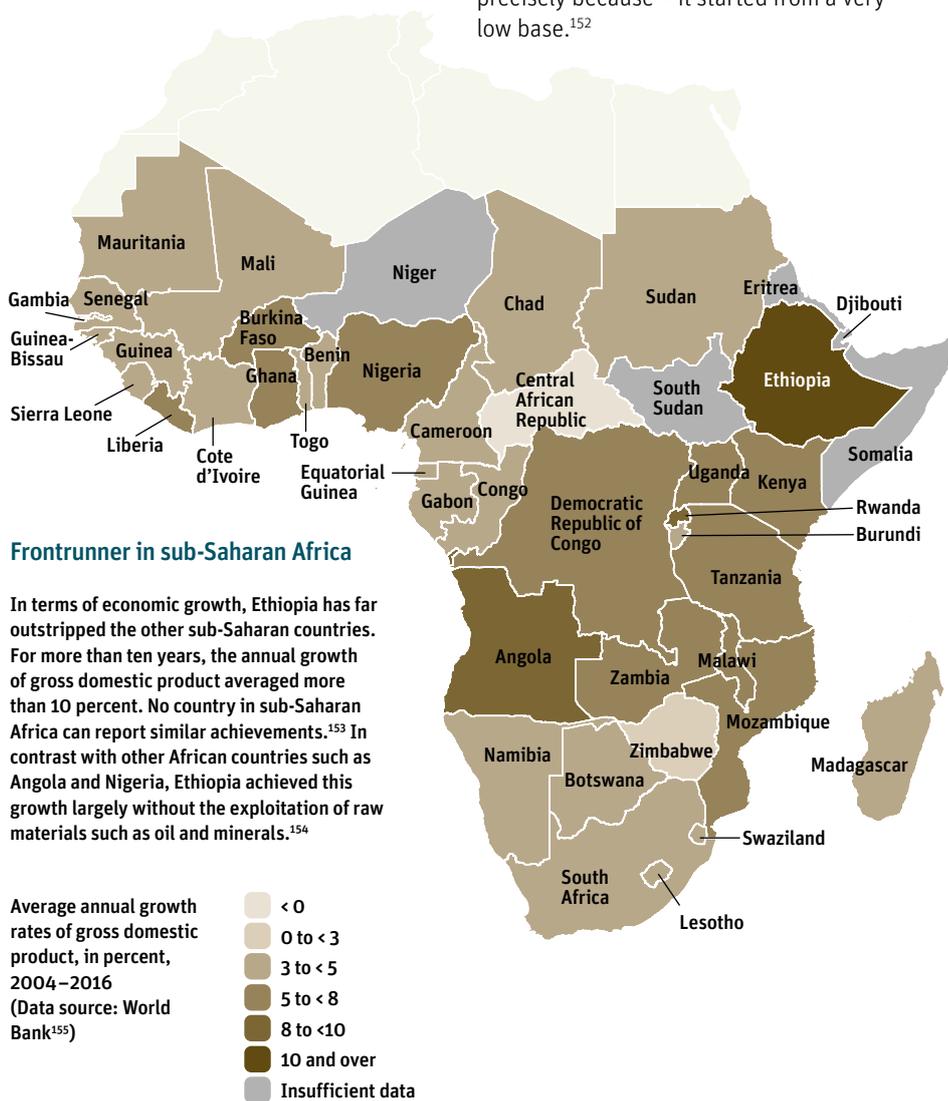
Ethiopia has, in fact, experienced two economic growth spurts since the beginning of the 1990s. After the fall of the Derg regime and the country's economic reorientation, annual growth rates increased between 1993 and 2004 to more than 4 percent, according to the World Bank. This meant they were on average nine times higher than in the previous ten years.¹⁴⁶ The reforms set in motion by the EPRDF government at that time gave another boost to the economy from the mid-2000s onwards. Starting in 2004, average growth rates climbed into the double-digit range and thereby doubled once again over the previous period.¹⁴⁷

Higher incomes, less poverty

The per capita income of Ethiopians grew by an annual average of 7.5 percent between 2004 and 2016, which is somewhat less than gross domestic product. The more modest per capita income growth was due, above all, to the strong population increase in the country. The Ethiopian population increased by around 3 percent annually in the same period. The wealth generated in 2016 thus had to be distributed among about 28 million more people than 12 years earlier.^{148, 149}

Nonetheless, Ethiopians today have on average more than twice as much money as they did at the beginning of the economic upswing. While incomes adjusted for purchasing power are still far below the average for sub-Saharan Africa, the relative increase in per capita income from 2004 onwards was the highest in the region. This has contributed over the past two decades to a halving of the share of people living in extreme poverty.¹⁵⁰

Experts have, however, repeatedly called into question the credibility of Ethiopia's economic growth figures. International organisations such as the World Bank and the IMF regularly express doubt.¹⁵¹ It is widely thought that the government has become so enamoured of its mantra of double-digit growth rates that it manipulates the statistics accordingly. Nevertheless, there is no question that Ethiopia's economic growth of recent years has been remarkable, even though – or precisely because – it started from a very low base.¹⁵²



Progress in agriculture

Another largely undisputed fact is that the high growth rates are mainly attributable to the clear development strategy pursued by the government. With the goal of transforming Ethiopia from a poor agricultural state into an emerging economy that sells agricultural and light industry products on the world market, the government has focused its initial efforts in the area where nearly every transformation process begins: agriculture. In 1993, the EPRDF drafted the Agricultural Development Led Industrialization (ADLI) strategy, which defines agriculture as the cornerstone and main point of departure for the country's development. Accordingly, Ethiopia began to invest in the agricultural sector at an early stage. Between 1995 and 2004, the government spent about 7 percent of the state budget and between 2005 and 2014 an average of more than 10 percent on agriculture – significantly more than most other countries in sub-Saharan Africa.¹⁵⁶

The strategy of first and foremost improving productivity in agriculture has led to initial successes. Yields – the volume of production per hectare – for cereals and other major crops have more than doubled since 1990.¹⁵⁷ Improved harvests have contributed to a reduction in poverty among Ethiopian smallholders and their families. Above all, new commercial medium- and large-scale enterprises have ensured higher export levels.¹⁵⁸ While in 1993, Ethiopia exported agricultural products to the tune of 150 million US dollars, the value of export commodities 20 years later was more than 20 times as much – 3.4 billion US dollars.¹⁵⁹

Gradual structural change

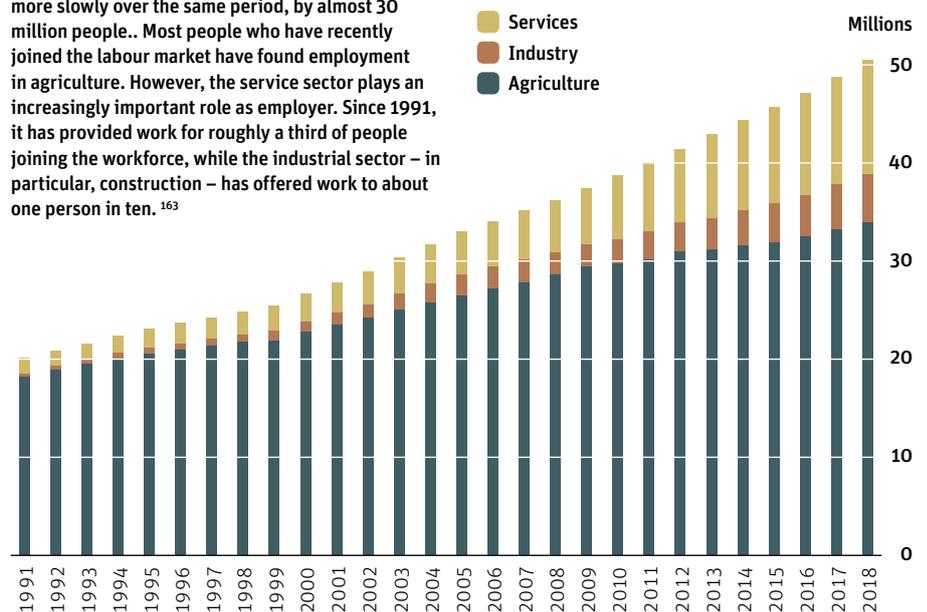
In the past, productivity gains in agriculture worldwide released workers for other sectors. In Ethiopia, too, the proportion of those engaged in agriculture has fallen since 2000 from 86 to 70 percent. Nevertheless, since the turn of the millennium, the number of agricultural workers has risen by 10 million to more than 33 million people. The sector has thus absorbed nearly half of the people who reached working age during this period.¹⁶⁰ Agriculture is hence still the most important sector for keeping formal unemployment in check.

Shifting employment structure

Since the beginning of the 1990s, the Ethiopian workforce has grown from 25 to 60 million people.¹⁶² The number of employees has increased slightly more slowly over the same period, by almost 30 million people.. Most people who have recently joined the labour market have found employment in agriculture. However, the service sector plays an increasingly important role as employer. Since 1991, it has provided work for roughly a third of people joining the workforce, while the industrial sector – in particular, construction – has offered work to about one person in ten.¹⁶³

Owing to the limited arable land available and the growing population pressure in rural areas, an increasing number of people in Ethiopia – like almost everywhere else in Africa – are being drawn to the growing cities in search of work, particularly to the capital, Addis Ababa. There, the service sector offers many people the opportunity to earn a living, whether as casual labourers or street vendors or by running small businesses, among other such things.¹⁶¹

In Ethiopia, the increasing significance of the service sector is ushering in structural change of the kind already experienced in Europe, America and Asia: namely, the shift of labour from the comparatively unproductive agricultural sector to areas with higher value added.¹⁶⁵ According to World Bank reports, since 2004 this structural change has been an important driver of economic growth in Ethiopia.¹⁶⁶



Employed people by economic sector, in millions, 1991–2018
(Data source: ILO¹⁶⁴)

Investments fuel construction boom

Besides the service sector, which acts as a magnet for jobseekers, huge investment in infrastructure is another component of the government's strategy that has likewise created jobs and boosted the economy. Since the mid-1990s, the state has invested heavily in the construction of wells, schools, health centres and other basic facilities that improve the lives of many people in rural areas.¹⁶⁷

In addition, in the past two decades the government has gone all out to expand the transport and energy networks. During the first *Growth and Transformation Plan*, the road network was expanded from just under 15,000 to more than 110,000 kilometres and is to double once again by 2020.¹⁶⁸ Furthermore, major projects such as the railway line from Addis Ababa to Djibouti, the most important link to world trade, and the *Great Ethiopian Renaissance Dam*, the largest reservoir in Africa, are intended to help drive the economy forward and attract investors from abroad. The new transport connection and the electricity from the dam will help boost the still sluggish process of industrialisation in Ethiopia.¹⁶⁹

The construction industry and related sectors, such as the cement industry, have also received a boost through private investment in real estate. Large parts of this investment have come from the diaspora – that is, Ethiopians living overseas – who are increasingly interested in the economy of their native country.¹⁷⁰ Between 2005 and 2014, these investments helped to create about 400,000 jobs in the construction industry, where jobseekers mainly from rural areas were able to earn a living.¹⁷¹

Between problems and potential

The combination of population growth, productivity gains in agriculture, massive infrastructure investment and the shift of labour to sectors with more value added has been key to Ethiopia's growth for more than a decade. And that is the case even though the country has no significant natural resources and is located in a region plagued by political and economic crises.

Despite progress, all three sectors of the economy – agriculture, industry and services – are still struggling with deep-rooted problems, from low productivity to tight state control. At the same time, they offer the potential to generate enough income for the growing Ethiopian population and to lay the foundations for a long-term economic upswing like that experienced by the Asian tiger states. The following survey of the three sectors of the economy illustrates where both the potential and the challenges are to be found.

2.4.1 Agriculture – Ethiopia's backbone

Ethiopia is dominated by agriculture. To this day, it provides the livelihood of most people in the country and is the most important employment sector. Around seven out of ten Ethiopians work in agriculture, most of them as smallholders.¹⁷² The majority of them live in the highland regions. There they engage in subsistence farming using simple means such as hoes and oxen-drawn ploughs. They sell only a small portion of their harvest at local markets. In the dry lowlands in eastern Ethiopia, people often live as semi-nomads or nomadic herders.¹⁷³ Their meat and dairy products are generally not processed for sale. Some livestock are exported, however, mostly to the countries of the Middle East.

The approximately 15 million Ethiopian smallholders and their families farm on average only between 0.5 and 2 hectares of land, but they produce more than 95 percent of the country's most important crops.¹⁷⁴ In addition to pulses, oilseeds, vegetables and fruits, these include cereals such as wheat, maize, sorghum and, of course, teff, a type of millet used to make the *injera* flatbread – the Ethiopian national dish. Nearly 90 percent of this staple is consumed in the country itself.¹⁷⁵

Alongside the smallholders, commercial large-scale farms of more than 25 hectares are increasingly emerging in Ethiopia.¹⁷⁶ On average, these farms, many of which are state-owned, have more than 300 hectares of arable land. Unlike the smallholders, however, they produce hardly any staples but focus instead on products essentially intended for export, including sugar cane, sesame, cotton and coffee.¹⁷⁷

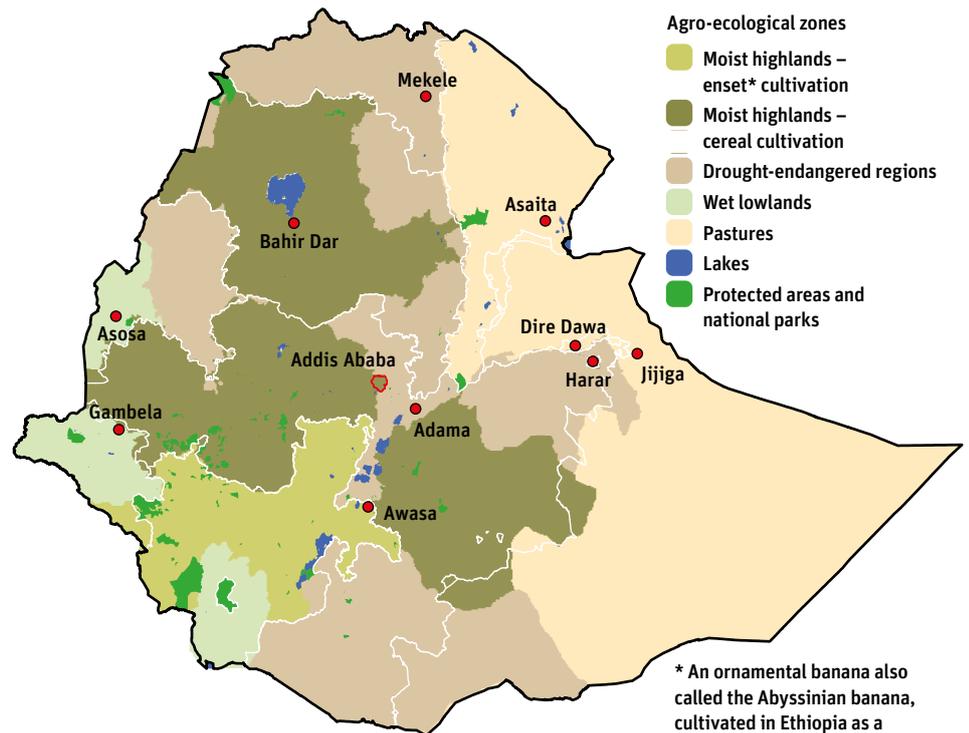
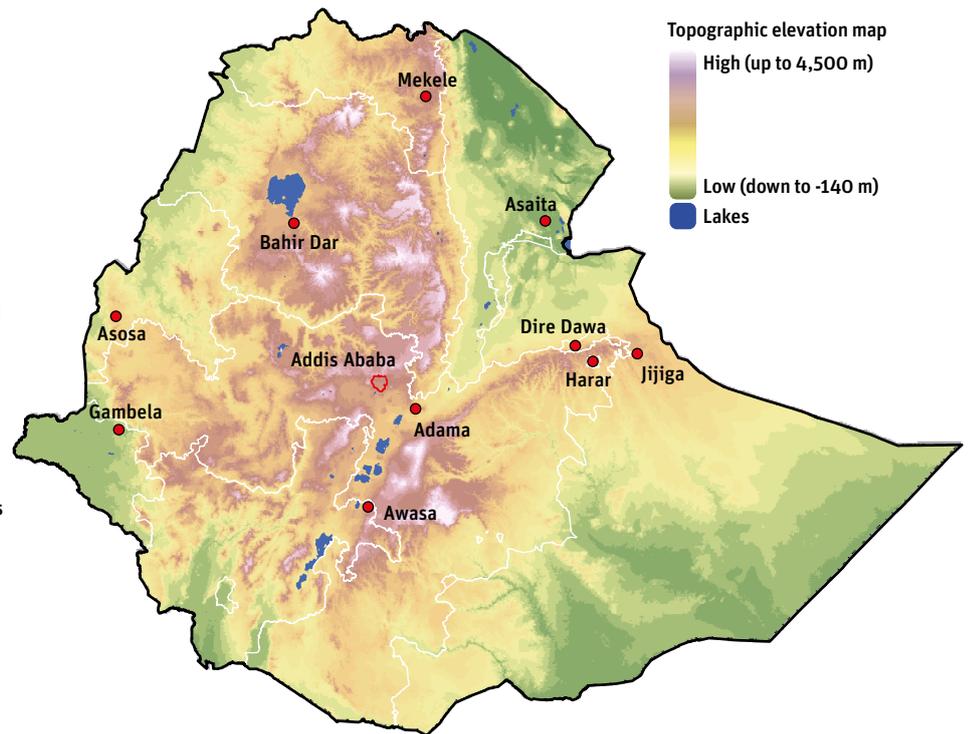
Geographical contrasts

In Ethiopia, mountains that are more than 4,500 meters high lie close to the lowest point on earth – the Danakil Depression, which is more than 100 meters below sea level. Depending on altitude, temperatures and the amount of precipitation vary enormously within the country. This influences agricultural practices: about 60 percent of Ethiopian farmers cultivate land located in the heavy rainfall areas of the highlands. The main crops are cereals, mostly harvested after the two main rainy seasons, in the spring and late summer.¹⁷⁸ Because the lowlands in the eastern part of Ethiopia are too dry for crops, the local population lives mainly from herding livestock.

Topographic elevation map and agro-ecological zones in Ethiopia
(Source: CSA¹⁷⁹)

Higher yields, more exports

Both the production of major staples and that of agricultural exports has made significant progress in Ethiopia since the beginning of the 1990s. Cereal production, for example, increased between 1993 and 2016 from about 5 million to more than 25 million tons – a five-fold increase in less than 25 years. Grain yields are rising, too, thanks to improved cultivation methods. While at the beginning of the 1990s Ethiopian farmers harvested 1.1 tons of grain per hectare on average, in 2016 output stood at 2.5 tons per hectare – more than twice as much.¹⁸⁰ Both for cereals and pulses, farmers in Ethiopia have the highest yields in the whole of East Africa. In 2016, their production per hectare was almost twice as high as in neighbouring Kenya, where the declining soil quality is already resulting in yield losses.¹⁸¹

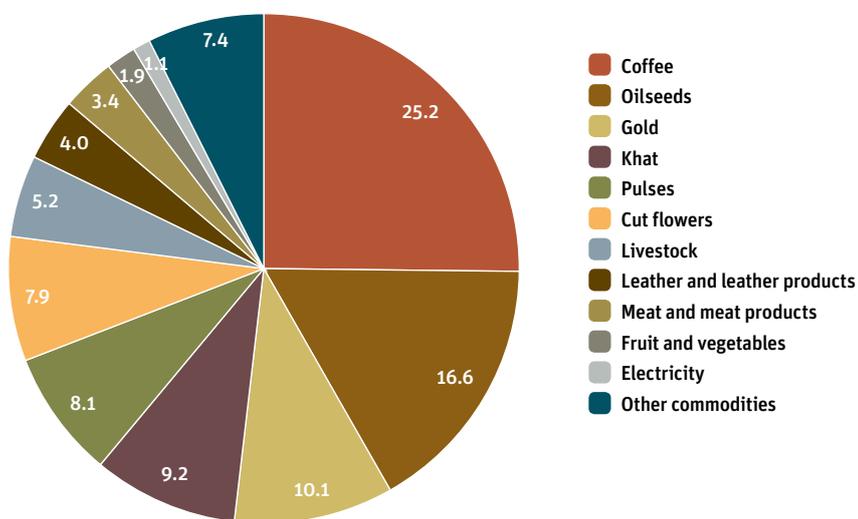


* An ornamental banana also called the Abyssinian banana, cultivated in Ethiopia as a food plant.

