CPIA Detailed Report

Country: Ethiopia

Exercise Year: CPIA Exercise 2023

Currency: Ethiopian Birr (ETB)

City: Addas Ababa

Income Group: Low income

Lending Category: IDA

Final CPIA Score: 4.236

(A) Economic Management

Cluster Score: 4.333

01. Fiscal Policy

Criteria Score: 5

1. Fiscal Policy

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

Ethiopia’s fiscal policies have been consistent with macroeconomic stability. Fiscal balance has been financed in a non-inflationary way and consistent with adequate credit for the private sector and a sustainable path of public debt. Public expenditures and revenues have adjusted to shocks without jeopardizing the quality and quantity of public goods produced, and the provision of public goods has been adequate to support medium-term growth. Anchoring on the macroeconomic stability, Ethiopia’s fiscal policy focuses on expanding growth, enhancing pro-poor social spending programs and safety nets, including spending on education, healthcare, agriculture and water and roads infrastructure and energy generation, along with a stable macroeconomic environment.

The budget classification of the 2022 Public Expenditure and Financial Accountability (PEFA) Assessment of Climate Response Public Financial Management does not allow for accurate tracking. The lack of public budget tracking or coding system that identifies spending linked to climate change mitigation and adaptation, makes it difficult to determine the overall climate change-linked expenditures and to unpack the activities funded. Therefore, it is difficult to determine the extent to which climate change related expenditures contribute to or discounted from fiscal discipline. It is not possible to monitor the implementation of climate-related expenditure. However, many stakeholders adopted monitoring and evaluation framework to conduct the projects and programs of the climate change. Furthermore, the budget is relatively well aligned with climate change strategies. To overcome the public budget tracking challenge, an easy-to-use climate finance tracking and information management system that adopts global climate finance classifications is needed to record climate change linked expenditure by the public sector and development partners.

Increasing tax revenue to finance a larger share of public expenditures from domestic resources is a key objective of fiscal policy. As the result, tax revenue increased its share in the domestic revenue from 52.5% in 2002/03 to 71% in 2020/21, lower compared to 78.9% in 2019/20. Despite the impact of COVID, Russia-Ukraine war and the ongoing conflict, Ethiopia managed to collect Birr 540 billion in domestic revenues in 2021/22 (representing 21.5 % annual growth). On the other hand, tax revenue increased by 22.9 % due to improved tax collection and tax administration. This represents 88.5 % of total domestic revenue. About 54.8 percent of tax revenue was collected from indirect taxes thanks to better performance of both domestic and import taxes.

Ethiopia has potential to scale up its tax revenue collection to boost domestic revenue and improve the fiscal space, as Ethiopia’s tax-to-GDP ratio decreased (from 9.8% in 2020/21to 7.1% in 2021/22) and below 10% and has not matched the pace of economic growth, below 17% for Sub-Saharan Africa (SSA). The narrow tax revenue underscores the potential for increased domestic revenue mobilization through tax administration improvements, formalizing business transactions and revisions to excise tax and VAT.

Since 2005, the GoE has prioritized infrastructure and pro-poor spending, which accounted for an estimated 60% of the government expenditure in 2020, an increase comparing to 55% and 34.4% of 2021/22 and 2022/23 respectively. The 2021/22 federal budget allocation between capital and recurrent expenditure has not changed much from the previous year. The share allocated to capital expenditure is 53.1%, while the remaining 46.9% is allocated for recurrent expenditure. Furthermore, 36.3% for regional subsidies (grants) and 2.1% for capital projects towards achieving the Sustainable Development Goals. The increase in capital expenditure means that the government is prioritizing towards investments on capital and improved service delivery in the regions (to meet the increasing humanitarian needs of a conflict- and drought affected population, and for rehabilitation of conflict-affected areas).

In line with the fiscal consolidation strategy to stabilize public debt, the overall fiscal deficit including grants increased to 4.2% of GDP in 2021/22 from 2.8% in 2020/21, reflecting the effects of the civil war that pushed defense expenditure to 1.7% of GDP in 2021/22 from 0.9% of GDP in 2020/21, as well as increased spending on humanitarian assistance and reconstruction. However, the COVID-19 pandemic and internal conflict had a negative impact on the deficit, expanding from 3.8% in 2019/20 to 4% and 4.5% of GDP in 2020/2021 and 2021/2022 respectively. The fiscal deficit has further widened due to a decline in foreign assistance and the challenge of increasing resources mobilized domestically. Fiscal discipline of the 2022 PEFA is weakened in such that asset register is in a nascent stage and is managed in a decentralized manner. It does not contain climate-sensitive information (CRPFM-6). Furthermore, the government does not produce a report that consolidates climate-related fiscal risks. Quarterly debt reports are produced but do not contain climate-sensitive debt information (CRPFM-7). Likewise, the system for tagging climate-related expenditure is not yet in place, making it difficult to monitor the implementation of climate-related expenditures.

The sustained high growth registered over the past decades, mainly driven by the public investments financed through borrowing caused macroeconomic imbalances (high inflation, foreign currency scarcity, rising public debt, low productivity, as well as the structural rigidities), hence widened the fiscal space.The public sector-led growth model and low domestic revenue mobilization has led to a raise in public debt. In June 2022, Ethiopia’s PPG debt was estimated at US$ 57.3 billion (50.3% of GDP), compared to US$ 55.6 billion (50.4% of GDP) in June 2021. External PPG debt was US$ 27.9 billion (about 24.5% GDP), a decrease from US$29.5 billion (about 26.8% GDP) in June 2021; domestic debt was US$ 29.4 billion (25.8% of GDP) from US$ 26.1 billion (23.7% of GDP).

In January 2021, the Government launched the Ten-Year Development, 2021-2030 with the vision is to make Ethiopia an “African Beacon of Prosperity” by creating the necessary and sufficient conditions for increased and quality investments by both the public and private sectors. The Ten-Year Plan is envisaged to provide the overarching longer-term plan to underpin the medium-term sector plans for growth and improved efficiency in the delivery of services. Prosperity is defined in terms of happiness, improvement in standard of living and quality of life, and the level of complete satisfaction created by the overall capability we build through economic gain, human and social development by harnessing tangible and intangible wealth, including social capital and natural resource wealth. High per capita income through rapid economic growth is an important source of prosperity, but the only source and measure of prosperity. The TYDP 2021-2030 is people-centred and underscores issues of the micro, meso and macro stability and development with regional coordination at the heart of everything intervention to make it a reality. The plan is forward looking, with development aspirations to be realized for the people, beyond a single regime. The TYDP 2021-2030 builds on the previous five-year development plans (the Growth and Transformation Plans I and II) as well as the regional and global development frameworks including the Africa’s Agenda 2063 and the Sustainable Development Goals.

02. Monetary Policy

Criteria Score: 4.5

2. Monetary Policy

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5

Second Draft Score	4.5
Final Score	4.5

Country Notes:

Ethiopia's monetary policy objective is to maintain low and stable inflation while ensuring judicious growth in credit for the private sector. Ethiopia's monetary policy goals are maintaining price and exchange rate stability and supporting sustainable economic growth. In response to macroeconomic instability (such as the fiscal deficit, inflation, low economic growth, and scarcity of foreign currency) the National Bank of Ethiopia (NBE) adopted direct tools, particularly broad money supply (M2), reducing money supply when inflation is rising and vice versa. For instance, the low inflation experienced by the country in the 1990s was maintained by applying tight monetary policy. In 2021, the NBE also applied tight monetary policy to contain high inflation, in part due to the conflict in Tigray and the COVID-19 pandemic, which raised broad money by 29.9% and inflation to 24.6%. In 2022, NBE has continued to pursue tioght monetary policy in order to maintain price stability. IThe inflation has consecutively remained off single digit target due to several external and internal shocks (Covid-19 pandemic, internal conflict, Russia – Ukraine war, mismatch in aggregate supply and demand, high commodity prices in the global market and loose monetary and fiscal policies). In the end year of June 2022, the annual headline inflation rose to 34 % in contrast to the previous year, but declined to 33.8% in month of December 2022. Inflation is projected to decline to 28.1% in 2022/23 and to 20.1% in 2023/24 as food and imported commodity prices would stabilize. In September 2022, broad money growth recorded at 29.2% (mainly due to 28.9% rise in domestic credit). Broad money supply is heavily being driven by a need to finance an enlarged budget deficit. The other monetary policy instruments, including the reserve requirement, fixing deposit rates, inter-bank borrowing, credit control and moral suasion are applied to achieve key objectives.

In August 2021, the NBE doubled the cash reserve ratio from 5% to 10% and its lending rate to commercial banks from 13% to 16% (National Bank of Ethiopia). The increase of statutory deposit ratio (in June 2021) for foreign exchange receipts from exports, remittances and aid from 30% to 50% boosted inflows of forex in the year ended June 2022 (remittance, exports and aid-related were recorded at US$5.6 billion, US$4.1 billion and US$4 billion, respectively). The measures were also intended to soften foreign exchange pressures. In March 2022, the NBE noted that the country's reserves had fallen to US$1.6 billion, covering less than 2 months' worth of imports. In June 2023, the foreign reserves still remain low and estimated at about US$1.0 billion (equivalent to 1 month of imports of goods and services). In October 2022, the government instructed banks in the country to limit foreign currency allocations to businesses engaged in the importing of essential items such as food, medicine and medical equipment, and raw materials for manufacturing as a means of protecting dwindling foreign currency reserves. Previously, the country tightened laws on foreign currency holdings for individuals and businesses and banned all foreign currency transactions within the country. Controlled interest rates and selective credit control are used to direct credit to the public sector (results from September 2022 shows that 70% of new credit is being absorbed by the public sector). The use of other monetary instruments (open market operations and standing facilities) has been limited due to the underdevelopment of the money market. Real interest rates on deposits, lending and the T-bills yield in Ethiopia remain largely negative. The minimum bank deposit rate of 7%, lending rate of? 7%, and the yield on Treasury-bill yield of? 8.7% are lower than the annual inflation rate of approximately 33.8 % in December 2022. Following the introduction of the T-bills and government bonds as the only securities issued to finance public expenditure or to absorb excess liquidity in the banking system and inter-bank money market operations, yield on T-bills marked a significant improvement due to the introduction of market-based T-bills auction. But this is changing with the ongoing reforms. Corporate bonds are issued by a few SoEs including the Ethiopian Railway Corporation, Ethiopian Electric Power, and regional governments. Still more, no secondary market for securities trading exists in Ethiopia.

The NBE mostly applies direct monetary policy instruments alongside a fixed exchange rate to manage its monetary policy. TIn 2022, the NBE appliesdopted the managed float exchange rate regime to improve ensure external competitiveness. Gradual devaluation of the birr against the US dollar has been underway since 2019 to transition toward a market-clearing rate and to support the effectiveness of the monetary policy. The NBE adopted exchange rate policy in order to eliminate real overvaluation and address foreign currency shortages. In?September?20232, the official exchange rate of the dollar to birr rose to 5653.4 with the birr devalued by 8% year-on-year in the official market (from 49.2% to 53.3%) but fell by more than 50% (from 64 to 10296) in the parallel market. The spread between these rates is at its highest and indicate an big unrealistic official exchange rate. The official pace of depreciation is in line with 9% in Kenya and South Africa and 7% in Nigeria.

03. Debt Policy

Criteria Score: 3.5

3. Debt Policy

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Even though Ethiopia was categorised at high risk of public debt distress since 2017, public debt-to-GDP ratio has declined from 55.9% in 2019 to 52% in 2023. Public debt is mostly driven by the public sector-led growth model resulting in sustained primary deficits (PD). Exchange rate depreciation contributes to public debt increase. The PV of external debt-to-exports ratio stood at 215.6% in 2021 and estimated at 203% in 2022 (against a threshold of 180%); debt service-to-exports ratio was 17.5% in 2021 and is estimated at 14.6% in 2022 (against a threshold of 15%). The outlook is mixed: the PV of external debt-to-exports ratio is projected to remain above its threshold until 2023. While the debt service-to-exports ratio was close to its threshold in 2022, it is expected to increase in 2024-2025 when Ethiopia’s USD1.0 billion Eurobond matures. Central to the high public debt is the increased uptake of large-scale public investments in infrastructure (road and railway transport, electricity and industrial parks) as the foundation for growth. In 2021/2022, 55 % of the federal budget is allocated to pro-poor social spending, a decline from 58.5 % in 2020/21 and is partly financed by external borrowing because of low tax revenue mobilization.

Public debt distress remains elevated because of borrowing to finance investment projects and the slow export growth. Two external debt indicators, the Present Value (PV) of external debt-to-exports ratio and debt service-to-revenue ratio breach their respective thresholds. The PV of PPG external debt-to-exports ratio for 2021 is 241.7 %, an improvement compared to the threshold of 180% from 2017, and debt service-to-exports ratio is 22 % compared to the threshold of 15%. This indicates deterioration in debt distress level as debt ratios have breached the thresholds since 2017 and the country remains at high risk until the end of 2021/22. This underscores the growing debt challenge due to borrowing for public infrastructure investment and weak export performance. However, there is debt restructuring of some of the SOE's external debts with some bilateral creditors. In addition, there has been no non-concessional borrowing, and significantly decrease the external debt both in Nominal and NPV terms.

The vulnerabilities are also due to reliance on unprocessed agriculture commodities and concentration of merchandise exports, comprising mainly semi-processed products agricultural commodity exports account for almost 65% of total export revenue, of which coffee alone accounts for about 57.3 % (due to the 29.0% percent growth in international price and 22.0% percent in export volume). The GoE is implementing several reforms to return to "moderate" risk of external debt distress rating and create space to absorb shocks. These include a moratorium on non-concessional external borrowing, reprofiling some loans to reduce external debt servicing. Total public spending as a share of GDP reduced from 18.2% in 2017 to 10.3% in 2022, in line with the fiscal consolidation strategy to stabilize public debt. Measures to expand exports include establishment of industrial parks and agro-processing zones and promoting tourism. Measures to reduce imported inputs for public investments except for the most critical have also been taken. Reforms to open-up key sectors such as financial, telecommunications and logistics sectors to private sector participation are ongoing. These are expected to further reduce pressure on public spending and increase the tax base. Infrastructure investments and industrial parks will improve the country's resilience and cushion against external shocks. The issue of a mobile money license by the NBE in May 2023 to Safaricom Ethiopia for US$150 million, the first foreign investor to be license in the industry that is dominated by EthioTelecom will reinforce government intent to reform both financial sector, allowing competition, innovation and variety in the market.

As one way to moderate risk of debt distress rating and create space to absorb shocks, the GoE requested for debt treatmentwith the Creditor Committee. The Creditor Committee has met four times and was provided with all the relevant debt stock data and Ethiopia's strategy to manage its debt vulnerabilities in the long term. In July 2022, the Creditors Committee formed to review Ethiopia's request for debt treatment under the Common Framework beyond Debt Service Suspension Initiative (DSSI) met to discuss pending issues in light of the discussion between the GoE and the IMF.

Ethiopia's sovereign credit rating was downgraded in December 2022 on account of its application to facilitate the disbursement of additional external financing under the G20 Common Framework. However, the Ethiopia's external liquidity will continue to worsen. This triggered the downgrading of Ethiopia's sovereign ratings by Fitch from 'CCC' to 'CCC-', on the assumption that plans to use the G20 Common Framework to restructure debt increases the risk of default. Ethiopia's net external debt for the fiscal year ended 2022 is estimated at 166% of current external receipts. Out of USD28 billion external public sector debt, USD19 billion is owed directly by the central government. Although the exact terms of multilateral financing have not been confirmed, there is hope that direct debt servicing obligations will be met from the World Bank and AfDB following Ethiopia's debt treatment request under the Common Framework of the G20. In the month of November 2022, the official creditor committee had met four times, but has yet to reach any publicly acknowledged agreement on Ethiopia's debt treatment.Following the mission to Ethiopia in April 2023, the IMF has indicated that a new programme will require commitments from DPs and assurances from creditors that they will endorse the restructuring of debt under the G20's common framework. Ethiopia is seeking a USD 2 billion facility under a reform programme. The next debt sustainability assessment (DSA) by the IMF and World Bank will determine the loan facility and the underlying reforms. Ethiopia requires an IMF programme for structural, recovery, stability, and solvency purposes. A new IMF program will be key to unlocking other credit sources to bridge the medium-term financing gap of about USD$6 billion. Progress on the peace initiatives will also help to accelerate discussions on Ethiopia's debt request for debt restructuring.

Following the Bank's support in providing technical assistance on financial sector reforms, focusing on capital markets development to the NBE, the Capital Markets law was approved by Parliament in June 2021. This follows establishment of the Ethiopian Capital Market Authority (ECMA) in 2023, the government started fundraising to finance the Ethiopia Securities Exchange (ESX). The government owns a 25% percent share of the ESX via the Ethiopian Investment Holdings (EIH) agency and 75% percent will be sold to private investors. The Bank is also supporting efforts to transition from direct monetary policy instruments (including earmarked lending, interest rate controls) to market-based monetary policies (including use of open-market operations and inflation targeting). These interventions will help to enhance the efficiency of monetary policy, reduce government borrowing from the central bank, and contribute to debt sustainability. The Bank's support to agro-industrial parks development, financial sector and logistics reforms are geared towards increasing export revenue and capital inflows and easing the external debt-to-exports and the debt service-to-exports ratios.

(B) Structural Policy

Cluster Score: 3.834

04. Policies and Institutions for Economic Cooperation, RI and Trade

Criteria Score: 3.667

4.a. Regional Integration and Economic Cooperation

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

As reported in the 2021 CPIA, Ethiopia is a member of the Common Market for Eastern and Southern Africa (COMESA), the COMESA-EAC-SADC Tripartite Free Trade Area (TFTA), the Inter-Governmental Authority on Development (IGAD) and the African Continental Free Trade Area (AfCFTA). The TFTA has not yet entered into force pending ratification by at least 14 member states and could also be superseded in practice by the establishment and entry into force of the AfCFTA. Ethiopia signed a Memorandum of Understanding and Transport Corridor Service Agreement with Kenya and South Sudan to ease the movement of people and goods. Discussions are underway with Eritrea, Djibouti, South Sudan, Sudan and Yemen to strengthen economic cooperation with the aim of improving infrastructure, services and connectivity to enhance competitiveness. Ethiopia is a key member of the HoA Initiative (together with Djibouti, Eritrea, Kenya and Somalia). Since 2019, Ethiopia has been a key member of the multi-donor Horn of Africa Initiative (HoA Initiative), together with Djibouti, Eritrea, Kenya, Somalia, South Sudan and Sudan. Through the HoAI and with support from the DPs (AfDB, EU, World Bank and Germany), Ethiopia is coordinating with its regional neighbours on critical infrastructure to connect their markets in areas of transport corridors, power interconnectors and Digital connectivity, harmonization of trade policies, building resilience and developing human capital. More opportunities to deepen integration with the HoA region lie in bridging cross border infrastructure gaps, development of the borderlands and private sector engagement to encourage cross border investments. Outbreaks of instability and poor security also constrain the progress of regional integration in the HoA region.

In 2022, Ethiopia’s ranking on the Africa Visa Openness Index improved to 17th position out of 54 countries, up from 48th (out of 54) in 2021 (2022 Visa Openness Index Report). This followed introduction of the e-visa policy in 2017, with nationals of 92 countries allowed to obtain three-months tourist visas on arrival. Future reforms to eventually remove visa requirements and reduce the costs of entry would further help to improve free movement to Ethiopia. In February 2021, Ethiopia signed a protocol on free movement of persons in the IGAD region. Free movement of persons plays an important role in scaling up investment, improving local value chains and providing a platform for transfer of knowledge between countries. The Government has ratified several regional integration protocols in line with its membership of the Common Market for Eastern and Southern Africa (COMESA) and the Intergovernmental Authority on Development (IGAD). COMESA and IGAD have provided a platform for Ethiopia to engage with its partner states on transformative regional ambitions, including regional peace, climate resilience interventions, sustainable management of cross-border natural resources, trade, and infrastructure development. However, Ethiopia has followed a conservative approach in opening its market to the regional and global economy.

Ethiopia was among the first 44 African countries to sign the African Continental Free Trade Agreement (AfCFTA) at its launch in March 2018 and ratified the same in April 2019. The AfFCTA is a key continental free trade agreement that aims to expand trade and promote growth through free trade and eventually free movement of people. Given its limited experience with trade agreements, Ethiopia can benefit from technical assistance, to address the challenges around institutional framework and legal frameworks required for negotiation and implementation of the AfCFTA. Ethiopia is also party to IGAD’s AfCFTA implementation strategy, which was validated in December 2022, building on its national AfCFTA implementation strategy developed in 2021. Ethiopia resumed WTO accession negotiations in 2020 after an eight-year pause. The meeting of the WTO Working Party expressed support for country’s membership and noted its strategic role in the Horn of Africa region. Negotiations to join the EU’s Economic Partnership Agreement are ongoing. Following the re-established of relations with Eritrea in 2018, Ethiopia played a key part in normalizing relations between Eritrea and Djibouti as well as between Eritrea and Somalia.

Regional integration and economic cooperation are coordinated under the MoF by a dedicated Directorate, the United Nations Agencies and Regional Economic Cooperation Directorate. This Directorate, which reports to the Minister of Finance coordinates regional integration and economic cooperation policy matters and follows-up on the implementation of pertinent regional commitments with relevant sector and line ministries. Therefore, Ethiopia's regional integration mechanism is considered adequate. Because Ethiopia faces a structural gap in its trade balance, with the cost of goods imports (approx. $20 billion) exceeding revenue from exports (approx. $3 billion), increased participation in regional integration is key improving its trade balance. During 2016-22 Ethiopia's goods and services exports averaged about 8.0% of GDP, less than Kenya's 36.5% or Rwanda's 28.3%. Over the period 2020 and 2022 exports of services grew by an annual average of 22% as Ethiopian Airlines flights across the global were restored following the lifting of travel bans imposed in 2020.

The government has started implementing some of the economic reforms related to Regional Integration particularly the imminent privatization of key state-owned enterprises including telecommunications, air transport, railway, maritime, electricity, and logistics. For instance, June 2023, the MoF released a request for proposal (RFP) for the partial privatization of state-owned telecommunications company EthioTelecom. The company will have a significant competitive advantage in one of Africa's most potential-laden telecommunications sectors. The entry of Safaricom in Ethiopia has witnessed the roll-out of mobile money services in 2023, following from the company launching voice and data networks in the country in 2022 attracting more than 5 million active users. This compares to EthioTelecom with 72 million subscribers (including, 34 million subscribers to its mobile money service Telebirr). Ethiopia, with Africa's second largest population, is considered one of the last frontiers for digital banking and e-commerce. Safaricom, with its headquarters in Nairobi, Kenya, became the first private telecoms provider in Ethiopia after the government liberalized the sector in 2019. Significant ICT infrastructure investments are still required and Safaricom's core earnings fell by 20% for the year ending March 31, 2023 due to start-up costs in Ethiopia – which are expected to reach US$700 million by 2024. There are also security challenges that have restricted rollout of services and infrastructure. Development of an extensive rail network with the neighboring countries like Djibouti, Kenya and South Sudan is underway. In February 2021, Ethiopia and COMESA signed a 5.6 million Euro sub-delegation agreement for upgrading border posts to improve coordinated border management, trade and transport facilitation at the Moyale and Galafi border posts. Moyale and Galafi borders link Ethiopia to Kenya and Djibouti, respectively.

Ethiopia's financial sector is dominated by banking industry and is closed to foreign investment. In September 2022, the GoE endorsed a policy to open the banking sector to foreign investors and the legal framework is being revised. In May 2023, the NBE noted that government will offer five licenses to foreign investors in the next five years. Investment options will include joint ventures with local banks or establishing sole subsidiaries. The banking laws are revision. This reform is key for financial inclusion, competition and financial sector effectiveness in supporting growth. Foreign investment in the financial sector will boost expertise, credit availability, investment, service scope and quality as well as innovation and improving foreign exchange reserves. Banks from Kenya and South Africa and have expressed interest in joining Ethiopia's market. Improving connectivity, logistics management and trade facilitation, overcoming exchange rate scarcity and inadequate and unreliable energy supply will enable scaling up industrialization and trade. For example, the Mombasa-Nairobi-Addis Ababa transport corridor project financed by the Bank is expected to lead to a five-fold increase in trade between Ethiopia and Kenya following its completion in 2022. Ethiopia earned US$90 million in electricity exports and revenues are projected to increase to over US$1 billion annually by 2025 with additional projects such as the Ethiopia-Kenya electricity interconnection project.

