



Federal Democratic Republic of Ethiopia

Growth and Transformation Plan II (GTP II) (2015/16-2019/20)

Volume I: Main Text

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Table of Contents

| Title | Page No. |
|--|-----------|
| Table of Contents | i |
| List of Figures..... | iv |
| List of Acronyms | v |
| Preface..... | ix |
| Introduction..... | 1 |
| PART I: | 4 |
| PERFORMANCE UNDER THE FIRST GROWTH AND TRANSFORMATION PLAN (GTPI) ... | 4 |
| I. Macroeconomic Performance | 5 |
| 1.1. Economic Growth and Poverty Reduction..... | 5 |
| 1.2. Price Development..... | 9 |
| 1.3. Fiscal Policy and Public Finance | 9 |
| 1.4. Saving and Investment | 12 |
| 1.5. External Resource Mobilization and Management | 13 |
| 1.6. Monetary policy | 14 |
| 1.7. Merchandize Export and Import | 15 |
| 1.8. Private sector development | 18 |
| II. Economic Sectors | 24 |
| 2.1. Agricultural Development..... | 24 |
| 2.2. Industrial Development..... | 28 |
| 2.3. Trade | 32 |
| 2.4. Mining..... | 33 |
| 2.5. Construction..... | 34 |
| 2.6. Urban Development and Housing..... | 35 |
| III. Economic Infrastructure | 37 |
| 3.1. Road Infrastructure | 37 |
| 3.2. Railway Infrastructure..... | 37 |
| 3.3. Telecommunication..... | 37 |
| 3.4. Energy Infrastructure | 38 |
| 3.5. Information and Communication Technology | 38 |

| | |
|---|-----------|
| 3.6. Potable Water Supply and Irrigation Development | 39 |
| 3.7. Transport | 40 |
| IV. Social sector development | 42 |
| 4.1. Education | 42 |
| 4.2. Health | 43 |
| V. Capacity Building and Good Governance | 45 |
| 5.1. Implementation Capacity Building | 45 |
| 5.2. Good Governance | 47 |
| VI. Building the Democratic System | 52 |
| 6.1. Strengthening Public Participation..... | 52 |
| 6.2. Building and Enhancing National Consensus | 53 |
| 6.3. Strengthening Multi Party Democratic System..... | 53 |
| 6.4. Media | 54 |
| VII. Cross Cutting Sectors | 55 |
| 7.1. Women, Children and Youth | 55 |
| 7.2. Science and Technology | 57 |
| 7.3. Sport..... | 59 |
| 7.4. Social Welfare and Labour Affairs | 59 |
| 7.5. Culture and Tourism | 60 |
| 7.6. Population and Development | 61 |
| 7.7. Environment and Climate Change | 61 |
| VIII. Monitoring and Evaluation System of GTPI | 63 |
| IX. Strengths and Challenges encountered in implementing GTPI | 65 |
| 9.1. Strengths, Best Practices and Lessons Drawn..... | 65 |
| 9.2. Challenges..... | 67 |
| X. Summary..... | 70 |
| PART II..... | 75 |
| THE SECOND GROWTH AND TRANSFORMATION PLAN (GTPII) | 75 |
| I. Basis, Departures, Objectives and Strategic Pillars of GTP II | 76 |
| 1.1. Basis of the Second Growth and Transformation Plan | 76 |
| 1.2. Major Departures of the Second Growth and Transformation Plan (GTPII)..... | 78 |
| 1.3. Objectives of GTPII | 80 |

| | |
|--|------------|
| 1.4. Pillars Strategies..... | 81 |
| 1.5. Selected GTPII macroeconomic, social and economic development targets..... | 93 |
| II. Macroeconomic Plan..... | 98 |
| 2.1. Macroeconomic Policy Objectives | 98 |
| 2.2. Economic Growth | 99 |
| 2.3. Structural Change..... | 102 |
| 2.4. Merchandize and Service Exports, Imports and Balance of Trade | 105 |
| 2.5 Ensuring Macroeconomic Stability..... | 106 |
| 2.6. Fiscal Policy..... | 107 |
| 2.7. Monetary Policy and Financial Industry Development..... | 110 |
| 2.8. Saving and Investment | 111 |
| 2.9. Employment and Poverty Reduction | 113 |
| III. Financing the Plan (Financial Plan)..... | 115 |
| 3.1. Budgetary Financing Plan..... | 115 |
| 3.2. Sources of off-budget Financing and Requirement for Investment Finance..... | 116 |
| V. Economic Development Sector Plan | 120 |
| 4.1. Agriculture and Rural Transformation..... | 120 |
| 4.2. Manufacturing Industry..... | 135 |
| 4.3. Mining Sector..... | 150 |
| 4.4. Construction Industry..... | 153 |
| 4.5. Urban Development and Housing..... | 157 |
| 4.6. Trade | 162 |
| 4.7. Culture and Tourism | 166 |
| V. Economic Infrastructure | 169 |
| 5.1. Integrated Transport and Logistics Services | 171 |
| 5.2. Expansion and Ensuring the Qualities of Road Infrastructure Development | 173 |
| 5.3. Expansion and Ensuring the Qualities of Railways Infrastructure | 174 |
| 5.4. Air Transport..... | 175 |
| 5.5. Maritime Transport services | 177 |
| 5.6. Expanding Energy Infrastructure and Ensuring its Quality | 177 |
| 5.7 Ensure Digital Infrastructure Expansion and its Quality | 180 |
| 5.8. Potable Water Supply and Irrigation Development (GTPII) | 181 |

| | |
|--|------------|
| VI. Human Development and Technology Capacity Building | 185 |
| 6.1. Education and Training | 185 |
| 6.2. Health Sector Development | 189 |
| 6.3. Science and Technology Development | 192 |
| VII. Developmental Good Governance and Building Democratic System | 195 |
| 7.1. Ensuring Good Governance and Building Developmental Political Economy | 195 |
| 7.2. Building Democratic System | 203 |
| VIII. Cross Cutting Issues..... | 208 |
| 8.1. Women and Youth Empowerment..... | 208 |
| 8.2. Environment and Climate Resilient Green Economy | 211 |
| 8.3. Sport Sector..... | 216 |
| 8.4. Strengthening social welfare and security..... | 216 |
| 8.5. Labour Affairs..... | 218 |
| 8.6. Population and Development Issues | 219 |
| IX. Opportunities and Threats..... | 221 |
| 9.1. Opportunities..... | 221 |
| 9.2. Threats/ Risks..... | 222 |
| 9.3. Risk management strategies..... | 222 |
| X. Monitoring and Evaluation System of GTP II..... | 224 |

List of Figures

| | |
|--|------------|
| Figure 1.1 GDP Growth by Major Economic Sectors (2009/10-2014/15)..... | 5 |
| Figure 1.2 Percentage share of GDP by major economic sector (%)..... | 8 |
| Figure 1.3 Domestic revenue, expenditure and deficit as a Ratio to GDP@CMP (%) | 111 |
| Figure 1.4 Gross Domestic Saving and Investment as a Ratio to GDP @ CMP | 133 |
| Figure 1.5 Export and import of goods and services as a share of GDP @ cmp (%)..... | 177 |

List of Tables

| | |
|--|------------|
| Table 1.1 Selected GTPII Targets | 94 |
| Table 2.1 GDP growth rate under base case scenario (in %) valued at 2010/11 price.... | 99 |
| Table 2.2 GDP growth rate under high case growth scenario (in %) | 102 |

| | | |
|------------------|--|-------------|
| Table 2.3 | Share of major economic sectors in GDP under base scenario (in %) | 103 |
| Table 2.4 | GDP's share of some major economic sectors under high growth scenario (in %) | 103 |
| Table 2.5 | Projection of merchandise export earning's (in million USD) | 104 |
| Table 2.6 | Projected share of merchandise export in GDP (in %) | 104 |
| Table 2.7 | Government Revenue and Expenditure Projection (in billion birr) | 109 |
| Table 2.8 | Government Revenue and Expenditure as a ratio to Nominal GDP (in %).. | 109 |
| Table 2.9 | Total consumption expenditure, investment and resource gap as a Ratio to GDP @ CMP | 112 |
| Table 3.1 | Percentage Distribution of projected capital expenditure requirements by major socioeconomic sectors (in %) | 115 |
| Table 3.2 | Total Sources of Finance, (in million ETB unless otherwise specified) | 116 |
| Table 3.3 | Percentage Distribution of Finance Sources in total Finance (in %) | 116 |
| Table 3.4 | Sectoral Allocation of Domestic Credit, in million ETB unless otherwise specified | 117 |
| Table 3.5 | Percentage Distributions of projected domestic Credit allocation in total domestic Credit (in %) | 117 |
| Table 3.6 | Distribution of Demand and Supply of Foreign Exchange by Economic sector (In million USD) | 118 |
| Table 3.7 | Demand and Supply of Foreign Exchange (Percent Share in total) | 1188 |

List of Acronyms

| | |
|-------|------------------------------------|
| AGOA | Africa Growth and Opportunity Act |
| AMDAR | Aircraft Meteorological Data Relay |
| APRs | Annual Progress Reports |
| AWOS | Automated Weather Observing System |
| AWS | Aviation Weather Service |
| AWS | Automatic Weather Stations System |
| BA | Bachelor of Art |
| BDS | Business Development Services |
| CBE | Commercial Bank of Ethiopia |
| CCC | Community Care Coalitions |
| CMP | Current Market Price |

| | |
|-------------------|--|
| CO ₂ | Carbon Dioxide |
| COC | Certificate of Competence |
| CO ₂ e | Carbon Dioxide Emission |
| CPR | Contraceptive Prevalence Rate |
| CRGE | Climate Resilient Green Economy |
| CSA | Central Statistical Agency |
| DBE | Development Bank of Ethiopia |
| EA | Ethiopian Airlines |
| EBA | Everything but Arm |
| EIO | Ethiopian Institute of the Ombudsman |
| ENALCO | Ethiopian National Logistics Coordination Council |
| ERA | Ethiopian Road Authority |
| ETB | Ethiopian Birr |
| EU | European Union |
| FDI | Foreign Direct Investment |
| FTA | Free Trading Area |
| Gbs | Gigabytes |
| GDP | Gross Domestic Product |
| GDS | Gross Domestic Saving |
| GEF | Global Environment Facility |
| GER | Gross Enrolment Rate |
| GERD | Grand Ethiopian Renaissance Dam |
| GHE | Greenhouse Gas Emissions |
| GHG | Green House Gas |
| GIS | Geographical Information System |
| GTS | Global Telecommunications System |
| GTP | Growth and Transformation Plan |
| GTPI | The First Growth and Transformation Plan |
| GTPII | The Second Growth and Transformation Plan |
| GVA | Gross Value Added |
| GW | Giga Watt |
| GWH | Giga Watt per Hour |
| Ha | Hectare |
| HDI | Human Development Index |
| HEPP | Hydro Electric Power Project |
| HICES | Household Income Consumption Expenditure Survey |
| HIV/ADIS | Human Immune Virus/Acquired Immune Deficiency Syndrome |
| HoPR | House of Peoples Representative |
| ICAD | Innovative Contractors for Advanced Dimensions |
| ICT | Information and Communication Technology |

| | |
|-------------------|--|
| IFMIS | Integrated Financial Information Management Systems |
| ISO | International Organization for Standardization |
| IT | Information Technology |
| KG | Kilo Gram |
| KILM | Key Indicators of Labour Market |
| KM | Kilo Meter |
| KM ² | Square Kilo Meter |
| KV | Kilo Volt |
| KWH | Kilo Watt per Hour |
| l/c/d | Litter Consumption per Day |
| LNG | Liquefied Natural Gas |
| LRT | Light Rail Transit |
| LTO | Logistics Transformation Office |
| M ² | Meter Square |
| MA | Master of Art |
| MDGs | Millennium Development Goals |
| M&E | Monitoring and Evaluation |
| MFIs | Micro Finance Institutions |
| Mln/qt | Million per Quintal |
| Mln/number | In Million Number |
| MMR | Maternal Mortality Rate |
| MTEC | Metal and Engineering Corporation |
| MSME | Micro, Small and Medium Enterprise |
| MW | Mega Watt |
| NBE | National Bank of Ethiopia |
| NER | Net Enrolment Rate |
| NGOs | Non-Governmental Organizations |
| NPC | National Planning Commission |
| NSDS | National Statistical Development Strategy |
| NSDS II | The Second National Statistical Development Strategy Two |
| NWP | Numerical Weather Prediction |
| PHD | Doctor of Philosophy |
| PSD | Private Sector Development |
| PV | Photovoltaic |
| Qt/ha | Quintal per Hectare |
| REDD ⁺ | Reducing Emissions from Deforestation and Forest Degradation |
| ROW | Right of Way |
| SADIS | Satellite Distribution System for Information relating to Air Navigation |
| SARPs | Standards And Recommended Practices |
| SDG | Sustainable Development Goals |

| | |
|-------------|--|
| SMEs | Small and Medium Enterprises |
| SMS/IVR | Short Message Service/ Interactive Voice Response |
| Sq. KM | Square Kilo Meter |
| SSA | Sub Saharan Africa |
| SSB | Services Selection Boar |
| Thnd/number | In Thousand Number |
| Thnd/tons | Thousand per Ton |
| TVET | Technical and Vocational Education and Training |
| UFW | Urban Fault Waters |
| U5CMR | Under 5 Child Mortality Rate |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| USA | United States of America |
| USD | United States Dollar |
| WTO | World Trade Organization |

Preface

The first Growth and Transformation Plan (GTPI) culminated with registering remarkable achievements in real GDP growth, infrastructure development, social development and capacity building at all levels. During the implementation period of GTP I, public participation and common development spirit and sense of ownership has been stimulated on key national development issues. The achievements of the development Plan at all levels through community mobilization have set the foundation for economic transformation and the country's Renaissance journey. To this end, during GTP I implementation period, significant achievements have been registered in domestic saving & investment. However, the gap between domestic saving and investment has been widening in the country during GTP I implementation period. Similarly, the gap between merchandize export earnings and merchandize import bill, the trade deficit, has been widening during GTPI implementation period. The share of merchandise imports bill financed by merchandize export earnings has been declining over the GTPI implementation period. Notwithstanding the encouraging achievements registered in the manufacturing sub-sector, performance has still fallen short of the targets set in the Plan. Despite the promising results witnessed in good governance, public satisfaction has not been realized as desired.

The positive achievements of GTP I and lesson drawn from its implementation have been taken as input in the formulation of the Second Growth and Transformation Plan (GTPII). The national vision; existing national and setoral policies, strategies and programs; performance under GTPI; commitment to Sustainable Development Goals (SDGs) and regional and international economic collaboration initiatives were the basis for the formulation the Second Growth and Transformation Plan (GTPII) through high level political leadership, public participation & ownership. The formulation of the GTPII has also passed through broad based consultation processes with relevant stakeholders at both regional & federal levels to enrich its content & forge national ownership of the Plan. Subsequently, the final version of the plan was approved by the council of ministers endorsed the Parliament to guide development endeavours in the country during the next five years, 2015/16-2019/20.

The major objective of GTP II is to serve as a spring board towards realizing the national vision of becoming a low middle-income country by 2025, through sustaining the rapid, broad based and inclusive economic growth, which accelerates economic transformation and the journey towards the country's Renascence. Thus, GTP II is primarily considered to be an important milestone towards realizing the national vision. In this context, during the GTPII implementation period, effective public participation in a coordinated and structured manner at all levels is critical to ensuring equitable development and to build developmental political economy. As such, GTP II will focus on ensuring rapid, sustainable & broad-based growth through enhancing productivity of agriculture and manufacturing, improving quality of production and stimulating competition in the economy.

The successful achievements of the first Growth and Transformation Plan will be taken as an additional input and developmental activities are expected to be implemented with greater commitment and diligence across the country by addressing implementation bottlenecks identified during GTP I implementation period and through coordinated and integrated developmental mind set of development actors. It is my conviction that with citizens' commitment and concerted efforts, the objectives of GTP II will be realized.

Yinagre Desie (Dr.)

With the rank of Minister, Commissioner,

National Planning Commission

Introduction

The first Growth and Transformation Plan (GTP) was articulated through four overarching objectives: (i) maintaining at least an average real GDP growth rate of 11% per annum and attaining the Millennium Development Goals (MDGs) by 2014/15; (ii) expanding access and ensuring the qualities of education and health services and achieve MDGs in the social sectors; (iii) establishing conditions for sustainable nation building through the creation of stable democratic and developmental state; (iv) ensuring the sustainability of growth through maintaining macroeconomic stability. These four overarching objectives were in turn cascaded in to seven pillar strategies that cut-across all socioeconomic sectors.

The formulation of the first Growth and Transformation Plan (GTP) was conducted through high level political leadership. In order to render the formulation of the Plan more internally driven with full national ownership, a series of consultation forums at federal and regional levels were conducted with relevant stakeholders and through them with the ultimate actors and beneficiaries: citizens. Subsequently, the final version of the first Growth and Transformation Plan (2010/11-2014/15) was discussed and approved by the Council of Ministers followed by discussions and endorsement by the Parliament and has been implemented across the nation during the last five years.

As a basis for the formulation of the successor plan entitled the second Growth and Transformation Plan (GTPII), the implementation of the first Growth and Transformation Plan (GTPI) was assessed against the set objectives, strategic directions and key targets across socioeconomic sectors. According to the assessment, remarkable achievements have been recorded in real GDP growth rate, infrastructure and social development as well as in cross-cutting areas. In areas of capacity building and good governance, capacity building and awareness raising activities have been undertaken to empower the public and there by exercise its rights to transparent, fair and equitable services at all levels. Moreover, in the course of implementation of GTPI, it was made possible to mobilize public participation, create a sense of ownership, motivation and national consensus around key development issues of national significance among the public and citizens at large across the nation. This would help in laying the ground for building an organized and coordinated capacity for subsequent development efforts.

On the other hand, there had been down side effects on the economy during implementation of the Plan. Global economic slowdown and the volatile external environment had negatively affected the Ethiopian economy especially during the first two years of GTPI implementation. The volatile external environment coupled with the devaluation of the currency resulted in domestic inflationary pressure largely driven by prices of fuel and food items. This was overcome through concerted fiscal and monetary policy interventions complemented by regulatory and stabilization measures undertaken by the Government. Such commendable measures helped reverse the impact of negative external environment on the economy and brought down domestic inflation to single digits towards the latter years of GTPI

implementation. This helped maintain macroeconomic stability and sustain the rapid double digit real GDP growth rate during the plan period.

With focus on key sectors that have significant bearings on growth and structural transformation, the assessment exercise on GTPI implementation has identified and thoroughly evaluated sectors in which the set targets were achieved, partially achieved and in those where performance significantly fell short of the targets. The assessment exercise has also brought up best practices, opportunities, challenges and constraints witnessed during implementation. The lessons drawn have been used as inputs in the formulation of the second Growth and Transformation Plan (GTP II- 2015/16-2019/20).

The second Growth and Transformation Plan (2015/16-2019/20) is considered to be an important vehicle for Ethiopia's renaissance. Accordingly, the Government as a developmental state is fully committed to mobilize the necessary resources including capacity for implementation of the Plan. Modernization in the development of the agriculture sector, expansion of industrial development with primary focus on light manufacturing, significant shift in export development are at the core of GTPII. GTPII is an important milestone towards realizing Ethiopia's vision of becoming a lower middle income country by 2025.

The formulation of GTPII has passed through a series of broad based consultation processes with relevant stakeholders at regional and federal levels in a structured and coordinated manner to enrich its content and forge national ownership of the Plan. Subsequently, the final version of the plan was approved by the Council of Ministers and endorsed by the Parliament as a blue print to guide development endeavour in the country for the next five years, 2015/16-2019/20.

This Plan document is divided into two major parts. Part I contain summary performance of GTPI covering all socioeconomic sectors and serves as a springboard for the new Plan. This is in turn divided in to ten chapters. The first four chapters cover performance of macroeconomic sector, productive sectors, economic infrastructure sectors and social sectors, respectively. Chapter five outlines summary performance on capacity building and good governance, while chapter six outlines performance on public participation, strengthening democratic system and building national consensus. Chapters 7 through 8 provide performance on cross-cutting sectors and review of the monitoring and evaluation system of the plan, respectively. Chapter 9 provides review of strengths, weaknesses, challenges and bottlenecks witnessed in the course of implementation of GTPI. Chapter ten outlines summary of major outcomes on the implementation of GTPI, lessons drawn in the course of implementation and issues to be taken up in GTPII.

Part II, divided into ten chapters, presents GTPII and is structured as follows: The first chapter presents the basis, objectives and pillar strategies of GTPII. The next chapter, Chapter two, presents macroeconomic development plan and policy goals, while Chapter three presents financing requirements and how the overall plan will be financed (financing the plan). Chapter four and five present detailed economic sector plans and economic infrastructure sector plans, respectively. Chapter six presents Human Resource and Technological Capacity Building sectors

Plan, while chapters 7 through 8 present good governance and building democratic system and cross-cutting sectors plans, respectively. Chapter nine presents opportunities, challenges and implementation risks and measures to address these risks. The last chapter presents the monitoring and evaluation system of GTP II.

PART I:
PERFORMANCE UNDER THE FIRST GROWTH AND
TRANSFORMATION PLAN (GTPI)
(2010\11-2014\15)

I. Macroeconomic Performance

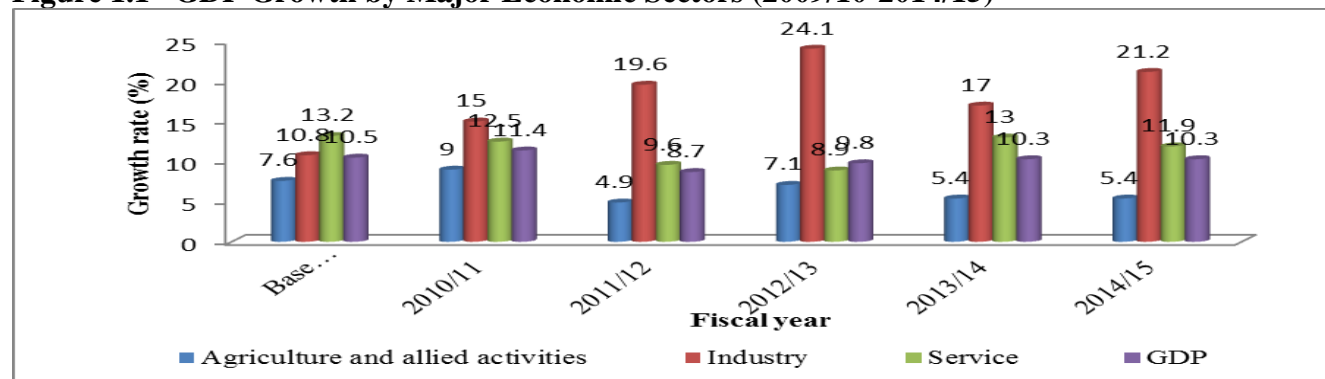
1.1. Economic Growth and Poverty Reduction

The main macroeconomic policy objective of GTP I was achieving a rapid, sustainable and broad-based economic growth through creating conducive macroeconomic environment. Accordingly, the following major macroeconomic goals were set in GTPI: (i) Maintaining broad-based and double digit economic growth within a stable macroeconomic environment, (ii) Increasing the share of gross domestic saving (GDS) in GDP to 15 percent and (iii) Increasing the share of export in GDP to 22.5 percent.

The GTPI had set a goal to sustain the rapid growth performance registered during the last seven consecutive years before 2010/2011. Built on the remarkable growth achievements of the preceding seven years, real GDP growth averaged 10.1% per annum during the period of GTPI, a one percentage point shortfall from the base case scenario of 11 percent annual real GDP growth target for the plan period. The growth performance during the GTPI period was built on the fast and sustained growth achieved during the preceding 7 years. As a result, real GDP growth during the last 12 years averaged 10.8 percent per annum. This is more than double the SSA average of about 5 percent during the same period.

Most farmers, pastoralist, private sector, women and youth groups and other members of the society experienced the sustained, rapid and broad based growth of the country. This broad-based and rapid economic growth performance during the plan period, 2010/11-2014/2015, has in turn consolidated the aspirations of individual citizens and the country in general to achieve even better in the time ahead. Ethiopia's achievements over the last five years have also attracted global recognition, and help the image of the country for the better, as can be observed from the increased inflow of FDI and strong performance of the country's first ever sovereign bond in the international capital markets.

Figure 1.1 GDP Growth by Major Economic Sectors (2009/10-2014/15)



This rapid growth performance and its sustainability are primarily the result of the development policies and strategies the Government has been pursuing during the last two decades, as well as

the active participation of the public in the execution of these strategies. In 2013/2014, for the first time in the history of the country, its sovereign rating was assessed by three international credit rating agencies. Their assessment reports have well recognized the broad based economic growth and development performance of the country. Similarly, the assessments also confirmed the sustainability and continuity of the rapid economic growth and development gains of the country. This global recognition from independent rating agencies has put the country in the radar screen of international investors and thereby helped it to attract foreign investors. This was reflected both in the oversubscription of Ethiopia's first ever sovereign bond and in the increasing inflow of FDI. Overall it has strengthened the confidence on the country's investment and trade potentials and opportunities. All these are in turn expected to give additional impetus to sustaining the double digit growth performance that has been unfolding during the last 12 years.

Annual average income per capita increased from 377 USD in 2009/2010 to 691 USD by 2014/15. By sustaining the robust growth performance witnessed during the last five years, which in turn helped accelerate income per capita growth, social development and environmental protection and management capacity, the country is set to realize its vision of becoming a lower middle income country by 2025.

Over all, during the GTP I period, Ethiopia has registered rapid, broad-based and inclusive economic growth that has led to substantial decline in income poverty. This rapid, inclusive and broad based economic growth has raised income of the citizens witnessed by a significant decline in income poverty over the same period.

The rapid, inclusive and broad-based economic growth registered over the last 12 years has generated employment, increased income of households and reduced poverty. The resultant decline in poverty over the period was witnessed in both food and non-food consumption poverty. According to the analysis based on the 2004/05 household income consumption expenditure survey (HICES), a one percent economic growth contributed to 1.7 percent reduction in poverty. This figure increased to 1.94 percent based on the 2010/11 household consumption expenditure survey (HICES). These are indications that economic growth has been strongly associated with a marked decline in poverty headcount.

Given the bulk of the rural population derives its livelihood from agriculture and poverty is by and large a rural phenomenon, agricultural growth has been a major driver of poverty reduction in Ethiopia. The proportion of the population living below the national poverty line fell from 38.7% in 2003/4 to 29.6% in 2010/11. This study clearly indicated that the proportion of the population living in poverty has fallen in both rural and urban areas .By the end of 2014/15; the proportion of the population living below national poverty line was estimated to decline from 29.6 to 23.4 percent. This progress shows that the country is on track to achieve the target of reducing income poverty by half by the end of 2014/15.

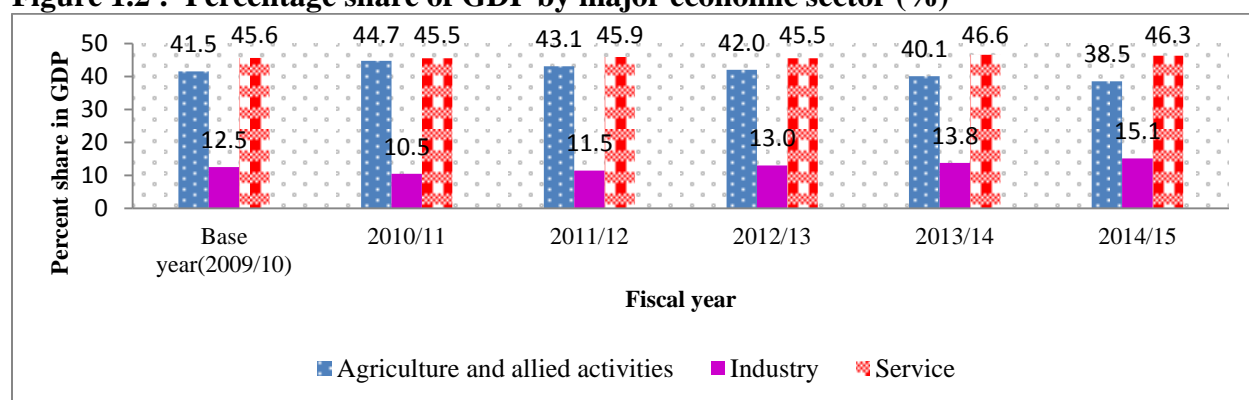
Besides economic growth, the implementation of the productive safety net program in rural areas and the investments in to essential social services throughout the country had contributed directly and indirectly to poverty reduction. Different studies have indicated that income inequality measured by the Gini Coefficient remained low over the decade of rapid growth. The national Gini Coefficient remained close to 30% from 2004/05 to 2010/11.

The above mentioned welfare and poverty indicators are based on the analysis of the 2010/11 House Hold Consumption and Expenditure Survey data sets. This survey has been conducted by the Central Statistical Agency every five years since 1995/96. The latest survey was the one conducted in 2010/11 whose findings served as a base line on poverty for GTPI. The upcoming 2015/16 poverty analysis will help update the situation of poverty in Ethiopia after 2010/11. The development policies and strategies that resulted in the rapid reduction in poverty have continued to be executed even with greater effectiveness after 2010 too. The land policy, the agriculture and rural development strategy, the industrial development strategy, social development programs, the productive safety net and infrastructure development programs that are pro-growth and pro-poor strategies have continued to be implemented during GTP I period. Thus, the poverty reduction is expected to have even been accelerated during the period of GTP I. The Gini Coefficient is also expected to have remained stable. This will be confirmed when the outcome of the analysis based on the 2015/16 HICES is issued soon.

As noted above, during the last 5 years (2010/11-2014/15), real GDP growth rate averaged 10.1 percent. This overall real GDP growth rate is accounted by agriculture, services and industry sectors with respective annual average value added growth rate of 6.6 percent, 10.8 percent and 20.2 percent, respectively. The value added of the manufacturing sub-sector (within industry sector) registered an annual average growth rate of 14.6 percent during the same period. During the five years of GTPI period, the share of agriculture, service and industry in GDP averaged 41.5 percent, 45.6 percent and 12.9 percent, respectively in 2009/2010 and 38.5 percent, 46.3 percent and 15.1 percent by 2014/15, respectively. Within the industry sector, the share of the manufacturing sector in total GDP by 2014/15 remained below 5 percent. This showed that the manufacturing base has remained very narrow during GTPI implementation period. The share of construction industry subsector in GDP increased from 4 percent in 2009/10 to 8.5 percent by 2014/15. This showed that during the last five years (2010/11-2014/15), the construction sector has been the major driver both in terms of growth and structural change within the industry sector.

Despite the rapid economic growth witnessed during GTPI period, there has been limitation in terms of structural change. The GTPI envisaged the agricultural sector as the major source of growth and thereby to lay the foundation for rapid industrialization and economic structural transformation by developing the industry sector more rapidly than the agricultural sector.

Figure 1.2 : Percentage share of GDP by major economic sector (%)



Overall, although the registered economic transformation from agriculture to industry fell short of the planned target, there has been structural transformation from agricultural sector to the service sector and within the industry and agriculture sectors themselves. During the plan period, priority has been given to the manufacturing industry. However, the manufacturing industry fell short of the GTPI target both in terms of growth performance and structural change. The share of manufacturing industry value added in GDP has remained low compared to the average for Sub Saharan Africa (SSA) countries. The low level of private investment in manufacturing, low level of promotion of entrepreneurship particularly among the young, low level of job creation in rural areas in non-farm activities and low level of small and micro enterprises development in manufacturing are the factors behind the slow pace of structural transformation from agriculture to manufacturing.

Economic structural transformation is central for sustainable growth and development. Without industrialization and structural transformation, the journey towards the middle income economy will not be feasible. The development of the manufacturing industry is essential to build national technological capacity, industrial capability, and create broad based job opportunity and improve income. In addition to this, the development of the manufacturing industry helps to improve the total factor productivity and competitiveness of the overall economy. Experience from developed countries showed that manufacturing industry development is the basis for sustainable growth of agriculture and service sectors. Thus the realization of the transformation agenda calls for concerted and coordinated efforts among key actors and long-term leadership commitment.

In sum, despite the massive progress made so far, it is recognized that close to one fourth of the population still lives under the poverty line. Urban unemployment still remains very high and has increasingly become a problem of rural areas too. This indicates that unemployment and poverty remain the major developmental challenges of Ethiopia. Thus, the government has remained committed to sustaining inclusive and pro-poor development strategy during the coming years to further scale up the poverty reduction and employment generation efforts. Utmost emphasis will be given to engage those sections of the society that have not yet benefited from the development effort with focus on women and youth to render the development effort more inclusive.

1.2. Price Development

The GTPI set a target to keep general inflation within single digit. However, inflation emerged as a major macroeconomic challenge during the first two years of the GTPI period. The 12 months moving average general inflation rate increased to 18 percent in June 2011 and further to 33.7 percent in June 2012. The price increase was so high particularly in 2012 and it was very likely to have adversely affected the wellbeing of people and efforts to promote private investment. In addition to prudent macroeconomic policy measures (fiscal and monetary), a new trading reform and price stabilization interventions such as distribution of basic commodities like sugar, edible oil and wheat to low income households have been carried out. Thus, prices had stabilized and general inflation rate dropped to a single digit in 2013/14 and 2014/15. As a result, the 12 months moving average general inflation rate declined to 8.1 percent and further to 7.7 percent in 2013/14 and 2014/15, respectively. However, the government recognizes that the lasting solution to a recurring inflation is to accelerate inclusive growth that creates decent employment opportunities. To this end, improving the productivity of smallholder agriculture sector and expanding investments in manufacturing industries coupled with the creation of decent employment opportunities becomes crucial.

1.3. Fiscal Policy and Public Finance

During the past five years, fiscal policy has been aimed at scaling up tax revenue performance through administration of effective tax policies, and prioritizing allocation of government expenditures to poverty oriented sectors and capital investment. The objective of fiscal policy is primarily aimed at ensuring macroeconomic stability for sustainable economic growth through financing expenditures mainly from tax revenues and maintaining budget deficit below 3% of GDP. The role of fiscal policy goes beyond achieving macro-economic objectives. It also plays a role in shaping the political economy of the country in such a way that it is conducive for inclusive development and productive investments. One of the sources of rent seeking is the tax system. Therefore, combating rent-seeking through strengthening the tax administration system such that the political economy becomes more conducive for inclusive development and structural economic transformation is critical. Moreover, enhancing domestic resources through increased tax revenues means that Ethiopia can have greater policy space, autonomy and ownership in implementing its development strategy and its priority programs.

As a result, during the past five years, encouraging results have been registered through improving tax administration system, increasing domestic resource mobilization through tax revenue generation and financing development from domestic revenue sources. Accordingly, total domestic revenue increased more than threefold during the GTP I period from Birr 53.9 Billion in 2009/10 to Birr 186.6 Billion by the end of 2014/15. In 2014/15, tax revenue accounted for Birr 165 Billion (88.4%) of the total domestic revenue collected, while the remaining was collected from non-tax revenue sources. During the GTP I period, tax revenue has

increased from Birr 43 Billion in 2009/10 to Birr 165 Billion by the end of 2014/15, indicating an average growth rate of 31 percent per annum. The increased tax performance has enabled the country to decisively finance its development strategies including mega projects from domestic revenue sources. Although tax revenue has increased rapidly over the last five years, the increase was not commensurate with the growth of nominal GDP. The target was to collect tax revenues that amount to 15% of GDP by 2015, which itself was still lower than the average tax/GDP ratio for SSA countries. However the total tax revenues collected during 2015 amounted to only 13.3% of GDP. This clearly falls short of the GTP target and is much lower than the average of SSA countries. Thus it is recognized that Ethiopia has to strengthen its tax administration system to ensure the collection of the potential revenue that the rapidly growing economy offers.

The tax administration reform undertaken to enhance tax revenue and the transparency and accountability of the taxation system comprised of four major strategies during the GTPI period. The first strategy concerns strengthening the institutional capacity of the taxation and customs authorities at all level. At the centre of this capacity development of the taxation and customs offices is human resource capacity development both by building the technical tax administration skills, and strengthening the integrity, motivation and commitment of tax officers and managers. Thus, in this regard significant investment has been undertaken in the development of the human resources of the tax authorities. The second component of the tax administration reform has been improving the tax information system and advanced utilization of the tax information for effective tax administration. Ethiopia has invested in modernizing its customs and domestic tax systems over the past five years with resultant improvements in its tax information.

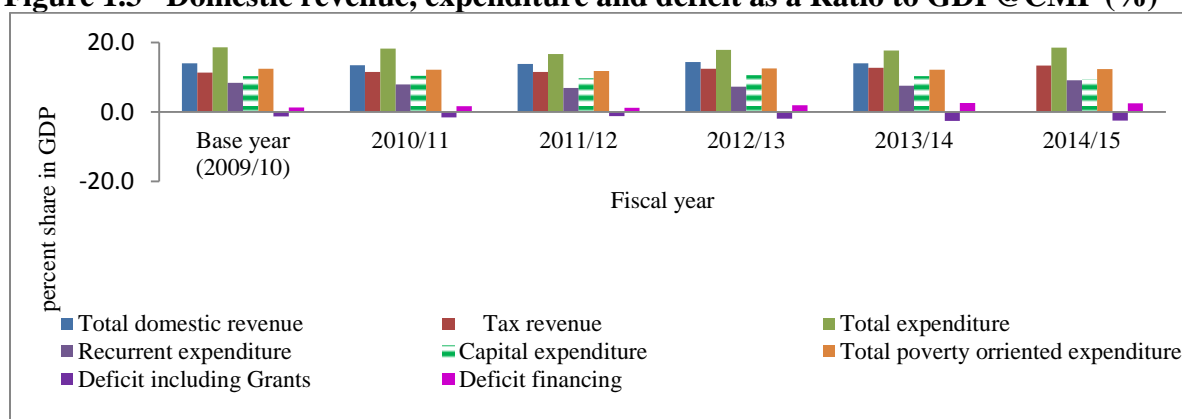
The GTPI period has also seen a significant improvement in utilizing the resultant tax information systems in the administration of customs duties and domestic taxes. However, the reform still leaves much to be desired both in terms of modernizing further its tax information systems and also in utilizing the available tax information systems to administer customs and taxation. The third strategy is public mobilization for more transparent and effective tax administration in the country. Extensive public tax education and mobilization, as well as education and mobilization of taxpayers has been undertaken over the GTP I period with resultant improvements in awareness and compliances. Yet, tax education and mobilization of the public need to be strengthened further in order to enhance transparency, fairness and effectiveness of tax administration in the country.

Finally, law enforcement is also an important element of the tax administration reform pursued. The government has taken visible measures during the GTP I period to enforce the laws across all tax payers and thereby ensure compliance, fairness and rule of law. For instance, in 2013, higher officials and their collaborators were prosecuted on suspicion of corruption and rent seeking in tax administration. A number of such prosecution and enforcement of the tax laws have been undertaken both at federal and regional levels. Such enforcement measures taken to

combat corruption and rent seeking in tax administration, tax evading and avoidance, illegal and contraband trading as well as over and under invoicing practices are clear testimony to the Government's full commitment to address the root cause of corruption and rent-seeking, and thereby improve the governance system of the country's tax administration system.

The expenditure side of the fiscal policy focused on allocating the majority of the revenue mobilized to poverty reducing priority sectors and on following tight fiscal policy to maintain budget deficit below 3% of GDP. The budget allocation system aimed at fully financing recurrent expenditure from domestic revenues and increasingly covering the capital spending from domestic sources. Accordingly, of the total annual government expenditure, on average 60% was allocated for capital investment, while the remaining was allocated to recurrent expenditure during the GTP I period. This showed that the actual government budget allocation was well aligned with the fiscal policy pronouncement, leading to increased capital accumulation. It is also worth noting that 70% of government expenditure was disbursed on pro-growth and pro-poor sectors as roads, education, health, agriculture and food security, and water and sanitation. In a nut shell, the structure of Ethiopia's budget allocation during the GTP I period indicated the strong commitment of the government to long-term development and poverty eradication. This pattern of public spending with strong focus on capital investment, pro-growth and pro-poor sectors should be maintained until the level of infrastructure and human capability of the country reaches a critical minimum.

Figure 1.3 Domestic revenue, expenditure and deficit as a Ratio to GDP@CMP (%)



The fiscal policy that has been implemented during GTP I helped to maintain inflation within single digits. Accordingly, budget deficit was kept below 3% of GDP by implementing tight fiscal policy. Budget deficit was largely financed from external loan and grants as well as through domestic bank borrowing that has had modest impact on inflation.

From Government expenditure management side, more attention has been given by policy makers to proper administration of allotted budget. However it is recognized that with the continuously growing size of the government budget, enhancing the efficiency and effectiveness as well as transparency and accountability of the public finance has far reaching implications on

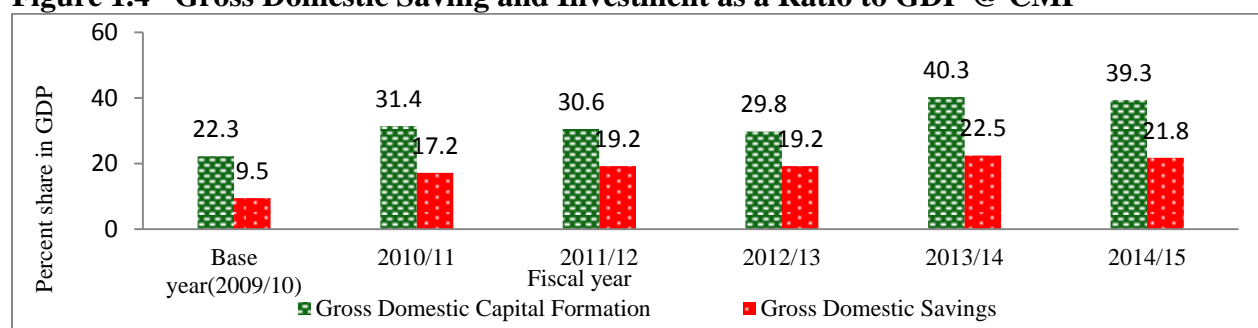
development and governance outcomes. Therefore, ensuring efficient and effective public finance utilization and eradicating corruption and reducing wastage of resources, prioritizing budget allocation towards development and proper management of public financial resources remain of highest priority and hence call for high level attention from policy makers. To this end, strengthening of public finance management, procurement and property administration and monitoring systems needs to be given utmost priority.

1.4. Saving and Investment

Implementation of the growth and transformational plan required huge investment. One major implementation challenge was therefore related to mobilizing adequate resources to finance the plan. , The strategy devised focused on increasing domestic savings so as to provide the required finances to deliver GTP I. To realize the objective of boosting domestic saving, a host of reform measures were undertaken during the GTP I period. The measures include: awareness creation and community mobilization activities, expanding financial institutions (banks) and services, raising the minimum deposit rate, strengthening existing and introducing new saving mobilization instruments such as saving for housing program, Renaissance Dam Bond, introducing private social security schemes, strengthening government employees social security scheme, etc. . Of course these measures have to be accompanied by rapid economic growth and structural economic transformation so as to ensure sustained saving growth. Hence GTP I's focus on rapid economic growth and structural change coupled with job creation was indeed a critical element of the strategy to enhance domestic savings for the delivery of GTP goals. Besides these measures, allocating government expenditure on capital investment that augments capital accumulation has also helped in increasing domestic saving. Accordingly, the share of gross domestic saving in GDP increased from 9.5 percent in 2009/10 to 21.8 percent in 2014/15.

At the same time, the share of gross domestic investment in GDP increased from 22.3 percent in 2009/10 to 39.3 percent by 2014/15. This domestic investment ratio is believed to have made significant contribution to the rapid economic growth registered during the planning period. This very high investment rate is the result of both private and public investment spending. The role of private investment has been encouraging including that of the FDI. Over the last five years of GTP I period, a total of USD 7.2 billion net foreign direct investment inflow was registered. Thus, sustaining such encouraging performance is going to be very important in the next five years and beyond in delivering GTP II goals.

Figure 1.4 Gross Domestic Saving and Investment as a Ratio to GDP @ CMP



Notwithstanding these positive developments with regard to saving and investment, the challenge remains in that a significant proportion of the investment is still financed through foreign savings. As the widening saving-investment gap continues to be financed through external sources, it could become unsustainable. It could not only compromise policy sovereignty but also could lead to accumulation of unsustainable debt. Thus, sustaining the gains made so far in enhancing domestic resource mobilization is critical. To boost household and business savings, consolidating the measures undertaken so far is essential. In line with this, stabilizing inflation, public education and mobilization around domestic savings, expanding and strengthening of saving instruments and services and accelerating economic growth and expansion of job opportunity are all essential. To enhance government saving, efficient allocation and effective utilization of public resource, reducing wastage and making transparent expenditure deserve utmost attention. Enhancing the institutional capacity in public investment management, project planning and management, monitoring and evaluation of public projects are found to be crucial for ensuring utmost efficiency and effectiveness in the delivery of mega infrastructure projects. Thus, such efforts will be further consolidated during the GTPII period.

1.5. External Resource Mobilization and Management

During the last five years, the government has strived to increase external resource mobilization and disbursement, through improved project monitoring system and establishing data intensive problem solving mechanisms. In view of this, external resource mobilization for implementing development projects has been undertaken and encouraging results have been registered in strengthening bilateral and multilateral cooperation for development. Over the last five years, respectable amount of finance was mobilized from bilateral and multilateral development partners.

Total External Resource Inflow: this is the sum of aid and loan disbursed out of total aid and loan commitment from different bilateral and multilateral development partners in a given fiscal year. During the past five years, a total of 19.7 billion USD was disbursed. This translates to a disbursement of about USD 3.9 billion on average annually over the plan period.

External Loan Management: out of the total external resource inflows registered during the GTP I period, USD 16 billion was secured for different development programs in the form of external loans. Of this, USD 7.1 billion was central government loan, USD 4.6 billion public

enterprises' external loan with government guarantee and USD 4.3 billion without government guarantee. This indicates that on average USD 3.2 billion loans was disbursed annually. The data also shows that aid per capita stood at about USD 37.1 per annum on average. This amount is lower than the per capita aid received by other African countries that are at similar level of development. Thus, most of development expenditure was financed through domestic revenue sources. In the coming five years, increasing domestic revenue and improving foreign development finance inflow in a timely and predictable manner is of paramount importance to improve aid effectiveness.

Foreign Debt Repayment: During the past five years, a total of USD 2.9 billion debt repayment was effected in interest and principal payments for loans taken by the central government, and public enterprises with and without government guarantee from different sources

During the plan period, foreign loan contracted by the government has increased. However, since the economy has also been expanding significantly, the country's capacity of debt repayment and the debt situation has remained sustainable and healthy. According to the debt sustainability analysis regularly undertaken, Ethiopia has been among the countries with low level of debt stress. The latest annual debt sustainability analysis conducted by IMF and World Bank also indicates that the country's debt is sustainable. The government remains committed to sustain this sustainable and healthy external debt with tight monitoring of developments in the area. Besides, the government remains committed to allocate the borrowed money for the development of infrastructural and energy projects that enhance the productive capacity of the economy, promote export and industrial development. Similarly, to ensure effective utilization of the external resources, improving project planning and management capacity to execute projects on time and with the given budget and quality will be given utmost emphasis.

1.6. Monetary policy

During the GTP I period, Ethiopia's monetary policy continued to focus on maintaining price and exchange rate stability thereby creating conducive macroeconomic environment that promotes rapid and sustainable economic growth. Despite inflationary challenges during the first two years of the GTP I period, the government succeeded in stabilizing inflation throughout the last three years of the GTP I period.

The monetary policy assumed a stable but slowly declining velocity. Broad money has been therefore assumed to grow on par with the growth rate of nominal GDP. Minimum deposit rate was set to be slightly higher or equal to the average annual rate of inflation. The policy has also given emphasis to maintaining an adequate level of foreign reserves. With regards to maintain the balance between the existing money supply and inflation, money supply increased by an average of 29 percent per annum, while nominal GDP grew by 27.2 percent on average during the last five years. The five-year performance shows that the money supply and the nominal GDP expanded at a closely similar growth rate, which is consistent with the target. The government set the minimum interest rate for deposits at 5 percent over the past five years.

Inflation was a challenge during the first two years of GTP I period. The Government has taken tight monetary and fiscal policy measures to counter the adverse effects and maintain inflation within a single digit but the real interest rate dropped within the negative territory.

During the plan period, the nominal exchange rate depreciated by 5.7 percent and has reached 20.1 Birr/USD by the end of 2014/15. The measure taken in the foreign exchange market has helped to stabilize the external sector. As a result, the real effective exchange rate of Birr has remained above zero and this has helped in relative terms to expand the export sector.

The Government will continue to take the necessary measures towards strengthening competitive and healthy financial institution. Not only the number of bank branches has increased but also improvements have been witnessed in operational efficiency as well as coverage during the past five years. The total number of banks increased from 15 to 19 and the total number of bank branches has increased to 2,868 in 2014/15 from 680 in 2009/10. As a result, the population to bank branch ratio declined from 113,235 per branch in 2009/10 to 30,334 per branch by the end of the plan period, signifying rapid expansion of access to banking services. Similarly, the number of micro finance institutions (MFIs) branches also expanded during the same period, increasing to 1,593 by 2014/15, from 1,034 in 2009/10. As a result, the number of clients served by MFIs reached about 4.3 million by the end of 2014/15, compared to 2.43 million in 2009/10.

1.7. Merchandize Export and Import

1.7.1. Merchandize Export

To generate more reliable and sustainable foreign exchange that the country needs to finance the rapid economic growth, infrastructure development, private industrial investment, and reduce the country's dependence on external resources, GTP I had set a target to bring about a shift in the export sector. To realize this, it was planned to increase foreign exchange earnings from merchandize export from 2 billion USD in 2009/10 to 6.5 billion USD in 2014/15. The actual achievement fell short of the target and average performance in terms of export earnings from merchandise exports stood at USD 3.1 billion per annum during the plan period. It was planned to generate on average 783.3, 481.0 and 200.3 million USD from the major export items of coffee, oil seeds and cereals, respectively. But, the performance stood at only 61.4 percent, 64.3 percent and 42.4 percent of the planned target, respectively. It was also planned to generate on average 356.2, 371.6, 514.2 and 1,572.2 million USD from exports of flower, fruits and vegetables, live animals and meat products, and textile and garment respectively while the performance stood at only 54.0 percent, 11.5 percent, 48.2 percent and 5.7 percent of the planned target, respectively.

Although some agricultural and manufacturing export commodities showed a modest increase, overall performance fell short of the planned target. For instance, volume of coffee exported stood at a record 200,000 ton for the first time during the plan period. But still its performance did not exceed one third of the planned target. Similarly, it was planned to increase foreign exchange

earnings from flower export by more than 50 percent. However, performance has lagged behind the target. It was also planned to increase foreign exchange earnings and broaden the export base through expanding manufacturing exports. It was planned to earn 1 billion USD from textile and garment, 500 million USD from leather and leather products and more than 660 million USD from sugar by the end of the plan period although, the performance remained far below the planned target. The lag in the implementation of sugar projects was one of the major factors behind the weak performance of merchandize export during the plan period. Some of the Sugar projects are now commencing production and this coupled with other on-going investment projects in the manufacturing sub sector will help boost merchandize export earnings in the years to come.

Export items such as flower, fruits and vegetables, coffee, sesame and cereals are the major exportable commodities of the agriculture sector. During the plan period, performance of these sub sectors fell short of the planned targets. In addition, owing to shortage of investment land, inputs, electricity; weak trade and custom services facilitations, regulations, weak administrative and logistics support and monitoring system; the production capacity and the investment flow to the manufacturing sub sector was not sufficient and the performance of the existing manufacturing industries was also weak in terms of volume and quality during the same period. Emphasis will be given to revamping the merchandize export sector given its crucial role through boosting and sustaining overall economic growth and development. Hence, efforts will be made so as to bring a significant shift in export performance during the GTP II period.

During the first 2 years of GTP I implementation period, the performance of the export sector was encouraging, largely as a result of global increase in price of export commodities. However, since 2012/13, international prices of Ethiopia's major export commodities have been declining; particularly that of coffee and gold. On the supply side, short falls in volume of exports, limited diversification and inability to export new manufactured products were the major factors behind the weak performance of the merchandise export sector. . Given that Ethiopia has no or very limited control on the global market, the focus going forward should largely be on addressing the supply side factors of limited productive capacity, limited diversification of the economy, low level of structural change and industrial development.

Figure 1.5: Export and import of goods and services as a share of GDP @ cmp (%)



As a result, import bill coverage of export earnings has been declining and stood at below 20 percent on average during GTP I implementation period. Over the past five years, the weak performance of the export sector was the main constraint in ensuring reliable and adequate supply of foreign exchange required for imported capital goods and services that are essential for industrialization, infrastructure development and technological upgrading. The weak performance of merchandise export earnings has also a bearing on the country's efforts to gradually reduce its dependence on external savings. In other words the export sector needs to be transformed to sustain the rapid economic growth and set the foundation for structural economic transformation. This in turn calls for position the transformation of the merchandize export sector at the centre of the GTP II.

1.7.2. Merchandise Import

With regard to merchandise import, goods worth 12.19 billion USD were imported on average per annum during GTP I. Of this, capital goods accounted for 34.9 percent, while fuel, semi-finished goods, raw materials, and other goods accounted for 17.3 percent, 16.2 percent, 1.4 percent and 1.8 percent respectively. Of the total import value of capital goods (4.25 billion USD); industrial goods accounted for 73 percent while the remaining constituted imports of transport and agricultural goods during the same period. Consumer goods on average accounted for 28.3 percent of total import value during the planning period. The share of durable and non-durable consumer goods import in the value of total merchandize import stood at 19.2 percent and 9.1 percent, respectively.

1.7.3. The balance of trade

The trade balance represents the difference between the value of merchandize exports and merchandize imports. During the GTP I implementation period, trade balance has been widening owing to the weak performance of exports aggravated by the fall in international commodity prices. The bulk of Ethiopia's merchandize exports are primary agricultural commodities. The

trade balance has widened from 6.3 billion USD in 2009/10 to 13.4 billion USD in 2014/15. Thus, during the same period, import coverage of export earnings has declined from 24.2 percent in 2009/10 to 18.9 percent in 2014/15. This indicates that import coverage of export earnings has been on a declining trend on average during the last five years.

1.7.4. The overall balance of payments

During GTP I period, efforts had been exerted to increase the source of foreign exchange earnings. Current account deficit has widened from 1.2 billion USD in 2009/10 to 8 billion USD in 2014/15. On the other hand, the balance of capital account surplus has increased from 2 billion USD in 2009/10 to 7 billion USD in 2014/15. The overall balance of payment has registered a deficit of 521.4 million USD by 2014/15. The overall balance of payment showed a deficit of 521.4 million USD by 2014/15 from a surplus of 316.6 million USD in 2009/10.

1.8. Private sector development

The GTP I accorded due attention to the driving role of the private sector in the economy. Accordingly, the government continued to ensuring macroeconomic stability in order to enhance the conducive investment climate for developmental private investors. The privatization program was pushed forward by transferring government owned garment and textile as well as beverage industries to the private sector. The investment code was revised to encourage further private sector investment during GTPI period. During the last five years, capacity building program for private manufacturing industry sector, such as twinning programs, benchmarking, kizen, industrial input supply, skill development programs have been implemented. Moreover, the government invested in the development of industrial parks for transfer to the private investors with utmost transparency and accountability.

With regard to privatization of publicly owned enterprises, a total of 44 public enterprises including their branches have been transferred to the private sector during GTP I period through different privatization modalities including joint venture approaches.

Domestic private investment: during the GTP I period, a total of 22,097 domestic investors with a total capital of 212.74 billion birr was registered with an investment license across all regional states and city administration. Of these, 186 projects with a total capital of birr 4 billion were under construction, while 262 projects with a total capital of birr 3.948 billion became operational during the GTP I period. This clearly shows that the majority of private investment projects that registered with the federal and regional investment commission did not translate into actual investments on the ground. Out of 123 operational domestic private investment projects which got investment license from regions, 88 projects are engaged in the service sectors, while 21 projects in the manufacturing sector and 14 projects in agriculture sector. Similarly, out of 59 projects that were under construction in the regions, 28 projects are engaged in service sector, 24 in agriculture and 7 in manufacturing industry sectors. This shows that the majority of the domestic private investment under construction and those that have become operational are engaged in the services sector than in the manufacturing industry.

With regard to Foreign Direct Investment (FDI): FDI has increased in terms of number of projects as well as amount of capital registered in the past five years. Accordingly, net foreign direct investment inflow increased from USD 1.2 billion in 2010/11 to USD 2 billion by 2014/15. Overall, a total of USD 7.2 billion net foreign direct investment inflow has been registered during the last five years.

The source of the foreign direct investments is diverse. But Turkey, Peoples Republic of China, India in that order were the top three investors in terms of the amount of capital invested in the economy. In terms of number of projects, Peoples Republic of China, India, and Turkey in that order constituted the top three investors in the country during the plan period.

The economic diplomacy of the country contributed to attracting foreign direct investment and enhancing the participation of the Ethiopian diaspora in investment activities in the country. The country's role in regional and international forum has been enhanced. Bilateral relations with neighbouring countries and other African countries, relations with permanent members of the United Nations Security Council, the European Union and EU member countries, Middle East, Asia and Oceania has been strengthened during the GTP I period. Promotion work was undertaken through internationally recognized news channels, print media, television and others to attract foreign direct investment and enhance a positive image of the country among the international community. In addition, efforts have been made to share information through various community groups and institutions based in the country.

Attracting investment from overseas especially big companies has shown a promising trend. However, greater attention will be given to attracting high quality and high impact foreign direct investment in the future. Market identification for home made products has been undertaken. However, there have been constraints on the supply side in terms of quantity and quality as well as value additions. There has been short falls in supplying the required amount that meet minimum export quality standards. With regard to diaspora participation in investment and other development activities of the country, efforts have been made to work closely with the diaspora community. So far, promising results have been achieved through strengthening structured participation of the diaspora community. In order to further encourage the participation of the diaspora in investment and development activities, efforts need to be intensified to reach out to the diaspora community more extensively during the period of GTPII and beyond.

1.8.1. Productivity and Competitiveness in Private sector

The role of the private sector in driving sustained growth, and creating jobs is indispensable. Addressing the bottlenecks related to productivity, quality and competitiveness is critical to enable the private sector to fully utilize opportunities available for sustainable development and transformation. An attempt is made here to assess productivity and competitiveness of the economy for agriculture and manufacturing industry sectors.

According to the analysis conducted based on data from the Central Statistical Agency (CSA), land productivity of the major crops has increased during GTP I period. Average productivity of

major crops by smallholder farmers for the main season increased from 15.7 quintal per hectare in 2009/10 to 21.5 in 2014/15. Average productivity of major crops by smallholder farmers was estimated at 19.2 quintal per hectare for the plan period, which is 99 percent of the planned target (19.4 quintals per hectare).

Average productivity growth of selected cereals such as maize, *Teff*, barley and wheat for the last 12 years (2003/04 – 2014/15) stood at 6.2, 5.8, 4.8 and 5.4 percent, respectively. On the other hand, growth of cultivated area with these cereals averaged 4, 4.3, 1.5 and 4.4 percent respectively. Likewise, growth of production of these cereals averaged 10.7, 10.4, 6.3 and 10 percent, respectively. This shows that the main source of increase in production of these cereals is land productivity growth rather than expansion of cultivated area.

The average productivity growth of selected pulse crops such as chick peas, filed peas and Haricot beans for the last 12 years stood at 7.9, 6.1, and 5.5 percent, respectively during the same period. Similarly, the growth of cultivated area with these pulse crops averaged 4.4, 3.2 and 5.1 percent, respectively. The growth rate of production of these selected pulse crops averaged 12.6, 9.5 and 7.4 percent, respectively. This shows again that the main source of increase in production growth for pulses was productivity gains rather than expansion of cultivated area. In addition, average productivity growth of selected oilseeds such as linseed, Niger seed and sun flower for the period 2003/04-2014/15 stood at 8.3, 6.6 and 2.5 percent, respectively. The growth of cultivated area with oilseed crops averaged 2.1, 1.2 and 15.9 percent while average annual production growth stood at 10.7, 8.5 and 17.4 percent, respectively. In this case, too, the main source of increase in production of oil seed crops is productivity growth, albeit low compared to productivity levels of cereal crops.

Although the productivity of major crops has increased, there are differences in the productivity gains. The productivity of pulses and oilseeds remained relatively lower. Given that pulses and oil seeds are important agricultural exports, such a low level of productivity has been a factor for the short fall in export earnings during the plan period. It also indicates the limit in the progress made in commercializing smallholder agriculture during the planning period. Thus, enhancing the productivity of these crops need to be given utmost emphasis during the GTP II period.

Generally agricultural (both crop and livestock) productivity growth is important in boosting industrial competitiveness, accelerating structural transformation as well as reducing poverty. . To this end, full and effective implementation of the existing productivity enhancing strategies, like consolidating the quality and coverage of agricultural extension service delivery, accelerating technological learning through strengthening social networking of farmers strengthening effective agricultural research, and implementing scientific agricultural input utilization are critical.

According to World Bank report (2014), value added per worker from 1999 to 2013 in the productive sectors (agriculture and manufacturing) showed modest improvement. For instance, agriculture sector value added per worker increased from Birr 5,100 in 1999 to Birr 7,700 in 2013. In the case of manufacturing industry, value added per worker rose from Birr 7,200 to Birr

13,200. This improvement was mainly due to the productivity gains between 2005 and 2013, as productivity growth in both agriculture and manufacturing accelerated only after 2005. Annual average growth in value added per worker in agriculture sector was only 0.6 percent while nearly zero in manufacturing sector from 1999 to 2005. In contrast, annual average value added per worker growth between 2005 and 2013 was 5 percent in agriculture sector and 8 percent in manufacturing industry. This coincides with the period when the Ethiopian economy shifted to a higher growth path (2004).

On the other hand, according to the same World Bank study, the employment elasticity of the high productivity service sectors was found to be low. This may be because some service sectors have a tendency to employ modern technology, capital goods and machinery. This entails striking a balance between productivity growth and employment expansion. Even more important implication that can be derived from this is that development of manufacturing industry is indispensable not only for driving rapid economic growth and structural change but also for massive job creation. Taking this fact into consideration is important during the formulation GTP II.

Import dependence of the manufacturing industry may give some indications about its competitiveness and possible strategies to improve its competitiveness. Based on the annual large and medium scale manufacturing sample survey of the CSA, tires and plastic products, machinery and equipment, vehicles, basic metal products, chemicals and chemical products and paper and printing products have been found to be highly import dependent sub-sectors. On the other hand, it is worth noting that import dependency ratio has shown a declining trend in all these sub sectors. For instance, import dependency ratio of tires and plastic products declined from 95 percent in 2008/09 to 85 percent in 2012/13. Machinery and equipment, and vehicles import dependency ratio declined from 94 percent to 67 percent and from 94 percent to 41 percent in the same period, respectively. While these trends are encouraging signs of successful import substitutions, measures should be taken still to further promote efficient import substitution of manufacturing during the GTP II period.