Similarly, the production of coffee, Ethiopia's number one export, has almost tripled since 1993. While that year the yield was 180,000 tons, Ethiopian coffee farmers harvested nearly 470,000 tons in 2016.¹⁸² With an export value of more than 720 million US dollars, the high-quality Arabica coffee most recently accounted for a quarter of the total value of all exports from Ethiopia.¹⁸³ According to data from the Food and Agriculture Organization of the United Nations (FAO), export revenues from coffee have increased more than six-fold since 1993.¹⁸⁴

More than just coffee

Besides coffee, Ethiopia's five most important export products include gold, oil seeds, khat (a plant that is used as a drug in East Africa and Yemen) and legumes. Thus, most exports are agricultural products that require little processing. That is set to change in future: According to the GTP II, by 2020 more processed products such as meat, leather and textiles are to be exported. The export earnings from this are expected to rise to about 3.5 billion US dollars, which would be a ten-fold increase in just five years.¹⁸⁸



Share of various goods in total exports, in percent, 2015/2016 (Data source: EIC¹⁸⁹)

In addition, Ethiopia has been increasing its range of export products in recent years. For example, floriculture, a relatively new area, has become more important in the last few years. The cut flower industry started in 1995 with just one hectare of arable land; today more than 600 hectares are cultivated for this purpose. In 2016, cut flowers were Ethiopia's sixth most important export.¹⁸⁵ On the African continent, only Kenya supplies even larger quantities of cut flowers for the global market.¹⁸⁶ For its part, Ethiopia is one of the world's largest exporters of three agricultural products: cut flowers, sesame and coffee.¹⁸⁷

Targeted measures

The progress that the former land of hunger has made in agriculture is considerable, even if one assumes that some numbers are likely to be manipulated.¹⁹⁰ As in the health and education sectors, specific

measures in the ADLI programme have contributed to success. From the outset, the focus of the government's strategy was to help Ethiopian smallholders become more productive. This means using fertiliser and improved seed, irrigating fields and expanding the range of crops.¹⁹¹ Fertiliser enables farmers to regenerate soils exhausted by inappropriate farming. Special seed breeding can make plants more resistant to pests or extreme weather conditions. To achieve this, access to such productivity-enhancing resources for farmers has been facilitated. Farmers use them twice as often today as they did ten years ago, albeit having started from a low base.¹⁹²

To ensure the proper use of fertilisers, improved seeds and other agricultural inputs, the government has established training centres country-wide with the aim of teaching farmers to use them efficiently and adapt them to local conditions. At these centres, the farmers learn how to achieve higher yields and still farm sustainably. In addition, the government has built a network of so-called agricultural development agents, who help smallholders and agricultural cooperatives to work more economically.¹⁹³

Besides promoting productivity, the government has earmarked additional land for agricultural use. Between 2000 and 2015, it expanded the land for annual and permanent crops such as coffee by 5.6 million to a total of 16 million hectares. Ethiopia has thus increased its arable land in less than 15 years by an area the size of the entire arable land of its neighbour Kenya.¹⁹⁴

Ambitious plans

With the aim of further raising agricultural production and providing raw materials for the planned processing industry, large parts of this additional agricultural land have been awarded to large companies. By 2020, the government plans to hand over an area of 3.1 million hectares to large farms.¹⁹⁵ Through favourable lease terms, the government is seeking to motivate mainly private entrepreneurs from abroad to invest in Ethiopia.¹⁹⁶

The measures taken so far and the progress achieved in agriculture are all part of the government's long-term strategy to make Ethiopia able not only to feed its population but also to refine more of its agricultural raw materials into higher-value products that can be profitably sold on the world market. At so-called agro-industrial parks, products such as coffee, spices, fruit and vegetables as well as animal products, including meat and milk, are to be prepared and processed.¹⁹⁷ The government's idea is that these products will not only earn more money but also generate value chains, which, in turn, will create jobs for the increasing number of people of working age.¹⁹⁸

Low labour productivity

It will probably be some time before these plans become reality. Despite all the improvements, Ethiopia is burdened by the same problem that most African countries are struggling with: measured by global standards, the productivity of the agricultural sector remains low. In Germany, for example, grain yields are almost three times as high as those in Ethiopia because, in contrast with their Ethiopian counterparts, German farmers use state-of-the-art technology.²⁰⁵

The land and the question of who is entitled to use it

The 1995 Constitution stipulates that all land in Ethiopia belongs to the state and its citizens and cannot be purchased. Smallholders and herders have a "holding right", i.e. they are entitled to use the land for their own needs, to farm it, lease it and pass it on to their children.¹⁹⁹ But since farmers do not own the land they farm, it can be taken away again at any time if the state decides to use it for some other purpose. This has happened repeatedly in the past decade.

In order to advance mechanisation and hence the productivity of agriculture in Ethiopia, the government has leased large areas to foreign investors from India, Saudi Arabia and other countries on extremely favourable terms – and this land was rarely uninhabited. Contracts were signed for periods of up to 99 years and for annual lease rates of just one dollar per hectare in some cases.²⁰⁰ Under the government's plans, by 2020 a total of more than three million hectares of land will have been allocated to foreign investors.²⁰¹ The people who previously inhabited and farmed it are to be moved to a different location and receive appropriate compensation.

The government plans in this way to create jobs, improve the basic infrastructure for the local population and allow smallholders to learn from the technology of the investors. In reality, however, this has seldom happened so far.²⁰²

A good example is Gambella, a comparatively sparsely populated region in the far west of Ethiopia on the border with South Sudan. By 2011, an estimated 600,000 hectares of the land in this region had been allocated to Ethiopian and foreign investors who are using it to grow crops such as rice, sesame, soy beans and other pulses for export – in some cases in areas that had been designated as national parks.²⁰³ The local farmers, most of whom lived mainly from shifting cultivation, were resettled in new villages. According to Human Rights Watch, in the first year of the resettlement programme about 70,000 people left the land that they had been farming and did so, according to the accusation made by the human rights organisation, without receiving suitable compensation.²⁰⁴

But on the African continent, there are some countries that are ahead of Ethiopia in terms of agricultural productivity. Farmers in South Africa, for example, harvest 3.8 tons of grain per hectare on average, which is about one-and-a-half times as much as in Ethiopia, and deploy far fewer labourers. Only 6 percent of the working population work in the agricultural sector in the emerging country of South Africa, whereas in Ethiopia the figure is almost 70 percent.²⁰⁶

Untapped potential

The reason for the marked difference in productivity is that the degree of mechanisation in Ethiopian agriculture is still very low compared with that in South Africa. The small farmers usually sow their fields using the simplest means – at best with a plough pulled by oxen. Tractors and other machines are rare. There are only

four tractors per 100 square kilometres in Ethiopia, while there are 43 in South Africa.²⁰⁷ Although Ethiopian agricultural cooperatives sometimes offer tractor rental services, it is usually only large commercial companies that have the vehicles and machinery to work their land – and are then able to generate significantly higher yields.²⁰⁸

There is still room for improvement in Ethiopia when it comes to using productivity-enhancing methods. Even smallholders who have to manage without mechanical aids could achieve better yields or even surpluses if they were to irrigate more and use modern means. But to date many smallholders lack the necessary money to procure these. Less than half of them use some form of mineral fertiliser and fewer than a quarter sow improved seeds. Even simple irrigation methods such as vessels for collecting rainwater are rarely used.²⁰⁹ To meet the water requirements of their crops, farmers must wait for the rainy season and are thus at the mercy of nature. In the dry season, they often have to leave their fields fallow.

Ethiopia has fertile soils and a climate that allows several harvest cycles per year.²¹⁰ But as long as the farmers are unable to use the land efficiently, they will not be able to produce surpluses and generate a higher income. This is mainly because the average acreage of arable land that a farmer cultivates is too small to use new technologies and produce higher yields. Because yields are so low, the products are often suitable only for local markets, not for larger retail chains or a processing industry where agricultural commodities are turned into supermarket-grade products for the cities.

Millions of people still malnourished

The lack of efficiency in agriculture has far-reaching consequences. It contributes to the fact that, despite all the progress it has made, Ethiopia is still not in a position to adequately feed its population. Recurring droughts or even just a delay in the seasonal rains often have devastating consequences. Ethiopian smallholders regularly need food aid because their harvests are insufficient to feed themselves and their families throughout the year. About eight million people have recently been dependent on such support because of the ongoing drought.²¹¹

In addition, about seven to eight million Ethiopians depend annually on the assistance of the *Productive Safety Net Program* (PSNP). Set up jointly by the government and international donors in 2005, the program provides support for people at risk of food shortages for up to six months a year, either through cash-for-work programmes or free food.²¹² Since the introduction of the PSNP – the largest social protection programme in Africa – the proportion of undernourished people in Ethiopia has fallen from around 40 to about 29 percent. Nevertheless, almost 30 million people in Ethiopia are still affected by malnutrition – more than in any other sub-Saharan country.²¹³

Climate change and growing population pressure

The challenges that Ethiopian agriculture will face in the future are likely to increase rather than decrease. In many places, unsuitable cultivation methods have led to water and wind erosion of the soil. About a quarter of the total land area of Ethiopia has soils that are already degraded, which leads to harvest losses.²¹⁴ Climate change is further aggravating this situation. Extreme weather events such as droughts and floods make it even more difficult for farmers to plan and exacerbate problems such as erosion and degradation.²¹⁵

The growing population is increasing the pressure on existing arable land. Since smallholders cannot easily increase the size of their land as their family grows, the average per capita farmland continues to decline. It will therefore become increasingly difficult for future generations to produce enough food to provide for themselves and their families on fields that are already small by African standards.²¹⁶

For this reason, agriculture offers ever dimmer prospects for the growing number of young people in the rural regions of Ethiopia. They are therefore increasingly looking for a better life and an income elsewhere and leaving their region of origin. The first destination of the “landless” youth is usually Ethiopia’s growing cities, above all Addis Ababa.

Interview

Non-governmental organisations are making an important contribution to socio-economic development in Ethiopia through measures implemented both in agriculture and in the health and educational systems. One of these NGOs is the aid organisation *Menschen für Menschen*, founded by the actor Karlheinz Böhm. Since 1981 it has been working to improve the lives of Ethiopia's rural population. In an interview with the Berlin Institute, the organisation's country representative, Berhanu Negussie, and his colleague Teferi Garedew explain the role agriculture has to play.

What changes have you noticed in Ethiopia's rural communities in recent years?

The biggest change has taken place in agricultural production. Improved seeds and fertiliser and improvements in soil fertility have increased production yields. Intensification is a key area of work at *Menschen für Menschen*, helping farmers to grow their crops in a sustainable way and to boost production. The farmers need to produce more than what they need to feed themselves and their families. That is the first step.

Also, the government has done a lot. At the grass roots level, extension workers – or development agents – are supporting farmers in using modern farming methods to boost production and preserve the environment at the same time.

What happens now that the production has increased?

Today farmers sell their meagre surpluses, which are often of low quality

and unprocessed. But actually it would be important to wash, dry, refine and package the agricultural primary products so that they could be sold for more money in the nearest town. This not only generates a higher income for the farmers but also creates jobs in the downstream processing sector.

Why are these kinds of jobs so important?

Population growth has resulted in large-scale unemployment. There is not enough agricultural land for the growing number of people, so off-farm jobs are needed. *Menschen für Menschen* helps farmers to improve their agricultural practices. But we also support the creation of agricultural value chains and agribusiness to generate jobs for young people.

What does such a project look like?

In one of our projects we support farmers in the harvesting, cleaning and storing of oil seeds. Another group – a cooperative or some other company – will purchase the seeds and extract oil from them, which can be sold to consumers. A by-product of oil pressing is the so-called oil cake. This will be sold to another group of farmers who will enrich the feed of their livestock in order to better nurture them. This is a value chain.

What other challenges are there for Ethiopian agriculture?

The main challenge is climate change, particularly rain shortages and droughts, which lead, among other things, to soil erosion. We advise and train farmers on how to become more resilient in agricultural production. They learn how to use irrigation techniques, how to use every drop of water and how to get access to improved and more resistant

seeds. But even if these methods are applied, droughts are nonetheless painful, because they decrease agricultural production.

What is *Menschen für Menschen* doing to counter the effects of climate change?

In order to overcome soil erosion, we are mobilising farmers to undertake physical conservation, for example by using terrace structures on their farming land. We also have a reforestation programme in which we are distributing 10 to 15 million saplings yearly to farmers. We work with rural communities to allocate land areas where farmers can plant these trees. When the tree is planted the area regenerates quickly – even where soils were severely degraded and no farmer would have expected that something would ever grow there again. Over time the trees that once grew there come back. In our pilot projects, we have already reforested a thousand hectares of land. Farmers realise the advantages of the forest. This has an impact on the climate.

Why was there so much deforestation in the first place?

An important factor in deforestation is that farmers have to cook and therefore they need wood. So you need not only to advise farmers not to cut wood. You cannot only say “don't do that”, “don't do this”. Farmers must see another option. *Menschen für Menschen* created such an option by introducing fuel-efficient stoves. We show people how to use them, particularly self-organised groups of women. *Menschen für Menschen* subsidises the production of the stoves and the community covers the rest. It creates employment for the youth and at the same time contributes to the reforestation programme. This is integrated rural development.

2.4.2 Service sector – between informal employment and state domination

Ethiopia is not yet very urbanised. Barely 20 percent of the people today live in a town or city. The average for sub-Saharan Africa is 40 percent and hence twice as high. But Ethiopia's towns and cities are growing. By the middle of the century, the country is expected to reach today's urbanisation level of sub-Saharan Africa: 40 percent. By 2050, 75 million Ethiopians are likely to live in a city.²¹⁷

It is, above all, rural poverty and the lack of prospects in the countryside that are driving more and more people to the towns and cities, especially the increasingly better educated youth. Since they see little future for themselves in agriculture, they hope to find a better job in the city and be able to send a portion of their income to their families. In the urban centres, the construction and service sectors, in particular, offer employment and opportunities to earn more.²²⁰

Safety net for city dwellers

People hoping to be able to lead a better life in the city and earn more are often disappointed. Although they can earn a higher income in the city than they can in agriculture the higher cost of living usually cancels out this benefit. Often, they have too little money spare to be able to send any to the family in the country.²¹⁸

To help the poorest urban dwellers in particular, the government together with the World Bank extended the *Productive Safety Net Program*, which supports people in rural areas, to Ethiopia's cities in 2017. Around 400,000 people in 11 cities who had previously been penniless and unemployed had the opportunity until mid-2018 to earn a small wage, for example, by sweeping the city's streets. Even though the project reached only a comparatively small number of people, it was an important step towards establishing a state-wide social security system in Ethiopia.²¹⁹

Difficult working conditions

Most Ethiopians who find their way into the growing service sector do jobs for which few qualifications are necessary and in which they earn little. Some try engaging in casual work as janitors, gardeners or domestic helpers. Others make ends meet as shoe-shiners or street vendors. Anyone who has enough capital to start their own small business, such as a small snack bar or a stall selling everyday goods like cooking fat, sweets, toothpaste and shower gel, does so.

Most of them have to become their own boss in order to have a job and an income. In Addis Ababa about one third of employees work independently as "one-man or one-woman companies".²²¹ By no means all micro-enterprises, casual labourers or other self-employed are registered or included in official statistics. According to surveys by the Ethiopian Statistics Authority, in 2015 about one quarter of the urban working population was employed in the so-called informal sector. In some cities, such as Harar and

Dire Dawa, almost a third of the working population fell into this category.²²² Other estimates suggest that in 2016, around 12.4 million Ethiopian workers outside agriculture were informally employed. Experts believe that they probably generated almost a third of gross domestic product in 2016.²²³

From an economic point of view, a large informal sector means, above all, productivity losses and missing tax revenues for the state. For the individual, informal work is often the only way to earn an income at all – especially for those with low-level skills.²²⁴ However, even for the increasingly better educated youth, the informal sector is more frequently becoming a lifeline to survive in Ethiopian cities. This is because there are simply not enough formal jobs in the service sector, including as private doctors, in banks and insurance companies or as tram or lorry drivers.

More people in service jobs promotes GDP growth

Those who are lucky enough to find employment in the public sector – which forms part of the service industry – manage to earn more. Between 1999 and 2013, the number of state officials doubled. This was due, among other things, not only to the growing administrative apparatus but also to the country-wide development of the basic infrastructure. New health centres, schools and universities require more health workers and teaching staff. Including the 1.2 million employees in the public sector, the service sector accounted for about one-fifth of all employees in 2013 (last available figure).²²⁵

Because civil servants, retailers and restaurant employees are more productive in terms of gross value added than those in agriculture –and those working in transport, communications and finance are significantly more productive – the shift of labour from agriculture to services has had a positive impact on Ethiopia’s economic growth.²²⁶

In state hands

Jobs in high-productivity sectors are still rare in Ethiopia, however. Of all those employed in the tertiary sector of the economy in 2013, only 6 percent worked in transport and just 2 percent in the financial industry.²²⁸ These numbers mirror Ethiopia’s level of development, which obviously differs from that of China or Germany, where already 56 and 72 percent, respectively, of those employed in the tertiary sector tend to work in vocational fields with higher productivity.²²⁹

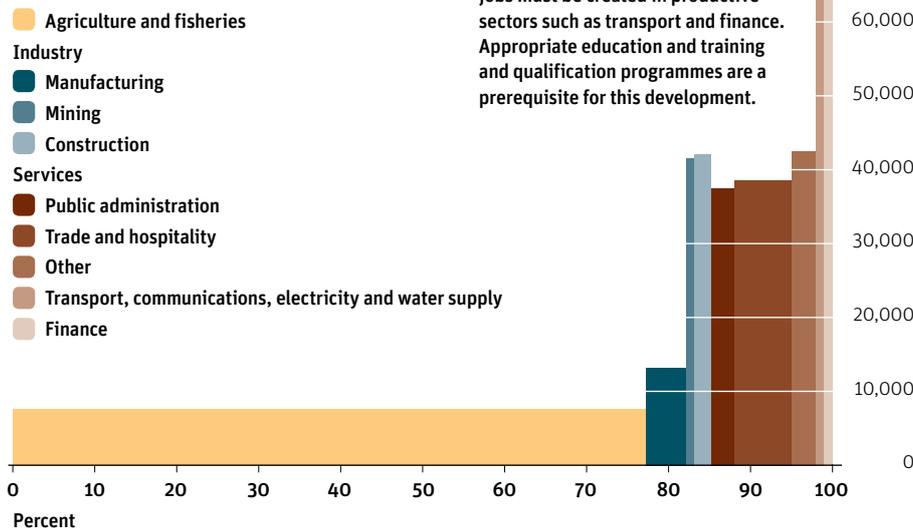
To date there are few private enterprises in Ethiopia that could help to create more jobs in these sectors. The government is still striving to protect strategically important companies in the financial, transport, and telecommunications branches from local or international competition. However, state-owned monopolies are generally neither very innovative nor very productive. An exception is Ethiopian Airlines, which has become the largest airline on the African continent within just a few years.