Ethiopia is a member of Common Market for Eastern and Southern Africa (COMESA) Free Trade Agreement, the Inter-Governmental Authority on Development (IGAD) and the African Continental Free Trade Area (AfCFTA). Ethiopia signed a Memorandum of Understanding and Transport Corridor Service Agreement with Kenya and South Sudan to ease the movement of people and goods. Discussions are underway with Eritrea, Djibouti, South Sudan, Sudan and Yemen to strengthen economic cooperation with the aim of improving infrastructure, services and connectivity to enhance competitiveness. Ethiopia is a key member of the HoA Initiative (together with Djibouti, Eritrea, Kenya and Somalia). However, more efforts are required. In 2020, Ethiopia ranked 40th out of 54 countries on the Regional Integration Index with a score of 0.287 (latest index). Ethiopia's poor performance on regional integration score is underscored by the low scores on free movement of people (0.025) and productive integration (0.069) and ranked 52/54 and 51/54 respectively. In 2022, Ethiopia's ranking on the Africa Visa Openness Index improved to 17th position out of 54 countries, up from 48th (out of 54) in 2021 (2022 Visa Openness Index Report). This followed introduction of the e-visa policy in 2017, with nationals of 92 countries allowed to obtain three-months tourist visas on arrival at Addis Ababa Airport. In February 2021, Ethiopia signed a protocol on free movement of persons in the IGAD region. Free movement of persons plays an important role in scaling up investment, improving local value chains and providing a platform for transfer of knowledge between countries. The Government has ratified several regional integration protocols in line with its membership of the Common Market for Eastern and Southern Africa (COMESA and the Intergovernmental Authority on Development (IGAD. Both COMESA and IGAD have provide a platform for Ethiopia to engage with its partner states on transformative regional ambitions, including regional peace, climate resilience interventions, sustainable management of cross-border natural resources, trade, and infrastructure development. Ethiopia was among the first 44 African countries to sign the African Continental Free Trade Agreement (AfCFTA at its launch in March 2018 and ratified the same in April 2019. The AfFCTA a key continental free trade agreement that aims to expand trade and promote growth through free trade and eventually free movement of people. Ethiopia resumed WTO accession negotiations in 2020 after an eight-year pause. The meeting of the WTO Working Party expressed support for country's membership and noted its strategic role in the Horn of Africa region. Negotiations to join the EU's Economic Partnership Agreement are ongoing. Following the re-established of relations with Eritrea in 2018, Ethiopia played a key part in normalizing relations between Eritrea and Djibouti as well as between Eritrea and Somalia. Regional integration and economic cooperation is coordinated under the MoF by a dedicated Directorate, the United Nations Agencies and Regional Economic Cooperation Directorate. This Directorate, which reports to the Minister of Finance coordinates regional integration and economic cooperation policy matters and follows-up on the implementation of pertinent regional commitments with relevant sector and line ministries. Therefore, Ethiopia's regional integration mechanism is considered adequate. Because Ethiopia faces a structural gap in its trade balance, with the cost of goods imports (approx. $20 billion) exceeding revenue from exports (approx. $3 billion), increased participation in regional integration is key improving its trade balance. During 2016-22 Ethiopia's goods and services exports averaged about 8.0% of GDP, less than Kenya's 36.5 percent or Rwanda's 28.3%. Over the period 2020 and 2022 exports of services grew by an annual average of 22% as Ethiopian Airlines flights across the global were restored following the lifting of travel bans imposed in 2020. The GoE has started implementing some of the economic reforms related to Regional Integration particularly the imminent privatization of key state-owned enterprises including telecommunications, air transport, railway, maritime, electricity, and logistics. For instance, June 2023, the MoF released a request for proposal (RFP) for the partial privatization of state-owned telecommunications company EthioTelecom. The company will have a significant competitive advantage in one of Africa's most potential-laden telecommunications sectors. Development of an extensive rail network with the neighboring countries like Djibouti, Kenya and South Sudan is underway. In February 2021, Ethiopia and COMESA signed a 5.6 million Euro sub-delegation agreement for upgrading border posts to improve coordinated border management, trade and transport facilitation at the Moyale and Galafi border posts. Moyale and Galafi borders link Ethiopia to Kenya and Djibouti. Ethiopia's financial sector is dominated by banking industry and is closed to foreign investment. In September 2022, the GoE endorsed a policy to open the banking sector to foreign investors and the legal framework is being revised. In May 2023, the NBE noted that government will offer five licenses to foreign investors in the next five years. Investment options will include joint ventures with local banks or establishing sole subsidiaries. The banking laws are revision. This reform is key for financial inclusion, competition and financial sector effectiveness in supporting growth. Foreign investment in the financial sector will boost expertise, credit availability, investment, service scope and quality as well as innovation and improving foreign exchange reserves. Banks from

Kenya and South Africa and have expressed interest in joining Ethiopia’s market. Improving connectivity, logistics management and trade facilitation, overcoming exchange rate scarcity and inadequate and unreliable energy supply will enable scaling up industrialization and trade. For example, the Mombasa-Nairobi-Addis Ababa transport corridor project financed by the Bank is expected to lead to a five-fold increase in trade between Ethiopia and Kenya following its completion in 2022. Ethiopia earned US$90 million in electricity exports and revenues are projected to increase to over US$1 billion annually by 2025 with additional projects such as the Ethiopia-Kenya electricity interconnection project.Ethiopia is committed to regional integration to expand trade and increase growth. Ethiopia is a member of COMESA, COMESA Free Trade Agreement, IGAD and AfCFTA, and signed a Memorandum of Understanding and Transport Corridor Service Agreement with Kenya and South Sudan to ease the movement of people and goods. Discussions are underway with Eritrea, Djibouti, South Sudan, Sudan and Yemen to strengthen economic cooperation with the aim of improving infrastructure, services and connectivity to enhance competitiveness. Ethiopia is a key member of the HoA Initiative (together with Djibouti, Eritrea, Kenya and Somalia). However, more efforts are required. In 2020, Ethiopia ranked 40th out of 54 countries on the Regional Integration Index Report with a score of 0.287. Ethiopia’s poor performance on regional integration score is underscored by the low scores on free movement of people (0.025) and productive integration (0.069) and ranked 52/54 and 51/54 respectively. In 2017, Ethiopia introduced the e-visa policy and nationals of 92 countries can obtain three-months tourist visas on arrival at Addis Ababa Airport. However, this was suspended in June 2021 following the ongoing conflict in Tigray. Citizens of Djibouti and Kenya do not require visas for three months and one-year visits, respectively. In February 2021, Ethiopia signed a protocol on free movement of persons in the IGAD region. Free movement of persons plays an important role in scaling up investment, improving local value chains and providing a platform for transfer of knowledge between countries. Likewise, in October 2022, Ethiopia authorities had suspended visas on arrival for a large number of countries, instead requiring visitors to obtain a visa prior to departure. Productive integration affords an economy to specialize in the production of goods and services in which it has comparative advantage. The Government has ratified several regional integration protocols in line with its membership of the Common Market for Eastern and Southern Africa (COMESA) and the Intergovernmental Authority on Development (IGAD). COMESA and IGAD have provided a platform for Ethiopia to engage with its partner states on transformative regional ambitions, including regional peace, climate resilience interventions, sustainable management of cross-border natural resources, trade, and infrastructure development. Ethiopia was among the first 44 African countries to sign the African Continental Free Trade Agreement (AfCFTA) at its launch in March 2018 and ratified the same in April 2019. The AfFCTA a key continental free trade agreement that aims to expand trade and promote growth through free trade and eventually free movement of people. Ethiopia resumed WTO accession negotiations held on 30 January 2020 after an eight-year pause. The meeting of the WTO Working Party expressed support for country’s membership by 2021 and noted its strategic role in the Horn of Africa region. Negotiations to join the EU’s Economic Partnership Agreement are ongoing. In June and September 2018, Ethiopia and Eritrea signed landmark peace and cooperation agreements, which are promoting regional peace, security, and economic cooperation. Subsequently, telecommunication, trade, transport services and diplomatic relations between the two countries were restored. Following the re-established of relations with Eritrea, Ethiopia played a key part in normalizing relations between Eritrea and Djibouti as well as between Eritrea and Somalia. In 2019, Ethiopia played a key role in the negotiations between the military and civilian representatives towards the formation of the transitional government in Sudan.Regional integration and economic cooperation is coordinated under the MoF by a dedicated Directorate, the United Nations Agencies and Regional Economic Cooperation Directorate. This Directorate, which reports to the Minister of Finance and Economic Planning coordinates regional integration and economic cooperation policy matters and follows-up on the implementation of pertinent regional commitments with relevant sector and line ministries. Therefore, Ethiopia’s regional integration mechanism is considered adequate. The GoE has started implementing some of the economic reforms related to Regional Integration particularly the imminent privatization of key state-owned enterprises including telecommunications, air transport, railway, maritime, electricity, and logistics. For instance, June 2023, the MoF released a request for proposal (RFP) for the partial privatisation of state-owned telecommunications company EthioTelecom. The company will have a significant competitive advantage in one of Africa's most potential-laden telecommunications sectors. Development of an extensive rail network with the neighboring countries like Djibouti, Kenya and South Sudan is underway. In February 2021, Ethiopia and COMESA signed a 5.6 million Euro sub-delegation agreement for upgrading border posts to improve coordinated border management, trade and transport facilitation at the Moyale and Galafi border posts. Moyale and Galafi borders link Ethiopia to Kenya and Djibouti.Ethiopia's financial sector is dominated by banking industry and is closed to foreign investment. In September 2022, the GoE endorsed a policy to open the banking sector to foreign investors and the legal framework is being revised. In May 2023, the NBE noted that government will offer five licenses to foreign investors in the next five years. Investment options will include joint ventures with local banks or establishing sole subsidiaries. The banking laws are revision. This reform is key for financial inclusion, competition and financial sector effectiveness in supporting growth. Foreign investment in the financial sector will boost expertise, credit availability, investment, service scope and quality as well as innovation and improving foreign exchange reserves. Banks from Kenya and South Africa and have expressed interest in joining Ethiopia's market.

4.b. Trade restrictiveness

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

Ethiopia's poor trade performance is partly a reflection of its weak business environment and trade facilitation. The country suffers a major trade deficit of over US$14 billion (UNCTADstat). Exports have seen a steady growth over the past two decades, growing form US$0.9 billion in 2005 to US$3.9 billion in 2022. However, the trade balance remains hugely negative (US$14.7billion in 2022) owing to a huge import bill estimated at US$18.6 billion. Services exports have shown more robust growth from US$1 billion in 2005 to US$7 billion by 2022. The services trade deficit is also smaller, at US$0.45 billion. Exports are dominated by commodities and agricultural products, with little on-shore value addition. There are some variations in reported trade data, merchandise exports have grown from US$2,914 million in 2015 to US$3,970 million in 2022. Merchandise exports are dominated by agriculture raw materials and food items, which combined accounted for 75% of exports in 2022, with manufactures accounting for 16% of exports. Top exports included coffee (US$1.4 billion), which accounted for a third of merchandise export earnings in 2022, followed by gold, oil seeds, vegetables and cut flowers. Key export destinations include the United Arab Emirates, the United States, Somalia, Saudi Arabia and Germany. Export diversification is a critical consideration, and this includes value addition of coffee beans (both vertical and horizontal diversification). Diversification would also be in line with gradual changes taking place in Ethiopia's economy where Agriculture's share of GDP has decline by 18% between 2006 and 2021, while industry and services have grown 0.3% and 19.1% respectively. Major imports are wheat, petroleum, energy equipment, aircraft. Major import sources include China and India which together accounted for one third of imports, United States, United Arab Emirates and Ukraine. Imports have been growing at a rate of 27% over the past decade driven by price volatility and increases in three products imported by government, namely, fuel (US$3.4 billion), cereal grain (US$2.2 billion) and fertilizer (US$1.4 billion). By contrast private sector imports have remained relatively flat or declined, notably, capital goods, vehicles and consumer non-durables. The high import content ranks Ethiopia 6th as a major market in Africa after South Africa, Nigeria, DRC, Ghana and Kenya. Under its Ten-Year Development Plan (2021-2030) and with support from the Bank (US$83.4 million grant) through the Technologies for Agriculture Transformation (TAAT) wheat compact and support from other development partners, Ethiopia has been pursuing an import substitution policy (and more recently in light of supply challenges for cereals due to the Russia-Ukraine war) for key cereal grains like wheat. The country has targeted improved productivity from 2 tonnes / HA to now 4 tonnes / HA, germplasm (using heat tolerant wheat varieties), access to mechanization, expanding irrigation in the lowlands which has seen the size of wheat-irrigated land expand from 5,000HA in 2018 to 187,240HA in 2021 with a target to expand to 650,000HA in the future, and use of the commodity exchange (with support from FAO). Government expects wheat production to increase by 27% over the coming season and has created savings of between $600 million and US$1 billion on the import bill. Ethiopia is now the second largest producer of wheat in Africa targeting between 4-5 million tonnes against national demand of 7 million tonnes (US Department of Agriculture, 2022). The country plans to become an exporter of wheat in the near future.

Services exports have more than doubled since 2015 to reach US$7,001 million in 2022. Underpinned by Ethiopian Airlines, service exports account for 5% of GDP. Facilitated by investments in regional power interconnectors (include the Bank-funded Ethiopia-Djibouti 1st and 2nd power interconnector projects and the Ethiopia-Kenya electricity superhighway), Ethiopia is also a major exporter of power to its neighboring countries, taking advantage of its huge hydro-power resource endowments. Operationalization of the Eastern Africa Power Pool targeted for 2024 will open up opportunities to bolster regional power trade and revenues for net exporters such as Ethiopia. While tourism accounts for nearly half of exports (up from 15% in the late 1990s), its revenue is highly vulnerable to political, internal conflict, COVID-19 pandemic, drought and other shocks. In 2022, travel and transport services accounted for 92.6% of services exports (UNCTADstat). Likewise, services imports have also experienced significant growth to reach US$7,452 million in 2022, dominated by transportation services imports (US$4 billion), followed by construction, travel, business and ICT services. The overall trade deficit has led to a deterioration in the balance of payments and exacerbating foreign currency shortages. Ethiopia’s merchandise exports to high-income economies have been declining over time and experiencing volatility, underscoring trends in global demand for commodity exports. Ethiopia has made significant progress in several key areas of business regulation in the past decade. Ethiopia has implemented a total of seven reforms easing business regulation – yet, at a slower pace than the regional average. Ethiopia’s trading across borders, trade diversification and trade freedom indices are among the lowest in sub-Saharan Africa.

As reported in the 2021 CPIA, tariff bands have steadily been reduced from about 30 in the 1990s to 5 currently. Ethiopia continues to revise its customs duties on several imports, including introduction of a Social Welfare Levy on Imported Goods under Regulation Number 519/2022 in August, 2022. Import customs duties and other taxes levied on imports are 100% exempted for investors who import capital goods and among others, provided that these goods are not produced locally in comparable quantity, quality and price. However, rates remain high on some non-essential import items, notably automobiles at over 100% for some types of automobiles. In addition to customs duties, the other taxes imposed on imports include excise tax (0% - 100% for alcoholic beverages and textiles ranges from 10%), VAT (15%), surtax (10%) and withholding tax (2%), excise tax if applicable. Some products and services (financial services, educational services, and healthcare and transportation) are free from VAT.

Ethiopia is taking measures to fully implement obligations under the COMESA and the African Continental Free Trade Agreement (AfCFTA). Consultations are underway on products for which tariffs could be reduced to zero and Ethiopia had targeted becoming a full member of the COMESA FTA by 2021 but this did not happen due to the COVID-19 pandemic. It is among the 11 COMESA partner states to adopt the Regional Customs Guarantee Scheme (RCTG) that is designed to enable movement of goods under customs seals in the COMESA region by ensuring that revenue authorities in transit countries are able to recover duties and taxes from the guarantors in case goods are illegally disposed-off in their countries. Estimates are that the AfCFTA could increase Ethiopia's trade by 10% driven by agriculture and light manufacturing sectors where Ethiopia enjoys comparative advantage. This is subject to addressing non-tariff barriers, improving private sector access to information on regional markets (including regulations and standards requirements), enhancing human capacity and strengthening trade promotion and marketing activities (GIZ project on Ethiopia Private Sector and the AfCFTA, 2022). Egypt, Kenya, Nigeria and South Africa, are among the countries with interest in expanded access into the Ethiopian market under the AfCFTA.

The government is proceeding cautiously on concerns that reducing tariffs on 90% of trade items to zero over ten years (out of 6,328 tariff lines) might negatively impact local industries – who have for a long time operated under protection from foreign competition in a closed economy and also negative impact on government tax revenues. At least 7% of tariff lines will be considered sensitive and strategic products to be liberalized over 13 years. The remaining 3% of tariff lines (typically items which generate high customs revenue) will be excluded from liberalization but subject to future discussions every five years. For Ethiopia, sensitive sectors included telecoms, retail and financial services, but lately telecoms and financial services have been gradually opened to foreign competition. For goods, these included coffee, textiles, leather and other agriculture and light manufacturing products. Thus a key concern is addressing potential revenue losses. The final tariff offer has been finalized by officials and is awaiting final approval of the Ministry of Finance and the Office of the Prime Minister. The United States is an important trading partner for Ethiopia (in some instances using intermediaries in Dubai) with two-way trade valued at US$1.81 billion in 2022. Exports from Ethiopia to the USA in 2022 were up 19.4% from 2021 to reach US$718 million. Exports to the USA in general have increased 292% since 2012, helped by exports of apparel. However, in 2022, Ethiopia lost trade preferences under the USA's African Growth and Opportunity Act (AGOA) as part of sanctions over human rights violations and failure to fully implement the peace deal with the Tigray People's Liberation Front. As a result, exports to the USA have declined to US$335.3 million (January to August) for 2023. The Government continues to push for re-instatement of AGOA benefits as a priority to normalize exports and to attract investments into special economic zones (SEZs).

Reforms and measures to reduce non-tariff barriers are being implemented, including adoption of the electronic single window of customs; established of one-stop border posts, such as at Moyale border with Kenya. In 2022, the Ethiopian Investment Board approved reforms to liberalize the logistics sector, including expanding authorizations to operate bonded warehouse services and permitting foreign investors to hold up to a 75% interest in joint ventures with Ethiopian logistics firms.? The Government of Ethiopia also intends to open some sectors to investment through full or partial privatization of state-owned monopolies that have enjoyed monopolies in sectors such as aerospace and logistics. However, lack of transparency in government regulations and procurement as well as foreign exchange restrictions and availability are frequently cited as obstacles to trade and doing business. The informal sector is the largest provider of employment and livelihood. According to some sources it accounts for roughly 90% of workers and about 33% of the economy. Ethiopian traders and border communities engage in informal cross-border trade (ICBT) along areas such as the Gaashamo corridor between Ethiopia and Somalia (Somaliland region). Some estimates are that for the Horn of Africa region countries, including, Ethiopia, ICBT exceeds the levels of formal trade across the region. The government is taking steps to regularize

ICBT. For example, in July 2023, the Ministry of Trade and Regional Integration announced that it would be introducing a law to formalize ICBT between Ethiopia and Djibouti at 15 locations allowing duty-free trade in goods up to a reported value of US$1,000 per month for selected commodities such as livestock, edible oil, sugar, fruits, maize and rice. This is a follow-up to the Ethiopia-Djibouti border trade protocol concluded in 2015. More analytical work, infrastructure investments and regulatory improvements are required to better improve efficient cross-border trade.

Ethiopia has significantly streamlined its tariff structure since 2003. The minimum tariff rate on imports is zero while the maximum is 35%. There is a weighted average tariff of 9.7%. The number of tariff bands was reduced from over 30 to 5 as part of government trade reforms in the late 1990s. There are no quantitative import restrictions nor import quotas. Ethiopia had relatively low trade openness (27.2% of GDP) compared with Sub-Saharan African countries (50% of GDP) as of 2020. In addition, the importance of trade (as a share of GDP) in Ethiopia declined between 2016 and 2020. This was driven by declining imports from 2016, partly explained by a reduction in public investment and a foreign exchange shortage. Intra-African goods trade (imports + exports) comprised 10.8% of Ethiopia's total trade as of FY 2020/21. Ethiopia has been a net importer with African countries, with a trade deficit that widened from $197 million in FY 2016/17 to $602 million in FY 2020/21. Trade-weighted most-favored nation (MFN) tariff rates imposed by Ethiopia on imports from Africa ranged from zero for Botswana to 33.8% for Cape Verde in 2018. Ethiopia extends preferential tariffs to 12 African countries, 17 of which, like Ethiopia, are part of COMESA. It may be noted, however, that Ethiopia is not yet participating in the COMESA free trade agreement (FTA). Ad valorem equivalent trade costs that incorporate not only transport costs and tariffs but also other trade costs, including direct and indirect costs associated with differences in languages, currencies and cumbersome import or export procedures with selected African countries and external trading partners as of 2020 highlighted that trading with Namibia is nine times more expensive than trading within Ethiopia's borders (and vice versa). Except for with Kenya, bilateral trading costs between Ethiopia andAfrican countries are greater than those with countries outside the region (e.g. the US, China, the UK, Saudi Arabi and Germany), presenting both a challenge and an opportunity with regard to increasing Ethiopia's intra-continental trade.The complexity of tariffs of Ethiopia is relatively low, scored at 6.5 out 7, and ranked at 35 out of 141 countries in the 2019 Global Competitiveness Report. The prevalence of non-tariff barriers is still high, scoring 3.6 out of 7 and ranked 130 out of 141 countries. The trade tariffs were averaged 13%, and ranked at 131 out of 141 countries. Tariff bands have steadily been reduced from about 30 in the 1990s to 5 currently. Ethiopia continues to revise its customs duties on several imports, including introduction of a Social Welfare Levy on Imported Goods under Regulation Number 519/2022 in August, 2022. Import customs duties and other taxes levied on imports are 100% exempt for investors who import capital goods and among others, provided that these goods are not produced locally in comparable quantity, quality and price.Ethiopia is taking measures to become a full member of the Common Market for Eastern and Southern Africa (COMESA) and the African Continental Free Trade Agreement (AfCFTA). Tariffs on imports originating from COMESA were reduced by 10% starting in 1989 and selected products are granted 0% preference. National consultations are underway on products for which tariffs could be reduced to zero and Ethiopia had targeted becoming a full member of the COMESA FTA. It is among the 11 COMESA partner states to adopt the Regional Customs Guarantee Scheme (RCTG) that is designed to enable movement of goods under customs seals in the COMESA region by ensuring that revenue authorities in transit countries are able to recover duties and taxes from the guarantors in case goods are illegally disposed-off in their countries. Reforms and measures to reduce non-tariff barriers are being implemented, including adoption of the electronic single window of customs; established of one-stop border posts, such as at Moyale border with Kenya and harmonization of service agreements from cross-border transporters along the Kenya-Ethiopia transport corridor. However, bureaucratic tax administration procedures could present NTBs.

4.c. Customs/trade facilitation

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Ethiopia is implementing measures to improve its business environment and facilitation of trade in order to promote private business and export trade. Ethiopia's trade landscape has traditionally been characterized by high tariffs. Improving the country's trade profile and competitiveness involves on-going taxation, trade facilitation and customs reform Effective April 2023, Ethiopia amended its Excise Tax Proclamation of 2020 providing new tax rates for excisable goods (including, reduced excise tax rates for imported motor vehicles) and reducing the number of goods exempt from excise tax. The revised Proclamation eliminates special tax and duty privileges previously granted to certain categories of persons and organizations, while imposing excise tax on telecommunications services up from zero to 5%. Excise rates for products like fuel have been reduced from 30% to 15%, ethyl alcohol from 60% to 10%, sugar from 20% to 10%, edible animal and vegetable fats and oils from 40% to 30%. Certain electronic equipment (video recording, production, television and broadcasting equipment) is now excluded from excise tax, as well emergency relief consignments. Customs clearance is associated with high levels of bureaucratic and long delays. A Doing Business Initiative chaired by the Prime Minister was launched in 2019 to prioritize policy, regulatory and administrative reforms. Ethiopia launched Electronic Single Window (eSW) in January 2020, a one-stop service system. The system is helping to facilitate trade as well as provide efficient and fast services to clients. A paperless environment, elimination of uncoordinated, multiple physical inspection and repetitive documentary submissions will reduce clearance time for 44 days 13 days and eventually to 3 days. The eSW will also improve transparency; reduce corruption by minimizing the opportunities for physical interaction. On Logistics Performance Index (LPI) for 2021, the results of Ethiopia showed that were slightly improved as compared to the year 2020 (based on domestic survey Ethiopia's logistics service). Ethiopia ranked 114 out of 160 countries on the 2020 (based on domestic survey), an improvement from 131 out of 160 countries on the 2018 Logistics Performance Index (LPI). Based on the six logistics performance dimensions, scores for 2021, ranked in order were: 3.01 on customs clearance efficiency, 2.68 on tracking and tracing, 2.46 on quality of trade and transport related infrastructure, 2.44 on competence and quality of logistics services, 2.35 on timeliness and 2.33 on arranging competitively priced shipment. The overall score was 2.55, representing a 2% gain over the previous performance score.

Ethiopia is implementing measures to contain corruption, including ratification of the United Nations Anticorruption Convention and the Federal Ethics and the Anti-Corruption Commission (FEACC). Anti-corruption agencies are pursuing measures to combat corruption, including arrests and successful prosecution of some high-profile government officials and private sector operators. Sources of information include government and media reports. However, more efforts are needed. Ethiopia's score on the 2022 Corruption Perception Index (CPI) of Transparency International report declined slightly to 38 out 100 compared to 39 out of 100 in 2021. Similarly, Ethiopia's ranking declined to 94 out of 180 countries in

2022 on the Corruption Perception Index of Transparency International, from 87 out 180 countries in 2021. Ethiopia needs to address some key policy challenges. For example, the absence of enabling legislation and policies, particularly related to the harmonization of fiscal regimes, banking and insurance, and stock exchange, has constrained cross-border financial activities and investments. As a result, Ethiopia's cross-border trade and logistics indicators are low, ranking 77 out of 141 countries on the border clearance efficiency in the Global Competitiveness Report. Ethiopia introduced the electronic Single Window system in 2015 to ease customs processes. However, performance on logistics management, as measured using the Logistics Performance Index remain low and call for improvements, especially in areas of international shipments logistics quality and competence. The African Development Bank, the World Bank and other partners are supporting the government to improve trade facilitation, including the design of a strategy for logistics management and improvement. The Bank has supported capacity building of the Ethiopian Customs Commission (ECC) officials on the One-Stop Border Post management, including practice and methodologies; impacts of OSBPs - efficient trade and procedures; facilitating flow of people and goods across the borders; reduced transit delays; and fostering data and intelligence sharing. The UK government is supporting the Ministry of Inland Revenue to install a computerized tax collection systems and related reforms such as Automated System for Customs Data (ASYCUDA) to the Customs Commission.