1.8.2. Transformation of the Domestic Private Sector

One of the key objectives of GTP I was enabling the manufacturing industry to play a more pronounced role in the national economy. The strategy pursued to this effect was to promote the development of a competitive domestic private sector including through unleashing the positive externalities of FDI. Although, encouraging results have been registered thus far, the participation of the domestic private sector in the manufacturing industry remains low.

The distribution of domestic private investment across sectors shows that well above 50 percent of domestic private investment projects that commenced production and service delivery (both in terms of invested capital and number of projects) are engaged in the service sectors. This indicates that domestic private investment has been lopsided more towards the service sectors

such as renting of machinery, real estate, trade and other service sub-sectors. Domestic private investment in the agriculture sector also was as low as in the manufacturing sector.

The concentration of domestic private investment in the service sectors appears to be mainly driven by short-term profit maximization through taking advantage of market failures and government incentive schemes rather than through enhancing their productivity, quality and competitiveness. This stands against the country's long-run development and transformation agenda. Thus, it has to be addressed during the GTPII period and beyond. Overall, the following factors could be attributed to the existing low participation of domestic private investment in the productive sectors, particularly, in the manufacturing industry:

- i) Although entrepreneurial and long-term developmental mind set of the private sector has been improving, it still leaves much to be desired and hence needs to be further enhanced;
- ii) Ease of entry into the service sector as it requires relatively lower level of start-up capital, technical and managerial capability than that of the manufacturing sector;
- iii) The payback period of capital in the service sector tends to be shorter than that in the productive sectors (manufacturing and agriculture) and the risk attached with investment in the service sector is also lower as compared to those in the productive sectors (manufacturing and agriculture);
- iv) Despite on-going efforts to shift the balance in investment from the service sector to the productive sectors, private investment is still concentrated in the service sector owing to weak administration of the investment incentive schemes and hence inability to effectively utilize the incentives to promote the development of the productive sectors more than others.

Besides, most domestic private investors lack the industrial knowledge, technical and managerial skills and experiences in operating large manufacturing industries. Furthermore, domestic private investors lack a culture of working in partnership and to fight rent seekers engaged in supply of input and transaction activities, in enhancing their labour skill, knowledge and productivity, and in research and development activities. Owing to these factors, participation of domestic private investors in productive sectors, particularly in manufacturing sector, has been limited. As a result, the transformation momentum of the economy and creation of decent job opportunities in manufacturing have been slow.

During GTP I implementation period, the Government's effort has been focused on supplying trained human power in order to fulfil demand for skilled labour and accelerate the manufacturing industry's development as well as to increase the involvement of developmental domestic private investors. However, efficiency, productivity, competitiveness, technological and working system have been limited by the low level of skill and efficiency of human power. This problem is reflected in the form of weak business organization and management, inefficient marketing system, low quality and productivity, limited research and development, low technological capacity and weak entrepreneurial skill of domestic manufacturing firms.

Overall, efforts will be made during GTP II period to transform the domestic private sector particularly with regards to their role in the development of the manufacturing industry by addressing its internal and external binding constraints. Furthermore, efforts will also be geared to improving the key challenges faced in service delivery such as supply of investment land, electricity, shortage of input and finance, etc. Cognizant of this situation, during GTP II period, the domestic private sector will be accorded the emphasis it deserves to increase its contribution to economic growth, job creation, structural transformation and industrial development.

II. Economic Sectors

GTP I had given a special emphasis to economic sectors that have significant bearing on sustainable development and structural transformation of the economy. This primarily refers to the development of agriculture and industry sectors (productive sectors). The performance of these economic sectors during the period of GTP I is presented in the sections below.

2.1. Agricultural Development

In GTP I, it was clearly indicated that the agricultural sector would continue to be the main source of economic growth. In turn, within agriculture, the bulk of the growth would originate from smallholder farmers agriculture. Private commercial farmers engaged mainly in horticulture were also expected to complement the production from smallholder farmers. Efforts have been made to implement strategies to improve productivity of smallholder farmers by disseminating effective technologies through the scaling up strategy, to conserve natural resources and improve irrigations, and to bring about a shift from subsistence agriculture to production of high value agricultural products. These resulted in an average real agricultural GDP growth rate of 6.6% per annum during the plan implementation period. This growth rate is considered to be high by any measure and enabled the sector to remain a key driver of the national economic growth given the relative weight of agriculture in the overall economy. However, the achievement still fell short by 1.4 percentage points compared to the 8% annual average growth target in GTP I. In terms of structural change, the share of agriculture and allied activities in overall GDP which stood at about 42% at the beginning of the plan (2009/10) declined to nearly 39% by the end of 2014/15. Crop and livestock subsectors accounted for 27.4% and 7.9% respectively, while the residual was accounted for by forestry and fishing. The decline in the share of agriculture is an indication of structural shift from agriculture to industry and service sectors as has been already noted.

The total production of major crops by smallholder farmers during the *Meher* season (main season) increased from 180 million quintals in 2009/10 to 270.3 million quintals by 2014/15. This amounts to 90 million quintals of additional production of major crops during the plan period. The performance of major crops has been the major contributor to overall growth in agriculture and allied activities during the plan period given its relative importance in crop production and agriculture at large. The performance of major crops has surpassed the target set in the base case scenario which enabled the country to become food self-sufficient at national level. This is considered to be one of the most significant achievements of the GTP period. In addition, job-creation and productive safety net programs are implemented across the country to improve the purchasing power of households and thereby translate the increased food production into sustained food security at all levels.

Despite efforts made to commercialize and transform agriculture from subsistence crop production to production of high value crops, performance has been below expectations. For instance, coffee produced by smallholder farmers was 420 thousand tons (40.4% of the target set

in the plan) in 2014/15. The amount of coffee produced by smallholder farmers in 2014/15 was only 60.8% of GTP's five year average target of 690.6 thousand tones. Production of horticulture, industrial crops, and spices increased from 1,281.8, 629.7 and 182.2 thousand tons in 2009/10 to 1,463.32, 1,561 and 337.85 thousand tons respectively by 2014/15.

The major factor for the short fall in achieving the planned level of agricultural productivity is related to the coverage and quality of implementation of the agricultural extension system. The coverage and quality of the agricultural extension system was planned to be scaled up via mainly social learning among community development groups ('agricultural development army'). The target set in the high case growth scenario would have been realized had the scaling up strategy been fully implemented within the framework of well-functioning agriculture development army. Looking forward, therefore implementation of the full package of the scaling up strategy of the agricultural extension system will be a determining factor in increasing further production of smallholder farmers, and bringing about commercialization and transformation from subsistence farming to high value crop production.

The supply of improved inputs that help increase agricultural production and productivity has expanded significantly during the GTP I period, but still falls short of the target set in order to transform smallholder agriculture. The amount of fertilizer supplied in 2014/15 was a record 1.201 million quintals, but this was only 72.2% of the target set for the year. The supply of improved seeds was only 1.514 million quintals, which accounted for about 42% of the target set for 2014/15. Some of the factors attributed for the low level of supply of improved seeds include the rejection of some improved seeds produced in a number of multiplication farms owing to poor quality and the failure to collect all improved seeds produced by smallholder farmers. Besides, there were also limitations in carrying out multiplication of improved seeds through irrigation coupled with pre-harvest losses on farms owing to erratic rains.

Improving effectiveness of agricultural extension system was an important strategy pursued to improve agricultural production and productivity during the plan period. Accordingly, the number of agricultural extension beneficiaries has increased from 5.1 million in 2009/10 to 13.95 million farmers by the end of the plan period, which is 95% of the target set for 2014/15. Although the number of beneficiaries from the agricultural extension system has increased, its effectiveness in terms of better outcome as measured by increased productivity gains needs to be enhanced through the community-driven scaling up of the dissemination of the modern agricultural technologies and farming practices.

Apart from scaling up the dissemination of available technologies and farming practices, GTP I also gave due emphasis to development of new technologies. The target was to develop 534 full package technologies in the fields of crop, livestock, soil and water and agricultural mechanization by 2014/15. The accomplishment was estimated to be 55% of the target.

Horticulture is one of the sub sectors of agriculture that was given due attention in the Plan. The development of horticulture plays two critical roles in the economy: foreign exchange earnings and employment generation. Horticulture, particularly cut flowers has been a success stories and there was expectation that this will be sustained during the plan period. A significant shift has been envisaged during the plan period through scaling up the best practices in the horticulture industry. Targets were set to produce 5859.1 stalks of flower, 559.8 thousand tons of vegetables, and 404.6 thousand tons of fruits, respectively by the end of the plan period. However performance stood at 12.7% for flower, 23.7% for vegetables, and 4.3% for fruits by the end of 2014/15.

It was planned to generate 1.5 billion USD by 2014/15 from the export of flowers, vegetables and fruits, but only 249.7 million USD or 16.6% of the target was collected during the reference period. The horticulture industry still employs a large number of labour the majority of which are women. But given its potential, the employment opportunities created thus far leaves much to be desired. The major factors for the poor performance of the subsector were difficulties in supplying land required for development of horticulture, concentration of market destinations and inability to diversify export markets and limitation in supplying the required inputs. Despite these experiences, there is still huge demand for investment in the horticulture industry. Given the potential of the sector in generating foreign exchange and job opportunities, addressing the bottlenecks facing the horticulture industry is very critical and will be taken up in the upcoming plan (GTP II).

Horticulture development: In addition to smallholder agriculture and horticulture development, GTP I also envisaged to promote the development of commercial mechanized farming. The basic principle of mechanized commercial farming is that it exclusively relies on hitherto unutilized and unoccupied land for farming, environmental conservation or wildlife conservation. The key objective of commercial farms development is boosting the production of industrial raw materials for domestic industrial development and exportable goods. It was planned to develop and transfer a total of 2.3 million hectare of land for the development of commercial farming during the GTP I period. However, only 840 thousand hectares of land was developed and transferred to investors by the end of the plan period. This fell short of the target by a significant margin. This is identified as one of the factors that contributed to the short falls in the performance of agriculture during GTP I period. Looking forward, the country's potential in the development of commercial farming has to be effectively unleashed for development through strengthening land administration system, recruiting high quality and high impact private investment, amplifying transparency and accountability in the sector, enhancement of environmental protection system and provision of quality infrastructure services.

Pastoral development: with regard to pastoral development, two strategic directions were pursued to transform the sector as stated in the plan. The first strategic direction pursued was further enhancing the outcome from livestock development in line with the pastoral livelihood

system and then enable the pastoralists benefit from the outcomes of the development process. Accordingly, efforts have been made to expand prevention-oriented livestock health system, to improve the supply of water and pasture and strengthening the livestock marketing system. The second strategic direction pursued to promote the development of the pastoral community to ensure sustainable transformation of the livelihood in pastoral areas was encouraging voluntary based and irrigation centred sedentary agricultural development. Looking forward, further emphasis will be given to ensure the benefits to the pastoralists building on the achievements gained so far and through enhancing voluntary sedentary farming (crop farming) practices.

Livestock development: various strategies were undertaken with regard to livestock development during the GTP I period throughout the country. Accordingly, the proportion of hybrid/improved cattle increased from 10.37% at the beginning of the plan period to 14.53% in 2014/15, while the number of improved hybrid cattle increased from 390,078 to 902,390 in the same period. The number of hybrid milking cows has increased from 140,428 at the beginning of the plan to 297,788 by 2014/15. Although quite a number of activities have been undertaken during the plan period to enhance livestock productivity, the performance of the sub sector fell far short of the target set for GTP I. hence a lot more needs to be done to realize the potential of the livestock sub-sector in the upcoming plan (GTP II) period.

Natural resources conservation and development: the accomplishments with regards to natural resources conservation and development activities are identified as one of the success stories in agriculture and environment sectors during the last five years. Performance has surpassed targets by a significant margin in the area of natural resource conservation and management. Community based watershed developments that improved water, soil and biological resources surpassed the target set in the Plan. Through area closure, degraded lands have been rehabilitated; community based watersheds infrastructures that prevent soil loss and enhance water percolation have been constructed over and above the targets set. Accordingly, the area of land closed for rehabilitation increased from 3.2 million hectare in 2009/10 to 10.9 million hectare by 2014/15. Community based watershed infrastructure development expanded to 20.2 million hectare during the plan period. Besides, area of denuded lands rehabilitated being covered by multipurpose trees increased from 6.1 million hectare in 2009/10 to 16.2 million hectare by 2014/15. Along with the natural resources conservation, an estimated 2.34 million hectares of land is developed through small scale irrigations schemes during the plan period. These good lessons could be scaled up and replicated to other sectors in the upcoming Plan (GTPII)

Food security: another important dimension of the Plan in the development of the agriculture sector concerns improving the food security situation in the country. To this effect, efforts have been made to ensure food security through enabling chronically food insecure households participate in productive safety net program and household asset building to prepare the ground for a smooth transition to speed up their graduation. It has been planned to benefit 7.7 million

households through the productive safety net program during the plan period. By the end of the plan period, 778,572 households who are believed to have ensured their food security graduated from the program.

Disaster prevention and preparedness: no additional capacity have been created in building stocks of emergency food grain reserve apart from maintaining the stock at 405,000 metric tons which is equal to the level at the beginning of the plan (2009/10). A number of factors have contributed to the stagnation in the stock of food grain reserve. These include the time taken to draft the policy direction with regard to administration of food security reserve, the need for the amendment of the regulation for the establishment of the Emergency Food Security Reserve Administration Agency and budget constraints for the purchase of food grains. Relevant actions have been taken recently through the enactment of the necessary regulations by the council of ministers. Hence the challenges encountered during GTP I in this regard are addressed paving the way for an effective disaster prevention and preparedness system.

Overall, when the performance of the agriculture sector is judged against its relative importance in overall GDP. The 6.6% annual average growth rate that the agricultural sector registered during GTP I is considered to be remarkable, although it fell short by 1.4 percentage points compared to the 8% annual average growth target of the Plan Period. The major attributive factors for short fall in performance are related to the limitations in implementation of the scaling up strategy coupled with a host of other factors pertaining to challenges with regards to input supply and output marketing, challenges related to leadership, as well as attitudinal, skill and knowledge gaps of farmers.

2.2. Industrial Development

During the last five years, the industry sector GDP (value added) has witnessed an annual average growth rate of 20% which shows that the target set for the sector was almost achieved. Within the industry sector, medium and large scale manufacturing industries value added registered average growth rate of 19.2% per annum and micro and small industries registered an average growth rate of 4.1% per annum. At the end of the plan period, the share of the industry sector in overall GDP has reached 15.1% (manufacturing 4.8%, construction 8.5%, electric and water 1.0% and mining 0.8%). However, this performance fell short of the 18.8% target set to be achieved by the end of the plan period. This indicates the challenges to bring about rapid structural transformation in the economy. The growth performance of the manufacturing industry in particular, which is a key indicator of the degree of structural transformation in the economy, was lower than the target for the plan period. The poor growth performance of micro and small scale manufacturing industries and delay in the implementation of large manufacturing projects were the major contributors to the slow growth in the overall manufacturing sector. The performance also indicates that the industry sector growth has been largely driven by the construction sub-sector.

In GTP I, emphasis has been given to micro and small enterprises development. The significant role of micro and small enterprises for job creation, entrepreneurship expansion and industrial development has been clearly indicated. By identifying the bottlenecks, strategies were designed to expand micro and small enterprises development. To this end, rent seeking, low level of entrepreneurial competency, low technology and skill capability, as well as finance and market related problems have been the major challenges of micro and small enterprises. Notwithstanding these challenges, enterprises have been expanding and jobs have been created across the country. In areas where there was encouraging performance, entrepreneurship, and small-scale trading and investment activities have expanded, leading to revitalizing of local economies and reduction of unemployment.

However, the implementation of the micro and small scale enterprises development strategies has to be consolidated in order to unleash the potential of the sector in revitalizing local economic development, nurturing entrepreneurship and addressing unemployment and poverty over the coming planning periods. Hence, new enterprises should be encouraged to engage mainly in manufacturing industry. Furthermore, it requires fully implementing the strategic directions set out in order to improve entrepreneurship attitude, productivity and competitiveness of these enterprises. By addressing the aforementioned issues, small scale manufacturing enterprises in particular would play their roles as drivers for industrial development and source of quality and sustainable jobs.

GTP I has also given emphasis for the development of large and medium scale manufacturing industries. In this respect, the strategic directions pursued were export-led industrialization which is mainly to be undertaken by the active participation of the private sector. Thus, though the last five years have seen improvements in export-oriented industrial development compared to the previous plan periods, the achievements are still far below the targets set in GTP I. In 2014/15 the export earnings from manufacturing stood at USD 409 million which is only 22.5% of the 1.82 billion USD target set for the final year of GTP I. The export earnings from the textile and garment industry sub-sector stood at USD 98.1 million which shows significant improvement compared to the base year while it is far below the USD 1 billion target set for the end of the plan period. In this subsector, it was also set to create job opportunities for 40,000 citizens but only 50% of the target was achieved. In addition, the total export revenue of the leather and leather products industry over the GTP I period totalled USD 596.2 million. In 2014/15 alone, the export revenue from this subsector stood at USD 131.6 million, which is far lower than its target but more than double the figure for the base year (base year figure of USD 56.4 million). During GTPI period, the agro processing industry sub sector registered USD 196 million export earnings while creating job opportunities for 52,000 citizens. On the other hand, during the plan period, USD 416.56 million was generated from the export of meat, milk and honey. The pharmaceuticals industry has also registered USD 20.92 million in export earnings during the plan period.

Over all, therefore the analysis of the performance of large and medium scale manufacturing industries in terms of export earnings clearly shows the underachievement during the planning period, but also the potential of the sub-sector as a source of export growth in the years ahead. The first factor behind this performance of the medium and large-scale manufacturing industries concerns the short fall witnessed in attracting a large number of new and high quality export oriented private investments into manufacturing. It was presumed that the industrial development targets set to broadening the existing narrow base of medium and large scale industries would be achieved mainly through expanding new investments. In this regard, it is clearly stated that the supply of investment land and infrastructure, and other supports need to be effective and efficient. In terms of domestic investors, it has been identified that supports in terms of management, technology and capital have vital role on top of the aforementioned incentives.

The second factor concerns the productivity and competitiveness of existing manufacturing firms. Many manufacturing export products were of lower value added, while others were less diversified both in terms of product type and market destination. Still some other manufacturing exports were found to be very basic and of lower quality, fetching with lower prices and becoming more vulnerable to global economic shocks as well as bargaining power of buyers. The low level of quality and productivity as well as competitive capacity of existing domestic firms in the global market is attributed to inefficient technology use, lack of competitive, reliable and quality domestic input (raw materials) supply, problems related to logistics for both import and export, high cost of transport, logistics, challenges related to reliable supply of electricity, and financial services. Besides, the limited organizational and managerial competency of these companies has undermined the utilization of even the opportunities of tariff and quota free access to global markets such as AGOA (USA) and EBA (EU) arrangements.

In addition to export-oriented industrial development, significant emphasis was also given to promoting efficient import substitution industrialization. Again the major driver was envisaged to be the private sector, although public enterprises were also encouraged to selectively and transparently invest in areas where the private sector is not investing but that are strategic for structural transformation, and building technological and industrial capability. Accordingly remarkable achievement has been registered in import substitution in the chemical sub-sector and particularly in the cement industry largely undertaken by the private sector during the planning period. Due to the booming construction industry, the demand for cement was so high that the country was forced to import a significant amount of cement from abroad. During the GTP I period, the government set a clear target of fully substituting imported cement and creating a production capacity that can cater for the growing demand in the years ahead. Accordingly in addition to enhancing the favourable investment climate, the government aggressively promoted private investment and provided all rounded support to those investing in the sector. As a result, by 2012 fiscal year, domestic demand for cement was met from local production with the commissioning of several very largest cement plants in the country.

Import substitution in the metal and engineering industry was undertaken both by the private sector and public enterprises with encouraging results both in terms of substituting imported goods and building technological and industrial capabilities. Some fabrication and engineering capacities in various industries are created as a result of the public and private investments in the metal and engineering industry. The sub sector has played significant role in terms of substituting imported products, saving foreign exchange and building technological capacity. Overall, the metal and engineering subsector has played an important role in terms of supplying domestic inputs which can substitute imports, contributing to technology transfer, saving foreign exchange and building technological capacity and broadening the industrial base in the economy. However, import substituting industries other than the two just mentioned have not witnessed significant change as expected and designed for import substitution. The main reasons for this weak performance were the limitation in fully addressing shortcomings identified and other factors outlined above.

In sum, though rapid and sustainable economic growth has been registered during the last five years, the growth of the manufacturing industry which is fundamental for structural transformation clearly needs to be accelerated. The share of manufacturing subsector to overall GDP has remained below 5%, while the export share of manufacturing subsector to total merchandize export has remained at about 10% on average. The performance of the manufacturing industry in particular has fallen short of the target owing mainly to inadequate new investment inflow to the sub sector. The performance of existing manufacturing industries was also constrained by supply host of factors. Therefore, in order to accelerate the growth of the manufacturing industry, it is essential to address the bottlenecks related to the provision of well-developed working premises, provision of infrastructure and energy, trade and custom facilitation, transport and logistics, power supply, credit access, technological and business management support particularly to domestic private firms, etc., which are currently impeding the expansion of the manufacturing industry.

Just like the export sector, the development of the manufacturing industry or industrialization and structural transformation is critical for sustaining the gains so far and realizing the long-term vision of the country, and hence calls for a stronger commitment of the leadership in the years to come. Industrialization is absolutely decisive for sustainable development and the country's renaissance, and it critically requires effective leadership and coordinated effort of all stakeholders. It requires a concerted effort of the leadership to bring about a big push in export-oriented medium and large scale manufacturing industry through fully implementing existing strategies articulated in the plan. In this respect, expanding the development of industrial parks is crucial to address the constraints faced by both domestic and foreign investors that are related to production and logistics which impede their productivity and competitiveness. The approach envisaged is the development of industrial parks so as to comprehensively and effectively

address the constraints of well-developed working premises, well-developed infrastructure and energy, trade and customs facilitation, trade logistics, etc.

Although the significance of industrial parks was already highlighted in GTP I, the success in the development of industrial parks has been limited mainly for capacity and experience limitations. The construction of a total of 9 industrial parks was started by the government, private and/or jointly between government and the private sector. The parks have been enclosed and various development activities have been undertaken during the plan period. Of these, the construction of the first phase of 2 industrial parks has been started and partly completed, as a result buildings which are ready for use have been rented to private investors and these investors have already started production. Parallel with industrial parks development, it is necessary to ensure the delivery of efficient and effective public services and support mechanisms. Appropriate incentives need to be provided as quickly as possible in a transparent and accountable manner. For domestic investors, support on effective management, technological and business process management need to be given through the respective specialized institutes established to support industrial development. To build the capacity of these institutes, the existing twinning arrangements need to be enhanced to a higher level. It is also indispensable to accelerate the industrial development by improving access to credit to the private sector.

Ethiopia has started implementing the Kaizen management philosophy since 2012/13 after recognizing its importance for industrial transformation. The pilot implementation of the Kaizen philosophy in export oriented manufacturing firms proved that it is possible to enable the products of these firms to meet international standards and be competitive in the global market by promptly eliminating their cumbersome and backward industrial culture. In the production processes of strategic products such as sugar and cement industries, significant and measurable quality and productivity improvements have been registered which are considered as signs of attitudinal changes. The implementation of the Kaizen management philosophy has also witnessed a promising result in the construction industry and human resource development sectors. Trainings programs have been conducted for about 32,950 managers and employees from 93 companies which have started implementing the kaizen philosophy. As a result, 3,590 kaizen development teams which are core to further initiate and sustain the productivity and quality improvements have been formed. Benchmarking is also another tool believed to have helped improve productivity, quality and competitiveness. Hence benchmarking has been experimented in some domestic firms based on lessons drawn from the experiences of various countries.

2.3. Trade

Given the fact that the trade sector is very much interlinked with all productive sectors of the economy, strategic directions were set and efforts have been put to establish transparent,

accessible and competitive trading system which could satisfy consumers, trading community and developmental investors within a stable and fair marketing system.

A uniform and harmonized trade registration and licensing system was established in order to render the trading system transparent and fair, put in place an organized national information system for the sector, protect consumers' rights as well as improve trade registration and licensing services. Based on this, competitiveness has been improved in the domestic trading market, while the Trade Competition and Consumers' Protection Authority has been established to regulate the system. In order to bring fundamental change in the sector, trade registration and licensing has been supported by modern information technology.

During the GTPI period, various activities have been undertaken to enable the country join the World Trade Organization. A number of evaluative studies to gauge the implications of joining the multilateral trading system are conducted, while several other documents are prepared as part of the accession process. Preparation of Initial Goods Offer is prepared and the Third Working Party Meeting has taken place. As part of promoting trade to accelerate economic growth and structural change, research works were undertaken to identify market opportunities and ensure effective use of existing market opportunities. Moreover, trade negotiations with selected market destinations, signing of trade agreements and organizing regional trade negotiations and conferences have also been carried out during the GTP I period.

During the last five years, 1899 primary markets have been organized and established throughout the country in order to render the marketing system modern, efficient, transparent and fair, and enable the determination of prices through competitive market forces (demand and supply). This is expected to fairly benefit producers by enabling them earn better prices for their products and there by speed up agricultural transformation. Activities related to establishing and starting electronics marketing system and modernizing the existing marketing system have been also undertaken during the plan period.

Despite these encouraging achievements of the sector, rent seeking behaviours, slow performance in supporting the trade registration and licensing system with technology, limitations in the use of market opportunities fully and effectively and underdeveloped market centres and poor infrastructure for market centres have remained constraining challenges of the sector. Besides, there were also short falls in bringing products under the modern marketing system, inability to continuously supply products at reasonable price and quality, inability to supply products at the right time and competitive price due to poorly developed logistics, weak market expansion and linkages in the country. These challenges need to be addressed in GTP II.

2.4. Mining

During GTPI period, the focus of the mineral sector was to create conducive environment for the sector's contribution to the country's overall economic development through strengthening the

generation and dissemination of basic geo-science and mineral exploration information for investment promotion and expansion, especially to the private sector. In line with this, basic geo-science mapping coverage (at scale of 1:250,000) increased from 34% in 2009/10 to 63% by 2014/15. Geological mapping coverage increased from 51% to 82.4% in the same period. Similarly, hydro-geological mapping as well as the geo-hazard study expanded from 42.0% and 9.6% to 79.0% and 29% in the same period, respectively. Delineation of potential areas of industrial and metallic minerals exploration and evaluation (at scale of 1:50,000), increased from 48 to 73 in the plan period.

Overall, during the five years of GTP I implementation, about USD 2.62 billion was generated from minerals exported by different companies and artisanal miners. Moreover, to increase production and productivity of artisanal miners, training on improved mining techniques, supply of modern equipment, training on environmental conservation and marketing have been provided. To economically empower artisanal miners including women, the government provided support in organizing operators into mining cooperatives, and micro and small enterprises. These actions have expanded the employment opportunities in the sector, and improved earnings of artisanal miners.

2.5. Construction

An efficient and effective construction industry can enhance national competitiveness and create enormous employment opportunities. During the GTP I period, the construction industry on average grew at 28.7% per annum, pushing its share in GDP to rise from 4% in 2009/10 to 8.5 % by 2014/15.

Moreover, measures were undertaken to build the capacity of the sector and to increase the contribution of the sector in the national economy. This includes the launching of the Ethiopian Construction Industry Development policy framework, the establishment and operationalization of the Ethiopian Construction Management Institute and the preparation and implementation of Construction Industry Strategic Reform program. It was also planned to increase the number of domestic contractors and consultants in the industry that are internationally competitive to 20 and 10 respectively by the end of the GTP I period. The accomplishment exceeded the target and by the end of 2014/15, and there are now 41 domestic construction contractors and 35 domestic construction consultants that are considered as internationally competitive.

During the plan period, low level of capacity and weak performance of contractors and consultants as well as the prevalence of rent seeking has been identified as the major challenges of the industry. These challenges have caused delays in implementation of construction projects and incur additional construction cost. Moreover, this has had negative bearings on the supply side of the economy through both consumption and exports. It also affects the competitiveness and the critical role of the sector on industrial and infrastructure development.

2.6. Urban Development and Housing

Urban areas are centres of economic development. The population of urban areas has been increasing from time to time and as a result, the demand for economic and social services has risen. Moreover, the demand for employment opportunity by the youths has increased.

During the plan period, a strategic framework document of the sector was prepared to ensure urban centres self-administration and full public participation in speeding up local development and to build urban developmental good governance system. Besides, extensive training was conducted on different urban development related topics/issues in partnership with different universities.

With regard to urban land management, policies and strategies have been prepared and issued by the government. Besides, by way of putting the revised lease proclamation into effect, it was planned to transfer 750 urban centres into the lease system. In terms of performance, 781 urban centres are now being governed by the lease system. In addition, Urban Cadastre Surveying Act and urban land tenure approval and registration rules and regulations were approved.

The development of small towns should be guided in accordance with urban plan to enable them utilize their limited land resources efficiently. Hence, it was planned to prepare urban plan/map for 750 small towns, but the achievement stood at 907. Out of this, 844 towns were supported and supervised to implement their respective plans. This helped to improve land development and administration system and there by mitigate rent seeking and utilize scarce land resources efficiently.

Moreover, the on-going housing development program in Addis Ababa targeted to build 150,000 housing units during the five years plan period. Accordingly, 174,190 housing units were constructed under different housing programs. The housing program has also registered impressive results in terms of job creation. In this regard, it was planned to create 200,000 job opportunities through the housing development and other related projects. But 845,900 jobs were created. In general, the overall performance of the housing program was encouraging especially in benefitting the low and middle income citizens as well as women. The program has been also playing an important role in distributing equitable wealth among the citizens.

Regarding urban infrastructure development program, on the basis of the role of urban centres for social and economic growth, more attention has been given to the expansion and development of integrated urban infrastructure, simultaneously to generate job opportunities and create small scale enterprises. In line with this, under urban infrastructure development project across regions, it was planned to construct 3738.3km cobble-stone road during the period. As a result, 3769.58 km cobble-stone roads were constructed. Moreover, it was also planned to construct 9 industrial zones but only 2 industrial zones were constructed. Solid waste management and Climate Resilient Green City Development strategic document that help to

guide and implement the clean and green city development through community mobilization was also prepared. Although, the achievement has been encouraging, the infrastructure sector in its nature requires strong implementation strategy, integrated system and huge finance. Therefore, it is vital to examine the challenges faced and improve the performance in GTP II.

Moreover, some of the challenges and limitations identified in the sector which called for further attentions in GTPII period are poor project management (planning, implementation, follow up and contract management, monitoring and evaluation), capacity limitation, lack of integration and finance, technology gap, shortage of power supply and service, rent seeking practice, and lack of good governance. Thus, since the political economy in urban centres and construction sector are dominated by rent seeking attitude and practices, it is crucial to keep up the on-going struggle against rent seeking behaviour.

III. Economic Infrastructure

One of the key features of the first Growth and Transformation Plan was the special focus given to infrastructure development. Large scale energy, transport and telecommunication infrastructure development programs were included in the plan. The plan also identified the envisaged challenges and possible measures to address them.

3.1. Road Infrastructure

During the GTP I period, the federal and regional road network has increased from 48,800 km in 2010 to 63,604 km (with a net increase of 14,804 km) in 2015. In addition to this, 46,810 km all-weather *woreda* roads have been constructed. As a result, the total road network of the country has more than doubled during the GTP I period reaching 110,414 km by the end of the plan period. As a result, the proportion of rural *kebeles* connected to all-weather roads increased from 39% in 2009/10 to 76% by 2014/15 and the average time required to reach the nearest all weather roads declined from 3.7 hours to 1.7 hours.

3.2. Railway Infrastructure

Railway infrastructure development has been one of the major departures in infrastructure development projects included in GTP I. Owing to financial limitations; priority has been given to the construction of the Addis Ababa-Djibouti railway project and the Addis Ababa City Light Rail Transit (LRT) project. By the end of the plan period, 89 percent of the total construction work of the Addis Ababa-Djibouti railway line was completed. The Addis Ababa Light Rail Transit (LRT) project, with a total length of 34 Km, is completed and has already become operational during the planning period. Besides, Preparatory works have already been completed for *Awash-Woldiya* and *Mekele-Woldiya-Hara Gebeya* corridors in which performance so far stood at 14 percent and 13 percent, respectively.

3.3. Telecommunication

Huge investment has been made so as to acquire the latest technology and expand the services in the telecom sector. As a result, accessibility and quality of telecommunication services have improved. With regard to accessibility, the number of customers of all kinds of telecom services increased from 7.7 million in 2009/10 to 39.8 million by 2014/15. During the same period, the number of mobile subscribers increased from 6.7 million in 2009/10 to 38.8 million by 2014/15. The share of rural *kebeles* with access to telecom services (within 5km radius) increased to 97% by 2014/15 from 62.1% in 2009/10. The other significant achievement in the telecom sector, during GTPI period, is the introduction of 3.75G and 4G internet networks with the capacity to provide services to 60 million customers.

3.4. Energy Infrastructure

In order to support the efforts to accelerate rapid and sustainable growth, it was planned to increase the power generating capacity of the country from 2000MW in 2009/10 to 8000MW by the end of the plan period. In terms of delivery, total electricity generating capacity reached 4,180MW by 2014/15 and the average performance of all power projects stood at 52%. The Grand Ethiopian Renaissance Dam (GERD) (6000 MW), Gilgel Gibe III HEPP (1870 MW) and wind power projects were the distinctive features of GTPI. *Fincha Amertinesh* hydroelectric power project, Ashegoda and Adama I wind power projects are some of the projects which have become operational during the GTPI period. Besides, among the on-going power projects, the GERD Project and Genale III (254 MW) have been completed 40% and 65%, respectively. On the other hand, problems of service delivery, delay in rehabilitation of old lines, lengthy institutional reforms are some of the problems observed in the power sector that deserve proper attention in GTPII.

During GTPI implementation period, the total length of power transmission line increased from 11,440 km in 2009/10 to 16,018 km (against the target of 17,000 KM) in 2014/15. The additional newly constructed transmission line was 4,578 km.

During the plan period, 40,929km power distribution lines were constructed (against the target of 132,000Km). Consequently, the total length of power distribution lines has increased from 126,038km in 2009/10 to 166,967 km by 2014/15. As a result, electricity service coverage increased from 41% in 2009/10 to 60% in 2014/15. In 2009/10, about 2.03 million customers accessed electricity service. This figure increased to 2.31 million in 2014/15.

During the GTP period, 8.875 million biomass stoves were distributed (against the target of 9.415 million), a total of 11,618 biogas plants have been constructed (against target of 26,000 biogas plants) and 2.032million solar technologies have been distributed (against target of 3.16 million).

With respect to biofuel land information, it was planned to identify 23 million hectares of land for Biofuel development. Thus, 16.6 million hectares of land is partly planted and being planted with biodiesel seeds such as *Jatrofa* and castor, etc. Regarding the construction of blending facilities at fuel stations and the supply of biofuel products, eight facilities were planned to be constructed and four facilities (50% of the plan) have been constructed. As a result, 77.38 million litres of ethanol was produced and earned 51.8million USD. About 41million USD has been saved through the production of 50.6 million litres of ethanol and blending it with Benzene.

3.5. Information and Communication Technology

Information and Communication Technology (ICT) can help to increase productivity, enhance competitiveness of the economy, access timely information to public, create job opportunity and

generate foreign exchange earnings. Accordingly, during the plan period, the major strategic directions were to enhance the information communication technology infrastructure and human development, utilize ICT in government administration, industry development and private sector development. ICT equipment producing industries have started to emerge in the economy, while a number of ICT service providing enterprises have already become operational in the ICT Park constructed in Addis Ababa. In the coming few years, these emerging enterprises are expected to create wide ranges of job opportunities and enhance the export mix of the country.

On the other hand, during GTP I period, 47 government offices benefited from the ICT services. To enable the community benefit from ICT services, 35 Centres have been established by Federal Offices. In addition, 19 community Radio Stations and 230 Public Information Desks have been established during the plan period. To improve access and quality of education and health services, 18 and 22 ICT-supported education and health services have been provided respectively. Thus, 125 informational electronic services and 152 transactional electronics services have been developed (against targets of 39 and 125 during the plan period). Likewise, wider application of e-government, e-commerce, e-learning, e-library, mobile banking and others have enabled to improve the quality and efficiency of public and private services.

3.6. Potable Water Supply and Irrigation Development

During the GTP I period, development and expansion of reliable water supplies to rural and urban areas were undertaken. According to GTP I standard, national potable water supply coverage recorded was 84%, with rural coverage being 82% and urban 91% in 2014/15 (GTP I standard: **rural 15 l/c/d within 1.5km radius, urban 20 l/c/d, within 0.5 km radius**). However, according GTP II standard (rural; **25 l/c/d within 1km radius, Urban: based on demand categories¹ of 100, 80, 60, 50 and 40 l/c/d from the highest to the lowest level, respectively**) the rural, urban and national level water supply coverage were estimated as 59%, 51% and 58% respectively.

Over the last five years (2010/11-2014/15), it was planned to undertake feasibility studies and design works on 746,335 hectares of large and medium scale irrigation schemes. Achievements stood at 857,933 ha, which exceeded the planned target by about 15 percent. During the same period, construction works on 658,340 ha of irrigation schemes was planned but only 283,408 hectares was developed. Given the country's irrigation potential and the urgent need for reducing dependence on rain fed agricultural development systems, efforts need to be made to expand irrigation during the period of GTP II and beyond.

¹ Based on the size of population the ranking of the towns are; **Level-I**, greater than 1,000,000; **Level-II**, 100,000-1,000,000; **Level-III**, 50,000-100,000; **Level-IV**, 20,000-50,000 and **Level-V**, less than 20,000 populations.

On the other hand, the county's hydrology stations' coverage has increased from 85% to 89.5% during the plan period. It was also planned to increase 1,135 Meteorological Stations to 1,200 as well as satellite receiving stations from two to eleven and in both cases the targets have been met (100%). Similarly, Automatic Weather Stations System (AWS) increased from 37 to 140. In order to deliver quality Aeronautical Meteorology Services to the aviation industry, the number of aeronautical meteorology stations has been raised from 2 to 6 both at international and domestic airports.

3.7. Transport

The Government has been allocating huge investment to expand transport infrastructure and transport service delivery. Transport infrastructure contributes to accelerating growth and transformation by enhancing the efficient use of transport infrastructure, by reducing transportation cost and thereby improving competitiveness. To this end, the major strategic directions pursued in GTP I include enhancing the capacity of management and human resource in the transport sub-sector and rendering the transport system efficient. Accordingly, during GTP I period, total distance covered by buses increased from 70,000 Km in 2009/10 to 101,983 Km by 2014/15. The number of passengers transported increased from 148.1 million to 394 million. The number of deaths (due to car accident) per 10,000 vehicles decreased from 70 deaths per 10,000 to 60 during the same period. Although the volume of transport services has increased significantly, more needs to be done to improve quality of services and safety by strengthening modern transport and traffic management information system and conducting studies related to traffic accident during the period of GTP II.

With regard to sea and Maritime services, the share of merchandize cargo imports and exports capacity of Mojo and Samara dry ports increased from 12 percent in 2009/10 to 85 percent by 2014/15. Overall, cargo import transported through multimodal transport system has increased from 2 percent in 2009/10 to 35 percent by 2014/15. To strengthen dry ports services, additional dry ports have been constructed. One of the major accomplishments that deserve mention here is the purchase of cargo ships which enhanced the capacity of the maritime transport services.

With regard to air transport service, the Ethiopian Airlines (EAL) has been delivering an exemplary performance to other public enterprises and more so at both national and continental levels. During the GTPI period, the EA has purchased additional airplanes and it has become owner of Dreamliner airplanes which makes Ethiopia the first country in the continent of Africa to own a dream liner. It has also increased the number of domestic and international flight destinations. These have enabled the Ethiopian Airlines to satisfy the needs of clients, to enhance service export earnings and to make the service balance of Ethiopia's current account positive.

The passenger's seat provision, which stood at 15 billion in 2009/10 will increased to 32 billion seats by 2014/15. During the same period, the number of international passengers' flight

destinations increased from 58 to 90 and the number of domestic flight destinations increased from 16 to 19. The Universal Safety Security Audit Compliance level of the International Civil Aviation Organization has shown a marginal decline from 70 percent in 2009/10 to 68.7 percent by 2014/15. The number of accidents per 10,000 flights declined from 30 in 2009/10 to 5 by 2014/15.

Overall, during the GTP I period, concerted efforts have been devoted to infrastructure development with the aim of improving delivery of infrastructure services to citizens, making the economy more competitive and creating favourable conditions for sustaining our future development endeavours. Attempts have been made to reduce the envisaged and potential challenges and their down side effects. However, owing to limited capacity to address the challenges, the achievements made in the plan period were limited. As a result, service delivery, particularly in the area of electricity and telecom services were not met as expected. Despite efforts made in the transport sub-sector, owing to limited capacity in terms of finance and project management, there has been short falls in satisfying demands for a wide range of services.

Thus, huge efforts need to be made to address the major challenges facing the sector. Firstly, increase savings, export and domestic productive and construction capacity to fulfil the finance required for infrastructure programs. The other challenge in the sector is limited capacity in project planning and management (including in pre-construction and plan preparation), study and design, procurement and contract administration, monitoring and control, contractual and consultancy capacity, etc. Although, there has been significant progress made in increasing domestic capacity in this area, there is still a big gap compared to the required capacity. Thus, it calls for significantly enhancing project implementation capacity, design capacity building program and implementing the same effectively.

The other important area is the capacity of enterprises in administering huge infrastructure projects. Despite efforts made to enhance the capacity of these enterprises, owing to on-going restructuring in the institutions and limited building capacity of the telecom and electricity enterprises, the service needs of the people in terms of quality, accessibility and reliability has not been met. It is, therefore, necessary to strengthen the institutional capability of these public enterprises to enable them become competitive in terms of price, quality and coverage as well as to enable them administer infrastructure development effectively.

IV. Social sector development

4.1. Education

The goal of the educational sector plan was to raise the quality of education and consolidate the expansion of the education service coverage. As a result of the concerted efforts of the public and the government, pre-primary education enrolment rate has increased from 4.8 percent in 2009/10 to 39 percent by 2014/15, while the primary education net enrolment rate (NER) has increased from 82.9 percent to 96.9 percent during the same period. Primary school parity index between female and male has reached 0.93:1 by the end of the first growth and transformation plan period. Similarly, it was planned to increase the gross enrolment rate (GER) of secondary education first cycle (grade 9-10) from 39.7 percent in 2009/10 to 62 percent by 2014/15. However, the achievement was only 40.5 percent. Hence, to enhance the coverage of general secondary education, additional secondary schools need to be constructed, while also making concerted efforts to improve the completion rate of primary education and thereby also of the student population promoted to join secondary education. Significant progress has been achieved in the preparatory secondary education (grade 11-12) during the period under review. Accordingly, the gross enrolment rate (GER) has increased from 6 percent in 2009/10 to 11.2 percent by 2014/15. The primary education special need gross enrolment rate (GER) has increased from 2.1 percent in 2009/10 to 4.4 percent by 2014/15. Similarly, the gross enrolment rate of functional adult education has increased from 36 percent in 2009/10 to 74.4 percent by 2014/15.

To improve the quality of education, a host of activities have been carried out on teacher's development program, curriculum improvement, school improvement and expansion and improvement of information and communication technology. As a result, the share of qualified teachers of primary education (grade 1-8) has increased from 38.4 percent in 2009/10 to 71.37 percent by 2014/15 and the share of qualified teachers of secondary education has increased from 77.4 percent in 2009/10 to 87.3 percent during the same period. On the other hand, primary education (1-8) completion rate has increased from 47.8 percent in 2009/10 to 52.18 percent by 2014/15. However, there has been a critical problem in reducing repetition and dropout rates. Therefore, factors behind these generally high student dropout and repetition rates have to be investigated and addressed during the second growth and transformation plan period.

To expand the coverage of TVET and higher education, during GTP I period extensive work has been undertaken. As a result, the intake rate of TVET capacity has increased. In addition, professional competence assessment has been conducted extensively and 632 occupational standards were classified. However, quality and relevance of the TVET system are still crucial issues that call for concerted efforts to bring basic improvement during the GTP II period. In addition, efforts should be made to resolve the flawed perception towards TVET and address the rent-seeking problems in the sub-sector.

During the GTP I period, huge public resources have been allocated to expand higher education. Accordingly, undergraduate enrolment in regular programs in both public and private higher education institutions has increased from 207,179 (public 190,043, private 17,136) in 2009/10 to 418,738 (public 375, 416; private 43,323) by 2014/15. In the same period, the overall undergraduate enrolment in all programs (regular, evening, summer and distance) of higher education institutions has increased from 420,387 to 755, 244. Enrolment in postgraduate program (both public and private institutions) has increased from 14,272 in 2009/10 to 33,915 by 2014/15. The share of female students in undergraduate program has increased from 29 percent in 2009/10 to 32 percent by 2014/15 while the share of female students in the postgraduate program reached 19 percent by the end of 2014/15.

To enhance the relevance of higher education to the needs of the country, 70 percent of undergraduate students were enrolled in Science and Technology program and 40 percent of them were enrolled in engineering and technology program. This is well in line with the policy objective of the government. However, to improve quality of education farther, the on-going higher education quality improvement program needs to be fully implemented. In addition, to link the higher education and training systems with development activities to keep up with technology development, the momentum to strengthen existing linkage of university with industries need to be continued.

4.2. Health

Remarkable results have been achieved in health sector during the GTP I period. Ethiopia has become exemplary in meeting the MDGs ahead of time in the health sector. Health posts and health centres were constructed in accordance to the national standard in all areas in order to make essential health services accessible to all citizens. Based on this, 38,000 health extension workers have been deployed all over the country. Mid-level and highly qualified health professionals have been trained and deployed across the country. Accordingly, primary health care service coverage has increased to 98 percent by 2014/15. To translate these investments in health infrastructure and health personnel into better health outcomes, extensive community mobilization and engagement was unleashed to ensure community ownership of the health system. Similarly, Contraceptive Prevalence Rate (CPR) has increased from 15 percent in 2009/10 to 42 percent by 2014/15 and deliveries attended by skilled health personnel has increased from 16.8 percent in 2009/10 to 60.7 percent by 2014/15. Similarly postnatal care coverage has increased from 36.3 percent in 2009/10 to 90 percent by 2014/15. Regarding improvement of maternal and child health, under five mortality rate has decreased from 204/1000 in 1989/90 to 64/1000 by 2014/15, while maternal mortality ratio has decreased from 1400/100000 in 1989/90 to 420/100000 by 2014/15. These achievements have been the result of community engagement and particularly the participation of women groups, health improvement, disease prevention, primary treatment, and socio-economic changes. Regarding to development

of curative health infrastructures and expansion of services, hospitals were constructed, and various reforms have been underway to improve the hospital service delivery.

Not with standing Ethiopia`s achievement of the MDGs, maternal and child mortality rates are still high. Thus, during the GTP II period, the on-going efforts need to be continued with an increased momentum to further improve on the progress made so far. Concerted and coordinated effort should be exerted to improve the quality of primary health care delivery and hospital treatment services. In this regard, it is necessary to expand health infrastructure, develop human resource, improve health institutions, leadership capacity and working system, to strengthen pharmaceutical supply and logistics management, and to build community engagement and ownership. Finally, it is planned to develop sustainable financing system. In order to realize this, the health insurance policy already enacted by the government should be implemented. Although the health insurance proclamation has been approved and the responsible institution established, the social health insurance system could not be effected during the GTP I period. Thus, it is important to give special attention for the implementation of the social health insurance system and for the improvement of quality health service delivery during the period of GTP II.

V. Capacity Building and Good Governance

5.1. Implementation Capacity Building

During GTP I period, measures that helped strengthen the efficiency and effectiveness of public institution and ensure good governance had been undertaken with encouraging positive outcomes. The key guiding principle of capacity building activities were: ensuring developmental political economy and achieving the development and good governance outcomes of GTP I. Accordingly, capacity building activities were undertaken in order to enhance the implementing capacity of political leadership, civil service and the justice sector. Extensive training programs were undertaken to build the capacity of the political leadership working at different levels of responsibilities. A series of long term and short term capacity building training programs on government policies and strategies as well as on technical courses were undertaken in order to build the capacity of middle level management as well as the staff of civil service and the justice sector.

During the GTP I period, as part of strengthening the implementation capacity of the civil service and justice sector, 3,955 (2,890 males and 1065 females) in BA degree, 4,885 (4,171 males and 714 females) in MA degree, and 24 civil servants in PhD degree were trained and graduated from the Ethiopian Civil Service University. In addition, more than 800 professionals graduated with master's degrees in urban planning, tax administration, federalism, leadership and good governance and were deployed to strengthen some key civil service institutions. Similarly, in order to build the capacity of the federal, regional and local level parliamentarians in all regional states, *woredas* and municipal management bodies; a series of training programs were conducted to enhance the overall competence, knowledge and skills of councillors. In addition, in order to strengthen the civil services' organizational structure with young professionals, new university graduates were recruited and short induction trainings were conducted for those professionals. Although these series of capacity building programs brought about remarkable improvements in implementation capacity of the civil service and justice sector, the past performance indicates that further efforts are needed to ensure the supremacy of the developmental political economy and achieving the planned development and good governance targets.

Ownership of the developmental and good governance agenda ultimately rests with the citizens of Ethiopia. The determining actors and forces of executing the GTP are also the citizens. Hence in addition to building the implementation capacity of the government sector, extensive capacity building programs of the public at large were conducted during the plan period. Accordingly, wide ranging public consultations were conducted continuously throughout the planning period on themes related to the country's long and medium-term vision, government policies and strategies, and other agendas with the objective of nurturing and consolidating motivation and commitment among all section of the public for long-term development and transformation of

the country. Hence various capacity building programs aimed at strengthening all rounded capacity of farmers/pastoralists, private sectors, and other community groups were conducted. Several training programs were designed and implemented in order to improve skill, efficiency and leadership capacity of farmers/pastoralists, micro and small scale enterprise operators and the private sector at large. As a result, qualitative shifts are being observed in improved motivation and commitment for long-term development among the different actors of the public. Not only has the self-awareness of the public on the significance of commitment for the long-term vision of the country improved, but the wider public has also started to oppose and challenge backward attitudes and practices like rent seeking that undermine the country's long-term development and democratization ambition. The success of the country thus far and the continuous public engagements taking place in the country have improved citizens' aspirations, confidence and self-reliance for ensuring national development and prosperity as well as improving their individual welfare. Trust around the strategies and vision as well as on the rules and regulations of the country is being solidified as can be observed from the increased and more active participation of citizens in various economic and political spheres. This gain in the capacity of the public at large should be consolidated further in order to unleash the transformative potential of the social capital. However, it is recognised that rent-seeking and weak social capital still remain key challenges in ensuring accelerated development and deepening good governance and democratization. Building on the achievements during GTP I implementation, utmost emphasis will be given to address gaps in this regard to enhance developmental and good governance outcomes during GTP II period.

Besides, on-going activities such as improving the organizational structure and working system of government institutions and increasing change communication were carried out during GTP I period. Efforts have been made to improve the reorganizational and institutional working systems as they were considered important to ensure effectiveness, transparency and accountability within the working system of the government.

Based on the aforementioned measures taken, an effective system has been put in place that fostered an active and organized participation of the public in development and public service delivery all the way from planning to implementation and monitoring of progress. The organized participation of the public in rural communities in all dimensions has reached at an advanced stage. There has been a good start in urban communities for effective participation based on lessons drawn from rural communities. Hence, in GTP II, focus will be made to further enhance the achievements in public participation in rural areas and is expected to strengthen public participation in urban areas.

Overall, during GTP I period, capacity improvements both in the government and the public at large have been witnessed across all development dimensions. The achievements registered in economic and social development during the last five years indicates the extent to which the capacity of the government and the public has improved. Despite these achievements, additional

efforts need to be waged to further strengthen and deepen implementation capacity at all levels. Clearly, the execution of GTP II requires even more vigorous implementation capacity of the government and the public at large. Hence, during GTP II period, the objective should be to build an implementation capacity that ensures a political economy that is conducive for long-term development and transformation, productive investments and deepening of sustainable governance and democratizations systems. In other words, the institutional capacity should be able to address the rent-seeking political economy and ensure the hegemony of a developmental political economy essential for ensuring sustainable development, good governance democratic system. Thus, emphasis should be given in GTP II that the political leadership and the civil servant strive in an integrated manner with the public to bring about fundamental change in implementation capacity and ensuring good governance.

5.2. Good Governance

During GTP I period, it was planned to bring about a significant shift in good governance just like in socioeconomic development. It is understood that the first and foremost principle of good governance is ensuring public participation. In order to foster an effective implementation of the development and good governance agenda sustainably and thereby ensure an equitable benefit of the public from the resultant outcomes, concerted efforts were made to promote direct participation of the public in an organised manner in the development and governance processes. The organized public mobilization in the development and governance processes has played a significant role in tackling rent seeking, creating conducive environment for economic and social development and enhancing transparency, accountability and fairness in the delivery of public services. To strengthen direct public participation further in the development and good governance processes in a sustainable manner, a system has been established whereby communities, mass-based organization and professional associations are regularly engaged in the decision making processes at all levels.

A public participation strategy was developed and put in place in order to strengthen public engagement where government offices are required to regularly hold consultative forums with the public in decision making, development and governance planning, implementation and monitoring of progresses. Every government office is now required to identify and engage sustainably relevant community groups, civic society organizations or the private sector (*public wing*) before it makes any major decisions. A series of awareness creation and capacity building forums were conducted at federal and regional level to enhance the participation of the public in the planning and implementation process through identifying the public wings in federal and regional government institutions. The working system to strengthen the capacity of the public wing so as to ensure their effective participation in the planning and implementation process was designed and implemented. All government offices are now also required to establish sustainable platforms for public engagement with encouraging results in several fields. As a result of a more effective direct participation of rural communities in their local affairs, public ownership of the

development and governance processes is of a higher standard in rural areas. , In contrast, although the participation strategy was designed and implemented in urban communities too, the progress still leaves much to be desired. Even in rural communities, the progress achieved has to be taken to the next level as there are still serious governance challenges in rural land administration, justice system and other administrative aspects. The problem of governance is still widespread including in rural community groups where grass root public mobilization is relatively well established. Malpractices and governance problems are still prevalent in land use and administration, justice service, and public service deliveries in government institutions. Thus public mobilization for effective, higher quality and sustainable community participation will continue to be central to the upcoming strategy of the country – GTP II.

In addition, during the plan period, due attention was given to further strengthen the developmental political economy aimed at dismantling rent-seeking political economy. First and foremost the sectors that are highly vulnerable to rent-seeking practices are identified as customs and tax administration system, land management system, government finance and procurement system, trading system, and key infrastructure service provisions. Then strategies to ensure transparency and accountability, rule of law, as well efficiency and effectiveness in these fields were designed. These strategies were then deployed to shape the political economy in such a way that it supports the developmental and democratization vision of the country.

In order to improve the governance of tax and customs administration, measures that strengthen the tax information system were taken, while massive awareness creation, public education on taxation and community engagement were also undertaken. Investments and reforms that build the institutional capacity of the tax and customs authorities at all levels were implemented. In line with this, in order to address rent seeking and corruption in the tax system, measures were taken including filing court cases for investigation on higher officials, business men and their collaborators for their involvement in tax evasion, fraud and contraband trade. The decisive step that was taken in 2012/13 in particular taking higher tax officials and other collaborators to the court clearly demonstrates the commitment of the government in fighting corruption, including against its corrupt officials and bureaucrats. However, rent-seeking and governance problems still continue to be recurring challenges in customs and tax administration.

In order to deal with rent-seeking and ensure good governance, the legal framework to implement transparent and accountable as well as modern land administration information system (cadastre) was prepared. Executing bodies were organized to support the implementation of the system. Training and capacity building programs were designed and conducted for land management professionals. As a result, the cadastral land administration system under establishment in some towns including in Addis Ababa. In addition, particularly in Addis Ababa city Administration and other towns, effective actions were taken to mitigate illegal land grabbing. In line with the urban land administration reform (in 86 towns), 95 percent of the 357,744 residential plots of land without legal certificate were legally registered and given title

deeds. Although such measures helped to decrease the rent-seeking and bad governance practices in urban land administrations, owing to various limitations during implementation of the cadastre system, urban land administration remains vulnerable to rent-seeking and malpractices.

Clear strategies were likewise taken to improve the governance of government financial system, government budget, public procurement and contract administration during GTP I. Hence, creating efficient, effective, transparent and accountable government financial system was among the strategic directions pursued during the plan period. Various reform programs of system development and human resource capacity building were designed and implemented in the areas of auditing, government accounting, program budgeting, public procurement and property administration and IFMIS. Extensive training on the basic of public financial management and its policy and governance implications were given to both the political leadership and civil servants. Performance-based program budgeting was designed and fully adopted in the federal government since 2011/12.

A centralised procurement agency called the Public Procurement and Property Disposal Service was established at federal level so as to undertake the procurement of strategic items and common user items for public bodies. Such an approach is meant to improve the governance of public procurement, ensure economy, efficiency, effectiveness, transparency and accountability of public procurement. It helps to prevent corruption and malpractices, and rapidly take rectifying measures when irregularities arise in the procurement processes. To create awareness among the public on the amount and priority of government budget allocations, strengthen public participation in execution of the budget, and enhance transparency and accountability in public financial management and the delivery of basic services, financial transparency and accountability (FTA) program was designed and implemented throughout the country. Accordingly, a series of awareness creation and public education on public financial management programs were conducted. *Wereda* budgets and the standards of public services were posted on public notice boards and disclosed using different communication mediums. Different kinds of transparency and accountability directives, manuals and templates were prepared and distributed. In addition, social accountability program (ESAP 2) was implemented in various *Weredas* with the objective of actively engaging communities in the governance of the delivery of basic public services. These have helped strengthen community engagement and thereby contributed to better governance of public finance and expenditure as well as the delivery of essential public services.

However, it is recognised that the governance of public finance and procurement systems has to be strengthened further in light of the significance of the public sector in the economy. Several government procurements still lack quality and timely deliveries. Public project management and contract administration systems are still posing daunting challenges to our development ambition and efforts. It is recognised that leadership commitment is central in improving transparency and accountability and hence also in combating malpractices in public financial management, public

procurement, government project management and contract administration. Equally important in transforming the governance of public financial management system is an organised and active engagement of communities at all levels. Hence further deepening the on-going public participation programs coupled with the necessary reform measures will be given due attention in the upcoming development strategy.

The justice system plays a crucial role not only in fostering good governance, but also for deepening the democratization process. Cognisant of this, various programs were designed and implemented specially with regards to the establishment of coordinated system in combating crimes at all levels and improving society's confidence in the justice system. These reforms aimed at enhancing the effectiveness of the justice sector and enabling the major actors of justice sector conduct transparent, efficient and reliable services. As the justice sector is one of the vulnerable sectors to malpractices and bad governance, the justice sector reform program was designed and implemented. The justice system reform program included building the capacity of the human resource of the justice sector by hiring well trained professionals with the objective strengthening the effort to ensure good governance. In order to ensure human rights as it is enshrined in the constitution, a national human rights action plan was developed and implemented. Moreover, the criminal justice administration system has been revised. These reforms in the justice sector have delivered concrete outcomes during the plan period. One of the outcomes concerns the improvement in the accessibility and efficiency of the justice service delivery system during the GTP I period. In order to ensure the supremacy of the law and justice, a series of justice and legal research works and amendments have been made in harmonized manner with the constitution. Specifically the consistency of policy and legal drafts with constitutional provisions were systematically checked so as to ensure justice and rule of law in the country. In accordance with the constitution, significant progress has been made in protecting the autonomy and independence of the judiciary particularly from the executive, while at the same time ascertaining their accountability according to the constitution.

Although there have been encouraging achievements in the justice sector, further work is required to improve governance in the sector. A key factor is related to the challenges associated with mind-set, technical competency and professional discipline of the personnel in the sector. Because of corruption and malpractices, the justice system sometimes becomes unable to guarantee the supremacy of law, fairness and correct judgment in accordance with the law. In addition to expanding justice service deliveries, the coordination of the various justice service delivering institutions at lower levels of administrative tiers need to be strengthened. In spite of the marked progress made in terms of improving access, efficiency and effectiveness of justice, still access to the justice system has to be taken even closer to the communities at the lower administrative tiers using different mechanisms. Thus, during GTP II, due attention will be given to improving access to efficient, effective, transparent and accountable justice services and supremacy of law by strengthening the implementation of the justice system reform programs and justice sector capacity building programs.

Despite the well-structured public participation mechanisms and reform tools, challenges persisted during the implementation of the civil service reform programs to ensure efficient, effective and transparent government service delivery system. Lessons have been drawn from these challenges. Thus, in order to achieve tangible progress in good governance, during GTP II period, it is important to implement the public mobilization and engagement strategy (change army building strategy) and the civil service reform tools more effectively. It is also important to bring about a marked shift in attitudes or mind-sets and skills of the leadership and middle level civil servants that matches the ambitions stated in the vision and the GTP of the country. A performance based accountability mechanism should be put in place also for the leadership and the civil service system in general. The on-going civil service and justice sector reforms coupled with an organized citizens' participation in all government sectors is considered to be an effective strategy to deal with rent-seeking and bad governance.

Moreover, efforts have been made to combat corruption through strengthening the institutional capacity of the Ethics and Anti-corruption Commission. Several capacity building activities including enhancing the attitudes of the staffs of the Commission were undertaken. Continuous awareness creation and training programs have been conducted for various community groups to ensure zero tolerance to corruption and corrupt practices among the citizens. During GTP I period, registration of the assets of government officials was carried out. During the same period, efforts were made to combat malpractices and corruption through conducting assessment studies particularly in government institutions, government enterprises and other institutions that are carrying out government procurement, land administration, tax and revenue collection and justice administration. Implementation monitoring and evaluation activities were conducted on those sectors for which the assessment study was undertaken. Training on ethics and anti-corruption was conducted for millions of citizens from various community groups to enhance their awareness for zero tolerance to corruption and thereby play their respective roles in fighting corruption and malpractices. Awareness creation education on ethics and corruption was delivered to the public using different communication mediums. In addition, a series of legal measures were taken on individuals who breached laws and regulations including filing corruption charges on business men, Revenue and Customs Authority higher officials and their collaborators. In order to sustaining the progress in combating corruption and malpractices thus far, focus will be given to further strengthen the capacity of the Ethics and Anti-Corruption Commission and create conducive environment for the participation of the public in building ethical society that rejects and combats corruption.

VI. Building the Democratic System

Building the democratic system is equally important as advancing the development agenda of the country. Accordingly, in order to further strengthen building the democratic system during the implementation of GTP I, various activities have been carried out including strengthening public participation, multi-party system, national consensus and enhancing capacity of the media. In line with this, the following major activities have been undertaken during the period of GTP I.