Unlike many other African state airlines, into which the tax-payer’s money must repeatedly be pumped, Ethiopian Airlines is a success story. The airline is still 100 percent state-owned but has no debts to the state. In order to have more freedom of choice and flexibility, the management prefers to borrow money elsewhere – for instance, in China – to purchase new aircraft or expand its infrastructure at Bole airport in Addis Ababa.²³⁰ But the enterprise also stands on its own feet in other respects. Ethiopian Airlines trains its personnel at the company’s own academy, has its own catering service and even carries out the technical maintenance of its growing fleet.²³¹ Its bid for independence has been rewarded: in 2016, the airline made a bigger profit than all other African airlines put together.²³²

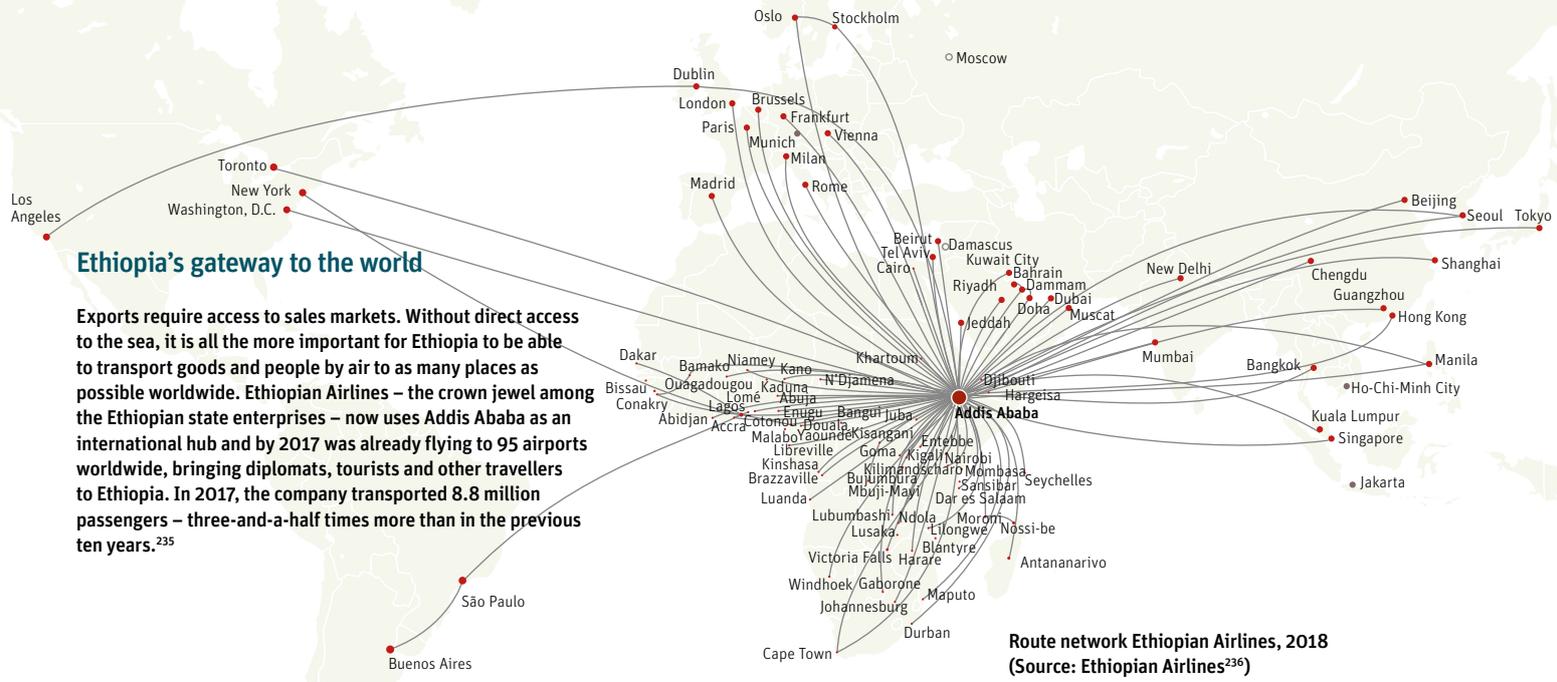
A number of other state enterprises could likewise become more competitive in future and make a bigger contribution to job growth in Ethiopia. The EPRDF government under its new prime minister, Abiy Ahmed, announced in June 2018 that the airline’s shares as well as those of other state enterprises such as Ethio Telecom and Ethio Power would be made available to foreign investors. At the same time, the government intends to facilitate the complete or partial privatisation of railways, sugar factories and industrial estates. This is a chance for the private sector to become more competitive. The government expects significantly more foreign investment under its reform plans, which would allow it to get to grips with the country’s foreign currency shortage.^{233, 234}

Leaps in productivity

As structural change is gradually implemented, more and more people in Ethiopia are working in areas characterised by higher productivity than the agricultural sector. Retailers and restaurateurs are on average five times more productive in terms of gross value added than farmers. A pilot outperforms a farmer’s productivity by a factor of nine and a financial employee by a factor of 13. To meet the challenges posed by structural change in Ethiopia, jobs must be created in productive sectors such as transport and finance. Appropriate education and training and qualification programmes are a prerequisite for this development.



Employment share (in percent) and labour productivity (gross value added per worker in 1,000 Ethiopian Birr) by different economic sectors, 2013 (Data source: Martins²²⁷)



Ethiopia's gateway to the world

Exports require access to sales markets. Without direct access to the sea, it is all the more important for Ethiopia to be able to transport goods and people by air to as many places as possible worldwide. Ethiopian Airlines – the crown jewel among the Ethiopian state enterprises – now uses Addis Ababa as an international hub and by 2017 was already flying to 95 airports worldwide, bringing diplomats, tourists and other travellers to Ethiopia. In 2017, the company transported 8.8 million passengers – three-and-a-half times more than in the previous ten years.²³⁵

2.4.3 Industry – still in its infancy

To continue on its development path, Ethiopia needs to drive forward industrialisation more strongly than it has in the past. The plan to promote other sectors of the manufacturing industry in a targeted manner – in particular the textile, clothing and leather industries as well as the processing of agricultural products – has been in place since the mid-2000s as a supplement to the ADLI strategy. But so far this plan does not seem to be working very well: despite all government strategies and ambitions, the industrial sector still plays a subordinate role. In 2016, it contributed only a fifth of gross domestic product and employed just a tenth of all workers.^{237, 238}

According to economic development theories, over time jobs shift from agriculture to the industrial sector and then to the service sector. But in Ethiopia so far, people have largely tended to go straight from the agricultural sector to the service sector. While they are certainly more productive there than in agriculture,

services are ultimately a dead end if a service job means working as a fruit vendor or domestic helper. Challenging and well-paid jobs in this sector, such as in logistics or in research and development, usually emerge only in the wake of industrialisation. If industrialisation fails to materialise, so the fear of Harvard Economist Dani Rodrik, the positive effects of recent structural change on Ethiopia's economic growth could turn out to be a flash in the pan.²³⁹

Injection of funds from China

Nevertheless, it would be wrong to say that the Ethiopian industrial sector has not grown at all in the past two decades. Since the early 1990s, the number of employees in industry has increased more than ten-fold to a total of 4.5 million in 2017.²⁴⁰ Its share of gross domestic product has almost tripled since the early 1990s – at the expense of the agricultural sector.²⁴¹ However, most of this growth was accounted for by the construction industry and is therefore a result of major state investment in infrastructure.²⁴²

A functioning infrastructure – roads, railways, electricity, water and telecommunications lines – is a basis for industrialisation. But these cost a lot of money and may lead the country into the debt trap if it overspends or becomes too dependent on individual donors.

Even if infrastructure still leaves much to be desired in many places, more than 75 percent of the rural *kebele* are now connected to the transport network via all-weather roads. While a decade ago a villager still generally needed almost four hours to get to the nearest paved road, the average time in 2015 was about one-and-a-half hours.²⁴³ Alongside the road and rail network, telecommunications and electricity infrastructure is being expanded, too. With major projects like the first tram line south of the Sahara and the largest dam in Africa, Ethiopia has attracted international attention and tried to impress foreign investors.

Upgradeable infrastructure

Infrastructure has developed rapidly in Ethiopia in recent years. In just six years, the proportion of the population with access to electricity has increased eight-fold. But Ethiopia still lags behind the average for sub-Saharan Africa in terms of infrastructure. In no other sub-Saharan country is the mobile phone usage rate as low as in Ethiopia.²⁴⁴

Percentage of the population with...	Ethiopia			Sub-Saharan Africa		
	2010	2013	2016	2010	2013	2016
Electricity access	23	–	40	32	–	43
Use of a mobile phone	–	17	34	–	31	43

Share of the population in Ethiopia and sub-Saharan Africa with access to electricity and mobile phones, in percent, 2010, 2013 and 2016
(Data sources: GSMA²⁴⁵, IEA²⁴⁶)

The major projects of the Ethiopian government are usually financed and built with foreign support, mainly from China. Between 2010 and 2015 alone, the Ethiopian government received loans of about 10.7 billion US dollars – only in Angola was the amount of Chinese credit even higher. More than three-quarters of Chinese money went into telecommunications, transport and energy, where Chinese companies carried out the construction work with the help of Ethiopian workers.²⁴⁷ For the 750-kilometer railway line from Addis Ababa to Djibouti, Ethiopia received a loan from China of around 2.5 billion US dollars, which allowed the country to cover 80 percent of the project costs. The railway line was built by Chinese companies such as the China Railway Group and the China Civil Engineering Corporation.^{248, 249} But Ethiopia will be able to repay the debt only if the new infrastructure succeeds in promoting industry and trade and filling the state coffers.

The manufacturing industry as a driver of growth

Whether such success will be forthcoming depends to a large extent on how the manufacturing industry develops. In 2017, it contributed only 6 percent to gross domestic product, while the construction sector contributed three times as much, 18 percent. Since 2011, the manufacturing sector has grown by just two percentage points and is lagging far behind the *Growth and Transformation Plan*.²⁵⁰ Its aim is to triple the share of manufacturing in GDP to 18 percent by 2025. At the same time, 1.5 million – or 2 million, according to the *Ethiopian Investment Commission* – new jobs are to be created, in the textile and clothing industry, in the leather industry, in the processing of agricultural products and in the chemical and pharmaceutical industries, among others.²⁵¹

The government's idea is that if the manufacturing industry gets off the ground, the economic upswing will continue and by 2025 Ethiopia will be a lower middle-income country. To achieve that goal, it is counting on the participation of a part of the economy that it has largely ignored to date: the private sector. The plan is that in future, domestic and especially

foreign companies are to be increasingly encouraged to invest in Ethiopia in order to make the country one of the largest manufacturing centres – if not, indeed, the largest such centre – in Africa. Investors are to be lured by low wages, tax breaks and an all-round infrastructure package in the form of industrial parks.

Factories for the world market

Once again it is China that has provided start-up support in the development and construction of such parks. As early as 2009, the *Eastern Industrial Zone*, Ethiopia's first industrial park, opened in Dukem, 30 kilometres south-east of Addis Ababa. How much Ethiopia will benefit from this project is, of course, not yet clear, because the park is 100 percent owned by Chinese investors. The Qiyuan Group received the land for a token annual sum of one Ethiopian birr (approximately three eurocents) per hectare under a 99-year lease.²⁵² Nevertheless, these initially unfavourable conditions could pay off for Ethiopia in the longer term because others have followed the Chinese example. The Turkish textiles giant Ayka, for example, established a subsidiary in the vicinity of Addis Ababa in 2010 and invested 140 million US dollars there – one of the largest foreign direct investments Ethiopia has seen so far.²⁵³

To bring even more investors into the country, the Ethiopian government has opened four of its own industrial parks since 2014; eight more are still under construction. According to the *Ethiopian Investment Commission* (EIC), the flagship project is the park in Hawassa, 275 kilometres south of Addis Ababa. There are now 18 domestic and foreign companies from China, India, and Sri Lanka manufacturing in this park, which covers an area of 130 million hectares. The

main products are clothing and textiles “made in Ethiopia” for industry giants such as Walmart, H&M, Levi’s and Guess. Overall, 60,000 jobs are to be created in Hawassa. For the factory site to be built, 500 smallholders had to relocate, in most cases without receiving either appropriate compensation or a new secure job.^{254, 255}

The last bastion of light industry

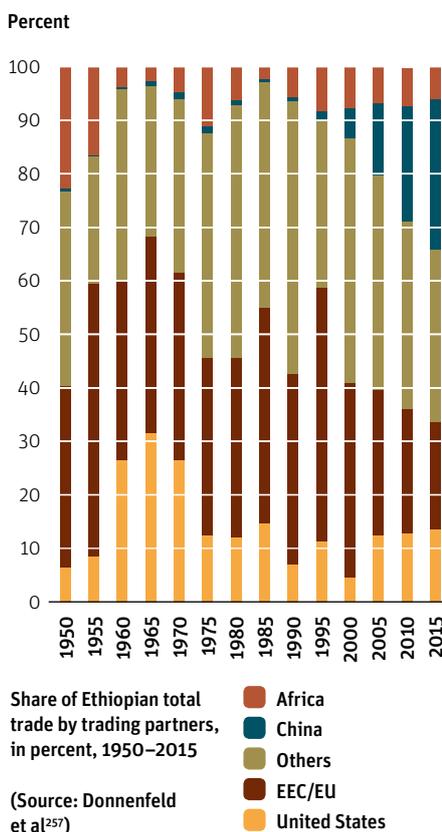
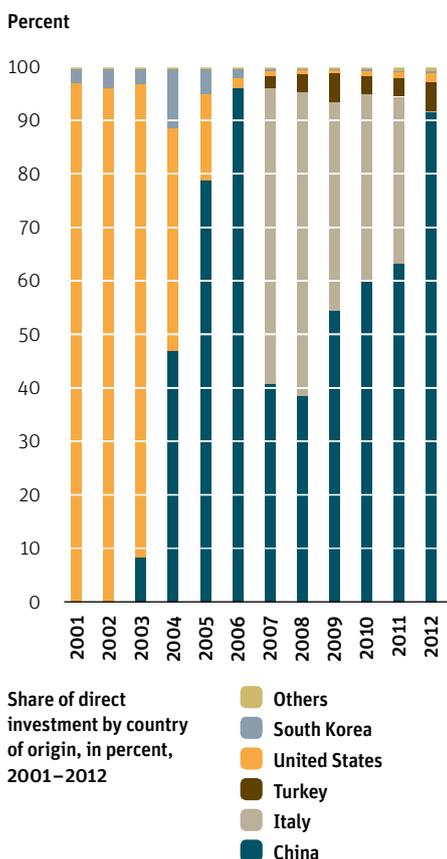
Companies that want to locate in one of the industrial parks are welcomed by the government with open arms. Incentives for investors include state-subsidised electricity, favourable import tariffs and exemption from income tax for up to ten years. Any company that exports 80 percent of its goods receives another two

to four years tax exemption.²⁵⁹ Besides all these incentives Ethiopia has another big bonus to offer: its cheap workforce.

In this context, Ethiopia is benefitting from the economic rise of Asian countries, where the rapid development of the processing industry enabled ever more people to find a job in a company and at the same time changed society. With the growing middle class, the number of children per woman fell, population growth slowed and the constant influx of cheap labour dried up slowly but surely. As a result, wages in Asia and thus the prices of products rose.

Looking eastwards

China is not only Ethiopia’s main lender but also a major source of foreign direct investment (FDI). While at the beginning of the 2000s FDI flows were almost exclusively from the United States, in 2012 about 90 percent came from the People’s Republic. This is also reflected in trade relations. Between 1990 and 2015, China’s share of Ethiopia’s total trade increased from less than 1 percent to 28 percent. By 2015, the People’s Republic had caught up with the United States and the European Union as Ethiopia’s main trading partners.



In order to go on producing cheaply in the age of “fast fashion”, textiles, clothing and leather companies, in particular, must now look elsewhere for cheap labour. And it is for this reason that the African continent, with its huge and growing potential workforce, has aroused international interest. But Africa’s competitive edge is deceptive because labour costs are usually higher than expected. In Tanzania and Senegal, they are on average about twice as high as in Bangladesh, in Kenya even two-and-a-half times as high. At 909 US dollars per worker annually, it is only in Ethiopia that they are at a similarly low level to that in Bangladesh.²⁶⁰

According to a study by the *Center for Global Development*, workers in China today are about four times as expensive as those in Ethiopia.²⁶¹ The EPRDF government sees a great opportunity here for the country. Labour costs in Ethiopia are currently at the same level as they were in China in the 1980s, when the economic upswing began there. China’s massive investment in Ethiopia could thus be seen as an attempt to relocate to the Horn of Africa the production capacity lost in China in order to remain in business in the global competition for manufacturing goods. But

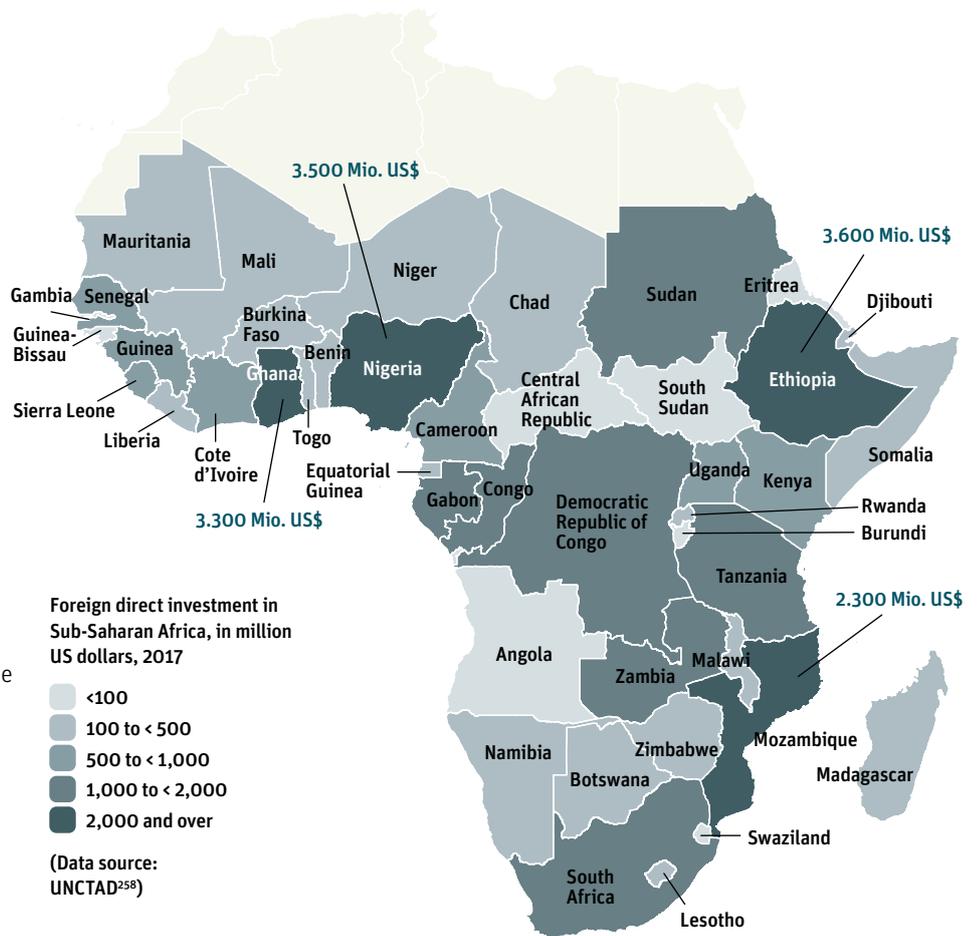
Number one in direct investment

Ethiopia today attracts large sums in foreign direct investment. Although the inflow of FDI fell by 10 percent in 2017 compared with the previous year, the country still received the most FDI across sub-Saharan Africa. Among the least developed countries in the world, Ethiopia ranks second to Myanmar in terms of FDI inflows.²⁵⁷

Ethiopia would benefit, too, because the country desperately needs jobs in order to enable the growing number of young people of working age to earn their living. The great hope is that Ethiopia will follow the development path of its model from the East.

No land of milk and honey

However, for this hope to be fulfilled, the government still needs to remove a number of obstacles. This means not just attracting more private investors from home and abroad but, above all, improving the business environment. Entrepreneurs have a difficult time in Ethiopia, whether in agriculture, industry or the service sector. The World Bank's *Ease of Doing Business Index*, which evaluates the framework conditions for enterprises in a country, makes this clear. In 2018, Ethiopia landed in 161st place of 190, still far behind other East African countries such as Djibouti (ranked 154th), Uganda (122nd) and Kenya (80th).²⁶²



The obstacles start with financing. For private companies, whether from Ethiopia or abroad, loans are hard to come by in the state-regulated banking sector. Although the government is relying on the private sector for its industrialisation process, state-owned companies are given preference when it comes to granting loans. About two-thirds of all loans from the Ethiopian banking system go to state-owned companies, while private companies suffer from a lack of funding.²⁶³ Investors from abroad must therefore bring most of their financial resources with them – something that puts many of them off.

