Ethiopia’s economy is growing very fast, in fact, the fastest growing non-oil economy in Africa and one of the top ten fastest growing economies in the world. Ethiopia’s GDP has been growing with an average of 11.2% for the last eight consecutive years and much faster than average annual growth in Africa as a whole (nearly 6 percent). Ethiopia’s per capita income has more than doubled over the same period. According to the Economist, Ethiopia is forecast to be the third-fastest growing country in the world over the next five years, after China and India and at this early stage of the GTP implementation, the country has begun to see encouraging improvements in all aspects. According to ranking of The World Bank’s 2010 “Doing Business” Ethiopia ranks higher in doing business than three out of the four BRIC countries with only China higher.

Ethiopia’s remarkable growth can be attributed to a number of policy successes, not to mention favorable external conditions. Ethiopia has seen a significant decline in its fiscal deficit (from 4.2 percent of GDP five years ago to 1.3 percent). Better regulatory and institutional frameworks, such as improved business registration procedures and requirements, have helped strengthen investor confidence. Large investments in infrastructure relative to the economy’s size, which reached about $6 billion (20 percent of GDP), have helped fuel domestic demand and enhance the economy’s productive potential. Positive external factors include rising remittances. Moreover, rising international commodity prices and a range of special incentives have helped exports grow at an average annual rate of 10.5 percent between 2004 and 2009 and contributed to the economic boom.

To maintain this economic growth and to transform it rapidly, the country has implemented the five year Growth and Transformation Plan (GTP) for the period 2010/11-2014/15. It is directed towards achieving the Millennium Development Goals (MDGs), Ethiopia’s long term vision and sustaining economic growth. The overriding development agenda of the GTP is to sustain rapid, broad-based and equitable economic growth path witnessed during the past several years and eventually end poverty. The GTP envisages an average annual economic growth of 11 to 14.9% over these years.

The Second year of the Five-Year Growth and Transformation Plan (GTP) is fully on track. In two years of GTP implementation the socio economic development trajectory of the past 7 years has been maintained. The two year of the GTP period has also witnessed greater enthusiasm and participation of citizens in the overall implementation of the plan. The successful implementations of this plan will double the GDP of Ethiopia by the end of 2015. This for sure will elevate Ethiopia’s 2010 GDP (PPP) $86.123b (International Dollars), the 10th largest into the 5th largest economy in the African continent (both north and south of the Sahara).
Table 1. Growth rate of Real GDP in 2010/11 (percent)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Base Year(2009/10)</th>
<th>2010/11 Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Planned</td>
</tr>
<tr>
<td>Over all real GDP</td>
<td>10.6</td>
<td>11.0</td>
</tr>
<tr>
<td>Agriculture and allied</td>
<td>7.6</td>
<td>8.5</td>
</tr>
<tr>
<td>activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>10.8</td>
<td>14</td>
</tr>
<tr>
<td>Services</td>
<td>13.2</td>
<td>12.5</td>
</tr>
</tbody>
</table>

Source: MoFED

During 2010/11, the country has registered 11.4% real GDP growth rate surpassing the GTP target of 11 percent. Particularly, the agriculture and industry sectors have registered growth rates above their targets set for the year. Clearly, more effective implementation of prudent macroeconomic and sectoral policies has contributed to this faster and broad-based growth. Furthermore, the rapid economic growth and remarkable social development have contributed positively to the creation of employment and improvements in the standard of living and in poverty reduction. In the fiscal year, a number of new job opportunities have been created in cities and urban areas. Thus, urban unemployment rate has declined to 18 % from the level of 18.9% in 2009/10. Per capita income has also increased to 392 USD from the level of 377 USD in 2009/10. Chronically poor rural areas were supported by the productive safety net programs which contribute to achieving better food security. As a result of developments in the economic and social sectors and better implementation of welfare programs, absolute poverty index has declined from 38.7 percent in 2004/05 to 29.6 percent in 2010/11 and that of food poverty index has declined from 38 to 33.6 percent. The same trend is observed for rural and urban areas with both total and food poverty head count and the gap declining. While income inequality also declined from 0.44 in 2004/05 to 0.371 in 2010/11 in urban areas, it increased marginally in rural areas (from 0.26 to 0.27) leaving the overall inequality unchanged over the same period. This sustainable growth rate of real GDP explains the availability of prudent macro economic conditions and sectoral policies and indicates that Ethiopia will achieve MDG targets.

The fast and sustainable economic growth that has been registered during the years under review has continued to be broad based and hence equitably beneficial to the society. However, inflation has posed a critical challenge starting from the second half of the first year. In an effort to control inflation and the rising cost of living, the government has been taking various measures including imposing tight cash controls on government expenditure, and basic food items (wheat, edible oil and sugar) have been imported using Governments own resources, temporarily introducing price caps on selected goods (which have been lifted except on few consumables). Furthermore, maintaining sustainable and broad based economic growth with a particular focus on improving agricultural productivity and accelerating the growth of the manufacturing sector are major policy directions that have been to control the unemployment and inflation challenge in the long time horizon.