6.1. Strengthening Public Participation

In addition to direct public participation, indirect public participation through election of representatives is crucial for building a democratic system. The overall capacity of the resultant councils of representatives has to be continuously enhanced in order for them to play their effective role in deepening the democratization process. Accordingly, various capacity building programs were carried out to enhance the capacity of local, regional and federal level councils. In 2013 and in 2015, the country had conducted successful local, and national and regional elections, respectively. Based on the outcomes of the elections, the houses of people's representatives or councils established at various levels were. In line with the mandates and missions of the councils, the capacity of the House of Peoples Representatives (HoPR) in public policy making and overseeing the executive bodies has been strengthened from time to time. The council has been building its capacity in order to harmonize the legislation taking the country's context and development stage into consideration to ensure that oversight of the executive bodies should be implemented based on principles, commitment and in a balanced approach. Similarly, in order to achieve their missions, the *zonal*, *woreda*, and *kebele* councils have been engaged in building their capacity and implementation performances have improved. In order to build the capacity of local and *woreda* councils across all regions, a capacity building training programs have been conducted for *Woreda* and municipal leaderships to change their attitude, and enhance knowledge and skills. Thus, based on the achievements witnessed to further enhance implementation capacity of the councils, due emphasis will be given in the GTP II.

Strengthening the capacity of institutions accountable to the House of Peoples Representatives (HoPR), i.e.; the Institute of the Ombudsman, the Human Rights Commission and Office of the Auditor General play an important role in strengthening the democratic system. There have been improvements that these institutions contributed towards the realization of their missions as per the constitution, such as follow-up and curb maladministration against the citizens, investigate the human rights abuses, audit the government budget and report to the HoPR, and give recommendations for rectification. Hence, these democratic institutions need to be further strengthened to play their role in strengthening the democratic system and enhance their credibility.

As the public are the key player in building the developmental democratic system, direct organized participation of the public was promoted widely during the period of GTP I. Direct

participation of the public plays a vital role in achieving rapid development and good governance and ensuring equitable distribution of resultant benefits to citizens. Moreover, conducive environment has been laid down to enhance the participation of the different community groups, professional and civic associations. Due attentions has been given in particular to enhance the participation of women and youth associations, professional associations and the private sectors and strengthen their management, working system and leadership. A series of capacity building and monitoring activities were carried out to support the charities to enable them contribute their part in the country's development and by operating their activities in the country according to the charities and societies law. In GTP II the promotion of direct organized participation of the public will be given due attention to further strengthen the democratic system.

6.2. Building and Enhancing National Consensus

GTP I envisaged the promotion of national consensus around fundamental national agendas in order to deepen the democratisation process and accelerate the realization of Ethiopia's vision of Renaissance. As a result national consensus has been solidified around many fundamental national agendas. It is understood now that strong national consensus has been established around the key provisions of the constitution, the significance of the fight against poverty and accelerating broad-based development, ensuring sustainable peace, respecting diversity, positive image building and expansion of social and infrastructure development. Clearly, consensus around these fundamental issues will contribute for sustainable and stable democratic system. The gains in building a national consensus will further be consolidated..

6.3. Strengthening Multi Party Democratic System

During the GTP I period, clear strategies were laid out for further strengthening the multi-party democratic system. The first strategic direction was aimed at creating a conducive environment for multi-party democratic system. . The national consensus built on major national agendas had contributed positively for strengthening multiparty democratic system. The constitutional rights for assembly have guaranteed conducive environment for strengthened participation of mass-based civic organizations and professional associations. The proliferation of such civic associations during the GTP I period have served as learning platforms for political activism, which in turn is thought to have positively contributed to enhancing the multi-party democratic system of the country. The government has also provided capacity building supports and platforms for their participation in the political and economic processes of the country. Such capacity building supports were essential for the civic organizations to enable them carry out their duties in strengthening the multi-party democratic system. Legal system has been put in place that enables democratic participation of all legal political parties in the political system. As a result, there were about 70 legally registered political parties in the country at the end of GTP I period. The government had conducted all round discussions with the opposition political parties on key issues of national significance. The government has carried out its responsibilities ensuring free, fair and democratic elections conducted during the GTPI period. The successful

conduct of the 2015 national election is a testimony to this. Emphasis will be given in GTP II to sustain the positive result in strengthening the multi-party democratic system.

6.4. Media

The media is another institution that plays a vital role to further strengthen the democratic system. Hence, it was planned to strengthen the capacity of the media, expand its accessibility and ensure the rights of citizens for access to reliable source of information for the public. Thus, during the plan period, the media sector has been strengthened as a result of the activities carried out to build the capacity of the media through staffing with professionals, supported with technologies and legal frameworks, and improving its organizational structure and working system. The media has been carrying out its duties and responsibilities in broadcasting timely and reliable information to the public. The media has also played a positive role in deepening the national consensus on major agendas of national significance. It also played its vital role during the 2015 election through creating awareness among the public about the agendas of competing political parties and providing media access to political parties in accordance to the election law. Besides, the media played a significant role in the image building of the country.

Although the media contributed its part for improved national consensus, strengthening democratic system and image building as a whole, there are still capacity gaps in its accessibility, modernization and competence. Hence, due emphasis need to be given to strengthen the capacity of the media and communication to play their vital roles for building and strengthening the democratic system.

VII. Cross Cutting Sectors

7.1. Women, Children and Youth

The main strategies in GTP I with regard to women and youth were strengthening women and youth associations and organizations, increasing their participation and equity in the development and good governance processes, as well as ensuring coordination among these women and youth associations and other actors in the development and political processes of the country. Based on this, the mainstreaming of women and youth agendas in all sectors was to be closely monitored with consequent accountability. Accordingly, during the last five years, women and youth organizations at all levels have witnessed growth in terms of expanded membership, strengthened organizational capacity and leadership. The last five years have also seen the strengthening of the participation of women and youth in the country's economic development and political affairs.

However, the capacity of these organizations has not yet reached the desired level in terms of membership, as well as organizational and leadership capability. Besides, differences have been observed on the strength and participation of women and youth organizations from place to place and sector to sector. For instance the organized participation of women and youth groups at grassroots level in rural areas is more visible, which enabled these sections of the community to play a leading role for instance in promoting participatory agricultural development and equity in their villages. The significance of participation of women groups in promoting maternal and child health, enhancing the quality and equity of primary health care delivery, as well as strengthening accountability in the health sector is now a widely documented experience throughout the country. There are also extensive good practices concerning the active participation of women and youth organizations in urban areas in job creation, business promotion and other urban programs. These successful practices of effective participation of women and youth need to be scaled up throughout the country and to all sectors. Women and youth account for the dominant majority of the entire population in Ethiopia. Hence their participation and influence has to be more visible and commensurate with their size. In light of this, women and youth have to consolidate their organizations to play their due share and thereby also protect their interests. They are expected to play a more influential role in the country's development and political process going forward.

During GTP I period, efforts were made to coordinate the mobilization of women and youth organizations with the development and governance programs of governmental bodies. This was first and foremost accomplished by effectively mainstreaming women and youth agendas in the national development and governance strategy of the country – the GTP I. Regional and local governments have also followed suit in mainstreaming women and youth issues in their development plans. The progress made in mainstreaming women and youth agendas in all socioeconomic sectors has therefore been very encouraging. However, this coordination in

planning and strategizing needed to be matched by a similar degree of coordination in implementation and monitoring stages. Going forward therefore effective coordination of all actors should be established in transparently monitoring implementation and ensuring accountability for failing on ones responsibilities.

In GTP I, bold measures were undertaken to ensure equity in the distribution of economic and social gains to women and youth across all sectors. In this section, only the performances of the major sectors are presented. With regard to increasing women's economic benefits, 8.6 million women were organized to engage and benefit from agriculture and non-agricultural activities. A total of 11.11 million women (2 million female headed households and 9.11million women in both households) have been given land use right certificates. In addition, 3.4 million women benefited from access to alternative energy and other different relevant technologies, which reduced their work load. Owing to an increase in the participation of women in the industry sector, women unemployment has declined and income has improved for many women during the plan period. With regard to micro and small business development sectors, 1.13 million women were organized and benefited from trade and related activities, 2.2 million women in small and micro enterprises and 1.8 million women from self-help associations. During GTP I, 6.62 million women and 80,148 women organizations benefited from access to better credit and saving services. Overall, women accessed about 2 billion birr in loans to carry out different business activities and saved 2.82 billion birr owing to the favourable conditions created to enhance their saving culture.

Likewise, wide ranges of activities have been undertaken to improve equity in social services to women during the plan period. Measures to address obstacles that hindered girls' participation in education were undertaken, while different programs were implemented to support female students to strengthen their participation in education. As a result, women's participation in education at all levels has shown remarkable progress, leading to substantial narrowing down of gender disparity including in higher education. To eradicate harmful traditional practices and physical violence against women, a strategy on prevention and eradication of harmful traditional practices has been implemented. By undertaking activities that enhance awareness and attitudinal and behavioural changes in the society, increasing women's participation in education and by strengthening the enforcement of the relevant laws, incidences of female circumcision, abduction, and early marriage have been reduced significantly.

Although the aforementioned activities were undertaken to ensure economic and social benefits of women during the past five years, there are still challenges that called for redoubling of efforts during the GTP II period. Access and quality of agricultural extension service provided to women needs to be further improved to transform the lives of rural women. Limited supply of farming and agricultural processing technologies that minimize women's work load, infringement of land use right of some female headed households in some areas, and inadequate supply of credit service especially for poor women are also challenges observed during GTP I

and hence require due attention going forward. In addition, school drop out of female students, unsatisfactory academic performances of some female students at higher educational institutions, unconducive environment of learning institutions to female students, and prevalence of harmful traditional practices such as early marriage, circumcision, violence against women, etc. are issues that deserve attention during the next plan period. Thus, it is planned to raise good performances achieved so far to a higher level and to fully address the observed bottlenecks during the GTP II period.

Women's participation in leadership was also promoted during GTP I. The proportion of women with parliament seat, in judiciary and political leadership and executive body at federal level reached 27.8 percent, 20.6 percent, 9.2 percent, respectively. Although, this shows a progress from previous periods, women's participation in leadership is still considered to be low. Leadership commitment at all levels to empower women to higher leadership positions is still a major challenge. On the other hand, the level of strength of women's organizations itself is a contributing factor to the low level of participation of women in political and public service leadership positions. Thus, during the GTP II period, due emphasis will be given to enhance women's participation in leadership at all level and to curb backward attitudinal problems observed across various bodies.

During GTP I period, 5.5 million youths participated in micro and small scale income-generating programs. Also, 2.4 million youth have been engaging and benefited from agriculture sector, while 2.43 million youth were engaged in and benefited from non-agricultural income generating activities. The total number of youth centres established reached 2284 following the construction of additional 1684 centres in 553 *woredas* during the plan period. These centres provided various services to 11.4 million youth. During GTP I, encouraging activities were undertaken aimed at benefiting the youth. However, the social and economic challenges facing urban and rural youth are still huge. Thus, during the GTP II, concerted effort will be made to fully implement the youth development programs to raise their social and economic benefits to a higher level.

With regard to enhancing children's welfare, awareness creation activities were given to 15.7 million members of various sections of the society to ensure social benefits of children and prevent them from harmful traditional practices and violence. During GTP I, 10652 children's councils and clubs were strengthened and 2.96 million children were given awareness about their rights. Support and care were provided to 4.9 million vulnerable children through community based centres. Besides, 598,000 children's families were engaged in different income generating activities.

7.2. Science and Technology

Although there were challenges in the implementation process of science and technology development plan, strategic directions have been pursued and implemented in order to achieve the targets set in the plan. With regard to innovation system management, awareness raising

trainings on policies and strategies have been given to relevant stakeholders and communities using different mass media in order to help them solicit, select, import and adopt science and technological innovations. In addition, agriculture, industry, and bio-technology sectors were identified and agreements had been signed with relevant bilateral bodies and are under implementation. In order to facilitate the transfer of technology, draft technology transfer strategy and regulation was prepared in 2012/13. Accordingly value adding data and information on technologies have been organized and distributed to users during the GTPI implementation period.

With regard to human resource development, public universities are admitting 70 percent of their students in science and technology. This is expected to enhance the national research and technology capacity of the country in accordance with its level development. To sustain, the promotion of the 70:30 admission policy of higher educational institutions, a study is being undertaken to analyse the demand and supply for science and technology in accordance with the country's development needs.

One of the useful applications of science and technology in the country's major sector concerns the technology used to eradicate the tsetse flies and thereby improve agricultural productivity. In order to eradicate the tsetse flies and trypanosomiasis from the country through sterilization of the tsetse flies, it was planned to reduce the incidence by 90-95 percent and to clear 25,000 sq. km. area from tsetse fly. The target was fully achieved.

With regard to protection and development of intellectual property, it was planned to increase the storage and distribution profile of patent documents. Accordingly, the storage profile for patent-documents and information has increased from 30 million items in 2009/10 to 31.56 million by 2014/15.

With respect to radiation protection and safety, radiation and nuclear disaster preparedness and responsive organization's establishment and national action plan was prepared during the implementation periods of GTP I. In addition to this, radiation and nuclear safety and protection draft national action plan was prepared in consultation with World Nuclear Energy Organization. During the five years of GTP I, inspection was made on 2005 institution across different sectors such as health, industry and construction where radioactive agents are located and radio-activities are taking place. Based on the result of the inspection, 1,469 institutions that meet the standards set have been licensed and efforts have been made to reduce radiation.

With regard to national accreditation, it was planned to accredit 60 national and international responsive institutions while a total of 42 laboratories were accredited of which 6 and 11 laboratories were accredited in 2012/13 and 2013/14, respectively. In addition, it was planned to increase the first level ethanol coverage from 10 percent in 2009/100 to 75 percent by 2014/15 while achievement has reached 64 percent by the end of the plan period.

7.3. Sport

In addition to government's support to the sector, making sport a public agenda and masses-based is critical to ensure the sustainability of sport development in the country. In this regard, during GTP I period, sport councils, sport federations, prominent sport organizations and public organizations organized at different levels played vital role to create a public base for sport development. Executive bodies at all levels have provided support which needs to be continued in GTP II. Parallel to this, promising activities have been under taken in implementing youth training projects and training of sports professions and experts through expansion of sports' academies and other sport facilities. On the other hand, the participation of adolescents and youth has been enhanced through the effort made to expand sport education and training programs.

7.4. Social Welfare and Labour Affairs

With regard to Social welfare, the major strategic directions pursued were creating opportunities for the disabled, the elderly and vulnerable population groups to participate and equitably benefit from the political, economic and social activities of the country and to increase citizen's social security service coverage. Thus, to ensure the benefits for persons with disabilities from physical rehabilitation services, three new physical rehabilitation centres were established. Similarly, seven existing centres were equipped and strengthened with equipment and raw materials where all of them have been providing services. Regarding establishment of a system for the effectiveness of the sector's activity, service delivery standards for physical rehabilitation and for the elderly, and guideline for National Coordinating Committee for the convention of the Rights of Persons with Disabilities were prepared and implemented accordingly. In addition, Social Protection Policy was prepared and ratified by the government and the National action plan for elderly persons was revised.

Social security services which used to be provided only for government organization employees is now being provided for private organization employees as well. It was planned to provide social welfare services to 1,530,606 citizens. Accordingly, the service was provided to 1,632,607 citizens. Although significant efforts have been made to accomplish the objectives of the plan, the services have not been adequate to ensure the benefit for persons with disabilities and coverage and accessibility of social security for citizens. Thus, all stakeholders should work hard to bring long lasting solutions.

With regard to the labour Affairs, the major strategic directions pursued were to establish a national labour market information system, to balance the supply and demand of human resources, expand employment services, enhance monitoring of working environment and expand social dialogue services. Accordingly, it was planned to collect and organize data on 7 selected key labour market information indicators while the achievement stood at 9 indicators.

It is well known that a healthy and stable employee and employer relationship is vital to ensure industrial peace and in turn for industrial development expansion and realization of structural transformation. Thus, strengthening institutional capacity ahead of time is fundamental. In line with this, a number of activities were undertaken during the plan period. It was planned to resolve 75 percent of the job dialogue and 85 percent of the dialogue was resolved through agreement. National Occupational Health and Safety Policy and Strategy were ratified and Employment Policy and Strategy was commented by the council of ministers and is in the process to be ratified. International Labour Organization Agreement Number 144 was ratified by the House of Peoples Representatives. The amendments of employer and employee as well as oversee employment proclamations are in the process of being finalized. Two regulations (one new and one amendment) and five guidelines (two new and three amendments) were implemented. In addition, employer and employee affairs development program was implemented.

7.5. Culture and Tourism

In GTP I, it was set to enhance the contribution of the sector for the socio-economic development and democratization process of the country through conserving and developing cultural diversity, historical and natural heritages and continuously promoting them worldwide.

With regard to cultural development, the cultural values of 5 nations and nationalities have been studied, published and distributed. During the plan period, 2 heritages were registered in the world cultural heritage sites and 5 heritages were recorded in UNESCO's tentative cultural heritage centre. At national level, 323 immovable and 6863 movable heritages have been registered. It was also planned to collect 300,000 printed and non-printed data resources and 704,371 printed and non-printed data resources were collected by the end of the plan period. Besides, protection has been given to 85,221 information heritages.

During GTP I period, efforts have been made to realize goals set so as to develop the tourism sector. To this end, national tourism transformation council, tourism board and tourism organization have been established and have become functional. Marketing and promotional activities have been widely carried out to enable both domestic and foreign tourists visit the country's tourist attraction areas. In order to improve service delivery related to tourism, supervision and certification activities have been undertaken as per the plan and this has helped improve service provision. Criteria have been developed to establish rankings for hotels across the country and accordingly 206 hotels have been graded in Addis Ababa and Oromia regional state. It was planned to increase the number of tourists to 1million and existing data shows that 780,000 tourists have visited the country. The tourism sector has contributed to foreign currency generation and employment creation.

7.6. Population and Development

The main goal of population policy of Ethiopia is to balance the rate of population growth with economic growth to ensure that the level of welfare of the population is maximized over time. Results registered in relation to population is not limited to the performance during GTP I period, rather they are cumulative achievements since the launching of the policy. Since the adoption of the population policy in 1993, significant achievements have been registered in with regards to population growth, modern contraceptive use, total fertility rate, neonatal mortality rate, maternal mortality rate and average life expectancy. Implementation of population programs and action plans are believed to have made significant contribution for these achievements.

The 2013 Mini Demographic and Health Survey indicated that family planning service users among married women in their child bearing age has increased to 42 percent by 2014/15, showing the strengthening of the provision of family planning services through expansion of the health extension programs. In addition, to implement the policy in an integrated manner, the national population action plan has been developed and distributed to various implementing partners and technical support has been provided for regions in the preparation of the action plan as well as different activities which helped raise the awareness of the people have been undertaken.

The lack of timely and standard problem-oriented research works on population and development that serve as policy inputs, weak linkage between federal and regional population and development implementing partners and weak monitoring and evaluation framework for population issues have been major challenges faced during GTP I period.

7.7. Environment and Climate Change

During the GTP I period, the Climate Resilient Green Economy (CRGE) strategy was formulated to embark on building green economy. A series of consultations at all levels had been conducted before the strategy was approved. To implement the CRGE, new institutions and/or organizational structures have been put in place since then. Key among these is the establishment of the Ministry of Environment and Climate Change to oversee and coordinate the implementation of the CRGE strategy.

Formulating and effectively implementing environmental strategies and laws are essential to accelerate the process of building climate resilient green economy. In this context, it was planned to prepare 14 environmental conservation systems and 15 were prepared by the end of the plan period. In addition, Ethiopia's CRGE implementation (2010/11-2014/15) status report was produced.

With regard to forest development, it was planned to prepare Management Plan and Maps on 815,300ha forest lands and performance stood at 5.1 million hectare by the end of 2014/15. Besides, through improved systems of protection and conservation measures, forest coverage of

the country increased from 13.0 million ha in 2010/11 to 15.93 million ha by the end of 2014/15. Multi-purpose trees planting target was 16.2 million hectare and performance stood at 15.5 million hectare by the end of plan period. Moreover, to rehabilitate degraded areas, it was planned to cover 10.21 million hectare. Accordingly, 13.4 million hectare was demarcated and rehabilitated.

With regard to CRGE implementation, one of the priorities has been to mobilize adequate resources, which would assist environmental developers. In this context, financial resources have been mobilized from various donors. About Birr 4.6 million, from the 5th and 6th Global Environment Facility (GEF), USD 7.5 million and 27.23 million has been mobilized, respectively. On the other hand, from six sectors, about 48 projects were submitted for CRGE facility fund, of which 43 were accepted with USD 23.0 million outlay and they are currently under implementation. In addition, to facilitate CO₂ trading in the country, REDD⁺ National Secretariat was established with USD 13.5 million grants from the Norwegian Government. Similarly, for Oromia Pilot Forest Development and Protection project, about USD 50.0 million and for capacity building in the other regions USD 9.0 million was obtained from the Government of Norway.

Leadership commitments, new organizational arrangements, active participation of communities; conducive policies, strategies, action-plans; strong working relationship with relevant stakeholders, communities and implementing agencies were opportunities witnessed during the plan period. However, limited implementation capacity as well as inadequate adaptation and promotion of Green Technology Packages have remained challenges in the course of implementation, which need to be taken and addressed in GTPII.

VIII. Monitoring and Evaluation System of GTPI

8.1. Federal Level

During the implementation period of GTP I, Annual Progress Reports (APRs) have been prepared and approved by the government. Consultative forums have also been organized at federal and regional levels with representatives of the private sector, development partners, civil society organizations, religious organizations, youth and women forums and non-governmental organizations to discuss on the progresses achieved. Hence, lessons and experiences have been drawn from these consultations and used as an input for the next development endeavours. Furthermore, assessments were undertaken on the growth and transformation progress reports on the forums organized by the government and development partners. The feedbacks gained from these assessments were used as inputs for subsequent activities.

To guide the macro-economy in a transparent and accountable manner and based on the national monitoring system and the five-year National Statistical Development Strategy (NSDS), price data have been regularly updated and used as input for policy decisions, while the fiscal and monetary policies were closely monitored. The macroeconomic management also focused on closely following the performance and challenges in the export sector of the country. Ensuring the consistency of the implementation of integrated public financial system at all levels and close monitoring on the macro-economic performance of the country have also been carried out. These have, therefore, enabled to take appropriate measures as needed and help maintain stable macro-economy conducive for rapid and shared broadly growth over the plan implementation period.

8.2. Sectoral level

Using annual plans which are prepared based on the five year Growth and Transformation Plan, sector ministries have conducted monitoring and follow up of various development activities. The annual performance reports of different sector ministries have been submitted to the government after intensive reviewing consultations with various stakeholders at different levels. The Annual Progress Reports (APRs) which were prepared by sector ministries have been used as inputs for the preparation of the national Annual Progress Reports of GTP I. In order to strengthen the national monitoring and evaluation system, enhancing the capacity of the planning and monitoring units of these sector ministries in relation to data management, development plan preparation and monitoring and evaluation is quite essential in the upcoming plan period and beyond.

8.3. Survey and Census Data

The implementation of GTP I has been monitored and evaluated based on survey and administrative data/information sources. Administrative data are obtained in the form of reports from sector ministries while survey/census data are generated by the Central Statistical Agency through field surveys and census. To this end, during GTP I period, survey/census data have been collected by the Central Statistical Agency and used as an input for the preparation of progress reports. In addition, performance reports from sector executive bodies which were

prepared based on administrative data and field visits were also used as input for the preparation of annual national progress reports of GTP I. Overall, during the implementation of GTP I, strong political leadership and support have been given for the implementation of mega-projects. As shown in the performance reports of the various sectors, the major targets of the plan have been achieved.

IX. Strengths and Challenges encountered in implementing GTPI

GTP I has been implemented in the last five years (2010/11-2014/15) across the country with all the supports and engagement of political leadership as well as active and organized participation of citizens. In the process of implementing the plan, encouraging achievements have been registered, while challenges were also faced. The strengths and challenges witnessed and lessons drawn during the implementation of the plan are briefly outlined below.

9.1. Strengths, Best Practices and Lessons Drawn

a) Results achieved and capacities built through planning and implementation of grand projects and technological adoption

GTP I was unique in that it envisaged the implementation of a number of grand projects with national and regional significance such as The Grand Renaissance Dam Project, Railway Projects, Sugar Development projects, etc. These development projects have markedly shifted the delivery of infrastructure and industrial outcomes, but equally important is that they were also used as learning vehicles to enhance the institutional and technological capability of Ethiopia in the delivery of such projects. These projects are now under different stages of completion. This by itself has huge national significance, becoming a source of national motivation, inspiration, aspiration and commitment for Ethiopians. Encouraging results have been recorded through close political leadership and supports of the government and effective mobilization and participation of citizens. These results are believed to augment the capacity of the country for future development, besides building the image of the country.

b) Sustainable and rapid economic growth through stable macro economy

Despite the complex national and international economic conditions, rapid economic growth has been registered during the past five years. It grew on average at 10.1 percent per annum, which is about double the growth rate registered by its peers in the world. The growth was broad based and inclusive in the sense that it was translated into better human development outcomes. This growth performance has enabled to sustain rapid growth over the last 12 years within a stable macro-economic environment. This hitherto successful growth achievement is primarily the outcomes of national policies, strategies and programs that have been concretized and sharpened over the years. It is also the result of shared vision and resultant participation of the wider public on all fronts.

This rapid economic growth was largely achieved under a stable macroeconomic environment. Macroeconomic policies were closely monitored throughout the planning period to ensure conducive macroeconomic environment for accelerated and inclusive growth. The policy measures taken to stabilize the macro economy under complex national and international economic situations were by and large effective. First, administrative and prudent fiscal and monetary policy measures taken during GTP I helped stabilise the prevailing inflationary

pressures. Inflation that had been increasing fast during the first two years of the plan period has in particular stabilised as a result of the effective measures taken. Second, priority sectors such as key infrastructural and productive sector projects and exports were accorded priorities in terms of access to foreign currency and domestic credit. Third, during the plan period, external resources were mobilized to finance key infrastructural projects such as railway project, while also concerted efforts were made to attract high quality FDI into export oriented light manufacturing. Fourth, as a result of the measures taken to stabilize prices of basic commodities the economic gains were protected from being derailed by such unanticipated shocks. The prudence exhibited by the Government in macroeconomic management during GTP I was commendable and was considered to be one important area of strength of the GTP I period worth noting.

c) Organised Community mobilization (developmental army framework) for effective delivery, equity and accountability

The agricultural practices and technologies of successful (model) farmers were spread to other farmers using the scaling up strategy, which involves deploying successful farmers to support their peers organised into development groups (developmental army). Efforts were made in the agriculture sector to bring the productivity of the majority of smallholder farmers to the level of the productivity of model farmers through the developmental army framework in the agricultural extension system. Thus, there are areas that have registered good performance through developmental armies in crop production and small scale irrigation, and the knowledge and skills developed in scaling up best practices at regional at zonal, *Woreda*, *Kebele* and Developmental Team levels. This is one important area of strength that needs to be scaled up during GTP II.

Similarly, achievements were made and results have been registered in natural resources conservation through structured and organized mobilization of the public, with the understanding and consent of the people thereby indicating the possibility to attain further accelerated developments. Therefore, the lessons gained from the development processes during GTP I implementation is also another important area of strength. Mobilising and organising communities not only to scale up successes and thereby deliver results, but also to ensure equity and accountability is one of the lessons that will be further consolidated to sustain the gains thus far.

d) New Investment Inflows and Additional Capacities Gained in Industrial Sector

Developmental activities were undertaken especially to increase the inflow of new private investments in the industrial sector. However, achievements in this regard fell short of the target by a significant margin. Lessons have been drawn from the manufacturing sector export through expanding private investment. As a starting point, national capacity has been built especially in metal and engineering industry. In particular, cement production capacity has been created through participation of private sectors in order to satisfy domestic demand. Hence, developmental activities have been undertaken to supply import substituting items, to contribute

for technological transfer, to save foreign currencies, and to expand the base of the industrial sector. In addition, to address bottlenecks of the sector, which include lack of access to land for industrial development, the Industrial Parks Development Program has been launched in different cities to establish industrial facilities with infrastructures and improved public services delivery. To lead and support this program, a legal framework has been already developed. The capacity gained in this process will serve as a spring board for the planned industrial expansion during GTP II and beyond.

9.2. Challenges

Although achievements were registered during GTP I through provision of coordinated leadership to developmental forces and structured participation of the people, challenges have also been experienced during the implementation process. Inflation was a major challenge during the first two years of implementation of the plan with direct bearing on macro stability and competitiveness of the export sector and on cost of living of citizens. In addition, shortage of foreign exchange was also another bottleneck encountered owing to limited performance of merchandize export earnings during the last two years of GTP I. Besides, the productive sector was not competitive enough in terms of quantity and the required type and quality of the product to the export market, growing industries, and domestic consumptions. Moreover, macroeconomic management has been challenging owing to the global market crisis as well as decline in international prices of export commodities such as coffee and gold and increase in oil price increase. Overall, the institutional and structural bottlenecks of the economy were challenges during implementation of GTPI. The major challenges are highlighted below.

a) Implementation Capacity Limitations

During the period of GTP I, there were limitations in implementation capacity at different levels to achieve the targets set for different sectors. These limitations relate to project planning and management (planning, implementation and monitoring and contract administration); coordinating, changing the attitudes, motivating, organizing and training of implementing bodies to increase agricultural productivity as per the target. Problems related to logistics and customs services that are highly linked with the export sector, which in turn influenced the investment and trade sectors negatively. Though efforts made to implement the civil service reform program are massive and huge, the capacity problems of institutions are not yet addressed. Therefore, efforts made to build the civil service with capable, motivated and skilful and efficient human power has to be strengthened.

b) Rent Seeking and Governance Problems

Problems of governance and rent seeking have affected the timely provision of social and economic services in line with the target set. This has in turn adversely affected the achievement of social and economic developmental objectives as planned across different sectors. The reform undertaken in the trade system which aimed at creating transparency and competitiveness were

not fully implemented across the country. Hence, rendering the export sector and domestic market competitive and transparent and enable equitably benefit people from growth outcomes need to be given the emphasis it deserves. Therefore, sustaining the results achieved so far and fighting rent seeking should not be compromised at any time.

c) Inflation

Inflation was a threat for the macro economy of the country particularly during the first two years (2010/11 and 2011/12) of GTP I. Inflation picked up sharply during the first two years of GTP I. Prudent fiscal and monetary policy measures taken by the government has helped in bringing down inflation to single digits. In addition, basic commodities (sugar, vegetable/edible oil, and wheat) have been imported and distributed to low income communities at subsidized prices and trade code prepared and issued in order to support and render the trade sector competitive. As a result of these measures, inflation was managed and brought down to single digit in 2013/14. To avoid threats of inflation and ensure stable macroeconomic environment, increasing agricultural productivity, expanding growth of manufacturing industry and utilizing capacities created in different sectors so far effectively and efficiently to ensure sustainable supply need to be given due emphasis.

d) Imbalance between aggregate supply and aggregate demand

Deteriorating trade balance was one indicator in respect to this challenge. The big challenge encountered during GTPI implementation period has been worsening of trade deficit owing to underperformance of the export sector. Foreign exchange earned from the export commodities during the last five years covered only 26% of the cost of imported commodities. The main reason for the poor performance has been a decline in global market price of export commodities like coffee and gold, and productive capacity limitations to render export commodities competitive in terms of quantity, quality, type and price in the global market. Thus, to boost the export trade, the mineral subsector needs to be further stimulated to diversify our export base along with agricultural products by adding value, monitor and support investors so that they can add values to export commodities rather than exporting primary goods.

The other indicator of the observed imbalance between aggregate demand and aggregate supply is the gap between saving and investment. During the period of GTPI implementation, domestic saving has increased from 9.5% in 2009/10 to 22.5% by 2014/15. During the same period, the share of total investment in GDP has increased from 22.3% to 38.9%. This indicates that the gap between investment and saving is widening during the same period. Although the results registered in gross domestic investment during the last five years has been encouraging, it has been largely covered through foreign saving than domestic saving. Therefore, it is worth noting that mobilization of domestic saving has been inadequate and shortage of finance was the main challenges in implementation of the Plan.

e) Infrastructure Facility

Infrastructure plays a key role to supply quality transportation services, communication and power that are needed to accelerate economic growth while rendering the economy competitive. Ethiopia is cognisant of the significance of investing in infrastructure and energy for structural transformation, and has shown strong commitment to sustain investments in the sector. In order to supply adequate infrastructural facilities, development activities were undertaken during the last five years and positive results have been achieved. However, there are still challenges in the supply of quality infrastructures like power, logistic services, etc. Addressing the problem of supplying strategic infrastructures through close monitoring and support will help unleash the development potential through increasing productivity without incurring additional investment costs. Besides, to utilize scarce resources efficiently and effectively and to increase product quality and productivity, and to ensure competitiveness in product type, quality, and price, on-going efforts such as the kaizen and benchmarking will need to be strengthened during GTP II and beyond.

f) Financial resources limitations

Efforts in areas of tax reforms and implementing the tax administration system have been under way during GTPI implementation to augment domestic revenue and mobilize foreign financial resources, and positive achievements have been made. However, there have been challenges to timely secure foreign finances which in turn has had adverse impact on the smooth implementation of development projects. Thus, through enhanced capacity of domestic revenue generation and improved inflow of external resources, emphasis will be given to timely provision of financial resources.

Measures have been taken at each stage to address challenges encountered during the implementation of the plan. These measures helped in sustaining the rapid economic growth. GTPII will be built on the strengths witnessed and will be informed by the lessons drawn from the weaknesses and challenges.

X. Summary

The GTP I (2010/11 – 2014/15) target was to achieve an annual average real GDP growth rate of 11.2 % and thereby sustain the rapid economic growth registered during the preceding seven years (2003/4-2009/10). The growth rate was expected to be not only rapid but also broad-based and inclusive. An ambitious target of double digit growth was set taking into consideration the unleashed potential of organised and mobilised public, and the commitment and determination of the government to provide the necessary leadership for the realization of accelerated, broad-based and inclusive economic growth.

During the GTP I formulation process, series of consultations were conducted at different level and the plan gained full support and commitment from citizens. Subsequently, it was approved and endorsed as First Growth and Transformation Plan (GTPI) of the country spanning the five year period of 2010/11-2014/15. The participatory process of the formulation of GTP I helped forge deeper national consensuses on major development issues, which in turn stimulated mobilization and organised public participation in its execution. Integrated active public participations in development, good governance and democratization processes have greatly contributed to the achievement of bold results, which paved the journey towards renaissance and transformation of the country. The accomplishments so far have also contributed to image building and capacity development of the country. In sum, the achievements during the GTP I period have a laid strong foundation for the formulation of the Second Growth and Transformation Plan (GTP II).

Looking at the performance of the overall economy during the last five years, supply side real GDP growth rate averaged 10.1percent. This real GDP growth rate is accounted for by agriculture, industry and services, which on average grew at 6.6%, 20.2% and 10.8% respectively during the same period. This rapid and broad based growth was more than double the sub-Saharan average growth registered during the same period. Overall, during the last 12 years (2003/4-2014/15), real GDP growth rate averaged 10.8% per annum. This growth was accompanied with investment expansion and employment generation. As such, living standard of citizens has improved. This is reflected in the increase in per capita income from USD 377 in 2009/10 to USD 691 by the end of 2014/15. Provision of essential public services has also expanded as a result. Absolute poverty has declined from 26.9% in 2010/11 to an estimated 23.4% by 2014/15. Although, promising improvements have been registered in poverty reduction, still a large number of people live below the poverty line. Thus, to eradicate poverty the rapid and broad based growth has to be sustained mainly through accelerating growth of agriculture and manufacturing sectors.

Notwithstanding these achievements of GTP I, there remained challenges that deserve special attention in the upcoming plan. Despite the growth spur during GTP I period, not much progress has been forthcoming in terms of structural transformation of the economy. As such, the share of agriculture, industry and services stood at 38.5%, 15.1% and 46.3% respectively, by the end of

2014/15. Within the industry sector, the manufacturing sub-sector has registered an annual average growth rate of 14.6 % over the plan period. However, its share in GDP averaged 5% during the same period. This was mainly attributed to weak performances of small and medium scale industries. On the other hand, the construction sub-sector has been the major driver of industrial GDP growth. As a result, the share of construction in GDP increased from 4% to 8.5% during the same period.

During GTP I period, the primary objective of fiscal policy was to ensure domestic financing of government expenditure through increasing tax revenue and maintaining sustainable budget deficit compatible with stable macroeconomic environment. The significance of this objective goes beyond the macroeconomic realm and has had significant bearing on the political economy of the country. Hence measures to strengthen the tax systems were taken not only to enhance revenue but also to mitigate rent seeking. Accordingly, measures to improve tax audit and information systems, awareness creation campaigns on rights and obligations of customers, enhancement of the capacity of tax institutions in terms of human power and logistics aspects were undertaken. This has helped enhance revenue generation, as can be observed from the increase in government tax revenue from Birr 43 billion in 2009/10 to Birr 165 billion by the end of 2014/15. This implies that the annual average growth rate of tax revenue was 31 percent during the planning period. The share of tax revenue in GDP averaged 13.3 percent during the same period. This is lower than the planned target of 15% on average for the period of GTP I. Thus, tax administration programmes aimed at enhancing domestic revenue collection and consolidation need to be further strengthened during the period of GTP II.

It is well known that rapidly growing economies in general at their initial stage of development tend to import more than they export. Hence, the balance of payment tends to be a major constraint for development. Accordingly, during the period GTP I, it was planned to narrow the trade deficit mainly through increasing exportable as well as import substitution. However, during the five years GTP I period, the percentage of merchandise imports financed by export earnings have been declining and stood at below 20 percent by the end of 2014/15. As such, the country's trade deficit widened from USD 6.3 billion in 2009/10 to USD 13.4 billion by 2014/15. Hence, to narrow down the trade deficit concerted actions need to be taken to expand export earnings and promote efficient import substitution.

To increase production and productivity in crops and livestock sub sectors, various activities related to improved technology dissemination; natural resource management and utilization; disaster prevention and preparedness; agricultural marketing systems and private sector participation have been undertaken during GTP I. Accordingly, the productivity of major crops has increased from 15.7 quintal per hectare in 2009/10 to 21.5 quintal per hectare by the end of 2014/15. As a result, total production of major crops by small holder farmers during the main (*Meher*) season has increased from 180 million quintal in 2009/10 to 270 million quintal by 2014/15. The performance in terms of both production and productivity registered showed that the base case scenario of the plan has been met. This, in turn, indicates that food self-sufficiency

has been met at national level. Moreover, to enhance the purchasing power of rural and urban consumers, jobs creation activities have been promoted. However, in the upcoming plan, emphasis should also be given to increasing and scaling up of the productivity of small holder farmers and speed up commercialization and the transition to production of high value crops.

In GTP I, one of the priorities of the agricultural sector was expanding and encouraging the development of private commercial farming. Accordingly, support has been provided to horticulture and floriculture farming. However, owing to capacity limitation specifically in supply of sufficient land and shortages of necessary logistical inputs; performance fell short of the plan by a significant margin. Encouraging new investors to start production timely, attracting new investors into the sector, strengthening execution and monitoring capacity are measures that need to be taken to stimulate the performance of private operators in the sector.

To enable pastoralists as well as those engaged in mixed farming benefit from development, measures related to indigenous animal disease prevention and control; water and pasture development and strengthening marketing systems have been undertaken. Moreover, to ensure sustained benefits to pastoralists, they have been encouraged and supported to lead sedentary life on voluntary basis by developing irrigation farming systems. To this effect, beneficiary focused livestock development need to be given utmost emphasis in all development endeavours pertaining to pastoralists and semi pastoralists.

The industrial sector, especially the manufacturing sub-sector, being small and at an infant stage, has performed better than other sectors during GTP I implementation. Its share in GDP has also increased in relative terms. During GTP I, particular emphasis was given to the promotion of micro and small enterprises as well as supporting expansion of medium and large scale industries. However, the performance of the manufacturing sector has fallen below the targets set in the plan. To increase the quantity and quality of exportable and simultaneously expand import substituting industries, high priority has been accorded and necessary support actions have also been taken for investment expansion in the manufacturing sector. To this effect, encouraging achievements have been registered, specifically in strategic products, such as cement, metals and engineering. Overall, the performance of the industrial sector has been well below the target. Thus, speeding up industrial parks development at both federal and regional levels, attracting and encouraging potential investors (including local investors) of quality and high impact in the sector needs to be given utmost emphasis in GTP II.

The launching of mega infrastructure development projects such as the GERD, wind power projects, rail way and sugar development projects and others are some of the prominent features of GTP I. Although, most of these projects are still under implementation, overall, positive and encouraging results have been achieved in terms of motivating the public, rising hopes and aspiration of citizens. The results achieved so far have contributed to image building, expansion of investment and tourism development of the country. The development programs have also served as important sources of capacity building and technology transfer. Notwithstanding these

achievements, constraints related to project planning and management, inadequate consulting services and limited finance for projects have remained challenges during implementation of the plan. However, it is worth noting that important lessons have been drawn from the challenges faced during implementation of GTP I. Moreover, as the sector is more susceptible to rent seeking attitudes, poor accessibility and quality of services had been significantly reflected in service delivery. Overall, to strengthen good governance, capacity of implementation, follow up and monitoring activities need to be priorities of the sector in the upcoming plan.

With regard to education, the focus was to ensuring accessibility, attain MDGs, provide quality education and contribute to sustainable socioeconomic development through generating the required knowledge and skills. Accordingly, positive results have been registered specifically in ensuring universal access to primary education. Some quality improvements have also been registered, although achievements fell short of the planned target, primarily owing to the failure to effectively and comprehensively execute the educational quality improvement packages at all levels. In this context, emphasis need to be given to teachers' training, curriculum development, sufficient supply of text books, civic education, setting examination and school administration, and information technology. At the centre of all these packages is ascertaining public ownership and leadership of the school system through promoting organised community participation.

The major priorities in the health sector in GTP I were prevention focused expansion and improvement of quality and accessibility of health services to achieve MDGs. Accordingly, health coverage has reached 94% which nearly conforms to MDG target. Moreover, active participation of the community supported by Health Extension Packages and the organized Health Development Army have helped improve maternal health and reducing infant mortality. To further improve primary health care and hospital services that include, especially, expanding health infrastructures, human resources development, health management, drug supply and administration as well as increasing community participation need to be priority areas in the years to come.

With regard to capacity building and ensuring good governance, establishing strong, transparent government institutions at all levels; strengthening corruption prevention and control systems; establishing modern, transparent and accountable land administration as well as public finance management systems; modernizing tax administrations and making the justice systems more accessible, transparent and accountable have been priorities during GTP I. To this effect, for top managers and civil servants, continuous professional capacity enhancement trainings have been provided at all levels. Strategy has also been formulated to develop Transformation Army and through this establishing, organizing, awareness creation activities have been undertaken. Besides, to effectively implement the strategic directions pursued to attain the set goals, emphasis has been given to strengthening public service Transformation Army parallel with establishing Developmental Army at all levels.

To deepen the democratization processes in the country, a host of activities have been undertaken. Accordingly, activities have been undertaken to building the capacities of democratic institutions; strengthening the legislative bodies in ratifying laws and monitoring the executive organ and conduct of capacity enhancement training programs. Strong emphasis has been given to develop good governance and expanding and empowering communities loath to corruption at all levels. In connection with ethics and loath to corruption, awareness creation training has also been given and educational materials distributed. Moreover, property registration and disclosure of assets of higher government, elected officials as well as public servants have been undertaken. These actions will also be given attention during the period of GTP II.

With regard to women's economic empowerment, credit and saving services have been provided through establishing micro and small enterprises and associations. Through women's and youth organizations, skills enhancement training and awareness creation activities have been conducted mainly in the areas of harmful traditional practices and social norms. The participation of women in decision making specifically in the legislative, judiciary and executive bodies has expanded and strengthened. To further strengthen women's empowerment and enhance their economic benefits, integrated and well organized awareness creation and capacity development interventions need to be pursued in GTP II.

In sum, progress made, lessons drawn and experience gained during GTP I will serve as a strong foundation for sustaining growth, accelerate poverty reduction and its ultimate eradication given government commitment, visionary leadership, organized public participation and ownership of the development plan.

PART II
THE SECOND GROWTH AND TRANSFORMATION PLAN (GTPII)
(2015/16 -2019/20)

I. Basis, Departures, Objectives and Strategic Pillars of GTP II

1.1. Basis of the Second Growth and Transformation Plan

It is necessary from the outset to indicate the key issues that serve as basis in shaping the contents and articulating the objectives and targets of GTP II. This helps to follow whether the plan is realistic and is implementable to achieve the stated targets and to monitor and evaluate the expected results. Therefore, as a vehicle towards the realization of Ethiopia's vision of becoming lower middle income country by 2025, the Second Growth and Transformation Plan (GTPII) is built on Sectoral policies, strategies and programs, lessons drawn from the implementation of GTP I and the post-2015 sustainable development goals (SDGs). It has also taken into account global and regional economic situations with direct or indirect bearings on the Ethiopian economy.

A) The National Vision

The main basis of GTP II is the country's vision to become a lower middle-income country by 2025. In the coming 10 years, Ethiopia's vision is to reach the level of lower middle-income countries where democracy, good governance and social justice are maintained through people's participation. The realization of this vision calls for creating competitive, productive and inclusive economy in all its aspects. This vision serves as a candle of hope indicating the long term paths of the country towards prosperity and development. Therefore, every aspects of the plan emanate from this vision of becoming lower middle income country by 2025.

B) Existing Sectorial Policies and Strategies

The development policies and strategies pursued during GTP I are the basis for this plan, too. The country has already articulated a wide range of macroeconomic and sector policies and strategies where their outcomes have been tested and refined through challenges faced and successes gained in the previous years. These policies and strategies are considered as blue prints through which the vision of the country is to be realized.

The programs and plans that were prepared and implemented during the last two decades have been based on these sectorial policies and strategies. Indeed, these policies have contributed for poverty reduction and fuelled the growth accelerations resulting in a double digit economic growth which the country has attained since 2004. GTP II as the first five year phase of the development blue print to become a lower middle income country, bases its foundation on these policies and strategies.

C) Lessons drawn from GTP I Implementation

The achievements of the first GTP, lessons drawn from its achievement, and challenges faced during its implementation are used as inputs in the preparation of the second Growth and

Transformation Plan. In addition, economic and social development projects commenced during the first GTP and still under construction are also considered as the bases of the plan.

D) The Post -2015 Sustainable Development Agendas

The post-2015 sustainable development goals, the Common African Position (CAP) on Post-2015 Development Agenda, Agenda 2063 of Africa, and the Addis Ababa Action Agenda have been embraced and their integration in to the national plans, policies and strategies is well underway. This presents a unique opportunity for integrating and mainstreaming the principles of sustainable development goals and the tenets of Agenda 2063 of Africa into policies and programs to articulate the national priorities, opportunities and challenges to the pursuit of economic structural transformation. Therefore, domesticating these international and regional agendas in to the national policies, strategies and development priorities is considered as a basis for GTP II.

E) Global and Regional Economic Situations

The world economy has become increasingly dynamic; therefore, considering the impact of such trends on the national economy is vital. Volatility in the demand and price of export goods are making global economy very dynamic and are creating various impacts on the economy of developing countries. Thus, predicting and analysing the impact of these economic situations on the domestic economy and integrating the results with the development plan policies, programs and targets is taken as a basis for the plan.

In the previous years, economic growth has been accelerating and the growth momentum is expected to remain high in the coming years. On the other hand, competition in the globalized markets is becoming stiffer. To sustain this growth acceleration and to cope up with strong competition, the country need to enhance its bargaining power and prepare the ground for accession to WTO membership and continental free trade and economic zones. For this, WTO accession negotiations are considered in the drafting of the plan. Thus, the essence of these negotiations and coping mechanisms are examined and designed well in the formulation of the plan.

During the next five years, enhancing and utilizing the competitive advantages to sustain economic growth and to ensure efficient participation in the world economy will be given utmost emphasis. In relation to these premises, improving the productive and competitive capacity of the economy, particularly, developing the manufacturing capacity, increasing the competitiveness of export products and enabling emerging sectors to compete at national, continental and global level; and utilizing quota and tariff-free trade opportunities are taken as a basis for the plan.

1.2. Major Departures of the Second Growth and Transformation Plan (GTPII)

The GTP II (2015/16-2019/20) has been formulated to carry forward the basis, objectives and strategic directions of GTP I. The achievements gained, challenges faced and lessons drawn from the implementation of GTP I were the bases for the formulation of GTP II. Nevertheless, GTP II has its own distinguishing features including the following:

- i) In GTP II period, agriculture will remain the main driver of the rapid and inclusive economic growth and development. It is also expected to be the main source of growth for the modern productive sectors. Therefore, besides promoting the productivity and quality of staple food crops production, special attention will also be given to high value crops, industrial inputs and export commodities. To this end irrigation based agriculture, horticulture, fruits and vegetables, livestock and fisheries development will be promoted. Designing and providing support schemes to small holder farmers where peasants and pastoralists are the main actors in the production process; and facilitating a joint participation of educated young farmers and private investors in the sector are strategic directions that will be pursued during the plan period. To this end, addressing constraints entrenched in the agricultural development and marketing systems will be given utmost emphasis and priority.
- ii) A new vision has been set to render the country a leader in light manufacturing in Africa and one of the leaders in overall manufacturing globally. The vision on manufacturing sector is set to sustain the rapid economic growth registered over the past 12 years. Similarly, during GTP II, especial emphasis will also be given to the development of export oriented manufacturing industry, with the objective of transforming the structure of the economy to enable the country to achieve the vision of becoming lower middle-income status by 2025.
- iii) Clear targets are set to reach the economy's production possibility frontier through increased efficiency, and particular attention is given to the quality, productivity and competitiveness of the agricultural, manufacturing and modern tradable service sectors. For this, the implementation of kaizen and benchmarking tools, which started during GTP I will be strengthened and scaled up.
- iv) Emphasis is given to redressing macroeconomic imbalances (aggregate demand-supply) which aims to sustain the higher economic growth registered so far within a stable macroeconomic framework during GTPII. In this regard, the imbalances created mainly have two dimensions. These are investment-saving gaps and deterioration of trade balance as import growth surpassed export growth. Thus, clear targets are set to mobilize domestic resources and aggressively pursue the efforts of domestic resource mobilization, and rigorous efforts will be made to promote export through increased investment in expanding productive capacity, increased productivity gains, quality and better competition in the external markets.

- v) Strategic policy framework is formulated which aims to properly manage and administer the construction industry and development projects with enhanced project planning and management capacity in the sector. Particular attention is given to proper management of the construction and development of mega public projects, such as dams, roads, irrigation developments, etc. to ensure their completion within the specified time, standard and allocated resources during GTP II.
- vi) Particular attention is given to sustainable urban development that aims to support the growth and transformation agenda. The unfolding rapid urbanization will be guided and managed to unlock its potential for industrialisation, economic growth and structural transformation of the economy during GTP II.
- vii) In GTP II, due emphasis will be given to the promotion of domestic private sector development in the manufacturing industry. This initiative will be enhanced and supported through engaging the private sector in continuous dialogue with the government, providing predictable incentive packages such as guidance and provision of institutional and regulatory support, access to credit, etc.

Domestic private sector transformation will be pursued through carefully designed strategies. A milestone strategy that will be implemented to transform the domestic private sector is through promoting existing small manufacturing enterprises to grow and transition to medium and large-scale manufacturing enterprises by providing all rounded support and , and nurturing their entrepreneurship and business management capabilities. Supporting and enhancing the capacity and capability of local construction industry enterprises to encourage them in producing construction inputs and using locally produced inputs; and value addition to support import substitution is the strategic direction to be pursued during GTP II to ensure the transformation of the domestic private sector. In addition, investors involved in the service sector (wholesale trade and other business) will be encouraged and provided with incentive packages (provision of land, logistics, credit, etc.) to invest in manufacturing so as to catalyse vibrant private sector development (PSD). Furthermore, particular attention will be given to create the linkages between local and foreign enterprises to facilitate knowledge and technology transfer, and to ensure the sustainability of growth through accelerated economic structural transformation.

- viii) Due emphasis will also be given to human capital capacity development supported by technology and innovation to sustain the rapid economic growth registered during the preceding years. In this regard, particular emphasis will be given to ascertaining quality and access to social services such as education and health thereby creating educated, healthy, competent, motivated and innovative work force. This human resource capabilities development will be further consolidated by the lessons learned and experience gained so far; and new technologies development and transfer to improve the quality of service delivery and to enhance the workforce skills and national capacity

development to build human capital. These integrated human capital enhancing efforts are envisioned to speeding up and creating spring board for economic structural transformation.

- ix) Major emphasis is given to building a climate resilient green economy in the context of sustainable development and realizing the vision of becoming a lower middle-income country by 2025. In this regard, Ethiopia is pioneer in formulating and implementing the climate resilient green economy strategy. Accordingly, enhanced efforts will be made in areas of improving crop and livestock productivity to ensure food security through reducing emissions; protecting forests and re-afforestation including carbon stocks; expanding electricity generation from renewable sources of energy; and leap-frogging to energy efficient technologies in transport, industry and construction during GTP II period.
- x) While undertaking the above mentioned tasks during the plan period, transforming currently dominant rent seeking political economy to ensure the hegemony of developmental political economy is a top priority. In this regard, on the one hand, through providing quality supports to strengthening developmental attitudes, and on the other hand, by draining the root sources of rent seeking, controlling corruption and lack of good governance; the supremacy of developmental political economy will be ascertained. To realize this, organised, informed and direct participation of the public will be mobilised. In addition, enabling environment will be created to ensure society's involvement with a sense of ownership, in activities that concern strengthening developmental mind-set.

The afore-mentioned unique features of GTP II will be elaborated within the framework of the objectives, strategic pillars across the respective macroeconomic and sectorial plans discussed below.

1.3. Objectives of GTPII

The overarching objective of GTP II is to sustain the accelerated growth and establish a spring board for economic structural transformation and thereby realizing the national vision of becoming a lower middle-income country by 2025. To this end, GTP II has set out the following specific objectives:

- i) Achieve an annual average real GDP growth rate of 11 percent within a stable macroeconomic environment and thereby contribute towards the realization of Ethiopia's vision of becoming a lower middle income country by 2025, while pursuing comprehensive measures towards narrowing the saving-investment gap and bridging the widening trade deficit.
- ii) Develop the domestic engineering and fabrication capacity and improve productivity, quality, and competitiveness of the domestic productive sectors (agriculture and manufacturing industries) to speed up structural transformation;

- iii) Further solidify the on-going public mobilization and organised participation to ensure the public become both owners and beneficiaries from development outcomes.
- iv) Deepen the hegemony of developmental political economy by strengthening a stable democratic developmental state.

1.4. Pillars Strategies

The pillar strategies of GTPII are built on that of GTP I complemented by additional pillar strategies that serve as foundation for sectorial plans. Therefore, in order to achieve the objectives of GTP II set out above, the following pillar strategies will be pursued.

- i) Sustain the rapid, broad based and equitable economic growth and development witnessed during the last decade;
- ii) Increase the productive capacity and efficiency to reach the economy's production possibility frontier through concurrently improving quality, productivity and competitiveness of productive sectors (agriculture and manufacturing industries);
- iii) Speed up and catalyse transformation of the domestic private sector and render them a capable development force;
- iv) Build the capacity of the domestic construction industry, bridge critical infrastructure gaps with particular focus on ensuring the quality of infrastructure services through strengthening the implementation capacity of the construction sector;
- v) Properly manage and administer the on-going rapid urbanization to unlock its potential for sustaining growth and structural transformation of the economy;
- vi) Accelerate human development and technological capacity building and ensure its sustainability;
- vii) Establish democratic and developmental good governance through enhancing implementation capacity of the public sector and mobilization of public participation;
- viii) Promote women and youth empowerment, ensure their participation in the development process and enable them equitably benefit from the outcomes of development;
- ix) Build climate resilient green economy.

1.4.1. Sustain the rapid, broad based and equitable economic growth and development witnessed during the last decade.

Ethiopia has been registering robust economic growth that have resulted in a growth acceleration, significant rise in real per capita GDP and a dramatic drop in the national poverty and unemployment rate. Nonmonetary dimensions of well-being have also improved, including in the rural areas. Based on the Human Development Index (HDI), Ethiopia has been successful in translating economic growth into higher living standards for its citizens, and consistently maintaining fair distribution of income.

In the next five years, the aim is to sustain the growth acceleration and to make the economic growth even more inclusive and equitable. The rapid economic growth should sustain and

broaden the availability and accessibility of quality economic and social infrastructures, be accompanied by poverty reduction and significant improvement of the living standard of the citizens through generating employment opportunity. In other words the growth acceleration should continue to be inclusive and thereby contribute to realization of the country's medium term vision of becoming a lower middle income country where social justice and equity prevail.

During GTP II period, agriculture and particularly smallholder agriculture will remain the single most important source of economic growth. Given still its importance in the overall economy, high rate of agricultural growth has far-reaching positive implications for accelerated, inclusive and equitable economic growth in terms of increasing income and accelerating poverty reduction. High agricultural growth and rural development also helps avoid the creation of unplanned urbanization with growing population living in slum areas. During GTP II period, in order to achieve this rapid agricultural growth with positive economy wide linkages, it is necessary to engage smallholder farmers and integrating educated youth farmers with private investors that are large enough to adopt new technologies and produce significant marketable surpluses. Public and private investments in road, electricity and telecommunications are also needed to reduce marketing costs with positive spill over effects on growth of rural market towns and secondary cities. The transformation of the sector will be accelerated as it is the source of income for majority of the population of the country, and its rapid growth is crucial to ensure shared growth and equity, poverty eradication and improved living standards.

During the plan period, accelerated growth of the manufacturing industry will also be a crucial strategy to support the growth acceleration. But the envisaged rapid industrialization drive has even other equally crucial objectives: create jobs and improve income, promote export development, improve the competitiveness of the economy, as well as enhance technological capability and skills development. In other words, industrialization is considered as a crucial strategy to promote structural transformation of the economy so that the country can sustain its growth acceleration to achieve its medium-term vision of becoming a lower middle income economy. During the next 10 years, Ethiopia's vision in relation to manufacturing sector is to become a light manufacturing hub in Africa. This vision will play a significant role in creating an inclusive growth, expediting economic transformation, generating employment, increasing income earnings and expanding export earnings.

In general, to ensure sustainable, equitable and inclusive growth, the economy is projected to grow at 11 percent per annum during GTP II. And the rapid economic growth primarily driven by agriculture but supported by industrial and service sectors is expected to generate employment opportunities and enhance sectorial integration and linkages. To this effect, large number of MSME will be established, and labour intensive large scale manufacturing industries are expected to flourish.

1.4.2. Increase the productive capacity and efficiency to reach the economy's production possibility frontier through concurrently improving quality, productivity and competitiveness of productive sectors (agriculture and manufacturing industries).

According to existing studies, the productive sectors of the economy are currently operating below potential production capacity. Factors of production are not efficiently utilized in the production process. The technical efficiency and technological progress of the economy is believed to be at a low level. To reach the production possibility frontier of the economy from this low level, enhancing efficient allocation and utilization of resources with a sense of urgency is crucial. Different sub-sectors within agriculture and manufacturing industry (main productive sectors) will be given utmost emphasis in this regard.

To render the agricultural sector efficient and enable it reach its production possibility frontier, enhancing the productivity of smallholder farms (the main source of growth in the sector) will be given priority. Besides, in production of strategic food crops, enhancing productivity and quality in the horticultural, livestock, and agricultural products destined for industry input and export diversification will be given utmost emphasis. The competitiveness, quality and productivity enhancement schemes in the agricultural sector will be facilitated through proper development and dissemination of available technologies; implementing extension system according to the direction stated; that is, the scaling up of best practices of model smallholder farmers within the developmental army framework; and tackling the challenges which constrained the achievement of potential production capacity, and improving the efficiency of the sector. Moreover, for farmers operating along the existing production possibility frontier, new appropriate technologies and farming practices will be delivered in order to bring about technological progress.

The country is also operating below potential capacity in manufacturing industry in general and in those producing main bodies and spare parts in particular. To enhance productivity and competitiveness of the sector and to enable the sector raise its production capacity to the production possibility frontier, appropriate technologies should be developed, adapted and diffused; design development and fabrication skills will be promoted during the plan period; the existing as well as new industries should be provided with the necessary support on technology utilization, productivity, quality leadership capacity and competitiveness, as well as the institutions to meet the necessary quality to cope up with challenges. In addition, large involvement by domestic private sector and selected foreign direct investment needs to be promoted to accelerate the productivity of the sector through the provision of different incentive packages. Education and research institutions, universities, technical and vocational colleges, and specialised institutes that are believed to have major contribution for the achievement of the above mentioned missions will be provided with sufficient capacity enhancement support. Similarly, the kaizen philosophy will further be promoted to enhance and improve quality, productivity and competitiveness in all prioritized industries as well as export sector. Parallel with this, benchmarking practices will also be implemented as a means of ensuring quality, productivity and competitiveness in the productive sectors. The capacity of the specialised

industrial institutes will further be strengthened using different strategies including through the on-going twinning arrangement. Technical and personnel support will also be sought from countries that have best experiences and achievements in these areas.

1.4.3. Speed up and catalyze transformation of the domestic private sector and render them a capable development force.

Ethiopia's private sector is at its infant stage of development and is constrained with both internal and external problems that call for solutions through a continuous public private dialogue. Concerted and vigorous effort is needed to transform the sector to enable it play a leading role in the economy. Its development is essential to attain inclusive and sustainable development; enhance social, physical and institutional capital; foster technological transfer and innovation; generate jobs; and to build productive and competitive economy. However, the transformation of the private sector into a dynamic, vibrant and competitive developmental force requires a somewhat long lead time to address the challenges and prepare the ground for its take-off.

The private sector development and transformation agenda will be implemented through well-designed strategies. While providing support selectively for those enterprises participating in the productive (agriculture and manufacturing) and ICT sectors, transparent and predictable incentive packages will be designed and provided to encourage and attract the participation of new private enterprises in priority areas of the above mentioned sectors. In this regard, coordinated and concerted efforts will be made to address the constraints that hinder the development of the domestic private sector, particularly problems related to management and leadership skills, technology and finance through appropriate interventions. In addition to these, creating conducive environment that encourage partnership of domestic and foreign private investors is the other arm of strategy to be implemented. These efforts will be vital to strengthen the capacity of domestic private sector through management skill development and technology transfer.

In GTP II implementation period, in line with the above mentioned private sector development strategies, multi-track approaches will be pursued to transform the domestic private sector. Firstly, small manufacturing enterprises will be nurtured and supported for their transition to medium and large-scale manufacturing enterprises. Secondly, conducive environment will be created to ensure that construction companies invest in the manufacturing industry. In this regard, domestic investors in the construction sub-sector will be encouraged to establish their own manufacturing firms that produce construction materials for their own projects and for supply to the rest of the economy. Third, strategic directions will be pursued to redirect and encourage trade and service enterprises to shift their investment to the manufacturing sector for sustained growth and economic structural transformation. Integrated implementation of these strategies is expected to bring and catalyse the transformation of the domestic private sector in the years to come.