Moreover, private companies are subject to tight state control in many areas. For example, 90 percent of the profits from exports must be either reinvested or exchanged into Ethiopian birr within 28 days, which means that private investors are unable to freely dispose of their foreign-currency profits.²⁶⁸ While private companies enjoy tax breaks, taxation and other regulations can in practice be changed at the drop of a hat if the authorities deem it necessary. The situation is further exacerbated by what in many places is a crippling bureaucracy.²⁶⁹ To register a business, entrepreneurs in Ethiopia need to plan about 33 days – nearly four times as long as the OECD average.²⁷⁰

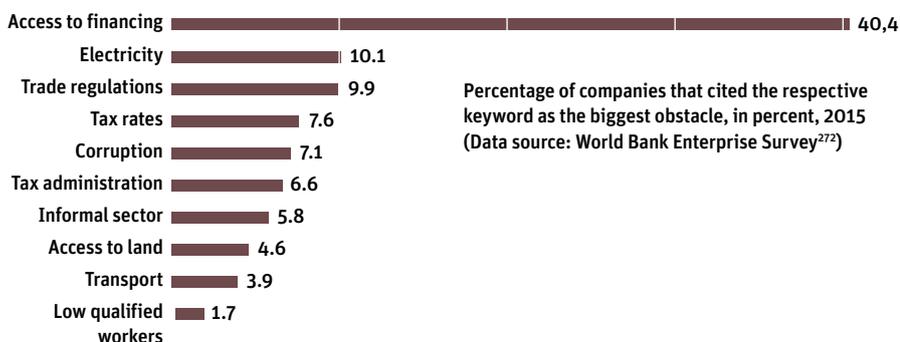
Banking of the future

Access to money is not only a challenge for entrepreneurs but also for private individuals. More than three-quarters of Ethiopians have no access to banking services, as local banks are few and far between, especially in rural areas. Since 2009 a solution to this problem has been offered by a private company that allows cashless money transfers – by mobile phone.²⁶⁴ Via M-Birr, Ethiopians can send money to friends and family or pay for their purchases using their mobile phone as a mobile wallet. A good idea, given that in 2017 more than a third of the population was already using a mobile phone – and their share is rising.²⁶⁵

M-Birr, which was inspired by the success story of Kenyan provider M-Pesa, now has 60 employees and 400 representatives throughout the country. It allows customers to deposit money or receive payments, a normal bank account is not necessary.²⁶⁶ This not only makes it easier for people to handle money, it also creates jobs – even in remote areas. The company receives financial support from abroad: investors include the European Investment Bank, the Finnish co-financed FINNFUND and DEG (Deutsche Investitions- und Entwicklungsgesellschaft mbH).²⁶⁷ By the end of 2017, a million customers were using the M-Birr platform – a sign that private companies can gain a foothold in Ethiopia, despite all the challenges.

Obstacle race

In 2015 the World Bank carried out a survey in which it asked nearly 850 entrepreneurs in Ethiopia to say what was the biggest challenge in doing business in Ethiopia. Besides the lack of access to credit – the most common problem – they saw the unreliable energy supply as one of the biggest obstacles. On average, entrepreneurs can expect to experience eight power cuts a month, each lasting roughly five hours. Another problem is red tape. On average, company managers spend 12 percent of their time dealing with government regulations – about four times as much as entrepreneurs in the South Asian state of Bangladesh.²⁷¹



And ultimately, although Ethiopia has countless potential employees, they do not always have the necessary work experience or qualifications even for simple jobs in the textile or leather industry, for instance. Preparing and training the mostly female workforce in the manufacturing industry is often time-consuming and costly for companies. And once people have taken up employment, the working environment is often unfamiliar, working conditions tough and pay modest. The shift of low-cost jobs from Asia to Africa comes at a price. Not every Ethiopian is willing to work very long for a wage equivalent to around two US dollars a day. The number of those who leave a job after a short period and look for other job opportunities, such as in the informal service sector, is correspondingly high.^{273, 274}

Thus, the manufacturing industry has the potential to provide low-skilled employment but cannot necessarily offer the growing number of young people in the country who have already received more education the kind of jobs and prospects they are hoping for. In order to keep this part of the workforce in the country, Ethiopia needs to move up into production areas with higher value added as quickly as possible – and here, too, follow the example of the up-and-coming Asian countries.

Interview

The textile industry is an important factor in Ethiopia's economic upswing. An increasing number of foreign companies are establishing subsidiaries in the new industrial parks or building their own production facilities. A project manager at a South Asian company that already employs 30,000 people in his homeland talks about the country's potential and what kind of challenges textile companies have to overcome.

What motivated your company to invest in Ethiopia?

Ethiopia itself is a large potential sales market for our products and is geographically closer to the countries we export to. Compared with other African states like Nigeria, Kenya or Egypt, the country is politically stable, the infrastructure we need already exists and the government has created favourable conditions for foreign investors.

In addition, Ethiopia offers three other major advantages: land, labour and capital. Ethiopia has enormous areas of land and land is very cheap compared with that in other countries in the region. Wage costs are also lower than elsewhere – an important factor for the clothing industry. We have also received loans from local banks whose interest rates are way below those at home. The sum of all these factors makes Ethiopia a good investment location.

How is the government trying to create favourable conditions for investors? The government offers foreign investors tax breaks for the first six to eight years after the investment. The authorities

try very hard to respond to the needs of investors. In our company, for example, we had problems with access to electricity: the nearest sub-station was 14 kilometres away, so we needed a transmission line. After we spoke to government employees a sub-station was built near our production facility with a capacity of 300 megawatts. This not only solved our electricity problem but also provided enough electricity for future investment projects in the area.

How is the workforce prepared for its work?

We train our workforce ourselves. That's important to ensure that production processes run smoothly later. We organise training sessions in cooperation with an already existing local training centre for the clothing industry. Since the equipment there is not optimal, we bought additional machines to practice on and installed them in another building that the government made available to us. That allows us to train 150 to 170 workers a month. Since we began training in June 2017 – about nine months ago – we have been able to train 1,200 people. We also trained the training personnel ourselves. In future, with the support of the Deutsche Gesellschaft für Internationale Zusammenarbeit, we will also train managerial staff and create a new excellence cluster for specialist training.

What challenges does your company need to overcome in Ethiopia?

The one big risk is that Ethiopia does not have a sea-port, they are kind of dependent on Djibouti. Both countries are politically stable, but the context of Africa is something different. So, if we

think about the worst-case scenario: if something happens in Djibouti that also affects Ethiopia. So, the government of Ethiopia is trying to work on an alternative solution. But that is going to take some time.*

Foreign currency reserves are another issue. They don't have sufficient forex reserves because the level of their exports is not very high and recent years of droughts have compelled the government to use the foreign currency reserves to purchase aid for the people. But once the Great Renaissance Dam is operational and they start exporting in full swing, that will give them a bit of a relief

How do you see the future of your business in the country?

The amount of land we have taken is huge and we have occupied only 40 percent of it so far. That gives us room for expansion in future. We are also trying to better understand the local business climate, to see how we can sustain what we have developed so far. We have seen so many developments in the last three to four years and when you compare it with ten years ago it's a completely different scenario. Keeping that in mind, I feel there is a good future for Ethiopia and we have to be resistant to overcome all these obstacles. Of course, obstacles will be there; if there are no obstacles then there are no opportunities. As a business, we are looking forward to these opportunities to turn them into something prosperous.

* The Peace and Friendship Treaty concluded with Eritrea in July 2018 – about four months after this interview took place – holds out the prospect for Ethiopia of another point of access to the sea via the port of its former rival.

3

A LOOK INTO THE FUTURE – THE DIRECTION IN WHICH ETHIOPIA COULD DEVELOP

Ethiopia is currently in the middle of the demographic transition. Mortality has already dropped significantly and the number of children per woman is declining, although it remains at a relatively high level. Accordingly, the population is growing rapidly and the age structure is beginning to change. As the coming cohorts get smaller and the population bulge shifts to young people of working age, the country is heading towards a demographic bonus. Under the right conditions, this could be transformed into a dividend – into a demographically determined economic upturn. But will there really be a bonus for Ethiopia? Will the country be able to use this demographically favourable time window to spur development? And what are the most important parameters that could set the country on this path?

The question of how the population of a country could evolve in the future and what factors will be decisive for this development is of great importance for governments in developing countries, for international organisations and for the development and foreign policy of donor countries. Only if they know how many people will be living in a country in the future can they estimate how many hospitals, schools and jobs will be needed to give people a decent standard of living. Demographers therefore try to estimate how the population of a country will develop in the future. Probably the most frequently used population projections are the United Nations' "World Population Prospects", which have been updated every two years since 1978.¹

Projections as guidelines

Since the 1950s, the United Nations Population Department has been gathering data on the demographic situation in countries around the world in order to draw conclusions about future demographics from past results. Researchers are interested in the three main factors influencing population development: fertility, mortality and migration. Based on the global data for these three factors from 1950 to 2015, demographers have used the most recent projections from 2017 to predict how the population will develop by 2100 if socio-economic development continues to advance along the same path as previously observed. They assume that in today's poor countries, the number of children per woman will decrease and life expectancy will increase – as happened in today's developed countries.²

With hindsight, the fertility rate, i.e. the number of children born per woman, has proved to be the most important factor determining the number of inhabitants and the demographic structure of a country. Depending on which phase of the fertility decline a country is in at the time of the projection, demographers make assumptions about how fast the fertility rate is likely to decrease and what level it will reach by the end of the century.³

Enormous differences

Ethiopia is currently in the midst of the phase of rapid fertility decline. Based both on historical experience of the development of the fertility rate in other countries and on the data available for Ethiopia, the United Nations assumes that the number of children per woman will continue to decline in the future: taking the rate of 4.6 in 2015 and the four children per woman projected as a five-year average for the period from 2015 to 2020, the fertility rate is expected to drop to 2.1 by 2060. That is about the level where South Asian countries such as Bangladesh and Malaysia, which have already experienced a rapid fertility decline, find themselves today. Assuming that mortality continues to decline as before, the Ethiopian population is expected to increase to 212 million people by 2060.⁴

If, however, the actual fertility rate deviates only slightly from the assumed number of children, this will have a huge impact on the size of the population in the future. For

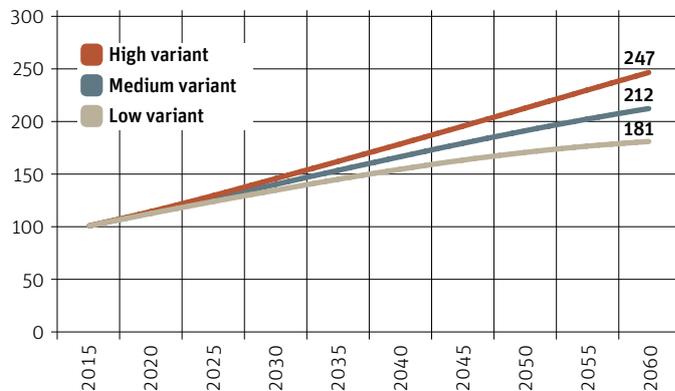
this reason, the United Nations Population Department has projected another two scenarios besides its baseline one: a high and a low variant, whereby the fertility rate deviates by 0.5 children per woman above or below the medium baseline scenario by the end of the projection period.⁵

Under the high variant, Ethiopian women would still be having 2.6 children in 2060 and the population would grow to 247 million. According to the low variant, women would have only 1.6 children – about as many as women in Germany do today. The number of Ethiopians in 2060 would then be just 181 million – 66 million fewer than under the high variant.⁶

30 million inhabitants more or fewer

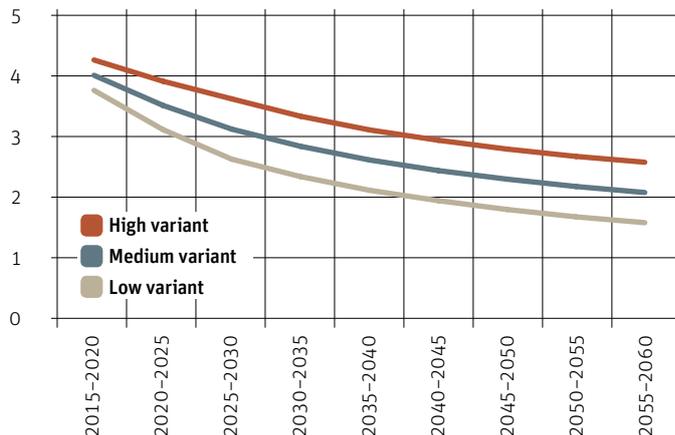
According to the United Nations' middle projection, women in Ethiopia are likely to have on average just 2.1 children in 2060, by which time the number of people in the country will have reached 212 million. However, if the trend in fertility rates deviates from this baseline scenario, the population could be around 35 million people more or 31 million fewer than the predicted base level.

Millions



Projected population development for different model variants, in millions, 2015–2060 (Data source: UNDESA⁹)

Children per woman

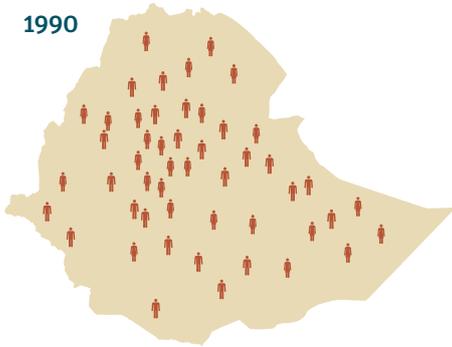


Projected fertility rate according to different model variants, 2015–2060 (Data source: UNDESA⁹)

It might get a bit crowded

Ethiopia today is already one of the ten most densely populated countries on the African mainland. The number of inhabitants per square kilometre has doubled since 1990 from approximately 50 to 100. It is expected to double again by 2060.

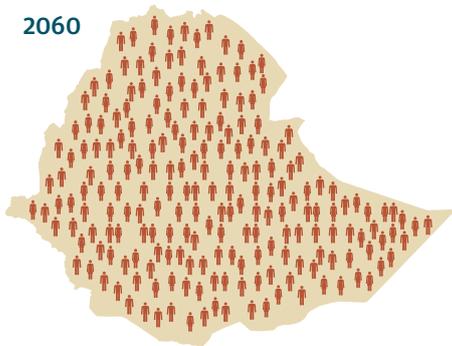
1990



2015



2060



♀ = 1 Inhabitants per square kilometre

Population per square kilometer of land area, 1990, 2015 and 2060 (according to medium population projection)
(Data source: UNDESA¹⁰)

Even the average population forecast of the United Nations would mean that more than twice as many people would live in Ethiopia in 2060 than do today. The East African country would then have about as many people per square kilometre as Germany does today.⁹

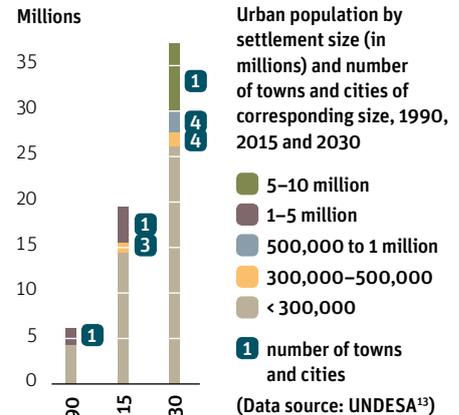
Ever more city dwellers

The predicted population growth is likely to take place mainly in Ethiopia's cities. Even today, agriculture as a main area of employment in rural regions no longer offers sufficient future prospects for a growing number of people. The rural exodus is one of the main reasons why Addis Ababa, which today has a population of 4.4 million people, is set to grow into a metropolis of more than 7.4 million people by 2030. Just five years later, according to the projections of the United Nations, its population is expected to be almost 9 million. The other cities are growing, too. By 2030, Dire Dawa, Gondar, Mekele and Adama, each of which today has around 300,000 to 440,000 people, are likely to nearly double their populations.¹¹ Rapidly advancing urbanisation will further accelerate the decline in the birth rate. In Ethiopian cities, the number of children per woman is already 2.3 on average, less than half that in rural areas.¹²

However, the cities are home to many people of child-bearing age, who, all in all, will have many offspring, despite low fertility rates. Alongside the exodus from the countryside, this birth surplus has proved to be the second driver of urban growth.

Rapid urbanisation

Ethiopia is not yet very urbanised. While today only about one-fifth of the population live in a town or city, by 2030 it is likely to be more than a quarter of Ethiopians. By then, more than 37 million people will probably be living in cities, 20 percent of them in the capital city, Addis Ababa.



When education plays a role

A good impression of Ethiopia's likely future population growth is already given by the estimates of the United Nations. However, they have one shortcoming: because, like all models, they cannot reflect reality in all its complexity, the assumptions about the influence that such factors as progress in health or education will have on the three factors of fertility, mortality and migration have been greatly simplified. Accordingly, it is difficult to deduce from the United Nations projections what adjustments need to be made to slow down high population growth.

Researchers at the Wittgenstein Centre in Vienna have therefore developed a model for estimating population development, which takes into account a decisive factor: education. In the past, education has

proved to be one, if not the most important, factor influencing the fertility rate and thus population dynamics as a whole.

On average, more educated women have significantly fewer children than those who have never learned to read or write.¹⁴ But education is a key demographic indicator for other reasons, too. It determines the skills that people have, which is far more important for the development of a country than the number of people in itself.

Since data on the correlation between the number of children women have and the level of educational attainment are available for almost every country in the world, researchers are able to model how fertility rates could change depending on future investment in education and what that means for a country's demographic development.¹⁵ Like the United Nations Population Department, the researchers at the Wittgenstein Centre derive their assumptions from past development trends in order to map possible future development paths.

Investment in education as a co-determinant of the future size of the population

In order to illustrate the impact of education investment on population development, researchers have drawn up three scenarios. First, the *Constant Enrolment Rates (CER) scenario* assumes that enrolment rates will stagnate at current levels and that there will be no relative progress in the expansion of the educational system. For poorer countries in sub-Saharan Africa, even this scenario could be difficult to achieve because with the rising numbers of children generated by high population growth it is increasingly difficult to train the necessary number of teachers and build enough schools and thus keep enrolment rates even at today's level. For Ethiopia, this scenario would mean that the population would increase to around 280 million by 2060. That would be over 30 million more than in the high variant of the United Nations population projections.

At least as alarming as this figure is the fact that under this scenario, more than half of Ethiopian adults in 2060 would not have received even primary education.

Second, the *Global Education Trend (GET) scenario* assumes continuous but slow progress in the educational sector, as has been achieved worldwide until now. From today's perspective, this scenario can be regarded as the most likely because, as a middle way, it factors in setbacks in implementing global educational policy goals. For Ethiopia, this "business as usual scenario" implies that the population will grow to 205 million people by 2060 and thus more than double. In such a case, the population would be slightly smaller than under the medium variant of the United Nations.

Third, the *Sustainable Development Goal (SDG) scenario* assumes that educational expansion will proceed apace as a result of massive investment, as envisioned by the Sustainable Development Goals. By 2030, all children and adolescents world-wide would have completed primary and

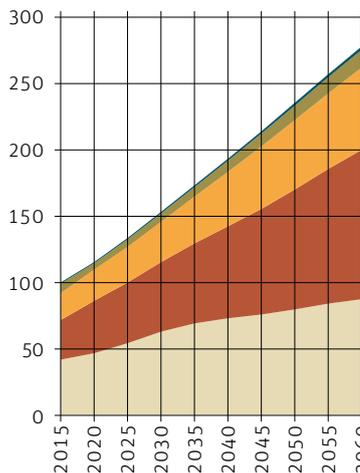
School attendance makes all the difference

Education is a key factor in future population development in Ethiopia. In the absence of educational progress, which is envisaged in the *CER scenario*, nearly twice as many people will be living in the country by 2060 – 280 million – than predicted by the *SDG scenario*, which assumes rapid progress in education.

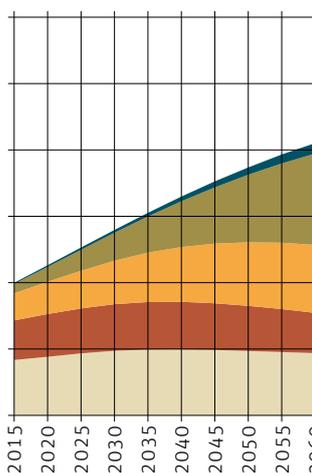
Estimated population according to future level of education in Ethiopia, according to different educational scenarios, in millions, 2015–2060 (Data source: Wittgenstein Centre¹⁷)

Constant Enrolment Rates (CER) scenario

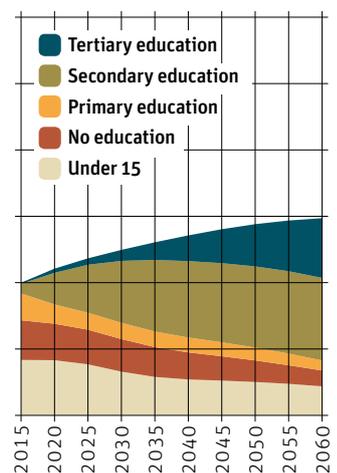
Millions



Global Education Trend (GET) scenario



Sustainable Development Goal (SDG) scenario



secondary education. Especially in the sub-Saharan countries, however, this goal will be virtually impossible to achieve. Under current conditions, most countries in the region are unlikely to be able to guarantee even primary education for all children by 2030.¹⁶ This also applies to Ethiopia, where today not even half of young people have completed primary school. Should the country nonetheless manage to achieve the SDG educational goals by 2030, this would have an enormous impact on Ethiopian population development. By 2060, instead of 205 million, as assumed under the GET scenario, there would be just some 150 million people living in Ethiopia – another 30 million fewer than under the lower variant of the United Nations projections. According to this scenario, more than 80 percent of adults are likely to have at least a secondary school diploma. In this best-case scenario, population growth in Ethiopia is likely to come to a halt mid-century while the number of people continues to increase only slightly and then eventually begins to decline.