Ethiopia is implementing measures to improve its business environment and facilitation of trade in order to promote private business and export trade. Customs clearance is associated with high levels of bureaucratic and long delays. A Doing Business Initiative for Ethiopia chaired by the Prime Minister was launched in 2019 to prioritize policy, regulatory and administrative reforms. Ethiopia launched Electronic Single Window (eSW) in January 2020, a one-stop service system. The system is helping to facilitate trade as well as provide efficient and fast services to clients. A paperless environment, elimination of uncoordinated, multiple physical inspection and repetitive documentary submissions will reduce clearance time for 44 days 13 days and eventually to 3 days. The eSW will also improve transparency; reduce corruption by minimizing the opportunities for physical interaction. However, more needs to be done as Ethiopia's ranking on the 'trading across borders' dimension of the Doing Business report is still low. The country ranked 156 out of 190 countries in the 2020 Doing Business report on trading across borders, an improvement from 167/190 in 2018, but deteriorated from 154th in 2019. On Logistics Performance Index (LPI) for 2021, the results of Ethiopia showed that were slightly improved as compared to the year 2020 (based on domestic survey Ethiopia's logistics service). Ethiopia ranked 114 out of 160 countries on the 2020 (based on domestic survey), an improvement from 131 out of 160 countries on the 2018 Logistics Performance Index (LPI). Based on the six logistics performance dimensions, scores for 2021, ranked in order were; 3.01 on customs clearance efficiency, 2.68 on tracking and tracing, 2.46 on quality of trade and transport related infrastructure, 2.44 on competence and quality of logistics services, 2.35 on timeliness and 2.33 on arranging competitively priced shipment. The overall score was 2.55, representing a 2% gain over the previous performance score. Ethiopia is implementing measures to contain corruption, including ratification of the United Nations Anticorruption Convention and the Federal Ethics and the Anti-Corruption Commission (FEACC). Anti-corruption agencies are actively pursuing measures to combat corruption, including arrests and successful prosecution of some high-profile government officials and private sector operators. Sources of information include government and media reports. Ethiopia's score on the 2022 Corruption Perception Index (CPI) of Transparency International report declined slightly to 38 out 100 compared to 39 out of 100 in 2021. Similarly, Ethiopia's ranking declined to 94 out of 180 countries in 2022 on the Corruption Perception Index of Transparency International, from 87 out 180 countries in 2021. Ethiopia needs to address some key policy challenges. For example, the absence of enabling legislation and policies, particularly related to the harmonization of fiscal regimes, banking and insurance, and stock exchange, has constrained cross-border financial activities and investments. As a result, Ethiopia's cross-border trade and logistics indicators remain among the lowest in Africa, ranking 156 out of 190 countries in the 2020 Doing Business report on trading across borders and 77 out of 141 countries on the border clearance efficiency in the Global Competitiveness Report. Ethiopia introduced the electronic Single Window system in 2015 to ease customs processes. However, performance on logistics management, as measured using the Logistics Performance Index remains low - Ethiopia ranked 126 and 104 out of 160 countries on the 2016 and 2014, respectively. This calls for improvements in logistics management including in the areas of international shipments logistics quality and competence. The African Development Bank, the World Bank and other partners are supporting the government to improve trade facilitation, including the design of a strategy for logistics management and improvement. The Bank has supported capacity building of the Ethiopian Customs Commission (ECC) officials on the One-Stop Border Post management, including practice and methodologies; impacts of OSBPs - efficient trade and procedures; facilitating flow of people and goods across the borders; reduced transit delays; and fostering data and intelligence sharing. The UK government is supporting the Ministry of Inland Revenue to instal a computerized tax collection systems and related reforms such as Automated System for Customs Data (ASYCUDA) to the Customs Commission.Decisions on level of documentary and physical examination of tax declarations is based partially on risk assessment. IT is employed for processing declarations, duty assessment and control of transit goods. Collection of duties, taxes, and payment of refunds is often slow and cumbersome. Laws, regulations, and guidelines published; procedures need to be simplified and rationalized. Formal mechanisms for appealing customs decisions work slowly. Laws, regulations and guidelines are published; attempts made to simplify and rationalize procedures. Formal mechanisms established for appealing customs decisions.On Transparency International's 2022 Corruption Perceptions Index, Ethiopia scored 38 out of 100, and ranked 94th among the 180 countries, compared to 87 out 180 countries in 2021. Ethiopia has been taking measures to contain corruption, including ratification of the United Nations Anticorruption Convention and the Federal Ethics and the Anti-Corruption Commission (FEACC). Anti-corruption agencies are actively pursuing measures to combat corruption, including arrests and successful prosecution of some high-profile government officials and private sector operators.Ethiopia is undertaking measures to improve its business environment and trade facilitation. The Doing Business Initiative, chaired by the Prime Minister, prioritized policy, regulatory and administrative reforms. Ethiopia launched a one-stop service system Electronic Single Window (eSW) in January 2020 to facilitate trade, provide efficient services to clients and create a paperless environment that eliminate uncoordinated, multiple physical inspection and repetitive documentary submissions, reduce clearance time, improve transparency and reduce corruption by minimizing the opportunities for physical interaction.Weak trade logistics have remained a constraint on the country’s competitiveness and its participation in international trade. Trade, especially exports, is also constrained by a range of non-tariff measures (NTMs). A recent survey found that 96 percent of trading companies in Ethiopia report facing burdensome situations related to the application and implementation of trade-related rules and regulations (International Trade Centre, 2018). Exporters appear to be more affected than importers, with 90 percent of exporting companies reporting facing burdensome NTMs and 56 percent of importing companies reporting such problems. Ethiopia was slightly improved as compared to the year 2020 (based on domestic survey Ethiopia’s logistics service) on logistics performance. Ethiopia ranked 114th out of 160 countries in 2020 (based on domestic survey), up from 131 out of 160 countries in the 2018 Logistics Performance Index (LPI).

05. Financial Sector Development

Criteria Score: 4.167

5.a. Financial stability

Score Type	Value
Draft Score	5.0

Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

Ethiopia’s financial sector is dominated by the private sector which underscores its stability and strong capitalization. Two state-owned banks, the CBE and DBE accounted for almost 41% of the banking sector capital in 2022, from about 50 % in 2020. The population to bank branch ratio improved from 13,921 in 2018 to 11,516 in June 2022. The non-performing loans slightly increased from 3.56 % in 2018 to 5.4% in 2021. Similarly, the bank capital to asset ratio decreased from 8.6 % to 7.06 % during the same period. The sector is closed to foreign competition (including banking, insurance and other financial services), limiting dynamism, innovation, which impedes competition, innovation and access to long-term credit. In 2022, the gross savings-to-GDP ratio was about 15.3% of GDP from24.3 % and 18.9% in 2018 and 2021 respectively and investment to GDP ratio remained at about at 25.3 % over the same period, underscoring the large savings-investment gap. A phased approach to financial sector reforms with a robust regulatory framework is important to expand the reach of the financial sector and competition.

Although the GoE implemented the Financial Inclusion Strategy 2014-2020, the banking sector recorded a decline of innovation of 16.3% in 2022 from 18.6% in 2021. However, there was an improvement in financial Intermediation as the end year of 2021/2022 was recorded an increase of 3.5% from 3.4% in 2020/2021. In October 2022, the government inaugurated Digital Finance Ethiopia Showcase 2022. During the event, the products and services showed the digital potential and ambition towards the growth of Ethiopia's digital economy. There is also progress in establishing securities and money markets and the Bank is supporting the development of bond markets, while the Ethiopian Capital Market Authority (ECMA) has been established and the government started fundraising to finance the Ethiopia Securities Exchange (ESX). The ESX is a key element of financial sector reforms and modernization of the domestic economy.

The offering of five licenses to foreign investors in the next five years by the GoE is key for financial inclusion, competition and financial sector effectiveness in supporting growth. Foreign investment in the financial sector will boost expertise, credit availability, investment, service scope and quality as well as innovation and improving foreign exchange reserves. Reforms are still ongoing to improve financial intermediation efficiency, create dynamism in the sector and contribute to private sector growth. The reforms aim to attract more long-term finance, especially from insurance firms, social security agencies and the private sector. These include measures to deepen the money markets and create a functional capital markets framework. The volume of Treasury bills traded increased by almost 172.1 percent in end of 2021/22 and stood at 317.2 billion Birr compared to the previous year at 391 %, amounted to Birr 116.6 billion, and are providing to financing the fiscal deficit. A transition towards a market-clearing foreign exchange regime and reforms to improve the business environment will help to expand the role of the private sector and attract foreign direct investment.

Following the introduction of bi-weekly Treasury bills auctions in December 2019, an active T-Bill market has been created with participation by private banks and pension funds. In addition, longer T-Bill maturities and more competitive interest rates have been successfully introduced in the past two years (2021 and 2022 end of FY). As of December 2022 the yield curve has shifted upwards from December 2021. Treasury bill instruments are now the largest source of Government financing the fiscal deficit as opposed to central bank financing. In December 2022, a close to Birr 300bn of outstanding funding, increase from Birr 201bn in December 2021 were provided in the T-Bill market. On the other hand, the Ethiopian Capital Market Authority (ECMA) has been established and the government started fundraising to finance the Ethiopia Securities Exchange (ESX). The government owns a 25 percent share of the ESX via the Ethiopian Investment Holdings (EIH) agency and 75 percent will be sold to private investors. The ESX is a key element of financial sector reforms and modernization of the domestic economy. This enables the banking sector to be liberalized and allow foreign investment. The stock market will expand the scope for public and private sector financing to the benefit of the domestic economy.

Greater participation by pension funds, insurance companies in capital markets, and will help deepen the long-term sources of capital for the private sector. While these markets may start out small, they create new mechanisms through which private capital can be raised and more efficiently allocated. Directives on Open Market Operations (OMO) and Standing Facilities (SFs) were passed by the NBE in June 2021, paving the way for market-based monetary policy. These reforms have been supported by the Bank during 2019-2021. Support to improve capital markets infrastructure, regulatory frameworks and operational capacity is needed. Reforms to allow participation of international banks will deepen the sector and increase competition and innovation.

5.b. Sector's efficiency, depth, and resource mobilization strength

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Despite the banking sector capital being dominated by the private banks for almost 59%, the efficiency and depth of Ethiopia’s financial markets still remains weak and limited competition. According to the Absa Africa Financial Markets Index 2022, Ethiopia ranked 26 out of 26 countries, a decrease from 23 in 2021. The return on assets in 2022 was 1.53% declining from 2.25% in 2020, while the return on equity decreased from 25.13% to 15.84% over the same period. The sector is dominated by commercial banks and a few insurance companies. There is only one development bank, the DBE. In June 2022, Parliament passed the Capital Markets proclamation and in 2023 the Capital Markets Authority and Ethiopia Securities Exchange were established under the Ethiopia Investment Holding agency to promote long-term capital mobilization for the private sector. While the sector is closed to foreign competition (banking, insurance and other financial services) in June 2023 the Cabinet approved a policy framework to allow foreign firms to operate in the financial sector. Parliament and is considering amendments to the bank law to give a legal basis for the reform. This help to improve competition and innovation in the sector.

As of June 2022, Ethiopia’s financial sector comprised 30 commercial banks (two state-owned and 28 private), 18 insurance companies (one state-owned and 17 private), 43 microfinance institutions, and 5 capital goods finance companies. The banking sector accounts for the largest share of the financial sector in terms of value and services provided. The banking sector is highly concentrated with the private banks accounting for almost 59 % of the banking sector capital in 2022, from about 40 % in 2018. For the two state-owned banks, the Commercial Bank of Ethiopia and the Development Bank of Ethiopia two state-owned, the Commercial Bank of Ethiopia and the Development Bank of Ethiopia accounts for 41% in 2022 from about 50 % in 2020. As of June 2022, population to bank branch ratio reached almost 12 thousand people per branch. In other words, the population to bank branch ratio was 11,516 in 2022, an improvement from 13,921 in 2018.

The banking sector is highly concentrated with the private banks accounting for almost 59% of the banking sector capital in 2022, from about 40% in 2018. During 2018-2022, the population to bank branch ratio improved from 20,286 to 11,516. Total deposits increased by 25.7% and credit disbursement increased by 29.9 %. In 2022, savings-to-GDP ratio was about 15.3% of GDP, a decrease from 24.3 % and 18.9% in 2018 and 2021 respectively (this was due to higher private consumption expenditure to GDP ratio). On the other hand, investment to GDP ratio remained at 25.3 % over the same period, underscoring the large savings-investment gap. The financial sector played a significant role in facilitating socio-economic growth through its financial intermediation function, the increase of the new banks, including interest free banking entered into the banking industry (the number of overall bank branches increased from 7,344 in 2021 to 8,944 in 2022). Furthermore, most of the financial indicators (deposit mobilization, loan collection and loan disbursement increased by 25.7%, 48.6% and 29.9% respectively), revealed the safety and soundness of the sector. Financial intermediation access to finance and financial inclusion have steadily expanding during the June 2022 ended year. Still more, there is need to increase financial intermediation, innovation and promote new products, including use of electronic money to expand the reach of the financial sector and competition. As such, the financial sector reforms with a robust regulatory framework is important to expand the reach of the financial sector and competition. In June 2022, there were 18 insurance companies, of which one is a state-owned enterprise, the Ethiopian Insurance Corporation, and 17 are privately owned. The number of insurance branches is 690, of which 55 are newly opened in the fiscal year of 2022. Among them, 55.4 % are operating in Addis Ababa and 86.8 % of the total branches are private.

Because of the limited competition and innovation, the financial sector is generally shallow, with a limited range of financial instruments. A key reason for the limited dynamism and innovation in the financial are the controls and prohibition of foreign investments in the financial sector (including banking, insurance and other financial services). Despite COVID-19, internal conflict, and the Ukraine-Russia crisis, financial sector remained robust and played a significant role in facilitating socio-economic growth through its financial intermediation function. In 2021/22 FY, new banks, including interest free banking entered into the banking industry (bank branches raised to 8,944 from 7,344 in 2020/221). The deposit mobilization, loan collection and loan disbursement accelerated by 25.7 %, 48.6 % and 29.9% respectively. The non-performing loan (NPLs) ratio was within the required ceiling of 5 % and all other financial indicators revealed the safety and soundness of the sector. Furthermore, insurance companies, microfinance institutions and capital goods finance companies have continued to expand their network and diversifying their products.

There is progress towards establishing securities and money markets, with the support of the African Development Bank. A market-determined Treasury bills auctions was established in 2019 with capacity building of key players. The stakeholders and the National Bank of Ethiopia's Capital Market Project Implementation Team (CMPIT) met in June 2022 to discuss and provide feedback on the proposed draft directives of its establishment. The Capital Market Roadmap has four pillars: market development, infrastructure development, capacity development and policy reviews, accompanied by the ten-year implementation action plan. In May 2023, the government started fundraising to finance the Ethiopia Securities Exchange (ESX) following the establishment of the Ethiopian Capital Market Authority (ECMA).

5.c. Access to financial services

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Ethiopia's financial sector is sound and profitable and serves the population fairly well. Despite being closed off to international competition, Ethiopia's financial sector is evolving with underpinned by ongoing reforms. There are 30 commercial banks, 18 insurance companies and about 43 microfinance institutions. In June 2022, the banking industry accounted for 87.3% of the financial sector's total capital, followed by insurance companies with 6.8% and MFIs accounting for 5.9%. State owned banks account for 25.7% of deposits, 48.6 % of loans collection and 41.5 % of capital. The total number of bank branches reached 8,944 in 2022 (about 32.7 % of them in Addis Ababa) and bank branch to population ratio declined to 1: 11,516. The number of mobile money users significantly increased reaching about **27.2** million users yet low compared to neighboring economies such as Kenya (estimated at 50.9 million). There are 18 insurance companies (one state-owned) with a total of 690 branches.

Private insurance companies account for 74.8 % of total capital. There are 43 microfinance institutions (MFIs), 40 of the Microfinance firms serve at least 19.5 million clients and over 4 million are borrowers (report presented by NBE to the parliament). However, the financial sector is still shallow and offers a limited range of financial products. Capital markets are yet to be developed and lending is mainly collateral based, thereby limiting access to credit. GoE aims to strengthen financial stability, while re-orienting banks' activities to support the transition to a private sector-led economy.

But access to finance to private companies, particularly the small, micro and medium enterprises remains a major impediment to expanding economic activities, diversification, and linkages with the global value-chains. Further reforms to the financial sector to efficiently intermediate capital from domestic and international sources such as the banking sector, capital markets, private equity capital and institutional investors are still needed. This will help to promote investment and unlock Ethiopia's export potential. Treasury bills and government bonds are the only securities issued by the GoE. Secondary markets for securities trading do not exist yet. Following the shift to market determined T-bill auction in 2019, participation of banks, insurance companies and social security funds in the market increased, resulting in competition and yields. During 2021/22, the value of Treasury bills supplied reached ETB 858.5 billion while the amount demanded was ETB 599.5 billion, indicating that the market was undersubscribed by ETB 259.0 billion (30.2 %). Banking industry in total outstanding T-bills accounts for 61.6% compared to

38.4% for non-bank institutions. Average weighted yield significantly increased from 4.5% in 2020 to almost 9.5% in 2021.

In May 2023, the Deputy Governor of the National Bank of Ethiopia noted that government will offer five licenses to foreign investors in the next five years. Investment options will include joint ventures with local banks or establishing sole subsidiaries. This reform is key for financial inclusion, competition and financial sector effectiveness in supporting growth. Foreign investment in the financial sector will boost expertise, credit availability, investment, service scope and quality as well as innovation and improving foreign exchange reserves. Banks from Kenya and South Africa and have expressed interest in joining Ethiopia’s market.

06. Business Regulatory Environment

Criteria Score: 3.667

6.a. Regulations affecting entry, exit, and competition

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The Home-grown Economic Reform Agenda 2.0 is being finalized to build on the 2019-2021 reform agenda to improve the environment for business and competition. The Ease of Doing Business under the Prime Minister’s Office is key to simplifying and streamlining business regulation Liberalisation of key sectors including the telecommunications, financial and logistics is ongoing to enhance efficiency competition in the country. In May 2023, the NBE issued a mobile money license to Safaricom Ethiopia for US$150 million, the first foreign investor to be license in the industry that is dominated by EthioTelecom. In June 2023, the government launched a tender process to issue a third telecoms license, covering both standard telecommunications and mobile finance operations. Progress on issuance of a third telecoms license had been stalled by political and security disruptions and low appetite among potential investors. This underscores momentum on reforms to de-regulate and privatise key industries and parastatals in a bid to attract investment, improve service delivery, strengthen foreign reserves, and fast-track economic growth. Several offers could be expected given allowances for mobile money services. Orange Telecoms (France) is among those expected to bid.

The Ethiopian Parliament approved Proclamation No. 1150/2019 which is("Proclamation") as part of the "Ease of Doing Business" that is chaired byinitiative launched by the Prime Minister has helped's Office to simplify and streamline business regulations. The Proclamation establishes a one stop shop services in the Ministry of Revenues within the Ministry as part of commercial registration and business licensing procedures. Accordingly, the Proclamation mandates the Document Authentication and Registration Agency (DARA) and the Ministry of Revenues to set up their respective desks within the Ministry with a view to providing authentication and tax registration services at the Ministry. The new law obliged the Ministry to establish a system that will allow it to deliver its services online. Commercial registration services acanre now permitted to be carried out virtually without the need for physical presence of applicants. The existing law does not make a distinction between a trade name and a company name. The practice also shows there has been a lack of clarity in this regard and the service was not uniform when it comes to registering a trade name and a company name. Under the new Proclamation, a distinction is made to differentiate a trade name from a company name. Furthermore, the restriction of not using a name of a celebrity as a trade name without securing a written consent is now lifted.

The Ministry of Trade and Industry (MoTI) and the relevant Bureaus at regional level are responsible for providing commercial registration and business licensing services and controls the use of business licenses for unauthorized purposes. Registration and licensing are the dual obligations of any businessperson planning to operate in Ethiopia. The government took important steps in improving access to and quality of physical infrastructure - tele-density has improved, road network and road conditions have improved, power supply and rural electrification has intensified. There is an increased outreach and efficiency of the banking sector. Ethiopia is among the top five recipients of FDI in the African continent.

The Ethiopian Investment Commission (EIC) offers a comprehensive set of fiscal and non-fiscal incentives to encourage investment including: customs duty exemptions of up to 100% on imports of capital goods for eligible areas of investment; income tax exemptions for a period ranging between 1 and 9 years, depending on the specific activity and the location of the investor; loss carry forward for business that suffer losses during the income tax exemption period for half of the tax exemption period; with the exception of a few products, no export tax is levied on Ethiopian export products; and guaranteed remittance of capital for foreign investors. The Bank is considering supporting the EIC through technical assistance to strengthen and digitalize the EIC to boost Foreign Direct Investment.

The Government underscores industrialization as the key approach to transform the economy, reduce poverty, provide jobs, and achieve inclusive growth. As of 2023, there are 22 industrial parks (both government and private sector owned), 13 of them fully operational. The Industrial Park Development Corporation (IPDC) operates nine industrial parks and oversees eight private industrial parks that employ a combined total of almost 100,000 people. Most of the companies operating in the industrial parks are involved in the manufacture of leather and textile products especially for export as well as pharmaceutical and construction products for the domestic market. The industrial parks are expected to increase the contribution of manufacturing to economic growth.

Ethiopia has launched four pilot Integrated Agro-Industrial Parks, as part of its agenda for jobs creation for the youth, through expanding labor-intensive, agro-based light manufacturing and off-farm activities. The eco-friendly integrated agro-industrial parks will link crop and livestock production to storage and processing facilities to move up the agricultural value chain. The four pilot agro-industrial parks serve as rural transformation centers and aggregation points. The agro-industrial parks will be equipped with modern warehousing and market facilities for use by the surrounding farming communities. This will help expand markets and value addition and thus increase farm-gate prices, promote the private sector, and generate employment. Tailored and competence-based training will be provided and linkages between industry and training institutions created to meet labor market needs. The Agricultural Transformation Agency has identified 31 agricultural commercialization clusters. The Bank's Integrated Agro-Industrial Park Development Project will support the four-pilot integrated agro-industrial parks, which have potential for inclusive and sustainable agro-industrial development with significant impacts on livelihoods and structural agricultural transformation in Ethiopia. These parks aim to link producers and SMEs with strategic industrial clusters along the value-chains, including scaling up of agricultural commodity exchange.

To facilitate guaranteeing of foreign currency availability, National Bank of Ethiopia released the Off-Shore Account Opening and Operations Directive for Strategic Foreign Direct Investment Projects (Directive No. FXD/86/2023). Eligible expenses include: external debt service, capital expenditure, insurance, contractor and warranty claims in foreign currency, maintenance and operations. In addition, with the support of the IMF, the government is steadily working towards a market clearing foreign exchange management arrangement by 2022. Liberalization of key sectors and proposed privatization of key state-owned enterprises in telecommunications, transport, electricity and logistics sectors is underway through a phased approach to the privatization process. The Bank is currently providing Technical Assistance at the National Bank of Ethiopia to support finance sector reforms including legislative, institutional strengthening and capacity building. Already, the Treasury bills auctioning is now market-determined an increased number of players in the market. The Ethiopian Capital Market Authority (ECMA) has been established and the government started fundraising to finance the Ethiopia Securities Exchange (ESX). The government owns a 25% share of the ESX via the Ethiopian Investment Holdings (EIH) agency and 75% will be sold to private investors. The ESX is a key element of financial sector reforms and modernization of the domestic economy. The stock market will expand the scope for public and private sector financing to the benefit of the domestic economy.

Ethiopia has few bans on investment; licensing requirements for most activities streamlined, but there are complex licensing requirements for many activities. Procedures to enter and exit many economic activities are costly. Legal framework to address anti-competitive conduct by firms exists, but there is no effective enforcement. Public sector entities are not formally required to purchase exclusively from state firms, but there is widespread implicit pressure to do so. The 2019 Home-grown Economic Reform 2.0 is being finalised and will build on the 2019-2021 reform agenda to furtherhelped to improve the environment for business and competition in Ethiopia. The Ease of Doing Business Initiative managed in the Prime Minister's Office is key to simplifying and streamlining business regulation. One of the major reform actions taken includes the revision of key business rules and regulations. About eleven legislations have been the focus of the Doing Business Initiative: Commercial Code, Commercial Registration and Business Licensing, Movable Property Security Right Proclamation, An amendment of the Value Added Tax (VAT) proclamation, Alternative Dispute Resolution Proclamation, Electronic Transaction Proclamation, Capital market proclamation, New York Convention Ratification proclamation, Electronic Single Window Regulation, Building Risk Directive, and Court Case Management Directive. The annulment of the commercial code of 1960 and its replacement by a brand-new commercial code under proclamation No. 1243/2021 is a major highlight of the legislative efforts. The new proclamation that has been effective since 12 April 2021 is expected to do away with former barriers and introduce news once that enhance the business environment. To facilitate guaranteeing of foreign currency availability, National Bank of Ethiopia released the Off-Shore Account Opening and Operations Directive for Strategic Foreign Direct Investment Projects (Directive No. FXD/86/2023). Ethiopia approved a Proclamation No. 1150/2019 ("Proclamation") as part of the "Ease of Doing Business" initiative to simplify and streamline business regulation. The Proclamation establishes a one stop shop service within the Ministry as part of commercial registration and business licensing procedures. Accordingly, the Proclamation mandates the Document Authentication and Registration Agency (DARA) and the Ministry of Revenues to set up their respective desks within the Ministry with a view to providing authentication and tax registration services at the Ministry. The new law obliged the Ministry to establish a system that will allow it to deliver its services online. Commercial registration services are now permitted to be carried out virtually without the need for physical presence of applicants. The existing law does not make a distinction between a trade name and a company name. The practice also shows there has been a lack of clarity in this regard and the service was not uniform when it comes to registering a trade name and a company name. Under the new Proclamation, a distinction is made to differentiate a trade name from a company name. Furthermore, the restriction of not using a name of a celebrity as a trade name without securing a written consent is now lifted. Another major legislative step taken is the ratification of the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards on February 13, 2020. Commonly known as the New York Convention, the document explains, the move is considered to be a significant step forward in drawing foreign investment as the adoption of the uniform framework for the recognition and enforcement of arbitral awards will certainly help to improve the country's profile as a business-friendly jurisdiction. A web-based platform for processing international trade regulatory documents, the Ethiopian Electronic Single Window (ESW) has been a major milestone. Ethiopian Customs Management System (ECMS) is another product that fully automates and enhances the efficiency of customs clearance. ECMS covers all customs regimes (import, export, transit, warehousing and others) and automates all the 27 customs offices in the country. It also provides interconnection between Djibouti and Ethiopia Customs administrations for enhanced transit monitoring both by road and railway.The Ethiopia Movable Collateral Registry (EMCR) is yet another one of the measures to automate service delivery. Accordingly, it has been established a few months ago and housed in the National Bank of Ethiopia (NBE) until such time an autonomous Collateral Registry Office is established by regulation. Credit Bureau has also been established by the National Bank of Ethiopia. Under such a system, banks and nonbank financial institutions (NBFIs) draw on credit reporting systems to screen borrowers and monitor the risk profile of existing loan portfolios. Regulators also rely on credit information to understand the interconnected credit risks faced by systemically important borrowers and financial institutions and to conduct essential oversight functions. Such efforts reduce default risk and improve the efficiency of financial intermediation. Online Trade Registration and Licensing System (OTRLS) has also been established and housed at the Ministry of Trade and Industry. Among other services, the platform allows users check business names online without having to publish their proposed names on newspapers and waiting for responses for weeks. Another one is Etax service. The service connects the taxpayer with the tax authority and allows the former to file electronically and print their declaration online. Following the enactment of the Investment Proclamation No. 1180/2020 ("Investment Proclamation"), the Investment Regulation No. 474/2020 ("New Regulation") came into effect. Together with the Investment Proclamation, the New Regulation introduces new changes to investment admission and administration in Ethiopia. The key change introduced with this category is the removal of previous government monopoly of some sectors and presenting the opportunity for joint venture (JV) with the private sector. Areas which were exclusively reserved for the government, are now eligible for JV with the government. In addition, two sub-sectors that were government monopolies are now open for domestic investors (see next category). These are: distribution of electricity through the integrated national grid and domestic air transport services above a seating capacity of 50 passengers. The New Regulation enables the government to form such joint ventures with domestic and foreign investors if and when it desires. The Investment Proclamation abolished the distinction between Ethiopian nationals and foreign nationals of Ethiopian origin and removed sectors that were exclusively reserved for Ethiopian nationals, e.g., transport services, including, air, railway, ground and marine. The new regulation allows foreign investment in railway transport, cable car transport, cold-chain transport and freight transport. Restrictions in cement manufacturing, education, management consultancy and other services are removed. Liberalization of key sectors including the telecommunications, financial and logistics is ongoing to enhance efficiency competition in the country. In May 2023, the NBE issued a mobile money license to Safaricom Ethiopia for US$150 million, the first foreign investor to be license in the industry that is dominated by Ethio Telecom. In June 2023, the government launched a tender process to issue a third telecoms license, covering both standard telecommunications and mobile finance operations. Progress on issuance of a third telecoms license had been stalled by political and security disruptions and low appetite among potential investors. This underscores momentum on reforms to de-regulate and privatize key industries and parastatals in a bid to attract investment, improve service delivery, strengthen foreign reserves, and fast-track economic growth. A legal framework to address anti-competitive conduct by firms exists. The Trade Practices and Consumer Protection Proclamation (No. 685/2010) come into effect in August 2010. The Trade Practices and Consumer Protection Authority is the regulatory body which also has a judicial mandate, oversees the implementation of the Proclamation 685/2010. The law regulates trade practices by protecting businesses from anti-competitive and unfair trade practices to ensure a competitive business environment. It also protects business from unfair competition by prohibiting acts that cause confusion and other acts that are against honest commercial practices, puts a restriction on market dominance by prohibiting agreements to the effect of fixing price, collusive tendering and sale by quota. It also prohibits agreements between businesses in vertical relationship with the object of setting minimum retail prices. Mergers are also regulated for possible significant hindrance to competition and require notification and permission from the Trade Practices and Consumer Protection Authority. However, enforcement is often not always effective, and according to the 2019 Global Competitiveness report, Ethiopia ranked at 119th out of 141 economies in extent of market dominance and 141st (the least) in competition in services. According to the Procurement and Property Administration Proclamation No. 649/2009, public entities are also free to procure from any source.These measures are expected to further improve Ethiopia's ranking on the GCI, especially the dimension on goods market efficiency. Ethiopia's ranking on 'extent of market dominance' which was estimated at 3.1 out of 7, ranking Ethiopia at 119 out of 141 countries. On competition in services, Ethiopia scored on 2.7 out of 7 and ranked 141 out of 141 countries. Closing a business. In the 2020 Doing Business report, Ethiopia's distance to frontier on resolving insolvency was 30.3 (on a scale of 0-100) and ranked 149 out of 190 countries, a deterioration from the distance to the frontier score of 37.3 and ranking at 122 out of 190 countries in 2018. The time and cost required to resolve insolvency remained unchanged at 3 years and 14.5% of the estate in 2018, respectively. The recovery rate (cents on the dollar) declined slightly to 27.3 in 2019 compared to 28.7 in 2018. There is a proliferation of brand plagiarism especially in the apparel and hospitality sectors, which hurts international businesses and discourages investment in Ethiopia. Ethiopia needs to enact and update its laws in relation to the Agreement on Trade Related Intellectual Property Rights (TRIPS) as it negotiates accession to the World Trade Organisation. The Ethiopian Intellectual Property Office needs to do more to ensure recognition and protection of international brand names is critical ensuring fair business practices. Local companies need to be guided to initiating and promoting local branding.