1.4.4. Build the capacity of the domestic construction industry, bridge critical infrastructure gaps with particular focus on ensuring the quality of infrastructure services through strengthening the implementation capacity of the construction industry.

Infrastructure investment is necessary for a country to industrialize and to create competitive and productive economy. From a development perspective, infrastructure offers two benefits: it raises productivity and reduces the cost of private production, and it has a significant effect on the incomes and welfare of the poor by reducing costs to access markets, raising returns on existing assets, facilitating human capital accumulation, and facilitating agglomeration economies and the dissemination of knowledge. A well-designed infrastructure economy of scale reduces costs of trade and is thus central to specialization and the efficient production and consumption of goods and services. It is a vital ingredient to economic growth and development, which is the key to raising living standards. In this regard, the government has made significant stride to expand the economic infrastructure and achieved encouraging results during the last two decade. However, infrastructure deficit is still a challenge, and hence GTP II accords due attention to infrastructure development.

GTP II has also articulated the strategies required to address the challenges envisaged in the delivery of infrastructural development. First, the infrastructure development programs demand huge financial resources both in the form of foreign exchange and domestic currency. The public sector faces budget constraints and so can only be expected to fund some proportion of the investments, while the domestic private sector is still not very resilient to make up this finance gap. Second, although efforts have been made to build the capacity of the construction and engineering industry, there is still inadequate domestic capacity in this sector to deliver the infrastructure projects. Hence, the country may need to rely on foreign capacity in designing and building mega projects in the short and medium-term. Finally, the management of the infrastructure projects after their completion to make sure that they render services efficiently and effectively requires institutional transformation.

During the period of GTP II, strategies are devised to tackle the problems that the infrastructure development faces. For further expansion of infrastructure development, strengths and challenges of the last five years has to be taken into consideration to inform the current programs and directions. First, to address financial constraints, the focus is on unleashing the potentials of domestic sources in the form of tax revenue and domestic saving mobilizations. The focus on export development is meant to support the financing of the rapid economic growth including infrastructure development. In addition, efficient import substitution of goods and services will be encouraged to alleviate the foreign currency shortages of the country. A comprehensive capacity building and transformation program of the domestic construction industry will be drafted and implemented to address the challenge of limited project planning, management and delivery capacity in the country. Private domestic construction firms and consulting and engineering firms will be supported to enhance their technical capacity and their competitiveness in the market. The lack of qualified human power will be addressed through promoting science

and technology education in universities and colleges. Moreover, enhancing project financing and management capacity, promoting knowledge and technology transformation in the infrastructural sector are essential tasks to be undertaken to strengthen the industry's role for creating productive and competitive economy. The role of the private sector in infrastructure development will also be strengthened during GTP II implementation period. Foreign investors will also be highly encouraged to invest in the sector so as to benefit from knowledge and technology transfer. Besides, public private partnership will be pursued in selected infrastructure to harness technology and financial potentials to speed up the progress of the sector. Finally, the undergoing institutional reform in the utility and infrastructure companies will be consolidated with the objective of transforming them into entities that efficiently and effectively support the accelerated growth and transformation agenda of the country.

Overall, infrastructure developments will be aggressively expanded throughout the country during the next five years. This development is envisioned to have positive spill over effects in attracting investment, creating market opportunities, reducing transaction costs, enhancing competitiveness and strengthening regional economic integration. The infrastructure dimension of the post 2015 development agenda (SDGs) is also internalized in this plan.

The expansion of public and private investment in the infrastructure sector has created conducive environment for the construction boom that has been witnessed in the country during the last several years. The Government initiated various programs to enhance the capacity of the sector and to create a competent construction industry. For this, the government has already formulated construction policy frame work to guide the development of the industry. Although the construction industry is growing and contributing for the development of various dimensions of the economy, it is constrained by problems; such as, lack of implementation capacity, integration, developing adequate local capacity, and mobilizing adequate resources in terms of finance, equipment and human resources; low technological base; gaps in effectiveness and international competitiveness; gaps in increasing the share of work opportunities for local contractors and consultants and in applying environmentally friendly products and practices; improper utilization of resources; inefficiency in harmonizing the different laws and regulations governing the construction industry. The construction industry has been and still is highly susceptible corruption. This is also one of the major challenges.

The cumulative result of these problems has impeded the productivity and competitiveness of the productive sectors of the economy. Thus, on the one hand, promoting competitiveness using the increased effective demand in the construction sector as an opportunity; on the other hand, creating developmental investors will be given due consideration during the GTP II period. In sum, improving construction project management and providing skilled human power with the required number and skill profile are strategic directions that will be pursued during GTP II.

1.4.5. Properly manage and administer the on-going rapid urbanization to unlock its potential for sustaining growth and structural transformation of the economy.

The rate of urbanization in Ethiopia, compared with the average for sub Saharan Africa, is still low. However, existing cities, new urban areas that emerged as a result of rapid rural and agricultural development are expanding rapidly. This rapid urbanization requires to be well planned in order to unleash the opportunities it brings to support the growth acceleration, industrialization and structural change of the economy. If this urban growth is not managed and guided through properly prepared urban plans, it could become counterproductive to the development efforts of the country.

If the anticipated rapid urbanization is not guided by a well-articulated medium and long term urban development plan, it could result in an urban structure that is flawed in design, and will also be accompanied by a host of problems, such as unemployment and underemployment, a burgeoning informal sector, deteriorating infrastructure and service delivery capacity, overcrowding, environmental degradation, and an acute housing shortage. If the on-going urbanization is not managed properly, such an un-coordinated urbanization will increase costs associated with addressing social, economic and environmental problems leading to diversion of economic resources to mitigate these problems. In addition, reactively managed urbanization could result in missed opportunity to use urbanization as an engine for economic growth, and create disparity between urban and rural quality and availability of social facilities. In general such cities would not be able to support the envisioned transformation agenda through facilitating and strengthening rural-urban linkages.

To address the challenges that will be posed by rapid urbanization, creating the correct hierarchy and spatial configuration of attractive and viable urban centres that provide conditions favourable for economic growth is needed. Urban areas if planned well can efficiently distribute and agglomerate compatible economic activity, create attractive communities in which to live, use resources more efficiently and do so through improving connectivity between places and increasing their attraction to the commercial environment. For this, during GTP II, urban centres will be effectively managed to enable them act as centres for capital, labour and talent, provide equitable opportunities for its citizens and acts as an engine of growth for economic development. In addition, strategic planning of urban centres will be carried out to develop an effective and well-functioning urban system: high density areas, mixed neighbourhoods, high capacity public transport and smarter, more efficient buildings and utilities.

During the period of GTP II, the development and planning of urban areas will be aligned with the national strategies of the country. The urban development activities should stimulate and drive economic growth, low carbon emissions and poverty reduction. Besides, embedding liveability into cities, through clean and decent streets, sustainably planted areas and open spaces contributes to the green cities components of the Climate Resilient Green Economy strategy. Furthermore, urban areas with compatible land use plans will be proposed that can act as

agricultural processing hubs and serve more rural locations, including acting as bases for emerging national businesses and micro, small and medium-sized enterprises (MSMEs). Urban areas are also designed to bring together different emerging sectors and industries through allocation of urban lands to build eco-friendly industrial parks facilitating the identification of linkages and economies of scale that comes with agglomeration. They are also able to leverage greater trade influence and build access to regional and international markets through increased density of industry and economic activity.

To sum up, the national policies and strategies; such as, building resilient green economy, boosting manufacturing sector through clustering and industry park development, inclusive growth and structural transformation, employment generation and poverty reduction, women and youth packages and urban agriculture growth strategies, housing and other social and physical infrastructure provisions, democratization and good governance, resource mobilization and public participation will be implemented in line with urbanization directions of the country.

1.4.6 Accelerate sustainable human development and technological capacity building.

Sustainable economic growth and transformation demands a healthy workforce equipped with the knowledge and skills to be highly productive and to generate innovations in technologies, processes, products, and services. For this, the development of human resource capabilities is crucial to ensure broad based growth through improving the income of including the marginalized sections of the society by enabling them to participate in economic activities. The development of human resource capabilities will be interlinked with proper technological development and utilization. This in turn depends on producing skilled human power that can easily familiarize and utilize technological developments properly. Thus, ensuring quality and accessible education and health services and augmenting the innovation skills through encouraging Research and Development (R&D) activities in the public and private sectors are needed to develop the human resource capabilities.

To turn the growing labour force of the country into an important driver of industrialization and economic growth and to maximise on the population dividend of the nation, education and skill development play a significant role. To this end, ensuring universal primary education, boosting secondary and tertiary enrolments, improving the quality and relevance of education, increasing the scientific and technological orientation of the education system and aligning it to the needs of the economy, developing vocational, technical, and polytechnic education, and supporting on-the job training and continuing education are major strategic areas that will be given emphasis. Private and public sector enterprises, government and other educational and research institutions will work in a coordinated manner to design training programs that match the skill demands of the economy and to produce human power with practical skills.

The other element that will be given greater consideration to enhance the productivity of the labour force is health. In line with this, the primary focus would remain on rendering high quality

preventive primary health care services for all. In addition, curative and rehabilitative health services of sufficient quality will be delivered and expanded. The use of healthcare services should not expose the users to financial hardship, and hence the social and community based health insurance systems will be expanded. In addition, quality and safety will also be observed as key issues in establishing and delivering accessible, effective and responsive health systems aiming at providing human-centred, equitable and high quality health care for all that results improvements in health and productivity of the society in general and the work force in particular. Therefore, during GTP II, expansion of health facilities, enhancing the capacities of health care professionals, increasing water and sanitation coverage will be carried out to produce a healthy and productive work force.

The other main area that will be given particular attention in terms of enhancing human resource capabilities is technology development. Incentive packages will be provided to encourage research and development both in the public and private sectors to augment technology innovation and invention capabilities. Research institutions, manufacturing industries and service delivery institutions will become technology hubs where intensive researches are conducted and new inventions are produced to address productivity, quality, competitiveness and entrepreneurial constraints of the productive sectors.

In GTP II special focus will also be given to aligning technological transformation with the development stages of the country; establishing and supporting institutions that innovate and invent technology and conduct research and development; indigenous knowledge and experience, particularly in areas like agricultural development, traditional medicine and treatment; and for promoting knowledge and skill to copy, adopt, utilize and manage technology transformation. To this end, the government will facilitate and provide financial, technical and management support for proper functioning, and stringent monitoring and evaluation will be employed for the proper implementation of science and innovation policy and strategy.

1.4.7. Establish democratic and good governance through enhancing implementation capacity of the public sector and mobilization of public participation.

Ethiopia has registered impressive economic and social development over the past two decades through effective implementation of existing policies and strategies. Activities undertaken to mobilize the public in an organized manner have shown so far encouraging results. However, the hitherto assessment of outcomes on good governance indicates that there is yet a lot to be done judged against the plan and public expectations. Robust activities should be undertaken to ensure the supremacy of developmental good governance through active engagement and participation of the public at large. Therefore, participatory, coordinated and coherent activities will be implemented to deepen and strengthen the good governance agenda during the GTP II period.

Corruption and rent seeking are identified as the main impediments to overall socio-economic development. Hence, strengthening implementation capacity at all levels of government structure

through effective implementation of existing policies and strategies to eliminate these shortcomings will be pursued during the next five years. Similarly, major emphasis will also be given to strengthening the developmental leadership and enhancing capacity of the civil service at all levels aimed at facilitating and strengthening stable democratic and developmental state that enables sustaining shared prosperity and overall development in the country.

In pursuing public sector reform programs, particular attention will be given for the full implementation and deepening of the reform process and creation of platform to render it become organizational culture. In this regard, the focus will be on radically improving the tax and land administration, public procurement, public financial management, project contract administration, combating corruption and rent seeking, and strengthening and nurturing reforms being implemented in trade competitiveness.

The government will make efforts to improving tax administration system supported by modern information system whereby the income and property of the tax payer is well determined, legally recognized and protected. Custom activities are strengthened and automated to facilitate equally competitive environment for developmental investors. In addition, use of cash register machines in recording transactions will be reinforced.

Spearhead modern and effective urban land development administration, which enables to register and fully account for urban land and the real properties on the land, to record and ascertain property right claims on the land, and to protect illegal occupation of land will be further implemented using modern land management information systems. Based on this information, systems that ensure proper allocation and utilization of land through planned supply will be designed and implemented. Particular attention will be given to income registration, property and land administration systems to promote accountability and transparency for shared prosperity. Citizens National Identification number will be prepared in the next five years. Other vital event statistics (Marriage, Birth, Death, etc.) systems are also to be developed in GTP II period.

Similarly, during GTP II period, concerted efforts will be made to enhance the implementation capacity of the public sector, mobilizing public participation, promoting, and building a democratic culture. To this effect, the House of Peoples' Representatives at all levels, the House of Federation, the National Electoral Board and its branch offices, the Ethiopian Human Rights Commission, Institute of the Ombudsman, Federal Audit and educational and research institutions will work closely to discharge on their mandates in their respective area of competence for effective implementation and deepening the democratic culture and developmental good governance.

During the GTP II period, particular attention will be given to strengthening the legislative and oversight capacity of federal and regional councils. Due emphasis will also be given to *Woreda* and *Kebele* councils to increase public participation and democratization process. Furthermore,

coordinated and rigorous effort will be made to sustain and strengthen federalism and promote mutual understanding among nations nationalities and peoples of Ethiopia that ensure the aspiration of building one economic and political community within a federal system. Similarly, emphasis will be given to developing tolerance and shared values, deepen secularism and equality of religion, eliminate extremism that deters the progress of developmental good governance and harm stable democratic federal system of the country.

Massive public mobilization will be made through schools, religious organizations, different government organizations, research institutions, civil societies and professional associations and public and private Medias to further deepen and strengthen national consensus aimed at ensuring one economic and political community. Consultations and debates will be conducted among political parties including those that do not have parliamentary seats in the parliament, to facilitate their contribution to the development and democratization process of the country. Similarly media, both print and electronic, will organize consultation platforms with government thereby their role in the strengthening and realization of democracy and good governance will be ascertained.

On the other hand, during GTP II period, supportive activities will be undertaken to enhance the role of civil societies, charities and professional associations to strengthen the democratization and development processes. In this regard, favourable condition will be created to encourage the participation of professional associations, charities and civil societies, particularly mass-based organization of youth, women, and developmental investors' associations. In addition, these professional and mass-based associations will be capacitated to promote their contribution to the overall development, good governance and democratization process of the nation.

1.4.8. Promote women and youth empowerment, ensure their participation in the development process and equity in the development outcomes.

In developing countries like Ethiopia, women face multitude of challenges such as, poverty and unemployment, illiteracy and inequality in education, heavy workload, unequal division of labour, unequal power relationships and limited participation in leadership and decision-making. To circumvent these challenges, GTP II envisages strengthening the empowerment of women so as to ensure their active participation in the political, social and economic processes that are taking place in the country. The on-going schemes of credit and marketing supports to women entrepreneurs and businesses will be strengthened to promote the economic empowerment of women. All public development programs will be designed in such a way that they engage women and ensure their equity in the outcomes of such programs. In addition, emphasis will also be given to more effective execution of women and youth packages and for their integrations to facilitate all round engagement of women and youth.

During GTP II, the political empowerment of women will be effected by establishing mechanisms for women's equal participation and equitable representation at all levels of the

political process and public life in society. A critical element in this endeavour is promoting women organizations that articulate and advance women's concerns, needs and priority agendas, and that influence public policies and actions. A well-established empowering tool is education, and hence GTP II aims to take the achievements in girls and women education thus far to the next level. Thus women's potential will be unleashed through education, skill development and employment, which in turn will be of paramount importance in the elimination of poverty, illiteracy and ill health among women. In addition, the empowerment of women will be achieved through adopting appropriate measures to improve women's ability to earn income beyond traditional occupations, achieve economic self-reliance, ensure equal rights in land use and asset ownership, and ensure women's equal access to the labour market and social security systems. Furthermore, GTP II aims to eliminate violence and harmful traditional practices including female genital mutilation, early marriage and childbearing, gender-based violence, forced marriage, wife inheritance, etc. The measures to be taken towards this end include public education and awareness creation programs, public mobilization and particularly women engagement in the fights against such practices, and swift enforcement of legal measures for criminal practices against women. In sum, all round effort will be made to further empower women during the GTP II period.

The empowerment of the youth during GTP II will pursue largely similar strategies as those described for women above. Youth organizations will be promoted and capacitated to influence public policies and actions. The youth's all round capacity will be enhanced through enabling them participate in organized manner in the democratization, good governance, social and cultural development endeavours of the country thereby benefiting from the achievements of these development activities. The youth as a development and democratic force will further be economically empowered through equipping them with the necessary knowledge and skills that enable them to productively engage in the economy. The planned investments in improving the quality of higher education institutions and TVET will unleash the potential of the youths by improving their technical and practical knowledge and skill in science, technology and innovations. This empowers the youth and enables them to contribute to the productivity of the economy. The on-going strategies of job creation and entrepreneurship programs will further be consolidated to address the unemployment challenges among the youth and thereby to enhance the economic empowerment of the youth. In general, youth and women agendas incorporated in the post-2015 development agendas and Agenda 2063 are appropriately mainstreamed in GTP II.

1.4.9. Building climate resilient green economy

Climate and development are strongly interlinked. Well-designed policies in these areas can make growth and climate objectives compatible and mutually reinforcing in both the short and medium term. In the long term, if climate change is not tackled, growth itself will be at risk. Ethiopia is currently in a very strong position of having very low emissions per capita, huge renewable heat and electricity resources and the opportunity to address climate risks into the short term that result from out dated fossil fuel technology and seek clean and renewable

alternatives. The Government has recognized this and plays a leading role in driving the climate resilient green economy agenda.

Some studies indicate that by 2050 the temperature of the country could increase in the range of 1.7 to 2.1 degree Celsius unless appropriate mitigation measures are taken. This incidence would aggravate food insecurity, spread transmitted diseases in the form of epidemic, and cause degradation of land resources and destruction of infrastructures. To circumvent this challenge in line with the vision of the country, Ethiopia designed the climate resilient green economy (CRGE) strategy and has been implementing it with strong commitment. Encouraging results have been gained thus far in generating energy from renewable sources, as well as in participatory and community-based natural resource conservation and basin development. The community based natural resource conservation and development programs have, in turn created opportunities for rural youth and women to engage in high value agricultural and agro-forestry business activities. GTP II envisions to carry-on the execution of these effective elements of the CRGE strategy. During the GTP II period, reducing greenhouse gas emission through enhanced crop and livestock production that improve food security and income of farmers and pastoralists; natural resource development, forest protection and reforestation programs, that enhance economic and ecological advantages of forests; expanding electricity power generation from renewable sources of energy for domestic and regional markets; leapfrogging to modern and energy efficient technologies in transport, industry and constructions are the basic strategies of building climate resilient green economy.

In building green economy, the green economy agendas will be rigorously mainstreamed in macro and sector plans, programs and projects, and will be regularly monitored and evaluated to ensure accountability at all levels. Organized and integrated efforts will be exerted to build strong institutions that can realize the green economy objectives of the country, mobilize resources to finance the green economy programs and projects and that can strengthen and facilitate public private partnership and international cooperation on the agenda. In addition, research institutions that work on green economy will be promoted whereby knowledge and technology transfer is facilitated.

1.5. Selected GTPII macroeconomic, social and economic development targets

Selected macroeconomic, economic and social development targets achieved by the end of the first Growth and Transformation Plan Implementation Period (2014/15) and projections envisioned to be reached by the end of the Second Growth and Transformation Plan (2019/20) are depicted in Table 1.1 below.

Table 1.1: Selected GTPH Targets

| No. | Sector/ Indicator | Unit of measurement | Baseline year (2014/15) | Plan targets (2019/20) ² |
|------------|--|---------------------|-------------------------|-------------------------------------|
| 1. | Macroeconomic indicators | | | |
| 1.1 | The Macro Economy | | | |
| | Real GDP Growth Rate | percent | 10.2 | 11.00 |
| | Agriculture and Allied Sectors Growth rate | percent | 6.4 | 8.0 |
| | Industry Sector Growth rate | percent | 23.5 | 20 |
| | Manufacturing Growth rate | percent | 21.4 | 21.9 |
| | Service sector Growth rate | percent | 10.2 | 10 |
| | Per capita income @CMP | Us dollar | 691 | 1,177 |
| | Gross Domestic Investment as share of GDP | percent | 39.3 | 41.3 |
| | Gross Domestic Saving as share of GDP | percent | 21.8 | 29.6 |
| | Export of Goods and non-factor Services as share of GDP | percent | 9.7 | 20.6 |
| | Import of Goods and non-factor Services as share of GDP | percent | 27.1 | 32.3 |
| | Resource gap as a share of GDP | percent | -17.4 | -11.7 |
| 1.2 | public finance | | | |
| | Domestic Revenue as share of GDP @CMP | percent | 15.0 | 19.1 |
| | Tax Revenue as share of GDP @CMP | percent | 13.3 | 17.2 |
| | Total Expenditure as share of GDP @CMP | percent | 18.5 | 22.6 |
| | Capital Expenditure as share of GDP @CMP | percent | 9.4 | 13.4 |
| | Recurrent Expenditure as share of GDP @CMP | percent | 9.1 | 8.7 |
| | Total Poverty-oriented Expenditure as share of GDP | percent | 12.3 | 15.4 |
| | Budget Deficit as share of GDP (@Market Price) | percent | -2.5 | -3.0 |
| 1.3 | Poverty and Welfare | | | |
| | Total Poverty Head count | percent | 23.4 ³ | 16.7 |
| 1.4 | Population and development | | | |
| | Total Unemployment Rate | percent | 4.1 | 3.5 |
| | Urban unemployment rate | percent | 16.1 | 12.2 |
| | Total Dependency Ratio | Per100 | 77 | 70 |
| 1.5 | Financial Sector | | | |
| | Number of Bank Branches | Number | 2868 | 5,736 |
| | Share of Kebeles launching micro finance institutions from total rural kebeles | percent | | 50 |
| 1.6 | Export | | | |
| | Manufacturing Export Revenue as share of GDP | percent | 0.6 | 3.0 |
| | Agricultural production Export Revenue as share of GDP | percent | 3.6 | 6.5 |
| | Manufacturing Export as share of Total Merchandise Export Value | percent | 12.5 | 25.6 |
| | Merchandise Export as Share of GDP @ CMP | percent | 4.9 | 11.8 |
| 1.7 | Productivity, quality and competitiveness | | | |
| | labor force employed in agriculture and allied sectors | Number | 31,752,000 | 33,371,573 |
| | Share of agriculture and allied sectors employment from total employment | percent | 74 | 68 |
| | Productivity per worker in the agricultural and allied sectors | GVA/ worker | 8437 | 11771 |
| | labor force employed in medium and manufacturing sector | Number | 380,000 | 757,600 |
| | Share of medium and manufacturing sector employment from total employment | percent | 0.9 | 2 |
| | Productivity per worker in medium and large scale manufacturing sectors | GVA/worker | 68,158 | 91,869 |

² Growth rates are annual average rates for the period 2015/16-2019/20

³ Estimate based on Growth Elasticity of poverty reduction

| No. | Sector/ Indicator | Unit of measurement | Baseline year (2014/15) | Plan targets (2019/20) ² |
|------------|---|---------------------|-------------------------|-------------------------------------|
| 2. | Agriculture and Rural Transformation | | | |
| | Share of Agriculture and allied Sectors to GDP | percent | 38.5 | 33.5 |
| 2.1 | Crop Production and Productivity | | | |
| | Major Crops Production | Mln/qt | 270.3 | 406 |
| | Major Crops productivity | qt/ha | 21.5 | 27.3 |
| | Cane Productivity | qt/ha | 29.0 | 42.64 |
| | Cereals productivity | qt/ha | 21.1 | 31 |
| | Pulses productivity | qt/ha | 17.2 | 23 |
| | Oil seeds productivity | qt/ha | 9 | 12.7 |
| | Coffee productivity | qt/ha | 7.48 | 11.0 |
| | Coffee production | 1000tons | 420 | 1,045.05 |
| 2.2 | Natural Resource Conservation and Utilization | | | |
| | Area of Land Rehabilitated | Mln/ha | 10.86 | 22.5 |
| | Area of Land developed with community based water shade development Program | Mln/ha | 12.162 | 41.35 |
| | Area of Land developed with modern small scale irrigation schemes | Mln/ha | 2.3 | 4.1 |
| 2.3 | Food Security, Disaster Prevention and Preparedness | | | |
| | Food Reserve to enhance disaster prevention capacity | Thnd/tons | 405 | 1,500 |
| | Farmers beneficiaries of productive safety net program | Mln/number | 3.4 | 8.3 |
| | Household headed farmers that graduated from productive safety net program | Mln/number | 0.049 | 1.0 |
| 2.4 | Agricultural Input Supply and Utilization | | | |
| | supply of Improved seeds | Millionquintal | 1,873,778 | 3,559,924 |
| | supply of Chemical Fertilizers | Metric/tons | 1,223,309 | 2,062,106 |
| 2.5 | Agriculture extension service | | | |
| | Total number of farmers receiving extension service | Thnd/number | 10090 | 16776 |
| | Male headed farming households received extension service | Thnd/number | 7,854 | 9,674 |
| | Female headed farming households received Extension service | Thnd/number | 3,927 | 5,325 |
| | Total number of pastoralists received extension service | Thnd/number | 510 | 892 |
| | Male headed pastoral households received extension service | Thnd/number | 308 | 502 |
| | Female headed pastoral households received Extension service | Thnd/number | 153 | 267 |
| | Proportion of Rural women farmers who benefited from extension service. | percent | 20 | 30 |
| 2.6 | Climate Resilient Green Economy Development | | | |
| | share of projects/programs that passes through social and environment impact assessment | percent | 100 | 100 |
| | Forest Coverage | percent | 15.5 | 20 |
| | Reduced GHG emission | Mln/Metric tons | | 147 |
| 3. | Industry | | | |
| | Share of Industry in GDP | percent | 15.1 | 22.3 |
| | Share of Manufacturing industry in GDP | percent | 4.8 | 8.0 |
| | Share of Medium and Large scale Manufacturing industry in GDP | percent | 3.8 | 5.9 |
| | Employment opportunities created by medium and large manufacturing industry | Number | 380,000 | 758,000 |
| 4 | Infrastructure Development | | | |
| 4.1 | Road | | | |
| | Length of all-weather roads | Km | 110,414 | 220,000 |
| | Average time taken to reach all- weather roads | hour | 1.7 | 0.8 |

| No. | Sector/ Indicator | Unit of measurement | Baseline year (2014/15) | Plan targets (2019/20) ² |
|-----|--|------------------------|-------------------------|-------------------------------------|
| | Areas Further than 5 km from all-weather roads | percent | 33.6 | 13.5 |
| | Roads in acceptable (fair + good) condition | percent | 70 | 80 |
| | Ratio of Paved roads | percent | 13 | 16 |
| | Road density | km/1000km ² | 100.4 | 200 |
| | Road density | km/1000population | 1.2 | 2.3 |
| 4.2 | Energy | | | |
| | Electricity service coverage | percent | 60 | 90 |
| | Power generating capacity | MW | 4,180 | 17,347 |
| | Length of distribution lines construction | Km | 16,018 | 21,728 |
| | Customers with access to electric power service | Mln/number | 2.31 | 6.955 |
| | Annual per capita electricity consumption | GWS | 86 | 1,269 |
| 4.3 | Telecommunication | | | |
| | Telephone density (Fixed Lines) | percent | 0.92 | 54.0 |
| | Telephone subscribers (Fixed Lines) | Mln/number | 0.837 | 10.4 |
| | Mobile telephone subscribers | Mln/number | 38.8 | 103.6 |
| | Internet service subscribers | Mln/number | 9.4 | 56.0 |
| | Mobile telephone coverage | percent | 43.9 | 100 |
| | Broad band internet and data service subscribers | Mln/number | 1.59 | 39.1 |
| | Narrow band internet and data service subscribers | Mln/number | 8 | 16.9 |
| 4.4 | Water | | | |
| | Overall potable water supply coverage as per GTPH standards | percent | 58 | 83 |
| | Rural potable water supply coverage as per GTPH standards | percent | 59 | 85 |
| | Urban Potable water supply coverage as per GTPH standards | percent | 51 | 75 |
| | Area of land developed with large and medium irrigation schemes | ha | 658,340 | 954,000 |
| 4.5 | Transport and Logistics Service | | | |
| | Logistics performance index | Number | 2.59 | 3.07 |
| | Average time spent across borders for imported goods | Day | 40 | 3 |
| | Share of logistics expenditure in GDP | percent | 30 | 22 |
| | General cargo carried by multi-modal transport system coverage | percent | 35 | 90 |
| | Inland packed export goods freight vessels | percent | 7 | 100 |
| | Fatality rate per 10,000 vehicles | Number | 60 | 27 |
| 5 | Urban development, Housing and Construction | | | |
| | Jobs opportunity created through urban productive safety net program | Number | | 717,114 |
| | Urban food insecure communities that get direct support | Number | | 1,017,056 |
| | Urban residential houses constructed | Number | 174,190 | 750,000 |
| | Green area development and public recreation land utilization coverage | percent | | 30 |
| | industrial parks | Number | 2 | 7 |
| 6 | Construction industry | | | |
| | Improved and cost saving construction inputs and technologies | Number | | 30 |
| | Internationally competitive contractors | Number | 41 | 100 |
| | Internationally competitive consultants | Number | 35 | 50 |
| | Proportion of construction inputs supplied through domestic manufactures | percent | 0 | 80 |
| 7. | Human Resource Development | | | |
| 7.1 | Education and Training | | | |
| | Pre-primary school gross enrollment rate | percent | 39 | 80 |
| | Net primary school(1-8) enrollment | percent | 96.9 | 100 |

| No. | Sector/ Indicator | Unit of measurement | Baseline year (2014/15) | Plan targets (2019/20) ² |
|-----|--|---------------------|-------------------------|-------------------------------------|
| | Primary school 1st cycle(1-4) gender diversity ratio | percent | 0.93 | 0.99 |
| | Secondary School 1st cycle(9-10) gross enrollment rate | percent | 40.5 | 79 |
| | Secondary School 2nd cycle(11-12) gross enrollment rate | percent | 11.12 | 12 |
| | Primary school special need enrollment rate | percent | 4.4 | 15 |
| | Adult education participation rate | percent | 74.4 | 100 |
| | Share of 1st cycle(1-4) primary school certified teachers | percent | 71.37 | 95 |
| | Share of 2nd cycle(5-8) primary school certified teachers | percent | 71.37 | 95 |
| | Primary school(1-8) completion rate | percent | 52.2 | 74 |
| | Share of 1st and 2nd cycle (9-12) high school certified teachers | percent | 87.3 | 100 |
| | grade one drop-out rate | percent | 18 | 5 |
| | Number of TVET trainees | Number | 238,584 | 606,142 |
| | Number of TVET institutions | Number | 1,329 | 1,778 |
| | Undergraduate program admission capacity | Number | 755,244 | 1,106,287 |
| | Proportion of Female students in under graduate program | percent | 32 | 45 |
| 7.2 | Health | | | |
| | Health service coverage | percent | 98 | 100 |
| | Under five mortality rate per 1000 live births | Number | 64 | 30 |
| | Infant mortality rate per 1000 live births | Number | 44 | 20 |
| | Maternal mortality rate per 100000 live births | Number | 420 | 199 |
| | Neonatal mortality rate per 1000 live births | Number | 28 | 10 |
| | Life expectancy | Year | 64 | 69 |
| | Contraceptive prevalence rate (CPR) | percent | 42 | 55 |
| | Deliveries attended by skilled health personnel | percent | 60.7 | 90 |
| | Stunting rate | percent | 40 | 26 |
| | Wasting rate | percent | 9 | 4.9 |
| | Pentavalent 3 vaccination coverage | percent | 94 | 98 |
| | Male and female headed households with access to improved toilet facility coverage | percent | 28 | 82 |
| | HIV/AIDS incidence rate | percent | 0.03 | 0.01 |
| | Households using iodized salt coverage | percent | 15 | 80 |

II. Macroeconomic Plan

2.1. Macroeconomic Policy Objectives

Major macroeconomic policy objectives of GTPII are sustaining rapid and inclusive economic growth within a stable macroeconomic environment including maintaining a stable and low inflation, ensuring structural transformation in the economy, consolidating the gains in human development and reducing poverty and unemployment; ; as well as enhancing the share of investment and domestic saving in GDP. Within these basic objectives, implementation of the fiscal policy will be carried out so as to maintain sustainable level and financing of fiscal deficit through effective mobilization of domestic revenue, efficient utilization of resources, and managing public debt within a stable macroeconomic environment.

During the GTP II period, monetary and exchange rate policy will be implemented in a framework to ensure stable inflation and give economic units a long term perspective in a manner consistent with the objectives of increasing production and employment; and of ensuring price stability by enhancing productivity and competitiveness of the economy. In addition, in order to ensure structural transformation in the economy, reallocation of factors of production; diversification, upgrading, and deepening of the production and export baskets; use of new production methods and processes and different inputs; urbanization; and social transformation will be pursued during the plan period. Overall, GTP II, built on the progress and achievements of GTPI, is aimed at achieving the following macroeconomic objectives:

- i)** Maintaining double-digit average economic growth rate of 11 percent per annum (base case scenario).
- ii)** Ensure structural transformation of the economy.
- iii)** Maintaining Macroeconomic Stability:
 - Keeping annual average inflation rate within single digit,
 - Enhancing export competitiveness through creating conducive environment within a stable foreign exchange regime,
 - Maintaining budget deficit below 3% of GDP on average,
 - Increasing the share of domestic revenue in GDP to 19.1 percent by the end of the plan period.
- iv)** Increasing the share of gross domestic saving in GDP to 29.6 percent and by so doing increasing the share of gross domestic investment in GDP to 41.3 percent by the end of the plan period.

2.2. Economic Growth

During the GTP II period, it is projected that GDP will grow on average by 11 percent per annum under the base case scenario. Albeit challenging, this level of growth is believed to be attainable given the growth trend sustained during the last 12 years ending in 2014/15. At the level of sectors, average growth rate of the value added is projected to increase at 8 percent per annum for agriculture, 20 percent for industry and 10.1 percent for services (Table 2.1).

Table 2.1: GDP growth rate under base case scenario (in %) valued at 2010/11 price

| Sector | Average Performance | Base year | Forecast | | | | | Average |
|--------------------------------------|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------------|
| | 2010/11 - 2014/15 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2015/16-2019/20 |
| Agriculture and allied Activities | 6.6 | 6.4 | 8.2 | 8.0 | 7.9 | 7.9 | 7.8 | 8.0 |
| Industry | 20.2 | 21.7 | 21.8 | 20.6 | 20.0 | 19.1 | 18.4 | 20.0 |
| Manufacturing | 14.7 | 15.8 | 20.2 | 21.3 | 22.0 | 22.7 | 23.4 | 21.9 |
| Large and medium scale Manufacturing | 19.2 | 20.3 | 20.0 | 21.3 | 21.8 | 22.6 | 23.4 | 21.8 |
| Small and micro Manufacturing | 4.2 | 2.9 | 21.0 | 21.3 | 22.6 | 23.0 | 23.5 | 22.3 |
| Service | 10.8 | 10.2 | 10.3 | 10.2 | 10.1 | 10.0 | 9.6 | 10.1 |
| Gross Domestic Product (GDP) | 10.1 | 10.2 | 11.2 | 11.1 | 11.1 | 11.0 | 10.8 | 11.0 |

Base case growth scenario

According to the base-case scenario, the economy is projected to increase at an annual average rate of 11% over the plan period under the base case scenario. The strategies to be implemented to support the growth during the plan period include, among others: commercialization and productivity growth of small holder agriculture, promotion of private investment in light manufacturing and active involvement of the private sector in the overall economy; enhancement in the human resource capabilities; improvement in productivity and efficiency and infrastructure development. It is assumed also that the additional implementation capacity created over the last five years of rapid growth will support better implementation of the economic policies and thereby also of the achievement of the growth target set under the base case scenario. Global economic prospects with the increase in the number of “world middle class” may create an opportunity for Ethiopia’s organic agricultural commodities and emerging light manufacturing products. GTP II therefore envisions sustaining the rapid growth of GDP registered over the past five years.

In terms of the sectoral composition of growth, all sectors of the economy are expected to expand during the Plan period. The agriculture sector is projected to maintain its growth momentum of 8% per annum supported by modernization in the food crop, livestock, horticulture and industrial and export commodity subsectors. In line with this, emphasis will be given to agricultural production and productivity growth through scaling-up best practices of model farmers and replicating the same to other farmers. In addition, farmers will be encouraged

to engage themselves in the production of high value commodities, while large scale commercial farming will also be encouraged.

Industry is projected to grow at an annual average rate 20 percent surpassing the growth rate of all other sectors. This growth is to be realized through the projected 21.9 percent growth rate in the manufacturing sub sector; 31.6 percent in electric, gas and water; 15.4 percent growth in construction; and 32.8 percent growth in mining. Investment in the industrial sector, especially investments in the manufacturing sector, will be focusing on export promoting and import substituting sub-sectors.

To achieve the main targets of the sector, industrial parks will be constructed in strategic development corridors of the country during the GTP II period. These parks, with all necessary social and infrastructure services and trade logistics facilities, are expected to create conducive environment for boosting investments in the manufacturing sector and to promote export processing to the higher level. Moreover, comprehensive measures such as addressing financial constraints through the regional lease financing institutions and the Development Bank of Ethiopia; alleviating marketing and financial constraints of Small and Medium Enterprises (SMEs); tackling market access problems of SMEs through creating market linkage with local industries; and improving the country's capacity of electric power generation, transmission, and distribution will largely be undertaken to foster the growth, productivity and competitiveness of the sector during the plan period. On top of that, the electricity subsector of the economy is expected to generate foreign currency.

The services sector is projected to grow by 10.1 percent per annum during the Plan period. This growth will be highly driven by the wholesale and retail trade and transport sub sectors. In addition, the hotels and restaurants subsector is expected to expand further owing to the envisaged increase in tourist arrivals and receipts, while improvements in wholesale and retail trade-related activities is expected to boost the transport and storage subsector. Moreover, in order to ensure service sector's development, the country will be exerting maximum efforts to strengthen linkage between the tourism and other sectors, particularly with hotel, transportation and financial institutions.

Parallel with examining the above mentioned enabling conditions for growth, analysing threats and risk factors for growth will be given due consideration. In this regard, unanticipated natural disaster, like that of drought, is likely to be the major threat for achieving the economic growth target. The share of agriculture in GDP is still significant and the remaining sectors' (i.e., industry and service sectors) growth is also influenced by the performance of the agricultural sector. Thus, to mitigate the potential negative effect and sustain the growth momentum, the transformation of smallholder agriculture to become more resilient to such shocks is critical. Thus the on-going modernization of agriculture through the agricultural extension system and scaling up strategy, promotion of irrigation and water harvesting technologies, sustainable pastoral community development, and natural resource conservation and development strategies will be consolidated. In addition, building disaster prevention and management capacity will be

given emphasis during the plan period. To this end, the government has targeted increasing the national food stock and foreign exchange reserves in an appropriate manner.

The planned 11 percent annual average real GDP growth rate under the base case scenario during the plan period is considered to be a basic milestone for the realization of the country's long term development objectives. Firstly, it is crucial for achieving the country's vision of becoming lower middle income country by 2025. For this, the rapid, inclusive and shared growth has increased national consensus on the key development strategies, and thereby enhanced the motivation and commitment of the public to actively participate in the development process, which in turn gives momentum and energy to the achievement of the country's vision of becoming a lower middle income economy. Secondly, such fast growth will help strengthen the government's capacity to deliver more social services and expand economic infrastructures both in terms of quantity and quality. Third, such fast and broad-based growth plays a pivotal role in alleviating poverty and in generating employment.

In general, the source of the 11 percent annual average real GDP growth rate is expected to be broad-based. In addition, such broad-based growth is expected to be accompanied by accelerated growth of the manufacturing industry realizing desirable economic structural transformation. To this end, the country has set a vision to become a leader in light manufacturing in Africa and among the leading countries in the world. In order to realize the national vision, the government is determined to encourage and attract domestic and quality foreign direct investment in the manufacturing sector. Addressing the main challenges that impede growth in the manufacturing sector; providing appropriate policy support; and strengthening the participation of investors in the sector through predictable and transparent incentive schemes are the major strategic direction to be pursued during the plan period to speed up growth and transformation of the industry.

High case growth scenario

Although GTP II is fully tuned by the base case scenario in which real GDP is projected to increase at annual average rate of 11 percent as noted above, a high case growth scenario is also considered. Under this scenario, the economy is planned to grow at annual average growth rate of 12.2 percent. The basic assumption for the high case growth scenario is doubling major crop production by scaling-up best practices of model farmers' to other farmers. Largely as a result of this, the agriculture sector could grow at an annual average rate of 11.0 percent compared to that of 8.0 percent under the base case growth scenario. This, in turn, is the outcome of the 16 percent targeted growth rate in major crop productions, which has an estimated share of 40 percent of the total value added of the agricultural sector on average. Accordingly, without considering the potential spill over effects of growth in major crops production, the economy is projected to grow at an annual average rate of 12.2 percent (Table 2.2).

Table 2.2: GDP growth rate under high case growth scenario (in percent)

| Sector | Average Performance | Base year | Projection | | | | | Average annual growth rate |
|------------------------------------|---------------------|-----------|------------|---------|---------|---------|---------|----------------------------|
| | 2010/11-2014/15 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2015/16-2019/20 |
| Agriculture and Related Activities | 6.6 | 6.4 | 11.0 | 10.8 | 10.8 | 11.1 | 11.3 | 11.0 |
| Industry | 19.5 | 21.7 | 21.8 | 20.6 | 20.0 | 19.1 | 18.4 | 20.0 |
| Manufacturing | 14.7 | 15.8 | 20.2 | 21.3 | 22.0 | 22.7 | 23.4 | 21.9 |
| Service | 10.9 | 10.2 | 10.3 | 10.2 | 10.1 | 10.0 | 9.6 | 10.0 |
| Gross Domestic Product (GDP) | 10.1 | 10.2 | 12.4 | 12.3 | 12.3 | 12.3 | 12.0 | 12.2 |

2.3. Structural Change

Economic growth in Ethiopia has so far been rapid, broad based, pro-poor and sustainable. Despite the high and sustained growth, structural transformation has been slow. Structural transformation is basically characterized by reallocation of resources from low productivity to high productivity economic activities.

Recent trends indicate that the service sector has slowly taken over the lead from agriculture in terms of its contribution to the gross domestic product (GDP). During the plan period, the share of manufacturing sector in GDP stagnated compared to the other sub sectors. Hence, bringing about structural change of the economy will be the key objective of GTP II. Structural change of the economy is envisaged to be measured through two main indicators: (i) increasing the share of manufacturing industry in GDP; and (ii) increasing the share of export earnings in GDP. Overall, these two signals are in turn presumed to be realized largely through manufacturing expansion and export diversification.

2.3.1. Increasing the share of manufacturing industry in GDP

The assessment results of GTP I implementation showed that the share of agriculture in GDP declined and the share of services sector has increased and surpassed that of agriculture in recent years while the share of the industry sector showed only a modest increase (2 percentage point over the base year) largely as a result of the expansion of the construction industry. The share of manufacturing industry in GDP has lagged behind the GTP I target and is even considered to be at a very low level compared to the SSA average.

By the end of GTP II period, manufacturing, which is expected to be the engine of the structural transformation, is projected to grow at an annual average rate of 21.9 %, while its share in GDP is projected to pick up from 4.8 % in 2014/15 to 8.0 % by 2019/20. The share of the industrial sector in general will rise from 15.1 percent to 22.3 percent during the same period. The share of agriculture in GDP is projected to decline from 38.5 percent to 33.5 percent, while the share of services is projected to fall from 46.3 percent to 44.3 percent (Table 2.3).

Table 2.3: Share of major economic sectors in GDP under base scenario in percent

| Sector | Average Performance | Base year | Projection | | | | | Average |
|-------------------------------------|---------------------|------------|------------|------------|------------|------------|------------|-------------------|
| | 2010/11 - 2014/15 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2015/16 - 2019/20 |
| Agriculture and Related Activities | 41.5 | 38.5 | 37.5 | 36.4 | 35.4 | 34.4 | 33.5 | 35.4 |
| Industry | 12.7 | 15.1 | 16.6 | 18.0 | 19.4 | 20.9 | 22.3 | 19.4 |
| Manufacturing | 4.3 | 4.8 | 5.2 | 5.7 | 6.2 | 6.9 | 8.0 | 6.3 |
| Large and medium scale | 3.1 | 3.7 | 4.0 | 4.4 | 4.8 | 5.3 | 5.9 | 4.9 |
| Small and micro scale | 1.2 | 1.1 | 1.2 | 1.3 | 1.4 | 1.6 | 1.8 | 1.4 |
| Service | 45.8 | 46.3 | 46.0 | 45.6 | 45.2 | 44.8 | 44.3 | 45.1 |
| Gross Domestic Product (GDP) | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

During the coming decade, the share of the manufacturing sector in GDP is expected to show a fourfold increase from 4.8 % in 2014/15 to 18 % by 2025. For this to be realized, the county has envisioned to pursue export-oriented manufacturing-led industrialization. Owing to the narrow base of the manufacturing sector, realization of the above vision requires a concerted effort of all stakeholders participating in the sector. Thus, the government is determined to ensure a massive expansion of investment and improvement in productivity of manufacturing industry. Accordingly, private investment in primarily export oriented light manufacturing will be aggressively promoted. In addition, the domestic production of import items to save foreign exchange, enhance value addition, strengthening the metal and engineering industry and enhancing technological transfer and skill development in various industries will be major areas of endeavour during the GTP II period (Table 2.4).

Table 2.4: GDP's share of some major economic sectors under the high growth scenario (in %)

| Sector | Average Performance | Base year | Projection | | | | | Average |
|------------------------------------|---------------------|------------|------------|------------|------------|------------|------------|-------------------|
| | 2010/11 - 2014/15 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2015/16 - 2019/20 |
| Agriculture and Related Activities | 41.5 | 39.1 | 38.6 | 38.1 | 37.6 | 37.2 | 36.9 | 37.7 |
| Industry | 12.7 | 15.1 | 16.6 | 18.0 | 19.4 | 20.9 | 22.3 | 19.4 |
| Manufacturing | 4.3 | 4.8 | 5.2 | 5.7 | 6.2 | 6.9 | 8.0 | 6.3 |
| Service | 45.8 | 46.3 | 46.0 | 45.6 | 45.2 | 44.8 | 44.3 | 45.1 |
| Gross Domestic Product | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Overall, with regard to structural change, according to the base case scenario (Table 2.3), the share of agricultural sector in GDP is projected to decline to 33.5 percent by 2019/20, and further decline to 29.2 percent by 2025. On the other hand, the industry sector is expected to grow faster than the remaining sectors and its share in GDP is expected to reach 22.3 percent by the end of the plan period (2019/20) and further to 32 percent by 2025. The share of the service sector is projected to decline slightly to 44.3 percent from its current level of 46.3 percent in 2014/15.

A. Increasing the share of merchandise export in GDP

The second feature of the structural change is expected to be manifested in increased role of merchandise exports in the economy. During GTP II period, merchandise export is set to grow at an annual average rate of 36.3 percent, and foreign exchange earnings from merchandise export is expected to pick up from 3.1 billion USD to about 13.9 billion dollars by the of the planning period. Of this, agricultural products, industrial commodities and mining will have a share of

USD 7.7 billion, USD 4.2 billion, and USD 2 billion, respectively. On the other hand, import bill is projected to reach at about half of the merchandise export earnings and is expected to grow approximately at the same rate as GDP growth (Table 2.5).

Table 2.5: Projection of merchandise export earring (in million USD)

| Items | Base year | Projection | | | | |
|-------------------------------------|---------------------|----------------|----------------|-----------------|-----------------|-----------------|
| | 2014/15 Performance | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| Total Export Revenue | 3,019.3 | 4,884.6 | 6,780.3 | 8,747.8 | 11,035.6 | 13,909.1 |
| Agricultural product Exports | 2,255.9 | 3,277.4 | 4,213.0 | 5,239.2 | 6,338.4 | 7,663.9 |
| Regular agricultural products | 1,978.9 | 2,907 | 3,738 | 4,556 | 5,441 | 6,481 |
| Coffee | 780.5 | 1,022.4 | 1,339.4 | 1,607.2 | 1,870.8 | 2,173.9 |
| Oil seeds | 510.1 | 904.5 | 1,134.2 | 1,413.3 | 1,710.0 | 2,048.6 |
| Pulse | 219.9 | 318.8 | 398.5 | 498.1 | 622.6 | 778.3 |
| Vegetables and fruits | 47.6 | 69.0 | 86.2 | 107.8 | 129.4 | 155.2 |
| Cattle | 148.5 | 267.3 | 337.9 | 425.7 | 534.7 | 673.8 |
| Chat | 272.4 | 324.7 | 441.6 | 504.3 | 572.9 | 650.8 |
| Flower | 203.1 | 260.0 | 339.0 | 440.3 | 571.1 | 742.4 |
| Other Agricultural Commodities | 73.9 | 110.7 | 136.2 | 242.4 | 326.8 | 440.8 |
| Industrial commodity Exports | 419.9 | 992.7 | 1,852.6 | 2,332.2 | 3,118.6 | 4,199.2 |
| Manufacturing | 377.1 | 864.6 | 1,313.6 | 1,801.3 | 2,534.5 | 3,556.8 |
| Leather and Leather products | 131.6 | 206.6 | 272.7 | 368.1 | 505.0 | 706.5 |
| Meat and Meat products | 92.8 | 112.3 | 146.0 | 192.7 | 263.4 | 374.1 |
| Textile and garment | 98.9 | 184.0 | 270.5 | 397.9 | 556.7 | 778.8 |
| Sugar and Molasses | 0.0 | 138.0 | 265.0 | 327.0 | 435.8 | 586.2 |
| Food and beverage | 21.5 | 25.7 | 44.3 | 88.6 | 154.3 | 268.0 |
| Chemicals | 18.9 | 27.5 | 49.8 | 62.9 | 81.1 | 101.3 |
| Pharmaceuticals | 2.7 | 29.6 | 54.8 | 69.0 | 89.2 | 111.4 |
| Metals and engineering outputs | 10.5 | 92.1 | 121.1 | 181.5 | 302.9 | 448.0 |
| Electric and Electronics products | 0.2 | 48.9 | 89.4 | 113.6 | 146.0 | 182.4 |
| Electricity | 42.8 | 128.0 | 539.0 | 530.9 | 584.0 | 642.4 |
| Mining export | 345.73 | 500.35 | 780.75 | 1,049.91 | 1,470.39 | 2,011.01 |

Overall, the share of merchandise export in GDP is expected to pick up from 4.9 % in 2014/15 to 11.8 % by 2019/20. Looking at the sub-sectors, the share of manufacturing goods export is expected to pick up from 0.6 percent in 2014/15 to 3.0 percent by 2019/20, while the shares of the agricultural commodities and mining exports are expected to pick up from 3.6 and 0.9 percent to 6.5 and 1.7 percent, respectively during the same period (Table 2.6).

Table 2.6: Projected share of merchandise export in GDP (%)

| Item | Base year | Projection | | | | |
|--|---------------------|------------|------------|------------|-------------|-------------|
| | 2014/15 Performance | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| Total Merchandise Exports Revenue | 4.9 | 7.0 | 8.5 | 9.7 | 10.7 | 11.8 |
| Agricultural Commodity Exports | 3.6 | 4.7 | 5.3 | 5.8 | 6.1 | 6.5 |
| Regular agricultural Commodity | 3.2 | 4.1 | 4.7 | 5.0 | 5.3 | 5.5 |
| Flower | 0.3 | 0.4 | 0.4 | 0.5 | 0.6 | 0.6 |
| Other Agricultural Commodity | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.4 |
| Industrial commodity Exports | 0.7 | 1.4 | 2.3 | 2.6 | 3.0 | 3.6 |
| Manufacturing | 0.6 | 1.2 | 1.6 | 2.0 | 2.5 | 3.0 |
| Electricity | 0.1 | 0.2 | 0.7 | 0.6 | 0.6 | 0.5 |
| Mining Export | 0.6 | 0.9 | 0.9 | 1.3 | 1.5 | 1.7 |

The two basic rationales for the targeted increase in merchandise export growth are: (i) Emphasis will be given to agricultural production and productivity growth in high value exportable products; (ii) Most of the manufactured value addition commodities are to be destined for export. Taking these two rationales into consideration along with export earnings from electric power, the share of industrial products in GDP is expected to pick up from 0.7 percent in 2014/15 to 3.6

percent by 2019/20. The share of electricity exports is projected to pick up from 0.1 percent in 2014/15 to 0.5 percent of GDP by 2019/20. The surplus for export is expected to be generated from existing power plans and dams that will contribute to the national grid system during GTP II period. The mining sector is another source of foreign exchange earnings from existing mines and forthcoming new ones during GTP II period. Accordingly, the share of the mining sector export is planned to pick up from 0.6 percent of GDP in 2014/15 to 1.7 percent by 2019/20.

2.4. Merchandize and Service Exports, Imports and Balance of Trade

The export sector is expected to serve as a key driver for economic transformation through expanding output, employment creation and technology transfer and introduction of new products. It broadens market opportunities through serving as outlets for local producers. It also enables a country to better align its production to its comparative advantage by efficiently utilizing the country's factor endowments; and overtime, improving earnings from exports makes it easier to finance investments to transform a country's underlying factor endowments and comparative advantage. Therefore, governments attach special emphasis to promoting the export sector to enhance its role in the realization of rapid economic growth and structural transformation during the plan period.

Availability of foreign currency is a critical constraint in development endeavour in Ethiopia. This is likely to be the case during GTP II period. Promoting exports to raise the foreign exchange necessary to meet import demand in terms of machinery and technology will be further emphasized in the plan period. Thus, to maximise foreign exchange earnings, efforts will be made to exploit the country's potential in all dimensions of the economy. In this regard, the role of air transport and tourism will be enhanced during the plan period. For this, reinforcing the existing management system and policy; improving institutional systems to accelerate the development of the tourism industry to unleash the industry's potential as a source of foreign exchange earnings; utilizing the existing favourable environment (peace and security), the country's positive image, infrastructure and human development efficiently to broaden the source of foreign exchange earnings will be the strategic directions to be pursued during the plan period.

Export is also critical for sustainable economic growth and development by enhancing competitiveness of the overall economy and expanding market opportunities. In the long run, it leads to increased competitiveness in international markets, increases efficiency in production and marketing, in the process showing other domestic producers the possibilities to penetrate into the global market. Export also exposes entrepreneurs to global tastes, standards, technologies, and best practice providing opportunities for learning about new products, services, processes, and technologies that they could introduce at home. Competition from imports on the domestic market also forces domestic firms to be more efficient. Thus, aggressively expanding the export sector will be a key direction to be pursued during the plan period to ensure sustainable economic growth and development.

To benefit from the above mentioned opportunities of the export sector, a well-articulated policy initiative will be implemented during the plan period. The basic strategies to be pursued to promote the exporting capacity of the economy include pursuing an exchange rate policy that promotes exports; providing more efficient trade logistics and transport services, energy supply, supply of land mainly through industrial parks approach, trade and customs facilitations; and priority supply of credit and foreign exchanges. To provide the above mentioned trade logistics and predictable policy incentives efficiently and effectively, the expansion of special economic zones or specialized industrial parks with the required infrastructure and streamlined public procedures as well as fiscal and trade policy incentives to attract export-oriented FDI and domestic industrial investment, and clusters that provide the advantages of agglomeration will be given utmost emphasis. To this end, the directions and supports provided by the national export coordinating committee need to be further strengthened.

During the GTP period, it is planned to diversify and deepen the production and export baskets in the economy. In this regard, the manufacturing products will play a significant role in the export sector. Special focus will be given to labour-intensive industrial products that take advantage of the country's relative abundance of labour and low wages during the plan period. These include leather, footwear, and other leather products, textile and garment, agro-processing, and sugar and related products, etc. in agriculture the focus is on expansion of cut flower, fruits and vegetables, improving both volume and quality of coffee, cereals and oilseeds through more effectively implementing the agricultural strategies with the aim of expanding and diversifying exports to increase the global market share and foreign exchange earnings. In addition, it is also planned to broaden export base through expanding the mining sector; increasing the volume of gold being supplied by small and large companies; expanding newly emerging manufacturing, agricultural and mining (potash and other) products, alongside increasing the traditional export commodities.

In addition to the above mentioned policy and administrative supports, enhancing production capacity is required to promote export earnings. Thus, to enhance production capacity, increasing both domestic and foreign direct investment in the manufacturing and horticulture sub-sectors is critical. Moreover, implementation of the existing support and technological packages will also be aggressively pursued to increase agriculture and mining exports both in terms of volume and quality.

2.5 Ensuring Macroeconomic Stability

Stable and low inflation creates favourable macroeconomic environment for rapid, sustained, equitable and pro-poor economic growth. In the coming five years, prudent fiscal and monetary policies will be pursued to keep inflation within single digit and ensure stable foreign exchange rate. In this regard, during the GTP II period, average inflation is projected at 8 percent per annum. To this effect, from the supply side, realization of the agricultural production and

productivity targets is going to be critical. In light of the increased agricultural production, food security reserve amounting 5 million ton by the end of this plan period will be maintained through purchasing from farmers. Third, the focus on import substitution of basic industrial products is expected to contribute to price stabilization during the plan period.

On the demand side, monetary policy that ensures low and stable inflation will be implemented. Measures will be taken to ensure that the base money growth is consistent with the inflation target. The finance and banking industry will be capacitated to provide the finance necessary for the implementation of manufacturing and other industry projects that will produce exportable products. In addition, the on-going banking and finance data base, secure payment and transfer, modern ICT systems are planned to be scaled up. Moreover, saving for housing, introduction of other saving instruments and finance mobilization from rural areas through improving accessibility of financial institutions is to be implemented.

At the same time, on the fiscal policy front, it is important to follow policy that stabilizes inflation. To this effect, budget deficit as a share of GDP is projected at 2.9 percent on average. Of this, 1.1 percent will be financed from foreign loan and the residual 1.8 percent will be covered from domestic sources. In addition, loan that will be issued for government from the central bank is projected to be aligned with the target of single digit inflation. The remaining budget deficit is planned to be covered by selling government Treasury bills.

Pursuing a stable exchange rate regime is important to ensure macroeconomic stability. Over the years, the country's trade balance has been widening. On average, only a quarter of import payment was covered by merchandise export earnings during the period of GTP I. In order to narrow this gap, increasing export earnings by diversifying exports in terms of quality and volume is crucial. In line with this, maintaining the balance between real exchange rate and equilibrium exchange rate of Birr that considers inflation will be pursued.

To render the export commodities competitive in the international market, the exchange rate need to be aligned with the equilibrium exchange rate. On the other hand, it is anticipated that USA will tighten its monetary policy in the coming two to three years. Therefore, the Dollar may get stronger; and the Birr could become expensive against other currencies. This in turn affects export competitiveness. This is considered to be one area of risk and uncertainty. To cope up with this, increasing foreign exchange reserve is the focus area. Hence, maintaining sufficient amount of foreign exchange reserves for trading partners and investors is necessary. In line with this, it is planned to increase the amount of foreign exchange reserve to three month of import cover starting from the third year of GTP II period.

2.6. Fiscal Policy

Fiscal policy is one of the key instruments towards ensuring macro-economic stability for rapid and sustainable economic growth. During the plan period, fiscal policy will focus on increasing

tax revenue by effectively administering existing tax policies and tax reform programs. In addition, more efforts will be made to improve efficiency in the tax system; and look for other sources of revenue to broaden the tax base; and more efforts will be exerted to mobilizing more resources for expanding infrastructure investment in a sustainable manner during the plan period. On the other hand, increasing budgetary expenditures will also gear towards capital investments, pro-poor and growth enhancing sectors. Given the above policy directions, the overall objective of fiscal policy will be to enhance the capacity of tax revenue generation, to advance the objective of enabling key private sector-led growth drivers while ensuring sufficient fiscal space to implement reforms and provide essential public goods and social services, and ensure a stable macroeconomic environment within the framework of a narrowing fiscal deficit.

During the GTP I period, remarkable growth performance has been witnessed in government revenue collection by administering tax policies more effectively. Although tax revenue has been increasing, the existing level of revenue collection remains low compared to the revenue generating potential of the economy and the total resource demand for government expenditure commitment. Hence, during the GTP II period, emphasis will be given to strengthening domestic resource mobilization through widening the tax base; strengthening and ensuring full implementation of tax information administration system; enhancing taxpayers' education and communication; enforcing tax laws; and strengthening revenue and customs institutional capacity. Given the above measures, revenue is expected to increase from the current level of 13.3 percent of GDP in 2014/15 to 17.2 percent by 2019/20. During the plan period, revenue collection will average 17.6 percent of GDP. Total government revenue (domestic revenue), which stood at 199.6 Billion Birr by the end of 2014/15, is projected to reach Birr 620.6 billion by the end of 2019/20. Out of the total government revenue, Birr 603.3 billion is expected to be generated from domestic sources (tax and non-tax) of which Birr 542.8 billion is projected to be raised through tax revenue.

With regard to public expenditure, it is planned to significantly address infrastructural bottlenecks; focus on investing on growth enhancing pro-poor sectors consistent with the strategic direction; and on investments that enhance capital accumulation. In addition, due attention will be given to increasing efficiency and effectiveness of public finance utilization, ensuring transparency and accountability, avoiding wastage and focusing on budget optimization. The plan emphasizes the need to focus spending on development expenditure. Thus, overall expenditure is projected to reach 22.6 percent of GDP by 2019/20. Finally, prudent fiscal policy will be implemented during the plan period to maintain budget deficit below 3 percent of GDP and financing the deficit without compromising macroeconomic stability (Table 2.7).