Favourable age structure in sight

The scenarios of the Wittgenstein Centre make it clear that demographic development is not a matter of fate but can be influenced and that education is a central instrument for steering it. Moreover, it also has an impact on changes in the age structure. Depending on how and to what extent the Ethiopian government invests in the educational sector, that investment can play a role in deciding how quickly the age structure changes and at what point in time a demographic bonus will open up for Ethiopia.

The composition of the population projected under the *GET scenario* according to age-group and level of education illustrates how the age structure is most likely to develop. Today, Ethiopia's population still has the pyramid shape typical of underdeveloped countries, which forms when many children are born and a similarly large number of people of all ages die. While under these conditions

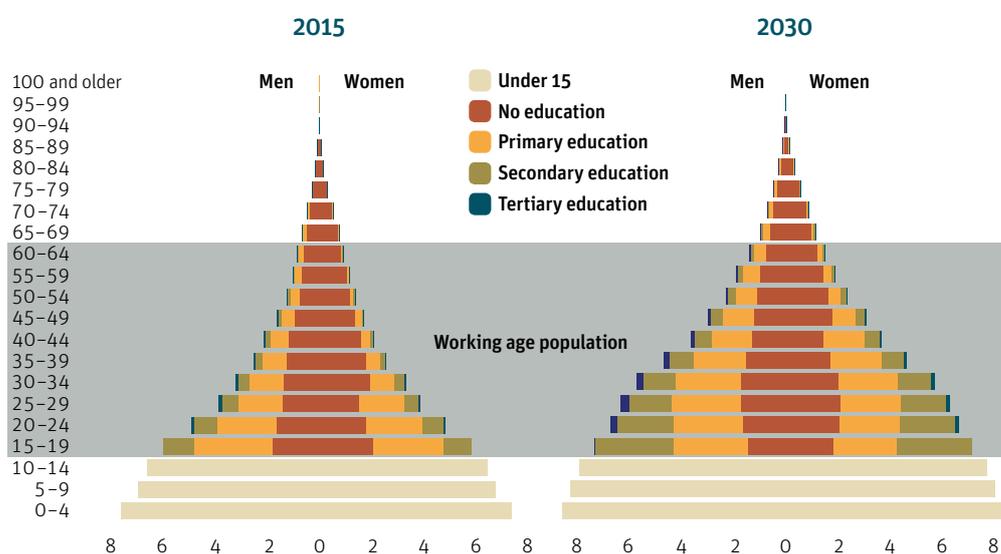
there are relatively few elderly people, the workforce has a large number of children and adolescents to provide for.

Important for further development is that the young working population between the ages of 15 and 24 – especially women – has a better level of education than the older generations. This is one of the reasons why the number of children per woman has fallen sharply in the recent past, why it may continue to fall and why the age structure is changing. In 2030, the number of people of working age is likely to have grown significantly relative to the number of children and young people to be provided for. As the educational attainment of the population continues to improve, the proportion of young men and women who have received little or no education will decrease while the number of those who have completed secondary school will increase.

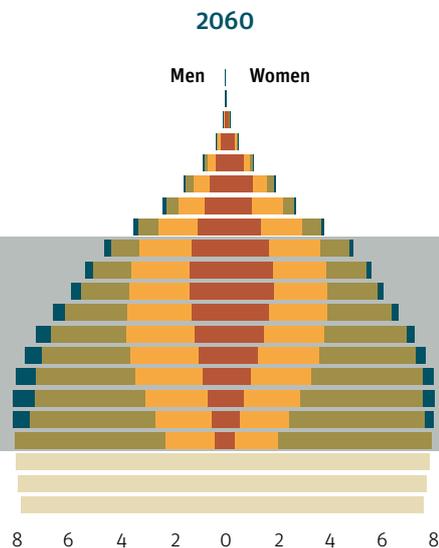
From bonus to dividend?

The declining number of children born is likely to mean that Ethiopia's population pyramid will take on a tear-drop shape in the future. This age structure – the so-called demographic bonus – could give the country a demography-related development boost, as experienced by the Asian tiger states. The prerequisite for this, however, is that the growing number of young workers with increasingly better education can also be employed.

Population breakdown by age group and level of education, according to the middle education scenario (GET), in millions, 2015, 2030 and 2060 (Data source: Wittgenstein Centre¹⁹)



Declining fertility rates are causing the lower age cohorts to shrink, so that the Ethiopian population diagram will remain a pyramid in name only and instead become drop-shaped – with a large belly representing the well-educated workforce, who will have to provide for fewer young people. More resources will then be available both to the state and to families to invest in further development. This is the phase in which a demographic bonus opens up, and for about four decades it is possible to turn it into a demographic dividend. The prerequisite for this to happen is that the then large number of better-educated people of working age find suitable jobs. If the economy yields good value added, a country will be wealthy enough after cashing in the demographic dividend to finance the aging of society, which is an inevitable consequence of the previous decline in the number of children born.¹⁸ According to the *GET scenario*, by 2060 Ethiopia should be about half way through the period in which a dividend is possible.



Accelerating the change

If Ethiopia follows the *GET scenario*, it will reach the threshold of a demographic bonus between 2025 and 2030. By then, the dependency ratio, i.e. the ratio of children under 15 and older people over 64 to 100 people of working age should have sunk below the level of 66, which marks the transition to a demographically favourable age structure.²⁰ If socio-economic development continues to progress as before, Ethiopia can be expected to experience a demographically determined economic boom earlier than most other countries in East Africa.

Entry into the demographic bonus phase could be accelerated by massive investment in education. Progress in the educational system, as envisaged by the *SDG scenario*, could mean that by 2020–25 Ethiopia will already have reached an age structure that, under the right conditions, allows a demographic dividend. If there is no progress in education whatsoever, as assumed by the *CER scenario*, Ethiopia will enter the demographic bonus phase by 2045 at the earliest. It would then, however, be more difficult to turn this bonus into a dividend owing to the huge number of people looking for a job.

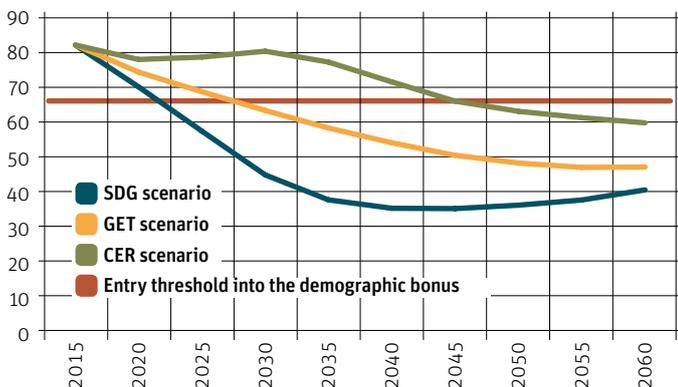
Reduce conflict risk

A faster change in the age structure would not only allow Ethiopia to enter the demographic bonus phase earlier but also to minimise the risk of conflict in the country. A large number of young people reaching working age could be a blessing for an economy but at the same time might pose a risk if it offers them too few job opportunities and future prospects. If the country does not manage to provide young adults with adequate jobs and thus a place in society, men in particular will tend to rebel – if necessary resorting to violence to press their grievances. This is all the more likely the better educated they are and the less opportunity they see to use their potential to their advantage. The protests of the Arab Spring in North Africa and the Middle East are a clear example of this.²¹

Countries in which young people between the ages of 15 and 24 account for more than 25 percent of the adult population are considered particularly conflict-laden.²² Ethiopia's "youth surplus" or "youth bulge" remains very large, at 37 percent. In 2015 only Uganda had an even larger youth overhang compared with other countries in East Africa. The changing age structure of Ethiopia should ensure that the youth bulge becomes smaller in the future. Depending on the speed of change, the risk of conflict would decrease at a correspondingly rapid rate. According to the *SDG scenario*, the current youth bulge could drop to a less conflict-laden level by 2035. But a lack of educational progress, as assumed by the *CET scenario*, would mean that the conflict potential posed by the youth bulge would remain for decades.

Different lengths of time until the bonus

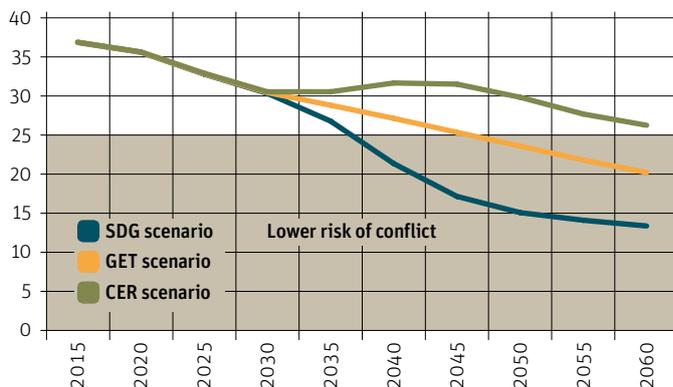
A rapid expansion of education could give Ethiopia an age structure that would bring a demographic dividend within reach in just a few years time. However, if enrolment rates remain at the current level, the dependency ratio will not fall below 66, the level considered to be the entry threshold for the demographic bonus, until about two decades later. To turn the bonus into a dividend, significantly more people would have to be employed than under the assumptions of the *SDG scenario*.



Estimated development of dependency ratio (persons under 15 and over 64 per 100 persons of working age) according to different educational scenarios, 2015–60
(Data source: Wittgenstein Centre²³)

Preventing conflicts through education

A change in the age structure accelerated by investment in education would not only open up sooner Ethiopia's time window for a demographic bonus but also reduce the country's potential for conflict. As soon as the proportion of young people between the ages of 15 and 24 falls below 25 percent of the adult population, the risk of conflict usually declines.



Youth bulge (share of 15- to 24-year-olds in the population over 15), according to different educational scenarios, 2015–2060
(Data source: Wittgenstein Centre²⁴)

Rapid change in the age structure

Ethiopia could be one of the first countries in East Africa to enter the demographic bonus phase. The same applies to Kenya, where the age structure is changing somewhat more slowly. In 2030, according to the *GET scenario*, the youth bulge and thus the risk of conflict in Ethiopia will be smaller than in the neighbouring country.

	Population in millions			Dependency ratio			Predicted beginning of the demographic bonus phase	Youth bulge		
	2015	2030	2060	2015	2030	2060		2015	2030	2060
Ethiopia	99.9	139.8	205.2	82.1	63.3	47.1	2025–2030	37	30	20
Burundi	10.2	13.9	18.6	89.6	68.9	45.0	2030–2035	36	36	22
Kenya	47.2	66.3	100.2	78.3	61.3	50.1	2025–2030	34	31	22
Rwanda	11.6	16.3	24.9	77.3	66.1	53.6	2030–2035	32	31	23
Tanzania	53.9	81.0	135.6	93.4	74.7	50.9	2035–2040	35	35	24
Uganda	40.1	63.4	119.3	101.6	84.0	57.5	2045–2050	39	37	28

Population in millions, dependency ratio (number of person under 15 and over 64 per 100 persons of working age), threshold for entry into the demographic bonus phase (dependency ratio of a maximum of 66 persons under 15 and over 64 per 100 workers), youth bulge (share of 15- to 24-year-olds in the population over 15, in percent), according to the *GET scenario*, 2015, 2030, 2060
(Data source: Wittgenstein Centre²⁵)

Success only through the triad of health, education and jobs

While rising educational levels are a key prerequisite for entering a demographic bonus phase, there is no guarantee that this will happen. The experience of other countries shows that a country has the greatest chance of success if it achieves a successful combination of better healthcare, improved education and increased job creation.

While the scenarios of the Wittgenstein Centre focus primarily on investment in education, other models try to include additional factors like health and the economy: for example, the *DemDiv Model* of the Health Policy Project, funded by the

US Agency for Development Cooperation (USAID). This model shows how much investment is necessary in the fields of the economy, education and family planning in order for a country to achieve a demographic dividend.²⁶ Researchers have developed four different scenarios for achieving this goal.

In the baseline scenario, the researchers assume that progress in education, wider use of family planning methods and the implementation of economic reforms will be slow but steady. In the economic scenario, greater progress is expected in labour market flexibility, the use of technology, economic institutions and credit access, while family planning and education are assumed to develop as in the baseline scenario. In scenario number 3, economic reforms are supplemented by higher levels of investment in education. In scenario 4, investments in all three areas would be required, including additional measures for family planning.²⁷

The path to more prosperity

To model the four scenarios, the researchers made certain assumptions about the targets for education, family planning and economic reform by 2050. The outcomes of the scenarios confirm that combined, investment and action in all areas would have the greatest impact.

This can be seen in the creation of jobs, for instance. In the *baseline scenario*, around 33 million workers will probably be out of work by 2050. On the other hand, if Ethiopia's economic competitiveness were to improve, as assumed in the economic scenario, the gap between the size of the labour force and the number of those actually employed

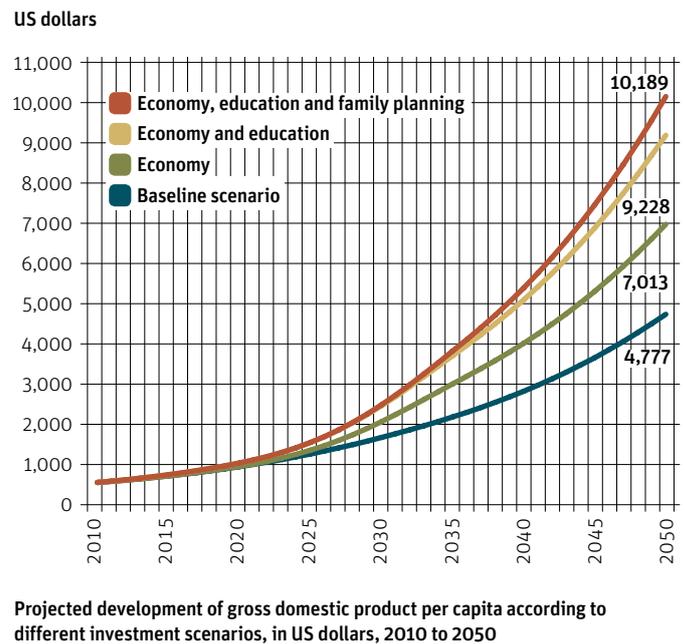
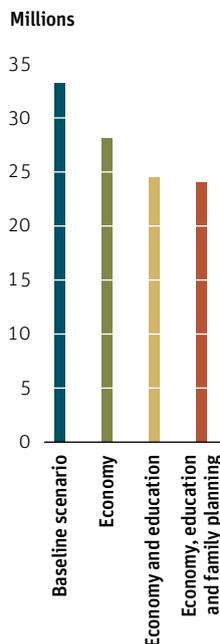
would narrow to 28 million. If additional investments were made in education and family planning, the number of unemployed would – at 24 million – still be high, but the chance of a demographic dividend would be much better than in the baseline scenario.

Moreover, Ethiopia's average per capita income would grow most strongly through investment in all three areas – health, education and the economy. Whereas in the baseline scenario Ethiopians could expect to have an average income of about 5,000 US dollars by 2050, they could earn more than twice as much as that if the government invested in the three core development areas. And the goal of the Ethiopian government to become a lower middle-income country by 2025 could become a reality, too, under this scenario.

It's all down to the right mixture

Combined investment in health – including family planning – education and the economy would result in the biggest development advances for Ethiopia. If investments are made in all three areas, the number of people without employment in 2050 is likely to be significantly lower than if investments are made in just one of the core areas of development. In this case the average income of Ethiopians is expected to rise the fastest. By mid-century, it could increase from about 500 US dollars per person in 2010 to more than 10,000, a 20-fold rise.

Population over 15 without a job according to different investment scenarios, in millions, 2050
(Source: Moreland²⁸)



4

BEACON OF HOPE OR TINDERBOX?

Ethiopia is an example of how even poor countries can achieve major development progress if they make the right adjustments. While there is no patent recipe, some of the measures that have contributed to Ethiopia's success could provide inspiration for other African countries.

- Ethiopia's comprehensive development strategy – from the first *Sustainable Development and Poverty Reduction Program (SDPRP)* to the *Second Growth and Transformation Plan* – laid out a precise timetable right from the start and was committed to a single goal: poverty reduction. The government's efforts in the key areas of health, education and jobs provide a textbook example of how to go about achieving this goal.
- As part of its strategy to expand and improve the health system the government has made basic health services available in every part of the country and educated a growing share of the population, even in remote areas, about health risks. The emphasis on child and maternal health and the dissemination of family planning methods are important factors in this approach and have contributed to a slowing of population growth.
- Major investment in education of up to 30 percent of the national budget has raised the level of education in the country. Above all, opportunities for girls and young women to receive a formal education have improved thanks to the targeted promotion of education for girls – a prerequisite for a drop in the fertility rate.
- The Ethiopian government is promoting female employment, for instance by training female health assistants. Better prospects for women to earn their own living and become increasingly independent are gradually changing their position in the family, which, in turn, reduces the fertility rate.
- Unlike many other African states, Ethiopia made agriculture a priority at an early stage and pressed ahead with efforts to raise productivity. In many places the cultivation methods and yields of smallholders have improved through measures such as the establishment of a network of so-called development agents.
- The enormous expansion of infrastructure and the enlistment of foreign investors could initiate a process of industrialisation in the country, which, in turn, should create more jobs in the future for the growing number of young people of working age.

At a crossroads

The agenda for all these development steps has always been set by the government, whose goal is to find an “Ethiopian way” out of poverty. However, this route has already been followed by many countries as a path towards more prosperity.

Thus Ethiopia, now Africa's second-most populous country, has arrived at a crucial stage in its development. If the development success story continues, it is likely that in about a decade the country will have an age structure of the kind that once paved the way for the Asian tiger states to achieve rapid socio-economic advancement – the demographic bonus. Increased investment in health, education and the economy can accelerate this transformation. Ethiopia would then have the chance to become one of the first countries in sub-Saharan Africa to experience a demographically determined spur to development and prove that African lions can follow Asian tigers. The country could reap a demographic dividend and show that Africa is not “different” from Asia and that neither cultural traits nor geographical location make any significant difference to whether and how a country develops.

But Ethiopia still has a long way to go and development is by no means automatic. Ethiopia's recent progress has not always been achieved with respect for human rights standards, which has led to widespread popular discontent. And the path that the country still has to tread is long and beset with hurdles and obstacles.

What future the country can expect is shown by the various scenarios outlined in Chapter 3. In the best case, population growth would come to a halt in the second half of the 21st century and, with sufficient education, people would have good chance of determining their future in their own country. In the worst case, the development engine would begin to falter. If the country

does not manage to create prospects for the growing number of young people and allow as many of them as possible to participate in progress, the threat of growing unrest will emerge. As experience has shown, a youth bulge that is not converted into an economic advantage through sufficient jobs increases the risk of conflict.

In this case, Ethiopia could be transformed from a stabiliser into a destabiliser in the Horn of Africa and plunge the entire region into chaos. The consequences would be felt in many parts of the African continent and beyond. Together with its neighbours, which include the civil war-ridden states of Somalia and South Sudan, Ethiopia has some 150 million people. In the event of a crisis, the Horn of Africa would become one of the major sources of migration and refugees. If even just 1 percent of these people were to make their way to Europe, the European Community would be faced with challenges that would probably overwhelm it. Ethiopia is too big to fail. Therefore the international community has a special responsibility to aid the country's development. Ethiopia needs political stability, an economic environment that allows private companies to evolve, fair opportunities for all ethnic groups and targeted assistance from outside in order to continue to make progress.

A new beginning with Abiy?

As luck would have it, a young, dynamic Oromo-majority politician has recently come to power, a leader who holds out hope to many people in Ethiopia and beyond its borders for further development and a better future. The 41-year-old Abiy Ahmed has the task of solving old problems as well as identifying and tackling new challenges. He must ensure that the population is

provided with the necessary infrastructure services, he must preserve the national unity of the country and he must maintain a balance between the various ethnic and political groups – and he must do all of this with limited financial resources and under enormous time pressure. For the Ethiopian government this means juggling at least a dozen balls at the same time.