6.b. Regulations of ongoing business operations

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Operational licensing, permits, compliance and inspection requirements, including those related to taxes and customs, impose few burdens on business in Ethiopia. There is little direct state intervention in goods markets through controls and/or subsidies, but there are some market imperfections that are not addressed, e.g., high concentration ratios in industries and services enjoying some trade protection or producing non-tradable goods. No significant parastatals in product markets. Corporate governance laws generally encourage disclosure and protect shareholder rights, although enforcement requires improvement. To facilitate guaranteeing of foreign currency availability, National Bank of Ethiopia released the Off-Shore Account Opening and Operations Directive for Strategic Foreign Direct Investment Projects (Directive No. FXD/86/2023). The Strategic Foreign Direct Investment projects eligible to open off-shore accounts include: large capital PPP investment projects in energy and infrastructure sectors, mining projects with large export-earning potential, and other strategic FDI projects as assessed by executive management, considering size, employment creation, foreign exchange flows and technology transfer.

Investors are also exempt from the payment of customs duties and other taxes levied on imported and locally purchased raw materials used in the production of exportable goods. Direct state intervention in goods markets through price controls and subsidies is restricted to the price of fuel, as it is administratively fixed by Ministry of Trade and Integration.

The Addis Ababa Chamber of Commerce has an Arbitration Centre dedicated to assisting businesses in the arbitration processes. Since 1965, Ethiopia has been a member state to the International Centre for Settlement of Disputes (ICSID Convention) and in 2020 ratified the convention on the Recognition and Enforcement of Foreign Arbitral Awards. Property and contractual rights are recognized, and there exists a commercial and bankruptcy laws designed to protect creditors, equity shareholders and other contractors.

Since 2019, the country has been working to update outdated codes, including the most recently adopted Commercial Code of Ethiopia, Proclamation No. 1243/2020 in March 2021. The New Code accommodates the current state of how businesses operate, as many factors necessitated the need for a revision, which all came down to its incompatibility with the current state of doing business.

Yet, the role of SoEs in Ethiopia is far-reaching. SoEs have acted as strategic providers of public goods and services in critical sectors such as industry, construction, finance, telecommunication, trade logistics, transportation, and energy. SoEs are currently one of the biggest transformational challenges due to their monopolistic dominance in the economy, and their debt outlays.

According to the Global Competitiveness Index (GCI) and other reports, foreign currency regulations, corruption, and access to finance remain the top three most problematic factors for doing business in Ethiopia. According to the Global Competitiveness Report, in 2019 Ethiopia’s ranking on the efficiency of the legal framework in settling disputes and efficiency of legal framework in challenging regulations were at 82/141 and 63/141, respectively in 2019/20 from 66/140 and 62/140, respectively in 2018.

6.c. Regulations of factor markets (labor and land)

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Employment law is reasonably flexible, but there are some labor market institutions that depress formal employment in some sectors. In this regard, securing senior level employment position in the public sector both in the federal and regional states, it is largely on non-merit criteria, specifically on political affiliation. This political interest undermines the development of a competitive labor market environment. In principle, the labor Proclamation addresses dismissal protection, regulation of severance pays and compensation, disability payments and dependent benefits for labors engaged in formal sector. And it also provides a full guarantee for freedom of association and introduces a system of collective bargaining and settlements of labor disputes. The country also fares quite well in terms of overall rigidity of employment index, difficulty of hiring, difficulty of firing, and rigidity of hours. However, labor costs are on average low and there is no minimum wage legislation in the country.

A new Labor Proclamation 1156/2019 was enacted with a view to securing durable industrial peace, sustainable productivity and competitiveness that will contribute to the overall development of the country. New articles introduced related to sexual harassment and sexual violence, social dialogue, paternity leave and minimum wage. The new law also prohibited the employer a) discrimination based on HIV or disablement; b) unduly delaying collective bargaining by withholding relevant information for the negotiation or performing any other act contrary to good faith; c) committing sexual harassment or sexual assault at workplace; d) physically abusing anyone in a workplace and e) coercing a worker in any manner to work or discharge an obligation. Labor law addresses dismissal protection, severance pays and compensation, disability payments and dependent benefits. The laws guarantee freedom of association and introduce a system of collective bargaining and settlements of labor disputes. The 1995 constitution and labor law provide workers with the right to form and join unions, conduct legal strikes, and bargain collectively.

Land is held as public property, available to investors on lease for up to 99 years in accordance with land reforms laws enacted in 1996. State ownership and control of land has significantly contributed to the lack of easy access to land, its lack of marketability and unreasonably high cost. Lease price is a deterrent to business, access to an appropriate size of land and delivery has been a problem for most investors in the country. Reported land acquisition delays are also very long, investors complaining waiting for months. For rural areas, regional states establish the regulations in line with the federal Rural Land Administration and Use Proclamation, No. 89/1997. Ethiopia has enacted an Expropriation of Landholdings for Public Purposes Proclamation No. 1161/2019. The Government retains the right of expropriation for the public interest, and it is bound to compensate adequately at prevailing market rates private individuals for losses incurred. The Proclamation is applicable throughout the country in rural and urban centers on matters relating to land expropriation, payment of compensation and resettlement of landholders whose land is expropriated for public purposes. Compensation and resettlement Assistance Compensation for the expropriated land shall sustainably restore and improve the livelihood of displaced people. Where land is expropriated for public purposes, the procedure shall be transparent, participatory, fair and accountable. Recently, steps to improve land administration have been underway like decentralized land administration, transparent procedure, and deterring speculative behaviors through industrial parks development strategy. Issues that are more significant impediments to doing business primarily include access to and delivery of land.

The country fares well in terms of overall rigidity of employment index, difficulty of hiring, difficulty of firing, and rigidity of hours. According to the Global Competitiveness report, restrictive labor regulations are the least problematic factor for doing business in Ethiopia. However, Ethiopia ranked 124th out of 141 economies on the ‘labor market efficiency’ in the 2019 Global Competitiveness Index, worsened from 70/138 in 2016/17. Moreover, labor costs are on average low.

(C) Policies for Social Inclusion/Equity

Cluster Score: 4.44

07. Gender Equality

Criteria Score: 4.333

7.a. Promotion of equal access for men and women to human capital development opportunities

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The elections of June 2021 saw over 37 million registered voters nationwide and over 9,200 candidates, with 27% of them women registered to contest. Women's representation in the House of Peoples' Representatives increased significantly from 27.9% in 2010 to about 40% in 2021. Ethiopia's Voluntary National Review (VNR) of 2021 indicates that as of October 2021, women held only 8 out of 22 (36%) of senior ministerial positions, and 33% of junior cabinet positions.

While gender equality and the equal protection and promotion of the rights of both women and men are enshrined in the Federal Constitution of 1995, systemic barriers that prevent women from participating in decision-making and reaching positions of influence exist. Article 35(6) protects the right of women to acquire, administer, control, use and transfer of property including land. Article 35(7) espouses women's rights to equality in employment, promotion, pay, and the transfer of pension entitlements. In addition, the National Policy on Women (1993) guarantee the rights of women and equality with men.

Ethiopia has operationalized various policy and legal instruments designed to promote gender equality. The 1995 Constitution underscores the rights of all Ethiopians, irrespective of gender. Women's Policy (1993) and Women's Development Package (2016), contribute to an enabling environment, including promotion of affirmative action to ensure a certain proportion of women participate in programs and projects. Ethiopia is a signatory to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW). The 2000 Revised Family Code increases women's equal rights to assets during the duration, conclusion, and dissolution of marriage. The Ministry of Women, Children and Youth Affairs (MoWCYA) is the focal institution that leads cross-sectoral efforts related to gender equality. Gender equality is being mainstreamed across a number of sectors in Ethiopia through the sectoral gender units set up in all government institutions and the sectoral mainstreaming guidelines they have develop. AfDB's support to MoWCYA to strengthen the national gender database to collect, analyze and disseminate data across all sectors is invaluable to track progress and design a tailored response. AfDB has also supported key infrastructure sector entities to undertake Gender Audit and recommend the implementations.

Gender is mainstreamed within key national development plans including the Ten Year Development Plan sector specific strategies and flagship programs. Gender and Social Inclusion is one of 10 Strategic Pillars of the Ten Year Development Plan. In order to protect women's rights, safeguard their security, ensure their participation and benefit from economic development the Ten Year Development Plan pledges to create conditions where women are 100% free from physical and moral abuse, genital mutilation and early marriage by 2029/30 from the 2015/2016 levels of 24%, 65%, and 6%, respectively. It also plans to reduce the rate of sexual abuse in women from 10% to 5; increase the share of female decision makers in the legislative, judicial to 50% and eliminate pay differentials between men and women for similar jobs which currently stands at 44%. It is also expected to increase the percentage of women engaged and benefiting from micro enterprises from 41% to 50% and increase the number of women who are engaged in income generating activities using microfinance loan from 33% to 55%; Proclamation No. 1097/2018 requires all government institutions to address women's issues in policies, laws, and development programs and projects. The promulgation of Proclamation No.970/2016 institutionalized gender responsive budgeting (GRB) in government entities. Flagship national programs, like the Productive Safety Net Program, have increased emphasis on gender equity.

The Education Sector Development Programmes VI (ESDP-VI) and Health Sector Transformation Program (HSTP II) have mainstreamed gender equality. The ESDP-VI has two complementary objectives, namely improving access to quality primary education and sustaining equitable access to quality secondary education. In addition, the ESDP-V places emphasis on improving access to quality education in hard-to-reach and underserved regions. In line with the ESDP-V and the Education for All initiative, the Government has continued to increase access to achieve universal primary education. The Alternative Basic Education strategy, implemented since 2006, has guided the provision of alternative education that responds to diverse needs and contexts and, jointly with special interventions to improve delivery of education services in emerging regions, has improved school enrollment rates for both male and female students including in disadvantaged and under-served ethnic groups. Complementary strategies, such as the Girls' Education and Gender Equality Strategy are also being implemented to increase girls' enrollment and completion rates.

The development of pastoral education strategy has been instrumental in ensuring standardized expansion of alternative basic education in low land areas of the country and the establishment of the National Council for Pastoralist Education is expected to provide the necessary guidance and co-ordination. As per the pastoral education strategy, the setup of mobile and multi-grade schools has been intensified in order to enhance equitable access to education. Equity in education sector is also being addressed through mainstreaming of a number of cross cutting issues, including: gender, special support and inclusive education needs.

Despite the reports of high levels of sexual and gender-based violence (GBV) in the conflict affected Northern Ethiopia, conflict-affected women and girls, including survivors of GBV/conflict-related sexual violence (CRSV) accessed comprehensive rehabilitation and reintegration services (individual and group counselling, medical care, legal services, skills and literacy) and information on GBV. Recent data confirm the Ethiopia's progress in promoting gender equality. In the World Economic Forum's Global Gender Gap 2022 Report Ethiopia ranked among the top most improved countries in the world in reducing gender gaps comparing to 2020 and 2021 report (in 2022, 2021 and 2020 ranked 74th and 97th out of 146, and 82nd out of 153 respectively).In Sub-Saharan African region, Ethiopia ranked 15th position out of 36 countries.

The country has achieved considerable progress in bridging gender gaps and supporting initiatives that empower women, with notable in gender parity in primary education, improved maternal health, political representation of women at national and federal levels as well as reduction in the incidences of harmful traditional practices particularly Female Genital Mutilation/ Cutting (FGM/C) and child marriages. In 2019 Ethiopia scored 0.487 against a continental average score of 0.484 on the African Development Bank Africa Gender Index.

The national GPI is currently 0.91 for Primary and 0.96 for Middle. The national GPI for Grades 1-8 is 0.92 which is below the ESDP VI baseline showing that more work is needed at national level to achieve the ESDP VI and SDG targets of equity.The repetition rate for both sexes is 2% in primary education and 1% in Middle. In secondary school there is a very small difference, 0.5 percentage points, between males and females where female NER is greater than male nationally. The GPI for Grades 9-12 is 0.96 nationally, with 0.07 points beyond the target. The national GPI has increased from last year by 0.04 points, showing progress in equity. The current adult literacy among women at 41.1% is lower than for men at 57.2%. The share of women who had never attended school increased from 49% in 2019 to 65% in 2022. According to 2021 Ethiopia Gender Development Index, gender disparity in illiteracy shows that female stands at stands at 56%; in other words, there are very high levels of disparity and 44% gap needs to be filled. Differences exist in female to male enrolment in primary and secondary education; and substantial gaps exist in access to antenatal or delivery care and family planning services, particularly at the regional urban/rural levels. Policies and laws provide for gender equality in education, access to antenatal care and delivery, and access to family planning services but enforcement is weak because there are no mechanisms for their enforcement.. However, female enrolment in higher institutions of learning remains much lower than for males in undergraduate (36%) and postgraduate (33%) levels. Mean years of schooling for females is just 1.6, less than half of the already low mean years of schooling for males, at 3.7 years.

In the health sector, the HSTP II aims to increase access and equity in health care provision. Diagnostics, such as the 'State of Health Inequality in Ethiopia' have informed refinements in the delivery of health care and outcomes. As a result, the national health services equity strategy, pastoral community health extension strategy and operational manual have been developed based on the State of Health Inequality report. Accordingly, low performing and hard to reach woredas have been targeted for special capacity building, staffing and financing support. The 2nd generation health extension program and the model Woreda / family concepts are reform platforms used by the health sector to improve equitable access to quality of service as well as the engagement of the communities. An increase in better-qualified health extension workers (HEW) has given communities better access to essential health services. In total 27,012 HEW have been trained and deployed at level IV qualification in 2017/18 exceeding the targeted 10,000. Overarching strategies and plans including the National Health Care Quality Strategy, National Health Equity Strategy; Equitable Health Services Plan of Action, were developed to guide and lead efforts to improve quality and equitable access to health care. In 2018/19, government launched the Women Development Army (WDA) in the health sector to consolidate gains from the Health Extension Program that was introduced in 2017/18. The WDA provides a platform to engage the community in the planning, implementation, monitoring and evaluation of health interventions at the community level HEW have already been provided with health extension package competency-based training four of the nine regions to support the implementation of the WDA objectives. These innovations are expected to improve health care outcomes, with emphasis on gender equality in access to health services.

Ethiopia has registered considerable improvements in reproductive health access. Reducing maternal mortality and improving maternal health is a top priority of the government as reflected in the Health Sector Transformation Plan and Reproductive Health Strategy. Maternal mortality declined from 676/100,000 in 2009 to 353/100,000 in 2019. The proportion of women who give birth at health facilities and under skilled healthcare personnel nearly doubled from 28% to 50% between 2016 and 2019. The changes were driven by rural area, where rates doubled from 21% in 2016 to 43% by 2019. Antenatal care rates increased from 62% in 2016 to 74% by 2019. Furthermore, the percentage of women who receive a postnatal check during the first 2 days after birth doubled from 16.5% in 2016 to 33.8% in 2019. Level of education and location (for example, urban compared to rural areas) are major determinants of utilization of reproductive health services. At least 41.4percent of women were using some form of contraception in 2019. Distance as a challenge to accessing health care was also substantially reduced. The proportion of women aged 15-49 years who reported distance from health facilities as a serious problem in accessing health care decreased from 66.2% in 2011 to 50.3% by 2016. It has also been indicated that Community Based health Insurance (CBHI) is improving overall health outcomes for women and is empowering for them. Female-headed households were more likely to join the CBHI than male-headed households. However, delays in health care seeking, access (transport) to health care centers, and receiving prompt care at health facilities during obstetric emergencies still contribute to considerable incidents of maternal death. As well, in recent years, there has been a mixed reporting on the status of some reproductive health indicators, including proportion of attended births, indicating a decline from previous years.

7.b. Promotion of equal access for men and women to productive and economic resources

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Women in Ethiopia face significant barriers to full and equitable economic participation. They experience high rates of unemployment, are less likely than men to be paid for their work and are concentrated at the lower end of manufacturing and other value chains. Women dominate the informal private sector, and micro-enterprises play an important survival strategy. It is estimated that gender gaps in hourly wages, agricultural productivity, and business sales costed the Ethiopian economy a total annual loss of $3.7 billion of GDP in 2019. Several composite scores attempt to measure the state of gender equality in the economy. The African Development Bank for example developed the Africa Gender Index in three areas: Social, Economy and Empowerment. The economic dimension measures gender inequalities in labor market participation, wages and incomes, business ownership and access to productive resources. Ethiopia’s AGI score on Economic dimension is 0.54 indicating that the country still has a long way from parity and that Ethiopian women continue to be at a disadvantage compared to their male counterparts to benefit from full and equal participation in the economy.

The legal, regulatory, and institutional framework for ensuring equal access to productive and economic resources is in place and the institutional framework is continuously strengthened to support the implementation for advancing the rights of women. This framework comprises the 1995 Constitution and the National Policy on Women (1993) which enshrine equal access to productive and economic resources for women and men. Article 35(6) of the Constitution protects the right of women to acquire, administer, control, use and transfer of property. Women have equal rights with men with respect to use, transfer, administration and control of land. Article 35(7) espouses women's rights to equality in employment, promotion, pay, and the transfer of pension entitlements. In line with the 1993 National Women Policy women supportive institutions have been created at all levels of government. At the Federal level, the Ministry of Women, Children and Youth Affairs is mandated to promote women and youth participation in political, economic and social affairs in Ethiopia.

Ethiopia has taken key steps towards enhancing women's access to and control over productive resources and services to strengthen their economic empowerment. By implementing the nation-wide land certification program, the ownership rate of women has reached around 40%, while 25% own land jointly. Around 12 million women (2.1 million female heads of households) were issued land-holding certificates. Among the 2.8 million farmers addressed by the agriculture extension services, 1.4 million were women. As well in urban areas, 30% of constructed low-cost condominium houses are reserved for women while the 70% are equally allotted for men and women. Half of all women in Ethiopia own a house in part or in full. However, Ethiopian women continue to face significant barriers to their economic participation and realization of their full potential. Women fare worse off in employment, agricultural productivity, business revenues, and hourly wages than men due largely to differential access to productive resources like credit, assets, inputs, and education. Women experience lower returns on investments due to structural issues that perpetuate the broader social norms, market failures, and institutional constraints.

One of the few only women-focused line of credit operations in the world, Women Entrepreneurship Development Program (WEDP) has been recognized for its innovative and effective model of reaching women entrepreneurs. As of March 2019, it was reported that more than 12,000 women entrepreneurs took loans and over 16,000 participated in business training. Around 66% of WEDP borrowers were first-time borrowers had never taken a loan before. Repayment of loans stands at 99.1%. WEDP has helped MFIs upscale to reach women entrepreneurs in the missing middle with larger, individual loans. The average WEDP loan size is US$12,000, an increase of 870% from the average loan size previously accessed by WEDP clients. Impact evaluation data shows that, over 3 years, firms that participate in WEDP grow their incomes by 40.8% relative to a control group, (compared to a 5-year target of 50%) and grown employment in their firms by 55.73% (compared to a 5-year target of 30%). Lessons from the WEDP Ethiopia model are informing initiatives to finance women entrepreneurs in other countries.

The interventions have generated strong results. For instance, women's associations have been established in nearly all the country's nine regions. Most notably is Women Development Army (WDA), whose establishment was spearheaded by the government. The WDAs, which are groupings of 25-30 women, bring together women living in neighborhood to create an eco-system that enable women to solve their socio-economic concerns. WDAs participate in and lead dialogue within their communities on several development issues, comprising socioeconomic developments, income creation opportunities, taking care of the environment, sustainable energy use, girl-child education, and family welfare, among others. Over 8 million women were participating in WDAs in four regions, which jointly account for over 70% of the population.

Development partners are also complementing Government efforts to consolidate gender equality and women empowerment. For instance, the "Accelerating Progress towards the Economic Empowerment of Rural Women" program, led by UN Women, WFP, FAO and IFAD and funded by the Governments of Sweden, Norway and Spain has enabled rural women to access loans and learn how to diversify their families' income. This programme has provided training to rural women in basic business skills and financial management. It has also given them access to small loans at lower than the average interest rates. Launched in 2014 the programme has benefited more than thousands of rural women and several of these women have their own bank accounts for the first time. The women are now leading efforts within their communities to empower other women to access agricultural trainings and resources to take charge of their own lives and livelihoods.

However, Ethiopia's large potential associated with a large and youthful population, especially the contributions by is not fully acknowledged and not fully exploited. In 2020, the total population was estimated at 110 million, with about 51% women. Growing at about 2.5 per annum, the population is generally young, with a median age of 19.5 years and the 0-24 years age-group making about 64% of the total. The proportion of the working age group is about 64.4%. But potential benefits from the youth asset are untapped - unemployment and underemployment due to limited skills and jobs mismatch. Unemployment remains a big problem for women and young people, particularly in urban areas. In 2020, unemployment was higher among the urban youth (25.3%), of which, the female youth unemployment was 31% (against 19% for male).

Various strategies and instruments have been developed to promoted employment creation, including the 2020-2025 National Plan for Jobs Creation, the 2020 Investment Promotion Strategy; the 2019 National Entrepreneurship Strategy, the 2019 Investment Proclamation (revised), the 2013-2025 Industrialization Strategic Plan, the 2019 National Entrepreneurship Strategy, the 2016 Small and Medium Enterprises Policy and Strategy (to be revised), and the 2015 Industrial Park Proclamation. Implementation of these strategies and additional measures to generate the required approximately three million new jobs annually are required to absorb the new job market entrants. Progressive policies and standards for employment, addressing skills gaps including in machine operations, product management, knitting, tailoring, mentorship programmes, leadership, punctuality and attitude are needed.

7.c. Men and women equal status and protection under the law

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

Ethiopia has ratified several international conventions and protocols that promote gender equality, including the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), the Beijing Platform for Action, and the Maputo Protocol. Ethiopia has also adopted a number of national laws and policies that promote gender equality, including the Constitution of Ethiopia, the National Policy on Women, and the Education Sector Development Program V. The Ethiopian government has established a number of institutions to promote gender equality. The Ministry of Women and Social Affairs (MoWSA) is the primary coordinator of the gender machinery in Ethiopia. The government has institutionalized gender priorities by establishing Gender Directorates within every line ministry accountable to both the ministries they serve and the Ministry of Women and Social Affairs. At the federal level, the ministry has the mandate to coordinate and implement gender mainstreaming policies and programs. The Ministry also oversees the National Action Plan on Gender Equality who’s goal is to promote and implement Ethiopia’s commitments to the Beijing Platform for Action and advocate for women's rights and empowerment.

The Constitution of 1995 gives women and men equal protection under the law. There is encouraging progress on gender mainstreaming and equality. Ethiopia ranked 74th out of 146 countries on the World Economic Forum’s Global Gender Gap 2022 Report, an improvement from 97/146 in 2021 and 15th position out of 36 countries in Sub-Saharan Africa. The country reports better scores across all subindexes except Health and Survival, which remains static at 74th position out of 146 countries and scoring 0.971; 91% parity in primary education enrolment; and ranked 26 out of 146 countries, lower than in 2021 (16 out of 152 countries) on political empowerment. Despite the country having a lower rate of workforce participation for women on economic participation and opportunity, there was an upward trend of 2.7% points in the share of women in the category of professional and technical workers. In turn, the share of men among professional and technical workers, while still twice as large as women’s, reported negative growth of 3.8% points in 2022 over 2021. Women’s estimated earned income surged 36% while men’s increased by 33%. In 2021/22, net primary school enrolment was 96.9% for boys and 88.3% for girls; gross enrolment ratio is 111% among boys and 100.7% among girls. Based on the 2016 Demographic Health Survey, Maternal mortality declined from 676/100,000 of women giving birth in 2011 to 412 in 2016, a 39% reduction. The proportion of women receiving at least one antenatal care from skilled healthcare personnel rose from 62% in 2016 to 74% in 2019.