Table 2.7: Government Revenue and Expenditure Projection (in billion birr)

| Description | Base year | Projection | | | | |
|---------------------------------------|---------------------|--------------|--------------|--------------|--------------|--------------|
| | 2014/15 performance | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| Total Revenue Including Grants | 199.6 | 241.3 | 294.1 | 375.5 | 479.1 | 620.6 |
| Domestic Revenue | 186.6 | 226.8 | 279.5 | 360.7 | 463.6 | 603.3 |
| Tax Revenue | 165.3 | 203.9 | 250.7 | 327.9 | 415.1 | 542.8 |
| Non-Tax Revenue | 21.3 | 25.4 | 33.4 | 40.1 | 48.6 | 60.6 |
| Grants | 13.0 | 14.5 | 14.6 | 14.7 | 15.5 | 17.3 |
| Total Expenditure | 230.5 | 277.7 | 338.4 | 426.1 | 543.9 | 713.8 |
| Recurrent Expenditure | 113.4 | 129.4 | 152.6 | 186.1 | 225.9 | 292.4 |
| Capital Expenditure | 117.1 | 148.3 | 185.8 | 240.0 | 318.0 | 421.3 |
| Poverty Oriented Expenditure | 152.9 | 192.7 | 242.8 | 305.9 | 385.5 | 485.7 |
| Government saving | 73.2 | 100.7 | 131.2 | 181.9 | 247.6 | 310.9 |
| Budget Deficit | -30.9 | -39.4 | -51.0 | -61.4 | -79.4 | -93.1 |
| Deficit Financing | 30.9 | 39.4 | 51.0 | 61.4 | 79.4 | 93.1 |
| External Borrowing (net) | 18.7 | 19.1 | 20.4 | 22.4 | 26.9 | 37.0 |
| Domestic Borrowing (net) | 18.5 | 20.3 | 30.6 | 39.0 | 52.5 | 56.1 |

During the GTP II period, spending on pro-poor sectors and capital investment will be given priority accounting for 68 % and 59% of total government expenditure, respectively. Total government expenditure is projected to reach Birr 713.8 billion by the end of GTP II period. Of this, recurrent expenditure is projected at Birr 292.4 billion. Moreover, budget deficit as percent of GDP will be maintained below 3%. Gross government saving is projected to increase from Birr 73.2 billion in 2014/15 to Birr 310.9 billion by 2019/20 while its share in GDP will increase from 5.9 percent in 2014/15 to 9.9 percent by 2019/20. This shows that the expenditure budget will be financed by and large from domestic resources.

Financial resource requirements for the plan period takes into account the total financing capacity of the nation. Growth enhancing and poverty reducing sectors will be given priority and are taken into consideration in the financial plan. Taking into account government service expansion in the next five years and non-inflationary financing capacity, recurrent expenditure is expected to be financed through domestic revenue. With regard to capital expenditure, priority will be given to on-going mega projects as well as new priority projects with focus on financing infrastructure and human development that stimulate growth of the productive sectors of agriculture and manufacturing (Table 2.8).

Table 2.8: Government Revenue and Expenditure as a ratio to Nominal GDP (%)

| Description | Base year | Projection | | | | | Average |
|--------------------------------|---------------------|------------|---------|---------|---------|---------|-------------------|
| | 2014/15 performance | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | (2015/16-2019/20) |
| Total Revenue Including Grants | 16.0 | 16.2 | 16.4 | 17.4 | 18.4 | 19.7 | 17.6 |
| Domestic Revenue | 15.0 | 15.2 | 15.6 | 16.7 | 17.8 | 19.1 | 16.9 |
| Tax Revenue | 13.3 | 13.7 | 14.0 | 15.2 | 15.9 | 17.2 | 15.2 |
| Non-Tax Revenue | 1.7 | 1.7 | 1.9 | 1.9 | 1.9 | 1.9 | 1.8 |
| Grants | 1.0 | 1.0 | 0.8 | 0.7 | 0.6 | 0.5 | 0.7 |
| Total Expenditure | 18.5 | 18.8 | 19.3 | 20.2 | 21.4 | 22.6 | 20.5 |
| Recurrent Expenditure | 9.1 | 8.7 | 8.5 | 8.6 | 8.7 | 9.3 | 9.3 |
| Capital Expenditure | 9.4 | 9.9 | 10.4 | 11.1 | 12.2 | 13.4 | 11.4 |
| Poverty Oriented Expenditure | 12.3 | 12.9 | 13.5 | 14.1 | 14.8 | 15.4 | 14.2 |
| Government saving | 5.9 | 6.7 | 7.3 | 8.4 | 9.5 | 9.9 | 8.4 |
| Budget Deficit | -2.5 | -2.6 | -2.8 | -2.8 | -3.0 | -3.0 | -2.9 |
| Deficit Financing | 3.0 | 2.6 | 2.8 | 2.8 | 3.0 | 3.0 | 2.9 |
| External Borrowing (net) | 1.5 | 1.3 | 1.1 | 1.0 | 1.0 | 1.2 | 1.1 |
| Domestic Borrowing (net) | 1.5 | 1.4 | 1.7 | 1.8 | 2.0 | 1.8 | 1.7 |

2.7. Monetary Policy and Financial Industry Development

During GTP II period, the monetary policy will continue to focus on maintaining price and exchange rate stability so as to create conducive macroeconomic environment for rapid and sustained economic growth. During the GTP II period, measures will be taken to keep the growth of base money consistent with maintaining annual inflation stable and within single digits. In addition, a stable foreign exchange rate that encourages export growth, while promoting efficient import substitution will be pursued. The implementation of these monetary policy instruments is expected to facilitate economic growth and address foreign exchange constraints by building up reserves.

During the GTP II period, the financial sector will be strengthened with the aim of establishing accessible, efficient and competitive financial system. In addition, the strategy in the financial sector will continue to be geared towards ensuring a favourable environment for the banking sector. This will help increase domestic saving so as to sustain the rapid growth and to provide the required resources for expanding and improving public services. Measures in reducing information asymmetry, strengthening the existing credit information sharing system, encouraging the discipline of loan repayments and creating internal dynamism will be pursued to foster efficiency and effectiveness in the financial sector.

During GTP II, Government will introduce capacity building measures to raise the efficiency of financial institutions and improve banking practices so as to ensure healthy competition. In addition, support will be provided to private banks and financial institutions to improve the coverage and quality of the financial services that they provide and help them to minimize non-performing loans and improve their profitability. Banks will also be encouraged to modernize their activities through adoption of international best practices. Moreover, during the GTP II period, existing activities in the finance industry related to industrial information system; modern, secure payment and money transfer system, automated IT application as well as other improvements that modernize the sector further will be applied.

During GTP II period, modernization, competitiveness, and securing the provision of the required finance will be major challenges of the financial sector. Therefore, concerted efforts will be made in the plan period to render the industry competitive and thereby enable mobilize the required resource to its maximum potential.

The financial industry is expected to finance huge projects both in the public and Private sector during GTP II. Specially, the achievement of extensive manufacturing industry and export promotion targets depends on all rounded support from the financial institution. In line with this, emphasis will be given to supporting the private sector that invest in export oriented manufacturing sector and in tradable modern service sectors through improved financial services and providing sufficient credit with attractive incentives.

To finance the GTP II, banks' deposit is expected to grow at an annual average rate of 30.9 percent. To this end, greater emphasis will be given to strengthening modern payment systems, developing regulations that meet international standards and support them to expand their capital to enable

them continue supporting the development endeavour. It is planned to expand bank branches from 2,868 in 2014/15 to 5,736 by 2019/20. It is also planned to strengthen Microfinance institutions in intermediating financial assets. Microfinance institutions are also expected to expand their financial services through covering at least 50 percent of rural areas. In addition, the role of the Development Bank of Ethiopia in raising long-term finance through selling saving bonds will commence during the GTP II period.

2.8. Saving and Investment

To create favourable macro-economic environment for sustained and rapid growth, maintaining the balance between saving and investment is crucial. In GTP II, the role of investment as a driver of rapid growth will be enhanced. Private investment in manufacturing and agriculture, and public investments in infrastructure, social development and other sectors will be given utmost emphasis. High investment rate and capital accumulation are needed to bring about structural transformation envisioned in GTP II. This huge investment is expected to be financed largely from domestic source through various sustainable saving mechanisms. Therefore, to balance the gap between domestic investment and domestic saving, maintaining the increasing trend in domestic saving is critical.

The measures undertaken during GTP I to boost domestic savings have already begun to bear fruit. These measures will be strengthened and additional measures will be introduced to further enhance mobilization of domestic saving during of GTP II period. The goal of GTP II is to finance at least two-third of gross domestic investment from domestic saving. To this end, target is set to increase the share of gross domestic saving in GDP from 21.8 percent in 2014/15 to 29.6 percent by 2019/20. To achieve this target, various policy instruments such as awareness creation and public mobilization; maintaining positive real interest rate; controlling inflation; expanding and improving financial institutions; implementing saving instruments and services such as saving for housing program, saving for investment equipment scheme, social security saving, health insurance saving, etc. will be undertaken. Moreover, accelerated economic growth and transformation, as well as expanding productive job opportunities are part and parcel of the strategy designed to promote domestic savings during the plan period.

Clearly the plan to increase domestic savings concerns both private and public savings. The share of private savings in GDP is planned to rise from 16.6 percent in 2014/15 to 19.8 percent by 2019/20. To this end, from monetary and financial policy perspective, the nominal interest rate will be set in such a way that real interest rate is positive. Besides, policies that encourage banks and microfinance institutions (MFIs) to expand their capital and branch will be pursued. Along with these, strategies to enhance contractual saving (such as private pension fund, health insurance and insurance premium) instruments will be implemented. Pension proclamation will also be revised to cover all private employees.

Parallel with this, the following measures will be taken in order to raise government saving: more effective administration of the tax policies to increase tax revenue; and prioritizing government expenditure to capital investment, sectors that accelerate capital accumulation, economic growth

and poverty reduction. The on-going public expenditure will focus on investment that generates capital accumulation; efficient and effective use of budget, revenue and private saving; and reducing wastage and improving transparency on expenditure will be given utmost emphasis. Similarly, maintaining the measures on tax collection and administration system that have been undertaken during GTP I, awareness creation among tax payers to effect payments voluntarily and equipping revenue and customs authorities with adequate enforcement powers will be undertaken. Besides, expanding the tax base through capturing new businesses into the tax net will also be pursued. Through implementing these strategies and pursuing the directions appropriately, it is planned to increase the share of government saving in GDP from 5.9 percent by 2014/15 to 9.9 percent by 2019/20 (Table 2.9).

Table 2.2 Total consumption expenditure, investment and resource gap as a Ratio to GDP @ CMP

| Sector | Base year 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Average 2014/15- 2019/20 |
|---|----------------------|--------------|--------------|--------------|--------------|--------------|--------------------------------|
| Total Consumption Expenditure | 78.2 | 77.2 | 76.2 | 75.4 | 72.6 | 70.4 | 74.4 |
| Private Consumption Expenditure | 69.2 | 68.3 | 67.6 | 67.0 | 64.4 | 62.1 | 65.9 |
| Public Consumption Expenditure | 9.0 | 8.8 | 8.6 | 8.4 | 8.2 | 8.3 | 8.5 |
| Total Investment | 39.3 | 37.7 | 39.1 | 40.1 | 40.9 | 41.3 | 39.9 |
| Public Investment (Including Public Enterprises) | 15.7 | 16.1 | 16.7 | 17.2 | 17.7 | 18.0 | 17.1 |
| Private Investment | 23.2 | 21.7 | 22.4 | 23.0 | 23.2 | 23.3 | 22.7 |
| Total Export (Including Services) | 9.7 | 13.7 | 15.5 | 15.7 | 18.1 | 20.6 | 16.7 |
| Total Import (Including Services) | 27.1 | 28.6 | 30.8 | 31.3 | 31.6 | 32.3 | 30.9 |
| Resource Gap | -17.4 | -15.0 | -15.3 | -15.5 | -13.5 | -11.7 | -14.2 |
| Total Domestic Saving | 21.8 | 22.8 | 23.8 | 24.6 | 27.4 | 29.6 | 25.6 |
| Private Saving | 16.6 | 16.1 | 16.5 | 16.2 | 17.9 | 19.8 | 17.3 |
| Public Saving | 5.9 | 6.7 | 7.3 | 8.4 | 9.5 | 9.9 | 8.4 |
| Foreign Saving | 16.4 | 14.8 | 15.3 | 15.5 | 13.5 | 11.7 | 14.2 |
| Total National Saving = Domestic Saving + Foreign Saving | 38.9 | 37.7 | 39.1 | 40.1 | 40.9 | 41.3 | 39.8 |
| GDP @ Current Market Prices | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Thus, by the end of GTP II period gross domestic capital formation as a share of GDP is projected to increase to 41.3 percent from 39 percent in 2014/15. The share of total consumption expenditure in GDP is expected to decline from 78.2 percent in 2014/15 to 70.4 percent by the end of 2019/20. As has been already noted, the share of gross domestic saving (private and public) in GDP is projected to increase to 29.6 percent. On the other hand, during the coming five years, the share export earnings (including service) in GDP is planned to increase from 9.7 percent in 2014/15 to 20.6 percent by 2019/20; and the share of import in GDP is expected to increase from 27.1 in 2014/15 percent to 32.3 percent by 2019/20. As a result, resource gap as a share of GDP is projected to decline from 17.4 percent to 11.7 percent during the same period.

Although efforts will be exerted through concerted implementation of the above mentioned activities to narrow the gap between saving and investment, it is worth noting that fully bridging the gap would not be possible during the coming five years. Thus, mobilizing foreign savings is inevitable during the coming five years. However, this will be pursued such that the external debt burden is sustainable. In this regard export expansion and diversification is considered as a determining factor in maintaining a sustainable level of external debt.

2.9. Employment and Poverty Reduction

One of the major development objectives of the Government in GTP II is reducing poverty and generating employment for the expanding labour force. Eradicating poverty through accelerating broad based, inclusive, pro-poor and sustained growth has been and still is a key objective of the government of Ethiopia.

The economic growth registered during the GTP I period has been broad-based and pro-poor. Growth has continued to generate employment, improve income and reduce poverty. Yet, despite progress made, employment generation and poverty eradication has still remained a challenge. Ethiopia, therefore, remains committed to sustaining inclusive and pro-poor development strategy over the coming years to further address the poverty and employment generation challenges facing the country.

Building on progresses during GTP I, the Government will carry forward the development agenda to sustaining the accelerated growth to achieve the Global Sustainable Development Agenda and to end poverty by 2030. In this regard, the government has set a target to reduce the proportion of the population living below national poverty line from 23.4 percent (2014/15) to 16.7 percent by the end of the GTP II period. This government poverty reduction goal has aimed at benefiting all citizens as well as reducing unemployment and poverty rates both in urban and rural areas.

To achieve these objectives of expanding employment and reducing poverty, the driving strategies to be undertaken are still those related to development of the manufacturing industry, promotion of private investment, micro and small enterprise development, and natural resource conservation and development. Programs aimed at job creation will be implemented to benefit the disadvantaged group; particularly focusing on women and youth. Along with this, it is planned to sustain the productive safety net program in rural areas and to start urban productive safety net program to benefit low income people in urban areas.

2.10. Macro-Economic Policy and Management Capacity Building

National Plan Preparation and Monitoring and Evaluation capacity building plan: The National Planning Commission is expected to play a prominent role in framing the country's socio economic development discourse in the medium and long term. It is also expected to work in collaboration with think tanks specializing in policy analysis, conducting research and preparing development plans and monitoring and evaluation that help in realizing the national vision. To execute its missions, the Commission needs high calibre professionals. To meet the demand for high quality human resource and fill the capacity gaps, the Commission has envisioned to design new capacity building programs and to continue with on-going programs. The capacity building programs will focus on areas of economic development policy analysis, development planning and modelling; adopting national and international best practices in the national planning system; building a comprehensive planning, monitoring and evaluation systems; poverty analysis, etc. It will pursue other new programs to improve the skills and knowledge of human resources who

works in planning and monitoring units at national and regional levels. The capacity building program is also aimed at building capacity in the planning system that enable institutionalizing and framing a system to coordinate development policies, strategies and programs at different levels of administration across the country.

During the plan period, the Commission will work towards the improvement of high quality data collection systems at the Central Statistics Agency and their use in planning and policy analysis. Overall, during the plan period, the Commission will endeavour towards enhancing evidence-based planning and policy making through improving generation of high quality data and statistics; strengthening the national M&E system; institutional capacity building; and supporting the improvement of the statistical system, including data collection and mainstreaming of environmental and climate change issues into planning and policy formulation.

Monetary Policy and Management Capacity Building plan: existing capacity building activities in the sector will further be strengthened during the GTP II period. The total number of workers in the banking industry will be increased and they will be given productivity enhancing training during the plan period. The number of banks will expand throughout the country to improve access, ease resource mobilization and to provide credit to the private sector. In line with this, the Development Bank of Ethiopia will collaborate with other banks to provide sufficient loans to finance projects and provide lease finance to small and medium size manufacturing enterprises.

Fiscal policy management and capacity building plan: existing strategy and training capacity programs in the development of knowledge and skill will be systematically pursued in a comprehensive and coordinated manner. Concrete steps will be taken in the financial sectors to establish transparent and accountable financial administration that helps to develop the sector. At all levels of a financial system and government institutions, services will be provided efficiently and in transparent manner to avoid rent-seeking behaviour.

Revenue and Customs capacity building plan: all round integrated activities such as building human resource development and management; expanding modern information system; improving customer relations and public awareness; customer service and support to improve the delivery system; improving the presumptive tax system, the legal system, improving the administration of the tax system will be undertaken during GTP II period to enhance the implementation capacity of the Revenue and Customs Authority .

Strengthening the strategic development of state owned Enterprises: the corporate governance and institutional capacity of state-owned enterprises will be transformed to match their transformational mission and the amount of assets they manage. Thus state owned enterprises will continue to go through the on-going reform programs with the objective of transforming their leadership and management, human, organizational, and institutional capacities such that they become more competitive in terms of efficient and effective service delivery, price and quality.

III. Financing the Plan (Financial Plan)

Finance is one of the key requirements to achieve the targets set in GTP II in economic, social and infrastructural development, environmental conservation, good governance and democratic system. The financial plan is divided into two major categories: budgetary financial plan and off-budget financial plan.

3.1. Budgetary Financing Plan

As presented in section II above, based on public finance revenue and expenditure projection for the plan period, 86 percent of government expenditure is to be financed through domestic revenue and external grants. This results into an average overall deficit of 14 percent during the plan period. Of this, 38.8 percent will be financed through foreign loans, and the remaining 61.2 percent will be generated from domestic borrowing (borrowing from NBE and selling treasury bills).

According to the revenue and expenditure projections, total government expenditure is projected to reach ETB 2.2998 trillion (ETB 1.3133 trillion for capital expenditure and ETB 0.9864 trillion for recurrent expenditure) during the plan period. Given the government's focus on infrastructure expansion; capital expenditure on infrastructure sector accounts for about 48.4 percent of the total capital expenditure. Within this, drinking water, irrigation and energy, road, railway infrastructures are projected to account for 23.3 percent, 21.6 percent, 2 percent and 1.5 percent, respectively for the plan period. Human resource development and technological capacity building sector account for 28.5 percent of the total capital expenditure, of which, education and training, health, and science and technology capacity building accounts for 16.6 percent, 10.6 percent and 1.3 percent respectively.

The economic development sector is projected to account for 20.3 percent in the total capital expenditure, of which, manufacturing, agriculture and rural transformation, and other sub-sectors accounts for 15.2 percent, 3.8 percent and 1.3 percent, respectively. The 'other' sectors accounts for the residual 2.8 percent of total capital expenditure on GTP II. (Table 3.1 below).

Table 3.3: Percentage Distribution of projected capital expenditure requirements by major socioeconomic sectors (%)

| Sectors | Projection ⁴ | | | | | 5 yrs. average |
|--|-------------------------|--------------|--------------|--------------|--------------|----------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | |
| Infrastructure | 52.8 | 46.3 | 48.9 | 47.7 | 48.0 | 48.4 |
| Human resource development and Technological capacity building | 27.4 | 30.9 | 27.8 | 28.2 | 28.3 | 28.5 |
| Economic sector | 17.0 | 19.9 | 20.0 | 21.0 | 21.1 | 20.3 |
| Others | 2.8 | 2.9 | 3.4 | 3.1 | 2.6 | 2.8 |
| Total capital expenditure | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

⁴ It is computed based on sectors' financial requirement projection.

3.2. Sources of off-budget Financing and Requirement for Investment Finance

As depicted in table 3.2 below, mobilization of total off-budget financing through banks, microfinance institutions, bond sales and contractual saving is projected at ETB 1.9 trillion (93.7 percent) from banks and microfinance institutions through deposits and loan repayment and ETB 120 billion (6.3 percent) from bond sale, contractual saving and from other finance sources during GTP II period.

Distribution of credit by sector: during the plan period, a total credit of ETB 1.68 trillion will be allocated for economic sectors, of which, ETB 179.6 billion (10.5 percent) for agriculture, ETB 1.0 trillion (59.1 percent) for industry and ETB 499.5 billion (30.4 percent) for service sectors.

Distribution of credit by institutional ownership: A total of ETB 1.04 trillion (62.0 percent) is allocated to meet the financial requirements of the private sector while the remaining ETB 640.0 billion (38.0 percent) is to be allocated for public enterprises' investment projects. Given the priority accorded by the government, the manufacturing industry accounts for the lion's share of total credit allocated for the industrial sector which amounts to ETB 502.8 billion. As a result, credit to the manufacturing sector will increase from 30.1 billion ETB in 2014/15 to ETB 156.9 billion by 2019/20 with an annual average growth rate of 41.4 percent for the plan period (Table 3.2 and Table 3.3).

Table 3.4: Total Sources of Finance, (in million ETB unless otherwise specified)

| Accounts | Base year | Projection | | | | | 5 yrs. total |
|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | |
| Deposits | 86,426.8 | 112,186.1 | 133,032.4 | 196,466.3 | 245,831.0 | 327,588.9 | 1015,104.8 |
| Collection | 78,411.6 | 102,399.2 | 122,944.2 | 149,562.6 | 185,063.8 | 228,099.6 | 788,069.3 |
| Other sources | 3,515.3 | 22,402.3 | 17,598.9 | 18,724.7 | 29,416.1 | 32,575.8 | 120,717.8 |
| Total Sources | 168,353.7 | 236,987.6 | 273,575.5 | 364,753.6 | 460,310.8 | 588,264.4 | 1923,891.9 |

Table 3.5: Percentage Distribution of Finance Sources in total Finance (%)

| Accounts | Base year | Projection | | | | | 5 yrs. average |
|----------------------|------------|------------|------------|------------|------------|------------|----------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | |
| Deposits | 51.3 | 47.3 | 48.6 | 53.9 | 53.4 | 55.7 | 51.8 |
| Collection | 46.6 | 43.2 | 44.9 | 41.0 | 40.2 | 38.8 | 41.6 |
| Other sources | 2.1 | 9.5 | 6.4 | 5.1 | 6.4 | 5.5 | 6.6 |
| Total Sources | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

With regard to mobilization of credit, during GTP II period, the Commercial Bank of Ethiopia is expected to provide credit for public investment projects in infrastructure and working capital for industrial sector. The total credit allocated for the service sector is to be obtained from CBE and private banks while the Development Bank of Ethiopia is assigned to provide short, medium and long-term credit for viable development projects, including industrial and agricultural investment projects. Overall, the amount of resource that is required for GTP II and its allocation is depicted in Table 3.4 and 3.5 below.

Table 3.4: Sectoral Allocation of Domestic Credit, in million ETB unless otherwise specified

| Accounts | Base year | Projection | | | | | 5 Years Total |
|---|------------|------------|------------|------------|------------|------------|---------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | |
| Total Domestic Credit Allocation By Economic Sectors/1/ | 158,072.30 | 207,133.30 | 254,565.70 | 315,459.10 | 401,648.60 | 505,861.80 | 1,684,668.40 |
| Agriculture | 15,680.10 | 20,208.80 | 26,197.30 | 34,109.20 | 44,124.10 | 54,966.10 | 179,605.40 |
| Long and Medium term loans | 1,565.10 | 2,419.00 | 2,853.40 | 3,672.60 | 4,262.50 | 5,410.90 | 18,618.40 |
| Short-term loans | 14,115.00 | 17,789.80 | 23,343.90 | 30,436.60 | 39,861.60 | 49,555.20 | 160,987.00 |
| Industry and prioritized sectors | 86,467.20 | 116,787.40 | 146,581.60 | 185,295.30 | 244,037.90 | 312,855.70 | 1,005,557.90 |
| Prioritized sectors (power, rail, housing etc.) | 56,410.80 | 58,260.70 | 73,803.50 | 94,040.70 | 120,625.20 | 155,978.50 | 502,708.60 |
| Manufacturing Industry | 30,056.40 | 58,526.70 | 72,778.10 | 91,254.60 | 123,412.70 | 156,877.20 | 502,849.30 |
| Long and medium term loan (for new projects) | 4,046.40 | 23,852.70 | 25,336.90 | 26,996.90 | 37,066.50 | 41,585.70 | 154,838.70 |
| Long and medium term Recurrent expenditure loan (for existing projects) | 26,010.00 | 34,674.00 | 47,441.20 | 64,257.70 | 86,346.20 | 115,291.40 | 348,010.60 |
| Service 2/ | 55,925.10 | 70,137.00 | 81,786.80 | 96,054.70 | 113,486.70 | 138,040.00 | 499,505.20 |
| Client Wise total domestic credit allocation /1/ | 158,072.30 | 207,133.30 | 254,565.70 | 315,459.10 | 401,648.60 | 505,861.80 | 1,684,668.40 |
| Private sectors | 89,627.30 | 132,603.80 | 160,193.50 | 195,412.40 | 248,141.80 | 308,307.00 | 1,044,658.50 |
| Public enterprises | 68,445.00 | 74,529.40 | 94,372.20 | 120,046.70 | 153,506.80 | 197,554.80 | 640,009.90 |

Table 3.5: Percentage Distributions of projected domestic Credit allocation in total domestic Credit (%)

| Accounts | Base year | Projection | | | | | 5 years Average |
|---|-----------|------------|---------|---------|---------|---------|-----------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | |
| Total Domestic Credit Allocation By Economic Sector | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Agriculture | 9.9 | 9.8 | 10.3 | 10.8 | 11 | 10.9 | 10.5 |
| Long and Medium term loans | 1 | 1.2 | 1.1 | 1.2 | 1.1 | 1.1 | 1.1 |
| Short-term loans | 8.9 | 8.6 | 9.2 | 9.6 | 9.9 | 9.8 | 9.4 |
| Industry and prioritized sectors | 54.7 | 56.4 | 57.6 | 58.7 | 60.8 | 61.8 | 59.1 |
| Prioritized sectors (power, rail, housing etc.) | 35.7 | 28.1 | 29 | 29.8 | 30 | 30.8 | 29.6 |
| Manufacturing Industry | 19.0 | 28.3 | 28.6 | 28.9 | 30.7 | 31 | 29.5 |
| Long and medium term loan (for new projects) | 2.6 | 11.5 | 10 | 8.6 | 9.2 | 8.2 | 9.5 |
| Long and medium term Recurrent expenditure loan (for existing projects) | 16.5 | 16.7 | 18.6 | 20.4 | 21.5 | 22.8 | 20 |
| Service ⁵ | 35.4 | 33.9 | 32.1 | 30.4 | 28.3 | 27.3 | 30.4 |
| Client Wise total domestic credit allocation ⁶ | 100.0 | 100 | 100 | 100 | 100 | 100 | 100 |
| Private sectors | 56.7 | 64 | 62.9 | 61.9 | 61.8 | 60.9 | 62.3 |
| Public enterprises | 43.3 | 36 | 37.1 | 38.1 | 38.2 | 39.1 | 37.7 |

The most important element in the macro-economic framework of the plan is supply and demand analysis of foreign exchange earnings. Foreign currency supply largely depends on the amount of currency that will be generated from exports of goods and services, money transfer, foreign direct investment, loans and grants while its allocation will depend on credit for investment, working capital, and imports of goods and services.

With regard to allocation and supply of foreign exchange, during GTPII period, total foreign exchange requirement is projected to reach 119.5 billion USD of which, agriculture will account for 4.8 billion USD (4 percent of the total foreign exchange requirement), industry 35.9 billion USD (30 percent), service 49.8 billion USD (41.7 percent), fuel 15.3 billion USD (12.8 percent), debt payment 7.2 billion USD (6 percent), foreign exchange reserve 3.8 billion USD (3.2 percent) and the remaining 2.8 billion USD (2.3 percent) will be allocated for receipt payments of official transfer and

⁵ The service sector includes domestic and international trade, hotel and tourism, transport, education, health and other sub-sectors

⁶ The purchase of treasury bills and bonds of NBE and DBE respectively by private banks are excluded from the total domestic credit allocation as it is included in the credit side of DBE.

foreign exchange accounts. The share of manufacturing industry in total foreign exchange requirement will increase from 16.5 percent in 2014/15 to 23.9 percent by 2019/20. On the other hand, the share of the service sector in total foreign exchange requirement is expected to decline from 49.1 percent in 2014/15 to 39.3 percent by 2019/20 (Table 3.6 and 3.7 below).

The foreign exchange requirement for agriculture and industry sectors is projected to reach 64.3 and 61.4 percent of their total domestic credit requirement, respectively. Of the total domestic credit requirement for industry sector, large scale manufacturing industry accounts for 72.4 percent of its total domestic credit in the form of foreign currency (new industries 55.2 percent and existing industries 78 percent for its working capital). Similarly, small and medium manufacturing industries account for 30 percent of its total domestic credit. Investors and traders engaged in those sectors are supposed to be self-financed. Of their total finance, the purchase of foreign currency is estimated to account for 30 to 40 percent.

From the supply side, mobilization of total foreign exchange requirement through exports of goods and services, official transfers, foreign direct investment (FDI) and external borrowing is projected to reach USD 115.3 billion during the plan period. The gap in foreign exchange will be 3.8 billion USD for the plan period. In particular, the gap will be higher in the first three years of GTP II. But it is expected to narrow down to 409.4 million USD in the fourth years of the plan period and the gap is expected to be closed towards 1.3 million USD by the end of the plan period (Table 3.6 and 3.7 below).

Table 3.6: Distribution of Demand and Supply of Foreign Exchange by Economic sector (In million USD)

| Item | Base year | Projection | | | | | 5 years total |
|--|-----------|------------|----------|-----------|----------|----------|---------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | |
| 1) Total foreign exchange demand | 13,839.8 | 16,994.4 | 19,866.6 | 23,641.4 | 27,214.1 | 31,739.3 | 119,455.8 |
| Agriculture | 511.9 | 611.7 | 757.0 | 927.6 | 1,138.2 | 1,332.0 | 4,766.4 |
| Industry and other prioritized sectors | 3,626.8 | 4,728.1 | 5,629.8 | 6,875.6 | 8,475.3 | 10,185.5 | 35,894.4 |
| For prioritized sectors (rail, energy, road, housing and MTEC) | 1,344.8 | 1,552.2 | 1,652.0 | 1,900.0 | 2,200.0 | 2,600.0 | 9,904.2 |
| Small and medium scale industries | 7.0 | 189.6 | 84.5 | 88.2 | 132.2 | 145.2 | 639.5 |
| Large scale manufacturing industries | 2,275.1 | 2,986.4 | 3,893.3 | 4,887.4 | 6,143.2 | 7,440.4 | 25,350.7 |
| Others | 9,701.0 | 11,654.6 | 13,479.8 | 15,838.2 | 17,600.6 | 20,221.8 | 78,795.0 |
| 1) Service | 6,801.0 | 7,235.9 | 9,022.1 | 9,987.1 | 11,074.6 | 12,457.8 | 49,777.5 |
| 2) Fuels | 2,300.0 | 2,415.0 | 2,760.3 | 3,047.4 | 3,364.4 | 3,714.2 | 15,301.3 |
| Transfer and foreign currency account payment | 400.0 | 444.0 | 492.8 | 547.0 | 607.2 | 674.0 | 2,765.0 |
| 1.1) Debt payment/1/ | - | 859.7 | 1,104.6 | 1,456.7 | 1,754.4 | 1,983.3 | 7,158.7 |
| Foreign exchange reserve | 200.0 | 700.0 | 100.0 | 800.0 | 800.0 | 1,392.5 | 3,792.5 |
| 2) Supply of foreign exchange | 14,380.3 | 15,679.9 | 18,988.3 | 22,469.0 | 26,804.7 | 31,740.6 | 115,682.5 |
| 3) Surplus (+) or Deficit (-) (2-1) | 540.5 | (1,314.5) | (878.3) | (1,172.4) | (409.4) | 1.3 | (3,773.3) |

Table 3.7: Demand and Supply of Foreign Exchange (Percent Share in total)

| Item | Base year | Projection | | | | | 5 years total |
|--|-----------|------------|---------|---------|---------|---------|---------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | |
| 1) Total foreign exchange demand | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Agriculture | 3.7 | 3.6 | 3.8 | 3.9 | 4.2 | 4.2 | 4.0 |
| Industry and other prioritized sectors | 26.2 | 27.8 | 28.3 | 29.1 | 31.1 | 32.1 | 30.0 |
| For prioritized sectors (rail, energy, road, housing and MTEC) | 9.7 | 9.1 | 8.3 | 8.0 | 8.1 | 8.2 | 8.3 |
| Small and medium scale industries | 0.1 | 1.1 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 |
| Large scale manufacturing industries | 16.4 | 17.6 | 19.6 | 20.7 | 22.6 | 23.4 | 21.2 |
| Others | 70.1 | 68.6 | 67.9 | 67.0 | 64.7 | 63.7 | 66.0 |
| 4) Service | 49.1 | 42.6 | 45.4 | 42.2 | 40.7 | 39.3 | 41.7 |
| 5) Fuels | 16.6 | 14.2 | 13.9 | 12.9 | 12.4 | 11.7 | 12.8 |

| Item | Base year | Projection | | | | | 5 years total |
|---|--------------|-------------|-------------|-------------|-------------|--------------|---------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | |
| Transfer and foreign currency account payment | 2.9 | 2.6 | 2.5 | 2.3 | 2.2 | 2.1 | 2.3 |
| 1.2) Debt payment ⁷ | - | 5.1 | 5.6 | 6.2 | 6.4 | 6.2 | 6.0 |
| Foreign exchange reserve | 1.4 | 4.1 | 0.5 | 3.4 | 2.9 | 4.4 | 3.2 |
| 2) Supply of foreign exchange | 103.9 | 92.3 | 95.6 | 95.0 | 98.5 | 100.0 | 96.8 |
| 6) Surplus (+) or Deficit (-) (2-1) | (3.9) | 7.7 | 4.4 | 5.0 | 1.5 | (0.0) | 3.2 |

Overall, to realize the national vision of becoming a lower middle income country by 2024/25, it is crucial to sustain double digit economic growth through expanding the share of investment in GDP from 39.3 percent in 2014/15 to 41.3 percent by 2019/20. Boosting domestic saving plays a critical role in achieving this goal. Accordingly, the share of gross domestic saving in GDP is projected to reach 29.6 percent by 2019/20 from 21.8 percent in 2014/15. To this end, a lot has to be done to enhance production and productivity, promote and enhance the saving habits of the society, expanding banks, microfinance institutions and introduce different saving instruments that could help increase domestic saving.

Increasing foreign exchange mobilization capability is of paramount importance alongside increasing domestic saving to achieve the investment goals and objectives set across the various economic sectors such as industry, agriculture and service. Particularly, in the context of Ethiopia, most of the investment projects rely on imported capital goods and inputs. Thus, unless the required amount of foreign currency is supplied, these investment projects could not be implemented as desired. This will in turn adversely affect gross domestic saving and economic growth. Hence, in order to increase the capacity of foreign exchange earnings, the transformation of export performance as indicated in the plan, accelerating efficient import substitution capacity of industries both in terms of quantity and quality, and promoting other sources of foreign exchange earnings such as remittances and foreign direct investments (FDI) are critical.

Overall, during the plan period (2015/16 -2019/20), budgetary and off-budget sources of capital expenditures are projected to reach ETB 1.3133 trillion and ETB 1.28 trillion, respectively. Thus, a total of ETB 2.60 trillion is to be allocated for investment projects during the period of GTP II.

In order to increase foreign exchange earnings capacity, maintain rapid and sustainable economic growth, structural change is of paramount importance. In this regard, enhancing and strengthening all-inclusive implementation capacity during the plan period is essential.

⁷ It indicates the debt payments of government institutions excluding private institutions and the Ethiopian Airline.

V. Economic Development Sector Plan

4.1. Agriculture and Rural Transformation

Strategic Directions

Building on the progress made under GTP I, the following strategic directions will be pursued in the next generation of transformation and sustainable development plan for Agriculture and Rural Transformation: (i) development of smallholder crop and pastoral agriculture will be further enhanced and hence will remain the main source of growth and rural transformation during the GTP II period; (ii) provide all rounded support to educated youth to enable them organize and engage in agriculture investment; (iii) enhance provision of the necessary support for domestic and selected foreign investors taking their capacity into consideration to enable them participate in transformative agriculture sub sectors such as crop, flower, vegetables and fruits and livestock development; (iv) further pursue implementation of the scaling up strategy as suitable to the various agro-ecological development zones; and (v) pursue holistic measures aimed at addressing constraints and challenges related to supply of agricultural inputs and utilization of agricultural technologies.

Ensuring sustainable agriculture through the development of natural resources, aligning the agriculture development plan with the green economy development strategy coupled with expansion of irrigation developments are the strategic directions to be pursued with regard to natural resource conservation and management. Besides, efforts will be made to improve benefits to the community through strengthening biodiversity conservation. Enhancing the income of farming households through progressive transition from producing subsistence crops into high value crops, putting in place efficient agricultural marketing system, and enabling the youth and women in rural areas benefit from agricultural development are the other strategic directions to be pursued during the GTP II period.

Besides, medium term and long-term livelihood improvement and alternative income generating activities will be undertaken in arid and semi-arid areas of the country as complementary strategic direction in the coming five years. The necessary mechanisms and systems will be put in place to implement the aforementioned strategic directions, realize the objectives set out and meet the targets articulated in agriculture and rural transformation development plan.

Objectives

The agricultural sector development plan has the following objectives: (i) bring about accelerated and sustained growth of agriculture within the framework of the Climate Resilient Green Economy Strategy that equitably benefits people at all levels and that realizes structural transformation of the sector and the overall economy (ii) Bring about a significant shift in agricultural productivity, build productive capacity and thereby enhance the contribution of the sector to the economy and stabilizing the macro economy; (iii) to enable women, youths and

other stakeholders participate in a structured and organized manner to contribute their part and benefit from the development outcomes.

Major Targets

The following major targets are set to achieve the objectives of GTP II (2015/16 – 2019/20).

A) Crop Farming and Pastoral Development

A.1) Crop Productivity and Production

The achievements in this subsector under GTP I would be sustained to bring about transformation within the sector. Hence, the amount of crop production by smallholder farmers during the main harvest season is set to increase from 270.3 million quintals in 2014/15 to 406 million quintals by the end of the GTP II period.

According to the base case scenario, the level of production and productivity of major crops is projected as follows:

- i) Average productivity of stalk cereals will increase from 29 quintals/ha in 2014/15 to 42.64 quintals/ha by the end of 2019/20. Total production of stalk cereals is projected to increase from 115 million quintals in 2014/15 to 171.78 million quintal by the end of 2019/20;
- ii) Average productivity of non-stalk cereals will increase from 21.1 quintals/ha in 2014/15 to 31 quintals/ha. Total production is projected to increase from 120.3 million quintals in 2014/15 to 184.22 million quintal by 2019/20.
- iii) Average productivity of pulse crops is projected to increase from 17.2 quintals/ha in 2014/15 to 23 quintals/ha by 2019/20. Total production of pulse crops is projected to increase from 26.4 million quintals in 2014/15 to 38.75 million quintals by the 2019/20.
- iv) Average productivity of oilseed crops is projected to increase from 9 quintals/ha in 2014/15 to 12.7 quintal/ha by 2019/20. Total production of oil crops is projected to increase from 7.5 million quintals in 2014/15 to 11.5 million quintal by 2019/20.

The envisaged marked shift in crop productivity is to be pursued through three tracks during GTP II: the first track is to raise the productivity level of the majority of farmers to the productivity level attained by model farmers. This refers to major food crops, industrial crops and export crops. The second and complementary track is to raise the level of productivity and production of model farmers to the level of productivity attained by agricultural research centres through building and enhancing the capacity of research centres.

The third track is provision of all rounded support and capacity building to agricultural research centres that enable them deliver new agricultural technologies that can serve as the next drivers of agricultural growth. Thus, every effort will be made to bring about a significant shift in the

performance of agricultural research centres to enable them meet international standards based on international benchmarking.

A.2) Coffee Productivity and Production

During the GTP II period, the productivity of coffee is projected to increase from 7.48 quintal per hectare in 2014/15 to 11 quintal per hectare by 2019/20. Total production is projected to increase from 420 thousand tons in 2014/15 to 1045.05 thousand tons by 2019/20.

A.3) Horticulture productivity and Production

Besides expanding crop development and enhancing quality and productivity to become competitive, building horticultural production capacity of farmers will be accorded special emphasis during the period of GTP II to bring about a radical change in the sub sector. A significant shift in productivity and production of the horticulture sector and ensuring quality will be effectively undertaken through combined efforts of smallholder farmers among themselves, joint efforts between small scale investors and emerging educated youth, as well as joint efforts between domestic and foreign investors. Such a joint undertaking enables these operators efficiently utilize markets, infrastructure and logistics supply and let smallholder farmers participate in areas of specialization that facilitate structural transformation.

A.4) Livestock Productivity and Production

It is the livestock sub sector that is expected to bring about radical change in both sedentary agriculture and pastoral areas. The livestock subsector of the country is still at the lowest state of development being still dependent on backward production methods. Although relative improvements have been registered in cattle and poultry subsector during the later period of GTP I, it was not satisfactory. During GTP II, efforts will be made to transform the subsector by scaling up the best practices and experiences gained so far.

Implementation of these lessons and best practices calls for proper identification of agro-ecological zones that are suitable for the proposed intervention. In this regard, the country can be divided into three agro-ecological development zones. It is necessary to prepare separate livestock development strategies for each agro-ecological zone. The first agro-ecological development zone identified as such is the highland/mid altitude agro-pastoral with adequate moisture. The second is highland/mid altitude agro pastoral with moisture stress, while the third is lowland pastoral and semi pastoral agro-ecological zones. Identification of production methods, preparing detail plans for each agro-ecological zone and effective implementation of these plans will determine the realization of the transformation agenda. Similarly, genetic improvement will be carried out through crossbreeding selected local breeds based on the identified livestock development zones and taking into consideration the level of understanding and capability of farmers and pastoralists of the technology. The selection of cattle for

production of red meat is based on the local breeds (*Borana* type). Extensive crossbreeding with exotic varieties assisted by synchronization will be carried out for smallholder farmers in highlands/middle altitude areas where there is adequate moisture. Emphasis will mainly be given for dairy development in this regard.

Besides, in pastoral and arid areas emphasis will be given to crossbreeding or reproduction of selected local breeds and reproduction of improved varieties of small ruminants such as sheep and goats to be undertaken mainly by women and youth. Emphasis will also be given to expand modern ranches carried out by private investors. For this to materialize, provision of all rounded support including supply of land will be the major strategic intervention.

Emphasis will be given to improving livestock productivity and production for both mixed and pastoral agriculture development. Accordingly, average daily milk yield from crossbred cows is projected to increase from 8 litres per cow per day in 2014/15 to 12 litres per cow per day by 2019/20. With regard to meat production, average cattle carcass yield is projected to increase from 107 kg in 2014/15 to 138 kg by 2019/20. The average honey yield per harvest from frame hives is also projected to increase yield from 20 kg in 2014/15 to 30 kg by 2019/20.

The following major targets are set for livestock production during the period of GTP II: (i) total meat production (cattle, goat, camel and poultry) is projected to increase from 1,321 thousand tons in 2014/15 to 2,103 thousand tons by the end of the plan period; (ii) total milk production (cow, goat and camel) is projected to increase from 5,304 million litres in 2014/15 to 9,418 million litres by the end of the plan period; (iii) total skins and hides production is projected to increase from 22.4 million in 2014/15 to 35.6 million by the end of the plan period; (iv) total eggs production is projected to increase from 163 million in 2014/15 to 3,938 million by the end of the plan period; (v) total production of honey is projected to increase from 60.7 thousand tons in 2014/15 to 123.9 thousand tons by the end of the plan period; (vi) total production of wax is projected to increase from 5.7 thousand tons in 2014/15 to 8.6 thousand tons by the end of the plan period; (vii) total production of fish is projected to increase from 31.5 thousand tons in 2014/15 to 47 thousand tons by the end of the plan period; (viii) total production of silk cocoon is projected to increase from 3 tons in 2014/15 to 7 tons by the end of the plan period.

A.5) Natural Resources Conservation and Utilization

To undertake crop and horticulture development with adequate moisture, the on-going natural resources conservation work has to be transformed to the next higher level. To this effect, targets are set to improve natural resource conservation and utilization in three areas of activities: rural land administration, watershed management and expansion of small scale irrigation.

Watershed Management

The following major targets are set for watershed management during GTP-II: (i) The number of community watersheds with a development plan is projected to increase from 19,748 in 2014/15 to 93,713 by the end of the plan period; (ii) the area of land rehabilitated through area closure is projected to increase from 10.86 million hectare in 2014/15 to 22.54 million hectare by the end of the plan period; (iii) the area of watersheds supported with physical soil and water conservation structures is projected to increase from 8.12 million hectare in 2014/15 to 27.23 million hectare by the end of the plan period; and (iv) 1.5 million jobs are to be created for citizens through development works in watershed management.

Besides, climate resilient agricultural development will be enhanced on 9 watersheds which have been previously covered by physical and biological soil and water conservation structures and rehabilitated through area closure each with area of 250 hectare and a total area of 2250 hectare. Efforts will be made to measure the amount of carbon accumulated annually to determine the change brought about as a result of improving reforestation programs.

Rural Land Administration

The following major targets are set with respect to Rural Land Administration during GTP II: (i) Provide land use certificates for 7.2 million male and female headed households that secure land use right by carrying out the second level of certification for 28.6 million farmlands in 359 *Woredas*; (ii) prepare national rural land use master plan; and (iii) prepare land administration and utilization master plan for each regional state

Irrigation Development

With regard to Irrigation Development, activities will be carried out to ensure sustainable agricultural development enhancing its productivity through improved water utilization and agro-ecological based irrigation schemes. Over 4 million hectare of land will be developed by strengthening irrigation works that can be undertaken by smallholder farmers during the GTP II period. Besides, medium and large scale irrigation development and dam constructions will be undertaken and strengthened by federal and regional government institutions.

The following major targets are set with respect to irrigation development during GTP II: (i) increase the area of land covered by irrigation from 2.34 million hectare in 2014/15 to 4,143,000 hectares by the end of 2019/20, (ii) develop 1,743,000 hectare additional irrigated land during the plan period and providing access to at least one alternative water point for 80% of smallholder farmers (semi-pastoralists) of which 50% are users of the full irrigation farming package. If these targets are achieved as planned, this will contribute to the realization of the irrigation potential of the country.

A.6) Improved Production and Productivity through Strengthening Demand Driven Agricultural Research works

The major objectives and targets set in areas of strengthening demand driven agricultural research during the period of GTP II are the following: (i) drive all the agricultural research and extension institutes to the next phase of capacity to enable them disseminate tested technologies that are proved to be effective to all users and to avail packages of newly tested technologies; (ii) to render all the agricultural technologies disseminated from research centres suitable to all agro ecological zones with adequate moisture, moisture stress, irrigable lands, and pastoral environments; (iii) to avail 308 tested technologies in crop, agro mechanization, biotechnology, and agricultural quality and nutrition; (iv) to disseminate 466 technologies in livestock, apiculture, silk, and soil and water; (v) to identify and disseminate new feasible varieties that are resilient to climate change and have positive contributions for climate resilient green economy development aimed at enhancing agricultural production and productivity.

A.7) Improved Sustainable National Biodiversity Conservation and Equitable Benefit to the Community

The major targets set for ensuring improved sustainable biodiversity conservation and equitable benefit to community includes the following:

With regard to ex-situ conservation of degraded species of biodiversity: (i) increase the number of plant species from 836 in 2014/15 to 2,313 by the end of the plan period; (ii) increase the number of microbial species from 605 in 2014/15 to 1055 by the end of the plan period; and (iii) increase the number of animal species from 4 in 2014/15 to 8 by the end of the plan period.

With regard to in-situ conservation: (i) to increase the number of plant species from 614 in 2014/15 to 1,026 by the end of the plan period; and (ii) to increase the number of animal species from 15 in 2014/15 to 36 by the end of the plan period. (iii) in efforts to utilize biodiversity resources for research and development, targets are set to increase the number of plant species/accessions from 162,829 in 2014/15 to 204,006 by the end of the plan period; (iv) to increase the number of microbial species/accessions from 41 in 2014/15 to 218 by the end of the plan period; and (v) to increase the number of animal sperm gene from 1,000 in 2014/15 to 6,000 by the end of the plan period.

With regard to characterization of biodiversity: (i) to increase the number of plant accessions from 7,344 in 2014/15 to 10,120 by the end of the plan period; (ii) to increase the number of animal species from 16 in year 2014/15 to 18 at the end of the plan period; and (iii) to increase the number of microbial species from 2 in 2014/15 to 6 by the end of the plan period.

The country's accesses and benefits from the genetic resources will be protected, improved and its resources utilized for development through establishing legal licensing system on

biodiversity. Thus, the number of access and benefit sharing licenses provided will increase from 360 in 2014/15 to 818 by the end of GTP II period.

A.8) Food Security, Disaster Prevention and Preparedness

The major targets set in **Food Security, Disaster Prevention and Preparedness** includes the following: (i) increase the amount of contingent food reserves from 405,000 metric tons in 2014/15 to 1.5 million metric tons; (ii) increase the amount of non-food item stocks from 382 thousands in 2014/15 to 1,422 and the amount of contingent budget from Birr 123.13 million in 2014/15 to Birr 415 million by the end of the plan period; (iii) increase the number of productive safety net program beneficiaries from 3.4 million in 2014/15 to 8.3 million by the end of the plan period; (iv) increase the number of male and female headed households who graduate from safety net program from 49,199 in 2014/15 to 1,000,223 or 5,001,116 graduates; (v) increase the number of chronically food insecure household heads (male and female) who are able to build assets through household based credit package services from 161,698 in 2014/15 to 628,850 by the end of the plan period.

In addition, households resettled through voluntary resettlement program in the past will be supported to enable them become food self-sufficient during the GTP II period. Moreover, resettlement programs will be carried out in selected parts of the regional states on voluntary basis.

B) Graduate Youths and Private Sector in Agricultural Investment

Coordinated and all rounded supports will be given to youth graduates to enable them participate in agricultural investments in an organized manner. Efforts will be made to nurture the future developmental investors of the country, especially in production of inputs for agro-processing industries and for the export market through provision of land including rehabilitated mountains, machinery leases at affordable prices, capacity building trainings, inputs and appropriate market infrastructures to youth graduates.

It will be important to organize youth graduates from universities and colleges to enable them understand the importance of voluntary based organization and acquire technical knowhow required for efficient work process integrated enterprise development. Conditions will be created to link small and medium investors with educated youth agricultural investors and large investors.

Land Preparation and Supply

As indicated in the assessment of GTP I, private sector participation in agricultural development was limited to participation of domestic and foreign investors in flowers and a few domestic investors in cotton and horticulture production. So far, the level of private investment in agricultural development is still at a low level relative to the country's potential, natural resources endowment and suitable land available for agriculture. Thus, integrated support will be

given to domestic small and medium investors with land holding between 100 and 5000 hectare out of the 3 million hectares of land suitable for investment. For small and medium scale investment, regional state governments will provide all round and integrated support by preparing lands to new entrants and prospective investors in the subsector.

The total land identified for investment in GTP II period is estimated at 500 thousand hectare and this increases the total land identified so far at national level to 4.315 million hectare by 2019/20. Target is also set to increase the total area of land verified from 1.1 million hectare in 2014/15 to 2.443 million hectare, verifying an additional 1.343 million hectare during the GTP II period. The area of land identified and brought into the federal land bank will increase from 2.2 million hectares in 2014/15 to 2.54 million hectares by the end of the plan period, bringing additional 335.5 thousand hectares to the federal land stock. The total area of land transferred to investors will increase from 2.4 million hectare in 2014/15 to 3.1 million hectares by the end of 2019/20, transferring additional 671.8 thousand hectares during the period of GTP II.

Production of Exportable and Income

Small and medium investors will be encouraged to participate in production of export goods and industrial inputs (crop, flower, horticulture and livestock development sub sectors). The following major targets are set for the subsector during the GTP II period: (i) to increase land covered by flower development from 1565.1 hectare in 2014/15 to 3066.4 hectare by the end of the plan period; (ii) to increase land covered by vegetable development from 1297.5 hectares in 2014/15 to 2325.4 hectares by the end of the plan period; (iii) to increase land covered by fruit development from 10779 hectares in 2014/15 to 11314.8 hectares by the end of the plan period.

Similarly, the area of land developed by herbs will increase from 190.4 hectares in 2014/15 to 447.3 hectares by the end of GTP II period.

The following major targets are set with regard to export earnings from the subsector during the period of GTP II: (i) to generate 455 million USD and 75.8 million USD from export of flower and vegetables, respectively through expansion of horticultural production; (ii) to increase the amount of income to 29.66 million USD from fruit export and 16.6 million USD from herbs export by the end of the plan period; (iii) to increase the amount of income to 577 million USD from the export of horticulture.

Identification, selection and supply of new horticultural varieties to the market and development of market oriented varieties will be undertaken to achieve the various targets set for the subsector.

Provision of Agricultural Investment Services and Infrastructures

Large scale agricultural investors are those who develop more than 5000 hectares of land within an area adjacent to one another and that fall within the jurisdiction of the federal government. Apart from a few investors engaged in cotton farming, participation in large scale agricultural investment has not been satisfactory so far. For effective participation of large scale investors in agricultural development and thereby enhance its contribution to economic growth, efforts will be geared towards bridging infrastructure deficits in areas that are suitable for large scale agricultural investment. This effort will be complemented by improving good governance and service delivery system addressing problems of rent seeking behaviours and practices exercised by some investors.

Agricultural Sector Development and Transformation

It is of paramount importance to note that effective implementation of planned activities across all those agricultural development sub sectors outlined above require extensive mobilization of labour. It is important in its own right as job creation in rural areas and is one of the objectives of GTP II. Thus, agriculture will play invaluable role in creating job opportunities especially for women and youth.

Agricultural development will remain the main source of economic growth during the GTP II period. Accordingly, value added of agriculture and allied activities is projected to grow at an annual average rate of 8% (crop 8.2% and livestock 8.4%) during the GTP II period. This will contribute to ensuring food security, suppress inflationary pressure, and supply inputs for industries, and to narrow trade deficits and stabilize pressures on the balance of payments by stimulating merchandize exports. Necessary supports will be given in supply and utilization of inputs, in agricultural extension, in strengthening cooperatives, in enhancing agricultural investments through closely monitoring progress on targets set to improve crop and livestock productivity.

Enhancing structural transformation among productive sectors has been set as an overriding objective of GTP II. One of the channels of structural transformation from agriculture to industry is the decline in the share of agricultural employment and relative increment in industrial employment, especially manufacturing employment. Thus, in the next 5 years period and beyond, the share of employment in agriculture is expected to decline while the employment share of industry, especially manufacturing increases. The labour force in agriculture and allied activities estimated at 31.8 million in 2014/15 is expected to increase at an annual average rate of 1%, reaching 33.4 million by 2019/20. In relative terms, the share of employment in agriculture currently estimated at 75% is expected to decline to 67.5% by the end of the plan period. The transfer of surplus labour from agriculture to industry in the process of transformation will help increase the productivity of the remaining labour force engaged in agriculture. Thus, per capita labour productivity in agriculture is projected to increase from Birr 8437 in 2014/15 to Birr

11,771 by 2019/20. Accordingly, productivity of export crops such as pulses and oilseed is expected to increase significantly. Productivity of wheat and barley which are used for domestic consumption and for agro processing inputs is also expected to increase significantly.

Implementation strategies

A) Implementation Capacity Building

The fundamental issues in the agriculture sector have been identified in the process of formulating the agriculture development and rural transformation plan. Implementation capacity being a key issue during GTP II, there will be a shift to a system establishment beyond piece meal and ad hoc approaches of implementation capacity building activities during the second Growth and Transformation Plan period. Thus, systems will be established for plant protection, animal health and quality control, agricultural input supply and credit services, coffee development extension, urban agriculture, rural youth employment generation, out-growers schemes, contract agriculture, and agricultural product marketing. The scaling up strategy will be implemented through building well organized developmental army and technological transformation system.

To modernize the agricultural commodity exchange system and render it more inclusive, efforts will be made to cover production markets while maintaining the on-going effort in strengthening the Ethiopian commodity exchange system. Clear development directions will be set out for cooperatives through creating conducive environment to be organized and become the main actors of the agricultural marketing system. Rural financial system will be properly established to accommodate savings generated through the wealth being created in rural areas. Rural health and education service coverage, rural access road coverage, rural potable water supply, electrical and telephone access and coverage will be expanded while at the same time improving quality of services in the respective sectors. Besides, to maintain the current momentum of popular participation and mobilization quite a number of capacity building activities will be undertaken during the GTP II period.

B) Improved Crop Productivity and Production

Building climate resilient green economy is a key agenda across sectors in GTP II. Accordingly, target is set in crop production to reduce 77.9 million metric ton greenhouse gases by 2030 of which 25.97 million metric ton is to be reduced during the GTP II period by using agricultural inputs that have low greenhouse gas emission, execution of systems that increase production and expansion of small scale irrigations.

B.1) Strengthening Agricultural Marketing and Cooperatives

All planned activities aimed at bringing about significant shift in agricultural productivity and production will not be possible without modernizing the agricultural marketing system. Despite some improvements during the first Growth and Transformation Plan period, agricultural marketing system has not shown significant changes. Thus, activities will be undertaken to render the agricultural marketing system more effective and efficient. It would be appropriate to assess and ensure marketing system that integrates farmers, farmers' cooperatives, and private investors who need to be involved in the process. All cooperatives that have strong and vanguard leadership, qualified staff and capacity are encouraged to lead movements of the marketing system.

Through organizing cooperatives taking into consideration the interest of the community, the total number of basic cooperatives will increase from 59,401 in 2014/15 to 64,401 in 2019/20; the number of cooperatives union will increase from 314 to 324 by 2019/20; participation of women and youths will reach 50% and 30%, respectively by the end of the plan period. The amount of capital of basic cooperatives, unions, and cooperatives federations will increase. Similarly, targets are set to organize unions and new basic cooperatives in selected areas in collaboration with the federal and regional governments through provision of special supports to developing regional administrations and strengthening existing cooperatives. Along with this, it requires to be effective in areas of expanding rural infrastructures and ensuring quality service delivery through the supply of information and communication technology, transport and warehouses for agricultural products.

B.2) Agricultural Inputs Supply and Utilization

Input supply is likely to be a major constraint during the GTP II period given the additional input demand that would result from the envisaged expansion of agricultural investment outside of smallholder agriculture especially by those in horticulture and livestock development. Measures will be taken to ensure integrated input supply system for farmers/pastoralists, educated youths, private investors and government.

Fertilizer Supply

The application of fertilizer based on soil laboratory results to ensure compatibility of soil types will be implemented as a system in all parts of the country to increase crop productivity. Accordingly, a target is set to increase the supply of fertilizer from 1,223,309 metric tons in 2014/15 to 2,062,106 metric tons by the end of the plan period. Besides, the voucher credit system which has been pilot tested in 81 *Woredas* to increase agricultural input utilization will be scaled up to all regions and *Woredas*. This implies that the newly agricultural input credit strategy/system which has been under pilot test will be implemented fully so that farmers will not be constrained because of limited access to credit. To this effect, rural credit and saving

institutions, regional agricultural bureaus, and financial institutions in a more coordinated and integrated manner.

Seed Supply

A number of activities will be carried out in regard to the supply of seeds. Thus, shortage of original seeds supply will be alleviated and the required supports will be given to organizations, farmers and government seed multiplying agencies through identifying their skill and material limitations. Accordingly, target is set to increase the amount of improved seed supply from 1,873,778 quintals in 2014/15 to 3,559,924 quintals by the end of the plan period. The supply of seeds for pulses and oilseeds is constrained owing to low productivity and poor disease resistance; hence, to address this problem and improve the supply of seed, productive and disease resistant varieties of the crops will be discharged from the agricultural research centres. The federal and regional governments will allocate original seed, multiplication farmlands and capital for federal and regional seed enterprises to improve the capacity that enables them to fill the existing gap in the supply of improved seeds. To ensure timely supply of seeds, to address the problem of long chains in the process of improved seed distribution, and to decrease the unused seeds which are transferred to the next farming season direct distribution system which is under pilot test will be expanded through time in all regions and areas of the country.

Agro Mechanization Inputs Supply

Agro mechanization inputs which contribute to productivity improvement will be supplied in an organized manner. The capacity to supply inputs will be strengthened in all aspects at both federal and regional levels.

B.3) Expansion of Agricultural Extension system

Expansion of agricultural extension services to agrarian and pastoral areas is believed to have significant contribution to improving crop and livestock productivity. It includes provision of basic training and changing the attitudes of the farmer and pastoralists in addition to teaching and advising. Thus, during GTPII period, the number of farmers who benefit from the extension services will increase from 13,090 thousands in 2014/15 to 16,776 thousands by 2019/20 and the number of pastoralists who benefit from the service will increase from 510 thousands in 2014/15 to 892 thousands by 2019/20, and semi pastoralist who benefit from the service will increase from 350 thousands in 2014/15 to 569 thousands by 2019/20.

Overall, target is set to increase the total number of beneficiaries from agricultural extension services from 13,950 thousands in 2014/15 to 18,237 thousands by 2019/20. The number of trained development agents replacing experts will increase from 14,100 in 2014/15 to 24,325 by 2019/20. Besides, farmers' competency test will be carried out through conducting training in selected fields based on their preferences.

Building and strengthening existing training centres in agrarian and pastoral areas improves quality and speeds up the agricultural extension service delivery processes. Hence, during the GTP II period, training centres will increase from 11,000 in 2014/15 to 18,000 by the end of the plan period. The centres will be supported with materials so that they will be able to provide adequate services. Overall, the agricultural extension service delivery system will be tuned towards enhancing the full and effective implementation of the scaling up strategy.

B.4) Enhancing Agricultural Investment

Encouraging environmental friendly agricultural investments is one of the government's strategic directions. Private investors will be required to prepare programs in their areas of investment to adapt stresses caused by climate change and to measure their contributions towards building green economy. This will mainly focus on horticultural development and large scale farming.

On-going efforts in promoting large scale farming to encourage the private sector will also continue during the GTP II period. Thus, production and productivity of the sector will increase to enhance its contribution for domestic supply and export diversification through the transfer of lands suitable for large scale agricultural investments to domestic and foreign investors, provision of appropriate infrastructural services and supports, establishment of technological transformation system, and participation and beneficiary of the community from development.

To this effect, a host of activities will be carried out to increase the participation of the private sector in agriculture sector. The major implementation strategies to be pursued during the period of GTP II include the following: Building the sector's implementation capacity; working in coordinated and integrated manner with concerned bodies to address the problem of unskilled labour supply; addressing the problems of good governance and rent seeking through public mobilization to create conducive investment environment; ensuring transfer of land (2.3 million hectare) for investors; improving productivity and production through regular land use assessment and support provision; identifying, organizing and appropriately transferring land to private investors which are suitable for large scale farming that are not occupied by people, not planned to be used by the government for other services; further strengthening efforts in collaboration with concerned bodies to fulfil different rural infrastructural services; encouraging local investors to participate in the sector; exercise prudence in attracting foreign investors; creating appropriate environment for input supply and undertaking other supportive activities.