4.1 Race against time

The Ethiopian population is currently growing by five people per minute. Extrapolated to a month that is roughly the population of a city the size of Mainz or Linz. Despite the falling fertility rate, this situation will not change in the foreseeable future because more than half the population of Ethiopia are under the age of 20 and therefore still at the beginning of that phase of life when they are likely to start families. Today, approximately 26 million potential mothers aged between 15 and 49 live in Ethiopia. By 2050, that number is likely to almost double to more than 51 million.¹ What is more, most Ethiopian women become mothers at an early age. They have their first child on average at the age of 19.² The demographic growth curve of the country is thus still set to continue for many years. All of these people, just like those who today are still insufficiently provided for, need a roof over their heads, food and clean drinking water, education, health services and, above all, jobs.

Ensuring the supply of food

Ethiopian agriculture has already become significantly more productive: the yields of staple foods such as cereals and pulses have more than doubled in the last two decades. Nevertheless, Ethiopia is still not in a position to feed its population sufficiently. About eight million Ethiopian smallholders regularly depend on food aid if the rains fail and periods of drought destroy their harvest or if, for other reasons, the harvested crops do not suffice to feed their family the whole year round.

With an average population growth of more than 2.5 million people per year, this situation is likely to worsen. Arable land is not unlimited, and inappropriate farming practices have already degraded the soil in many places. This leads to harvest losses and reduces the available water reserves – the most important factor for agriculture – because degraded soils absorb and store less water when it rains.³

Climate change is increasing the challenges facing agriculture. By 2030, average temperatures in Ethiopia are likely to have risen by one degree Celsius compared with 1990, which could have a negative impact on the timing and duration of the harvest season and thus on yields.⁴ According to the *International Panel on Climate Change* (IPCC), extreme weather events such as droughts and floods are likely to increase in the future.⁵ It will become increasingly difficult to feed Ethiopia's growing population under these conditions.

What is to be done?

- Further promote mechanisation and modern farming methods. Give smallholders access to productivity-enhancing resources and information, such as weather forecasts – for example, by providing information via mobile phones.
- Push forward with the development of reservoirs for rainwater so that water reserves are available even in the dry season.
- Promote awareness and understanding of sustainable farming among smallholders.
- Make wider use of successful projects to strengthen climate resilience and encourage networking among actors to achieve synergies and learning effects.
- Increase the resistance of crops to extreme weather conditions, for example, by using resistant seed.
- Strengthen research and development at universities and institutes aimed at intensifying agriculture.
- Improve distribution and processing infrastructure for agricultural products so that food can be transported to underserved regions.
- Reform the system of land rights to promote private investment, whereby smallholders, in particular, should be given the opportunity to increase their arable land so that the younger generation finds attractive employment and farmers can become more efficient and more competitive.

Expand the health system

The main goal of expanding the Ethiopian health system is to improve maternal and child health. Ethiopia is, however, still far from providing nationwide medical care for women and their offspring. At the same time, around 870,000 Ethiopian women are reaching childbearing age every year.⁶ People suffering from chronic and non-communicable diseases are in an even worse position than mothers and children. Their number, too, will grow in the future not least because Ethiopians are getting older. While only about 3.5 million – or 3.5 percent of the population – were over the age of 65 in 2015, their number will have doubled by 2035. This will be accompanied by an increase in the incidence of age-related conditions such as heart attacks and strokes.⁷ Ethiopia's health system remains poorly prepared to deal with this.⁸

What is to be done?

- Expand the health infrastructure, especially in rural areas, to improve access to medical services and meet growing demand.
- Expand healthcare provision not only for children and mothers but also for the treatment of the injured and the chronically ill.
- Put more emphasis on family planning. Improve sex education and access to contraceptives.

- Provide more qualified medical staff and create more attractive working conditions in rural areas to reduce the urban-rural gap.
- Prepare the health system for new challenges such as age-related diseases.
- Test new financial instruments, such as community-based health insurance, to reduce the financial burden on individuals.
- Follow the World Health Organization's recommendations for government health expenditure, which foresees spending 15 percent of the national budget on health each year.

Strengthen education

Ethiopia faces tasks of a similar magnitude in the educational sector. Despite a rapid increase in school enrolment rates, more than two million children of primary school age and around eight million children of secondary school age did not attend school in 2015.⁹ By 2030, the number of children and adolescents between the ages of 7 and 18 who require schooling is expected to grow from 31 million to around 37 million – an annual increase of about 460,000 young people requiring education.^{10, 11}

The educational challenge becomes even greater if the growing number of children and adolescents are not only to be enrolled in school but also to graduate with high-quality skills that will improve their prospects for the future – which should be the ultimate goal of formal education. Currently, a large proportion of children still do not complete primary school and often leave without having learned to read and write properly. Career expectations are rising among those who manage to graduate from primary school or even to go on to secondary school, but they are often disappointed. Those who do not make it to year ten or who have too low a mark at the end of lower secondary school to enter higher secondary school or vocational training will find themselves with no real job prospects despite many years of schooling. New prospects need to be created for these young people, for example by making formal vocational training attractive and accessible even to those without secondary education.

What is to be done?

- Continue to expand educational infrastructure to provide for the growing number of children to be schooled. Use new technologies such as e-learning to improve access to education, especially in rural and remote areas.
- Further promote access to education for girls, especially in secondary and higher education, for example, through scholarships.
- Reduce drop-out rates through better classroom conditions, flexible teaching times and targeted incentives for families (scholarships, cash or food allowances).

- Improve the quality of education, for example, by increasing the requirements for teaching staff and improving their education and pay.
- Use modern teaching methods instead of teacher-centred instruction to promote self-reliance and the problem-solving skills of young people.
- Expand formal vocational training, especially for young people who have not completed secondary education.
- Improve the image and standards of vocational education and create incentives for companies to train apprentices.

Even university and vocational school graduates have difficulty finding a suitable job in Ethiopia. This is partly due to the lack of jobs for the better qualified. In 2010, there were only 6,000 job vacancies that matched the qualifications of the approximately 67,000 university graduates.¹² The result was that many formally better qualified people are pushed into jobs that have little to do with their education. A study by the *Ethiopian Development Research Centre* shows that about a quarter of the working population in Ethiopia's urban labour market are engaged in employment that does not match their qualifications. Most of them are considered to be overqualified in terms of years of schooling.¹³ University graduates, in particular, are increasingly affected by longer periods of unemployment.¹⁴

For this reason, many experts in Ethiopian education are critical of the government's commitment to higher education. Between 2005 and 2015 alone, the number of

universities rose from 8 to 36, and 11 more are being planned with international support. In order just to fill the available study places, secondary school graduates who do not fulfil university entrance requirements are being admitted to degree courses.¹⁵ Moreover, it is unclear how the increasing number of university graduates are supposed to subsequently find a suitable job.

Despite the evident formal over-qualification, there is a shortage of skilled workers in Ethiopia, since many high school and vocational school graduates do not learn the skills required by the labour market during their schooling.¹⁶ The main reason for this is the poor quality of teaching. All this means that education in Ethiopia today rarely yields the benefits that young people and their parents expect. Many parents are becoming increasingly sceptical about whether it makes sense to send their children to secondary school or even to school at all.¹⁷

What is to be done?

- Reform the theory-based university education to make it more practice- and vocation-oriented. To this end strengthen cooperation between educational institutions and the private sector.
- Improve the quality of teaching in vocational and higher education and impart more entrepreneurial knowledge.
- Tailor curricula more closely to the needs of the labour market and integrate entrepreneurship as a key qualification in teaching.

Create jobs

Well-educated young people in Ethiopia can fulfil their economic role in society provided they find the right jobs. The government can hardly provide the jobs on its own, so it must create the framework conditions for them to be generated in the private sector. So far, the EPRDF government has focused on manufacturing and the construction of industrial parks. By 2025, two million new jobs are to be created in the manufacturing industry. Starting from 2015, when the current *Growth and Transformation Plan* went into effect, that means 200,000 jobs per year.¹⁸ Even this goal is ambitious because it requires a sufficient number of private companies to invest in the industrial sector. However, by 2025, ten times as many, i.e. around two million young people, are expected to enter the labour market each year.¹⁹ They will seek employment, just like those who are already without work today. In the Ethiopian cities alone, more than 1.4 million people were formally unemployed in 2015, according to government figures.²⁰ Their number could continue to rise because in rural areas there are many young people who want to migrate but who are currently working on their family's small plot of land, earning hardly anything and not officially considered unemployed.

The first stop for people looking for jobs is the urban service sector and the construction industry. However, it is questionable whether the construction boom in Ethiopia triggered by the infrastructure expansion, which has accounted for about one fifth of gross domestic product in the recent past, will continue.²¹ Experience has shown that the demand for infrastructure levels off after a certain degree of expansion, while other sectors of the economy gain in importance.

Moreover, jobs in the service sector and the construction sector tend to be informal, requiring few qualifications and paying low wages. It is true that a small income in an informal job is better than none at all; but for the increasingly better-qualified younger generation to have long-term prospects, they need formal jobs with higher productivity than in agriculture or the informal sector – for example, in banking, insurance, IT or transport.

What is to be done?

- Improve the framework conditions for private investors from Ethiopia and abroad. To this end, further expand infrastructure, facilitate financing options and combat bureaucracy and nepotism. Further, improve the capacity and knowledge of the Ethiopian authorities.
- Improve investment opportunities for Ethiopian companies in the processing and other sectors to develop local SMEs.
- Improve cooperation between international and local companies to facilitate the transfer of know-how and technology.

To create more productive jobs, the Ethiopian government has to rely on investment from the private sector, with which it has long had an ambivalent relationship. On the one hand, private investment from home and abroad is supposed to stimulate the economy and create jobs. On the other hand, the government has kept the private sector on a very short leash until very recently: the controls to which private entrepreneurs are subjected are as diverse as the obstacles that they have to overcome in order to invest. What is more, whole sectors of the economy were until recently entirely in state hands and therefore inaccessible to foreign investors.

The opening up of state-owned companies such as Ethiopian Airlines, Ethio Telecom and Ethio Power to foreign investors initiated by the new prime minister, Abiy Ahmed, could help create more jobs in the more productive areas of the service sector in the future. Further liberalisation and more support for existing and aspiring Ethiopian entrepreneurs could improve the prospects for better-educated young people of working age. That would be a major step towards Ethiopia's turning its forthcoming favourable age structure to its advantage.

What is to be done?

- Further open up the service sector to private sector engagement and reduce state control and regulation mechanisms or make them transparent.
- Expand support for local (young) entrepreneurs and make it easier for them to obtain financing.
- Build technology parks and business incubators as space in which start-ups can develop and qualified young people be motivated to create their own jobs.

4.2 A question of money

Providing more and better health facilities, schools and jobs for its growing population will be a major challenge for Ethiopia as one of the world's poorest countries, especially as it has limited financial possibilities. The financial possibilities are limited: For the coming fiscal year, which began in July 2018, the government of the country with 100 million inhabitants has set a state budget of the equivalent of 12.8 billion US dollars or 10.9 billion euros.²² By comparison, the estimated budget of the City of Vienna, with 1.9 million inhabitants, for the year 2018 is 13.4 billion euros.²³

Hence support from abroad, which, alongside domestic loans, represents an important component of the national budget, is all the more important. To implement its costly development plans, Ethiopia is dependent on funds from the international donor community and loans from abroad. Therefore the country has to rely on long-standing development cooperation partners and new actors such as China, which is currently one of the

country's main sources of credit. Whether the financial resources from abroad continue to flow freely is likely to be a key factor in determining whether Ethiopia can continue its development progress.

Ethiopia is one of the biggest recipients of funding from bilateral and multilateral development cooperation in sub-Saharan Africa. Between 2005 and 2015, no country south of the Sahara received more financial support. In 2016, approximately 4.2 billion US dollars in development aid funds (ODA) flowed into Ethiopia through various channels. Nearly half of that sum went towards the development of basic infrastructure and benefited mainly the education and health sectors.²⁴ According to a study by the *Institute for Security Studies* Ethiopia can expect international ODA support to double by 2030 to 8.5 billion US dollars. This may not be enough, however, to increase investment and thereby achieve rapid progress in the main development areas of health and education. Rather, Ethiopia will have to raise more own funds in the future, which, above all, requires higher tax revenues.²⁵

Loans with side effects

In the future, Ethiopia will continue to depend on foreign credit especially for the further development of transport infrastructure. The construction of additional roads, railways, power lines and industrial parks is crucial for the country to attract investors, who, it is hoped, will drive the industrialisation process and create jobs. So far Ethiopia has funded this process largely through loans from China, and that is unlikely to change significantly in the future. As long as economic growth rates remain high, Ethiopia should have

little trouble serving its foreign debt.²⁶ At first glance, it therefore makes sense for the country to obtain money from abroad to finance the necessary infrastructure.

This is, however, making Ethiopia increasingly dependent on the economic situation of its largest lender. Should the economic situation in China worsen, the flow of credit from the People's Republic could decrease, which means the Ethiopian government would have significantly less money to spend on infrastructure expansion. This would have negative consequences for jobs in the construction industry and overall economic growth.

What is more, borrowing money to finance infrastructure development is not without its risks either: the *International Monetary Fund* (IMF) sees a high risk of Ethiopia sliding into a debt crisis in 2018. During the course of this year, Ethiopia will have to repay debts to the tune of approximately 1.5 billion US dollars, which will be a major challenge given its scarce foreign currency reserves and stagnating export earnings. If Ethiopia finds itself unable to repay its debts, the economic success of the country could be jeopardised, according to the IMF.²⁷

To control the situation the Ethiopian government has already adjusted its credit policies and limited public borrowing from abroad. Moreover, in October 2017, it devalued the Ethiopian birr against the US dollar by 15 percent to make exports more attractive and increase competitiveness.²⁸

The devaluation of the national currency, however, means that more money is needed to purchase imported goods and to repay foreign debts.

If Ethiopia gets into financial difficulties repaying its biggest lenders, there could be more far-reaching consequences. China could secure ownership of the major infrastructure for which it once provided the funding. Elsewhere, such appropriations have already happened. In 2015, for example, China waived a loan of around a billion US dollars to the island nation of Sri Lanka. In return the strategically important port of Hambantota fell into the hands of a Chinese state-owned enterprise.²⁹

New allies

The government's recent liberalisation and reform measures under the new prime minister, Abiy, can be considered other responses to Ethiopia's tricky financial situation. They are designed to demonstrate the willingness of the Ethiopian leadership to reform and encourage foreign investors to bring much-needed foreign currency into the country. At the end of the financial year 2016–17, the existing foreign currency reserves had shrunk to a level that, according to economic experts, is hardly sufficient to cover Ethiopia's import costs for more than two months.³⁰

In June 2018, Abiy Ahmed was able to mitigate the problem in the short term with support from the United Arab Emirates. Within the framework of a three billion US dollar aid and investment package, he received an advance to the tune of one billion US dollars from the Crown Prince of the Gulf monarchy, which should help

to alleviate the acute shortage of foreign currency.³¹ Whether the young head of state succeeds in gaining more allies alongside long-time donors and newer actors such as China is likely to be decisive for Ethiopia's development progress.

4.3 More external and internal stability

Since assuming office, Prime Minister Abiy Ahmed has been trying not only to strengthen relations with Gulf states such as the Arab Emirates but also to improve relations with neighbours near and far such as Egypt and its longstanding arch-enemy Eritrea. After all, trade is only possible with friendly countries – in the case of Egypt, for example, electricity exports from the controversial *Great Ethiopian Renaissance Dam*. Another option is to initiate joint development projects, such as a port to be jointly operated by Ethiopia and Eritrea on the Red Sea. Abiy's policy of rapprochement, in particular the historical peace treaty with Eritrea concluded in July 2018, offers the opportunity for more peace and security in the Horn of Africa and could strengthen Ethiopia's role as a stabiliser in the region.

For long-term stability, intra-Ethiopian conflicts need to be resolved, too. These include the long-standing economic and political domination of the Tigray ethnic group, which accounts for just 6 percent of the population. The choice of an Oromo as the new prime minister and his first

official acts – from the lifting of martial law and the Internet blockade, the release of political prisoners and the opening of dialogue with the opposition to the firing of long-term EPRDF functionaries – inspire confidence that change from within is possible. So far, however, it remains unclear how strong the country’s old political elite remains and what options it has to take charge again. What is certain, however, is that the premier’s rapid renewal course will encounter resistance: The attack on a major event in Addis Ababa in June 2018 at which Abiy appeared has clearly demonstrated that reality.³²

However, to reconcile the Ethiopians with their government, which until now has always led the country with an iron hand, is only the first step. The many ethnic groups in the country need to be reconciled. The long-term, sometimes ruthless modernisation strategy of the EPRDF government contributed in many places to the exacerbation of ethnic tensions in Ethiopia. Usually the conflicts involved land, the main basis for the livelihood of a population of which 70 percent are still smallholders living from subsistence farming. The awarding of large tracts of land to foreign investors has driven away many smallholders and further fuelled the already existing conflicts about water and grazing land between sedentary farmers and pastoralists. On the border between the province of Oromia and the region of the Southern Nations, Nationalities and Peoples, which is surrounded almost entirely by Oromia, violent confrontations between various ethnic groups in June 2018 forced almost a million people to flee to other parts of the country.³³

What is to be done?

- Strengthen social cohesion and Ethiopian national identity vis-à-vis ethnic identity.
- Revive or implement a federal system and give the state governments more decision-making authority.
- Advance the democratisation process through free and fair elections and a reform of the party system.
- Provide legal guarantees of freedom for the press and civil society.

4.4 A European responsibility

To mitigate such conflicts or to prevent them arising in the first place is not only in Ethiopia’s own interests but also in those of its neighbours and far-off Europe. For national flight and expulsion can quickly turn into uncontrolled international migration, which carries enormous risks for the people concerned and poses major challenges for states along the migration routes. Given the current migration debate within the European Union, aid to Ethiopia is advisable for this reason alone. A concerted effort must be made to keep Ethiopia on a peaceful development course, from which the country itself, the region and hence Europe, too, benefit. The European Community should provide the best possible support in the form of advice and funding for the efforts and reforms of the new prime minister.

But it would be wrong to believe that “the root causes of flight” can be combatted with development measures, as European development cooperation tends to assume. In the first place, development and better education mean that more people are able to consider and finance migration.³⁴ Development and education are likely in the short term to increase rather than reduce the number of potential migrants. Yet there is no alternative, because only these factors can mitigate population growth in the medium term. Without development and education, the number of people would continue to grow rapidly, which would make it more difficult to solve existing problems. There would then be virtually no prospect of a demographically determined development spurt.

What is to be done?

- Intensify support from the European Union and its member countries for Ethiopia within the framework of bilateral and multilateral development cooperation.
- Provide advice to the Ethiopian government in the development and foreign policy dialogue.
- In the context of economic development, strengthen support for the involvement of private companies from Europe.

FOOTNOTES AND SOURCES

1. United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision, United Nations. New York. esa.un.org/unpd/wpp/ (23.06.17).
2. See endnote 1.