Ethiopia successfully conducted elections in June 2021 at the federal (parliamentary), regional, and district levels. There were over 37 million registered voters nationwide (about 75% of projections) and over 9,200 candidates (27% of them women) were registered to contest in the elections. At least 54 parties contested for parliamentary seats at the three levels. The new government was formed on 4th October, with representation of women. In October 2018, Ethiopia's Parliament appointed the first female President, and the country’s first ever Female Chief Justice and President of the Federal Supreme Court in November 2018, further confirming Ethiopia's leadership in championing gender equality and women empowerment. In addition, women are in charge of key ministries, such as Ministries of Labour and Development Skills; Industry and Trade; Transport; Science and Higher Education; Women, Children and Youth; and Revenue. These appointments are expected to improve the efficiency of Ethiopia’s judicial system, including ensuring that men and women have equal status and protection under the law.

Ethiopian girls and women have been negatively affected by human trafficking exposing them for sex and labour abuse both in country as well as outside the country. In February 2020, Parliament approved Proclamation 1178/2020 to provide for the Prevention and Suppression of Trafficking in Persons and the Smuggling of Persons. The proclamation mandated funding for the government’s anti-trafficking activities and addressed organizational and coordination challenges between government agencies. The Proclamation imposes stringent penalties ranging 15 to life imprisonment for trafficking offences including trafficking of children, women. The new proclamation also introduced a compensation scheme for victims to be collected from perpetrators. The law contributes to appropriate legal response to protect women and girls from trafficking and exploitation. The Auditor General has established a special unit for investigating crimes of human trafficking.

Ethiopia investigated and convicted more transnational traffickers and, for the first time in 20 years, reported holding accountable traffickers who exploited victims in forced labor or sex trafficking within the country. The government signed bilateral agreements with the United Arab Emirates, Kuwait, and Oman to strengthen labor agreements, and the Anti-Trafficking and Smuggling Task Force continued its sensitization campaign in rural communities. GBV is a serious problem in Ethiopia, with 23% of women having experienced physical violence and 10% having experienced sexual violence in their lifetime. Harmful traditional practices, such as child marriage and female genital mutilation (FGM), are also widespread in Ethiopia. While FGM is less common today than it was in the past, it is still a serious problem. The main causes of GBV and harmful traditional practices in Ethiopia are social, cultural, and religious norms.

In terms of protection of women and girls from gender-based violence (GBV) and harmful traditional practices (HTPs), the government of Ethiopia has taken steps to address GBV, including enacting laws and policies, establishing special courts, and providing comprehensive and free legal aid services. Most recently, a new National Policy on GBV prevention and response has been drafted and awaiting approval. Special courts dealing with rape and other sexual crimes against women and children have been established. In 2019 there were more than 120 of such courts operating in different part of the country. In order to enhance capacity of these specialized structures, trainings for the judiciary and police have been provided. One-Stop-Centers have also been established at federal and regional levels to provide comprehensive services for survivors including medical service, justice, psycho-social support and 72 hours shelters. Modules on Violence Against Women (VAW), child marriage and FGM have been included in the national Demographic Health Survey (DHS) to better track/monitor status/progress. The issue of sexual harassment has also been addressed in the new labour proclamation. The family law gives men and women different rights in requesting a divorce, or in obtaining individual identity cards or a passport. Violence against women is common, the law does not treat it as a crime, and there are few policies, institutions or programs aimed at decreasing violence against women. Significant gaps remain in the legal framework, including implementation and enforcement. The government has also pledged to end child marriage by 2025, but progress has been slow.

The low level of awareness on the law and the interference by traditional institutions in the formal legal process often with discriminatory settlement grounds has curtailed women's access to fair adjudication. In some areas, customary or religious norms that a) prohibit or restrict the right of women to initiate divorce, b) limit the rights of wives to half of the common property upon divorce, and c) accord women and girls with a lesser share of inheritance continue to be enforced.

The government plans to focus on expanding specialized courts, one-stop-centers, shelters and legal aid that provide services and support to survivors of GBV. Moreover, the implementation of the National Roadmap on Child Marriage and FGM will be instrumental in meeting the goals of eliminating the practices. The new proclamation on Organizations of Civil Societies has helped create an enabling environment for civil societies to play a role in safeguarding the rights of women which was prohibited for foreign based NGOs under the old Civil Society Law. Coupled with other reforms, this has widened the civic space for women's movements through non-governmental and grass roots organizations.

Ethiopia has membership in the global and African community and has acceded to agreements and normative frameworks that protect and promote the rights of women and foster gender equality, and ratified key Conventions including the Convention on the Political Rights of Women (CPRW) in 1953, and the Convention on Elimination of All Forms of Discrimination against Women (CEDAW) in 1981. In addition, the provisions of these conventions have been domesticated into law. The country has also adopted the principles of 1995 Beijing Platform for Action, the political declaration and in 2000, adopted the outcome document post Beijing +5.

The 1995 Constitution, which is aligned with legal instruments, enshrines the rights of women and equality with men, notably with respect to employment, marriage, property and land ownership. Cognizant of the country's history of inequality and discrimination against women, the Constitution establishes the right to affirmative action for women to fight long standing inequalities and create a level playing field for equitable participation of women in the political, social, and economic spheres, among other things. In addition, Ethiopia endorsed the MDGs in 2000 and the SDGs in 2016. The MDGs shaped the country's policy and strategic directions to promote gender responsive development, including in the areas of parity in universal education for boys and girls.

Regarding the continental protocols and conventions, the country ratified the African Charter on Human and People's rights in 1998. However, Ethiopia has not yet ratified the Protocol to the African Charter on Human and Peoples' Rights on Rights of Women in Africa. Good progress has been made in domesticating the protocols and conventions. In addition, progress reports on the implementation of these conventions, notably the Beijing Platform for Action and CEDAW are published periodically. Nationally, the 1993 National Policy on Women was Ethiopia's inaugural policy on gender equality and women empowerment. The National Policy on Women promotes equal participation of women in the political, social, and economic dimensions of life. In line with the provisions of the National Policy on Women, Ethiopia has institutionalized the rights of women by establishing suitable institutional mechanisms across government to support the implementation of the legal and regulatory framework.

Article 54 of the 1995 Constitution stipulates that Members of the House of Representatives shall, based on population and special representation of minority Nationalities and Peoples, not exceed 550; of these, minority Nationalities and Peoples shall have at least 20 seats. The House of Representatives currently has 547 members. On the other hand, the House of Federation is the upper house of the Federal government and has 112 members. According to Article 61.2 of the Constitution, each Nation, Nationality, and People shall be represented in the House of the Federation by at least one member. Each Nation or Nationality is also represented by one additional representative for each one million of its population. Consequently, the most populous groups have the highest representation in the House of Federation, while small populations may have only a few representatives.

Section 3 of Article 61 stipulates that Members of the House of the Federation shall be elected by their respective State Councils. The State Councils may themselves elect representatives to the House of the Federation (direct appointment), or they may hold elections to have the representatives elected by the people directly. As a result, some regional states have popularly elected representatives, while others have representatives by direct appointment of the State Council. Citizen participation in governance is typically limited to participation in both regional State Council elections, and the elections of members of the House of Representatives. In some regions, citizens also directly elect the Members of the House of Federation. Citizens are also active through programs of social accountability in reviewing governance decisions, including on the management of budgets for implementation of local projects, at the lowest levels.

08. Equity of Public Resource Use

Criteria Score: 4.333

8.a. Poverty Measurement

Score Type	Value

Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

The latest poverty numbers and related information are from 2016. The COVID-19 pandemic and ongoing conflict have not allowed for a household survey to be conducted in 2020-21. Previous trends show significant progress has been made in reducing poverty, underscored by high economic growth rates and pro-poor spending. The share of people living below the national poverty line reduced from 29.6% in 2011 to 23.5% in 2016. Using the international poverty line of US$ 1.90 per person per day, poverty declined from 31.1% in 2016 to 27% in 2019. The multidimensional measure of poverty (based on the estimated results of 2019 survey) fell from 83.5% in 2016 to 68.7% (39.2% in Urban and 79.7% in Rural) of the population while 18.4 % (22.1% in Urban and 17%) is ranked as vulnerable and 41.9% (17.4% in Urban and 51%) as severe to multidimensional poverty, underscoring improvements in access to and quality of health, education, water and sanitation and employment. Life expectancy at birth increased from 56.2 years in 2005 to 67.44 years in 2022. The broad-based development strategies and pro-poor public spending (about 60% of the national budget during 2011–2020, the highest comparing to 55% and 34.4% of 2021/22 and 2022/23 respectively) underscore this progress. However, inclusive growth is constrained by low productivity and weak value chains, limited diversification, high cost of doing business, and few employment opportunities for the youth. Conflict and external shocks could further undermine growth and efforts to foster social cohesion and resilience.

Expanded access to social services, social protection and gains in human capital have contributed to rural poverty reduction and improved livelihoods. The Rural Productive Safety Net Program supports 8.4 million people in the food-insecure parts of Ethiopia. Under-five mortality rate decreased from 67 deaths per 1000 live births in 2015/16 to 59 in 2019/20 while maternal mortality rate marginally declined to 401 in 2019/20. This means, the under-five mortality rate will remain well above the 2030 target of 25 which requires accelerated efforts in implementing interventions that aim to reduce under-five mortality. Due to the large population size and high growth rate (in 2022 is 2.57%, increase from 2021), shocks and conflict, the absolute number of people living in poverty and those requiring humanitarian support continues to increase. With annual Gini coefficient of 0.55 in 2019, up from 0.33 of 2010, signalling an increase in inequality, partly due to unequal access to social services and gaps in skills. Household expenditure among the bottom 40% of the population grew by 13.7% which is less than the national average growth rate of 18.2% between 2015/16 and 2018/19.

During 2020-2022, Ethiopia faced several shocks, including the COVID-19 pandemic, conflict in Northern Ethiopia, prolonged drought in South-eastern Ethiopia, Russia's invasion of Ukraine and a sharp drop in external financing during 2020-22 (22.2%) than targeted as some development partners withheld their disbursements due to concerns over the conflict, leading to increased vulnerability. Simulations show that poverty rates increased in all regions compared to 2015/16. In Tigray, for example, poverty increased from 27% in 2016 to 45% in 2022. Equally, in Amhara and Afar regions, headcount poverty rates increased to 30%.

The ongoing conflict in Tigray region, impacts of COVID-19, Russia's invasion of Ukraine, drought and other shocks like the desert locust invasion have increased the number of people requiring humanitarian support and social protection to more than 30 million. Pro-poor initiatives need to be strengthened promote income generation. Updated poverty data are needed to inform budget allocations, intergovernmental fiscal transfers and social protection interventions such as the urban and rural productive safety nets programs. In addition, development partners support to programs for poverty reduction such as the Bank's supported Basic Services Transformation Program need to be scaled up.

8.b. Public Expenditures: Priorities and strategies

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Public spending is aligned with Ethiopia's poverty reduction priorities. Fiscal policy during the period 2018/19 – 2019/20 emphasized fiscal consolidation to stabilize the public debt and ensure macroeconomic stability. Ethiopia's growth has been relatively inclusive, with poverty declining from around 44% in 2000 to an estimate of 19% in 2019/20. The decline has been supported by the pro-poor public expenditure policies. The current pro-poor public expenditures is estimated at 34.4% of the budget in 2022/23, a decline of 20.6 % points compared to its share in 2021/22 (55%). Ethiopia's fiscal policy is oriented towards expanding growth, enhancing pro-poor social spending programs and safety nets. In 2021, pro-poor spending was about 58% of the budget, supported by the Bank-funded Basic Services Transformation Program (BSTP), has improved access to social services. However, limited fiscal space is a major constraint to the development ambitions. Although Ethiopia has pursued the objective of increased tax revenue to help finance a larger share of public expenditures from domestic resources, it remains below expectation. Tax revenue out of the total government revenue is 51% in 2022/23, a lower than 59% of 2021/22. Public spending policy is aligned with the Ten-Year Development Plan, 2021-2030 with a focus on sustaining rapid, broad-based and equitable economic growth and development; improved quality, productivity and competitiveness of productive sectors; and transformation of the domestic private sector, among others.

A comprehensive strategy is being implemented to address the needs of poor and vulnerable groups, including equitable access to services and to productive resources. Several programs are being implemented to assist the identified groups through a range of targeted interventions. Initiatives are being actively pursued to reach these groups, increase their participation in programs, and strengthen their integration in society. Public expenditures are essentially aligned to poverty reduction priorities. Sub-national allocation of spending is in general consistent with poverty reduction goals.

Ethiopia adheres to policy-based budgeting - a process where the fiscal strategy and the budget are prepared with due regard to government's fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections. Ethiopia budget preparation is a function of several factors including priority areas, pro-poor development policy framework and desegregated sector polices and priorities in the entire political system. Based on the Growth and Transformation Plan, the government prepares forecasts of key macroeconomic indicators, which, with the underlying assumptions, are included in the budget documentation submitted to the legislature. The forecasts for expenditure considered the targets of GTP II, the exchange rate and the government's cost reduction strategy, and debt, among others.

Public expenditures have been essentially aligned to poverty reduction priorities in Ethiopia. Sub-national allocation of spending is also consistent with poverty reduction goals. A comprehensive strategy has been also implemented to address the needs of poor and vulnerable groups, including equitable access to services and to productive resources. In this regard, the GoE has leveraged huge resources to boost spending in pro-poor sectors (55% of total government expenditure in 2021/22), particularly social protection for agriculture and food security, while it marginally declined for education, health, road construction, and water and energy.

Targeted interventions for groups identified through the Productive Safety Net Programs (PSNP) for urban and rural households are ongoing. Alignment of expenditures with the strategy is also improving. Initiatives are being pursued to reach these groups, increase their participation in programs, and strengthen their integration into the society. These include providing social assistance and social insurance, promoting gainful employment opportunities, addressing inequalities to social services, and providing legal protection support for vulnerable populations by putting in place appropriate legislation, programs and institutional arrangements. Globally, Ethiopia is recognized as a leading exemplar on reforming a system of humanitarian emergency response to one of predictable transfers with diverse goals of protection, prevention and promotion at the core

8.c. Regressive Tax

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Ethiopia's fiscal policy is oriented towards expanding growth, enhancing pro-poor social spending programs and safety nets. However, limited fiscal space is a major constraint to the development ambitions. Although Ethiopia has pursued the objective of increased tax revenue to help finance a larger share of public expenditures from domestic resources, it remains below expectation. Tax revenue averaged 68.5% of total government revenue during 2010-2022, an increase of 59% in 2021/22. Some egregious regressive revenue sources remain, for example a uniform rate of 15% Value-Added Tax (VAT) since 2003. Efforts are under way to correct them and ensure that revenue generation is consistent with national poverty reduction strategy and priorities. Efforts are put to increase the role of direct tax, which is not regressive by nature, in the share of the tax revenue of the country; it has increased by about 30 percentage points from 29.5% in 2007/08 to 59% in 2021/22. VAT is not applied to financial services, medical and educational services; electricity, kerosene, water, and transportation. Moreover, agricultural unprocessed products are exempted from VAT, to protect the poor and vulnerable groups. Third, Income Tax Proclamation has been amended in 2016 the legislation regulating income tax from employment, from rental of buildings and from business. According to the new proclamation, a monthly income from employment below Birr 600 is exempted from income tax. As far as income from business and rental of buildings is concerned, annual income below Birr 7200 is freed from income tax. This, together with the reduction in income tax, is believed to ease the tax burden of the low-income population (the poor).

Ethiopia has potential to scale up its tax revenue collection to boost domestic revenue and improve the fiscal space. Tax revenue grew by only 12.3% in 2021/22 compared to 24.8% in 2020/21, and tax-to-GDP ratio decreased to 7.1% in 2021/22 from 9.8% in 2020/21, well below 17% average for Sub-Saharan Africa. The slow growth in tax revenue is mainly due to disruptions caused by COVID-19, internal conflict, and drought. Tax-to-GDP growth has not matched the pace of economic growth. The overall fiscal deficit including grants increased to 4.2% of GDP in 2021/22 from 2.8% in 2020/21, reflecting the effects of the conflict that pushed defense expenditure to 1.7% of GDP in 2021/22 from 0.9% of GDP in 2020/21, as well as increased spending on humanitarian assistance and reconstruction. Public spending increased by 25.2%. However, some taxes are regressive and efforts are under way to reform these and ensure that revenue generation is consistent with national poverty reduction strategy and priorities.

09. Building Human Resources

Criteria Score: 4.333

9.a. Health and nutrition services

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Ethiopia's Health Sector Transformation Program (HSTP-II) covers the period 2020/21-2024/25 and will cascade into a 10-year health sector plan. The program takes into consideration the country’s global commitments and aligns with its overall macro-economic development framework. HSTP II has set ambitious goals to improve equity, coverage and utilization of essential health services, improve quality of health care, and enhance the implementation capacity of the health sector at all levels of the system. The

HSTP identified five priority issues as part of the transformation agenda, including Quality and Equity; information revolution; Building a motivated, competent, and compassionate health workforce; health financing and leadership. HSTP-II has set ambitious targets to reduce the maternal mortality rate to 279 per 100,000 live births and to reduce under-5 and neonatal mortalities to 44 and 21 per 1,000 live births, respectively. In terms of service uptake, targets include increasing skilled delivery attendance to 76%, coverage of ANC 4 to 81%, and coverage of pentavalent (3), TB detection rate and ART coverage to 90%, 81%, and 95%, respectively.

The 2019 National Assessment of the Ethiopian Health Extension Program (HEP) provided tremendous insight into the current status of the program, pinpointing to key areas of intervention needed to optimize the HEP in a way that maintains its flagship status as a driver to ensure universal health coverage (UHC). One of the key findings of this assessment was the need to develop a guide for the next 15 years of the HEP, designed to support Ethiopia’s journey to join the lower middle-income countries by 2025, and middle-income countries by 2035. The assessment found that the HEP is being implemented through HPs which are present in more than 97% of kebeles and interventions are being implemented using diffusion of innovation and scale-up approach as the main theories. The current packages were found to be relevant, but the delivery of the packages requires a set of expertise which may not be adequately addressed by the health extension workers (HEWs) alone. Thus, the Ministry of Health (MOH) developed a Health Extension Roadmap (2020- 2035) to guide Ethiopia’s efforts to optimize the HEP and achieve UHC by 2035. The roadmap is expected to guide all programming for HEP in Ethiopia for the coming 15 years and has pointed out key transformative strategic objectives to address the challenges identified by the assessment. These objectives include stratification of HPs into three categories, redefining the health service packages, changing the professional mix, rethinking community engagement strategies, using innovative methods to ensure sustained financing, and ensuring resilience of the HEP to maintain essential service delivery during public health emergencies.

The HEP has achieved scale, with 39,878 HEWs distributed across the country (85% rural, 15% urban). The health extension program optimization (HEPO) roadmap, was also launched in 2022 disseminated to regional levels to sustain the national effort. One quarter of rural HEWs have Level IV training. As well, starting in 2018/19, the government has introduced the Women Development Army (WDA). The Women Development Army (WDA) served as a primary community engagement platform at the grassroots level. WDA has been scaled up to almost universal coverage in agrarian settings and partial coverage in urban settings. In pastoralist settings, social mobilization committees serve as community engagement platforms. There have been interventions to build the capacity of WDAs through competency-based trainings, with nearly half a million WDA leaders trained so far. The WDA provides a platform to engage the community in the planning, implementation, monitoring and evaluation of health interventions at the community level. These innovations are expected to improve health care outcomes, with emphasis on gender equality in access to health services.

To assure sustainability of quality and equitable healthcare provision, Ethiopia introduced a Community-Based Health Insurance (CBHI) in 2012 for citizens in the informal sector (people who are self-employed and a private sector employer with fewer than 10 employees). Subsequently, social health insurance (SHI) for the formal sector was introduced in 2015. The formal sector accounts for less than 30% of the workforce. These insurance schemes seek to increase access to quality health care by reducing out-of-pocket health expenses and ensuring sustainability of health care provision which remains a major impediment to equitable access to quality health care. The Ethiopian Health Insurance Agency has been established to lead and monitor the implementation of the SHI and CBHI. As of 2022, the implementation of community-based health insurance (CBHI) is expanded to 894 Woredas throughout the country (excluding Tigray), an increase by 60 Woredas from the previous year. More than 9.8 million households were members of CBHI and the proportion of households that are CBHI members has increased from

61% in 2021 to 66% in 2022. Efforts to expand coverage and enrollment in the CBHI, particularly in big cities and pastoral areas, which are the traditionally underserved regions in the country, are underway but at a slower rate compared to agrarian rural areas... In order to promote the operationalization of the social insurance system, a social insurance communication strategy was developed and approved and the social insurance proclamation no. 001/2006 revised. The National health account 2016/17 (NHA VII) report finds that the share of Out of Pocket (OOP) spending in health financing has continued to decline, but not yet enough to protect households from catastrophic and impoverishing spending.

Access to and utilization of reproductive maternal, neonatal and child health RMNCH services have shown some progress. In 2022, 68% of women in the reproductive age received contraceptives, 69% of pregnant women received four or more ANC visits, 68% women received delivery attendance by skilled health personnel (increased by 2% from the previous year) and 88% received postnatal care in within seven days after birth. Facility based still birth rate has been reduced from 12 deaths per 1000 births to 11.4 in 2022. In 2022 Contraceptive Acceptance Rate was 68% (against plan of 72%). There is a very huge disparity between regions, ranging between 12% and 88%. The Government is committed to the expansion of PHC all over the country and reach the majority with essential health services. As of 2022, about 17,534 Health Posts, 3,813 Health Centres, and 252 Primary hospitals are delivering the required PHC services. To strengthen health service delivery at the primary health care level, the Government has been implementing several strategic reforms including the design and implementation of the Ethiopian health center reform implementation guideline (EHCRIG) and the primary health care clinical guideline. The development of the long-term PHC framework has also been initiated. As well, in order to improve contraceptive service adoption, the health sector has developed the third reproductive health strategic plan (2021-2025) and one of its strategic direction is to improve demand, access and utilization of quality family planning services. It also addresses the roles and responsibilities of the private sector in family planning service delivery.

. The conflict in some parts of the country has affected health service delivery. It has caused an influx of internally displaced people (IDPs), strained the health system, and worsened maternal, child health and nutrition outcomes, and severely affected delivery of basic and emergency health services in the conflict-affected areas.The damage to health facilities, blood banks, Woreda Health offices as well as ambulances in the conflict affected areas has also compromised the capacity of the health system delivery.A sectoral Conflict Impact Assessment and Recovery and Rehabilitation Plan has been developed to guide the sector response and is under implementation, Other challenges faced include weak inter-sectoral collaboration, low performance of the community engagement platform (WDA), limited capacity of woreda health offices and lack of basic amenities at health posts and health centers. Several remedial measures are being implemented to address these shortfalls. These include strengthening multi-sectoral engagement and integration of all of the transformational agendas and establishing functional coordination platforms at all levels; improving community participation and engagement approaches, optimization of the health extension program and building capacity at PHCU and woreda levels The health sector is currently undertaking review of progress under the HSTP to formulate the next sector strategic plan.

A 2023 study by Zewde, Kedir and Norheim underscores the need for health policy and provision of financial risk protection (fee waivers and subsidies) to target vulnerable households and individuals to address key gaps in access. According to the 2022 Ministry of Health report, out-of-pocket expenditures and donor financing constitute 30.5% and 34% of the total health expenditure, respectively, with government meeting (32.2%), private employees (2.5%) and community-based health insurance (0.9%). According to the study by Zewde, Kedir and Norheim the incidence of catastrophic health expenditures in Ethiopia ranges from 1.7% to 4.7%. Larger families, the unemployed, the extremely poor, those who seek care at private-owned providers and families with members affected by chronic illness face higher out-of-pocket expenditures.

The ‘Sequota Declaration’ made in 2015 reflects the government’s high-level commitment to end hunger and malnutrition among children under the age of two years by 2030, though improvements in nutrition to boost sustainable development. To accelerate the implementation of the Declaration, a Food and Nutrition Policy has been finalized and is currently under review by Cabinet. In addition, the Ministry of Agriculture has upgraded the Ministry’s nutrition case team into a nutrition coordination office that is accountable directly to the Minister of Agriculture. A feasibility study for a Unified Nutrition Information System for Ethiopia (UNISE) has been concluded and implementation of UNISE is expected to generate data for evidenced-based policy making regarding nutrition.

The Sequota Declaration Innovation phase (2016 – 2020) impact study has indicated that by 2021 the program has resulted in the prevention of almost 1,031 child deaths in Tigray and Amhara and has averted over 109,831 stunting cases in the intervention woredas. The Expansion phase (2021 – 2025), designed based on lessons learned from the innovation phase, has been rolled out to 240 more districts (woredas) across the country.

The GoE recognizes that investing in nutrition is critical for economic growth and for attaining its vision of becoming a lower middle-income country by 2025. This is reflected in the country’s Ten-Year Development Plan (2021 – 2030) which targets reduction in the rate of stunting in children under 5 and under 1 from 37% to 13% and from 7% to 3%, respectively by 2030.Ethiopia was one of the first countries to participate in the Scaling up Nutrition Movement (SUN), and as a SUN “early riser” country, Ethiopia stressed both nutrition-specific and nutrition-sensitive approaches to alleviating malnutrition and improving nutritional status. The National Food and Nutrition Policy approved in 2018 underlines the multi-sectoral and multi-stakeholder approach needed to address malnutrition and provides a policy framework for multi-sectoral governance of food and nutrition activities in the country. It also provides for the establishment of a Food and Nutrition Governing Body and an institutional arrangement (structure) from Federal to Kebele levels with the leadership of the highest government decision makers to govern and coordinate the implementation of the Food and Nutrition Policy. The National Food and Nutrition Strategy was approved in 2021 to provide operational guidance for the implementation of the Policy.

The Health Sector Transformation Plan (HSTP) has integrated nutrition into the health extension programme to improve the nutritional status of mothers and children through evidence-based nutrition-specific interventions including the promotion of maternal, infant and young child nutrition (MIYCN), iron folic acid supplementation during pregnancy, and vitamin A supplementation and deworming for children under five years. The National Nutrition Sensitive Agriculture Strategy and School Health and Nutrition Strategy guide the design and execution of nutrition sensitive interventions in the agriculture and education sector respectively. As well, the National School Feeding Program has been instrumental in implementing home-grown school meals in vulnerable areas of the country and is currently being scaled up. Various directives on the production and supply of fortified foods provide quality assurance procedures and standards.

Ethiopia’s approach places a strong emphasis on addressing chronic malnutrition through multi-sectoral and multi-stakeholder approach. National and regional bodies have been created to facilitate multi-sectoral coordination of nutrition.Key interventions under NNP II (2016 – 2020) consisted of optimal breastfeeding, optimal complementary feeding, mitigation and prevention of micronutrient deficiencies, WASH deworming, food fortification and management of acute malnutrition. Routine vitamin A supplementation, deworming and nutritional screening implementation manuals have been disseminated. Furthermore, acute malnutrition management guidelines have been revised and training of trainers undertaken for health workers.