C) Livestock Productivity and Production

Livestock Genetic Improvement

GTP II emphasis the significance of unleashing the huge potential that the country is endowed with in livestock resources. It aims to significantly increase the economic and social benefits

derived from the sector to this effect. The measures that will be carried out towards the development of the sector include improving the genetics of livestock, expanding livestock health coverage, enhancing service quality and control and improving supply of livestock feed.

The following major targets are set to improve livestock genetics during the period of GTP II: increase the number of cattle with improved genetics from 902,390 in 2014/15 to 4,902,000 by 2019/20; increase field artificial insemination efficiency by reducing number of services per conception from 2.4 in 2014/15 to 2 by 2019/20; increase the number of liquid nitrogen production centres from 21 in 2014/15 to 30 by 2019/20; and increase the annual artificial insemination service delivery capacity from 1.75 million in 2014/15 to 5.2 million by the end of the plan period.

Improved Livestock Health Coverage

Production of livestock quality vaccine with international standard will increase from 226 million doses in 2014/15 to 306 million doses by 2019/20; *Woredas'* monthly livestock disease outbreak reporting rate will increase from 45% in 2014/15 to 85% by 2019/20; the coverage of animal clinical services will increase from 60% in 2014/15 to 85% by 2019/20; the emergence of PPR in pastoral areas will be put under total control by the end of the plan period; defects on the quality of hides will be reduced by controlling external parasites and skin diseases of goats and sheep; the area which is free from tsetse flies will increase from 58,500 square kilometre in 2014/15 to 91,500 square kilometre by 2019/20; the coverage of vaccination based on risk level will increase from 70% in 2014/15 to 95% by 2019/20.

Improved Livestock Feed Production

Animal feed production will increase from 68 million tons in 2014/15 to 184 million tons by 2019/20; communal grazing land and rangeland developed will increase from 1.32 million hectare in 2014/15 to 4 million hectare by 2019/20; the number of fodder producers that meet the requirements of Fodder Safety, Quality and Inspection Guideline will increase from 40% in 2014/15 to 90% by 2019/20. Overall, the amount of annual and perennial fodder seed production will increase from 2.2 thousand tons in 2014/15 to 8.9 thousand tons by 2019/20; and livestock feed from industrial by-products will increase from 1.5 million tons in 2014/15 to 3.3 million tons by 2019/20.

Integrated Implementation of Livestock Value Chain Efficiency

In line with the direction set out in the Climate Resilient Green Economy Strategy document, it is planned to limit the amount of greenhouse gases released from the livestock sector to 77 million metric tons by 2030. That would have been 125 million metric ton (CO₂e) as per the business as usual scenario, reducing 48 million metric tons through improved livestock value chain efficiency, expanding low carbon emitting methods, improving grazing lands, and

improving and strengthening livestock health coverage. Based on the direction set out in the strategy, targets are set during the GTP II period to reduce 16 million metric tons of greenhouse gases (CO₂e) and 6.5 million households implementing livestock value chain efficiency practices to reduce 5.37 million metric tons of greenhouse gases.

D) Natural Resources Conservation and Utilization

To achieve targets set in natural resources conservation and management, enabling environment will be created for the participation of all stakeholders. Through maintaining the momentum of public mobilization achieved in GTP I, people will continue to benefit from natural resource conservation and development works. In moisture rich areas, efficient use of rain water and in moisture stressed areas water harvesting, small scale irrigation development and soil and water conservation works will be carried out to increase agricultural production and productivity. To rehabilitate the natural resources base and wisely utilize existing resources, livestock development will be integrated with natural resource development.

On the other hand, emphasis will be given to lay the ground for building climate resilient green economy and to capacitate climate change mitigation and adaptation strategies. Thus, capacity building training will be given to 3,133,378 leaders drawn from every level of administrations which include experts, farmers and pastoralist. As a result, 31.58 million Metric ton greenhouse gas (CO₂e) will be offset by rehabilitating and developing areas through integrated watershed management and ensuring sustainable agriculture on 2.94 million hectares of land.

E) Improved Sustainable National Biodiversity Conservation and Equitable Benefit to the Community

Activities will be carried out to expand in-situ and ex-situ biodiversity conservation sites in coverage and contents. Through strengthening sustainable conservation of biodiversity, different genetic types of agricultural crops will be supplied to enhance the country's and communities' equitable benefits. Activities will be undertaken to control the movement and expansion of invasive exotic species and to reduce their impact on the country's biodiversity resources. In general, guidelines and manuals that enable the community equitably benefit from the biodiversity and improve sustainable conservation of biodiversity will be prepared and effected. Capacity building and awareness creations will be given to communities and stakeholders to ensure access and equitable benefit sharing from the resources. Damages to biodiversity resources due to climate change will be reduced through research and study by enhancing the conservation and utilization of resources that have significant contribution to climate resilience and green economy building during the GTP II period.

F) Food Security Disaster Prevention and Preparedness

Different strategies formulated to date are under implementation to prevent disaster and to ensure food security. This will be further strengthened during the period of GTP II. The following are the main implementation strategies during GTP II: increasing the capacity of contingent food stock; improving the early warning system and holding sufficient stocks of non-food items for emergency. In addition, building contingent budget and preparing *Woreda* risk vulnerability profile are the other strategies. To improve the situation of food security the productive safety net program will be strengthened and graduation from safety net programs will also be encouraged. Moreover, to ensure food security strengthening resettlement programs and improving the credit system that enables to build household assets; establishing risk insurance system that contributes to building climate resilient green economy; making early warning system accessible and up-to-date; reducing the amount and frequency of disasters occurring due to climate change through improved participation of the private sector in the area of climate related risk insurance are the main implementation strategies during the period of GTP II.

G) Agricultural Development in Pastoral Areas

During the period of GTP II, due emphasis will be given to expansion of potable water supply for humans and livestock, expansion of small scale irrigation using surface and ground waters, strengthening the pastoral extension service system, integrating the implementation of social service institutions and infrastructures and institutional capacity building. Accordingly, potable water supply projects for human and livestock will be designed and feasible irrigation technologies using the surface and ground waters will be selected and implemented during the plan period. In identified development corridors, access roads and bridges will be constructed and in selected development centres, social and economic service delivery institutions will be fully equipped and start to deliver services. With regard to watershed development, utmost emphasis will be given to addressing implementation capacity bottlenecks in water and road construction coupled with building implementation capacity of regional states.

4.2. Manufacturing Industry

Strategic Directions

The development of the manufacturing industry or industrialization has now become indispensable in the renaissance drive of the country. In the upcoming years, the growth of manufacturing industry is critical in order to ensure sustainability of the current economic growth and to realize the vision of becoming a lower middle income country by 2025. Rapid economic structural transformation is crucial to achieve the country's vision within the set time frame. In the coming years, a breakthrough in economic transformation and industrialization is the overarching goal of the industrial sector.

Thus, accelerated growth of the manufacturing industry will be promoted through expanding new investments mainly in export-oriented manufacturing and improving the productivity and competitiveness of domestic manufacturing firms. The strategic directions during GTP II are improving the productivity, quality and competitiveness of both existing and new industries and ensuring structural change, building labour intensive light manufacturing industry that is globally competitive in terms of productivity, quality and price, transforming the medium and large manufacturing industry to become a reliable source of foreign exchange and building industrial engineering and technological capacity. Efforts will also be put to improve the production capacity of existing industries, expand new manufacturing industries and attract new local and foreign direct investment both in quantity and quality. In addition, all the necessary effort will be made to link the development of high tech and light manufacturing industries, expand metal and engineering and chemical and pharmaceuticals industries and substitute strategic imported items by locally produced goods and reduce pressure on foreign exchange demand for imports.

The objective is to make Ethiopia a leading manufacturing hub in Africa and among the leading countries in the globe and thereby transform the country into a lower middle income economy by 2025. In addition, various sector and sub-sector policies will be formulated and implemented to ensure sustainable and competitive industrial development. Adequate follow up and support will be made to ensure the effectiveness of existing policies. Thus, building an overall capacity; expanding industrial parks and establishing clusters, as well as creating linkages between domestic and foreign firms to facilitate transfer of technology, skill and other externalities. In addition, strategic areas that demonstrate market failures but have far-reaching positive externalities in the wider economy will be selectively identified for development by the government alone or in partnership with the private sector.

Overall, the planned industrialization drive entails creating capable leadership and organizational institutions, as well as deepening transparency and accountability in the sector. Sustained industrialization requires capacitating the manufacturing industry to become regionally and globally competitive; as well as enhancing linkages between agriculture and industry. The envisaged rapid industrialization also invokes strong social compact among the various stakeholders, including among the government and the private sector; among employees, the government and the private sector; between industry, government and training institutions, etc. The development of the manufacturing industry should be an inclusive process in the sense that it creates productive jobs, as well as nurtures skills and productivity development particularly among the youth and women. Furthermore, the focus will be to create a manufacturing industry which deepens fair market competition, supports social development and ensure environmentally sound and green manufacturing.

Objectives

During the plan period and beyond, the objective is for the manufacturing industry to play a leading role in terms of production and productivity, contribution to export earnings, technology

transfer, skills development and job creation. By fostering manufacturing value addition and the productive capacity of the sector, the aim is to substantially increase manufacturing products in kind, quality and quantity. This will in turn render the manufacturing industry a major source of foreign exchange earnings. It can also reduce pressure on foreign exchange by substituting imports of strategic products by local products and enable the manufacturing industry play an important role in the overall economy.

The specific objectives under the above umbrella objective are: (i) ensuring the sustainability of the growth of the manufacturing industry and its role as an engine of economic growth to bring about a shift in productivity and production, technological transfer and structural transformation; (ii) realizing the growth of the manufacturing industry by creating favourable conditions for investors through investing in human resource development to sustain growth, deepening developmental thinking and addressing the root causes of rent seeking; (iii) creating conducive investment climate for domestic investors to ensure their participation in the manufacturing industry and for successful transition; (iv) facilitating and ensuring the implementation of enabling and supportive policies, legal frameworks, organizational structures and systems to sustain growth and transformation of the manufacturing industry; and (v) building a manufacturing industry that catalyses and supports sustainable development are the objectives to be achieved during the period of GTP II.

Industrialization Targets

In GTP II, the industrial value addition is set to increase at annual average growth rate of 20% and the share of the industry sector in overall GDP will accordingly increase from 15.1% in 2014/15 to 22.3% by 2019/20.

Growth and Structural Change of the Manufacturing Industry

In order to witness visible structural change in the economy, manufacturing industry is projected to increase by an average annual growth rate of 21.9% in the coming five years. As a result, the share of the manufacturing industry in overall GDP is projected to increase from less than 5% in 2014/15 to 8% by the end of the plan period, which is accounted for by both large and medium scale manufacturing and micro and small manufacturing industries. This in turn will serve as a springboard for achieving fourfold increase in the share of manufacturing industry in overall GDP to reach 18% by 2025, when Ethiopia becomes a lower middle income country. The share of micro and small manufacturing industries is projected to increase from 1.1% in 2014/15 to 2% by 2019/20, while the share of medium and large-scale manufacturing will rise from less than 4% to 6% during the same period.

The share of manufacturing industry in overall GDP is projected to increase from less than 5% in 2014/15 to 8% by 2019/2020. This is to be achieved largely through the integrated and organized activities which will be undertaken in light and agro-processing industries. This indicates the significance of strengthening the linkages between manufacturing and agriculture during the

GTP II period. Detailed sector development plans are prepared to promote the development of textile and garment industries, leather and leather products industries, agro-processing industries (food and beverage processing, meat, milk and honey processing, etc.); metal and engineering industries, chemical and pharmaceutical industries, ICT and electronics industries, petrochemical industries, and biotechnology industries.

In relation to the productivity of medium and large scale manufacturing industries, it is proper to put emphasis on labour productivity and wages. Because of the substantial emphasis given to the development of the manufacturing industry, manufacturing jobs are planned to increase on average by 15% annually and as a result job opportunities in the sector will increase from 380,000 in 2014/15 to 758,000 by 2019/20. Over the next ten years, it is planned to increase the current level of manufacturing jobs by fourfold, raising the total number of job opportunities created by the sector to 1.5 million. In this regard, women and youths will be the primary beneficiaries of the job opportunities to be created. The target is to empower women to occupy up to 60% of the jobs that require medium level qualifications, and up to 30% of the jobs that entail high level qualifications. The share of employment in medium and large scale manufacturing industry in total employment will increase from 0.9% in 2014/15 to 2% by 2019/20. Similarly, the productivity of labour will increase from ETB 68,158 in 2014/15 to ETB 91,869 by 2019/20 registering an annual average growth rate of 6%. Although it is not possible to set wage rate targets owing to data limitations, close monitoring will be made to ensure that real wage rate does not exceed labour productivity.

The role of manufacturing industry in the export sector is taken as an indicator of structural transformation. The export share of manufacturing industry is currently not more than 10%. An ambitious target is now set to increase export revenue from the manufacturing industry to USD 3.6 billion. This will increase the share of manufacturing export in total merchandise export to 25% by 2019/20 and further to 40% by 2025, when Ethiopia becomes a lower middle income country. This planned export revenue is mainly derived from the export of textile and garment, leather products and footwear, agro-processing, sugar and others. As outlined below specific targets are set with regards to export revenue from textile and garments, leather and leather products, meat, meat products and honey, food and beverage, sugar, pharmaceuticals, metals and engineering products, electric and electronic products, chemical and construction materials:

- i) **Textile and Garment Industry:** By improving production capacity, productivity, quality and competitiveness of the textile and garment sub-sector, attracting more quality investments, ensuring sustainable and reliable input supply, forging strong input and market linkages, increasing the export performance significantly, strengthening its role in job creation and structural changes, it is planned to manufacture USD 2.18 billion worth of production and earn USD 779 million in export revenue by the end of plan period. Average production capacity utilization of this subsector will reach 80% by 2019/20. In terms of

employment, 174,000 job opportunities will be created in this subsector and it is set to reduce the carbon emission of the sector by 25% by the end of the plan period.

- ii) **Leather and Leather Products Industry:** Improving productivity and technological capacity, attracting new quality investments, creating sustainable and reliable development, building implementation capacity, increasing foreign exchange earnings, creating market system which boost value addition and bring benefits, and deepening integrated system of operation are the major focuses of this sector. Hence, by the end of the second growth and transformation plan, target is set to manufacture gross production worth of USD 2.06 billion and generate export earning of USD 707 million. On the other hand, the production capacity utilization of the industry will increase to 85% while the sector will create new employment opportunities for about 336,000 citizens during the plan period. In addition, through the recently built integrated leather industry cluster, it is planned to reduce GHG emission by 0.154 million metric ton by the end of plan period.
- iii) **Metal and Engineering Industry:** Enhancing the design and manufacturing capability of this industry so that it will support other industries through the supply of metal and steel products, machinery equipment, automotive and other vehicles and electronic and electrical products, improving production, productivity and quality, and substituting import of strategic inputs and diversifying export markets for domestic products are the priority areas of the metal and engineering industry. In this regard, targets are set to produce gross value production worth of ETB 376 billion and generate export revenue of USD 448 million by the end of the plan period. On the other hand, per capita consumption of metal is set to increase to 81.41 kg, while job opportunities for about 46,000 citizens will be created by the end of plan period. In addition, it is planned to reduce 80,000 ton of GHG in the same period.
- iv) **Meat, Milk and Honey Industry:** Improving production capacity utilization; attracting new investments and twining with institutions which perform better, increasing foreign exchange earnings and enhancing the role of the industry to the overall economy through diversifying export markets and improving the quality and quantity of products are the priorities of this subsector. So it is targeted to generate USD 374 million export revenue from the export of meat and its by-products, processed honey and wax, processed fish, milk and milk products. In addition, it is set to create new job opportunities for about 9,560 citizens and to reduce 27,285 ton of GHG emission during the plan period.
- v) **Chemicals and Construction Inputs Industry:** By building basic chemical industries which use basic domestic inputs, and thereby save foreign exchange by supplying essential inputs for agriculture and for industries that are engaged in export markets. To this end, the target is to produce 25.67 million tons of construction inputs and to generate USD 101.3 million export revenue. Likewise, it is also set to increase production capacity utilization of this industry to 86.77%. On the other hand, target is set to reduce 0.94 million ton of GHG emission from this industry by the end of the period.

- vi) Agro-processing Industry:** Improving the quality of products and facilitating export trade to increase export revenue, attracting both foreign and domestic investment and substituting imported items are the priority areas of this industry. In this regard, it is set to increase the amount of food production from 3.8 million ton in 2014/15 to 8.8 million ton by 2019/20 and increase the production capacity utilization of the food industry from 50% in 2014/15 to 82% by 2019/20 and to 100 % for beverage industries. By increasing the production and productivity of the industry, it is set to increase foreign exchange earnings from USD 44 million in 2014/15 to USD 377 million by 2019/20. Similarly, by increasing sugar production to 4.9 million ton by the end of the plan period, it is planned to earn USD 586.2 million from export of sugar during the same period.
- vii) Pharmaceutical Industry:** by increasing the capacity of existing pharmaceutical, medical equipment and cosmetics industry and establishing new factories, the focus in this industry is to substitute imported essential medicines by locally produced ones and produce for exports markets. The major targets in this regard are to increase the production capacity utilization of this industry from 61% in 2014/15 to 85% by 2019/20 and increase foreign exchange earnings from USD 3 million to USD 111.4 million during the same period. Similarly, targets are set to increase the domestic market share of the industry from 20% to 50% and employment opportunities from 3,000 to 6,100 by the end of the plan period.

Implementation Strategies

Various strategies are articulated to ensure rapid growth and broadening of the industrial base of the manufacturing sector, attract quality investment, increase production, productivity and export earnings, facilitate technology transfer and strengthen linkage among industries. Among these programs, the following are the major ones:

A. Implementation Capacity Building Program

In this program, the institutional capacity of the Ministry of Industry and its affiliated institutions will be strengthened by building their manpower capacity and equipping them with necessary facilities and inputs. The research, development and extension capacity of the specialized industrial development institutes will be enhanced such that they support particularly the domestic private sector in identifying appropriate technologies, organizing information on the technologies, adopting and transferring these technologies. To this end, the specialized institutes will engage in twining arrangements with globally recognized similar institutes. Capacity building of employees and the management of these institutes will be carried out.

The capacity of new institutes will be developed through providing the necessary infrastructure and facilities and reinforcing the capacity of existing institutes will also be undertaken. Hence, by establishing new institutes for new industries, conducive environment will be created for these industries. By connecting these institutes with universities and other research institutes, adopting best practices from abroad and customizing them in a way to develop national research

and development capacity will be undertaken. Policies and legal frameworks will also be formulated to guide the sector and subsectors successfully and effectively.

B. Manufacturing Industry Investment Expansion Program

In order to achieve the targets outlined above emphasis will be given to expand investment in the two subsectors of manufacturing industry: small and medium, and large scale industries. In both sub sectors, the main strategic direction to be pursued will be export-led and import substitution industrialization. This is considered to be a key channel for the realization of the transformation agenda.

Quality Foreign Direct Investment: as it is repeatedly noted, the base of the manufacturing sector is very narrow which in turn needs massive investment expansion in the sector for transformation. As domestic investors have limited capacity to meet all the required investment in the next few years, a significant part of the investment will be covered by foreign direct investment (FDI). Thus, increasing FDI and attracting foreign investors will play a significant role during the plan period. In this regard, efforts will be made to attract FDI from every direction particularly by focusing on capable, quality and reputable companies. Such high quality and high impact anchor companies will be selectively recruited so as to set the required standards both in terms of business practice and industrial delivery for other FDIs to follow suit. The strategy is to make an informed, proactive and selective attraction of high quality FDIs. The good practices so far in attracting anchor companies in footwear and leather and in textile and garment industries will be scaled up to attract even more high quality FDI. Based on this, by carefully selecting investors that are willing and have the capacity, they will be encouraged to invest in export oriented manufacturing industry. Selection of FDI will be undertaken based on best practices and studies with focus on reliable countries, potential investors and key investment areas. To increase the flow of investment, appropriate support will also be given in a transparent and accountable manner to such model and pioneer investor.

In this regard, to increase the flow of foreign direct investment, strengthening economic diplomacy is essential and efforts will be made in terms of strengthening continental and international relations. Thus, during GTP II, strengthening partnership with strategic countries in our foreign relation, ensuring long lasting peace and economic partnership in the horn of Africa, contributing towards making the African Union a continental force for peace and development, expanding our diplomatic representation and protecting our national interest will be the major priority areas. Besides, building and promoting Ethiopia's image in the international arena, building people-centered national image domestically and strengthening partnership will also be among the priorities.

The focus will be to increase foreign direct investment, expand infrastructure, ensure technology and knowledge transfer, identify markets for export products, increase tourist flow and boost foreign loan and aid. In tandem with this, efforts will also be made to ensure the engagement of

the Diaspora in the peace and development process of the country so that they can contribute in terms of investment, knowledge transfer and employment creation and remittance inflows.

Domestic Investment: Although priority is given for FDI, adequate emphasis will also be given to encourage the domestic private sector to invest in the envisaged export-oriented industrialization drive of the country. By carefully identifying domestic private investors and providing adequate support, they will be encouraged to participate in the manufacturing industry including in import substitution. Arrangements will be made for domestic investors to work in partnership with foreign investors who are engaged in medium and large scale manufacturing industries.

C. Productivity and Competitiveness, Quality and Technology Capacity Building Program

Innovation, Science and Technology

As mentioned above, the growth of the manufacturing sector will mainly be promoted through expanding investment in the sector. Thus, the necessary efforts will be made to improve technological capacity, productivity, quality, managerial capacity and competitiveness of both existing and potential industries. Emphasis will be given to improving the science, technology and innovation capacity in line with the growth demand of the country. In this respect, priority will be given for domestic investors and companies. The capacity of specialized industrial development institutes which support industrial development, science and technology universities and institutes and research and development institutions and TVETs will be strengthened by capacitating them via capable manpower, research equipment and effective incentive system. The twinning arrangement which has already started will be strengthened. In general, institutes which are established to provide support in terms of technology and production capacity will be capacitated in effective management and will receive technical support and expert assistance from successful countries.

As a result, adequate emphasis will be given for human power capacity building as it has irreplaceable role in searching, selecting, adapting and improving technologies to enhance productivity. The collaboration and cooperation between education, training and research and extension support institutions and industries will be strengthened so that they can work together in areas of training, technology development and research.

Implementation of the Kaizen Philosophy

The kaizen management philosophy which the country has pursued to improve productivity, quality and competitiveness will be fully implemented in all types of industries and export sectors during the plan period. Kaizen is a management philosophy which enables to attain uninterrupted improvement in quality and productivity in a continuous manner. The focus is thus to bring sustained and continuous improvements in productivity, quality and competitiveness as well as to minimize cost, to ensure working environment and workers' safety and bring attitudinal change through implementing the Kaizen management philosophy in micro, small,

medium and large scale industries and in institutions which build the capacity of the manufacturing sector such as education and training, research and extension support providing institutions. In so doing, including with the support of experts from the country which originated the philosophy, efforts will be made to create national movement in terms of understanding the features of the philosophy, systems of Kaizen management and building skills on kaizen technical tools, methods and ability of analysing growth stages.

Thus, during the next five years, by implementing and expanding the Kaizen philosophy in selected productive and service rendering institutions, the quality and competitiveness of these institutions will be improved to better support the industrial transformation drive. In this respect, by implementing the first stage Kaizen on 75 to 100 exporting companies, it is envisaged to improve their productivity and quality by 20% -30% and second stage Kaizen on 50 to 75 exporting companies to similarly improve their productivity and quality by 20% - 25% by 2019/20. Similarly, by implementing first stage Kaizen on 50 to 75 strategic import product-manufacturing companies, the plan is to increase their productivity and quality by 25%-35% and second stage Kaizen on 25 to 35 strategic import products manufacturing companies to improve their productivity and quality by 20%-25% by the end of 2019/20.

In terms of producing capable human power in the industry sector, by implementing first stage Kaizen on 35 to 50 TVETs, it is planned to achieve 40%-100% COC promotion and by implementing second stage Kaizen on 35 to 50 TVETs, increase COC promotion to 100% and boost technological transfer and innovation leadership. Furthermore, by implementing first stage Kaizen in 15 to 25 and second stage Kaizen in 10 to 15 Universities, the plan is to improve the quality of education and research activities in order to supply competent human power for the industrial sector in leadership, engineering and science fields. It is also planned to provide PhD training to 5-10 graduates from Addis Ababa University and 5 to 10 PhD graduates from Mekele University in Kaizen philosophy.

D. Providing Comprehensive Support to Manufacturing Industry

Developing Industrial Parks and Clusters

As our experiences and the experiences of other countries reveal, building industrial parks is important to effectively and timely absorb the inflow of huge investment into manufacturing industry. Ethiopia's goal of becoming Africa's light manufacturing hub could not be achieved without developing the necessary industrial parks. For that reason, industrial parks need to be developed based on feasibility study and investment demand in the upcoming years.

With regard to the medium and large scale manufacturing industry, it will be mainly undertaken through foreign direct investment in the next few years. These medium and large scale manufacturing industries will be export-oriented which play massive role in alleviating foreign exchange shortages and contribute to rapid technology transfer. Thus, to effectively manage this huge investment, efforts will be made to create the required capacity in industrial parks development and management by complementing the experience acquired through international

best experiences. The development of large industrial parks will be informed by the experiences of developed countries that have successfully used this strategy for their development. Since there is a documented experience of other countries in this regard, industrial parks development and administration policy will be formulated and will be used as a policy instrument for the implementation of the industrial development policy of the country. On the other hand, the completion of the construction of industrial parks started earlier in Addis Ababa will be accelerated, while the construction of industrial parks in Hawassa, Dire Dawa, Kombolcha, Mekele, Adama, Bahir Dar and Jimma as soon as the on-going feasibility studies are completed will be undertaken.

As long as the success of the vision of becoming Africa's hub in light manufacturing depends on the development and administration of industrial parks, it requires strong institutional arrangement and ownership. In this regard, it requires strengthening the capacity of the recently established institutions to develop, administer and regulate industrial parks to enable them take up this responsibility. The capacity of the Ethiopian Investment Commission, Industry Parks Development Corporation and other directly concerned institutions including the Investment Council will be strengthened so as to enable them effectively manage and regulate the development of industrial parks. They will also get assistance from foreign experts. Industrial parks will be constructed and developed by the government, private sector and/or jointly by the government and private investors. Land and finance will be made available in advance for the construction of these parks.

The industrial parks will avail facilities at a fair rental price, provided a one stop service and cluster agglomeration of interlinked industries. These parks will become parts of cities' master plan and be constructed based on studies. These parks will get access to adequate electricity, water, ICT, road, sewerage system and fire emergency services. Firms which provide common services by producing and maintaining spare parts will be established in the parks. Industrial parks will be developed based on integrated master plan and hence they will have their own master plan, feasibility studies and strong government organization to be managed by higher officials. The investment in the industrial parks will be decided based on the comparative advantage of the area such as endowment and resource potential which comprises educated youths and women. The industrial parks will also be used to promote the development of domestic private sector in manufacturing industry. Support and follow up will be made by higher government officials as it plays a key role for the success of the investment.

Medium size industrial parks will also be established at regional level based on the experiences and in collaboration with industrial parks which will be constructed for medium and large scale industries at federal level. These parks mainly serve small and partially medium scale industries owned by domestic investors and entrepreneurs. Regional governments and city administrations will construct medium size industrial parks in selected towns and cities and innovation technology incubation centres will be established targeting these medium size industrial parks.

These centres will be led by technical and vocational, science and technology, education and training and research institutions.

Special program will be designed to provide credit for the youth, women and domestic investors who will work in medium size industrial parks. In this regard, micro finance institutions will provide machinery lease and working capital by availing finance for micro and selected small enterprises. Machinery lease financing will be provided by the Development Bank of Ethiopia while working capital will be provided by the Commercial Bank of Ethiopia for small and medium scale industries in these parks. At the same time, quality training on entrepreneurship, enterprise management and business development will be provided. Strong monitoring and support will also be carried out.

To expand the base of industrial development at national level and to intensively engage the youth in the sector, developing small industries based on local potential will be given emphasis deep down to *Woreda* level. In this regard, favourable conditions will be created for small enterprises in terms of networking them in input supply and value chain production process, providing training and technical support from one centre, strengthening market linkages with local medium and large scale manufacturing industries and encouraging technology transfer. As a result, priority will be given to improve quality of production process and product, enhance national production and productivity, accelerating economic transformation towards industrialization, creating job opportunities and widening the source of income for citizens and strengthening entrepreneurial culture and specialization. Hence, establishing and organizing study based standard clusters in appropriate places and building their capacity will be undertaken in collaboration with regional states.

Strengthening Leadership and Support for Private Investment

Massive expansion of quality private investment entails effective leadership and support system. The implementation of the on-going reforms will be quickly finalized to ensure effective leadership and organizational support system to private investment. In this respect, the principal element concerns strengthening of the various government dialogue and consultation forums with the private sector including that are established at the highest level. These consultative forums are aimed at ensuring accountability, transparency, fairness, efficiency and effectiveness of services provision and supports provided by the government as well as eliminating rent-seeking behaviours and nurturing developmental investment decisions on the part of the private sector.

Another agenda in terms of creating favourable investment climate for investors and companies refers to leadership in terms of addressing problems related to public service delivery, facilitation and regulatory functions. To address these problems, promotion of expansion of private investment by the Investment Commission will also be overseen and coordinated by high level officials that are empowered to take timely decisions and solve problems related to government service delivery and regulatory functions. The on-going reforms meant to reduce the problems

related to government service delivery and regulatory functions will be quickly completed, thereby creating favourable conditions for private sector development. By strengthening the capacity of the Ethiopian Investment Commission, provision of comprehensive and effective one stop service will be facilitated. For investors in the manufacturing and other sectors, customs, trade registration and licensing facilitations other will be significantly improved. Bottlenecks impeding the private investment in the manufacturing industry such as infrastructure, logistics, finance, customs system and proper implementation of incentives will be improved. Science and Technology universities and TVETs will work together with industries to supply skilled, motivated and disciplined man power, and conduct research and consultancy.

Ensuring Access to Credit and Foreign Exchange

Foreign direct investment is expected to play a crucial role in kick-starting the big-push towards the development of light manufacturing industry in Ethiopia. However, GTP II's vision of industrialization will still require a considerable amount of domestic credit. Therefore, the necessary arrangements will have to be undertaken to avail the credit required for the development of manufacturing industry over the next five years. In this regard, the primary responsibility goes to public banks which are established to support the transformation of the manufacturing industry. Thus, in the GTP II, access to bank credit in a transparent and accountable manner and with clear priority will continue to be our industrial policy to support the private sector. Government banks, particularly the Development Bank of Ethiopia and the Commercial Bank of Ethiopia will arrange investment and working capital credit by giving priority to export-oriented manufacturing investments. Strict follow up will be undertaken to ensure whether the private sector is using the finance for the intended purpose and full accountability will be ensured in this regard. Similarly, a system which address the difficulty that manufacturing industries face related to access to foreign exchange will be established.

Providing Properly Targeted Tax Incentives

It is obvious that there have been tax incentives designed to encourage private investment in the manufacturing industry. However, there have been a number of shortcomings in properly administering these incentives. Therefore, emphasis will be given to identifying and reviewing the problems in detail and take appropriate measures to address these short comings.

E. Encouraging Prioritized and Selected Manufacturing Industries

In GTP II, priority is given to encouraging manufacturing industries that are labour intensive and use agricultural products as inputs so that they can significantly contribute to job creation and strengthen the agriculture-industry and the rural-urban linkages. Industries that have linkages with other development programs will also be given priority and as a result, domestic skill and technological capacity will be enhanced. To this end, small, medium and large scale manufacturing industries which have been already identified as priority such as textile and garment; leather, shoes and other leather products; food, beverage and other agro processing; pulp and paper; basic metals and engineering; chemical and pharmaceutical and furniture and

construction material industries will be given priority. In addition to light manufacturing industries, considerable emphasis will be given to selectively promote heavy chemical and steel, equipment fabrication, engineering and energy turbine manufacturing industries. Priority will also be given selectively to manufacture of machine tools, heavy electric equipment, heavy transport, construction and mining equipment; heavy petrochemical and chemicals; and renewable energy generators through public, private and/or joint venture arrangements.

Expanding the manufacturing industries program focuses on identifying and selecting additional new manufacturing sub sectors, attracting investments and encouraging their expansion. In this regard, considering global value chain, resource potential of the country, the market demand and creation of job opportunities, the following potential manufacturing sub-sectors are selected for expansion. These include: biotechnology, petrochemicals, electrical and electronics, and ICT (software and hardware manufacturing) industries. In order to implement new development programs under the manufacturing subsector, new subprograms will be developed and implemented in areas of biotechnology, petrochemicals, electrical and electronics and ICT.

F. Enhancing the Role of Public Enterprises and Strengthening their Capacity.

The Ethiopian government as a democratic developmental state is playing a crucial role in ensuring favourable conditions for long-term development and in addressing market failures that are hindering the country's development. The role of a developmental state in development evolves with the country's level of development, and hence will take different forms and coverage at different stages of development. Hence, the government has articulated its mission and role over the coming five years. This articulation of mission refers both to the government's role not only in industrialization but also in infrastructure development. To effectively play its indispensable developmental role, the government will first and foremost privatize all public enterprises that can be undertaken by the private sector in the first two years of GTP II. Secondly, the government will embark on creating conducive climate for long-term development and structural change and addressing market failures that are undermining accelerated development and transformation by carefully intervening in selected strategic sectors. In this regard, the government will continue to play its role in the development of electric power, airlines transport, rail and marine transport, telecom, financial industry, metal and engineering, sugar and related industry, and chemical industry sectors in the next five years.

This GTP II period will be a time to transform the governance and mission of public enterprises and infrastructure development institutions to the next higher level. These governance, organizational structure and management of these public enterprises will be benchmarked against best international standards in their respective industries such that they become institutions that can deliver on the development and transformation agenda of an effective developmental state. Monitoring their corporate finance and making it more effective and ensuring government ownership will be strengthened on a continuous basis. It is reemphasised that the key mission of

these public enterprises is to more effectively support the transformation and industrialization agenda of the economy, i.e., the process of making Ethiopia a light manufacturing hub and the transformation of export development. It is also underlined that the success of these public enterprises will be measured not just in terms of their success in the domestic market, but rather in terms of their competitiveness at continental and/or regional levels. In this regard, the focus is to enhance the productivity and competitiveness of these public enterprises to make them one of the best companies in the continent just like that of the Ethiopian Airline.

G. Development of Micro and Small Enterprises

Ensuring rapid economic growth, creating job opportunities in urban and rural areas and ensuring equitable growth helps to improve the income of the people thereby reduce poverty. To enable micro and small enterprises register rapid and sustainable growth and sustain rural development and lay the foundation for industry development, focus will be on the expansion of enterprises by creating substantial developmental investors.

Based on the small and micro enterprises development strategy, supporting frameworks and implementation strategies intensive work will be undertaken to organize Small and micro enterprises (SMEs) operators and support them to start business. In addition, by providing effective supports at different levels, expanding and strengthening monitoring and support areas, a strategy to broadening the base of selecting developmental investors will be implemented. Thus, availing adequate (finance) credit, creating market linkages/ networks and creating conducive climate for business activities will be carried out in order to make these business operators profitable through enhancing their competitiveness in price, quality and quantity.

On the other hand, massive efforts will be made to promote small and micro enterprises to the level of developing medium enterprises or company level. These enterprises are those effectively using the support of the government and invest additional resources to increase their market share. These developing medium level enterprises will get working and selling premises from industrial parks and clusters so as to strengthen these developmental investors and enable them contribute to the development of the nation. Expanding integrated infrastructure development, availing adequate financing, enabling enterprises to organize in unions in respect to their areas of work and ensuring adequate and reliable supply of input will be strengthened and sustained. The following targets are set in relation to micro and small enterprises subsector.

In terms of the development of enterprises and growth in overall value added, by providing a concerted and targeted support aimed at addressing their bottlenecks which takes in to account their level of growth, up to 2% (62,500) of the enterprises will graduate from micro to small enterprises and 10,000 enterprises will graduate from small to medium industry. In relation to the development of entrepreneurial skills, by strengthening TVETs in five regions and by establishing entrepreneurship centre of excellences in 35 universities, working culture and entrepreneurial skills of graduating students will be enhanced. In addition, training on

entrepreneurship will be given for about 100,000 potential entrepreneurs that are joining the sector.

In connection with government support and facilitation, about 2,247 new and existing standardized one stop service centres will be established and strengthened to increase the productivity of enterprises particularly the growth of the manufacturing sector. By accelerating the growth of micro and small enterprises, efforts will be put to achieve the goal of increasing the share of manufacturing industry to GDP. To this end, 9,000 hectares developed land, 15,000 sheds and 600 buildings will be available and ready for new entrants which organize themselves under enterprises. With regard to financial support, ETB 21 billion (ETB 17 billion or 80% will be mobilized from people saving through various methods) will be available and ready for credit financing and 94% (ETB 19 billion) of the loan will be repaid during the plan period.

Finance for Capital goods will be given to 50,000 enterprises so as to improve their productivity and production and quality of their products. In addition, by organizing related enterprises into clusters and by providing working premises about 202 for metal and furniture works, 202 for textile and leather products, 202 for agro processing, a total of 606 buildings will be built in cluster and transferred to the enterprises with reasonable price. Similarly, about 10,000 new and potential medium enterprises will get manufacturing premises in the industrial zones with affordable price. By selecting 16 export products which have an identified value chain, the capacity of operators in the value chain from raw material supply to end markets will be built. By tackling the bottlenecks of enterprises to maximizing their benefit and by fully using domestic market opportunities and by creating ETB 50.2 billion from domestic market and USD 1 billion from foreign market linkages, the market competitiveness of the enterprises will be enhanced.

In relation to the provision of extension service, training on basic entrepreneurial skill and outlook and training of trainers on business development services (BDS) will be given to 2,280 trainers and their competency will be evaluated. About 4,341 prototypes which are useful for technology transfer for the micro and small enterprises will be ready and 2,448 improved manufacturing tools will be disseminated to all regions according to their priority. Awareness creation training on how to implement kaizen will be given to 750,000 micro and small enterprises and they will implement it. In terms of strengthening modern information management system, reliable, standard and secured information management system will be established from federal to one stop service providing centres. Unemployment and related data will be properly stored in an integrated and organized manner.

H. Building Climate Resilient Green Industry

During GTP II period, to ensure rapid, sustainable and reliable industrial growth as well as achieve the targets set for each sector and sub sectors, it is essential to ensure the growth of green and environment friendly industries. In this regard, GHG emission reductions will be made by fulfilling laboratory equipment and inputs which are necessary to create environment free of

pollution for the industries and substituting the non-renewable energy sources by renewable energy sources such as hydro, wind, solar and others. Providing technical support to factories in the sector on how to manage, dispose and recycle solid waste and clean liquid waste up to second level, inspecting whether the sewage discharged to the environment from factories is to the required standard and level, providing technical support on how to establish common waste disposal system in areas where many industries are clustered such as industrial parks will be carried out in this regard. In addition, in relation to international laws and conventions, trainings and consultation services will be provided during the plan period. Furthermore, conducting research on solid waste reduction and recycling as well as current level of emission will be carried out and base line data will be developed and disseminated to users.

4.3. Mining Sector

Strategic Direction

The major focus of the first Growth and Transformation Plan (GTP I) of the mining sector was expanding the production of minerals for foreign exchange generation and import substituting industries. These focus areas will be also considered for the second Growth and Transformation Plan (GTP II). In light of this, strengthening the implementation capacity of the ministry and regional states; attracting reputable and competent investors through undertaking international standard promotion works and provision of reliable geological survey data will be emphasized. Moreover, priority will be given to developing minerals as input for local industries through assessing the demands of the respective industries. Boosting export earnings by expanding foreign market destinations and adding value to minerals are also priorities of the sector. Increasing standardized bio-fuel production, to save foreign currency and developing alternative clean energy is a strategic direction to be pursued in the energy sector. Besides, downstream petroleum development standards will be prepared in constructing petroleum depots, transportation and distribution systems. Moreover, developing the sector taking into account environmental protection, community development and employment creation are strategic directions to be pursued during GTP II.

Objectives

The development objectives of GTP II are: (i) enhancing the implementation capacity of the sector by improving policy, legal frameworks, regulatory and working systems; (ii) increasing export revenues through promoting mining-value creation activities; (iii) saving foreign currency by producing minerals inputs for import substituting manufacturing development, mainly to speed up the sector's transformation; (iv) enabling the mining sector to meet national and international environmental standards and regulations; (v) expanding the Geo-sciences mapping coverage of the country both in quality and accessibility; (vi) saving fuel costs, specifically, as alternative energy sources for vehicles, using bio-fuel and gas-oil in line with the green economy development strategy of the country and (vii) reducing wastage and environmental impacts of

fuel oil by setting standards and regulations in fuel extraction, blending, storing, transporting and distributing processes in the country.

Major targets

For the mining sector, during the plan period, major targets are set focusing, mainly, on increasing the production of industrial raw materials, boosting export earnings and improving revenues collection from the sector. In light of this, it is planned to increase modern and artisanal systems of gold production from 9,053.53 kg in 2014/15 to 25,370.0 kg by 2019/20 and foreign exchange earnings from USD 343.73 million to USD 2.011 billion during the same period. Besides, it is planned to increase annual mineral revenue from Birr 152.79 in 2014/15 to Birr 570.4 million by the end of 2019/20.

Regarding Geo-Sciences mapping coverage, quality and accessibility (at scale of 1:250,000), it is planned to increase coverage from 55.5% to 100% by the end of the plan period. Moreover, in coordinating the construction of five bio-ethanol and six bio-diesel processing plants, about 1288 million litres bio-ethanol and 212 million litres bio-diesel will be produced. Monitoring and supervision on petroleum and petroleum by-products extraction, storage, import and export, distribution and transportation activities will be fully undertaken. Through artisanal miners and companies, about 795,388 job opportunities will be created during the plan period.

Implementation Strategies

In order to attain the strategic objectives and goals of the sector, the following major strategies will be pursued.

A) Capacity Building programme

The main objectives of this programme include: attaining the targets set through building human capacities as well as availing the required facilities, technologies, improving laws and working procedures. Accordingly, to improve the human capacity of the sector, training will be given to about 611 professionals in collaboration with the Ministry of Education and Higher Education institutions, while also hiring new recruits. Regarding organizational capacity building, the Geoscience Laboratory, drilling services and core drilling rigs will be strengthened with new machines and technology. In addition, to contribute to investment promotion and expansion, the capacity of Geoscience laboratory's sample analysis will increase from 36,065 to 69,366 and drilling services from 1,371.55 to 10,000 meters during the plan period. To add value to export gems, a gem institute will be established. Moreover, to modernize license issuance and sector's administration at federal and regional levels, the web page of the Ministry and the cadastre technology will be improved and/or updated.

B) Enhance geoscience mapping coverage and mineral exploration programme

The major objective of this programme is to conduct basic geoscience, geochemistry, geophysics and geo-hazards study and increase basic geoscience mapping coverage of the country; conduct exploration of minerals, mainly, for agriculture, industry and infrastructure development; also

undertake exploration of minerals to further enhance capacity to generate foreign currency. In this context, airborne geophysics survey will increase from the current 30% to 100% by the end of the plan period. Similarly, geological mapping and geo-hazard study coverage (at a scale of 1:250,000) will increase from the current 82.4% and 28.6% to 100% by the end of the plan period, respectively.

C) Investment expansion programme

The objective of the programme is to contribute to the country's economic development through undertaking standard promotional works which attract capable and competent investors and/or companies. Accordingly, exploration and production licenses will be given to 121 companies including 20 big international companies on selected minerals such as iron, coal, potash, gold, ceramic raw materials, natural gas, silica sand, etc. Licenses will also be issued for big international companies in areas of petroleum exploration and deep well drilling. With regard to, petroleum downstream activities, about 1,050 certificates for fuel stations and professionals will be given and 2,450 will be renewed. In connection with petroleum and petroleum by-products extraction, storage, import and export, transport and distribution; tasting laboratories and efficient transportation systems will be established. Besides, effective monitoring will be conducted.

D) Enhance mineral production and export earning programme

The programme is aimed at increasing the production of minerals for industry and export by providing the necessary support and follow up on investors and artisanal miners. In line with this, gold production by companies and artisanal miners will increase from the current 3,505 kg and 5,548 kg to 12,000kg and 13,370 kg during the GTP II period, respectively.

With regard to value-added gemstones production, export of rough opal produced and exported by artisanal miners will be reduced from 4,372.95kg to 1,000kg. Similarly, value-added opal will increase from 194.53kg to 900kg in the plan period. The production of gemstones other than opal will also increase by two fold from 62,239.14kg to 120,000kg by the end of the plan period. Targets are also set for industrial minerals production. In line with this, potash production will commence in 2018/19 and about 74, 000 ton will be exported by 2019/20. Starting from the third year of GTP II implementation, foreign currency earnings from value-added tantalum will increase from 90.8 ton to 213 ton and marble export will increase from 506.04m² to 1000m² by the end of the plan period.

With regard to natural gas production and transportation the installation of the Kalub - Hilala - Djibouti 800 to 1,000 km gas pipes will be promoted. Facilitation activities will also be undertaken in pipe installing and LNG coordination for potential areas of Kalub, Hilala and Alkuran.

In connection with foreign currency earnings, it is planned to increase export revenue from USD 114.92 million to USD 595.0 million from minerals produced by companies. Similarly, mineral

export by artisanal miners will increase from USD 230.78 million to USD 511.72 million. Moreover, revenue from minerals produced by companies and artisanal miners will increase from USD 343.73 million to USD 2.011 billion by the end of the plan period. Generally, it is planned to collect about 3.7 billion USD from the mining sector during the plan period.

E) Bio-fuel and other minerals production programme

The programme aims at saving foreign currency by producing and using bio-fuel, mainly, alternative energy sources for vehicles as well as minerals for industries in accordance with the green economy development strategy of the country. In this context, for bio-fuel development about 14.1 million hectares of land will be set and 1,288 million litres ethanol and 212 million litres bio-diesel will be produced. Five ethanol production plants will be established and about 442 million litres of ethanol will be blended. Coordination activities will be undertaken to avail 120 million litres for households and 713 million litres for consumption by other sectors. By constructing six bio-diesel production plants, 82 million litres of bio-diesel will be blended; 22 million for households and 107 million litres for consumption by other sectors. In addition, necessary facilities will be constructed to establish five bio-fuel technology and research centres in the regional states. By developing bio-fuel feed-stocks, about 65 million tons of CO₂ emission will be reduced.

F) Mining sector environmental protection and community development

The main objectives of the programme are to mitigate the negative impacts of mining activities on the environment follow up the implementation of occupational health and safety in mining and make sure that the community benefits from the development activities. In light of this, environmental impact study on 68 projects will be conducted and necessary mitigation measures, especially, water and soil conservation, CO₂ emission reduction and improved waste collection and disposal systems will be implemented. Moreover, rehabilitation work on 1,485 hectares of land, which is affected by mining activities, will be undertaken. Companies will be required to allocate about Birr 59.2 million to provide services to the community affected by mining activities.

4.4. Construction Industry

Strategic directions

The strategic directions of GTP II with regards to the construction industry are: addressing rent seeking, and enhancing transparency and accountability in the industry; fulfilling the industry's human resource need in terms of quality, quantity and skill level; ensuring the effectiveness and competitiveness in the provision of construction inputs; and setting a system for accessing finance and machineries. Moreover, enhancing management of construction projects and technology transfer; strengthening competitiveness of the construction industry, and creating enabling environment for those actors and professionals of the sector are the other strategic directions which will be given due emphasis during the period of GTP II.

In addition, strengthening license provision service for construction building and usage; ensuring the accessibility and benefits of women, elderly and the handicapped by improving the health and safety of construction works; improving the capacity and productivity of the work force; creating job opportunities and increase the income level of citizens and thereby accelerate poverty reduction will be some of the strategic directions of the sector. Besides, reducing and protecting the hazards that the industry may impose on the natural environment is also another strategic direction of the construction industry during the period of GTP II and beyond.

Objectives

The general objective of the construction industry is to enable the sector to play a vital role in speeding up the country's socio-economic development through strengthening the linkages with other productive and service sectors as well as to render the sector internationally competitive.

The other objective of the sector is to holistically address the industry's human resource deficit within a long term perspective by providing training and enhancing the skill of professionals in the field of Engineering, Architecture, Construction management and related disciplines. Moreover, to establish various types of micro and medium size construction enterprises, consulting organizations and construction materials producing organizations that can create job opportunity and provide enabling environment to gradually transform them to medium and big construction companies.

The other objective is to improve the performance of projects and to sustain the on-going rapid economic growth of the country by building the capacity of contractors and project and program management administrators. Moreover, making use of research outcomes or findings undertaken in the industry and through internalizing international best practices in construction industry efforts will be made to sustainably improve construction projects quality, cost, efficiency and reducing the delay of construction projects.

Main Targets

A. Construction Professionals, Contractors and Consultants Capacity Building Program

The main target of the industry is to meet more than 70 percent of the construction demand of the country by local contractors and consulting companies. To achieve this, the number of local contractors and consultants will increase to 6,000 and 600, respectively by 2019/20. In addition, it is planned to increase internationally competitive contractors and consultants that have met modern construction management and structural standards (ISO) to 100 and 50 respectively; and also planned to link them with foreign investors. At a national level, within the Ethiopian Construction Project Management Institute, one quality assurance laboratory of construction materials will be established. In addition, one centre of excellence will be established that will serve as research and design as well as high technology and human resource enrichment centre for mega projects that require high level of construction technology.

B. Construction Equipment's and Technology Capacity Building and Construction Materials Delivery Program

It is planned to create equitable market system by enhancing the capacity of 150 construction equipment and machinery rental organizations. It is also planned to transform and upgrade 15 medium construction equipment and machinery maintaining public and private organizations to heavy and big construction machinery maintenances companies and planned to develop construction equipment lease system by supporting 25 business owners and organizations to provide construction machinery rental services. The other targets set for the sector are to raise 3.5 billion Birr financial support and to meet 80% of construction inputs from local suppliers by enhancing the capacity of 50 construction materials producing companies.

C. National Construction Project Management Capacity Building and Technology Transfer Program

It is planned to prepare design implementation regulation framework document and thereby bring about significant change in construction performance by ensuring the application of sample construction projects implementation tools (like kaizen, integrated project work management and information system). During the GTP II period, building modelling will be implemented as one of the reform tool in the construction industry.

By conducting studies and research with selected higher educational institutions, pertinent national and international institutions as well as professional associations 30 cost saving and improved construction materials and technologies will be transferred to the beneficiaries. In addition, 5 internationally and nationally recommended construction experiences and practices will be scaled up, and one study manual will be prepared for evaluating construction projects performance achievement and successes of the industry.

D. Construction Industry Structure and Organizational Improvement Program

It is planned to prepare and implement 20 new legal formwork documents and revise the existing 5 legal documents. It is also planned to prepare and introduce 13 implementation procedure documents. In addition, for 334 towns verified construction purchasing procedures will be made available and approve the outcome of government funded 1,000 building design and construction projects by auditing their implementation. Moreover, the experience of 2 selected successful and quality building construction works will be scaled up to other 100 towns.

E. Construction Industry Competency Approval, Registration and Employees' Health and Environmental Safety Care System Improvement Program

It is planned to implement contractors, consultants, professionals and construction materials registration proclamation code and manual in 9 regional states and 2 city administrations. It is also planned to provide new licenses, renewal and upgrading service for 269,328 professionals, 98,534 contractors, 6,890 consulting companies and 27,869 construction materials suppliers.

Moreover, it is planned to enforce safety rules and standards in 500 construction companies so as to provide employees' construction safety equipment. In addition, ensuring the accessibility of buildings for the handicapped in towns that implement building proclamation; ensuring the participation of women, and elderly to benefit from construction works and ensuring the implementation of natural environment protection systems are targets set for the period of GTPII.

Implementing strategies

A. Construction Professionals, Contractors and Consultants Capacity Building Program

By supplying professionals needed by the industry in terms of quality and quantity, standard professional services will be provided to ensure the quality, reduce cost and the delay of construction works. The capacity and competitiveness of all actors of the construction industry will also be improved by concurrently addressing their constraints. Moreover, competency test will be given to approve and certify the competence of human resources that are involved in the construction industry.

B. Construction Equipment's and Technology Capacity Building and Construction Materials Delivery Program

By supplying local construction materials in terms of the required type, quality and quantity, the capacity of local markets and factories will be built. In addition, by providing necessary financial, human power and equipment local companies will be made competitive and efficient in the construction sector. Moreover, high priority companies that are believed to be strategic for the national economy and the competitiveness of the sector including; cement, metallic and related factories as well as plastic and construction related chemical manufacturing companies will be expanded.

C. National Construction Project Management Capacity Building and Technology Transfer Program

Conducting different research works with higher educational institutions, professional associations, and other pertinent national and international institutions to enhance the development of the construction industry in areas including; construction materials, technology transfer, construction and design techniques and provision of construction materials and ensure the productivity of the sector by providing practical training and by enhancing the capacity of operators to use technology of the industry. Moreover, by introducing construction project implementation techniques and tools (kaizen, integrated project management and information system), it is planned to bring about a significant shift in technological transfer and utilization.

D. Construction Industry Structure and Organizational Improvement Program

Through conducting investigation and by revising the existing laws, rules and regulations of the industry, new and uniform implementation procedure will be established. In addition, cities will

implement building code and purchasing procedures for construction materials will be established. Modern and internationally competitive engineering and construction design management system will be established during the period of GTPII.

E. Construction Industry Competency Approval, Registration and Employees' Health and Environmental Safety Care System Improvement Program

Registration proclamation, rules and regulations will be implemented to ensure the competency of contractors, consultants, professionals and construction material suppliers. It is also planned to produce competent local engineering and construction companies that passes through clear performance and competency assessment procedures and systems. Moreover, law enforcement mechanisms and procedures will be prepared and implemented to protect the health and safety of employees, make building construction suitable and accessible to the handicapped and ensure that building projects meet environmental protection standards.

4.5. Urban Development and Housing

Strategic Directions

The level of urbanization and urban development in Ethiopia is currently at its infant stage. This low level of urbanization would be taken as an opportunity to shape the inevitable urbanization to support the growth, industrialization and sustainable development agenda of the country. As this window of opportunity may not last long, it is critical to put in place a holistic urban development blue print to guide the sustainable urban development during the period of GTP II and beyond. The envisaged expansion of manufacturing and industrial development could not be thought of without sustainable development of urban centres. Hence, utmost emphasis will be given to the urban development process.

Accordingly, during the period of GTP II, ensuring sustainable urban good governance is going to be critical. Cities and towns will guide their development via urban plans that are well integrated with regional and national development plans and spatial plans. Moreover, by implementing fair and balanced settlement and by creating linkage among cities, the growth of urban centres will be ensured. The supply of land for different urban development programs will be executed in an utmost transparency, accountability and fairness. All urban development programs and resultant urban expansions should ensure equity of farmers and pastoralists by guaranteeing not only sufficient compensation but also rehabilitating such households to warrant better livelihoods afterwards. The direction of ensuring efficiency in land use is also emphasised as a key direction of GTP II. Different Strategic directions will be pursued to create conducive situation for financing, integrating and providing quality urban infrastructure that adequately support the envisaged rapid urbanization.

The other strategic direction that will be pursued is the strengthening of the on-going integrated housing program, in order to reduce the mismatch between housing demand and supply, to upgrade the urban centres, and to ensure sustainable development. Moreover, green development

strategic direction will be pursued to ensure sustainable urban development and to speed up green economic development.

Objectives

The main objective of integrated housing development program is to improve urban housing provision and related challenges and to minimize the escalating housing demand by sustainable provision of housing and related services. A common platform will be created with concerned parties and institutions to facilitate the continuous provision and expansion of integrated urban infrastructure by strengthening infrastructure financing capacity and transferring skills and technology.

The other objectives of the sector is to ensure the use right of urban land by organizing and strengthening urban land information system with modern technology; and to realize urban development and urban good governance through active public engagement, building strong urban development army and labour-based approach to public works. The other objective is to develop and manage climatic resilient urban green infrastructure so as to create conducive working and living environment for citizens and to realize the vision of green economy as well.

Besides, to enable women, the youth, elderly people, children and the unemployed sections of the community to benefit from urban development activities and ensure their safety through introducing new occupational safety standards and strengthening the existing ones.

Other related objectives include: create urban development leadership at each level of urban administration; enable and support poor and food insecure section of the urban community to generate their own income and improve their livelihood; establish efficient and cost-effective urban planning and implementation system aimed at realizing the urban development and good governance objectives.

Main Targets

It is obvious that the planned industrial development can accelerate rapid urbanization and urban expansion. This phenomenon of rapid urbanization has already become a challenge through creating huge pressure on urban infrastructure and affecting the effort to build clean and green cities and towns. Thus, during the period of GTP II, it is important to move forward to address this challenge and to accelerate sustainable urban development and industrialization by identifying major achievable programs in the urban centres of the country.

Here, the key agenda is to build the capacity of the urban leadership and good governance system in line with the on-going development of the country. Accordingly, during the GTP II, proper selection and capacitation of urban managers will be given due emphasis in order to create strong political commitment and modern urban management system. It is also planned to establish Urban Management Institute at federal level and in each regional states in order to guide and coordinate urban development and good governance as well as to provide capacity building activities.

All urban centres of the country will be guided by urban planning system that could help manage the rapid urbanization and the on-going development process. Hence, during the GTP II period, plans will be prepared for 8 thousand rural centres and to capacitate urban centres to properly implement their development plans. To support this, best practices and experiences of 10 cities of Asian countries will be taken and implemented by taking the existing situation of the country in to consideration.

During the period of GTPII, more emphasis will be given to raising and strengthening the participation of the urban residents in local development and good governance activities. In addition, more efforts will also be made to quickly finalize the modern urban land cadastral system that has started during the GTPI period. With regard to the improvement in revenue and financial management, more emphasis will be given to maintaining the achievements recorded during the period of GTPI.

Moreover, it is planned to increase the revenue level of the urban centres by 50 million Birr so as to enable them meet the development and good governance need of the public in regio-polis and at the three tiers of the urban centres. Besides, it is planned to develop networked, secured and modern urban data base system at federal and regional levels, including metropolis, region-polis and at all the three tiers of urban centres. It is also planned to increase the contribution of the community and investors in urban development process to 35%.

The overall goal of the development process is to render cities centre of job creation and industrialization by expanding urban infrastructure and social services. From this perspective, the major task is to strengthen and ensure continuity of the on-going cobble stone road construction, solid waste disposal system and other programs that are meant to create job opportunities and provided through public-community partnership. In this regard, the major targets of the sector set for the period of GTPII are: to increase the land use coverage of green infrastructure and recreational areas to 30%, to increase waste collection and disposal coverage to 90% in 75 urban centres, and to build 340 market centres and 15,000 production and display sites (shades) for small scale enterprises. In addition, water supply and sanitation services will be provided based on clearly set priorities. It is also planned to address transport problem of the Addis Ababa city administration by providing public transport and light rail services.

Besides, condominium houses will be built in Addis Ababa and major regional cities to address the existing housing shortage based on the saving capacities of the beneficiaries. Accordingly, it is planned to construct 750 thousand new residential housing units in urban centres of the country by improving its quality and standard by 30%. Until 2020, it is also planned to provide improved residential houses for 25% of the rural community. Moreover, by identifying the extent of existing slum area in 2016, huge efforts will be made to reduce its coverage by 20%.

The other target set for the urban sector is to create conducive environment for attracting investment through provision of electric power, telecommunication, transport and other related

services. Through finalizing the on-going transportation development program and industrial parks, and by linking with Addis Ababa, dry and sea ports foster the growth of regional cities as an industrial, horticultural, and tourism clusters. Moreover, during GTPII period, significant human power demand will be created in industrial park development clusters. Hence, continuous provision of skilled labour is vital for the sustainable flow of investment. Thus, integrated approaches will be pursued in federal, regional level and at urban centres to easily provide the required human power/labour. In addition, urban and regional plans will take in to consideration those industrial and horticultural clusters.

Accordingly, by 2020 developed land for 7 industrial parks and clusters will be prepared. Other urban centres will also provide developed land and labour for investment and social services through ensuring transparency and accountability. This will enhance the development of trade and industry. Besides, all urban centres will ensure efficient and effective regulatory system and services that can promote industrial, tourism, trade and investment activities. Similarly, fair, efficient and effective services should be delivered by the municipalities for the urban community.

Moreover, it is planned to create job opportunity for 717,114 unemployed portions of the population across 972 urban centres of the country. Besides, it is also planned to provide direct cash transfer for 1,017,056 food insecure citizens.

Implementation Strategies

A. Scientific, Rational and Developmental Urban Leadership Building program

Strong urban leadership will be created that can make great achievements through mobilizing the community. Urban transformation army will also be continuously built to mobilize the public and ensure the urban transformation process. By supporting with modern information and communication technology, conducive environment will be created to achieve better performance in urban development and housing sector. Moreover, through creating new revenue sources and strengthening their revenue bases, cities will provide efficient, effective and equitable services and development.

B. Urban Development Safety Net Program

Efforts will be made to enable food insecure and venerable urban communities to generate their own income and improve their livelihood in the short term and on permanent basis.

C. Urban Good Governance and Capacity Building Program

Officials of the urban development sector will ensure the continuous satisfaction of the developmental investors and the public by delivering standard services. Standard methodologies will be established to evaluate the performance of service providers and the level of satisfaction of clients and the public at large. The level of satisfaction of the users will also be evaluated on

an annual basis. Service providers will also be recognized on the basis of evaluation outcome. In addition, information technology based service provision system will be implemented.

D. Urban Planning and Implementation Program

Through promoting sense of ownership and participation of the community and by considering future development direction at different level of urban centres, integrated national and regional urban spatial plan will be prepared in all urban and rural development centres of the country.

E. Urban Land Development and Management Reform Program

Strategy for tackling financial constraints will be developed and implemented in order to develop urban expansion areas and upgrade slum areas of cities and reconstruction of old centres of cities and towns. Transfer and upgrading of private land landholdings to the lease system will be also implemented by facilitating different incentive mechanisms. Moreover, land tenure management system will be established to prevent illegal urban land holding practice and land related corruption. Based on modern land information system, urban land marketing centres will be established at federal level and regional states so as to stabilize land transaction system.

F. Housing Development and Management Program

New houses will be built in both urban and rural centres. Increasing the supply of quality and standardized urban housing and improved rural residential houses will be undertaken. Besides, based on government decision and by undertaking studies, strategies will be developed for private real states developers to supply housing units for low income groups. Similarly, equitable government housing management system will be established.

G. Integrated Urban Infrastructure Delivery Program

Standardized urban road infrastructure will be provided in urban centres. Through creating structural and organizational integration and establishing a common platform among concerned parties of infrastructure providers, successful urban transport, health and education services, water and sewage system, power and telecommunication infrastructures provision will be realized. Moreover, quality social and economic infrastructure will be built by taking social and environmental safety and security in to consideration.