1 – Heavyweight in the Horn of Africa

1. Prunier, G. & Fiquet, É. (2015). Introduction. In G. Prunier & É. Fiquet (Hrsg.), *Understanding contemporary Ethiopia*, S. 1–14. London: Hurst.
2. Dornisch, K. (2015). *Sagenhaftes Äthiopien*. Archäologie, Geschichte, Religion. Darmstadt: Philipp von Zabern.
3. United Nations Development Programme (2016). Human Development Data (1990-2015). New York. www.hdr.undp.org/en/data (05.07.18).
4. World Bank (2017). World Development Indicators. DataBank. Washington, DC. www.databank.worldbank.org/data/source/world-development-indicators (09.05.18).
5. International Labour Organization (2017). ILOSTAT. Genf. www.ilo.org/ilostat (28.06.18).
6. Donnenfeld, Z., Porter, A., Cilliers, J., Moyer, J. D., Scott, A. C., Maweni, J. et al. (2017). Ethiopia Development Trends Assessment. Ethiopia Performance and Evaluation Service (EPMES). issafrica.s3.amazonaws.com/site/uploads/ethiopia-assessment.pdf (06.07.18).
7. ReliefWeb (n.y.). Ethiopia: Drought - 2015-2018. reliefweb.int/disaster/dr-2015-000109-eth (26.02.18).
8. ReliefWeb (2018). WFP Ethiopia Drought Emergency Situation Report. reliefweb.int/report/ethiopia/wfp-ethiopia-drought-emergency-situation-report-9-january-2018 (26.02.18).
9. Central Statistical Agency Ethiopia & ICF (2017). Ethiopia. Demographic and Health Survey 2016. Addis Ababa.
10. The DHS Program & USAID (n.y.). STATcompiler. Rockville. statcompiler.com/en/index.html (05.04.18).
11. See endnote 4.
12. Clapham, C. S. (2017). *The Horn of Africa. State formation and decay*. London: Hurst Publishers.
13. Gesellschaft für Internationale Zusammenarbeit (2017). LIPortal - Das Länderinformationsportal. Äthiopien. Bonn. www.liportal.de/aethiopien/ (19.12.17).
14. United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision, United Nations. New York. esa.un.org/unpd/wpp/ (23.06.17).
15. See endnote 4.
16. Lefort, R. (2015). The Ethiopian Economy. The Developmental State vs. the Free Market. In G. Prunier & É. Fiquet (Hrsg.), *Understanding contemporary Ethiopia*, S. 357–394. London: Hurst.
17. Mills, G., Obasanjo, O., Herbst, J. & Davis, D. (2017). *Making Africa Work. A handbook for economic success*. Cape Town: Tafelberg.
18. See endnote 6.
19. Hicks, S. (2017). The Grand Ethiopian Renaissance Dam. Power Dynamics in the Nile River Basin, American Security Project. www.americansecurityproject.org/the-grand-ethiopian-renaissance-dam-power-dynamics-in-the-nile-river-basin/ (14.05.18).
20. See endnote 4.
21. See endnote 4.
22. See endnote 4.
23. See endnote 14.
24. Unesco Institute for Statistics (n.y.). UIS.Stat Database. Montreal. data.uis.unesco.org/Index.aspx (12.05.17).
25. Klingholz, R. & Lutz, W. (2016). *Wer überlebt? Bildung entscheidet über die Zukunft der Menschheit*. Frankfurt: Campus Verlag.
26. See endnote 25.
27. See endnote 13.
28. Finneran, N. (2013). Lucy to Lalibela. Heritage and identity in Ethiopia in the twenty-first century. *International Journal of Heritage Studies*, 19(1), S. 41–61.
29. See endnote 13.
30. See endnote 12.
31. See endnote 12.
32. See endnote 12.
33. Vaughan, S. (2015). Federalism, Revolutionary Democracy and the Developmental State, 1991 - 2012. In G. Prunier & É. Fiquet (Hrsg.), *Understanding contemporary Ethiopia*, S. 283–311. London: Hurst.
34. See endnote 33.
35. Bertelsmann Stiftung (2016). BTI 2016. Ethiopia Country Report. Gütersloh.
36. Central Statistical Agency Ethiopia, EDRI & IFPRI (2010). *Population & Housing Census. Atlas of Ethiopia 2007*. Addis Ababa.
37. Hailemariam, A. (2017). The Second Biggest African Country Undergoing Rapid Change: Ethiopia. In H. Groth & J. F. May (Hrsg.), *Africa's population. In search of a demographic dividend*, S. 53–69. Springer.
38. See endnote 36.
39. See endnote 33.
40. Clapham, C. (2017). The Ethiopian developmental state. *Third World Quarterly*, S. 1–15.
41. See endnote 12.
42. See endnote 6.
43. See endnote 33.
44. See endnote 33.
45. World Bank Group (2016). Ethiopia's Great Run. The Growth Acceleration and How to Pace it. Washington, DC.
46. National Planning Commission & United Nations in Ethiopia (2015). *Assessment of Ethiopia's Progress towards the MDGs. Millennium Development Goals Report 2014 Ethiopia*. Addis Ababa.
47. See endnote 14.
48. See endnote 6.
49. See endnote 6.
50. OECD (n.y.). Creditor Reporting System (CRS). stats.oecd.org/Index.aspx?DataSetCode=CRS1 (06.04.18).
51. See endnote 6.
52. See endnote 6.
53. Tadesse, M. (2015). Making Sense of Ethiopia's Regional Influence. In G. Prunier & É. Fiquet (Hrsg.), *Understanding contemporary Ethiopia*, S. 333–356. London: Hurst.
54. United Nations High Commissioner for Refugees (2018). *Global Trends in Forced Displacement in 2017*. Geneva.
55. Bertelsmann Stiftung (2018). Ethiopia. BTI 2018 Country Report. Gütersloh.
56. See endnote 6.
57. See endnote 55.
58. See endnote 55.
59. Freedom House (2018). *Freedom in the World 2018. Ethiopia Profile*. Washington DC. freedomhouse.org/report/freedom-world/2018/ethiopia (16.04.18).
60. Weber, A. (2017). *Abiy Superstar – Reformer oder Revolutionär? Hoffnung auf Transformation in Äthiopien (SWP-Aktuell)*. Berlin
61. See endnote 5.

62. See endnote 59.
63. See endnote 60.
64. Frankfurter Allgemeine Zeitung (2018). Nach langem Grenzkrieg: Äthiopien und Eritrea nehmen diplomatische Beziehungen auf. www.faz.net/aktuell/politik/ausland/erste-friedensgespraeche-zwischen-aethiopiern-und-eritrea-nach-jahrzehnten-15680631.html (09.07.18).
65. Regional Mixed Migration Secretariat (2016). Ethiopia Country Profile. o.A. www.regionalmms.org/images/CountryProfile/Ethiopia/EthiopiaCountryProfile.pdf (04.10.17).
66. International Organization for Migration (n.y.). IOM Displacement Tracking Matrix (DTM). Mixed Migration Routes to Europe. migration.iom.int/europe/ (07.05.18).
67. Fund for Peace (2017). Fragile States Index 2017. Washington DC. www.fundforpeace.org.
68. Fund for Peace (2018). Fragile States Index 2018. Washington DC. www.fundforpeace.org.
69. Heidelberg Institute for International Conflict Research (2018). Conflict Barometer 2017. Heidelberg.
70. ReliefWeb (2018). Ethiopia: Escalating inter-communal violence displaces close to 1M people. reliefweb.int/report/ethiopia/ethiopia-escalating-inter-communal-violence-displaces-close-1m-people (09.07.18).
71. ReliefWeb (2018). Nearly 10,000 Ethiopians seek asylum in Moyale, Kenya following violence back home. reliefweb.int/report/kenya/nearly-10000-ethiopians-seek-asylum-moyale-kenya-following-violence-back-home (14.06.18).
72. Eurostat (2017). Datenbank. ec.europa.eu/eurostat/data/database (05.06.18).
73. See endnote 65.
74. See endnote 72.
6. Berlin-Institut für Bevölkerung und Entwicklung (2011). Afrikas demografische Herausforderung. Wie eine junge Bevölkerung Entwicklung ermöglichen kann. Berlin. www.berlin-institut.org.
7. See endnote 4.
8. See endnote 6.
9. See endnote 4.
10. Teller, C. H. & Hailemariam, A. (Hrsg.) (2011). The Demographic Transition and Development in Africa. Applying the Case Study of Ethiopia in Developing Countries. New York: Springer.
11. Canning, D., Raja, S. & Yazbeck, A. S. (2015). Africa's Demographic Transition: Dividend or Disaster: World Bank.
12. Berlin-Institut für Bevölkerung und Entwicklung (2006). Warum entstehen Kriege? Welchen Einfluss haben demografische Veränderungen auf die Entstehung von Konflikten? Berlin. www.berlin-institut.org.
13. Berlin-Institut für Bevölkerung und Entwicklung (2016). Krisenregion Mena. Wie demografische Veränderungen die Entwicklung im Nahen Osten und Nordafrika beeinflussen und was das für Europa bedeutet. Berlin. www.berlin-institut.org.
14. United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision, United Nations. New York. esa.un.org/unpd/wpp/ (23.06.17).
15. Berlin-Institut für Bevölkerung und Entwicklung (2018). Nahrung, Jobs und Nachhaltigkeit. Was Afrikas Landwirtschaft leisten muss. Berlin. www.berlin-institut.org.
16. See endnote 4.
17. Hailemariam, A. (2017). The Second Biggest African Country Undergoing Rapid Change: Ethiopia. In H. Groth & J. F. May (Hrsg.), Africa's population. In search of a demographic dividend , S. 53–69. Springer.
18. See endnote 14.
19. See endnote 14.
20. See endnote 14.
21. See endnote 14.
22. See endnote 17.
23. Berlin-Institut für Bevölkerung und Entwicklung (2017). Education first! Bildung entscheidet über die Zukunft Sahel-Afrikas. Berlin. www.berlin-institut.org.
24. The DHS Program & USAID (n.y.). STATcompiler. Rockville. statcompiler.com/en/index.html (05.04.18).
25. See endnote 14.
26. See endnote 14.
27. Donnenfeld, Z., Porter, A., Cilliers, J., Moyer, J. D., Scott, A. C., Maweni, J. et al. (2017). Ethiopia Development Trends Assessment. Ethiopia Performance and Evaluation Service (EPMES). issafrica.s3.amazonaws.com/site/uploads/ethiopia-assessment.pdf (06.07.18).
28. See endnote 14.
29. Kalemli-Ozcan, S. (2003). A stochastic model of mortality, fertility, and human capital investment. *Journal of Development Economics*, 70(1), S. 103–118.
30. See endnote 24.
31. See endnote 24.
32. See endnote 24.
33. See endnote 14.
34. Central Statistical Agency Ethiopia & ICF (2017). Ethiopia. Demographic and Health Survey 2016. Addis Ababa.
35. United Nations Statistics Division (o.J.). Millenium Development Goals Indicators. The official United Nations site for the MDG Indicators. unstats.un.org/unsd/mdg/Data.aspx (18.06.18).
36. United Nations Department of Economic and Social Affairs (2018). World Urbanization Prospects. The 2018 Revision, United Nations. New York. esa.un.org/unpd/wup/DataQuery/ (07.06.18).
37. Kloos, H. (1998). Primary Health Care in Ethiopia: From Haile Sellassie to Meles Zenawi. *Northeast African Studies*, 5(1), S. 83–113.
38. See endnote 37.
39. Banteyerga, H. (2011). Ethiopia's Health Extension Program. Improving Health through Community Involvement. *MEDICC Review*, 13(3), S. 46–49.
40. Teklehaimanot, H. D. & Teklehaimanot, A. (2013). Human resource development for a community-based health extension program. A case study from Ethiopia. *Human resources for health*, 11, S. 39.
41. See endnote 39.
42. See endnote 40.
43. See endnote 40.
44. Population Reference Bureau (2015). The Demographic Dividend. An Opportunity for Ethiopia's Transformation. Washington DC.
45. World Bank Group (2016). Ethiopia health extension program. An institutionalized community approach for universal health coverage. Washington DC.
46. The Federal Democratic Republic of Ethiopia Ministry of Health (2015). Health Sector Transformation Plan. 2015/16 - 2019/20. Addis Ababa.
47. World Health Organization (2017). Primary Health Care Systems (Primasys). Case Study from Ethiopia. Geneva.
48. See endnote 23.

2 – Ethiopia's Development Path

1. World Bank (2017). World Development Indicators. DataBank. Washington, DC. www.databank.worldbank.org/data/source/world-development-indicators (09.05.18).
2. GfK Verein (2016). Income rate Africa. Nürnberg.
3. United Nations (2015). Sustainable development goals. 17 Goals to Transform our World. New York. www.un.org/sustainabledevelopment/sustainable-development-goals/ (06.06.18).
4. Klingholz, R. & Lutz, W. (2016). Wer überlebt? Bildung entscheidet über die Zukunft der Menschheit. Frankfurt: Campus Verlag.
5. Klingholz, R. (2018). Bevölkerungswachstum. Bildung ist die Lösung. *Biologie in unserer Zeit*, 48(1), S. 36–44.

49. Seid, Y., Taffesse, A. S. & Ali, S. N. (2015). Ethiopia – an agrarian economy in transition. Helsinki.
50. Loveday, L. (2017). Economic participation of women and girls in rural Ethiopia (2010-2013). In A. Pankhurst (Hrsg.), *Change and transformation in 20 rural communities in Ethiopia. Selected aspects and implications for policy*, S. 345–373. Addis Ababa.
51. See endnote 50.
52. See endnote 34.
53. See endnote 24.
54. See endnote 24.
55. See endnote 24.
56. African Health Observatory (2014). Distribution of causes of death among children aged under 5 years percent in Ethiopia., World Health Organization. www.who.int/profiles_information/index.php?title=File:Distribution_of_causes_of_death_among_children_aged_under_5_years_percent_in_Ethiopia.JPG (15.06.18).
57. Olson, D. J. & Piller, A. (2013). Ethiopia: An Emerging Family Planning Success Story. *Studies in Family Planning*, 44(4), S. 445–459 (15.06.18).
58. See endnote 34.
59. See endnote 1.
60. See endnote 27.
61. See endnote 34.
62. See endnote 27.
63. UNAIDS (n.y.). AIDSinfo Indicators. Geneva. aidsinfo.unaids.org/ (18.06.18).
64. UNAIDS (2015). Ethiopia sets new HIV testing Guinness World Record. www.unaids.org/en/resources/presscentre/featurestories/2015/february/20150220_guinness (18.06.18).
65. See endnote 34.
66. See endnote 34.
67. See endnote 14.
68. See endnote 14.
69. Institute for Health Metrics and Evaluation (2018). Global Health Data Exchange. Discover the World's Health Data, University of Washington. Seattle. ghdx.healthdata.org/gbd-results-tool (18.06.18).
70. Gesellschaft für Internationale Zusammenarbeit (2017). LIPortal - Das Länderinformationsportal. Äthiopien. Bonn. www.liportal.de/aethiopien/ (19.12.17).
71. See endnote 45.
72. See endnote 47.
73. Nair, V. D., Morankar, S., Jira, C. & Tushune, K. (2011). Private Hospital Sector Development. An Exploratory Study on Providers Perspective in Addis Ababa, Ethiopia. *Ethiopian Journal of Health Sciences*, 21, S. 59–64. www.ncbi.nlm.nih.gov/pmc/articles/PMC3275879/ (02.07.18).
74. See endnote 46.
75. See endnote 46.
76. See endnote 1.
77. Institute for Health Metrics and Evaluation (2017). *Financing Global Health 2016. Development Assistance, Public and Private Health Spending for the Pursuit of Universal Health Coverage*. Seattle.
78. See endnote 69.
79. World Bank Group (2016). *Health System in Ethiopia. Challenges and Opportunities (Policy Brief)*. www.academia.edu/26589644/Policy_Brief_Health_System_in_Ethiopia_Challenges_and_Opportunities (13.06.18).
80. Institute for Health Metrics and Evaluation (2017). Ethiopia. Country Profile, University of Washington. Seattle. www.healthdata.org/ethiopia (19.06.18).
81. Unesco Institute for Statistics (n.y.). UIS.Stat Database. Montreal. data.uis.unesco.org/Index.aspx (12.05.17).
82. Overseas Development Institute, (2011). Ethiopia's progress in education. A rapid and equitable expansion of access. London. www.odi.org/sites/odi.org.uk/files/resource-documents/11556.pdf (18.04.18).
83. See endnote 82.
84. See endnote 81.
85. Teshome, A. (2008). A Review of Education Policy, Strategies and Programs. In T. Assefa (Hrsg.), *Digest of Ethiopia's national policies, strategies and programs*, S. 47–92. Addis Ababa: Forum for Social Studies.
86. National Planning Commission & United Nations in Ethiopia (2015). *Assessment of Ethiopia's Progress towards the MDGs. Millennium Development Goals Report 2014 Ethiopia*. Addis Ababa.
87. See endnote 86.
88. Ramachandran, R. (2017). Language use in education and human capital formation. Evidence from the Ethiopian educational reform. *World Development*, 98, S. 195–213.
89. Young Lives (2016). *Educational Inequalities Among Children and Young People in Ethiopia*. Country Report. Oxford.
90. See endnote 81.
91. Education Policy and Data Center (2014). Ethiopia. Washington, DC. www.epdc.org/country/ethiopia (09.05.18).
92. See endnote 89.
93. Federal Ministry of Education (2015). *Education Sector Development Programme V (ESDP V)*. Addis Ababa.
94. See endnote 81.
95. See endnote 81.
96. See endnote 82.
97. OECD (n.y.). Creditor Reporting System (CRS). stats.oecd.org/Index.aspx?DataSetCode=CRS1 (06.04.18).
98. See endnote 81.
99. UNESCO (n.y.). World Inequality Database on Education. Ethiopia. www.education-inequalities.org/countries/ethiopia (08.05.18).
100. See endnote 81.
101. See endnote 81.
102. See endnote 93.
103. See endnote 81.
104. See endnote 81.
105. See endnote 49.
106. See endnote 81.
107. See endnote 49.
108. UNESCO (2015). *Education for All 2015 National Review Report: Ethiopia*. unesdoc.unesco.org/images/0023/002317/231724e.pdf (18.04.18).
109. See endnote 81.
110. See endnote 81.
111. See endnote 81.
112. Joshi, R. & Verspoor, A. (2012). *Secondary Education in Ethiopia*. Washington DC: The World Bank.
113. See endnote 99.
114. See endnote 81.
115. See endnote 99.
116. See endnote 81.
117. See endnote 14.
118. See endnote 99.
119. See endnote 99.
120. See endnote 82.
121. See endnote 99.
122. See endnote 99.
123. See endnote 99.
124. Ethiopian Development Research Institute (2017). *Dynamics of Multi-Dimensional Poverty Among Children in Ethiopia. Evidence Using Longitudinal Data of Children from the Young Lives Study*. Addis Ababa.
125. See endnote 99.
126. See endnote 81.
127. See endnote 81.
128. See endnote 27.
129. See endnote 129.
130. Education Analysis (2018). *Pathway analysis: Educational Attainment of Adolescents of Upper Secondary School Age*. public.tableau.com/profile/publish/Pathwayanalysis0501/Story1 (09.05.18).
131. See endnote 81.
132. See endnote 93.