The Government of Ethiopia, being aware of the central role and contribution of infrastructure to the political and socio-economic transformation of the country as well as to the integration of the Horn of Africa region, has placed the development of infrastructure as one of the key priorities
of its economic development strategy. To this end, the Government has been investing heavily on the development of the power sector; telecom/IT; roads; irrigation and water supply; housing; and social services such as education and health by mobilizing resources both from own treasury and international partners since mid-1990s.

Generally, the GTP emphasizes enhancing the growth of the manufacturing sector to make it play a significant (leading) role in the nation’s overall development endeavors. In terms of sector specific plans, the GTP envisages among others improved use of best practices and investment in rural roads; increase in electricity generation capacity from the current level of 2000 MW to 10,000 MW; and construction of a 2,395 km railway network. Major achievements have been recorded in the two years of GTP in infrastructural development of the country in roads, power generation, railways and telecommunications. With regard to railway infrastructure development, the mega projects have been contracted out to contractors and some of them are under construction. The plan would be to complete the construction of this network through phases, and segment by segment.

During 2010/11, power generation, transmission and distribution activities have been executed. Many hydro electric power plants were completed in two years and the constructions of other power generating plants are well on progress. 57% of Gilgel Gibe III HEP construction is completed. Above all, the Grand Renaissance HEP project was one of the biggest projects started in 2010/11 fiscal year and the construction has been well in progress. Ethiopia has the potential to become the electricity generation hub of the Eastern Africa Power Pool. The country is bestowed with abundant hydro-electric generation potential. In addition, Ethiopia also has several renewable energy resources such as geothermal, wind and solar. The country is now connecting more than 300,000 new consumers (about 2 million people) every year by expanding its rural grid network. In areas that are too remote, Ethiopia is providing solar-based electricity to institutions such as schools and health centers.

Special attention has been given for the manufacturing sector which is believed to be the base for national development in contributing significant roles. That’s why building ten new sugar plants and ten new fertilizers plants is part of it. The construction of all sugar plants is well under way at estimated amount of around ETB80 bln.

During 2010/11, encouraging achievements have also been recorded in investment and domestic saving. This growth in investment could be attributed to the adoption of conducive investment climate, application of several incentive schemes at various levels, and acceleration of privatization and improvements in land delivery. Furthermore, huge capital spending made by the government on a series of public infrastructure has greatly contributed for the expansion of investment.

In the GTP, an important priority is given to improving and ensuring the quality and efficiency of education at all levels through a program called General Education Quality Improvement Package (GEQIP). Accordingly, various activities have been performed under this package, including designing standard for general education, standards of Science and quantitative education and secondary education has been implemented. Synchronizing of TVET trainings in line with the need in the industry sector has been undertaken. Furthermore, in higher education
with the view to increase the intake capacity of both undergraduate and graduate programs, efforts have also been taken to increase the number of total government universities to 32. Therefore, higher education intake capacity has increased during the years under review. In 2010/11, in undergraduate and post graduate programs 75,348 and 6,300 students have graduated, respectively. The remarkable results that have been recorded during the year indicate that the national MDGs targets are very likely to be attained in 2014/15.

With regard to health sector, during 2010/2011, the number of health extension workers that are deployed in rural Kebeles has reached 34,382. Similarly, during the same year, the number of urban health extension workers has reached 3,916. This has taken the national health extension service coverage to 75.2%. In order to enhance the accessibility of health services, several activities have been undertaken. Accordingly, during the fiscal year, family planning services has reached 29%, Antenatal Care coverage 1+ (at least one visit) increased to 82.2 percent and Postnatal Care coverage increased to 42.1percent. During the year under consideration, maternal mortality has declined to 470/100,000. Infant and under five mortality rates have declined to 59/1000 and 88/1000, respectively. Remarkable results that have been recorded in the health sector signify a promising prospect in achieving the MDGs by the end of 2014/15.

Ethiopia’s economic growth is being witnessed by different international institutions and economists. Deputy Managing Director of the International Monetary Fund (IMF), Naoyuki Shinohara, issued the following testimony at the conclusion of his visit to Ethiopia from March 1-3, 2012. I was impressed by the authorities' strong determination to transform Ethiopia into a vibrant middle income economy. “I am happy to say that the authorities welcomed IMF engagement in support of their efforts to address current macroeconomic challenges and implement economic reforms and poverty reduction programs in Ethiopia. There has been significant progress over the past 10 years towards putting in place sound and sustainable economic policies to deliver robust growth. Most recently, the Ethiopian authorities have implemented a base money nominal anchor and important tax administration reforms. These measures have started bearing fruit as inflation is progressively declining and fiscal revenues are on the rise.”

The Five Year National Growth and Transformation plan would enable Ethiopia to double the agricultural products and the general economic growth by registering 14.9 percent growth on average also the plan would facilitate for the industry sector to take the lead in the overall development activities in the country. The GTP aims at achieving the Millennium Development Goals (MDGs) targets by 2015, and the long term vision of Ethiopia is to raise its GDP and the standard of living of its population to a level of a middle income country by 2020-2023. While a lot still needs to be done, Ethiopia’s economy has already shown sustainable double digit growth over the last several years. And, if recent trends in economic development, such as attracting large volumes of FDI, evolving and adoptive reforms in business operating environment and large investments in infrastructure continue, not only the GTP but also Ethiopia’s goal of joining the ranks of the middle income emerging market economies, in the next 15 to 20 years, is achievable.