H. Urban Green Infrastructure Development and Beautification Improvement Program

Through enhancing the awareness and participation of the community and stakeholders, and by using green infrastructure design criteria and standards of local development plan, it is planned to increase the coverage of green infrastructure and recreational areas in urban centres of the country. Moreover, by establishing solid waste collection and disposal system at all urban levels, urban solid waste collection and disposal converge will be increased. International best practices on the implementation techniques and organizational system of green infrastructure development and beautification will be taken as a bench mark to raise the awareness of the community.

I. Urban map production, Surveying and Land use right registration Program

Land registration system will be implemented to approve the land ownership and to curb corruption and illegal urban land holding practices. Moreover, by using recent technology, secured, improvable, complimentary legal cadastre, land registration and information transfer system will be introduced.

J. Urban Finance Development and Management Program

Limited availability of municipal finance has been identified as a major challenge facing urban development during the period of GTPI. Hence, during the period of GTPII, different strategies and financing options will be implemented to accelerate urban development. Urban centres will be strengthened to enable them diversify their revenue sources. Besides, the government will devise mechanisms to extend loans and subsidies to further augment their revenue base and source of finance.

4.6. Trade

Strategic Directions

During the plan period, continuous and sustained capacity building activities will be carried out to elevate the change army of the trade sector to the desired level of effectiveness. Strengthening system and organizational capacity of the sector as well as establishing a modern and reliable trade information system will be made. Through creating modern, fair and competition based trade system and supporting the trade registration and licensing system with modern technology, efforts will be made to enhance the capacity of providing trade services. In the process of protecting the health and safety of the community, quality assurance activities on products and services will be carried out. In addition, efficient and effective market expansion and linkage systems will be made to increase the generation of foreign exchange. The building of modern commodity exchange system will be consolidated, while adding new agricultural products to the modern commodity exchange system. The WTO and regional FTA negotiations will be undertaken to expand reliable market access opportunities.

To achieve the objectives of the sector, fair and competitive trade system which can satisfy consumers, trading community and developmental investors as well as secure sustainable market access will be created to increase the generation of foreign exchange. Further, building trade sector change army to deal with rent seeking attitude and inspection activities will also be carried out to prevent substandard products and services to protect the health and safety of the community as well as national interest. Strong regulatory system will be established to strengthen the control and support for developmental investors in the course of building their competitive capacity. Enhancing the awareness and capacity of stakeholders in the sector, trade community and consumers will be undertaken. Finally, by creating integrated and harmonized organizational structure of the sector from Federal down to *Woreda* levels, efforts will be made to effectively implement the plan and achieve the stated objectives and targets set.

Objective

The objectives of the trade sector are to scaling up implementation capacity of the sector through continuously building the capacity of change army, establishing modern, fair and competition based trade system and creating efficient and effective marketing expansion linkages and increasing foreign exchange earnings.

Major Targets

Through supporting the trade registration and licensing services with information technology, it is planned to increase new trade registration from 203,542 in 2014/15 to 506,476 by 2019/20, increasing trade registration renewals from 853,559 by 2014/15 to 1,986,596 by 2019/20, new licenses from 278,573 in 2014/15 to 693,177 by 2019/20, license renewals from 873,214 in 2014/15 to 2,490,645 by 2019/20 and trade name registration from 87,470 in 2014/15 to 359,787 by 2019/20.

To protect the health and safety of the community and national interest and to eliminate substandard products and services from the market, strong inspection activities will be carried out and inspections will be conducted on factories which are required to produce standardized products. To this end, it is planned to increase the number of factories on which inspection will be made from 216 in 2014/15 to 420 by 2019/20. In order to check the performance of traders based on their license, the internal and external pre-licensing inspection work is planned to increase from 612 in 2014/5 to 2,490,645 by 2019/20. In addition, through conducting market follow up and supervision, inspecting products which have got established standards will be undertaken and will increase from 9 in 2014/15 to 30 by 2019/20.

Through strengthening the inspection of import and export items, it is set to increase quality control activities on imported items. Accordingly, it is planned to conduct quality control activities from 668,777 metric ton of imported items in 2014/15 to 1,176,731 metric ton of imported items by 2019/20. Similarly, it is planned to increase quality control activities on 680,796 metric ton of export items in 2014/15 to 1,208, 769 metric ton of export items by 2019/20. Similarly, it is set to increase the inspection activity on the adequacy of fuel carrying cars from 2,356 in 2014/15 to 4,810 by 2019/20.

Implementation Strategies

a) Sustainable system and institutional capacity development program

Through reviewing existing legal frameworks and manuals and making the necessary amendments and identifying factors and conditions which hinder competitive systems, strong frameworks which will promote market competition will be developed. By continuously identifying the gaps from federal to the lower level of administration, strong organizational structure which will ensure the effectiveness of the trade sector development will be established.

b) Reliable and modern trade information system development program

In developing reliable and modern trade information system to accomplish good governance activities efficiently, information technology system will be built in all regional states. Information network will be built to strengthen an integrated working system with sectoral implementing institutions, regional states and city administrations. The information system will be connected with service provision centres. Trainings will be provided for officials at various levels and implementing bodies to improve their information communication and utilization capacity.

Strong trade point which is supported by modern technology will be established and information access will be ensured through electronic and print media. By improving the uses of information communication technology and building modern information system, up-to-date market information will be provided for the society. Current and reliable national and global trade related information will also be made accessible to users by building modern import and export data base and analyse the same.

c) Establishing Trade Development Academy for sustainable capacity building program

Trade development academy will be established to support the trade community who are developmental and believe in competitive market, build the capacity of the trade sector so that it can play a significant role in the economy. The academy will be in charge of conducting studies and research, implementing policy directions of the sector, providing support to bridge capacity gaps in the sector through providing trainings for stakeholders, supporting the sector to play its role in the development process and supporting the private sector to shift from existing markets and enter new markets.

d) Harmonized national trade policy formulation and implementation program

The national trade policy is based on the free market-oriented economic system which allows the government to play a gap filling role when there are market failures. As trade related policies are scattered in the county's various development policy and strategy documents, they will be collected and organized in one trade policy document. Thus, strategies and mechanisms which can help render the trade system transparent and promote market competition will be formulated. Besides, by reinforcing the trade sector infrastructure and expanding the export sector, harmonized national trade policy document will be developed which is expected to facilitate the trade system of the country.

e) Trade registration and licensing service expansion program

Trade registration and licensing information technology network will be finalized and after automating the system across all regional states and city administrations, there will be efficient system of trade registration and licensing. In this regard, strengthening an integrated operational system with stakeholders and building the capacity of officials and implementing bodies at various levels will be carried out.

f) Enhancing the safety and quality control of products and services

By expanding inspection centres, actions will be taken to protect the health and safety of the society. Maintaining the good image of our country in the international market and strengthen fair market competition, regularly assessing the advantages and disadvantages of products for the society, the products will be put under the umbrella of mandatory regulation. By evaluating the appropriateness of legal standard measurement instruments, focus will be given to ensuring that the society is buying the right quality of products and services at reasonable prices.

g) Transparent, competition based, economically significant and modern commodity exchange system development program

To ensure modern commodity exchange system, enhancing the participation of all actors starting from the primary commodity exchange centres will be enhanced. To render the market safe and reliable as well as protect the public interest, capacity building will be carried out for all market forces. By providing up-to-date market information for all stakeholders, particularly for smallholder farmers and identifying the bottlenecks of the exchange system and taking measures based on research findings, the commodity exchange system will be strengthened.

By bringing new agricultural products into the commodity exchange system and improving annual exchange capacity, activities related to fulfilling the requirement of stakeholders will be undertaken. By implementing electronic-exchange and improving existing systems, efforts will be made to improve the satisfaction and trust of stakeholders in the exchange system.

h) Expanding reliable market opportunities by joining the World Trade Organization and Regional Free Trade Areas

Through creating conducive environment which can help the country benefit from trade relations and negotiations, efforts will be made to complete the process of acceding to the World Trade Organizations. In order to complete economic partnership agreements, negotiations with the European Union and to form regional unions, negotiation documents will be prepared. To expand market access and opportunities, bilateral economic agreements and operations will continue in a strong manner. By reviewing the laws and procedures, amendments will be made if there is any which are inconsistent with WTO and regional agreements and procedures. Information related to trade negotiations will be regularly communicated to stakeholders through establishing integrated and collaborative systems. Through producing skilful trade negotiators at various levels and building capable institutions which can manage trade agreements as well as cooperating with parties which believe in mutual benefit, bilateral, regional and multilateral negotiations will be undertaken in tandem with protecting national interest.

i) Creating reliable market opportunities by undertaking effective export expansion activities

Using market expansion mechanisms, promoting the country's products and creating market linkages, sustainable and reliable markets will be created for our products. Increasing the awareness of trade community, consulting continuously the trade community, supporting the emergence of new exporters and increasing their exporting capacity, penetrating new markets

and avoiding dependency on limited market destinations and identifying and exploring new markets and expanding our market shares on both new and existing markets will be expanded and strengthened. Overall, by improving the logistics of export trade, contract and store management, focus will be given to increase both export volume and export revenue. By way of conducting market expansion research and studies, immediate measures will be taken to address the challenges of the export sector.

4.7. Culture and Tourism

Strategic directions

During the plan period, the strategic directions of the culture and tourism development sector are to enable citizens benefit from the sector through conserving and developing cultural and historical heritages and expand cultural and tourism services and products. In this regard, expanding employment opportunities for women and youth, equitable protection and development of cultural diversities and promoting their values, using research outputs to strengthen the capacity of the sector by establishing strong and reliable information system and undertaking image building and promotion activities to enhance the sector's contribution to foreign exchange earnings as well as increase the share of the sector in the overall economy to 5% of GDP will be another strategic direction to be pursued during the plan period.

Objectives

The main objective of culture and tourism sector is to enhance the contribution of the sector to overall sustainable socio-economic development of the country by creating coordinated and integrated system and enhancing community participation. Accordingly, the main objectives of the culture and tourism sector during the second Growth and Transformation Plan period are to improve the utilization of information resources, enhance the development of cultural industry and market networks, increase the conservation and development of cultural heritage, improve the market system of tourism sector and increase the variety and number of domestic tourism service providers.

Major Targets

- i) In order to improve conservation and development of cultural heritages, and to protect movable heritages and socio-cultural resources reducing the illegal transfer of heritages by 100 percent, bringing back 100 heritages from abroad, registering the intangible cultural heritages of 170 nationalities, registering 178,830 movable and 4,202 immovable heritages, preparing 5 nomination documents so as to render heritages registered by UNESCO and conserving and protecting 8 indigenous knowledge and skills;
- ii) To enhance the development of cultural industry and market linkages, establishing and developing industrial innovation centres in regional cities, building and establishing theatre and cinema centres at regional and *zonal* capital towns through forging collaboration between government and the community, organizing 15 cultural industry

- weeks, arranging 15 award and incentive forums, participating in 15 international cultural festivals, organizing 196 national cultural festivals and 237 national cultural exhibitions;
- iii) To improve tourist destination sites, 33 existing and 111 new tourist attraction sites will be developed in line with international tourism standards and 10 new tourism investment sectors;
 - iv) With regard to developing the market system of the tourism sector, implementing the marketing and branding strategy, participating in 60 international tourism trade and road shows, preparing 58 introduction trips, organizing 272 national tourism trade shows, increasing foreign exchange revenue from the sector by 10 percent, increasing the number of foreign tourists to 2.02 million and domestic tourists to 15 million, increasing revenue from the tourism sector to US \$6 billion and increasing the share of the tourism sector to the overall economy (GDP) to 5%;
 - v) To ensure the use and development of languages, fully register (100%) the languages of nations and nationalities, preparing 5 implementing strategies in relation to the development of language policy and indigenous knowledge, establishing 1 national research institute for language research, translation and indigenous knowledge development, enhancing the usage of 45 languages, conducting research and documenting languages and cultures, conducting research on 73 languages and cultures and documenting the research works, enriching 79 cultural values by studying them, organizing 211 cultural weeks, studying and developing 55 cultural games and developing 12 holidays;
 - vi) Collecting information on heritages resources through purchasing, encouraging donations from individuals, giving gifts and establishing relationships, expanding and strengthening public libraries and archives in all regional capitals, establishing libraries at *kebele* centres, establishing national and regional cultural and tourism management information system, collecting 1,733,283 data resources, organizing 1,288,439 information resources and conservation of 313,575 information resources and preparing a document for registering 6 Ethiopian ancient written documents as world heritages will also be undertaken during the plan period;
 - vii) In order to produce capable human resources in culture and tourism sector, working in collaboration with higher education institutions, TVET colleges, research and development institutions and professional associations to develop integrated training programs and ensure the system of evaluating competence and ensuring manpower development by establishing one model hotel which can be used as a teaching centre will be undertaken.

Implementation strategies

The following implementation strategies will be pursued so as to achieve the targets set within the framework of the strategic directions and objectives outlined above. During the plan period, concerted efforts will be waged with in the integrated system framework with all stakeholders to

improve infrastructure provision, regulatory activities, legal frameworks and institutional arrangements as well as monitoring and evaluation of the sector.

To bridge information gaps and address awareness problems on tourist destination areas, continuous and sustainable awareness creation programs will be carried out so that stakeholders could accord adequate attention for these areas. Thus, educational institutions and the media will be used to conduct awareness creation activities. In addition, support will be provided and monitoring activities will be conducted for education and research institutions so as to enable them produce the required human power in the sector both in terms of number and quality.

To close the information gap of the sector at national level, developing information system using existing information communication infrastructures at various levels, organizing information in different ways and enabling the information to be used for study and research activities are the main implementation strategies.

V. Economic Infrastructure

The huge efforts undertaken so far to expand economic infrastructure has already begun to pay off in terms of economic growth and development. However, there are still infrastructure deficits that need to be bridged. Bridging the infrastructure deficits call for huge financial investment the bulk of which is in foreign currency. The delivery of infrastructure also faces challenges of limited availability of skilled and competent manpower and organised implementation capacity in general. As a result, the country will continue to at least partly rely on external capacity in the short and medium term in the delivery of large infrastructure projects.

Strategic Direction

The economic infrastructure development programs of GTP II are founded on the experiences, lessons and challenges so far encountered in delivering infrastructure in the country. Thus, one important dimension of the strategy is to sustain infrastructure investment by promoting import substitution of goods and services so as to reduce the strain on foreign exchange demand during the GTP II period. In other words, focus will be given to address the shortage of highly skilled labour and infrastructure finance, to promote accelerated transfer of knowledge and technology, etc.

The economic infrastructure development plan which is aimed at meeting the infrastructure need of the economy is a key milestone towards the realization of Ethiopia's vision of becoming a lower middle income country by 2025. Road, railways, dry ports, air transport, energy, telecom infrastructure will be expanded with the aim of attracting investment, opening new market opportunities, reducing the price of commodities, creating competitive market environment to speed up regional economic integration. For all this, the required infrastructure to support rapid economic growth and structural transformation need to be fulfilled.

Moreover, the strategy of infrastructure delivery includes building strong institutions, utilizing infrastructure delivery as a vehicle to create jobs, ensuring public participation and benefit from the development outcomes, building decentralized infrastructure development system, addressing the financial constraints in investing in infrastructure development, as well ensuring feasibility and equity. Improving coordinated planning, development and management of infrastructure services is also articulated as an important strategy in GTP II.

Focuses will also be given to support, encourage and incentivize the private sector so that it plays its role in infrastructure development following the existing policies of the country. In this regard, FDI would be promoted to finance infrastructure and thereby also utilize is a conduit for transferring skills, knowledge and technology. No doubt that most of the infrastructure will still be expected to be provided by the government, given the stages of development of the economy and the private sector. Yet, selected infrastructure that can be delivered by public-private partnership (PPP) would be explored and the arrangement would be executed to promote private sector involvement in infrastructure delivery. With regard to economic infrastructure, the

international and regional goals and targets of the post-2015 development agenda and Agenda 2063 are mainstreamed in the national goals and targets of GTP II.

Objectives:

The major objectives of the economic infrastructure development plan are to address challenges in the sector so as to accelerate structural transformation, ensure that citizens benefit from increased access and better quality of infrastructure, create capable infrastructure institutions that can realize their mission, utilize the infrastructure programs to also promote industrial and technological development and thereby ensure its sustainability, and strengthen economic integration with neighbouring countries.

Implementation Strategies:

The major implementation strategies for infrastructure development are:

- a) Basic Institutional Transformation Program: This program will help institutions to be competitive in implementing their missions;
- b) Service Delivery Improvement Program: The objectives of this program are enabling institutions to provide world standard, efficient, effective and equitable services and thereby satisfy the need for developmental investors and the public at large;
- c) Domestic Capacity Building Program: This program will facilitate the enhancement of domestic capacity to manufacture construction inputs and to put legal framework in place;
- d) Import Substitution Program: This program aims at producing construction inputs and substitute imported inputs with domestically produced materials gradually and improve the nation's technological capacity;
- e) Looking for Alternative Financial Resources and Use Program: This program is aimed at mobilizing feasible financial sources and ensure its efficient utilization.
- f) Information Technology Infrastructure Program.
- g) Public Participation Program: This program is aimed at facilitating participation and mobilizing support from people in the process of construction and protection of infrastructure facilities.
- h) Job Creation Program.
- i) Right of Way (ROW) Program.

The aforementioned strategic directions, objectives and implementation strategies cuts across and govern all economic infrastructure sub sectors. The following are specific strategic directions, objectives, targets and implementation strategies for each economic infrastructure sub sector.

5.1. Integrated Transport and Logistics Services

Strategic directions

In the past two decades, focus has been given for the development of transport infrastructure. Huge investment has been allocated for the development of roads, aviation and air transport, sea transport and maritime services, and recently rail way transport infrastructure. As a result, the transportation service sector has been expanding fast. During the GTP II period, the transport and logistics sector is set to bring about fundamental changes. In view of the required high capacity in the transport infrastructure, it needs to be guided by a clear vision and integrated transport strategy or master plan. This calls for formulating an Integrated National Transport and Logistics Strategy/Master Plan based on the assessment of the sector in the past and the future development vision and international experiences.

In GTP II, it is planned to reduce transportation cost through creating an integrated system and increasing efficiency of transport services. It is also planned to enhance the capacity of the private sector to enable it play its role in providing transport services. Ensuring linkages between the ever growing major agricultural products to the major market centres, to enable agriculture and rural economy to expand its base and supply industrial input and thereby strengthen linkages to urban areas, expanding the accessibility of rural transport so as to link rural *kebeles* and *woredas* to market centres are the other focus areas of the sub sector. It is also planned to ensure that dry ports built in the country have the required quality, efficiency and generate economic benefits. To improve the standard of the transport corridors currently used for import and export products, expanding and enhancing their capacity are the other focus areas in the development of the sector. The other strategic focus of the sector is to fundamentally change the road traffic safety landscape of the country. To this end, road designs will consider the road traffic safety requirements. The transport management system will be improved to provide efficient and quality transport services at national, regional and city levels. The road, railways, maritime and air transport system will be expanded in an integrated manner. Expansion of transport infrastructure and services is planned to be undertaken through mainstreaming cross cutting issues.

Focus will also be given to maritime transport and logistics services given its key role in expanding manufacturing industry and export development. To realize its mission of creating modern information system, comprehensive, consistent, timely and accessible information will be provided to service providers and customers about the end to end shipping, logistics and support services.

Objectives

The major objectives of the transport and logistics subsector are to enhance availability, accessibility and quality of transportation services, reduce traffic accidents and property damage,

support transportation of agricultural and industrial products to enhance their competitiveness in the global market, support private sector investment and trade activities, reduce the overall import and export transit time and associated cost.

Major Targets

In line with the above mentioned strategic directions and objectives, the following major targets are set for the GTP II period: increase the logistics performance index from 2.59 to 3.07 or to improve its rank from 104th to 57th, reduce the import and export transit time by 50%, reduce the average waiting time at sea port from the current 40 days to 3 days, increase the national general cargo coverage through multi modal transport from 35 percent to 90 percent, increase export containerizable cargo from the current 7 percent to 100 percent, increase Logistics Services Safety by 50% and reduce carbon emission by 10%, increase the annual total distance to be covered by freight transport from 99,000Km in 2014/15 to 121,000Km by 2019/20, reduce the average waiting time to board city bus from 25 minutes to 15 minutes, increase the total distance to be covered by cross country buses from 101,983Km to 105,000Km, reduce the number of deaths from road traffic accident per 10,000 cars from 60 in 2014/15 to 27 by 2019/20.

The railways line constructed from Addis Ababa to Djibouti is planned to provide transport services for 750,000 passengers and 7.5 million tons of cargo per annum by 2020. The Addis Ababa Light Rail Transit (LRT) will provide services at internationally acceptable standards. The private sector is expected to play positive role in the development of the railway sector.

Implementation strategies

The implementation strategies of the transport and logistics sector are: to enable the private sector participate in the development of ports in collaboration with the government to increase foreign exchange earnings and reduce expenditures by introducing systems, provide transport facilities in line with the demand for road transport, reduce waiting time of goods at ports, increase the number of marine workers and register ships owned by other countries, support the logistics system with modern technology, conduct problem oriented research and trainings, enable operators and institutions to provide knowledge based services, establish centre of excellence so as to enable the sector's regulatory institution equip them with the necessary knowledge, strengthen and expand the national logistic centres and improve the capacity of logistics service providers.

Besides, the following implementation strategies are designed to effectively implement the transport and logistics plan: establish the Ethiopian National Logistics Coordination Council (ENALCO) with the necessary legal framework, establish logistics Transformation Office (LTO), establish improved trade system, establish corridor facility and modern transit transport system, fulfil logistics infrastructure, establish information communication system, improve containerization procedure and implement ships registration policy, make the road traffic safety

the main agenda of the political leadership at all levels, work in partnership with traffic police to improve the enforcement of road traffic laws, strengthen coordinated activities with stakeholders, improve the coordinated activities of the federal and regional transport organizations and working procedures, establish transport system to link major cities of the country and import freight transport vehicles with high loading capacity.

5.2. Expansion and Ensuring the Qualities of Road Infrastructure Development

Strategic Directions

Road transport provides a wide-range of transportation services. Road is the backbone for the country's accelerated economic growth and social development. In the next five years, upgrading and improving the existing main roads and construction of express roads that link to the main corridors will continue. In the plan period, all rural *kebeles* will be linked to all-weather roads and main roads. Transport infrastructure network which helps accelerate economic growth in the years to come, will be increased both in terms of quantity and quality.

Major Objectives

The major objectives of the road sector development plan will be expansions of road infrastructures, upgrading and improving the standards of the existing roads, reducing transportation cost and thereby support acceleration of economic growth and development.

Major targets

In GTP II, the total road length is planned to increase from 110,414 km in 2014/15 to 220,000 km by 2019/20. It is planned to upgrade 560 km trunk roads, 3,765km of link roads and 15,000km of rural roads. As a result, the average time that takes to reach the nearest all-weather road is planned to decline from 1.5 hour in 2014/15 to 0.8 hour by 2019/20, reduce the proportion of areas further than 5km from all-weather roads from 36.6% to 13.5%, increase road density from 100.4km/1000km² to 200km/1000km², increase roads in acceptable conditions (fair to good) from 70% in 2014/15 to 80% by 2019/20. Besides, it is planned to increase the ratio of asphalt (paved road) roads from 13% in 2014/2015 to 16% by 2019/20.

Implementation Strategies

The Plan focuses on upgrading and construction of new roads by strengthening the capacity of the Ethiopian Road Authority (ERA). Capacity of *Woreda* road desks will be strengthened in road administration, maintenance works and ensuring the participation of the communities. Road construction work will continue so as to open the country's low land areas for development. The other focus area in the implementation of road sector development plan is to explore alternatives and implement them to construct roads at reasonable cost at the required standard and in a reasonably short time. Similarly, major focus will be given to maintain the roads so far built with billions of Birr to enable them provide the required services. Road maintenance system will be strengthened considering problems and experiences in the area. In order to ensure road traffic

safety, law enforcement activities will be conducted, awareness raising and enhancing public participation will be strengthened and modern traffic management system will be introduced.

Besides, enhancing the participation of the private sector, conducting detailed environmental impact assessment before road construction projects are implemented, strengthen the participation of the people in the process of project pre-feasibility and feasibility studies, reduce the time required for revenue and customs tariff process and make effective the Right of Way processes by working in collaboration with local administrative bodies are the other strategies to be pursued in implementation of the road sector development plan.

5.3. Expansion and Ensuring the Qualities of Railways Infrastructure

Strategic Directions

Railway transport is the preferred mode of transportation to transport goods in bulk, at a lower cost and in a shorter time. Thus, the development of national railway networks was one of the flagships of programs of GTP I, and will remain as a priority infrastructure going forward during GTP II. In GTP II, the capacities of factories producing inputs for railways infrastructure particularly that of the steel factories will be enhanced. Considering the economic impact of the railway transport, long term plan will be formulated to connect the country to neighbouring countries and sea ports. A Railways Academy will be established so as to produce the required skilled human power. Efficient financial mobilization system will be introduced so as to meet the finance required for initial investment of the railway development program.

Major Objectives

The major objectives of the railway transport sub-sector during the Second Growth and Transformation Plan period are to increase access to railway infrastructures, provide rail passenger and rail freight transportation services with reasonable price and enhance collaboration between the government and the private sector in railways infrastructural development and management.

Major targets

The major targets of railway sub-sectors are completion and operationalization of national railway network construction and design work which began during GTP I period in three corridors. Out of railways projects planned during GTP I period, 85% of the Addis Ababa/Sebeta-Meiso-Dewele railway project has already been completed and the remaining 15% will be finalized in the first half of first year of the GTP II period. It is planned also to construct a total of 2,741km national railway network in five corridors and six routes: Mekele-Hara Gebeya (268 Km), Hara Gebeya-Assayta (229Km), Asayta-Tajura Port (210Km), Awash-Hara Gebeya (389 Km), Addis Ababa/Sebeta-Ejaji-Jimma-Bedele-Tepi-Dima (740 Km), Mojo-Hawasa-Weyto-Moyale (905 Km). In addition to this, project studies will be conducted for five different corridors railway projects and financial resources will be sought for Weldya-Wereta-

Fenote Selam (500Km), Wereta-Metema (224Km), Mekele-Shire (368 Km), Ejaj Kumruk (460Km) Eteya-Ginir (248 Km). In the city of Addis Ababa, 41 Km additional Light Rail Transit construction work will be undertaken and become operational during the GTPII period.

Implementation Strategy

The following implementation strategies are designed to effectively implement the plan: to negotiate with financiers and reach agreement for financial credit, conduct studies and design works, enable national professionals participate in the studies and design works, hire international contractor for managing the operation of the Addis-Djibouti railways line for the first few years, formulate railway transport regulations, tariff system, prepare and implement guidelines for freight and passengers transport services, encourage and enable the private sector to participate in railways feasibility studies, design works, as construction contractor and in providing consultancy services, in providing education and training on railways industry and thereby enable them to contribute in railways technology transfer.

5.4. Air Transport

Strategic focuses

It is obvious that the investment and institutional capacity building to enhance the air transport capacity was effective in the past. The Ethiopian Airlines (EAL) has been and still is playing an irreplaceable role in expanding the national tourism and export, and promoting positive image of the nation.

In the plan period, focus will be given to enhance the investment and institutional capacity of the sector to advanced level. Thus, to enable the EAL to continue playing its vital role in tourism development, export growth and nation image building, measures will be taken to improve the capacity of the EAL and continues to be one of the best Airlines in Africa. The Bole International Airport will be expanded and new Airport will be constructed so as to make Addis Ababa the air transport hub of the African Continent. The Aviation academy and other centres will be further strengthened to provide services both to national and continental actors. This will help improve the country's competitiveness in the aviation and air transport industry.

The on-going programs will be strengthened (with human power and technology) to enable services providing and regulatory institutions in the aviation sector fulfil the International Aviation Industry's standards and required competitiveness. With the aim of managing the sector efficiently, clear vision, policy and programs will be formulated for airports development and administration.

Expansion and management of airport infrastructure, fulfilling the International Civil Aviation Organization required standards and thereby reduce airline accidents, increase the share of

perishable goods transportation, enable it to generate adequate foreign earnings and to contribute to the development of tourism sector are among the strategic focus areas of the sector.

Objectives

The objectives of the air transport sector are to enable air transport to fulfil the aviation safety and security standards, build the institutional capacity of air transport, provide efficient and competitive air transport services and expand access to air transport services.

Major Targets

- a) Increase the international Civil Aviation Safety and Security Compliance rate from 68.7% in 2014/15 to 100% by 2019/20;
- b) Reduce waiting time required for arriving passengers to 40 minutes and for departing passengers to 60 minutes by 2019/20;
- c) Increase passengers handling capacity from 5 million per year in 2014/15 to 18 million by 2019/20;
- d) Increase the number of airports from 20 in 2014/15 to 25 by 2019/20;
- e) Reduce flight accident per 10,000 flights from 5 in 2014/15 to 1 by 2019/20;
- f) Increase the number of airplanes to 113 by 2019/20;
- g) Increase the number of domestic passengers to 2.6 million and international passengers to 9.4 million by 2019/20;
- h) Increase cargo services to 503.7 thousand tons by 2019/20;
- i) Increase the amount of foreign currency generated to 5.1 billion USD by 2019/20;
- j) Increase number of cooling warehouses in the regional airports from 2 in 2014/15 to 3 by 2019/20 to support export products;
- k) Increase number of passengers seats per billion Km flight distance from 32 in 2014/15 to 68 by 2019/20 and,
- l) Increase number of international flight destinations from 90 in 2014/15 to 127 by 2019/20.

Implementation strategies

Major implementation strategies articulated for the aviation sector during the GTP II period are to undertake prevention of accident based on aviation investigation, implement airport aviation security system and working procedures with stakeholders, enable airports adopt ICAD standards and SARPS, conduct airport ranking study, enable all airports fulfil airport security management procedures and meet the airdrome standards, enhance the participation of the private air transport operators, enhance coordinated activities with all stakeholder and implement air transport policy.

5.5. Maritime Transport services

Strategic direction

As this sub-sector is a key for the expansion of manufacturing industry and external trade, it will be given the focus it deserves during the plan period. The assessment of GTP I implementation indicated that one of the challenges for competitiveness in the industrial and export sectors has been the existing weak transport and logistics system. Addressing this challenge is the major strategic direction of the sector during the GTP II period.

Objectives

The objective of the Maritime Transport Sector is to render the maritime transport and logistics organization follow world class organizational and management procedures in the industry.

Major Targets and Implementation Strategies

During the GTP II period, it is planned to increase the share of Berbera Transit Corridor to 30% and the share of Port Sudan transit Corridor from 2% to 10%. It is also planned to enable all import and export goods be transported through multimodal transport system, improve dry ports freight handling and administration capacity. In order to accelerate the transit transport, improvement activities would be conducted so as to modernize the railways and road transport subsectors. Measures will be taken to modernize the checking, balances and boarder control works efficient and effective based on studies. Overall, during the GTP II period, a logistics and transport strategy will be formulated and implemented to address the challenges in the area of transport and logistics.

5.6. Expanding Energy Infrastructure and Ensuring its Quality

Strategic directions

In the energy sector, priority focus will be given to generate sufficient power for both domestic consumption and export. The planning period will see a significant increase in the current low level of domestic per capita annual consumption, and export of electricity export. To this end, the Universal Electricity Access Program will continue to be implemented. In this regard, a decentralized off-grid solar energy supply will be promoted. Since the role of government in the generation, transmission and distribution of electric power is vital, the preparation and implementation of projects that expand energy generation capacity will be given utmost emphasis. The prevailing power supply interruption problem is planned to be addressed fully by upgrading and expanding power transmission and distribution lines.

Efforts will be made to provide the required energy for the development of industrial, agricultural and service sectors so as to position Ethiopia among the lower middle income countries by 2025. The strategy focuses on increasing the share of domestic component of

constructing energy projects to over 50% and enhancing the research capacity required for development and bringing about technological improvements. Energy potentials of the country are prioritised in order of importance as follows: i) hydroelectric power generation, ii) Geothermal energy, iii) Wind Power and iv) Solar energy. In addition to these electricity potentials, biomass energy sources and diesel generators will be used as standby sources of energy.

In relation to alternative energy development, one of the major strategic directions concerns enabling the general public benefit from modern energy by strengthening the capacity of stakeholders. The second strategy focuses on expanding renewable energy sources which are clean and carbon-free including hydropower, wind energy, geothermal energy and solar energy sources to fulfil the energy demand of the country. Focus will be given to generating adequate power to support the rapid economic and social transformation of the country and for export. The generated energy will also be made accessible to rural and urban areas while giving utmost consideration for power saving. The third strategic direction is to expand biomass energy and thereby reduce fuel wood consumption, reduce deforestation and protect desertification. It also reduces time of fetching fuel wood and enables using the time for productive activities and, while reducing health problems resulting from indoor pollution. The fourth strategic focus is to use wind energy for electric light services and water pumping for socio-economic development.

With regard to biofuel development, the major focus areas in the plan period are: collecting and organizing data on biofuel to produce biofuel sufficient for domestic consumption and export through private sector and community participation for increasing the use of biofuel in the transport sector. To this end, to coordinate the formulation of guidelines for setting standards of biofuel technology and implementation, conduct a wide range of activities to use the financial resources to be generated by reducing carbon emission, create awareness on the benefits to be generated from biofuel development and render sustainable and strengthen monitoring and support activities. Besides, it is planned to enable the private sector participate in power generating activities and narrowing the gap in the areas of technology, finance and project administration.

Main objectives

The objectives of the energy sector are to expand power transmission considering environmental conservation issues, make service delivery reliable and efficient and transform institutions. With regard to alternative energy, the objective is to accelerate technological transfer and distribution. With regard to biofuel development, the aim is to using biofuel products for mixing and household services, produce improved ethanol and biofuel stoves, save foreign currency by using ethanol and biofuel, and plant 'Jatrofa' as a source of biofuel to reduce carbon emission.

Major targets

- a) Increase the power generating capacity of the country from 4,180MW in 2014/15 to 17,208MW by 2019/20; of which, 13,817MW is planned to be generated from hydro-power, 1224MW from wind power, 300MW from solar power, 577MW from geothermal power, 509MW from reserve fuel (gas turbine), 50MW from wastes, 474MW from sugar and 257MW from biomass.
- b) Increase the energy production capacity of the country from 9,515.27GWH in 2014/15 to 63,207GWH by 2019/20.
- c) Increase electricity coverage from 60% in 2014/15 to 90% in 2019/20.
- d) Increase the number of consumers from 2.31million in 2014/15 to 6.955million by 2019/20.
- e) Increase the total length of power transmission lines from 16,018km in 2014/15 to 21,728km by the end of 2019/20; out of which, to increase the high voltage 500kv gridline to 1,240km, the 400kv gridline from 1,397km in 2014/15 to 2,137km by 2019/20, the 230kv/132kv and 66kv gridline from 13,383km in 2014/15 to 18,351km by 2019/20. By so doing, the current power interruption and power loss problem will be mitigated significantly.
- f) Increase per capita energy consumption from 86KWH in 2014/15 to 1,269KWH by the end of 2019/20.
- g) Reduce power loss from 23% in 2014/15 to 11% by the end of 2019/20.
- h) The power companies' institutional capacity will also be enhanced significantly.
- i) Distribute 11.45 million improved biogas stoves, 31,400 improved biogas technology, 20,000 household biofuel stoves and biofuel blending technologies during GTP II.
- j) With regard to solar energy technology, it is planned to produce 3,600,000 solar lanterns, 400,000 household solar PVs, 3600 institutional solar PVs, 500 solar thermals and 3,600 solar cookers are also integral part of the targets to be achieved by 2019/20.
- k) Distribute 300 wind powered water pumps, develop 135 mini hydropower stations and conduct 33 Research and Development works on alternative energy development. Cover 500,327 hectares of land by biofuel plantation and produce 1,375.23 million litres of bioethanol and 450.3million litres of biodiesel. In addition, 5 bioethanol and 16 biodiesel blending facilities are planned to be installed to produce a blend of 64.4million bioethanol. Training programs related to biofuel development are planned to be offered to 706 experts engaged in the field.
- l) As a result, by planting 'Jatrofa' and consuming ethanol, 49.8 – 65.9 tons of carbon gas and 60 tons of carbon gas per hectare are planned to be reduced, respectively.

Implementing strategies

Implementation strategies of the sector are creating and strengthening competent organizational capacity in the entire power generating, transmitting and distributing stations; conducting research, design and construction through domestic capacity; raising the capacity of domestic contractors and micro and small scale enterprises involvement to supply the required inputs and

save foreign currency; creating favourable conditions for those who are working in the area of manufacturing to participate in the energy sector.

Focus will also be made on identifying possible domestic and international sources of finance and utilize it efficiently and create favourable conditions for the private sector to participate in the energy sector as the policy permits. In the area of alternative energy sources, the implementation strategies will focus on capacity building, technical support and monitoring, providing incentives and support by expanding market and promotion. In the area of biofuels development, focus will be made to create sustainable network with research institutions and universities to adopt biofuel technologies and to create and expand periodic monitoring and support.

5.7 Ensure Digital Infrastructure Expansion and its Quality

Strategic Directions

In GTP II, the strategic directions for digital infrastructure are: accelerate information, communication technology development, human development, ensure the legal framework and security, use ICT for government administration, upgrade government electronics services, internalize ICT knowledge among the general public, use ICT for industrial and private sector development and ICT research and development. Priority will be given to strengthening ICT Industry and thereby improve competitiveness of the sector, expand sound and data services penetration to enable the general public particularly the rural part of the country benefit from the outcomes. The other strategic directions are to reduce the share of the second generation mobile technology from 93 percent in 2014/15 to 47% by 2019/20, improve the participation of the private ICT organizations, create conditions to enable all government offices and the public benefit from broadband internet, formulate strategies for rural *kebeles* to use broadband internet in addition to the narrowband internet and increase the coverage and quality of postal services.

It is planned to complete the ICT Park which have been under establishment during the GTP I period. A lot of enterprises have already planned to start operation in the Park. Modern telecom services will be provided at reasonable prices and as a result of which costs of production and services delivery will be reduced, productivity increased and competitiveness enhanced. To this end, benchmarking will be conducted on those countries with best practices in the sector.

Objectives

The objectives of the sector in the plan period are to enhance the ICT and enhance the role of the sector in the economic, social and political activities which enable the country to grow rapidly, expand the coverage of information communication technology in all parts of the country step by step, provide competitive and productive ICT infrastructure in an equitable manner, provide competitive (in terms of cost and quality) telecom services, create conducive environment for the private sector to use ICT, create capacity to undertake new projects, strengthen the sector through incentivizing the private sector.

With regard to the postal services, the major objectives are to start new postal services, expand basic postal services adequately, ensure quality services (in terms of speed and security) and improve implementation capacity.

Targets

In the ICT sector, the major targets are to increase computer users, improve the equitable distribution of computer users and expand ICT manufacturing industry. In the telecom sub-sector, it is planned to increase mobile subscribers, broadband internet and data users, narrowband internet and data subscribers of fixed telephone from 38.8 million, 1.91 million, 7.53 million and 0.838 million in 2014/15 to 103 million, 39.1 million, 16.9 million and 10.4 million by 2019/20, respectively. It is also planned to increase mobile service penetration rate from 43.9% to 100%, increase telecom density from 10.5 % to 54%, increase internet and data density from 3.3% to 10%, increase international link capacity from 27.9 Gbs to 1485 Gbs, maintain mobile service coverage at its current level of 81% during the same period.

With regard to postal service sub-sector, the major targets are to increase the amount of traffic from 28.7 million to 657.4 million, increase number of service delivery centres from 1,000 to 16,475 and increase number of post offices which are providing postal banking and insurance services.

Implementation Strategies

Implementation strategies in the sector are: to expand and make ICT infrastructure technology standard, improve the contribution of the private sector, encourage the private sector to start producing IT instruments and create conducive environment for standard export IT instruments, formulate legal frameworks for information resource development and to mainstream the already existing legal frameworks into development policies, strategies and programs. In the telecom sub-sector, considering the increase in the number of customers, it is planned to expand the network and improve its reliability and increase the quality of telecom services. In the area of postal services, the implementation strategies will be to improve the speed and security of messages, to implement quickly the national postal address system to introduce service standards and make the services accessible.

5.8. Potable Water Supply and Irrigation Development (GTPII)

Strategic Direction

Harnessing the water resource potential of the country is critical for the achievement of rapid and sustainable socioeconomic development. The focus will be on efficient water resources utilization and development. Flood and drought control and mitigation efforts are also priorities in the water sector. An integrated water resource development and utilization will give due emphasis to the parallel usage of water supply, irrigation development, watershed management and water infrastructure development activities. In addition, water resources management will be integrated into complementary sectors such as agriculture, health, mining, energy, etc. In the

coming five years, water resource development interventions will include, water supply, irrigation and drainage development, hydropower study and design, surface and ground water study and integrated master plan study and watershed management.

Regarding clean water supply and sanitation, according to GTP I standard, 100% national potable water supply coverage will be attained during GTP II. The intervention in the sector is highly likely to bring far reaching changes on health, productivity, and quality of life of the citizens. Efforts will also be made to strengthen sanitation activities. Alike GTP I, focus will be made on ensuring fair and equitable development and utilization of the country's water resources for sustained socioeconomic development. Moreover, priorities in GTP II will be also to expanding water supply coverage as well as irrigation development. Based on set standards, rural and urban water supply and irrigation expansion activities will be strengthened. To properly develop and utilize ground water resources, credit facilities will be made available to prospective developers in the sector. For emergency activities, necessary machineries such as; rigging, drilling, excavators and accessories will be procured. Private dealers will also be encouraged to store and avail adequate supply of these machines. Parallel usage of project development work, model machinery centres which provide research and training, will be established.

During the plan period, water construction capacities of the public and private sectors as well as the government and community organizations involved in the urban and rural water schemes management will be strengthened. To fill technical gaps in the sector, the role of TVET will be explored and considered.

In order to expand the contribution of medium and large scale irrigation development to the economy, guiding policy frame works will be formulated and sufficient annual budget allocated. Regarding the prediction of meteorological conditions, to cope with fast growing technologies, emphasis will be given to applying modern technologies, especially in Numerical Weather Prediction (NWP) models using super computer outputs.

With regard to meteorological contribution to socioeconomic development endeavours, priorities will be given to agro-meteorological (for agriculture) hydro-meteorological (for water and energy) and bio-meteorological (for health and disease control) forecasting and early warning services. In connection with aviation meteorology, modern and up-to-date technologies and systems will be installed and quality aeronautical information collected and disseminated. In addition, focus will be made in using scientific based forecasting and early warning techniques, monitoring and disseminating climate impact and other climate related hazards on the country's resources.

Objectives

The major objectives of the sector is mainly focused on provision of access to safe and sustainable water supply and improved waste water disposal systems; improving potable water supply services and accessibility as well as urban sewerage systems; assessing the quantity and

quality of the country's water resources and their contribution to the development of the economy, also mitigate flood and runoff impacts. Similarly, developing and expanding efficient, sustainable and indigenous-technology based medium and large scale irrigation farming, primarily aimed at attaining food security, generating foreign exchange and supplying raw-materials to industries. It also includes conducting medium and large scale irrigation study and design to making them ready for implementation by relevant stakeholders. Regarding meteorology, supply of reliable and sustainable meteorological data to the general public, especially to mitigate natural and manmade hazards is the major objective. In addition, providing world standard weather prediction and early warning services as well as enhancing local production of imported meteorological instruments and ensuring synergies with relevant stakeholders and agencies are the other meteorological objectives.

Major targets

With regard to water and sanitation, according to the GTP I standard, it is planned to increase access to clean water from 84% in 2014/15 to 100% at national level during GTP II period. On the other hand, rural water supply coverage (**GTP II standard of 25 l/c/d within 1km radius**) will increase from 59% in 2014/15 to 85% by 2019/20. Similarly, urban water supply (based on the ranking⁸ of the demand: 100,80,60,50 and 40 litres/person /day from first to fifth level towns, respectively) access to clean water is planned to increase from 51% to 75%. Accordingly, national water supply coverage is planned to increase from 58% to 83% in the same period. In addition, dis-functional rural water supply systems will be reduced from 11.2% to 7% and Urban Fault Waters (UFW) is planned to decrease from 39% to 20% in the plan period. On the other hand, ground water exploration coverage will increase from 13% to 25% during the same period. Integrated catchment and degraded land rehabilitation will expand from 922,520.7ha to 2,304,801ha during the plan period. Moreover, basins and hydrological information systems is planned to increase from 25% to 63% and hydrological mapping coverage will reach 95% during the plan period.

In addition, medium and large scale irrigation development feasibility studies and designs on 250,000 ha and construction on 280,385ha will be undertaken by the Ministry of Water, Electricity and Irrigation. Similarly, 322,573 ha will be developed by the Sugar Corporation. In the regional states, specifically, Tigray, Amhara, Oromia and Southern Nations, Nationalities and Peoples Regions, about 330,307ha will also be developed for production of sugarcane and other crops.

With regard to installation of ground meteorological recording stations, it is planned to increase the current 18 Synoptic Stations to 28; 188 Principal Stations to 241; 556 3rd level stations to 718 and 424 4th level stations to 924. Regarding, the establishment of upper air station and other meteorological data generating stations, the plan is to increase upper air station from 1 to 3

⁸ Based on the size of population the ranking of the towns are; **Level-I**, greater than 1,000,000; **Level-II**, 100,000-1,000,000; **Level-III**, 50,000-100,000; **Level-IV**, 20,000-50,000 and **Level-V**, less than 20,000 populations.

and air pollution monitoring from 1 to 2 stations. In addition, 2 new radar stations, 1 GIS laboratory and 32 new Lightning Detection Networks will be established. Similarly, 1 new Aircraft Meteorological Data Relay (AMDAR), 3 new Meteorological Research Stations and 29 new specialized agro-meteorological stations will be installed. It is also planned to increase the existing 140 AWS to 260 and 5 Aeronautical Station (AWOS/AVIMET/SADIS) to 11.

With regard to production and maintenance of meteorological instruments, tools and gathering of quality meteorological data, the plan is to install 2,505 new meteorological data gathering media (SMS/IVR), 1 new information generating media (GTS communication-1) and increase information gathering media (SSB Radio-25) from 90 to 115 during the plan period.

The targets for delivery of meteorological forecasting and early warning services include: preparation and dissemination of short duration weather forecasting reports twice a day; midterm weather forecast on daily basis; 1-5 days cities weather forecast which could be updated daily as well as regional midterm weather forecast which could be updated yearly. With regard to socio-economic development and aviation sector meteorological early warning services, the plan is to enhancing 100% scaling-down capacity of global and continental forecast models to local conditions.

Implementation Strategies

With regard to water supply and sanitations, capacity development as well as coordination efforts will be undertaken by all executive agencies and relevant stakeholders. The involvement of the private sector in the water supply and sanitations activities as well as consultations among water contractors and consultants will be strengthened. WASH committees will be encouraged to maintain and rehabilitate water supply schemes. Systems will be established to recording underground water levels. In conducting underground water availability studies, support will be given to local and international consultants to apply set standards. Awareness raising training on national water resources frameworks will be provided to officials involved in planning and policy formulation, including managers. To actively participate in irrigation development, relevant stakeholders' awareness will be raised. Before commencing any irrigation construction, design works will be evaluated by international consultants. Experience sharing and facilitation activities will be conducted for local consultants and contractors to encourage them work with international firms.

VI. Human Development and Technology Capacity Building

6.1. Education and Training

Strategic Directions

The main strategic directions that will be pursued during GTP II to improve educational participation, quality and relevance at all education levels are implementing educational development army package in a coordinated and organized manner, expanding functional adult education and providing special support for emerging regions for equity in access to education are t. In general, the second growth and transformation plan considered and mainstreamed all relevant elements of the post-2015 development agenda and Agenda-2063 with regards to education and technological development. The detail is presented as follows by the sub sectors:

General education: To expand access to basic education services to all and scale up education sector best practices that are registered in the implementation process of the millennium development goals, global and continental developmental goals of post 2015 will be aligned with other education goals of the country and implemented accordingly. In addition, to ensure quality, fair and accessible education in the pre-primary, primary and secondary education for all, cost effective and participatory education will be expanded through both formal and non-formal delivery mechanisms.

Technical and Vocational Education and Training: Appropriate quality assurance monitoring and support will be carried out among TVET institutions to maintain the quality and implement the design of TVET systems in an organized manner. To achieve this, government investment will increase and cooperative training will be fully implemented to ensure the provision of human resource that will satisfy the nation's demand for skilled human power. The TVET system will continue to serve as a potential instrument for technology transfer, through the development of occupational standards, accreditation of competencies, occupational assessment and accreditation and the establishment and strengthening of the curriculum development system. Technical and vocational education and training institutions will serve as centres of technology accumulation for micro and small scale enterprises.

Higher education: The direction of the next five years plan is to ensure quality and relevance in the public and private higher education institutions. To achieve this, the management and administration system of universities will be strengthened, while the Higher Education Strategic Centre and the Higher Education Quality Assurance Agency will be capacitated to achieve their missions. In addition, the capacity of other relevant stakeholders will be built. On the other hand, through continuous monitoring and support, higher education institutions will become more effective and efficient and provide a student friendly environment especially for young women students. The research system in higher education institutions will be guided by the role they play in economic growth and development of the country.

Objectives

The main objective of the education sector development plan is to ensure effective and efficient education and training system that enhance quality, relevance, equity and access at all levels. This will be achieved through building sectoral implementation capacity and the development and adherence to competency criteria.

Major Targets

With regard to general education, it is planned to increase pre-primary education gross enrolment rate (GER) and primary education (grade1-8) net enrolment rate from 39 percent and 96.9 percent in 2014/15 to 80 percent and 100 percent by 2019/20, respectively. It is also planned to increase first cycle (grade1-4) primary school parity index (girls to boys ratio) from 0.93:1 in 2014/15 to 0.99:1 by 2019/20. Similarly secondary school second cycle (grade 11-12) gender parity index (girls to boys ratio) will improve from 0.85:1 in 2014/15 to 0.92:1 by 2019/20. Primary education (grade 1-8) gross enrolment rate of children with special needs is planned to increase from 4.4 percent in 2014/15 to 15 percent by 2019/20. Similarly, it is targeted to increase the general secondary education enrolment rate from 40.5 percent in 2014/15 to 79 percent by 2019/20 and to narrow the gap in general education participation between rural, urban and regions. It is also planned to increase adult education enrolment rate to 95 percent by the end of the plan period.

To improve the quality and relevance of education, all schools and cluster centres will be guided by certified principals and supervisors during the Second Growth and Transformation Plan implementation period. Consequently, it is planned to increase the rate of certified teachers from 20 percent in 2014/15 to 70 percent by 2019/20. In addition, it is targeted to increase the share of qualified teachers in the primary education first cycle (grade 1-4) and second cycle (grade 5-8) and secondary education second cycle (grade11-12) from 71.37 percent and 87.3 percent in 2014/15 to 95 percent and 100 percent by 2019/20 respectively. On the basis of the school classification standards, 60 percent of the primary schools and 75 percent of the secondary schools will become Level 3 and above by the end of the plan period. It is planned to increase the completion rate of primary education (1-8 grade) from 52.2 percent in 2014/15 to 74 percent by 2019/20. To reduce dropout and repetition rate, intensive efforts will be made during the second growth and transformation plan implementation period. The curriculum from pre-primary to preparatory secondary education will be revised and implemented in line with job creation and utilization of technology. Accordingly, research will be carried out to critically examine whether all students graduating from each level of education acquires the necessary civic and ethical behaviours set to be required at that level. In addition, research institution that will undertake different research activities on relevance and quality of education and that support educational curriculum and integrates curriculum development and implementation will be established. Consequently, by undertaking research on issues related to quality and relevance of education, the necessary mechanisms and mitigation measures for improvement will be put in place and implemented.

With regard to technical and vocational education and training (TVET), the number of TVET institution will increase from 1,329 in 2014/15 to 1,778 by 2019/20 through the expansion of government, private and non-government TVET institutions. As part of this endeavour, there will be one TVET institute in each *Woreda* and the number of regular students attending in government and private TVET institutions will increase from 238,584 in 2014/15 to 596, 455 by 2019/20. In addition, to supply educated and skilled human power for the development program, it is planned to increase TVET professionals' standard certification process and the number of assessors at the industry level from 632 and 26,406 in 2014/15 to 850 and 40,538 by 2019/20, respectively. Similarly, to strengthen the competitiveness of micro and small scale enterprise in the supply of products/services on the basis of the Value Chain Analysis, the number of feasible technologies will increase from 3,000 in 2014/15 to 5,442 by 2019/20. Furthermore, by providing industry extension services to existing micro and small scale enterprises, the number of graduating micro and small scale enterprises is expected to increase from 42, 216 in 2014/15 to 342,310 by 2019/20.

To further expand access to higher education, 11 new universities will be established during the second growth and transformation plan period. Accordingly, it will focus on the development of university teachers, and on equipping research, laboratory and workshop facilities to ensure the quality of higher education. This combination of activities will help increase the enrolment capacity of public higher education institutions undergraduate students to 600,000. In addition, the number of postgraduate students will increase to 63,000 by the end of the growth and transformation plan period. To improve equity in undergraduate programs, the percentage of female students will increase from 32 percent in 2014/15 to 45 percent by the end of 2019/20. Similarly, in the second and third degree programs, the percentage of females will increase from 19.5 and 11 percent in 2014/15 to 25 and 20 percent by 2019/20, respectively. To improve the quality of education, teacher development program will be strengthened and teacher to student ratio will reach 1:19. To achieve this, the number of teachers will reach 33,030 by the end of second growth and transformation plan period. The proportion of qualified teachers in higher education institutions (second and third degree) will increase from 58:15 in 2014/15 to 75:25 by the end of 2019/20. In order to maintain the relevance and quality of education, the proportion of 70:30 in Science and Technology versus Social Sciences will be further enhanced during the second growth and transformation plan period. Each university will implement one to three thematic areas of excellence that distinguishes the university from others depending on the context of the area where the university is found. In order to ensure quality through results based efforts, the rate of first-degree graduation is planned to reach 95 percent by the end of the second growth and transformation plan period. Accordingly, all curricula will be revised based on integrated competence-oriented education system. In general, during the next five years, training programs will focus on science and technology fields and its quality will be enhanced in efficiency to bring it on par with other similar countries institutions. Special support will be given to science and technology institutes and selected technology institutes. Quality in higher education system will be built through improving the system of leadership and management of

universities and by giving training for Ethiopian students and teachers. The existing TVET institutions program is one part of the government's capacity building program and its main mission will be expanding micro and small scale enterprises and creating job opportunities as well as to train middle level human power needed by industries.

Implementation Strategies

A. General education

To further improve access to primary and secondary educations to all and to expand education, government capacity building and good governance programs coupled with full community participations for sectoral development will be designed and implemented. Accordingly, facilitating policy based services, maintaining quality education, provision of materials that support performance, implementing education quality package and developing the standards and follow up activities will be carried out. Besides, functional adult education will be expanded across the country. To improve the quality and relevance of education, the education development army package will be fully implemented in a coordinated and organized manner and functional adult education will be expanded as well as the number of teachers from emerging regions will be increased. Addressing the shortage of teachers across the county and linking the curriculum with technology, sustainable development and national and international partnership principles is expected improve the quality of education

With respect to general education, although the key issue is about quality, there are still issues which need special emphasis with regard to coverage. During the GTP II period, all efforts will be exerted to increase expansion of secondary schools. Similarly, priority will be given to pre-primary education and adult education. On the other hand, to improve educational quality, measures will be taken to enhance the quality and number of teachers and schools during the plan period. The government will continue to enhance the quality of educational program at all levels. Since the key objective of higher education is to produce highly skilled, qualified and competent citizens to support the rapid economic growth and social development, the government will continue its effort to maintain the momentum to ensure the quality of higher education. Private investors will be encouraged to participate extensively in the education sector. The necessary support and appropriate monitoring will be made to ensure that standards and requirements are met.

B. Technical and Vocational Education and Training

In order to render the development process fast, sustainable and fair, as well as to supply the required human power and technology, results based training will be implemented strictly in each focus area. The public, the private sector and other actors will work in a coordinated manner to ensure that the chamber of industries will take the task of future occupational standard development and certification. The existing TVET institutions program is one component of the government capacity building program and its main mission will be expanding micro and small

scale enterprise, creating job opportunities and training middle level human power needed by the industries. Certified graduates of regular and short term trainings will be encouraged to save initial capital, be organized in groups and develop project proposal to form small enterprises and check their professional competence through assessment to sell their technology to enable them prove that TVET institutions are hatching centres of new technologies.

C. Higher Education

The number of public higher education institutions and their admission capacity will be increased. In order to improve the achievement of preparatory secondary school students admitted to higher education, universities and preparatory secondary schools will work in collaboration mainly with emphasis on improving the achievements in mathematics and science subjects. In addition, during the next five years, training programs will focus on science and technology fields and its quality will be improved in efficiency to bring them on par with similar institutions in other countries. Special support will be given to science and technology universities and selected technology institutions. Quality higher education system will be built by improving the system of leadership and management of universities and by giving training for Ethiopian students and teachers.

Regular Support will be provided to private higher education institutions to increase their admission capacities. In order to achieve the target of teachers' capacity building, the expansion of post graduate programs will be implemented at the centre. System will be designed for certification of university teachers and implemented. National higher education research directive and framework focused on technology transfer will be developed and implemented jointly with the Ministry of Science and Technology. National higher education leadership development will be organized. Outcome based and efficient budget allocation system will be designed and implemented. A framework for national higher education institutions' international partnership and collaboration will also be developed. The establishment of research universities will be implanted based on international standards criteria and their teaching and learning process will be linked with their mission of knowledge development and technological innovation. To build modern structure and system in higher education institutions, the existing reform activities will be sustained suitably as an institutional culture. In addition to the expansion of public higher education institution, efforts will be made to maintain and improve its quality.

6.2. Health Sector Development

Strategic Directions

Equitable, accessible, and quality primary health service will be provided through the health extension program. In addition, community participation and engagement will continue to be at the centre of the primary health care delivery system. To realize excellence in health service delivery, focus will be given to implement primary health care at all levels of the health delivery system. Strengthening the health sector leadership and governance system is another pillar

strategy to be pursued in GTP II. Similarly, during the second growth and transformation plan period due attention will be given to ensuring quality service delivery in hospitals, improvement in pharmaceutical supply service and ensure institutions are capacitated in terms of human resource and equipment according to the standard set. In addition, the role of the private sector in the delivery of health service will be promoted, while it will be effectively regulated to ensure the provision of good quality health service that satisfies all citizens. Strategies are also designed to prevent the prevalence of diseases resulting from climate change. In this regard, public awareness and engagement will be improved. This will be implemented using model family, strengthening participation of the public wing, formulating legal framework and monitoring its implementation and by strengthening community participation in health administration. In order to improve access to hygiene and environmental health, the proportion of households with access to improved latrines and open defecation free *kebeles* will be increased. In general, the second growth and transformation plan considered and mainstreamed all relevant elements of the post-2015 development agenda and Agenda-2063 with regards to health.

Objectives

The general objective of the health sector development plan is to improve the health outcomes of citizens through provision of equitable, accessible and quality health services, enhance awareness of the public so that they protect themselves from various health hazards.

Major Targets

- a) The national nutrition strategy which aims at producing healthy and productive citizens by fulfilling their nutrition demand will be implemented with due consideration by the relevant stakeholders. In this regard, special emphasis will be given to ensuring household food security, maternal and child care, render health services accessible and create healthy environment.
- b) Reduce maternal mortality rate (MMR) from 420/100,000 live births in 2014/15 to 199/100,000 live births by 2019/20.
- c) Reduce under 5 child mortality rate (U5CMR) from 64/1000 live births in 2014/15 to 30/1000 live births by 2019/20.
- d) Reduce infant mortality rate from 44 in 2014/15 to 20 per 1000 live births by 2019/20.
- e) Increase contraceptive prevalence rate from 42 percent in 2014/15 to 55 percent by 2019/20.
- f) Increase deliveries attended by skilled health personnel from 60.7 percent in 2014/15 to 90 percent by 2019/20.
- g) Expand primary health care service coverage from 98 percent in 2014/15 to 100 percent by 2019/20, ensuring universal coverage in primary health care. This would be achieved by improving access to quality health services and implementing preventive health policy and by strengthening implementation of nutrition program.
- h) Increase life expectancy from 64 in 2014/15 to 69 by 2019/20.

Implementation Strategies

Through full implementation of the second phase of health extension program, the government will improve the number and skills, the right mix of professionals and the management of health workers. Accordingly, the plan will be aligned with the country's capacity and the health sector demand. In addition to the efforts being made to reduce the turnover of health professionals, training of health professionals will be undertaken based on research in order to increase their number significantly. Transparent promotion ladder will be designed for front and mid-level health professionals. The human resource development data system and usage will be modernized and strengthened. The government will give support to private investors to establish highly specialized hospitals. This will increase the country's foreign currency earning by providing quality health service for Ethiopians and foreigners. In order to increase the participation of private investors in the pharmaceuticals, production of medical equipment, and in other areas with service gaps, various incentives and motivational systems will be implemented in accordance with the government's investment policy. At the same time, the health insurance system in place will be fully implemented in order to address the challenges of the health sector. While allocation of budget by the Government will increase progressively, efforts will be made to mobilize additional foreign resource and health care financing system development will be further strengthened.

Regardless of socio-economic status and place of residence, quality health service will be given to all citizens at any time. This calls for transforming the health service delivery, analysing the partnership with the community and institutions and understanding the characteristics of the community and the patient in depth. The other implementation strategy is enhancing good governance and development of the sector's leadership capacity. In order to establish a system for the health sector, survey and surveillance systems will be strengthened. To develop and implement evidence based decision making and to develop long term strategies, system will be established to build research capacity to be conducted in health or other relevant disciplines. Therefore, due attention will be given to health service data system to improve access and organization of data. Hence, revolutionizing information management system is important. This means a phenomenal advancement in the methods and practice of collecting, analysing, presenting and disseminating information that can influence decisions in the process of transforming economic and social sectors. It entails a radical shift from traditional way of data utilization to a systematic information management approach supported by a corresponding level of technology. Information revolution is about bringing fundamental cultural and attitudinal change with regard to perceived value and practical use of information.

Another method of the health sector transformation plan to fulfil its ambitious goals and aspirations to transform the health system to deliver equitable and quality health care is through *Woreda* transformation. A transformed *Woreda* is expected to have an accountable and transparent governance system that nurture meaningful community participation and strives to meet the needs of the people, develop evidence based decisions, apply evidence-based

frameworks to systematically identify bottlenecks and scale-up best practices to address them and achieve universal health coverage. This helps to narrow the existing gap of variation among *Woredas* in health service delivery. This comprises of developing and shaping high performing model *Kebeles*, social insurance with financial risk protection and developing high performing primary health care units.