9.b. Education, ECD, training and literacy programs

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The Education Sector Development Programme VI (ESDP VI) for Ethiopia covers the period 2021- 2025. The programme aims to achieve 100% net enrolment rate in grades 1-6 (including Alternative Basic Education); raise net enrolment rate in grades 7- 8 from average of 97.4% to 100% and to raise net enrolment rate in grades 9 – 12 from an average of 25.3% to 75%. The Government has also committed to reduce dropout rate among 1st graders from 25% in 2018/19 to 1% in 2029/30; and in grades 7-8 from 12% to 0.5%. It also plans to increase grade 8th completion rate from 62.1% in 2018/19 to 90% in 2029/30 and raise male to female ratios in pre-school, grades 1- 6, grades 7-8 and grades 9 – 12 levels from 1:0.95, 1:0.91, 1:0.94, and 1:0.87 in 2018/19, respectively to 1:1 in 2029/30 for all levels by 2029/30; Learner centered teaching methods have also been introduced, such as problem-solving approaches, practicing cooperative learning, continuous assessment, and continuous professional development programs for teachers. In 2019 the Ministry of Education prepared the 2018-2030 Ethiopian Education Development Roadmap, whose main focus is to improve the quality of education and address inefficiencies in the education system.

Ethiopia has managed to achieve a considerable increase in access to education across all levels. The national education budget increased by 18 per cent from 2020/21 to 2021/22. The national education budget has been increasing at an average rate of 14 per cent in nominal terms between 2017/18 and 2021/22. However, in real terms it shows a declining trend. In assessing the budget components in 2019/20, national capital and recurrent educational budget credibility rates indicate overspending of 13 per cent and 7 per cent, respectively. The total number of primary schools in 2022 is 36,492, with a 1.4 percentage points increment from last year. More than 92% of primary schools are government owned across the country, with the exception of Addis Ababa in which non-government primary schools are higher in number than Government. The total number of secondary schools in 2022 is 3,636, with an increment of 155 schools from last year. With respect to ownership, Government schools, similar to primary, took the highest share with 89.8%. While the number of educational facilities is increasing, limited investment and low performance of learners continue to be a challenge for quality and inclusive outcome.

In terms of access, overall primary school net enrolment rates increased from 99% in 2017/18 to 100% in 2021/22. The national NER for Primary and Middle level (Grades 1-8) is 88.7%, which shows an increment of 2.3 percentage points from last year. There is a wide regional variation. Comparison between GER and

NER highlights the issue of children enrolling in Primary and Middle schools (Grades 1-8) at the age above and lower of the official age range. The comparison of GER and NER shows that nationally there is a difference of 8.5 percentage points between the two rates. The national GPI is currently 0.91 for Primary and 0.96 for Middle, showing an increment from last year, though the national target in both levels is missed. The national GPI for Grades 1-8 is 0.92. Moreover, the national GPI for Middle level education is below the ESDP VI baseline showing that more work is needed at national level to achieve the ESDP VI and SDG targets of equity.The repetition rate for both sexes is 2% in Primary education and 1% in Middle education and thus the ESDP VI target for the year has been met for both sexes in both level. As well, the ESDP VI target of dropout rate in Primary level and Grade 1 have been achieved for both sexes, however the target is missed in Middle level in both sexes. At national level, the female and male dropout rate for Primary level is 12.6% and 14.2% respectively. Whereas dropout in Middle levels is 11.3% and 14.5% for female and male respectively. This is a better performance compared to last year in both levels, Primary and Middle.

In secondary education, the national GER of secondary education (Grade 9-12) for 2022 is 45.6%. While this indicates that transition from Primary and Middle to secondary education is low, it has increased by 3.5 percentage points from last year. Regional differences are notable. Nationally the GER for males is higher compared to females, however in Amhara and Addis Ababa more females are attending secondary education than males. NER for Grades 9-12 is 33.1% (compared to year target of 35) , which shows an increment of 3.6 percentage points from last year. There is a very small difference, 0.5 percentage points, between males and females where female NER is greater than male nationally. The ESDP VI target of GPI for secondary education has been successfully met. The GPI for Grades 9-12 is 0.96 nationally, with 0.07 points beyond the target. The national GPI has increased from last year by 0.04 points, showing progress in equity.

While ESDP V is ended in 2022 with a number of its targets unmet and regional disparities persisted. The quality of education remains a challenge impacting on employability and, in the long run, on human capital development outcome. The situation in the northern part of Ethiopia has continued to be a burden to the education system since 2020/21. As such, the education performances in the Tigray region and in some parts of Afar and Amhara were not included in the national education data. Furthermore, following the closure of schools during COVID-19, the conflicts, and internal displacement due to drought, has significantly increased the number of out-of-school children. It is estimated that more than 2.8 million children have missed education in the conflict affected areas of Afar, Amhara and Tigray regions in 2021. In 2022 concerted effort has been made, in co-ordination with donors, to implement a back-to school scheme in these areas and some progress has been made in reducing the number of out-of-school children in the region. This includes provision of exercise books, stationery, recreational kits, and school bags and the development and use of an accelerated school calendar, enabling children to complete multiple grades in one academic year to compensate for learning lost. However, damaged schools as well as the continued occupation of schools by IDPs has been a challenge.

The Alternative Basic Education strategy, implemented since 2006, has guided the provision of alternative education that responds to diverse needs and contexts and, jointly with special interventions to improve delivery of education services in emerging regions, has improved school enrollment rates for both male and female students including in disadvantaged and under-served ethnic groups. Complementary strategies, such as the Girls’ Education and Gender Equality Strategy are also being implemented to increase girls’ enrollment and completion rates.

In this context, the ESDP VI reform agenda has focused on improvement of access to quality education, particularly in traditionally low performing areas of the country and among underserved population groups. Accordingly, the development of pastoral education strategy has been instrumental in ensuring standardized expansion of alternative basic education in low land areas of the country and the establishment of the National Council for Pastoralist Education is expected to provide the necessary guidance and co-ordination. As per the pastoral education strategy, the setup of mobile and multi-grade schools has been intensified in order to enhance access. Equity in education sector is also being addressed through mainstreaming of a number of cross cutting issues, including gender, special support and inclusive education needs. In terms of enhancing quality of education, the roll out of teachers licensing guidelines and the re-establishment of the Curriculum Research Institute are key policy measures taken. While the full benefits of the policy measures are expected to accrue in the years to come, some gains are already being seen in some areas, including the increased proportion of qualified teachers.

Early Childhood Development (ECD):

Early Childhood Care and Education (ECCE) is a key pillar of the Education Sector Development Programme VI (ESDP VI) 2020 - 2025. ESDP VI recognizes ECCE as a priority for the education sector in light of its contribution to the overall quality of education, reduction of drop-out and repetition rates in primary education. The plan envisages to increase access to pre-school education from 41.8% in 2018/19 to 100% in 2029/30. Investment in ECCE is expected to increase enrolment rates in the primary grades, notably for the girl-child. Participation in ECCE is every child’s right and a fundamental building block for the Education for All initiative.

A comprehensive National Early Child Care and Education Policy Framework (NECCEPF) was adopted in 2010 by key line Ministries of Education, Health, and Women, Children and Youth Affairs. Following the adoption of the NECCEPF and its implementation strategic plan, key reforms were introducing, namely the 0-class (a school readiness program), child-to-child and accelerated learning readiness. These interventions markedly increased pre-primary enrolment rates from 40% 2016/17 to 44% in both 2018/19 and 2021/22. In addition, and increased awareness and interest in the ECCE program. Use of mother tongue in pre-primary education has consolidated the gains in ECCE by enhancing comprehensive during these formative stages in child learning. According to a survey conducted in 2017 by the Ministry of Education, 85% of the respondents confirmed that their children use their mother tongue in class. However, the ECCE program is still impeded by governance, curriculum, teacher’s qualification, location, facilities, and budget. For instance, whereas children’s interaction with caregivers’ accounts for a major share in preschool children’s cognitive and social development, due emphasis was not given to this component of preschool education.

Enrolment in pre-primary significantly increased in 2022 compared to 2021. Nationally, 44.0% of children are enrolled in pre-primary classes. NER has been significantly increased from the previous year in both sexes and the total NER has been increased from the previous year by 7.3 percentage points. However, the target has been missed in both sexes. The Gender Parity Index (GPI) of pre-primary is 0.94, which is the same as the previous year’s figure and less than the ESDP VI baseline. The majority of children enrolled in pre-primary education are not in the appropriate school age for the level, as it shows a significant difference between GER and NER The pre-primary NER results are 27.7% for Female and 29.4% for Male students which shows a significant difference from the corresponding GER, 42.7% and 45.3% respectively. Thus, the sector should give proper attention to narrow the gap between GER and NER and at the same time improve GPI.

Adult and non-formal education (ANFE): The Ministry of Education developed and published the National Adult and Non-Formal Education Strategy which focuses on Integrated Functional Adult Education (IFAE), and contains the IFAE Curriculum Framework, IFAE Implementation guidelines and IFAE Facilitators' Training Manual. IFAE is a two years program designed for Illiterate 15–60 year olds. In 2021/22, a total of 2.3 million adults (43.3% are female) were enrolled in IFAE program and indicate a 5 percentage points increase from 2020/21.A total of 36,006 adults with special education needs nationally in ANFE programs, of which 16, 977 (47%) females were enrolled. SNNPR region has the highest number of enrolled adults with disability in IFAE program, 70.5% of the national. There are 255,024 adults graduated from the IFEA program (an increase of 27.3% from 2020/21). It can be observed that only 29.7% of the enrolled adults graduated in that year. This shows that there are many of the adults who start year two and do not complete the course. From the total graduates, 44% are female. Regionally, 34.1% of the graduates are from SNNP, followed by Oromia, 31.5%. Gambella, Dire Dawa, Harari, Afar,Benishangul Gumz and Addis Ababa have lower numbers of graduates than other Regions. In 2021/22, there are 23,509 reported IFAE centers nationally. Among the centers, the majority of them are found in regular school compounds, with 42% of the total number of centers. There are 21,023 IFAE Facilitators reported across all regions; from which 34.8% are females.

Adult literacy at 48.9% (also lower among women at 41.09%% than for men at 57.21%) in Ethiopia is a key impediment to the country's structural transformation objectives. As such, a National Adult Education Strategy is in place and focuses on Integrated Functional Adult Education (IFAE). The 2-year IFAE program for 15 – 60-year olds provides mother tongue reading, writing and numeracy skills development, which is designed to be integrated with practical knowledge and skills. The objective of the IFAE is to combine literacy with numeracy skills with livelihoods and skills training in farm and off-farm activities, health, civic and cultural education. Thus, delivery of the IFAE requires coordination across numerous governmental and non-governmental service providers. The most recently available data indicate that there were around 21 million (Male 7.2 million and Female 13.8 million) illiterate adults (aged 15 to 60) in the country. Out of these illiterate adults, a total of 3.6 million adults completed/graduated the two years IFAE program for the last five years, from 2016/17 to 2020/21. In the coming ESDP VI plan, around 19.8 million illiterate adults need to join the program.

Technical and vocational education and training (TVET): TVET whose objective is to produce a lower-middle-level, competent, motivated, adaptable and innovative workforce. The expectation is that production of demand-driven, quality TVET will enable the workforce to transfer demanded technologies and contribute to poverty reduction and social economic development. The Ethiopian National TVET Strategy places emphasis on quality and relevance of TVET to ensure that TVET meetings the labor market needs and promotes the development of a workforce capable of supporting the nation's structural transformation objectives.The objective is to support and ensure enhanced quality and more demand oriented Technical and Vocational Education and Training (TVET) to increase employability and job prospects.   Around 1,567 TVETs have been established over the past 27 years, about 42Pct of which are state-owned, while the remaining are under private and non-governmental ownership. As of 2021, TVET enrollment stood at 386,811.

The Ministry of Science and Higher Education (MoSHE) was established in October 2018 to lead the development of science, higher education as well as the technical and vocational education and training (TVET). Vocational training is guided by the 2008 National Technical and Vocational Education and Training Strategy which aims to develop a demand-oriented training system that is relevant to needs of the private sector. The Federal Technical and Vocational Education and Training Agency (FTA) has also been established to operationalize the strategy. However, following the federal government's restructuring in September 2021, higher education is now part of the Ministry of Education while TVET has been placed under the mandate of the Ministry of Labour and Skills.

The strategy includes occupational standards (OS) developed in cooperation with industry professionals that can express the demand regarding the qualifications of graduates. About 650 OS have been developed and according to the ESDP V, the number should grow to 850. Following the federal government's restructuring in September 2021, higher education is now part of the Ministry of Education while Federal TVET Teacher Training Institute (TVET Institute) has been placed under the mandate of the Ministry of Labour and Skills from under the Ministry of Science and Higher Education. As of 2022, the total number of public Higher Education Institutes increased to 55 and distributed across all regions of the country with an exponential increase in the number of undergraduate students from 56.000 in 2003 to nearly 788.000 in 2019. The number of public TVET institutions has also increased from 16 to 334 and enrolment from about 3,400 to around 273,600 over fifteen years from 2000 to 2015.

The available skills do not match labor market demand in terms of either quality, competencies or skill sets forcing investors to outsource such skills.The Country has moved in the right direction by identifying the skills gaps in the different growth sector of the country. Addressing the skills mismatch will require, among others, expanding access to quality Technical and Vocational Education and Training (TVET) and linking the supply (education and training) and demand (enterprise development) sides of the labour market. Adequate centres for life skills programmes are planned to be established and organized close to community villages to improve access for adult learners. With the available data, expenditures for TVET account for about 5% of public spending on education in 2018. The recurrent per-pupil expenditures in TVET are less than half compared to HE. Different from general education and HE, the budgets for TVET get formulated at the regional level. The implementation of public policies is thus confined by budget constraints on the regional level.

9.c. Prevention and treatment of HIV/AIDS, tuberculosis, and malaria

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

The HSTP II 2020/21 – 2024/25 places emphasis on the prevention and treatment of HIV/AIDS, TB and malaria. The 2016 Ethiopian Demographic Health Survey indicates that HIV prevalence in Ethiopia decreased to 0.9% in 2015/16 from 4.5% in 2000, although the HIV burden varies across gender, age, and geographic region. Other sentinel surveys show that Ethiopia has maintained adult HIV prevalence at under 2%. For instance, the HIV prevalence among women aged 15-49 is twice as high at 1.2% as for men at 0.6%. The urban HIV prevalence rate at 2.9% is seven times higher than the rate in rural areas of

0.4%. The Ministry of Health data estimate that national adult HIV prevalence increased to 0.99% in 2017 and the number of people living with HIV is 613,825, 62.1% of whom are female. The increase in prevalence rate is in part due to the government's vigorous efforts to expand HIV counselling and testing.

In Ethiopia, according to the National HIV Related Estimates and Projections (2020), the national HIV prevalence in 2021 is estimated to be 0.93%, with a regional variation in prevalence ranging from 0.14% to 3.9%. The national estimate also shows that there are estimated 617,921 PLHIVs, 10,943 new infections and 11,673 estimated deaths in 2021.In 2022 more than 7 million people were tested for HIV. Through a counselling and testing approach that focused on high-risk individuals to enhance the performance of case identification, the positivity yield in 2022 was 1.2%, which is more than double of the yield by the routine HIV testing and counselling service. The estimated number of People living with HIV (PLHIVs) is 617, 921. Among these, 38% are males and 62% are females. Among the total estimates, 93.4% are adults aged 15+ and 6.4% are children aged 0-14 years.

From the total estimated 568,825 PLHIVs in Ethiopia, 461,194 (81%) PLHVs were receiving ART in 2022. Among the total PLHIVs currently on ART, 12,916 (2.8%) were children aged 0-14 years and 448,278 (97.2%) were adults aged 15 and above.Disaggregated by age, from the total estimated adult PLHIVs, 84% of the estimated adult PLHIVs were receiving ART while only 35% of estimated children under 15 years of age were receiving ART. Among which 36,893 (0.5%) were tested positive for HIV and linked to care and treatment.

In 2022, more than 3.07 million (92% against planned 89%) pregnant and lactating women were tested for HIV and know their status. The majority of women (80%) were tested during pregnancy, while 18% were tested during labor and delivery and 2% were tested during the early postpartum period. Ethiopia is also well placed to achieve the UNAIDs 90-90-90 targets. Regarding the progress of the three 95-95-95 targets of HIV, the second and third 95 targets are achieved but the first 95 performance is behind the target. The performance of the first 95 target was 84.8%, while the second and third 95 performance were 96% and 96.2% respectively.. In 2019/20, 702,077 OVCs were provided with educational support and 254,013 OVCs received food support. Income generating activity (IGA) training was provided to 61,741 OVCs and/or their caretakers, among which 54,280 of them received a start-up capital for IGA. As well, 33,625 PLHIVs were provided with training on income generating activity (IGA), among which 22,595 received a start-up capital for IGA. In terms of research, in 2019 HIV/TB co-infection national survey, behavioral survey among female sex-workers and long-distance drivers in Ethiopia and Ethiopian population-based HIV impact assessment were undertaken among others. National HIV self-testing implementation manual, Training manuals on index case testing and partner notification service and PITC training manual have been developed.

The burden of tuberculosis in Ethiopia is high with an annual estimated incidence of 164 TB cases per 100,000 population. Among the top 30 high TB burden countries, Ethiopia ranked 12th; and among the high multidrug-resistant TB (MDR-TB) burden countries, Ethiopia ranked 24th.The successful implementation of TB prevention and control program has resulted in significant achievements in reducing morbidity and mortality due to Tuberculosis. TB incidence and mortality due to TB has dramatically decreased over the past years and Ethiopia was removed from the MDR-TB high burden countries' list in 2019/20. Ethiopia has expressed commitments to end TB epidemic by 2035 by endorsing the END TB strategy and new global targets set in the political declaration at the first UN high-level meeting on TB, in September 2018. The Ethiopian health sector has recently revised the national TB and Leprosy strategic plan (TBL-NSP) that spans for the period between 2021/22 to 2025/26. The strategy articulates Ethiopia's priorities and milestones for the strategic period and provides the technical and strategic priorities to end the TB epidemic. The strategic plan aims to end the TB epidemic by reducing TB incidence to 91 and mortality due to TB to 7 per 100,000 population. The plan recognizes gaps in TB programming are lack of initial presumptive TB screening, access to TB diagnostics, engagement of all healthcare providers, and a multisectoral accountability framework, as well as persisting critical gaps in case notification, human resources for health (HRH), funding for TB, and the general health system. The TBL-NSP aims to reduce TB incidence and mortality from 151 cases per 100,000 and 22 deaths per 100,000, respectively, in 2018, to 91 cases per 100,000 and 7 deaths per 100,000, respectively, by 2026, by prioritizing interventions to address these gaps.

The annual incidence of TB in Ethiopia has decreased over time. Between 2015 and 2020, Ethiopia has decreased incidence of TB by 31.3%. In Ethiopia, the current TB incidence rate is 132 cases per 100,000 population. With this incidence rate, there are estimated 131,182 TB cases in Ethiopia. TB treatment coverage has consistently increased in the last five years. It has increased from 65% in 2018 to 87% in 2022. In 2022, cure rate for bacteriologically confirmed new pulmonary TB cases is 84%, which is improved from the baseline (82%). Tuberculosis treatment success rate (TSR) among bacteriologically confirmed new PTB cases was 96 and the target for the year is achieved. Drug resistant TB continues to pose a major threat in the national response to TB in Ethiopia. The magnitude and extent of drug resistance in TB is being monitored through periodic drug resistance surveys (DRS). The third national DRS was completed in 2020. The prevalence of RR-TB is 1.1% among new and 7.5% among previously treated TB cases. In Ethiopia, there are 1,139 estimated number of drug resistant (DR) TB cases

Expansion of TB healthcare is underway. For instance, 10 TB culture and drug susceptibility testing service providing laboratories are in place and an additional 4 such labs are under construction in the pastoralist regions. Currently, 314 specialized testing machines (GeneXpert) are operational and 75% of the specimen collected is tested. To sustain the gains, the existing 24-month TB treatment regime has transitioned into a more effective 9-month treatment protocol starting in 2017/18. Accordingly, the national TB manual was revised, health professionals were trained, orientation workshops conducted, and procurement as well as distribution of the requisite medicines were actualized.

Approximately 52.1% population live in malaria-endemic areas in Ethiopia, chiefly at altitudes below 2,000 meters. The number of malaria cases in 2022 is the highest since 2018. In 2022, 1,612,218 total malaria cases (clinical and laboratory (microscopically and by RDT confirmed) were treated, among which 1,504,405 (93.3%) were laboratory confirmed malaria cases. This shows that malaria incidence rate per 1000 population at risk in 2022 was 29 per 1000 population which is increased by 32% compared to the 2021 data. From the total malaria cases in the fiscal year, 257,618 (16%) cases were under five children, 26,941 (1.7%) were admission cases and 1,148,672 (71%) were due to plasmodium falciparum.

Strong progress has been registered in malaria prevention and control during the first half of the Health Sector Transformation Program (HSTP) 2015/16 – 2019/20. A national malaria elimination program was launched in 2017 and by March 2022, a total of 565 districts were selected for elimination in Ethiopia, the average annual parasite index (API) of these districts is 4.6. The goal of malaria elimination program is to eliminate local transmission of malaria by 2030. A National malaria strategic plan (NMSP) for the period 2021/22-2025/26 was developed. A National malaria diagnosis and treatment guideline, which is in line with the WHO guideline is developed and used. Malaria drug availability has increased over the years. Key malaria prevention and control activities focused on expanding vector control, strengthening malaria case detection and treatment, increasing the availability and use of long-lasting insecticidal nets (LLINs) and implementing indoor residual spraying (IRS). Death due to malaria has declined by 54% from 0

.71/100,000 population to 0.33/100,000 population at risk between 2017 and 2022. Similarly, the annual parasite incidence (API) has declined by 17% from 35/1000 population to 29/1000 population in the same period. . To sustain the aforementioned achievements, the National Malaria elimination strategic plan (2021-2025) and malaria elimination roadmap and implementation manuals that support malarial elimination activities were revised and distributed to regions. .. Challenges include inadequate recording and reporting of treated malaria cases, overdiagnosis of severe malaria, and over-utilization of artesunate injection, delayed procurement of antimalaria commodities and sub-optimal utilization of antimalaria commodities.

10. Social Protection and Labor

Criteria Score: 4.2

10.a. Social safety net programs

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Ethiopia's social protection system includes transformative elements as well as protective ones, building on the strong foundation of productive safety nets to ensure a transition from vulnerability to resilience. Through the implementation of the Social Protection Policy, the Government aims to move away from delivering safety net support through a set of programs and toward a national safety net system. To protect communities that are vulnerable to drought, the Government set out a vision for a scalable safety net system in rural areas. The NSPP and the National Policy and Strategy for Disaster Risk Management outline a vision for a rural safety net that scales up in response to shocks. Accordingly, progress is being made in terms of the development of the integrated food-cash plan implementation guidelines as well as the Federal contingency budget guidelines for a scalable safety net response.

Some of the key social protection instruments being implemented include Rural Productive Safety Net Programme (RPSNP), Urban Productive Safety Net Program (UPSNP), Humanitarian Food Assistance (HFA), Health Insurance, school feeding, social cash transfer schemes (being piloted in some areas of the country), weather insurance in some regions and the National Nutrition Program. These programs are considered to have succeeded not only in reducing poverty but also in improving access to basic services, thereby promoting long-term gains in human capital. Central to the challenge of expanding social protection is identifying adequate and sustainable financing.

As of March 2019, PSNP has delivered transfers in cash and/or food to 8 million clients (85% PW and 15% PDS) in 350 woredas of the country. Scaling up e-payment has progressed and in 2019 woredas processing transfers through e-payment has increased from 109 in 2017/18 to 121 woredas in 2018/19 covering over 2.4 million beneficiaries. The Ministry of Labour and social Affairs (MoLSA) has taken over the role of managing Permanent Direct Support (PDS) of the PSNP. An assessment has been carried out to identify the level of readiness of MoLSA's lower level structure and a transition plan/ Roadmap, which guides the total transition of PDS management to MoLSA has been developed. Issues include timeliness of transfers, delay in Public Works (PW) implementation.In 2021 the new, fifth phase of RPSNP was launched with a total additional $2.2 billion investment by the government and Ethiopia's international partners. Over the next five years, the PSNP will reach up to nine million people each year as it provides food assistance and services that will lift vulnerable families out of poverty. The cornerstone of PSNP V (2021 – 2025) strategy has put a strong emphasis on system building, modernization, and transparent accountable structures with key outputs of 1) Timely and adequate transfers received by eligible core caseload of clients; 2) Shock-responsive transfers received by eligible clients when needed; 3) Public Works respond to community livelihoods needs and contribute to disaster risk reduction, climate change adaptation and mitigation; 4) Linkages to available social services facilitated for core PSNP clients and 5) Tailored livelihood options accessed by eligible PSNP clients. PSNP V supports the Social Protection Policy by reducing institutional budgetary fragmentation among services supporting the same client (such as the safety net, livelihoods support, and nutrition and health services and serves as a platform to facilitate linkage to social services to its clients. Through the Public Work (PW) subprojects (e.g. construction of social infrastructure), PSNP also contributes to further development of basic services for health and education for its clients.

The Urban Productive Safety Net Program (UPSNP) was designed in 2016 to respond to the economic downturn and accompanying economic and social shocks. Since then, it has successfully managed to provide regular income support to 604,000 urban poor and set up basic safety net mechanisms in 11 cities of Ethiopia. Monthly cash payments are made to the public works and direct income beneficiaries through the Commercial Bank of Ethiopia (CBE). Public works participants also benefit from life and financial skills training as well as business development support including a one-time grant of US$500 for each household to set up or expand livelihood activities. Permanent Direct Support (PDS) beneficiaries (persons with disabilities, elderly, pregnant mothers, etc.) receive monthly payments and are linked to other social services (health, education, housing etc.) for further support.

The Urban Productive Safety Net Project is being scaled up to 83 urban centres starting from 2020 and around 625,135 urban residents benefited in 2020/21, less than the expected target of 826,444. This upgraded project has 513,512 public work beneficiaries, 190,932 direct support beneficiaries, 100,000 youth employment beneficiaries, and 22,000 of the urban destitute. Under the programme, the beneficiaries receive financial literacy and life skills training to transform their livelihoods and they engage in local development activities, waste management, urban beautification, reforestation and public works. The number of person days of employment created by the urban productive safety net program reached over 22 million by May 2018, surpassing the targeted 58,666 by end-December 2020. In its first phase the programme had benefited 604,000 urbanites throughout 11 cities including Addis Ababa. In response to the COVID 19 epidemic, the UPSNP had adjusted its payment procedure and frequency. The HFA provides food and cash transfers (sometimes called food aid) to people who are negatively affected by shocks, particularly drought, in rural areas. The 2020 Humanitarian Response Plan (HRP) released in January 2020 was revised to reflect the humanitarian caseload which increased to 16.5 million people (up from 7 million) and the financial requirement to US$1.65 billion (up from $1 billion). The additional humanitarian needs mainly emanated from the multi-sector impact of the COVID-19, desert locust infestation, drought and floods.