133. See endnote 93.
134. See endnote 89.
135. See endnote 93.
136. See endnote 93.
137. See endnote 93.
138. Begna, T. N. (2017). Public Schools and Private Schools in Ethiopia. Partners in National Development? *International Journal of Humanities, Social Sciences and Education*, 4(2), S. 100–117.
139. See endnote 81.
140. Dom, C. (2017). Education in rural Ethiopia (2010-2013). Aspirations and uncertainties. In A. Pankhurst (Hrsg.), *Change and transformation in 20 rural communities in Ethiopia. Selected aspects and implications for policy*, S. 213–242. Addis Ababa.
141. See endnote 49.
142. See endnote 49.
143. See endnote 140.
144. See endnote 140.
145. See endnote 1.
146. World Bank Group (2016). *Ethiopia's Great Run. The Growth Acceleration and How to Pace it*. Washington, DC.
147. See endnote 146.
148. See endnote 1.
149. See endnote 14.
150. See endnote 1.
151. Lefort, R. (2015). The Ethiopian Economy. The Developmental State vs. the Free Market. In G. Prunier & É. Fiquet (Hrsg.), *Understanding contemporary Ethiopia*, S. 357–394. London: Hurst.
152. Clapham, C. S. (2017). *The Horn of Africa. State formation and decay*. London: Hurst Publishers.
153. See endnote 1.
154. See endnote 152.
155. See endnote 1.
156. African Center for Economic Transformation (2017). *Agriculture: Powering Africa's Economic Transformation (African Transformation Report)*. Accra (22.12.17).
157. Food and Agriculture Organization of the United Nations (2017). FAOSTAT. Rome. www.fao.org/faostat/en/ (22.05.18).
158. See endnote 27.
159. See endnote 157.
160. International Labour Organization (2017). ILOSTAT. Genf. www.ilo.org/ilostat (28.06.18).
161. Seleshi, S., Alemu, B. A. & Hanjra, M. A. (2013). Informal sector employment, food security and vulnerability of households in Addis Ababa, Ethiopia. In M. A. Hanjra (Hrsg.), *Global food security. Emerging issues and economic implications*, S. 201–229. New York: Nova Science Publishers.
162. See endnote 14.
163. See endnote 160.
164. See endnote 160.
165. See endnote 49.
166. See endnote 146.
167. See endnote 27.
168. Böll, M. (2017). Äthiopien punktet mit neuem Eisenbahn- und Straßennetz. *Ausländischer Beistand willkommen*, Germany Trade and Invest. Berlin. www.gtai.de/GTAI/Navigation/DE/Trade/Maerkte/suche,t=aethiopien-punktet-mit-neuem-eisenbahn-und-strassennetz,did=1818772.html (01.06.18).
169. Federal Democratic Republic of Ethiopia (2016). *Growth and Transformation Plan II (GTP II) (2015/16-2019/20)*. Addis Ababa.
170. See endnote 151.
171. See endnote 146.
172. See endnote 160.
173. International Food Policy Research Institute; Ethiopian Development Research Institute (2012). *Crop Production in Ethiopia: Regional Patterns and Trends*. Addis Ababa.
174. See endnote 173.
175. See endnote 27.
176. Ethiopian Development Research Institute; International Food Policy Research Institute (2015). *Agricultural Growth in Ethiopia (2004-2014): Evidence and Drivers*. Addis Ababa.
177. Taffesse, A. S., Dorosh, P. & Gemessa, S. A. (2012). *Crop Production in Ethiopia. Regional Patterns and Trends*. In P. Dorosh & S. Rashid (Hrsg.), *Food and agriculture in Ethiopia. Progress and policy challenges*, S. 53–83. Washington, DC.
178. See endnote 177.
179. Central Statistical Agency Ethiopia, EDRI & IFPRI (2010). *Population & Housing Census. Atlas of Ethiopia 2007*. Addis Ababa.
180. See endnote 157.
181. See endnote 157.
182. See endnote 157.
183. Ethiopian Investment Commission (n.y.). *Economic Indicators*. Addis Ababa. www.investethiopia.gov.et/index.php/why-ethiopia/economic-indicators.html (15.05.18).
184. See endnote 157.
185. See endnote 183.
186. Mills, G., Obasanjo, O., Herbst, J. & Davis, D. (2017). *Making Africa Work. A handbook for economic success*. Cape Town: Tafelberg.
187. World Bank Group (2014). *3rd Ethiopia Economic Update. Strengthening Export Performance Through Improved Competitiveness*. Washington DC.
188. See endnote 169.
189. See endnote 183.
190. See endnote 151.
191. See endnote 27.
192. See endnote 146.
193. Agricultural Transformation Agency & Federal Democratic Republic of Ethiopia Ministry of Agriculture (2014). *National Strategy for Ethiopia's Agricultural Extension System. Vision, Systemic Bottlenecks and Priority Interventions*. Addis Ababa.
194. See endnote 157.
195. See endnote 169.
196. The Oakland Institute (2016). *Miracle or Mirage? Manufacturing Hunger and Poverty in Ethiopia*. Oakland.
197. UNIDO & PCP Ethiopia (2017). *Integrated Agro-Industrial Parks (IAIPs) in Ethiopia*. Addis Ababa. www.unido.org/files/Ethiopia/Integrated-Agro-Industrial-Parks-in-Ethiopia-booklet.pdf (29.05.18).
198. See endnote 169.
199. Ambaye, D. W. (2015). *Land Rights and Expropriation in Ethiopia*. Cham: Springer International Publishing.
200. See endnote 151.
201. See endnote 169.
202. Rahmato, D. (2011). *Land to Investors. Large-Scale Land Transfers in Ethiopia*. Addis Ababa.
203. See endnote 202.
204. Human Rights Watch (2012). "Waiting Here for Death". Displacement and "Villagization" in Ethiopia's Gambella Region (https://www.hrw.org/sites/default/files/reports/ethiopia0112webwcover_0.pdf) (09.07.18).
205. See endnote 157.
206. See endnote 160.
207. See endnote 156.
208. Yadene, N. (2017). The rapid uptake of agricultural mechanization in Ethiopia: Patterns, implications and challenges, International Food Policy Research Institute; Ethiopian Development Research Institute
209. World Bank (2018). *Agriculture in Africa: Telling Myths from Facts. Directions in Development—Agriculture and Rural Development*. openknowledge.worldbank.org/handle/10986/28543.
210. See endnote 70.
211. USAID (2018). *Food Assistance Fact Sheet Ethiopia*. Updated March 6, 2018. reliefweb.int/sites/reliefweb.int/files/resources/FFP%20Fact%20Sheet_Ethiopia_03.06.18_FINAL.pdf (29.05.18).
212. Graham, J., Rashid, S. & Malek, M. (2012). *Disaster Response and Emergency Risk Management in Ethiopia*. In P. Dorosh & S. Rashid (Hrsg.), *Food and agriculture in Ethiopia. Progress and policy challenges*, S. 256–279. Washington, DC.

213. See endnote 157.
214. Zentrum für Entwicklungsforschung (2014). Economics of land degradation in Eastern Africa. Bonn.
215. See endnote 70.
216. Headey, D., Dereje, M. & Taffesse, A. S. (2014). Land constraints and agricultural intensification in Ethiopia. A village-level analysis of high-potential areas. *Food Policy*, 48, S. 129–141. Headey et al. 2014
217. See endnote 36.
218. Atnafu, A., Oucho, L. & Zeitlyn, B. (2014). Poverty, Youth and Rural-Urban Migration in Ethiopia (Migrating out of Poverty) (Working Paper 17).
219. The Economist (2018). Extending the safety-net in Ethiopia. Ethiopia's scheme to help the poor is setting an example. Addis Ababa. www.economist.com/middle-east-and-africa/2018/05/31/ethiopia-scheme-to-help-the-poor-is-setting-an-example (09.07.18).
220. See endnote 218.
221. Poschke, M. (2018). Wage employment, unemployment, and self-employment across countries. London.
222. Central Statistical Agency Ethiopia (2015). The 2015 Urban Employment Unemployment Survey. Addis Ababa.
223. See endnote 27.
224. See endnote 27.
225. See endnote 146.
226. Martins, P. M. G. (2018). Structural change in Ethiopia. *Development Policy Review*, 36(S4), 183–200.
227. See endnote 226.
228. See endnote 146.
229. See endnote 160.
230. Schultz, S. (2017). Ethiopian-Airways-Chef: „Afrikas Blick richtet sich nach Osten“, Spiegel Online. Hamburg. www.spiegel.de/wirtschaft/unternehmen/ethiopian-airways-afrikas-blick-richtet-sich-nach-osten-a-1182280.html (05.01.18).
231. See endnote 186.
232. BBC World News (2017). Why is Ethiopian Airlines so successful? Africa Business Report. www.bbc.co.uk/programmes/p05c4cz0 (21.06.18).
233. Bowker, J., Manek, N. & Mjo, O. (2018). Africa's 'Sleeping Giant' Courts Foreign Investors With Reforms, Bloomberg. New York (19.06.18).
234. The Economist (2018). Reformer-in-chief. Ethiopia's new prime minister wants peace and privatisation. www.economist.com/middle-east-and-africa/2018/06/09/ethiopia-s-new-prime-minister-wants-peace-and-privatisation?src=scn/fb/te/bl/ed/ethiopia-s-new-prime-minister-wants-peace-and-privatisation-reformer-in-chief (19.06.18).
235. Ethiopian Airlines (2018). 100 Aircraft in the Skies. Ethiopian Factsheet June 2018. Addis Ababa (21.06.18).
236. See endnote 235.
237. See endnote 1.
238. See endnote 160.
239. Rodrik, D. (2017). Growth Without Industrialization?, *Global Policy Journal*. www.globalpolicyjournal.com/blog/21/12/2017/growth-without-industrialization (19.06.18).
240. See endnote 160.
241. See endnote 1.
242. See endnote 146.
243. See endnote 169.
244. GSMA (2013). Sub-Saharan Africa Mobile Economy 2013. London. www.gsma.com/mobileeconomy/archive/GSMA_ME_SubSaharanAfrica_2013.pdf (05.07.18).; GSMA (2017). The Mobile Economy. Sub-Saharan Africa 2017. London (20.06.18).
245. See endnote 244.
246. International Energy Agency (2017). Energy Access Outlook 2017. From Poverty to Prosperity. www.iea.org.
247. China Africa Research Initiative (n.y.). Data, John Hopkins University. Baltimore. www.sais-cari.org/data/ (14.06.18).
248. Morlin-Yron, S. (2017). All aboard! The Chinese-funded railways linking East Africa, CNN. edition.cnn.com/2016/11/21/africa/chinese-funded-railways-in-africa/ (19.06.18).
249. Farquharson, M. (2017). Chinese Infrastructure Investment in Ethiopia, Borgen Magazine. www.borgenmagazine.com/chinese-infrastructure-investment-in-ethiopia/ (19.06.18).
250. African Development Bank (2018). 2018 African Economic Outlook. Ethiopia. Abidjan (14.06.18).
251. See endnote 169.
252. Giannecchini, P. & Taylor, I. (2018). The eastern industrial zone in Ethiopia. *Catalyst for development?* *Geoforum*, 88, S. 28–35.
253. Ethiopian Investment Commission (n.y.). Ayka Addis Ababa. www.investethiopia.gov.et/index.php/stories/success-stories/213-ayka-addis.html (20.06.18).
254. Bloomberg Businessweek (2018). China Is Turning Ethiopia Into a Giant Fast-Fashion Factory. www.bloomberg.com/news/features/2018-03-02/china-is-turning-ethiopia-into-a-giant-fast-fashion-factory (03.03.18).
255. Ethiopian Investment Commission (2017). Hawassa Industrial Park inaugurated. Addis Ababa. www.investethiopia.gov.et/useful-links?id=465 (20.06.18).
256. See endnote 27.
257. United Nations Conference on Trade and Development (2018). World Investment Report 2018. Investment and New Industrial Policies. Geneva.
258. See endnote 257.
259. Ethiopian Investment Commission (2017). Industrial Parks in Ethiopia. Incentives Package. Addis Ababa (11.06.18).
260. Center for Global Development (2017). Can Africa Be a Manufacturing Destination? Labor Costs in Comparative Perspective. Washington, DC. www.cgdev.org/sites/default/files/can-africa-be-manufacturing-destination-labor.pdf (07.12.17).
261. See endnote 260.
262. World Bank Group (2018). Doing Business 2018. Reforming to Create Jobs. Washington, DC.
263. See endnote 151.
264. DEG Invest (2018). DEG beteiligt sich an Mobile-Money-Anbieter in Äthiopien. Köln. www.deginvest.de/Internationale-Finanzierung/DEG/Presse/Pressemitteilungen/Pressemitteilungen-Details_452032.html (15.01.18).
265. See endnote 244.
266. M-Birr (n.y.). M-BIRR - the first mobile money service in Ethiopia. www.m-birr.com/index.html (20.06.18).
267. See endnote 264.
268. The Economist Intelligence Unit (2017). Country Risk Service Ethiopia. London.
269. Deutsche Investitions- und Entwicklungsgesellschaft mbH (2018). Die Bedeutung von Rahmenbedingungen für den Privatsektor. Köln.
270. See endnote 262.
271. See endnote 262.
272. World Bank (2015). Business Environment in Ethiopia. Enterprise Survey of Business Managers. Washington DC.
273. Blattman, C. & Dercon, V. (2016). Occupational choice in early industrializing societies. Experimental evidence on the income and health effects of industrial and entrepreneurial work. IZA Discussion Paper No. 10255.
274. See endnote 254.

3 – A Look Into the Future

- Berlin-Institut für Bevölkerung und Entwicklung (2008). Internationale Bevölkerungsprojektionen. Berlin. www.berlin-institut.org (21.06.18).
- United Nations Department of Economic and Social Affairs (2017). World Population Prospects. The 2017 Revision. Methodology of the United Nations Population Estimates and Projections. New York.
- See endnote 2.

4. United Nations, Department of Economic and Social Affairs, Population Division (2017). *World Population Prospects: The 2017 Revision*, United Nations. New York. esa.un.org/unpd/wpp/ (23.06.17).
5. See endnote 2.
6. See endnote 4.
7. See endnote 4.
8. See endnote 4.
9. See endnote 4.
10. See endnote 4.
11. United Nations Department of Economic and Social Affairs (2018). *World Urbanization Prospects. The 2018 Revision*, United Nations. New York. esa.un.org/unpd/wup/DataQuery/ (07.06.18).
12. The DHS Program & USAID (n.y.). STATcompiler. Rockville. statcompiler.com/en/index.html (05.04.18).
13. See endnote 11.
14. Lutz, W., Goujon, A., KC, S., Stonawski, M. & Stilianakis, N. (Hrsg.) (2018). *Demographic and human capital scenarios for the 21st century. 2018 assessment for 201 countries*. Luxembourg: Publications Office of the European Union.
15. Berlin-Institut für Bevölkerung und Entwicklung (2017). *Education first! Bildung entscheidet über die Zukunft Sahel-Afrikas*. Berlin. www.berlin-institut.org.
16. Barakat, B. (2016). *Modelling SDG scenarios for Educational Attainment and Development*. CESDEG: Education for all Global Monitoring Report. Wien. bit.ly/2zbBoLH (19.06.17).
17. See endnote 14.
18. Klingholz, R. & Lutz, W. (2016). *Wer überlebt? Bildung entscheidet über die Zukunft der Menschheit*. Frankfurt: Campus Verlag.
19. See endnote 14.
20. Berlin-Institut für Bevölkerung und Entwicklung (2016). *Jobs für Afrika. Wie Nahrungsmittelproduktion und erneuerbare Energien Entwicklung beschleunigen können*. Berlin. www.berlin-institut.org (26.06.18).
21. Berlin-Institut für Bevölkerung und Entwicklung (2016). *Krisenregion Mena. Wie demografische Veränderungen die Entwicklung im Nahen Osten und Nordafrika beeinflussen und was das für Europa bedeutet*. Berlin. www.berlin-institut.org.
22. Berlin-Institut für Bevölkerung und Entwicklung (2014). *Krise an Europas Südgrenze. Welche Faktoren steuern heute und morgen die Migration über das Mittelmeer?* Berlin. www.berlin-institut.org (27.06.18).
23. See endnote 14.
24. See endnote 14.
25. See endnote 14.
26. Population Reference Bureau (2015). *The Demographic Dividend. An Opportunity for Ethiopia's Transformation*. Washington DC.
27. Moreland, S. (2015). *Realizing a Demographic Dividend in Ethiopia* (Palladium Group). Washington, DC (27.06.18).
28. See endnote 27.

4 – Beacon of Hope or Tinderbox?

- United Nations, Department of Economic and Social Affairs, Population Division (2017). *World Population Prospects: The 2017 Revision*, United Nations. New York. esa.un.org/unpd/wpp/ (23.06.17).
- Central Statistical Agency Ethiopia & ICF (2017). *Ethiopia. Demographic and Health Survey 2016*. Addis Ababa.
- Van der Heijden, K., Swedenborg, E. & Adane, Z. (2017). *Water is Essential to Achieving Ethiopia's Development Goals*, World Resources Institute. www.wri.org/blog/2017/10/water-essential-achieving-ethiopia-development-goals (18.12.17).
- Donnenfeld, Z., Porter, A., Cilliers, J., Moyer, J. D., Scott, A. C., Maweni, J. et al. (2017). *Ethiopia Development Trends Assessment. Ethiopia Performance and Evaluation Service (EPMES)*. issafrica.s3.amazonaws.com/site/uploads/ethiopia-assessment.pdf (06.07.18).
- Niang, I., Ruppel, O. C., Abdrabo, M. A., Essel, A., Lennard, C. & Padgham, Jonathan, Uruquart, Penny (2014). *Africa*. In V. R. Barros, C. B. Field, D. J. Dokken, M. D. Mastrandrea & K. J. Mach (Hrsg.), *Climate Change 2014: Impacts, Adaptation, and Vulnerability. Part B: Regional Aspects. Contribution of Working Group II to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change*, S. 1199–1265. Cambridge: Cambridge University Press. www.ipcc.ch/pdf/assessment-report/ar5/wg2/WGIIAR5-Chap22_FINAL.pdf (18.07.18).
- See endnote 1.
- See endnote 1.
- World Bank Group (2016). *Health System in Ethiopia. Challenges and Opportunities* (Policy Brief). www.academia.edu/26589644/Policy_Brief_Health_System_in_Ethiopia_Challenges_and_Opportunities (13.06.18).
- Unesco Institute for Statistics (n.y.). *UIS.Stat Database*. Montreal. data.uis.unesco.org/Index.aspx (12.05.17).
- See endnote 1.
- See endnote 9.
- Seid, Y., Taffesse, A. S. & Ali, S. N. (2015). *Ethiopia—an agrarian economy in transition*. Helsinki.
- Mekonnen Beyene, B. & Gebrekidan Tekleselassie, T. (2018). *The State, Determinants, and Consequences of Skills Mismatch in the Ethiopian Labour Market* (EDRI Working Paper 21). Addis Ababa (11.07.18).
- See endnote 12.
- Federal Ministry of Education (2015). *Education Sector Development Programme V (ESDP V)*. Addis Ababa.
- See endnote 12.
- Dom, C. (2017). *Education in rural Ethiopia (2010-2013). Aspirations and uncertainties*. In A. Pankhurst (Hrsg.), *Change and transformation in 20 rural communities in Ethiopia. Selected aspects and implications for policy*, S. 213–242. Addis Ababa.
- Ethiopian Investment Commission (n.y.). *Investment Opportunities in the Rising Ethiopia*. Addis Ababa.
- See endnote 1.
- Central Statistical Agency Ethiopia (2015). *The 2015 Urban Employment Unemployment Survey*. Addis Ababa.
- World Bank Group (2016). *Ethiopia's Great Run. The Growth Acceleration and How to Pace it*. Washington, DC.
- New Business Ethiopia (2018). *Ethiopia approves \$12.8 billion national budget*. Addis Ababa. newbusinessethiopia.com/ethiopia-approves-12-8-billion-national-budget/ (31.08.18).
- Stadt Wien (2017). *Voranschlag der Bundeshauptstadt Wien für das Jahr 2018*. Wien. www.wien.gv.at/finanzen/budget/va18/pdf/36.pdf (31.08.18).
- OECD (n.y.). *Creditor Reporting System (CRS)*. stats.oecd.org/Index.aspx?DataSetCode=CRS1 (06.04.18).
- See endnote 4.
- The Economist Intelligence Unit (2017). *Country Risk Service Ethiopia*. London.
- See endnote 22.
- See endnote 22.
- Abi-Habib, M. (2018). *How China Got Sri Lanka to Cough Up a Port*, *The New York Times*. www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html (20.07.18).
- See endnote 22.
- Reuters (2018). *UAE to give Ethiopia \$3 billion in aid and investments* | Investing Home. Addis Ababa. af.reuters.com/article/investingNews/idAFKBN1JC07G-OZABS (16.07.18).
- Weber, A. (2017). *Abiy Superstar – Reformier oder Revolutionär? Hoffnung auf Transformation in Äthiopien (SWP-Aktuell)*. Berlin.
- ReliefWeb (2018). *Ethiopia: Escalating inter-communal violence displaces close to 1M people*. reliefweb.int/report/ethiopia/ethiopia-escalating-inter-communal-violence-displaces-close-1m-people (09.07.18).
- Berlin-Institut für Bevölkerung und Entwicklung (2017). *Education first! Bildung entscheidet über die Zukunft Sahel-Afrikas*. Berlin. www.berlin-institut.org.

The Berlin Institute would like to thank the Austrian Development Agency (ADA) for funding the project with funds from the Austrian Development Cooperation, as well as the DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH and the GfK Verein for financial support.

About the Austrian Development Cooperation

Austrian Development Cooperation supports countries in Africa, Asia, South Eastern and Eastern Europe as well as the Caribbean in their sustainable development.

The Federal Ministry for Europe, Integration and International Affairs plans the strategies. The Austrian Development Agency (ADA), the operational unit of Austrian Development Cooperation, implements programmes and projects together with public institutions, civil society organisations as well as enterprises.

For more information please visit: www.entwicklung.at

About the DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH

DEG, a subsidiary of KfW, finances and advises private enterprises in developing countries and emerging markets for over 50 years.

Our investments are designed to enhance local added value in the long term and improve living conditions. That is why DEG invests in enterprises that focus on lasting success and that operate responsibly. In doing so, more and better jobs are created, local income is generated and markets are transformed.

More about DEG, its impacts and why skills matter, please visit: www.deginvest.de/International-financing/DEG/Über-uns/Was-wir-bewirken/

About the GfK Verein

Founded in 1934, the GfK Verein is a non-profit organisation for the promotion of market research. It comprises some 550 companies and individuals. The purpose of the Verein is to develop innovative research methods in close cooperation with scientific institutions, to promote the training and further education of market researchers and to follow the structures and developments in society, the economy and politics that form the basis for private consumption and to study their impact on consumers. Study findings are made available to members of the Verein free of charge. The GfK Verein is a shareholder of GfK SE.

For more information please visit: www.gfk-verein.org

Berlin Institute

for Population and Development
Schillerstraße 59
10627 Berlin

www.berlin-institut.org

ISBN: 978-3-946332-44-2

+ rapid development +++ stabiliser in the Horn +++ new Prime Minister brings reforms +++ job creation in the textile industry +++ poverty and hunger
s +++ hope for a demographic dividend +++ historic peace with Eritrea +++ agriculture continues to be main employer +++ rural youth looking for work