6.3. Science and Technology Development

Strategic Directions

The strategic directions to be pursued for enhancing science and technology development in the country are to identify technology demand, organize and analyse the relevant value adding technological information to provide services, establish supporting system and develop a monitoring system for technology duplication and adoption processes. Research and technology capacity building will focus on establishing research centres in economically beneficial sectors, strengthen research infrastructure development and support research and technology projects. Human resource development will aim to train high quality human resource having technical skill and scientific knowledge and to create capacity in order to enhance research and technology at national level. Moreover, quality and standardization, conformity assessment sector, science, technology and innovation information development, protection and development of intellectual property rights are also the other strategic directions of the sector.

Objectives

In the second growth and transformation plan, the main objectives of the science and technology development sector are: creating technological transfer framework that enables the building of national capabilities in technological searching, selection, import, adaptation, and effective utilization, enhance quality infrastructural capacity to support the manufacturing sector to become competitive in the international market in terms of quality and price, implementing various packages and reform programs in order to facilitate technology transfers and building capacity of institutions that enable the manufacturing industry grow fast and play a leading role in the economy.

Major Targets

During the second growth and transformation plan period, national innovation system will be reinforced and national research capacity will be created to solve cross sectoral development bottlenecks in selected development sectors. In addition to this, national capacity will be built to use biotechnology in selected development sectors and to utilize space science and technology for development as well. By collecting, organizing and analysing science, technology and innovation data, value added data and information will be utilized for the transformation of technology. Similarly, medium and large scale industries will be encouraged to establish their own research units.

Special emphasize will be given to training highly skilled manpower to enable capacity building of technology transformation. Supporting and encouraging activities will be made to the revitalization and reinforcement of maintaining initiatives for applying the 70:30 admission policy at higher education institutions and the promotion of initiatives and attitude among primary and secondary schools students for mathematics and natural Science. Through strengthening the linkage among universities, research institutions, technical and vocational education and training institutions and industries, technological transfer framework that enables to adopt and utilize effective technologies that gained through domestic and foreign direct investment will be created. To establish science and technology incubation institutions in the universities, appropriate support will be given to universities. In addition, various activities will be carried out for trained researchers who acquire technological experience in mega projects, enable to learn, adopt and utilize effective technologies and conduct demand driven research works in science and technology universities. Besides, major activities like using intellectual ownership/patent information, genetic resource and indigenous knowledge for technological development, extensive usage of green technologies as well as prevent radioactive agents from causing any damage on the community and disposal of expired radioactive agents in a way that disposal should avoid possible risks or damage to the local community or the physical environment will be under taken. In this regard, manufacturing industry products and services will become competitive in the international market in terms of quality and price through the enhancement of capacity for quality infrastructural development agencies as well as by enabling them to provide internationally accredited services. To this end, new product standards will be prepared, revised and implemented. First level national ethanol coverage will increase. International accreditation will be obtained for selected fields and scopes of standardization, conformity assessment, certification and inspection. In addition, the coverage of calibration and standardization services will be expanded and institutions that give personnel competency, assessment, and certification and inspection service will be accredited. Further, the involvement of quality infrastructure institution at international and regional level will be strengthened.

During the second growth and transformation plan period, the existing institutional capacity will be built and support will be provided aligned with the current demand request to achieving their objectives. In addition, focus will be given to achieve their objective of establishment rather than facilitation. Accordingly, activities will be carried out consistent with the requirement of international standards. The efforts of our human resources will be focused on research and extension rather than facilitation. In addition to replication of technologies, due attention will be given to improving and innovating the technology. Moreover, favourable conditions will be created to carry out the required manpower development and the development of research and extension for on-the-job-training through institutional linkages among industries, universities, technical and vocational education and training and research institutions.

Implementation Strategies

- a) Establish institutional structure by benchmarking other countries` best practices to strengthen innovation system; strengthen the linkage among the role models of the innovation system; establish system of technology transforming, selecting and disposing; encourages strategies of medium and large scale industries so as to establish and organize research units.
- b) The established institutions that support manufacturing industry development will be equipped with efficient and skilled managers and experts. The internal capacity building of the manufacturing industry will be strengthened based on the demand of industries.
- c) Enabling environment will be created to strengthen the capacity of different research institutions by integrating with other research institutions so as to focus on the manufacturing sector (textile, leather, metal and engineering), economic infrastructure development (construction, water and energy) and working sectors on technology capacity building activities. By giving special support for manufacturing industry particularly for those institutions that have a key role for laying the foundation for industry such as METEC and other similar industries, the on-going capacity of designing and fabrication will be strengthened for farther technology transfer.

VII. Developmental Good Governance and Building Democratic System

7.1. Ensuring Good Governance and Building Developmental Political Economy

Strategic Directions

Over the years, mobilization and organized participation of the public as well as extensive capacity building programs have been implemented to build the capacity of the government and the public at large and to promote good governance. As a result, encouraging results have been achieved in rural areas. The dominant paradigm in rural areas is basically a developmental political economy conducive for rural and agricultural transformation, as well as for ensuring good governance. However, in spite of the reforms and interventions that have been undertaken over the years, rent-seeking political economy still maintains its hegemony in urban areas. Overall, the assessments indicate that there are still widespread malpractices and governance challenges in the country at all administrative levels. The sustainability of the rapid and broad-based growth as well as the democratization process also faces risks unless the hegemony of developmental political economy is consolidated throughout the country. Therefore, strategic directions are laid down to root out rent seeking political economy and replace it with a strong developmental political economy.

Bringing about a paradigm shift in developmental political economy calls for undertaking a comprehensive capacity building program; the centrality of such capacity building programs is ensuring the supremacy of the developmental political economy, and realization of the development, democratization and good governance goals of the country. Thus, during the GTP II period, capacity building programs will be implemented alongside integrating the supremacy of developmental political economy towards achieving development, democracy and good governance goals. The key to ensuring the supremacy of the developmental political economy is to render the wider public play a pivotal role in the development and political affairs. Thus, at centre of GTP II is the promotion of organized and all rounded participation of communities in the development and political processes of the country. The political leadership and civil service will actively engage communities in implementing the on-going reforms, improving governance and thereby ensuring a developmental political economy.

The other strategic direction to be pursued refers to the demonstration of strong commitment of the political leadership, and active community participation in implementing the on-going reforms in the sectors identified as vulnerable to rent seeking. Thus, the political leadership will demonstrate unwavering resolve in implementing the reforms focusing on those sectors that are vulnerable to rent seeking and corruptions such as tax administration, urban land use and management, government finance and procurement, trade practices and public service delivery.

The tax revenue will increase through improving tax collection efficiency by fully and fairly implementing the on-going tax and customs reforms. The on-going trading, business licensing and registration reforms will also be comprehensively and more effectively implemented to

establish effective and efficient marketing systems, as well as promote the transformation of the domestic private sector. The other strategic direction is to create modern urban land administration system that promotes the utilization of urban land in an economically efficient manner for long-term developmental purposes rather than for short-term rents. Thus the institutional capacity in modern and effective urban administration system will be strengthened during GTP II. The other strategic direction is to strengthen the institutional capacity of the Ethics and Anti-Corruption Commission to intensify its fights against corruption and heighten public mobilization in combatting corruption and nurturing a developmental and ethical mind-set among the society. These efforts will be intensified during GTP II period in combating corruption and malpractices both in the private and public sectors. This will weaken the rent seeking political economy and create a fertile ground for the hegemony of a developmental political economy in the country.

Objective

The objective is building the capacity of government and the public at large to ensure supremacy of developmental political economy in the country.

Major Targets

7.1.1 Building Effective and developmental political leadership and civil service

Corruption and rent seeking are identified as the existential threats to the transformation, sustainable development and renaissance vision of Ethiopia. To tackle and combat these threats, developmental democratic state need to be strengthened and the economy be managed through long-term developmental strategy. Thus, it will be essential to continuously strengthen the capacity of the political leadership and civil servants to effectively implement the government policies and programs and deliver public service to the citizens. The capacity building activity will be implemented through upholding anti-rent seeking struggle and taking the mission of development and good governance as a central agenda. Moreover, performance based capacity building training for the political leadership and civil servants will be conducted through institutionalized training programs. Thus, the appointment of the political leadership and civil servant promotions will be based on competence, competition and performance. The manpower composition in the civil service will properly reflect diversity in terms of nation and nationalities, gender and other backgrounds of citizens. The public service will be strengthened through recruiting young graduates of universities, while due emphasis will be given to increase the number of female employees in the civil services in line with the principles of equity and equal opportunities. Moreover, a series of capacity building programs will be given to support female employees. Due attention will be given to increasing the number of females in decision making positions. The capacity building programs will also give due consideration to strengthening the capacity of institutions that are engaged in capacity building of the public service.

Civil service offices will be rigorously monitored to ensure that they have reengineered their business processes and as a result have upheld the principles of accountability, transparency,

efficiency, and effectiveness in public service delivery. The citizens' charter system will be fully implemented in all civil service institutions in the country as part of the goal to uphold transparency and accountability in the public sector. The Balanced Score Card system will serve as a framework to evaluate government performance. The main focus with regard to business process reengineering and institutional reorganization is to make sure that the implementation of the reforms thus far leads to effectiveness, accountability and transparency of the public sector.

The political leadership will make sure that civil servants perform through engaging the public, i.e., through the change or development army strategy. Efforts will be made to further enhance the all rounded capability and effectiveness of the change army in rural communities to advance the mission of development and good governance. Efforts will be made to further transform development army in urban communities to deliver on the urban development and governance agendas. In a nut shell, it is planned to ignite massive community mobilization in the process of deepening development, good governance and democracy. Through such organised community engagement, the government aims to realize the satisfaction of citizens in development and service delivery and enhance trust by the end of the GTP II period.

7.1.2 Build the capacity of the public and ensure public ownership of the development process and its outcomes

The key player, owner and beneficiary of the developmental and democratic renaissance journey is the public itself. The rapid economic growth, social development and democratic system can only be achieved through empowering and engaging the public. During the GTP II period, building the capacity of the public will be given due emphasis for its effective participation. Thus, mobilizing the public and awareness creation on the country's vision, government policies and development plan will be further strengthened during the plan period. Moreover, activities such as improving the developmental mind set and skills of farmers/pastoralists, private sector and other community groups will be carried out to support the capacity building effort aimed at reducing rent seeking and other malpractices that hinder the development process.

To realize rapid and sustained growth and development, participation of the public in policy making, planning and monitoring and evaluation process will further be pushed forward during the GTP II period. The efficiency and effectiveness public service delivery will be enhanced at all levels through strengthening public participation, ensuring transparency and accountability in the civil service. Hence, strengthening developmental good governance will be given due emphasis. Concerted efforts will be made to uphold the principles of transparency and accountability in government at all levels during the plan period. Through strengthening district administrations, participation through public representation will be enhanced. The rights to professional and mass association will be fully uphold to enable them exercise their democratic rights and enhance their contributions to the development effort. The public will continue to be encouraged and enlightened to exercise its constitutional right to assembly by organising professional and mass-based societies to advance its rights. In addition, non-government

organizations (NGOs) charities will also be encouraged to operate according to the Charities and Societies Law to benefit the public from the development process.

7.1.3 Ensuring Good Governance

In spite of the various measures taken to deepen good governance, ensuring good governance emerged as a key challenge by the end of GTP I. Thus, it has become even a more significant priority goal for the government in GTP II. As explained, the primary focus in enhancing good governance is to strengthen the organized public participation in government decision making and public service delivery. Ensuring the organized participation and empowerment of the public in government decision making, public service delivery, and development and political activities in general are critical instruments to achieve equity, transparency and accountability, and root out corruption and malpractices. To this effect, the organized participation and empowerment of the public will be further strengthened in GTP II. Government institutions would strengthen engaging the different sections of the public in their decision making processes in a sustainable, predictable and transparent manner. The on-going mechanism to strengthen direct participation of the public in government institutions' planning and monitoring and evaluation of the implementation process, addressing service delivery problems based on the established feedback mechanisms would be deepened further during the GTP II period. Public participation should influence public actions for better outcomes, and hence the capacity of community organizations (public wing) should continuously be built for effective public participation. The quality of public participation would also be enhanced further by making the public consultative forums and dialogues well organized, well planned, predictable, transparent, effective and accountable. In a nut shell, the key strategy to sustainably enhance good governance is to strengthen direct and organised public mobilization in government decision making processes.

Apart from public participation, ensuring transparency and accountability in government decision making plays a decisive role in improving good governance. Ensuring transparency and accountability in government service delivery and decision making plays a vital role in eradicating rent seeking and corruption and ensuring good governance. The government reaffirms its political commitment in GTP II to make sure that all government agencies uphold the principles of transparency and accountability in their decision making and public service delivery processes. The government would remain committed to stamp out rent seeking by realizing developmental political economy. Thus, key sectors that are vulnerable to rent seeking has been identified and due emphasis will be given to concurrently address the root causes of rent seeking. These vulnerable sectors are land administration, tax and customs administration, government finance and procurement and domestic trading and business licensing and registration. The reforms currently underway in combating corruption and rent seeking in these sectors will be consolidated and institutionalized.

To improve the tax system, the on-going modernization of the tax information system will be consolidated to more easily identify, legally recognise and protect tax payers' revenue and

property, and thereby also improve the administration of taxation. The customs operation will be improved to fully support the developmental private sectors enhance their competitiveness, and strengthen the customs administration system. The use of cash registration machines would be scaled up to cover all eligible businesses throughout the country. Based on such tax information systems, a transparent, fair and effective tax system would be administered. The strengthening of tax information and administration system would be accompanied with public tax education and participation, and stronger law enforcement to ascertain rapid prosecution and effective accountability on those involving in rent seeking in the form of tax evasion, tax avoidance, misuse of tax privileges and incentives, etc.

The second major source of rent-seeking is urban land and the urban land administration would be modernised through establishment of cadastral system in major cities of the country. The cadastral system would enable registration of land and property, clarify ownership and use rights on properties and land parcels, protection of such rights of rightful owners, etc. These in turn would transform the governance of urban land and help address the corruption and rent-seeking problems in the administration of urban land. Thus the on-going land administration or cadastral system reform would be accelerated during GTP II. Based on such reliable land information system, a well-planned urban land supply and land use system that encourages long-term development and economic transformation will be implemented. In this respect, industrial parks with associated basic infrastructures will be given priority in major towns and cities in supplying land. Such an approach of prioritising the development of industrial parks in the supply of land would encourage investments in industrialization and export development, discourage use of land for unproductive rent seeking activities, and address corruptions associated with land.

The trading business is the third sector highly prone to unproductive rent-seeking and corruption. During GTP II, the undergoing reforms will be fully implemented to realize transparent and fair domestic trading system. To encourage productivity and competitiveness, the business registration and licensing system would be overhauled to make it efficient and effective, as well as uphold transparent and accountability. The reforms in tax and customs, domestic trading and business licensing and registration system, and urban land are interlinked and are expected to transform the political economy of the country. By strengthening the information management system in tax and customs management, land use management and trade system, transparency and accountability both in the economic and political domains will be realized during GTP II. Based on best experiences and lessons drawn from other countries, citizens' vital registration will be commenced, while national identity card system for citizens who are 18 years old and above would be established during GTP II period.

Improving the governance of public financial management system is another mechanism that would be given utmost attention in GTP II. The government will strive to get rid of rent-seeking practices by fully and more effectively implementing the reforms on government finance and public procurement. The capacity of the regulatory agency for public procurement and property

administration will be strengthened for a well-functioning public procurement and property management system. It is also planned to revise the proclamations, directives and manuals of the existing government finance, public procurement and property administration to make them more effective tools in combatting rent-seeking and corruption. Program budgeting will be implemented across all regions and city administrations. The structures/departments of finance, internal audit, procurement and property administration of budgetary government offices will be further strengthened by investing in institutionalised and centralised training and human resource development programs. The IFMIS project will be fully implemented across all federal institutions. The centralised public procurement system will be strengthened to render efficiency, effectiveness, economy, transparency and accountability in the procurement of strategic and common user items for government institutions. In addition, prompt and effective accountability would be invoked by the top leadership in cases of corruption and malpractices in government finance and public procurement. In this regard, the government would promptly undertake appropriate measures following the findings of the Auditor General, Public Procurement and Property Administration Agency, and Internal Audit Departments. It would also closely monitor that budgetary public bodies are rectifying the findings of these audit and control institutions. It is also planned to strengthen the public investment programming, as well as the capacity of the government project planning and management and contract administration. Moreover, enhanced monitoring and evaluation of government mega projects will be further strengthened during the plan period to address the problems associated with project planning, implementation and monitoring. Fast accountability and enforcement of law will be taken for every incidence of corruption and malpractices. Accordingly, based on the reports prepared and submitted by the Office of the Auditor General, Procurement and Property Management Agency and internal audit of each government institutions; serious monitoring will be conducted and strict measures will be taken in case of any incidence of malpractices. The on-going financial transparency and accountability (FTA) and social accountability (SA) tools will be further strengthened and implemented during GTP II to deepen sustained public participation, equity and quality, transparency and accountability in government finance, public procurement and basic public service delivery. These in turn are expected to contribute to improved governance system in the country. By implementing the approved Ethiopian Financial Reporting Proclamation and Directive, the accounting and auditing standards will be upgraded to international level. A National Accounting and Auditing Board will be established to execute the system. Professional Training Institute responsible for training and certifying accounting and audit professionals will be established, which in turn is expected transform the accounting and auditing practices in the country.

The prevention, control and fight against corruption and rent seeking also require stronger institutions that directly deal with the problem. Cognisant of this, Ethiopia has long established Ethics and Anti-Corruption Commissions at various levels to prevent and control corruption. In GTP II, the government would continue to strengthen these institutions. The organizational structures of the institutions will be staffed with well trained and committed manpower and

furnished with effective working systems that help prevent and control corruption. A series of public awareness creation programs will be implemented to ensure zero-tolerance for corruption among the citizens. To curb corruption and maladministration practices in government organizations and enterprises, investigative research on working systems and implementation monitoring tools will be conducted. In particular, more rigorous series of corruption investigation studies and monitoring will be conducted on those institutions that are more vulnerable to corruption such as government procurement and contract administrations, land management, tax and customs administration, and justice system administrations. With regard to asset registration of government officials, the information collected will be organized and be used for investigations and prosecution of officials suspected of any corruptions and malpractices. The investigation and prosecution of officials and other individuals suspected of corruption will be further strengthened and efforts to reclaim public assets will be intensified.

The fight against corruption and rent-seeking and the objective of replacing the rent-seeking political economy with a developmental political economy first and foremost requires the unwavering commitment of the political leadership, although it clearly entails the mobilization of all actors for the cause. Thus, to intensify the momentum of the struggle against rent-seeking and corruption, it requires strong political commitment, ensuring ownership, participation and mobilization of the public in combating malpractices and mobilizing the federal and regional institutions in an organized and coordinated manner. To ensure transparency and accountability, all federal and regional institutions are expected to prepare and disclose their Citizens' Charters to the public and accordingly deliver on their expected public missions during the plan period. The full implementation of the working system of the Citizens' Charter will contribute to building transparent and accountable government institutions.

7.1.4. Establishing Effective and Fair Justice system

GTP II accords due attention to ensuring effective justice system through strengthening the justice system to discharge its duties based on reliable evidence. GTP II also gives due emphasis to the significance of ascertaining that legislation of laws, their execution and their judicial interpretation are all based on and consistent with the provisions of the constitution. Ensuring the independence of the judiciary, and maintaining accountability and transparency in the justice system are considered as crucial pillars of the efforts to deepen good governance and democratization during GTP II. Equipping the justice system organizational structure with trained human power and necessary facilities is also an important element of building an effective and fair justice system in the country. Enhancing the knowledge and awareness of citizens about the law and the constitution so as to strengthen communities' role in the justice system is considered a very useful strategy to establish an effective, fair and accountable justice system in the country. Finally various communities in Ethiopia have very rich traditional conflict resolution mechanisms, and will be promoted during GTP II period to enhance their role in

preventing and resolving conflicts as well building durable peace and stability in the country. These are the main strategic directions of the justice sector in GTP II.

The objectives of the justice system reform program are to establish a full-fledged legal framework essential for realising development and building a democratic system; and ensure the rule of law by executing and interpreting laws in such a way that they achieve their presumed objectives. In order to realize these objectives, activities such as building the capacity of institutions and ensure effective institutional changes, create public organizations and building the capacity of the public for effective and active participation in upholding the law and playing its role in enforcing the law, and enhancing knowledge and awareness of the public about laws and the constitution will be carried out. The judiciary will be strengthened to provide efficient and effective service delivery. The system, organizational structures and manpower of the justice system will be strengthened further to bring about effectiveness in the sector. A participatory strategy would be pursued in combating corruption in the justice sector. By addressing corruption and malpractices in the justice system with active community participation, the aim of GTP II is to enhance the public trust and confidence on the justice system.

The key issue in strengthening the justice system is institutional capacity building and particularly the strengthening the organizational structure with trained and competent manpower. Thus, during the plan period, capacity building of the human resource of the justice sector will be strengthened through providing a series of institutionalized training programs that enhance attitudinal change, integrity, commitment, knowledge and skills. To improve access to justice, and render the justice service efficient and effective, the judiciary will be supported with modern information and communication technology. Besides, plasma, mobile and fixed judiciary hearing sites will be further expanded and strengthened. Moreover, court units will be open to deliver services for the full year. The on-going reforms and measures that ensured the independence of the justice system and judiciary, transparency and accountability of the sector will be consolidated over the coming five years. In general, GTP II plans to markedly transform the efficiency, effectiveness, access, equity, transparency, accountably and independence of the justice system.

Rule of law is another crucial principle of good governance. The principle of the rule of law denotes that any political, social and economic activities should be governed by the country's Constitution and laws, and that everyone is equal before the law and accountable for the supremacy of the law. GTP II aims to further enhance the achievements registered to date in maintaining the rule of law. Accordingly, the drafting and legislation of new laws will be informed by research and studies to ascertain that the laws are consistent with the constitution and consider current affairs and international situations before they are enacted and executed. Thus, during the plan period, the criminal procedure code, administrative law, international commercial law, alternative dispute resolution draft laws, lawyer licensing and administration draft law, witness protection acts and directives will be issued. In addition, a system of witness

protection service will be implemented. The penal code amendment proclamation, draft lawyers license fee regulation, federal prosecutors regulation amendment laws will be issued. The Labour Law will be amended in line with the country's development policy and investment needs.

Crime prevention strategy and legal drafting manual will be prepared and implemented. Federal and regional laws and regulations will be compiled and made accessible to users through publishing and disseminating them. In addition, systems will be designed and implemented for compiling all laws and regulations that have been proclaimed since 1939 and will be made accessible to the public. The National Human Rights Action Plan will be fully implemented. A series of law educations and awareness creation will be undertaken to enhance the understanding of the society on the laws and the constitution using various media channels for effective justice system implementation. Due emphasis will be given to ensuring the citizens that the government is determined to exercise zero tolerance to corruption and malpractices. Efforts will be intensified to ensuring ethics, discipline and competence of professional lawyers to enhance their contribution in justice administration system. Finally, international treaties will be signed and ratified by taking a series of assessment studies to check their conformity with the country's National Security and Foreign Policy and their implication on the country's economic, social and political benefits.

7.2. Building Democratic System

Strategic Directions

During the GTP II period, due emphasis will be given to invigorating the capacity of elected people's representatives and the direct participation of the public, strengthen the organized public mobilization, enhance institutional capacity building, and strengthen democratic culture. Due emphasis will be given to further enhance the democratic system through strengthening the prevailing national consensus built around key national agendas. Accordingly, the House of People's Representative councils at each level of administration, the House of Federation, nationalities council, the National Electoral Board, Human Rights Commission, the Institute of Ombudsman, the Office of the Auditor General and educational institutions will play their roles in building democratic culture among citizens.

Objectives

Through building the capacity of democratic institutions and those institutions that play vital role in bringing ethical and attitudinal changes, build national consensus and deepen participatory democracy on issues of national significance and strengthen developmental democratic system by implementing effective media and communications activities.

Major Targets

7.2.1. Strengthening peoples participation

Building a sustainable democratic system and realizing the Ethiopian Renaissance will not be possible without the organized participation of citizens. The direct and representative participation of the public have had and will have a vital role in sustaining and strengthening the on-going democratic system building during the GTP II period. In this regard, during the GTP II period, a series of capacity building programs will be designed and implemented to build and enhance the capacity of Federal, Regional, zonal, city, *Woreda*, *Kebele* councils. The aim of such interventions is to enhance their capacity in legislating laws and improve their oversight role of the executive bodies. The House of Federation and nations and nationality councils will carry out their duties and responsibilities of promoting constitutional principles and their implementations, strengthening the federal system, consolidating the on-going efforts aimed at building one political and economic community and ensuring equality among nations and nationalities, ensuring freedom and equality of religion, ensuring the separation between government and religion, promoting tolerance and shared values, and exercising zero tolerance for religious extremism.

Institutions accountable to the House of People's Representatives play a significant role in building a democratic system. These institutions are the Ethiopian National Electoral Board, Ethiopian Human Right Commission, Ethiopian Institute of the Ombudsman and the Office of the Auditor General. A free and fair election is one important avenue through which democratic system is exercised and sovereign power of the people is expressed. Ethiopia has been conducting free and fair elections since 1995. The capacity of the National Electoral Board to conduct free, fair and independent elections has improved over the years. Its capacity will be further strengthened during the GTP II period to enable it undertake upcoming national and local elections effectively in a free and fair way. The Human Rights Commission has strengthened its organizational capacity to discharge its responsibility of monitoring the observance of the human rights principles enshrined in the constitution. During GTP I period, the Human Rights Commission has been monitoring the observance of human right by conducting its own investigations and based on complaints filed by citizens. The commission has conducted investigative activities particularly related to religious affairs and women and children rights. During the GTP II period the Commission's capacity will be further strengthened to carry out its mission in line with the principles enshrined in the constitution and the national policies and strategies. The Commission will also pursue strategic direction such as building institutional and human capacity to realize its mission effectively. Accordingly, the Commission will intensify its follow up and monitoring of the observance of the human rights provisions of the Constitution during the GTP II period.

The Ethiopian Institute of the Ombudsman (EIO) is a democratic institution established in accordance with the constitution to curtail and rectify maladministration committed against

citizens by government entities. Alike other democratic institution, the EIO has been carrying out its duties and responsibilities based on factual investigative reports on administrative malpractices and information received from the public on indications of the same and take corrective measures on those malpractices within its mandate and report to the House of Peoples Representatives on those beyond its jurisdiction. Thus, during the GTP II period, the institution will continue building its internal capacity and will continue undertaking investigations to exercise its role in strengthening the democratic system.

Finally, the capacity of the Federal Office of Auditor General and regional Audit capacity will be strengthened during GTP II to ensure that government affairs are more transparent and accountable, and that government finance, property and human resource are efficiently and effectively utilized for public interest only.

In addition to participation through representatives, direct organized participation of citizens in decision making processes plays a significant role in strengthening the democratic system. The organized participation of citizen based on their right for organization and association as enshrined in the constitution, will be further strengthened to enable them advance their agendas democratically and peacefully. The contributions of professional associations and mass-based associations to the development and democratization processes of the country will continue to be promoted. The role of non-government charity organizations in the country's development will also be encouraged and supported, Capacity building support and follow-up will be given to these organizations to ensure that they all operate according to the Charities and Societies Law of the country. Conducive environment will be created to ensure the exercise of constitutional rights of professional associations to enhance the participation of intellectuals and professionals in the development and governance processes of the country. Capacity building and support will be further strengthened to ensure their freedom of association. In addition, capacity building and support will be provided to mass based associations particularly for youth and women associations and business associations to enhance their contribution in the democratization and development processes. Overall, women, youth, professionals, private sector associations will be further strengthened to enable them exercise their freedom for association. These civic and professional associations are expected to contribute their part in strengthening the democratic system and ensure benefits of their members.

7.2.2. Building National Consensus

Strengthening the on-going national consensus building effort on key issues of national significance is critical for building sustainable and stable democratic system. Thus, during the GTP II period, the on-going national consensus building endeavour will be further enhanced to deepen the democratic system. In the past, particularly during GTP I period, consensus has been built on renaissance aspiration and vision, peace, development and democratic process, and on the constitutional provisions. The resultant consensus has contributed to deepening democratization. In GTP II, the plan is to further deepen and expand the scope of national

consensus. To this end, organised and coordinated nationwide outreach efforts will be made using key institutions as entry points to solidify the national consensus and thereby also the durability of the democratization process. Schools, religious institutions, government entities, civic societies and mass based associations, professional associations, research institutions, and public and private Medias will have crucial roles in solidifying the national consensus during GTP II. In particular, due attention will be given to strengthening the media and communication institutions to play their role in building national consensus.

Massive public education and awareness creation programs will be undertaken to enlighten citizens about their constitutional rights and obligations in order to enhance the democratic culture and thereby also empower citizens' play their critical role in building democracy. Civic and ethics educations will be expanded to shape the new generation with the values of the Ethiopian developmental democratic values and thereby empower them contribute their part in building the democratic system.

Building the national consensus will partly rely on effectively communicating the development and political successes thus far. But national consensus will also be wielded around the far-reaching significance of the key goals of GTP II, and hence unleashing citizens' mass mobilizations to the accomplishment of GTP II goals and targets. Overall during the GTP II period, by expanding the depth and scope of national consensus on key agendas of national significance, the durability and stability of the democratic system will be greatly enhanced.

7.2.3. Strengthening Multi-Party System

The country has witnessed the conduct of free, fair and democratic elections with high level of public participation during the last five years. A case in point is the 2015 national and regional elections, which were free and fair with very high voter turnout and which witnessed competitive participation of political parties. Organizations that undermine the peace and stability, the constitutional order and the multi-party democratic system of the country are significantly marginalised with the participation of the public. This in turn contributed to the deepening of durable and stable democracy in Ethiopia. It is therefore planned to further strengthen the success achieved in building multiparty system to enhance the durability and stability of democracy in the country during GTP II. The multiparty systems will be further strengthened by promoting the participation of civic and professional associations in fully practicing their constitutional democratic rights in a transparent and accountable manner. The government would also fulfil its constitutional responsibility of ensuring and strengthening the democratic landscape for the participation of political parties in accordance with the rule of the land towards the realization of a robust multi-party system. The government will also carry out its responsibilities in conducting free, fair and democratic local and national elections during the plan period.

7.2.4. Media

The role of media and communication in strengthening the democratic system in Ethiopia is articulated in GTP II. The media plays a vital role in realising citizens' freedom of speech, providing accurate and reliable information, and nurturing developmental democratic thoughts and values. The media can also play a crucial role in enhancing national consensus on issues of national significance and building an accurate and positive image of the country. The media has an important role in promoting the conduct of free, fair and democratic elections. Thus, during the plan period, capacity building and support will be given to private and public media so that they become empowered to deliver reliable and accurate information on current and significant affairs to the public. The government will regularly conduct consultations with the private media in an effort to strengthen its capacity and support its development. GTP II accords emphasis to building the organizational management and leadership capacity as well as the technical manpower competence of the public media. It is planned to modernise its technology and its capacity to utilize such modern media technologies. These interventions would lead to an increase in coverage and quality of the public media. The public media will continue contributing its part in building the democratic system through organizing and conducting debates and discussions among political parties and various public and professional associations. The media is also expected to play its role in strengthening national consensus and building a positive national image of the country. In a nut shell, during the GTP II period, the media management and professional capacity, as well as use of modern technology will be enhanced in order to improve the coverage and quality of the media, and thereby also enable it play its vital role in building the democratic system of the country.

VIII. Cross Cutting Issues

8.1. Women and Youth Empowerment

Strategic Directions

Three strategic directions are articulated with regards to women and youth empowerment, and in benefiting from the outcomes during GTP II: (i) Strengthening women and youth organizations; (ii) Ensuring the active participation of these women and youth organizations in the development and governance programs of the country, and ascertain equity in benefiting women and youth from the resultant development and governance outcomes; (iii) Establish coordination of these organizations with other concerned bodies working in women and youth affairs at all levels. Following these directions, women and youth agendas will be mainstreamed in all programs and implemented accordingly. GTP II envisages the establishment of a transparent accountability mechanism of this mainstreaming and implementation processes of women and youth agendas. Women and youth would be empowered to take part in the struggle against poverty reduction by enabling them to participate at different level of the country's economic, social and political activities. Many sectors that institutionalised the mainstreaming of women, children and youth agendas and effectively advance the agendas would be shaped. Attitudinal and mind set changes would be fostered with respect to protecting the rights and welfare of vulnerable children and societal participation in women, children and youth affairs. Conducting awareness and mobilization works, enhancing the capacity of the sector and partners to achieve the sector's mission and vision are also key strategic directions of the sector.

Consistent with the above strategic directions, strengthening women and youth associations through enhancing women and youth empowerment as well as eliminating violence against women and children and harmful traditional practices through ensuring women's and child rights and wellbeing; creating an enabling environment for the establishment of women's clubs/ forums in all universities to enhance female participation and success in higher education are the focus areas of the plan.

Similarly, reducing maternal and child mortality rate through promoting family planning services, ante and post-natal care services, raising the awareness of mothers on delivery by skilled personnel, child feeding and health care as well as the influence of climate change; promoting pre-examination to breast and cervical cancer will also be the focus areas of the plan. In addition, data management system of the sector will be improved by establishing and linking children's data base with federal and regional institutions to promote children's social benefits.

Objectives:

The Objectives of the sub sector plan are ensuring equal participation and benefit of women and youth in political, economic and social development through empowering women and youth and creating conducive environment to ensure their full participation in fulfilling their pivotal role in national development and ensuring child rights and wellbeing.

Major Targets:

8.1.1. Develop Women empowerment, participation and ensure their benefits

Women will be active and vanguard participants in building democratic system and good governance as well as in economic, social and cultural developments and climate change activities and benefit from the resultant outcomes by enhancing their overall capacity. Due attention will be given to implement women's development and growth package aligned with the current plan. The different economic and social sectors will take into account women equity and empowerment. Women will benefit from credit and saving services by organizing themselves into social cooperatives or joint venture associations.

Ensuring gender equality at all educational levels, creating conducive environment for female students, increasing number of female teachers, increasing gender equality in employment, ownership of land and other fixed resources, eradicating harmful traditional practices, and increasing women's equal participation in political and decision making processes will be given due attention. To improve economic benefits of women and ensure gender equality, the post 2015 sustainable development goals and regional (continental) goals will be aligned with the country's context and strategic areas and implemented accordingly

With regard to the economic benefits of women, during the second growth and transformation plan period, 4.13 million women small enterprises, 1.79 million women self-help groups and 5 million women social cooperative works will be promoted. In addition, 8.1 billion birr saving will be mobilized by enhancing saving culture from 6.2 million women, while 2.24 million women will get 8.04 billion birr in credit service. Overall, it is planned to increase women's participation in the micro and small scale enterprises from 41.47 percent in 2014/15 to 50 percent by 2019/20.

With regard to women's engagement in agriculture, women's participation will increase from 27 percent to 50 percent by engaging 10.1 million women in agricultural and 1.5 million women in non- agricultural activities. This will ensure land use right of all female headed households. About 5.8 million women will be able to have access and use relevant technology. In addition, training will be given to 36,000 vulnerable women from 30 *Woredas* that are vulnerable to environmental changes to enable them benefit from agriculture and environmental conservation activities.

Capacity building training, material and financial support will be given to 55,000 female students' from higher education institutions and 50 girls' associations/clubs to reduce university girls dropout rate due to financial constraints. 10 hostels already built in different regions will be strengthened through material and financial support. In order to improve the participation of women in decision making positions, it is planned to increase the proportion of women in legislative bodies, executive bodies and judiciary from 38 percent, 9.2 percent and 35 percent in 2014/15 to 50 percent, 30 percent and 35 percent by 2019/20, respectively. With regard to

protecting the right of children, 50 percent of new born children will get birth registration certificate through vital registration system. Three digit telephone lines (hot line) will be established at federal and in 6 regional cities to support the protection of children from abuse and favourable conditions will be created to establish child friendly special courts.

8.1.2. Develop youth empowerment, participation and benefits

Given that the youth are today's young development and democratic forces and future leaders of the country, due emphasis will be given to enable them acquire the required capacity that has been shaped and developed through education. The youth will be an active and vanguard participant in the country's democratic system, good governance, economic, and social and cultural activities. The youth would be empowered to equally benefit from the resultant outcomes by enhancing their capacity. Due attention will be given to implement youth development package aligned with the current development plan. The youth agenda will be further integrated into the different economic and social development sectors. The youth will benefit from credit and saving services by organizing themselves into social cooperative associations. All round support will be provided specially to youth who graduate from different higher learning institutions and TVET programs to engage in the productive sectors of agriculture, manufacturing and digital technology. These youth would become the source of the country's future developmental entrepreneurs and investors. With regard to empowering youth and enhancing their benefits, the post 2015 development agenda, other global and continental commitments will be aligned with the country's strategic directions set under the respective sectors development plan and implemented accordingly.

With regard to increasing the economic benefit of youth, 7.43 million youth will be engaged in small and micro enterprises and 1.35 million youths will be organized and benefit from social cooperative associations. In addition, 12.5 billion birr will be mobilized in saving through increasing the saving capacity of 2.5 million youth. On the other hand, 10.98 billion birr loan service will be given to 2.19 million youth. Business premises will be made available for production purposes, while market linkages will be created for 2 million youth. Accordingly, it is planned to increase the rate of youth participation in micro and small enterprise from 59 percent in 2014/15 to 90 percent by the end of the plan period. Similarly, it is planned to increase the beneficiary of youth from 10 percent to 30 percent by engaging 4.32 million youth in agriculture and 3.64 million youth in non-agricultural activities.

Implementation Strategies:

Women and youth would be organised as development army at different levels, and mobilised to serve as the driving forces in the implementation of the GTP II. Since the issues of women, children and youth affairs require multi sectoral responses, cooperative, collaborative and concerted effort will be carried out during the plan period. Due emphasis will be given to resource mobilization for the development of the sector by designing different climate change and gender related programs and projects. Best practices in the sector will also be organized and

scaled up more efficiently. In addition, due emphasis will be given to generating data, use and expand the accessibility of reliable data and establish modern data base management system by conducting studies. To ensure the timely implementation of women and youth oriented programs and the participation and beneficiary of women and youth as well as the protection of the right and welfare of children, strong monitoring, support, evaluation and feedback system will be developed.

8.2. Environment and Climate Resilient Green Economy

Strategic Directions

During the second Growth and Transformation Plan (GTP II) period, creating an organizational structure which helps realize the stated goals of the sector, mobilizing human and financial resources including technological capabilities for climate resilient green economy are priorities of the sector. In order to develop, protect, conserve forests and the environment, organizing the community in to developmental army and involving them in agro-forestry development will be important areas of emphasis. The contribution of the public, stakeholders and development partners in the sector's development will be promoted to realize economic and ecological benefits. Moreover, special emphasis will be given to women and youth mainly to ensuring their benefits from forestry development and natural resources conservation. Technological and technical support will be provided to pastoral communities to ensure that benefits from environmental and forest development activities are properly targeted. Moreover, favourable environment will be created for the private sector to play a role in modernizing the forestry sector. Efforts will also be exerted to improve or create forest products marketing chains and enhance their economic contribution in terms of value addition and employment generation.

To mitigate environmental pollutions which arise from urban expansion, change in life style and industrial growth, appropriate systems and measures will be established. Efforts will also be made to implementing Climate Resilient Green Economy (CRGE) at all levels.

Objectives

The main objectives of the sector during the GTP II period are: ensuring environmental safety in the course of rapid and sustainable economic growth (vision to become a lower middle income country by 2025); ensuring CRGE strategy is implemented in all sectors to increase socioeconomic and ecological benefits of forests through improved forestry development, conservation and utilization.

Main Targets

8.2.1 Building Climate Resilient Green Economy (CRGE)

The major strategic focus of GTP II is building climate resilient green economy. In line with this, intervention targets are set for the sector. Accordingly, awareness raising activities on CRGE will be undertaken for effective involvement and participation of about 20,000,000 members of

the community. Besides, knowledge and skills of 10,875 executive bodies that are engaged in CRGE and other sustainable development activities will be enhanced. Financial sources which enable build climate resilient green economy will be mobilized. In order to ensure benefits from green technologies for better achievement of CRGE and sustainable development endeavours, support will be provided to 100,000 households. In addition, 147 million metric tons of Greenhouse Gas Emissions (GHE) will be reduced through coordinated and supportive actions on those sectors which are identified under CRGE strategy. Emission target will be strict on all green economy related sectors, specifically on soil, livestock, forestry, energy, transport, industry and urban development.

On the other hand, as a mitigation measure to environmental pollutions which arise due to industrial and urban expansion as well as mode of life, about 200 ton of dangerous chemicals will be removed safely, while 50 polluted areas will be cleared. Necessary measures will be taken to create clean and green environment in 150 towns with inhabitants of more than 2000 people and make sure that citizens are living in clean and healthy environment.

8.2.2 Forestry Development

Efforts will be made to increase forest contribution to the economy and ecology, through sustainable development and conservation activities. Accordingly, through initiating identification, demarcation, registration and protection of forest resources and also undertaking research-based forestry development; the national forest coverage will increase from 15.5% in 2015/14 to 20% by the end the GTP II period. Systems and measures will be developed on environmental rights, forestry devolvement and conservation. To enhance the socioeconomic contribution of the sector and environmental development, licenses and certificates will be issued to 16,950 development actors. Monitoring and follow up activities will be undertaken for proper implementation of environmental laws and 20 reports will also be prepared on the same. To ensure public benefits in the areas of environment, forestry development, conservation and utilization; decentralized, participatory and local based environmental conservation systems will be developed.

Modern data base centre, which helps in planning, implementing and monitoring environmental and forestry development will be established and eight international and local status reports will be prepared. To prepare scientific and reliable national environmental and forest development plans and research, it is planned to establish three information systems which provide updated information to environmental and forest researchers and communities.

Implementation strategies

A. Implementation capacity building program

For the successful achievement of planned targets, capacity of relevant institutions in planning, implementing, monitoring and evaluation of the sector will be strengthened. To establish

environment and forestry structures across all regions, organizations and administrative levels, strong follow up and monitoring activities will be conducted. Support will also be given to effectively implement CRGE down to the grass root levels for all sectors or agencies. To identify regional capacity gaps and technical limitations, need assessment studies will be conducted. Identification and fulfilment of necessary inputs and materials will be enhanced. In connection with forestry development, protection and utilization, various need based short and long-term training will be designed and offered. Special attention will be given to strengthening the capacity of all regions and executive agencies to mobilize financial resources and to efficiently implement projects. Moreover, effective monitoring and evaluation systems will be established and strengthened.

B. Building Climate Resilient Green Economy (CRGE)

To enable each sector implement Green House Gas (GHG) emission reduction programmes, support for the preparation of action plans and monitoring activities will be provided including sufficient budget and capacity building assistance to each sector, mainly, in the context of attaining emission reduction targets. In order to measure the amount of GHG reduced by each sector, measuring equipment, reporting and verification systems will be established and implemented.

To mitigate climate change impacts, effective participation, plan integration and harmonization as well as necessary strategies will be formulated and implemented. Follow-up activities will be conducted on 20 nationally agreed climate change adaptation tasks. In addition, to ensuring sustainable implementation of climate change programmes by all stakeholders at all levels, five status reports will be produced.

Moreover, efforts will also be made to coordinating sectoral, regional and other implementing bodies, mainly in mobilizing sufficient finance from domestic and international sources. In addition, strong participatory systems will be established across all stakeholders to enhance the participation of women, youth and private sector at all levels.

C. Forestry development

To strengthen forestry development, conservation and utilization at all levels; relevant training, education and research needs will be identified and provided. Effective systems and strong collaboration will be created with institutions which provide education and training with particular focus on executive agencies. Actions will be taken to promote and disseminate knowledge and technology generated from need based research through demonstration and extension. Moreover, to assist and coordinate need based forestry development and conservation, research centres and laboratories will be established. Disease and pest control measures will be undertaken specifically on imported tree seeds and forest products. Challenges arising from pest,

disease, forest fire, invasive species and climate change related hazards will be mitigated through applying research findings.

A number of forestry development packages, manuals and training will be prepared and promoted. Necessary support and information (such as land availability, technical, legal, marketing, loan, insurance etc.) will be made available to private investors and cooperatives interested in forestry development. In connection with scaling up best practices, identifying and protecting tree species, tree seed zones, seed tree species and species-site; identification manuals and maps will be prepared and used. Systems will be established for national/central tree seed supply and distribution. In addition, tree seed selection, collection and handling protocol will be developed. Similarly, to improve urban forestry and expand its development; forest management actions will be taken in 11 regional towns and forest management plan will also be prepared on 3.4 million hectares of productive forests.

Participatory and decentralized systems of environmental and forestry development, conservation, utilization and safety measures will be prepared. Adequate awareness raising activities on forestry policy, strategy and laws will be conducted for managers, experts and community members at all levels. Besides, monitoring and evaluation will be conducted to ensure that interventions are in compliance with development policies, proclamations, regulations and directives. Environmental impact assessment (EIA) will be conducted on new and on-going projects and strict monitoring and evaluation activities will be carried out to check whether or not projects are being implemented in accordance with environmental laws.

8.2.3. Wildlife Conservation & Development

Strategic Direction

During the plan period, wildlife protection, conservation of parks and environment, developing infrastructure will be given emphasis. In collaboration with regional states, communities and stakeholders new wildlife zones will be demarcated and legalised taking in to consideration ecosystems and natural landscape features. Illegal actions on wildlife will be strictly monitored. To ensure socioeconomic and ecological benefits from wildlife conservation, national and international conventions will be strictly observed and implemented. Priorities are also given to developing consumption and non-consumption benefits from protected wildlife zones such as: hunting, ranching, livestock rearing sell of animal and animal by-products, eco-tourism, filming, photography and sightseeing; necessary actions will be taken to make them sustainable and internationally competitive sector in the country.

Integrated participatory actions will be taken to actively involve the communities and stakeholders to study, demarcate, develop, conserve and properly benefit from protected wildlife zones. Need based research and studies will be conducted aimed at mitigating conflicts of interests among human and wildlife zones. Priorities are also give to study the impact of climate

change and similar incidents on wildlife and their ecosystems and implement accordingly to enhance the benefits to be generated from the sector.

Objectives

The major objectives of the sector during the GTP II period are: increasing foreign currency contribution of the sector to economic development, promotion and advertising works on the natural beauty of protected wildlife areas of the country; developing, conserving and protecting wildlife ecosystems to make them safe and suitable places for wildlife and ecosystems and there by enhance their contribution to CRGE implementation; increasing benefits to those communities living inside and outside demarcated wildlife areas and contribute to poverty reduction endeavours of the country; Conducting problem-oriented studies & research which contribute to sustainable wildlife & ecosystems conservation, development & protection in the context of CRGE implementation.

Major Targets

To develop wildlife areas, reducing GHG emission & increasing CO₂ sink, it is planned to reduce illegal action on protected areas by 80% during the plan period. The current level of 114 ton CO₂ emission will be reduced by 50% annually. In collaboration with stakeholders, five new wildlife areas will be demarcated & legalised. In addition, six protected wildlife zones which have unclear boundaries will be demarcated & legalised. Management plan will be prepared for ten protected wildlife areas & those communities who live inside three national parks will be settled outside the parks through providing them with alternative means of livelihood. In addition, the coverage of necessary infrastructure facilities in national parks & protected wildlife zones will reach 70% by the end of the plan period. Moreover, rehabilitating protected wildlife areas & developing CO₂ sinks will increase by 30% from existing 121.86 billion ton. A unit will be established to follow up and resolve conflicts of interests among wildlife & human settlements. Efforts will be made to register one protected wildlife area as World Natural Heritage Site. On the other hand, three rare animals that have escaped from protected areas will be reared and/or multiplied.

Implementation Strategies

Considering multi-sectoral approaches, the sector's implementation capacity will be enhanced through better organisational arrangement, scaling up good practices, knowledge and skills development on human resources. Increasing community benefits through developing CO₂ emission free areas and expanding ecological/geographical services will be emphasised. Strong integrations and participation mechanisms with communities, stakeholders and donors will be created and implemented. Wildlife studies, research, tourism, marketing & information systems will be developed and strengthened.

8.3. Sport Sector

Strategic Directions

Capacity development of the sector at different levels, improving organizational structure of sport associations, expansion of sport facilities, enhancing the participation of investors in the development of sport and physical education, expanding adolescents and sport professionals trainings, enhancing the participation and the beneficiary of the community by organizing tournaments and festivals are the major strategic directions of the sector.

Objective

The main objective of the sport sector is to enable the public to participate and benefit through capacity development of the sector and to produce top class youth sport personnel at the international forum.

Major targets

Various targets have been set by giving special emphasis to the development of the sector to bring significant change during the second growth and transformation plan period. It is planned to increase the participation of investors in sport investment from 115 in 2014/15 to 444 by 2019/20. Similarly, the number of sport centres and sport training centres will increase from 12,428 and 9 in 2014/15 to 40,000 and 22 by 2019/20, respectively. In addition, it is planned to increase the number of experts through education and training programs, enhance the participation of the youth and elite sports personnel in 17 different fields. Moreover, efforts will be made to reduce and ultimately phase out the dependence of the sport sector on government subsidy by diversifying the income base of the sector gradually.

Implementation Strategies

To realize the goals of the sector, sport facilities will be expanded and their legality ensured; sport participation and effectiveness will be enhanced; education and training will be strengthened and integration of crosscutting issues will be implemented. In addition, effective communication systems will be implemented and the public will be motivated and collaborative work will be strengthened.

8.4. Strengthening social welfare and security

Strategic Directions

The main strategic directions to be pursued in this sub-sector are ensuring equal benefits of disabled and elderly people from social and economic sectors by conducting different studies and research works and through establishing social welfare system and expanding social security services to benefits vulnerable groups of the societies.

Objectives

The major objective of social welfare sub-sector development plan is increasing the benefits of disabled and elderly people as well as citizens by expanding social security service coverage.

Major Targets:

To achieve the objectives of the sub sector's development plan different targets are set. It is planned to increase legal frameworks and implementation guidelines that enable to increase social welfare schemes from 66 in 2014/15 to 243 by 2019/20 and by establishing social security management information system Community Care Coalitions (CCC) which are organized by public participation to render them accessible; social security service will expand from 1590 *Kebeles* to 17,388 *Kebeles*. Social and health security will be ensured for the elderly by working together with stakeholders that provide social security services. Efforts will be made to expand social services which are provided by non-government organizations and associations. A system will be established to use the knowledge and experience of elderly people for the development of the county and building democratic system.

Moreover, it is planned to increase the number of citizens who benefit from social safety net from 440,000 in 2014/15 to 886,000 by 2019/20 and to increase the number of citizens who benefit from psycho-social counselling and support services from 167,880 in 2014/15 to 795,293 by 2019/20. Similarly, it is planned to enhance the inclusion of disabled people in social and economic affairs and benefit from prosthetic and orthotic support. It is also planned to increase the number of citizens who got physiotherapy and other services from 236,191 to 613,774. Social security coverage of private employees will expand from 850,713 in 2014/15 to 1,400 713 by 2019/20, and additional 53 harmonized and organized social protection service platforms will be established at federal and regional levels.

Implementation Strategies:

Different strategies are pursued during the plan period. Special needs education strategy will be implemented to encourage disabled people to fully participate in the country's political, economic and social activities and to provide opportunities of education for children who are out of schools and who needs to attend special needs education. The participation and benefit of disabled people will be enhanced by ensuring the right of people with disabilities to have equal job opportunities. Efforts will be made to remove barriers that hinder the activities of people with disabilities in workplace, residential areas, recreation centres, health institutes and other places. Special attention will be given to achieving social related post 2015 Development Agenda and other International and continental Development Programs. In addition, public participation will be enhanced by strengthening the existing community based coordination and establishing a new one, collaborative work will be carried out with stakeholders who provide social security services and international development stakeholders will be coordinated to provide technical and financial support to produce and equip human resources of the sector both in number and type.

8.5. Labour Affairs

Strategic Directions

The main strategic directions of the sub sector's development plan are closely monitoring working conditions based on protection so as to secure peaceful industrial relation at work places and expanding occupational safety and health services, strengthening bilateral and multilateral cooperation and social consultation systems, creating safe working condition, protecting illegal human trafficking and building institutional capacity.

Objectives:

The main objectives the sub-sector's development plan are to ensure industrial security by creating safe working conditions and to balance demand and supply of the labour force through expanding employment and job market information services.

Major Targets

To achieve the sector's development plan objectives, different targets are set. National occupational safety and health service system (establishing occupational safety and health institute and implementing five sectoral programs) will be established and implemented, occupational safety and health care extension services will be made accessible to 30 percent of informal economic sectors.

Labour affairs administrative information system will be established and implemented at federal, regional and city administration levels. Similarly national labour data will be organized and availed for users. It is also planned to increase the number of labour disputes resolved through dialogues and discussion from 60 percent in 2014/15 to 75 percent by 2019/20. In addition, employer and employee affair trilateral consultation board will be established and implemented in 9 regions and 2 city administrations. The incidence of death in workplace will be reduced from 60/100,000 workers in 2014/15 to 30/100,000 workers by 2019/20. Similarly, incidences which do not result death will be reduced from 25,000/100,000 workers in 2015/16 to 10,000/100,000 workers by 2019/20.

The coverage of working conditions control and the preparation of key labour market indicators (KILM) will increase from 151,358 and 9 in 2014/15 to 488,378, and 16 by 2019/20, respectively. It is also planned to expand the coverage of data collection of employed labour force from 10 percent in 2014/15 to 50 percent by 2019/20. Moreover, by providing employment support, it is planned to increase the number of employed citizens from 5.28 million in 2014/15 to 12.06 million by 2019/20 and contribute for the reduction of unemployment. Similarly, it is planned to provide support for Ethiopian citizens who want to work abroad and protecting their right and welfare. The licensed employed foreign citizens will increase from 150,308 in 2014/15 to 280,308 by 2019/20, which could facilitate knowledge and technology transfer to the country. In addition, to reduce the problem of illegal human trafficking, the number of people who get

awareness raising education will increase from 19.36 million in 2014/15 to 45.632 million by 2019/20.

Implementation Strategies

Through conducting research and studies, relevant policy and legal frameworks and action plans will be prepared and implemented. Employer and employee affairs proclamation will be revised to support fast industrial development and growth in the country by making the relationship between employer and employee more rational and developmental. Working conditions monitoring service will be strengthened to ensure the implementation of the law.

In addition, partnership and collaboration will be strengthened with partners and stake holders. Change army of the sector will be established. The security of industry will be maintained by addressing labour disputes through bilateral and trilateral dialogue and discussion systems. Efforts will also be made to increase productivity and competitiveness of markets by implementing technology efficiently and effectively.

8.6. Population and Development Issues

Strategic Directions

To realize the objectives stated in the national population policy, coordinating the implementation of population activities to be undertaken by federal coordinating and implementing sectors through adequate integration of population issues into sectoral development plans, enhancing access and utilization of population data, strengthening family planning services and women's participation in education as well as enabling relevant sector institutions work together in a coordinated manner to improve environmental sustainability are the strategic direction of the sector.

Objectives

Strengthening measures taken to balance population growth rate with the growth of the economy; strengthening measures taken to maintain the current declining trends of fertility; creating balancing situation between demographic variables and social, economic and environmental goals; making population and development data more accessible for preparation of reliable development plans and subsequent monitoring and evaluation at all levels and strengthening the participation of NGOs and civil societies are the main objectives of the sector.

Major Targets

Meeting population and development targets depends on the performance of stakeholders and implementing bodies mainly working on education and health sectors. Thus, targets set are in accordance with this perspective. Accordingly, based on the medium variant population projection by the Central Statistical Agency (CSA), the total population of Ethiopia will increase from 89 million in 2014/15 to 99.8 million by 2019/20 and population growth rate is projected to average 2.3 percent during the same period. In addition, dependency ratio will decline from 77

percent to 70 percent and the share of urban population will increase from 19.5 percent in 2014/15 to 22 percent by 2019/20.

Implementation strategy

To achieve the objectives and targets set for population and development during the plan period, the capacity of professionals will be enhanced in data collection, preparation and analysis. Policy oriented research needs will be identified. Population and development research agenda will be prepared in collaboration with higher education and research institutions. Population and development planning will be enhanced by improving the skills and technical capacity of experts of implementing institutions in population program management. The national population policy will be implemented in a coordinated manner by involving all stakeholders working on population and development issues.

IX. Opportunities and Threats

The unique feature of the first Growth and Transformation Plan was that it included a number of mega infrastructure projects that have national and regional significance, such as the Great Ethiopian Renaissance Dam, Railways, and Gilgel Gibe III. These have been continuous source of motivation and encouragement and helped boost public confidence in the nation's capacity to manage mega projects of the kind launched during GTP I. A sense of aspiration to think and accomplish big in our planning endeavour has been created.

The implementation process of GTP I (2010/11- 2014/15) had stimulated high level of public participation and shared development spirit on key development issues of national significance. The launching and implementation of natural resource management and water shade development within the framework of developmental army undertaken in a structured and coordinated manner have been the key lesson drawn during implementation. On the other hand, during the past several years global economic growth slowed down coupled with volatility of prices. During the first two years of GTP I (2010/11 and 2011/12), world food and oil prices picked up significantly. These coupled with the economic stagnation in the developed world particularly that of the western economy have negatively impacted domestic prices and export growth.

The slowdown in the global economy and global price volatility would be a threat to economic growth in our country. The Ethiopian economy is still vulnerable to global shocks. Despite the fact that there are some envisaged opportunities, the slowdown in the world economy and volatility of prices could be a source of threats during the next five years and beyond. Accordingly, opportunities, threat and mitigation strategies during the GTP II period are outlined below.

9.1. Opportunities

There is government commitment to maintain the sustainability of the results achieved during the preceding years and to bring about economic transformation. This has been and is revealed by pursuit of appropriate development policies, strategies and programs. Lesson drawn from implementation of GTP I by developmental stakeholders through public mobilization has produced favourable environment for implementation of GTP II. During the past two decades, nationally organized and coordinated development works have registered remarkable achievements in economic growth, social and infrastructure development and developmental good governance. As a result, the image of the country has begun to change for the better. This in turn, has helped attract foreign direct investment and intensive utilization of the available investment opportunity is crucial for the realization of the objective of GTP II.

The capacity being created to supply mid-level trained human power through the on-going TVET programs, potential market opportunities for manufactured products worldwide, market opportunities through the recently renewed duty free access to USA markets through the African Growth and Opportunity Act (AGOA) as well as access to European markets through the

EU's Everything But Arms (EBA) initiative need to be exploited in the course of implementing GTP II. Utilizing these market opportunities are important avenues for the realization of the envisaged huge expansion of agro-processing based manufacturing exports and export diversification. Effective utilization of these opportunities will enable the country to produce more in terms of quantity and quality than the achievements during the first Growth and Transformation plan (GTP I).

9.2. Threats/ Risks

Threats are obstacles towards implementing the plan; so mitigation strategies need to be put in place ahead of time. The potential threats/risks include the following, among others: availability of development finance both in terms of quantity and quality remains to be one of the key risk factor. The other risk factors include vulnerability to drought, rent seeking both in terms of attitude and practice, limitation in implementation capacity as the economy gets bigger and more complex, weak and less transparent marketing systems which prevent producers and consumers from mutually benefiting from the exchange system, possible slowdown in the world economy which may potentially have a negative impact on the performance of export earnings.

9.3. Risk management strategies

First and foremost, utmost utilization of all available opportunities is a key mitigating strategy. In this regard, the key resource that the nation has to primarily rely on to sustain the on-going development effort is our people. There are already organized and coordinated structures that enable mobilize people to realize our development objectives. Mobilization of resources by galvanizing our people through community participation is an important complement to budgetary financing. To reduce vulnerability to drought, building on the lessons drawn from the achievements in the area of natural resource management and watershed development during GTP I implementation, best practices will be scaled up and replicated across the country to help mitigate vulnerability to drought. This, coupled with, the on-going irrigation development (both small scale and large scale) would help reduce vulnerability to drought. Every effort will be made to fighting corruption and rent seeking in a more structured, organized and coordinated manner focusing on both government and private structures through enhancing public awareness and educating citizens during the period of GTP II. High priority will be given to build implementation capacity both at macro and sector levels during GTP II period.

Notwithstanding the difficulty to overcome the influences of global price instability and its negative bearing on the Ethiopian economy, the country has to devise its own risk mitigating strategies well ahead of time. To this effect, export diversification in kind, quantity, quality and price so as to raise the competitiveness of the country is well underway. Besides, import substitution strategy will be implemented taking into consideration the capacity of the manufacturing industries to substitute imported merchandise goods with locally produced goods. In addition, utmost emphasis will be given for agricultural supply by increasing the productivity

of the sector to meet domestic food demand as well as raw material supply for light manufacturing industries. Besides, special emphasis will be given to export agricultural products in kind, quantity, quality and price to enhance the competitive advantage of the nation in the global market.

X. Monitoring and Evaluation System of GTP II

As indicated in the first Growth and Transformation Plan, the main objective of the national monitoring and evaluation system is to follow up and assess the implementation of the five year national development plan which is prepared based on the development policies and strategies at macro and sectoral levels. This enables to properly manage the development process by taking appropriate and timely measures on issues which call for remedial actions.

Thus, in addition to the follow up of the second Growth and Transformation Plan, using survey/census data from the Central Statistical Agency and administrative data from sectoral executive bodies, an action plan will be prepared to conduct field visits which will particularly focus on monitoring the implementation and performance of mega projects.

The National Planning Commission (NPC) is mandated to lead and coordinate the planning, monitoring and evaluation system of the country. In the next five years (2015/16-2019/20), efforts will be put to strengthen the national monitoring and evaluation system by identifying existing shortcomings and gaps at various administrative levels so as to manage the country's economy in a coordinated and integrated manner. Strong emphasis will, therefore, be given to strengthening the national M&E system so as to produce and analyse timely, complete and credible data from surveys and administrative sources as well as prepare and disseminate M&E reports to users.

To this end, in the coming five years, measures will be taken to strengthen the institutional structure, organizational arrangement and manpower capacity of the national M&E system through conducting diagnostic studies and assessments. In addition, focusing on the second National Statistical Development Strategy (NSDS II) and in line with the GTP II goals and targets, strong support will be provided to managing, organizing, analysing and timely dissemination of M&E information. Schedules and content standards will be set for M&E reports which will be prepared by stakeholders at different administration levels.

Field visits which will focus on mega-projects and require a full-fledged action plan will be managed by the National Planning Commission (NPC) in collaboration with stakeholders and other executive bodies. Based on the information gained from field visits, supports will be given to various implementing bodies. In addition, studies will be conducted on selected sector programs to draw lessons and best practices and the lesson drawn from the studies will be used as input for policy analysis. Besides, monitoring and evaluation of mega-projects will be conducted with the involvement of higher government officials.

During the GTP II period, based on the second National Strategy for the Development Statistics timely, complete and quality M&E data will be collected and analysed. It will be used as input at different levels of decision making. In doing so, efforts will be made to reinforce the country's

statistical capacity in general and build the capacity of the Central Statistical Agency in particular.

Finally, monitoring and evaluation reports of the plan will be prepared and presented to the Planning Council for discussion and the report will be approved after incorporating comments/feedbacks and enriching the document based on the comments and feedbacks from the Council.