A 2023 study by Zewde, Kedir and Norheim underscores the need for health policy and provision of financial risk protection (fee waivers and subsidies) to target vulnerable households and individuals to address key gaps in access. According to the 2022 Ministry of Health report, out-of-pocket expenditures and donor financing constitute 30.5% and 34% of the total health expenditure, respectively, with government meeting (32.2%), private employees (2.5%) and community-based health insurance (0.9%). Larger families, the unemployed, the extremely poor, those who seek care at private-owned providers and families with members affected by chronic illness face higher out-of-pocket expenditures.

The school feeding program is reported to cover more than 1 million children in drought-affected area in 2019. Started initially by the World Food Program, the program is evolving into a homegrown school meal program being financed by the regional governments of Ethiopia. For instance, Addis Ababa City Administration scaled up its school feeding program to reach 300,000 students from preschool to eighth grades in 2020. Apart from benefiting those needy students, the program is reported to have created employment opportunities for more than 10,000 mothers in the city.

Health Insurance: In order to address financial barriers to health care access, the government introduced two types of health insurance: Community-Based Health Insurance (CBHI) for the informal sector of the society and Social Health Insurance (SHI) for the formal sector or for those segments of the society with a monthly salary. CBHI has been operational since 2011 and is under national scale up. As of the end of 2019, a total of 657 woredas have started implementation of the CBHI scheme.

Insurance schemes for the formal and informal sectors have also been introduced. The social health scheme caters for the formal sector (about 15% of the labor force) and the community-based insurance scheme covers the informal sector. These schemes aim to increase access to quality health care by capping out-of-pocket health expenses and ensuring that health centers are adequately resourced and equipped. In 2017/18, 34% of the 1,000 districts (woredas) were enrolled in the community-based insurance scheme and the target is increase coverage to 80% by 2019/20.

Programs for social protection in Ethiopia are costed and integrated in the 5-year macroeconomic financing framework and 3-year rolling medium-term expenditure framework as part of the budget processes. Therefore, efforts have been made to ensure sustainability of spending on social protection. In addition, spending on social protection has expanded, in part due to the persistent climate change driven droughts experienced in Ethiopia since 2015/16. For instance, recent data indicate that an estimated 10 million people are covered under the public and private pension schemes or about 10% of the population. In addition, the 2018 Humanitarian and Disaster Reliance Plan provides food and non-food assistance to 7.95 million and 9.45 million people, respectively. Thus, over 27 million people or about 27% of the country’s population are covered by some form of social protection mechanism. Bi-annual Joint Review and Implementation Support (JRIS) missions support the monitoring of social protection programs, including implementation and resource utilization. Ethiopia’s intergovernmental fiscal transfer formula takes into account poverty levels and other considerations, such as population. This ensures that woredas that are most in need get a relatively large share of public financing.The government and partners are aiming to effectively link the PSNP, UPSNP and the CBHI to provide integrated social protection measures to the most vulnerable individuals, based on the five key pillars of the National Social Protection Policy.

10.b. Protection of basic labour standards

Score Type	Value

Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

As reported in the CPIA 2021, Ethiopia has ratified 22 ILO Conventions, including Convention 132 on Minimum Age and Convention 182 on the Worst Forms of Child Labor. One Convention (C096) was automatically denounced following the ratification of Convention C181. Ethiopia is also a signatory to the 1948 Universal Declaration of Human Rights. measures to domesticate these Conventions and Protocols into national policies and strategies continue. For instance, Labor Proclamation No. 377/2003, the Employment Exchange Service Proclamation No. 632/2009 and the Right to Employment of Persons with Disability Proclamation No. 568/2008 establish the legal and regulatory framework for compliance with ILO Conventions.

In July 2019, Ethiopia approved a Labour Proclamation that will repeal Labour Proclamation No. 377/2003 (Labour Proclamation) together with its amendments which has been in place for the last 16 years. The new Proclamation is necessitated by a major shift in investment and business environment as well as the overall labour market. It acknowledges the key role of a skilled and disciplined workforce to Ethiopia's industrialization efforts and improve its global competitiveness by expressly stating in its preamble the need to create a favourable environment for investment.

Ethiopia is a member of ILO but until now the country is not a signatory to those important conventions which are directly related to minimum wage such as Wage Fixing Machinery Convention, 1928(N0.26), Protection of wage convention, 1949(No.95), Minimum Wage Fixing Machinery (Agriculture) Convention, 1951 (No. 99) and Minimum Wage Fixing Convention, 1970 (No. 131). However, the idea of introducing a minimum wage has been a topical issue for the Ethiopian government for quite some time. Under the new Proclamation, the government has provided for the establishment of a Wage Board comprising of representatives of government, employees and trade unions together with other stakeholders that will carry out studies for setting and periodically revising minimum wages. The Proclamation also raised the minimum working age from fourteen years of age to fifteen while maintaining the list of tasks and conditions permitted to young workers.

The new Proclamation extends existing maternity leave from 90 consecutive days to 90 working days. The 30 working days are granted prior to the mother giving birth and 60 working days subsequent to birth. Furthermore, the law introduces, for the first time, paternity leave of three consecutive days for male employees. This is less generous from the 5 working days paternity leave that is granted to civil servants under the Civil Service law. The Proclamation introduced a new regime to regulate workplace sexual harassment and sexual violence.

In 2019 Ethiopia undertook actions towards eliminating the worst forms of child labor. The new Labor Proclamation which raised the minimum age for work from 14 to 15 years is notable as well as the approval of the Organizations of Civil Societies Proclamation, replacing a 2009 law that limited the operations of organizations working on child and forced labor issues in Ethiopia. The new Labor Proclamation also significantly increased penalties for violations related to child labor. The government also launched the Effective Approaches in Ending the Worst Forms of Child Labor program to test and measure innovative approaches to address the worst forms of child labor. In 2019, labor inspections focused on the floricultural industry where child labor is known to occur. The labor inspectorate hired 144 labor inspectors in 2019. As well, 120 inspectors attended national-level trainings, including one session devoted to evaluating progress on combating child labor. Ministry of Labour and Social Affairs (MOLSA) is also training about 13 labor officers to defend the labor rights of Ethiopians working in the Middle East. However, data on violations is not aggregated at the national level and the Government did not publish the number of child labor violations identified as a result of these inspections.

Ethiopia has ratified international conventions on child labor, including ILO C138 on minimum age, ILO C182 on worst forms of child labor, the United Nations Child Rights Convention of 2009, together with the Optional Protocol on Armed Conflict and Optional Protocol on the Sale of Children, Child Prostitution and Child pornography. Domestically, several legislative instruments have enacted to address child labor, including Labor Proclamation No. 377/2003 (e.g. Articles 89.2 and 185.1 on minimum age for work and Articles 89.1, 89.3 and 185.1 on identification of hazardous occupations or activities prohibited for children). Other legislation includes the Criminal Code (Article 596 on prohibition of forced labor and Articles 597, 635, and 637 on prohibition of child trafficking).

The Alternative Basic Education strategy, implemented since 2006, has guided the provision of alternative education that responds to diverse needs and contexts and, jointly with special interventions to improve delivery of education services in emerging regions, has improved school enrollment rates in disadvantaged and under-served ethnic groups. Increased access to education is being applied as a vehicle for reducing child-labor and the associated exploitation. In 2022, following the National Reform, the Ministry of Labour and Skills was established, with Proclamation No. 1263/2022, to oversee national job creation, skills development, and labor concerns. Thus, the ministry has been coordinating and guiding on national labour policies and practices.

Measures to generate the required approximately three million new jobs annually are required to absorb the new job market entrants. Progressive policies and standards for employment, addressing skills gaps including in machine operations, product management, knitting, tailoring, mentorship programmes, leadership, punctuality and attitude are needed. However, the COVID-19 pandemic is expected to have large adverse impacts on jobs. The Ethiopia Jobs Creation Commission estimated that during May and August, between 1.4 and 2.5 million jobs could have been lost in the manufacturing, construction, and service sectors due to travel restrictions and economic lockdown. The large informal sector, with 40% of employed persons being self-employed contributes to this challenge. The significant share of informality in the economy exposes the country to a potential important social crisis, if quick actions are not taken to cushion and mitigate the shock on the vulnerable population. This is particularly so for women as 52% of them are in vulnerable employment. The pandemic is projected to deepen the already high unemployment especially urban unemployment estimated at 26% for females and 12% for males. To address the impact of COVID-19 pandemic on job losses, the Government implemented both fiscal and monetary measures to protect the small and medium enterprises, including through tax deductions and access to credit.

10.c. Labour market regulations

Score Type	Value

Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Ethiopia has ratified three key pieces of its labor code including: the Labor Proclamation No. 377/2003; the Employment Exchange Service Proclamation No. 632/2009 and the Right to Employment of Persons with Disability Proclamation No. 568/2008. This labor code establishes: (i) the contractual obligations for employers and workers; (ii) unionization, collective bargaining and peaceful and legal picketing/ worker strikes for all workers with the exception of civil servants; and provisions for employment security, notice and severance, work and wages, maternity and work. Two of the 21 ILO Conventions (C100 and C111) ratified by Ethiopia cater for equal opportunity, particularly across gender. Also ratified are: Governance Convention on tripartite consultations (C144) and 12 Technical Conventions, including the convention on occupational safety and health (C155).

While the national unemployment rate is relatively low (about 4% in 2022), it masks spatial and social disparities. Urban unemployment is estimated at 19.1% while the rural unemployment is 2%. Unemployment remains an even bigger problem for specific groups like women and young people, particularly in urban areas. In 2020, unemployment was higher among the urban youth (25.3%), of which, the female youth unemployment was 31% (against 19% for male). The majority of the labor force remains in rural areas and engaged in agriculture, with high level of unpaid labor and self-employment. The deficit of productive jobs takes different shapes in rural and in urban areas. In rural areas, it takes the form of working poverty whereas in urban areas it takes the form of open unemployment.

Sustainable job creation is a critical challenge for Ethiopia to meet labour market demand and meet its objective to become a middle-income country by 2025. Ethiopia needs to create 14 million jobs between 2020 and 2025 to absorb the new entrants to the labor market and the current backlog of unemployed (at least three million in 2020). It is estimated that three million young Ethiopians enter the labour market annually with limited opportunity of finding descent work, a situation that has been worsened by COVID-19. There is high child labour rate which exists mainly in rural areas dominated by an agricultural working culture and weak infrastructure. Economic reforms to expand the role of the private sector are ongoing since 2018 and the labour market landscape is also changing. However, currently, Ethiopian factory workers remain among the lowest paid. Working poverty remain pervasive, with a still high proportion of Ethiopian households earning less than what is necessary to survive. The absence of a minimum wage floor for workers has particularly affected workers from private enterprises who often have the lowest salary. The recently approved Labour Proclamation has provided for the establishment of a minimum wage board and a process to set and develop minimum wage. Industrial Parks and Agro-Industrial Parks are being established by both the government and private sector to promote employment and exports and value chains.

The Ministry of Labour and Skills (MoLS) is responsible for to labour standards and inspection of labour administration and work environment. The new Labour Proclamation (1156/2019) revised these responsibilities to strengthen and define the powers and duties of the government organ charged with the responsibility. MoLS is also charged with the responsibility to facilitate the creation of 3 million jobs by 2020, 14 million by 2025, and 20 million by 2030. Towards this end, MoLS has developed a 5-year Plan of Action and a 10-year roadmap detailed strategic plan.In 2022, it was planned to create 2,949,293 permanent jobs and it was reported that 2.4 million jobs have been created. Of the jobs created, 49.7 percent were in rural areas and 50.3 percent in urban areas.

The two employers' organisations were combined in 2018 to create a new confederation - Ethiopian Industry Employers' Confederation (EIEC) - that now represents employers in national tripartite structures. In terms of women representation in decision-making bodies of trade unions, in Confederation of Ethiopian Trade Unions' (CETU) decision-making body only one out of ten executive positions is reserved for women. CETU has a Women's Affairs Department that aims to follow up on the implementation of the organisation's gender policy.

On the Global Competitiveness Index, which provides perspective on a wide range of factors, including labour market efficiency, Ethiopia is ranked low, at 124 out of 141 countries in 2019. Among the 12 labour market efficiency indicators, the best scorings are in the labour tax rate (43) and in workers' rights (81). The worst rankings are in cooperation in labour-employer relation (137), the flexibility of wage determination (136), and reliance on professional management (133).

The Federal Civil Servants Proclamation regulates the Public Civil Servants' employment relationship with the government including recruitment, salary scale, promotion, transfer, occupational safety and health, disability, pension and gratuity, grievance handling procedures and the establishment of a grievance handling committee, civil servants' administrative tribunal and its powers and procedures. While the Constitution and the Proclamations cover both the formal and informal labor markets, their enforcement in the informal sector, which employs about 70% of the workforce, is held back by a number of limitations, notably information asymmetry on the scope and extent of the informal labor markets. In addition, informal sector workers are typically reluctant the report violations of the labor market regulations due to the largely undocumented activities in which they are engaged in the informal sector. As a result, while a strong labor market regulatory framework is in place, its implementation and enforcement is largely confined to the formal sector, which employs only about 30% of the work force. It is expected that the recently developed Labour Market Information System (LMIS) at the Ministry of Labour and Skills would play a critical role in streamlining the demand and supply side of labour. And contribute to the production of information and analysis for policy makers and other labour market stakeholders.

Ethiopia has complemented labor market regulations with improvements labor market supply side interventions, such as investments in physical and human capital to increase productivity. Sustained growth in capital spending for the public infrastructure program and human development (as guided by the Education Sector Development Programs (I-V) have increased capital and labor productivity. For instance, the 2016 World Bank Systematic Country Diagnostic reveals that the share of employees with post-secondary education increased from 9% in 2003 to 23% in 2014 leading to high total factor productivity. The Education Sector Development Program V (ESDP V) 2015/16 – 2019/20 places emphasis on technical and vocational education and training (TVET) to create a lower- and middle-level, competent, motivated, adaptable and innovative workforce. The objective is to develop a demand-driven workforce capable of contributing to poverty reduction and socio-economic development. Accordingly, in 2023 more than 100 polytechnic colleges have been organized in a way that takes into account the objective conditions of the localities and realize the reform.

Ethiopia's emphasis on accelerating industrial development requires establishing robust standards for work to assure employee welfare while sustaining the highest labor standards for increased productivity. In this context, in 2016, the ILO in collaboration with the government launched a project to improve industrial relations for decent work and sustainable development in Ethiopia's textile and garment industry. This project is implemented by ILO in conjunction with the appropriate sector ministries, the Confederation of Trade Unions, Employers Federation, and other non-state actors, including at the subnational level. The project has created a platform for stakeholders in Ethiopia's textile and garment industry to strengthen dialogue on remuneration and conditions of work, both of which are critical for establishing robust labor relations and enhancing collective bargaining. On the demand side of the labor market, the government is implementing an export-led industrialization strategy - developing industrial parks as well as energy and transport infrastructure to boost creation of formal wage employment for the estimated 2 million new job entrants into the labor market annually. Ethiopia's Industrial Development Strategic Plan 2013-25 focuses on export-oriented manufacturing sectors, like leather, textiles, and agro-food processing to promote light manufacturing.

10.d. Community driven initiatives

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Decentralization , upon which local economic development is anchored is underscored in the 1995 Constitution. The constitution defines and allocates powers and functions across levels of government. Th powers and responsibilities of the Federal Government alongside the subnational government structures are defined in Articles 51 and 55 of the Constitution. The subnational government are responsible for preparing and implementing economic, social and development policies and plans, preparing and administering the subnational government budgets, and levying and collecting taxes and duties on subnational revenue sources. Consistent with the constitutional provisions, Ethiopia does not have a local economic development structure that is integrated within the national budget.

In 2019 Ethiopia repealed the 2009 Charities and Societies Proclamation which imposed restrictions on civil society, especially those working on human rights, democracy and good governance. The Civil Society Proclamation 1113/2019 was developed through a consultative process that closely involved CSOs. It lifted restrictions on funding for CSOs and allowed for the re-entry of international organisations into Ethiopia. It departs from the previous categorization system, referring only to indigenous (local) and foreign CSOs. It explicitly provides that all organizations have the right to engage in any lawful activity to accomplish their objectives. Foreign and foreign-funded CSOs are no longer prohibited from engaging in advocacy and human rights work. One issue raised regarding the new proclamation is that the Civil Society Agency that has the mandate to regulate civil society should be accountable to the legislative body, and not to the executive as stated in the Proclamation.

The government recognizes civic engagement as a key platform for inclusive development. As a result, communities, CSOs, and other non-state actors participate in development activities, including at the lowest administrative levels (*Kebeles*). The key activities comprise consultations at the district and lower levels (Kebele) planning, budget preparation, and implementation of basic services and local infrastructure as well as the associated community contributions. Communities are engaged in the development of key local infrastructure, such as water, agriculture, and rural roads. Community contribution to basic service financing is an important part of civic engagement.

The share of budget allocated to poverty reducing sectors of education, health, agriculture, water, and rural roads has averaged 60% of the budget during the period 2017/18 – 2019/20. The budget allocation to poverty related spending, which is implemented at the community level, demonstrates the government's commitment to community development and local economic development. Furthermore, four integrated agro-industrial parks (IAIPs) are under construction with another 17 IAIPs planned. IAIPs will be implemented and owned by the subnational governments as part of government reforms to strengthen local economic development. In particular, each IAIP comprises a rural transformation centre and equipped with value addition technology to boost backward and forward linkages, value chain development, thereby enhancing high value-added production.

Women's associations are established and functional in nearly all the country's nine regions. The Women Development Army (WDA), whose establishment was spearheaded by the government are groupings of 25-30 women, bring together women living in neighborhood to create an eco-system that enable women to solve their socio-economic concerns. WDAs participate in and lead dialogue within their communities on several development issues, comprising socioeconomic developments, income creation opportunities, taking care of the environment, sustainable energy use, girl-child education, and family welfare, among others. Over 8 million women were participating in WDAs in four regions, which jointly account for over 70% of the population. However, the citizenry and non-state actors often cite limited access to information on public policy making as a key bottleneck to civic engagement, although the Bank supported Basic Services Transformation Program (BSTP) is contributed to reduce this information asymmetry. The program has promoted citizen's engagement in basic services through social accountability, financial transparency and grievance redress mechanism (GRM) to enhance citizens' engagement in the governance of basic services and budgetary processes.

The education and health sector strategies provide specific interventions to promote community involvement in development initiatives. For instance, the ESDP V is focused on maintaining the momentum of expanding equitable access to quality general education. The reform agenda focused on improvement of access in traditionally low performing areas of the country and among underserved population groups. Accordingly, the development of pastoral education strategy has been instrumental in ensuring standardized expansion of alternative basic education in low land and underserved areas of the country and the establishment of the National Council for Pastoralist Education is expected to provide the necessary guidance and co-ordination in these areas. As per the Pastoral Education Strategy, the setup of mobile and multi-grade schools has been intensified in order to enhance access.

In the health sector, Community engagement is central to the design and implementation of the Health Extension Program. Key reform areas for the HSTP II comprised improvement in access and equity and person-centered care are key components. The reports on State of Health Inequality in Ethiopia established trends and forwarded recommendations based on analysis of socio-economic and demographic characteristics that influence the delivery of health care and outcomes. The national health services equity strategy, pastoral community health extension strategy and operational manual have been developed based on the State of Health Inequality report. Accordingly, low performing and hard to reach woredas have been targeted for special capacity building, staffing, and financing support. The 2nd generation health extension program and the model Woreda / family concepts are reform platforms used by the health sector to improve quality of service as well as the engagement of the communities. An increase in better-qualified health extension workers (HEW) has given communities better access to essential health services. The HEP assessment report has indicated that the potential of men, youth, religious institutions, community elders and other community structures such as Idir have been underutilized because of over dependence on WDA structures. The National Health Care Quality Strategy, National Health Equity Strategy; Equitable Health Services Plan of Action, were developed to guide and lead efforts to improve quality and are being implemented. The introduction of the compassionate and respectful care initiative should, when fully in place, impact positively on the quality of care of Ethiopians are currently receiving, and so improve overall health outcomes.

10.e. Pension and old age savings programs

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Ethiopia’s pension system has a limited coverage, with less than 10 per cent of the Ethiopian population above the statutory retirement age of 60 benefiting from an old age pension, and old age pension is not explicitly provided for. The estimated 20% of pensioners are largely beneficiaries of contributory public or private pension schemes older men are much more likely to have a pension compared to women, reflecting of different work trajectories and life-courses, in particular a much higher representation of men in the formal economy. While more women than men receive social assistance through the PSNP and UPSNP, the vast majority (89 per cent) of all pensions paid in Ethiopia go towards men. The underlying reasons for the low coverage of older people by Ethiopia’s social protection system is a combination of low levels of overall coverage by the existing social protection programmes, including the use of strict location-specific quotas, an exclusive reliance on contributory pensions linked to formal employment, and the lack of a dedicated social protection programme aimed at ensuring income security for older people outside the small formal economy.

The National Social Protection Policy (NSPP) of 2014 needs to be updated. The NSPP was designed to consolidate the previously scattered ‘support mechanisms’ into a comprehensive and integrated social protection system. The NSPP demonstrates the government’s commitment to reducing poverty including through the provision of social protection to its poorest and most vulnerable citizens. Consequently, the NSPP enumerates several objectives including protecting poor and vulnerable individuals, households and communities from adverse effects of shocks and destitution; increasing the scope of social insurance; and increasing access to equitable and quality health, education and social welfare services. The NSPP also sets out key principles for social protection, such as government leadership, sustainability, gender sensitivity, participation and human rights.

The country's pension legislation consists of the Constitution, notably Article 90(1) which establishes the right of access to social security. Other pieces of legislation include the Public Servants' Pension Proclamation No. 714/2011 and Private Organization Employees' Pension Proclamation No. 715/2011. These pieces of legislation define the pension schemes, fund, and contributions for public and private sector employees, respectively. However, the Proclamation No. 715/2011 defines 'a private organization employee' as a salaried person permanently employed in any private organization, indicating that most informal sector employees, who comprise over 70% of the workforce are not catered for.

The government collects pension funds, and has adopted two pension schemes which target both public and private employees. Thus, there are currently two pension schemes in Ethiopia: The Public Servants' Pension Scheme and Private Sector Organizations Employees' Pension Scheme. The Public Servants' Pension Scheme was established in the 1960s and covers all civil servants and military personal. The Private Organizations Employees' Pension Scheme was established in 2011 to provide social security cover to private sector and informal sector employees on voluntary basis. The regulations governing public employees' pensions and private sector pensions are identical, but private sector pensions are administered by a separate agency. The Public Servants' Pension Scheme is managed by the Federal Public Servants Social Security Agency (PSSSA), while the private sector scheme is managed by the Federal Private Sector Organizations Employees' Social Security Agency (PSOESSA). The retirement age for public and private employees is 60 and 55 for military personnel, with a minimum service requirement of 10 years. In 2020, the minimum monthly pension was raised to 1,250 Birr (USD 35.8). As explained earlier, the rural productive safety net program (introduced in 2005) supports food insecure rural poor families, which include households headed by the elderly (75% of whom live in chronic poverty) to manage shocks, build livelihood assets, and eventually transition towards food security. While the PSNP does not directly target older people, the Permanent Direct Support (PDS) component of the Rural PSNP and the Unconditional Cash Transfer (UCT)UCT of the Urban PSNP target people unable to work, a significant number of which are older people.

Both schemes aim to provide protection against old age, invalidity and are for widows, widowers and orphans. Currently, the PSSSA handles the pension funds of more than 2.36 million government employees, excluding the military and police force. The other entity, the PSOESSA manages the pensions of more than 1.8 million employees working in around 187,000 private organisations from 2011-2022. It is estimated that there are 700,000 pensioners that are currently getting paid through the social security scheme.

The system works similarly in both schemes where the employer contributes 11% and employees contribute 7% of salaries, making the total contribution for pensions 18pc of gross salaries every month. The two agencies have a combined workforce of around 5,000 employees and over 140 branches to carry out the collection of pension contributions. Pension contributions from government employees are made directly to the Agency by the employer, while private employee's pensions are collected when the organisations pay their tax to the tax authorities who then transfer employee's pension funds to the Agency.

It is important to establish non-contributory pension schemes particularly for the elderly and other vulnerable groups in the informal sector. To mitigate the absence of non-contributory pension schemes for the elderly and other vulnerable groups as well as the low coverage of pension schemes in general, several complementary social safety nets and insurance programs have been established. These include the urban and rural productive safety nets programs, social health insurance and the community-based health insurance. Ethiopia introduced a social health insurance (SHI) for the formal sector in 2015—under 30% of the workforce—and Community-Based Health Insurance (CBHI) in 2012 for citizens in the informal sector (people who are self-employed and a private sector employer with fewer than 10 employees). These insurance schemes seek to increase access to quality health care by reducing out-of-pocket health expenses and ensuring sustainability of health care provision. Currently, 11.9 million households are eligible for the CBHI and 4.6 million (or 38%) are enrolled.

11. Environmental Policies and Regulations

Criteria Score: 5

11. Environmental Policies and Regulations

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

Despite its minimal contribution to the global GHG emissions (only about 0.04%), Ethiopia is vulnerable to climate change impacts due to its dependence on traditional methods of production and natural resource extraction as well as low adaptive capacity.Ethiopia aims to achieve middle-income status by 2025 while developing a green economy. It is therefore noted that following the conventional development path would, among other adverse effects, result in a sharp increase in GHG emissions and unsustainable use of natural resources. To avoid such negative effects, the government developed the strategy to build a green economy. The Government is beginning to transform the strategy into action and welcomes collaboration with domestic and international partners. The vision of the strategy is to: Achieve middle-income status by 2025 in a climate-resilient green economy.

Ethiopia's 10-year development plan 2021- 2030 sets out the government's development vision, with focuses on 10 pillars and Pillar 6 seeks to build a climate resilient green economy through a range of actions such as fighting land degradation and pollution, reducing GHG emissions, increasing forest protection and renewable energy production and focusing on modern and energy saving technologies. Ethiopia launched its Natural Capital Accounting Initiative in September 2022 to build a robust information system for natural capital to underpin national priorities and strategies

As a responsible member of the world, Ethiopia is also aware of the important role that developing countries play in fighting climate change and has consequently taken on a constructive role in international climate negotiations. Ethiopia’s ambition to become a “green economy front-runner” is an expression of its potential for and belief in a sustainable model of growth. The challenge is to achieve economic development goals in a sustainable way. If Ethiopia were to pursue a conventional economic development path to achieve its ambitious targets, the resulting negative environmental impacts would follow the patterns observed elsewhere around the globe.

Under current practices, GHG emissions would more than double from 150 Mt CO2e in 2010 to 400 Mt CO2e in 2030. Its development path could also face resource constraints: for example, it could reach the carrying capacity for cattle. Furthermore, it could lock its economy into outdated technologies. A conventional development path could also be financially challenging. For example, a significant share of GDP might need to be spent on fuel imports, putting pressure on foreign currency reserves.

As part of the strategy, four initiatives to fast-track implementation are included as part of an action plan to create a green economy. These include exploiting the vast hydropower potential; large-scale promotion of advanced rural cooking technologies; efficiency improvements to the livestock value chain; and Reducing Emissions from Deforestation and Forest Degradation (REDD). These initiatives have the best chances of promoting growth immediately, capturing large abatement potentials, and attracting climate finance for their implementation.

It is anticipated that the rapid industrialization currently taking place in Ethiopia to achieve middle income country status by 2025 will result in increased emissions of greenhouse gases. In cognizance of this, Ethiopia is putting in place measures to pursue a low carbon development pathway through various national and sector specific policies, strategies and regulations. Key policies and strategies that set this climate resilience and low carbon development policy objective are outlined hereunder.

Ethiopia scored 37.2 out of 100 and ranked 161st out of 182 countries on the 2023 University of Notre Dame Global Adaptation Initiative (ND-GAIN) Country Index. Ethiopia’s climate and environmental vulnerabilities stem from low socioeconomic development; and resources limitations increase the future risk of not meeting the sustainable development goals.

Ethiopia’s Updated National Determined Contributions (NDC, 2021) estimated the financing requirements to meet its adaptation and mitigation targets for 2021-2030 at US$316 billion (US$275.5 billion for mitigation and US$40.5 billion for adaption). In 2019/20, US$1.7 billion was committed towards climate change related activities (7 percent of Ethiopia’s estimated climate finance needs and less than 2 percent) of GDP. Ethiopia attracted more climate finance for adaptation (56 percent) than mitigation (38 percent) projects, in contrast with the global averages of 7 percent and 90 percent, respectively. Under Ethiopia's NDC-aligned scenario, the total investment requirement is estimated at US$154 billion over a 30- year period (2020–2050). In net present value, therequired investment equals aboutapproximately US$D 5 billion per year. The achievement of the net-zero target requires, on average, the deployment of 33 percent% of the total investment every 10 years until 2050. The total investment includes capital investment of US$D 133 billion and O&M costs of US$D 21 billion. The power generation sector requires the highest capital investment, followed by the agriculture sector, land-based interventions, waste management, electrification of the transport sector, and CCS.The total investment required for mitigation interventions is about US$86 billion. The largest share of the total mitigation investment will be required for the power generation sector (67 percent% of the total estimated investment), followed by the waste management sector (16 percent%), the electrification of the transport sector (16 percent%), energy efficiency solutions (1 percent%), and upgrading technology in the industrial sector and use of CCS technology.

These trends partly reflect Ethiopia's reliance on grant and concessional financing for mitigation projects, which raises concerns about long-term sustainable flow of investments. Meeting the climate financing gap requires a whole-of-society approach including the private sector and communities, calling for measures to pull in the private sector to finance climate and environmental investments. But during 2010-2020, Ethiopia received only USD$10 billion of climate finance mobilized by developed countries, averaging US$904 million per year. The private sector accounted for only for 8% of total climate finance in flows to Ethiopia 2019/20, due to limited awareness and high risks associated with investing in Africa.

Fiscal space is constrained by low tax revenue, shocks and conflicts. Measures to attract climate finance and increase investment in climate-smart technologies are needed to promote green growth. Lack of adequate and reliable data, statistics and appropriate indicators to monitor progress also poses a challenge for the country to effectively monitor the extent of success in following a resilient and low carbon development pathway. An area of intervention to address this is enhancing the capacity of relevant Government officials to develop bankable project proposals that can attract financing from international environmental and climate funds such as the Green Climate Funds and Global Environment Facility. Additionally, there is need to build capacity of the country to attract private sector financing. In this regard, there is need to sensitize not only public agencies but also private sector entities such as commercial banks to develop bankable proposals that can attract international environmental and climate funds.

The right to environmental protection is enshrined in Ethiopia's Constitution of 1995 and Articles 43, 44 and 92 guarantee citizens of Ethiopia the right to a healthy environment, the right to sustainable development and the right to improved living standards. The Constitution also makes provision for the design and implementation of development programs and policies that do not damage the environment. Ethiopia has developed a number of environmental policies. In 1997, an Environmental Policy was put in place with the objective of rectifying the costs of environmental degradation as a result of overutilization of natural resources. This policy provides guidance on the sustainable use of resources such as land, water, forests, soil, woodlands, minerals and energy to drive national development. It also outlines objectives and measures to reduce water and air pollution.

Environmental Impact Assessment Proclamation No 299/2002 requires specified categories of private and public projects to be subjected to Environmental Impact Assessments (EIA) and outlines procedures to be followed when conducting these assessments. The EIA is supposed to identify possible adverse impacts of the project on the environment as well as provide measures on how to prevent or mitigate these impacts. Environmental Pollution Control Proclamation No 300/2002 seeks to control environmental pollution in Ethiopia and ensure that citizens are accorded the right to a clean and healthy environment.

In line with environment and natural resource protection, the National Energy Policy in 1994 was updated in 2013 to promote hydropower, energy efficiency and modern energy generation and distribution to households beyond sources such as fuel wood which cause forest degradation. The policy and prioritizes the promotion of renewable energy use, access to modern energy services, promotion of energy technologies and ensuring of environmental and social safety of and sustainability of energy use and supply. Ethiopia has undertaken several strategic and programmatic adaptation and mitigation actions addressing climate change, these include: the Ethiopia's Climate Resilient Green Economy Strategy (CRGE) strategy, the National Adaptation Program of Action (NAPA) of 2007; the Ethiopian Program of Adaptation to Climate Change (EPACC 2011); Nine National Regional States and two City Administration adaptation plans; Five sectoral adaptation plans; Climate Resilience Strategy in Agriculture and Forestry, in Water and Energy and in Transport; National Adaptation Plan (2017); Guideline for Integrating the CRGE into Sector Development Plans; and, CRGE Sectors Roadmap for Implementation of Green Economy Mitigation Actions.

A key climate change policy in the country is CRGE (2011) which provides the framework for addressing climate change risks while maintaining high growth rates and building resilience. The strategy seeks to enable the country to reach its vision of a low carbon, middle income economy by 2025 and strengthen its capacity to adapt to the impacts of climate change. Ethiopia is committed to reducing greenhouse gases (GHGs) and resilience building through (i) afforestation and land rehabilitation interventions; (ii) generation and distribution of electricity from clean renewable sources; and (iii) investment in improved transportation systems (e.g., railways) that utilize clean and renewable energy. The strategy covers the key sectors of the economy including agriculture, forestry, transport, electric power, industry and buildings. Designing green cities is at the heart of the strategy in the area of urban development.

Ethiopia has ratified the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol as a Non- Annex 1 party and has submitted its First and Second National Communication to the UNFCCC. As a Least Developed Country (LDC), it submitted its NAPA in 2007. In 2010, it developed its Nationally Appropriate Mitigation Actions (NAMAs). In line with its commitments under the Paris Agreement, the country submitted its Intended Nationally Determined Contribution (INDC) in 2015 which outlines the Governments commitments and action plans for climate change adaptation and mitigation. On mitigation, Ethiopia aims to reduce GHG emissions by 64% compared to the business-as-usual (BaU) scenario by 2030. The country has outlined measures to be implemented in energy, transport, industry, wastes, agriculture and livestock, and forestry sectors. Many of the measures in the energy sector are already under implementation, but not so much in the agriculture and forestry where most emissions emanate.

In 2019, the GoE launched the National Adaptation Plan (NAP-ETH) that focuses on most vulnerable sectors to climate change (agriculture, forestry, health, transport, power, industry, water, and urban development). The plan identifies 18 adaptation options for implementation across the sectors, recognizing the considerable diversity in context and vulnerability across Ethiopia's regions and social groups. The NAP-ETH is expected to cost USD 5bn per year and USD 90bn until 2030. This is in addition to the USD 150bn required for the green economy initiatives. These funds are expected to be raised from domestic (public and private) and international sources. The largest share of the total capital investment of USD 80bn is required to develop power generation and transmission infrastructure (48%), followed by transport sector (29%), financing agricultural sector transformation (2% for soil and 3% for livestock) and the forestry sector (12%, including agricultural intensification and irrigation initiatives that abate GHG emission in the forestry sector). Upgrading technology in the cement sector will require investments of nearly USD 5bn over 2030 (6% of the total estimated green economy capital investment of USD 150bn). The updated NDC of 2021 targets GHG emissions of below 145MtCO2e by 2030, and it has increased its ambition to reduce emissions by 68.8% up from 64% as was targeted in the previous INDC. The unconditional pathway would result in GHG emissions of 347.3MtCO2e by 2030, a 14% reduction relative to the BaU. A Long-Term Low Emission Development Strategy (LT-LEDS, 2050) is being elaborated, focusing on ways in which Ethiopia will contribute to meeting the long-term temperature goals of the Paris Agreement.

However, despite thein as much as there is broad consensus that improvements to the climate resiliency of Addis are necessary and urgent, the governance system suffers from somesevere limitations that impede these improvements. As a result, climate change planning is not yet fully integrated into general urban planning activities.

(D) Public Sector Management and Institutions

Cluster Score: 4.158

12. Property Rights and Rule-based Governance

Criteria Score: 3.5

12.a. Legal basis for secure property and contract rights

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

Ownership of private property is protected by the Constitution; all land in Ethiopia belongs to "the people" and is administered by the government under trusteeship. Ethiopia's constitution enshrines the right to own, utilize and transfer private property, taking into consideration national concerns and without violating the ownership and use rights of other property owners and citizens. The 1995 Constitution, the 1960 Civil Code, and Expropriation of Landholdings for Public Purposes Proclamation No. 1161/2019 are Ethiopia's legal and regulatory framework for property rights. Other pertinent pieces of legislation include Federal Rural Land Administration and Use Proclamation No. 89/1997, and Expropriation of Land Holdings for Public Purposes and Payment of Compensation Proclamation No. 29/2001, among others. The Civil Code is the workhorse of the property administration legal framework. Private ownership of land does not exist, but land-use rights have been registered in most populated areas. The Ethiopian Intellectual Property Office (EIPO) is primarily tasked with protecting Ethiopian patents and copyrights and fighting software piracy.

Ethiopia's property rights index increased from 23 in 2021 to 38 in 2022. Its overall score has decreased by -0.649 to 3.466 placing it 22nd position in the Africa region and 118th in the world, primarily because of declines in property rights and judicial effectiveness. While property and contractual rights are recognized, judges often lack understanding of commercial matters, including bankruptcy and contractual disputes, making the protection of private property uncertain.

As of 2020, the property right sub-score on the Economic Freedom Index for Ethiopia was 36.5. This was 3.9 points higher than the score for 2019. For most of the period under review, the Ethiopian property rights sub-score was lower than both the world and African average. According to the index, the score of Ethiopia is considered to be "repressed" in regard to property rights. Moreover, Ethiopia ranked 130/141 in

2019 on the Global Competitiveness Report's 'property rights' dimension, a deterioration from 77/137 in 2018. Further deterioration was recorded on the 'intellectual property' and 'quality of land administration' dimensions, 128/141 compared to 91/140 and 134/141 compared to 132/140 in 2018 respectively. Out of 53 African countries, Ethiopia ranked 40th, with a score of 37 out of 100 in 2020, highlighting a low degree of legal protection of property and judiciary independence. on the processing time of contract enforcement, cost and quality of judicial processes, Ethiopia performs above the regional average. On the quality of judicial processes index Ethiopia scored 7.0 compared to the regional average of 6.9, which measures whether an economy has adopted good practices in its court system in four areas: court structure and proceedings, case management, court automation and alternative dispute resolution.

Indeed, there are ambiguities, inconsistencies, gaps and outdated features in the legislative protection of some property rights in Ethiopia. Moreover, there is the bestowal of wide and undue discretion to various administrative authorities without judicial scrutiny. These problems clearly lead to discretionary and arbitrary administrative decisions and inconsistent court rulings thereby posing insecurity in the protection of property rights. The legal framework is often subject to varying interpretation by administrative units, leading to arbitrary conclusions and court rulings, which infringes upon citizens' inalienable rights to own, utilize, and transfer property as enshrined in the constitution. Confusion with respect to the registration of urban land-use rights, particularly in Addis Ababa, is common. Allegations of corruption in the allocation of urban land to private investors by government agencies are a major source of discontent. The EIPO has struggled with a lack of qualified staff and small budgets; further, the institution does not have law enforcement authority.

12.b. Predictability, transparency, and impartiality of laws affecting economic activity

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Ethiopia's 1995 Constitution provides the legal bedrock on which the Independence of the legislation and Judiciary from the Executive is anchored. Article 78 of the Constitution established the independence of the judiciary and vests the supreme Federal judicial authority in the Federal Supreme Court, which is also the highest court (consists of 11 judges). As necessary, Parliament established the Federal High Court and first instance Courts; otherwise, these two Courts are delegated to the State courts. Article 79 of the Constitution confirms that Courts of any level shall be free from any interference of influence of any governmental body, government official or from any other source. In addition, once appointed to the bench, no judge shall be removed from his duties before attaining retirement age except on disciplinary grounds or when found culpable for gross misconduct.

In line with Article 81 of the Constitution, the appointment of Federal judges enables independence of the judiciary. While the President and Vice-President of the Federal Supreme Court are appointed by Parliament (following vetting processes) upon recommendation by the Prime Minister, appointment of other Federal judges is a two-step process. First, the Federal Judicial Administration Council (a 10-member body chaired by the president of the Federal Supreme Court and appointed by the House of People's Representatives; judges serve until retirement at age 60) selects candidate judges and forwards the same to the Prime Minister for consideration. Second, the Prime Minister submits the prospective federal judges to Parliament for approval and confirmation. Appointments for state court systems (which is a mirror structure of the federal system) such as the State Supreme and High Court judges is handled similarly by the State Judicial Administration Council (which selects the prospective state judges) for approval and appointment by the State Council. Consistent with Article 81 of the Constitution, the State Judicial Administration Council, before submitting nominations to the State Council, has the responsibility to solicit and obtain the views of the Federal Judicial Administration Council on the nominees and to forward these views along with its recommendations. If the Federal Judicial Administration Council does not submit its views within three months, the State Council may grant the appointments. The aforementioned selection process for judges contributes to judicial independence and largely ensures that laws and regulations are not changed arbitrarily

The 1995 Constitution underscores alternative dispute resolution mechanisms (arbitration, mediation/conciliation) for parties that are not satisfied with proceedings and rulings. Arbitration mechanisms help to accelerate access to justice through the realization of amicable settlements at lower costs and shorter periods of time. However, domestic commercial arbitration and mediation are not governed by a consolidated law or consolidated chapter or sector of the applicable code of civil procedure. Ethiopia ranked 94 out of 180 countries (with a score of 38 out 100), an improvement from its rank of 114 out of 180 countries in 2018 on Transparency International’s 2020 Corruption Perceptions Index. Businesses routinely encounter corruption in tax collection, customs clearance, and land administration.

All proclamations and regulations in Ethiopia are published in official gazettes and most of them are available online.

In March 2021, Ethiopia revised its 62 years old commercial code focusing on 825 sections that relate to trade issues with the aim to address bottlenecks in doing business. The revised legislation modernizes and simplifies business regulations, develops regulations for new technologies not covered in the prior version of the code, and seeks to implement greater transparency and accountability in commercial activities. There are no publicly available statistics that indicate a bias in the courts towards state-owned enterprises (SOEs) as pertains to investment/commercial disputes. The laws and regulations and their amendments, including those that affect economic activity are published in the two officially recognized languages (Amharic and English) to facilitate accessibility to the majority of the population. In addition, the legal and regulatory framework is available in print (hard copies) and online at the Ministry of Justice and respective agency webpages, such as the Ministry of Trade, Ministry of Industry, among others.

12.c. Difficulty in obtaining business licenses

Score Type	Value
Draft Score	4.0

Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The Commercial Registration & Business Licensing Proclamation was amended in 2019, adding a new feature to the business sphere of the country. In March 2021, Ethiopian parliament approved the revised commercial code that facilitates trade license registration and renewal services. Ethiopia has also been opening up more areas for Foreign Director Investment (FDI) sector, new areas which were reserved for domestic actors have been now opened up for foreign investors. Revision of restrictive legal frameworks such as regulations and proclamations of the investment and trade sector, aimed at to modernizing the investment regulatory, ensuring unrestricted legal framework and to align the investment legal regime with recent changes of economic policy priorities and to open up to the private sector. The recently revised commercial law will also add an impetus to the reforms. Agriculture, Manufacturing, ICT and creative industries, Mining and Tourism are the major FDI priority areas.

For any business desiring to get registered in Ethiopia, it has become easier to do so. The Ethiopian Ministry of Trade & Integration has launched an online portal, Online Trade Registration & Licensing Service, which will allow businesses to apply for new licenses and renewal online. The mandatory requirement to obtain a business license, which includes newspaper publication of trade names and a lease or rental agreement, was also lifted by the Ministry. The system also integrates the Ministry of Revenues, the Document Authentication & Registration Agency and the Ethiopian Investment Commission to shorten the customer journey when processing licenses.

Key challenges in obtaining business licenses include too many and over-specified business licenses, lack of compatibility between the ESIC and the sectoral laws, application of competence certification for almost all licenses, overly demanding requirements for competence certification, no necessity for renewal of commercial registration, weaknesses in the practice of trade name registration, evidence of physical address, redundancy of requirements for registration and licensing with no clear legal basis, lack of agency coordination and integrated systems, insufficient institutional capacity, and time required to obtain a license.

The Ethiopian Investment Commission has made strides towards establishing itself as a centralised hub for investors, there remain bureaucratic challenges, especially at regional and local levels. The introduction of the eTrade platform by the Ministry of Trade and Regional Integration (MOTRI) simplifies business registration and licensing, and various amendments to business regulations have reduced the bureaucratic burden. Despite these efforts, the MOTRI often fails to meet its target timeframes for business registrations. The majority of initiatives indicate a move towards reducing the time and costs associated with obtaining business licenses. However, delays and inconsistencies in the process, particularly at the regional level are still reported. To facilitate guaranteeing of foreign currency availability, the National Bank of Ethiopia released the Off-Shore Account Opening and Operations Directive for Strategic Foreign Direct Investment Projects (Directive No. FXD/86/2023).

12.d. Crime and violence as an impediment to economic activity

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

Conflict erupted over borders between Oromia and Somalia, Tigray, and Amhara. The two-year conflict in northern Ethiopia started in November 2020, when the Tigray People’s Liberation Front (TPLF) launched an attack on a Federal military camp in the region. The conflict situation in Northern Ethiopia has been worsen by a proliferation of local and regional armed actors in the recent years. Although the fighting has been concentrated in the north, a spate of violent attacks has reemerged in western Oromia, Benishangul-Gumuz, and Konso zone of the Southern Nations, Nationalities, and Peoples Region (SNNPR), causing significant civilian casualties, insecurity, and displacement. The conflict affected Tigray and caused thousands of casualties and destruction of civil infrastructure. High levels of sexual and gender-based violence have also been reported. In June 2021, the conflict expanded to the neighboring Amhara and Afar regions, drawing in a number of other armed actors and further exacerbating the humanitarian crisis in Tigray, Amhara and Afar Regions, including high levels of food insecurity. The conflict also triggered widespread forced displacement of civilians across northern Ethiopia, with more than 3 million people estimated to be displaced as a result of conflict across the three regions.

On 2 November 2022, the Federal Government and the TPLF agreed to a permanent cessation of hostilities and signed the historic peace agreement to peacefully resolve the conflict in northern Ethiopia. The two parties also agreed to permanently cease hostility, disarm TPLF forces, restore the federal government authority in the region, establish an “inclusive” interim transitional government until a regional election can be held, restore basic services, and expedite humanitarian aid in the region.

The estimates suggest that due to disruptions in livelihoods, households in conflict affected areas on average, lost 23% and 26% of their incomes in 2020 and 2021 respectively, amounting to a total of Ethiopia Birr 53 billion over the two-year period. The magnitude of estimated household income losses in conflict affected woredas suggest the conflict could have pushed as many as 3 million people into poverty. However, the assessment provides only a snapshot in time to enable recovery investments where feasible, while also recognizing that the conflict situation in Ethiopia is dynamic. The estimated total damages exceed USD 22.6 billion, and economic loss stand at USD 6 billion due to multiple conflicts. Estimated needs for recovery and reconstruction are at USD 20 billion.

Consequently, Ethiopia compares less favorably with Sub-Saharan African countries, including its East African peers, on political stability and voice and accountability dimension of governance. According to the World Bank worldwide Governance Indicators, Ethiopia remained below the 20th rank in political stability/absence of violence. According to Ibrahim Index of African Governance (IIAG), Ethiopia is ranked low in most of national security indicators: Absence of government involvement in armed conflict is ranked 40th, absence of domestic armed conflict or risk of conflict 40th, absence of violence against civilians by non-state actors 37th, absence of Cross-border tensions 28th, absence of internally displaced persons 46th and absence of refugees 31st.

Despite these challenges, the state still retains a solid monopoly over the use of force. The few armed movements that operate within the country are not expected to represent a major challenge to the government’s monopoly over the use of force in the short term. There are administrative structures at various levels throughout most of the country. There might be a few remote places where the government does not have elaborate administrative structures, but even in those places, there exist administrative units. But it bears noting that as one moves away from the capital city, Addis Ababa, outwards, the strength of these institutions and the quality of these services decreases considerably.

While the government has structures in place, their effectiveness in protecting citizens' lives and property against widespread ethnic conflicts, hostilities, and political tensions is limited. The presence and increasing numbers of internally displaced persons, hostilities involving multiple forces, and ongoing violence in various regions illustrate the state's challenges in maintaining security and order. Although there are mechanisms like the EIC aiming for improvements, significant areas of the country face unrest. Political freedoms have been restricted, with opposition parties and journalists facing suppression. This environment suggests that while the state endeavours to ensure security, its protective measures are inconsistently applied and often ineffective.

13. Quality of Budgetary and Financial Management

Criteria Score: 4.625

13.a. Comprehensive and credible budget

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Policies and priorities focus on poverty reduction and are broadly linked to the budget. Some elements of forward budget planning are in place. The budget is formulated through systematic consultations with spending ministries and the legislature. The budget is prepared in consultation with spending ministries.

In general, the Ministry of Planning and Development and the Ministry of Finance (MoF) lead the planning and budgeting exercise, respectively, the latter focuses on the annual planning and budgeting. The budgeting process comprises a planning stage and a budget preparation stage. The annual public planning and budget cycles run from July to January and February to July, respectively, as prescribed in the detailed budget calendar. The Constitution and the 2009 Financial Administration Proclamation guides the budget preparation and is undertaken through consultations with sector ministries, budget agencies and parliament in line with. The budgeting process, which largely adheres to the budget calendar, commences with the issuance of the budget circular by MoF to all budget agencies by February. The budget process accommodates forward budget planning, which is ensured through a 5-year rolling macro-economic and fiscal framework (MEFF). Both the 2019 PEFA and the 2022 PEFA Climate assessment scored Ethiopia's adherence to the Budget alignment with climate change strategies a 'B'.

The latest PEFA assessment for 2018 testified that Ethiopia's budgeting system is comprehensive and strongly credible (scoring A in PEFA 2018). The national budget is linked to policies and priorities and are focusing on poverty reduction. Spending priorities are focusing on poverty-oriented sectors (education, health, water, agriculture and rural roads. The Government has continued on programme budgeting (with effect from 2011/12 fiscal year) at federal level and start piloting at regional level. Resources have been also increasingly flown to local governments for the provision of quality basic services.

The Ten-Year Development Plan (TYDP) 2021-2030 guides the directions of Ethiopia's budget. Public spending is aligned with the TYDP priorities, particularly: (i) Multi-sectoral and Diversified Sources of Growth and Job Opportunities, (ii) Sustainable and Inclusive Financial Sector Development, (iii) Harnessing the Demographic Dividend, (iv) Quality and Efficient Infrastructure Development, (v) Sustainable Urban Development, and (vi) Peace, Justice, and Inclusive Institutions.

The Government chart of accounts has been revised to capture budget and expenditures by sources of funds, service delivery units, programs/projects, functions of government, geographical locations and economic items. The revised chart of accounts complies with the IMF Government Financial Statistics Guidelines. The legal framework and processes associated with budget preparation and management, treasury management, debt management, accounting and reporting, procurement and asset management, internal audit, external audit, financial information systems, and transparency and accountability in PFM are generally in line with good practice.

The budget formulation process allows for an effective top-down and bottom-up participation of the ministries, departments, and agencies (MDAs), including their political leadership represented by the Cabinet. It also assesses the extent to which the annual budget preparation process supports the linking of the draft budget to public policy objectives. A clear budget calendar is generally adhered to and allows budgetary units six weeks from receipt of the budget circular to meaningfully complete their detailed estimates on time. The 2018 PEFA assessment gave a score of 'A' for adhering to the budget calendar. A rolling three-year Macroeconomic and Fiscal Framework (MEFF) with main economic and fiscal aggregates is elaborated yearly. Budget institutions are gradually learning how to elaborate their budget on a multi-year basis (performance budgeting).

On aggregate, the credibility of the budget is satisfactory. Yet, a costed sector strategies are not always consistent with aggregate fiscal forecast. There are also no sectoral medium-term expenditure estimates or ceilings. The federal budget also does not include State Owned Enterprises and bilateral development partners whose financial system does not follow that of the government.

The 2022 PEFA Climate assessment indicates that following the ongoing PFM reforms, major achievements have been realized in the PFM systems including, the implementation and the extension of the Integrated Financial Management Information System (IFMIS), the implementation of the e-

Government Procurement (e-GP) system, the recruitment of technical assistance to support and improve Office of the Federal Auditor General (OFAG)'s operations and the development of the Accounting and Auditing Board of Ethiopia (AABE).

The IMF is supporting the country to improve macro-fiscal forecasting and technical assistance to support the OFAG and the development of the AABE, as well as to report on fiscal risks. The planning process allows the government to strategically allocate resources in the budget, but the procedures in place are not specifically based on climate change criteria. Budget preparation and execution is based on each level of administrative, economic and programming classification, but climate-related expenditure is not clearly identified. The climate-related public financial management is still basic and not yet aligned with international standards, in part due to the government's inability to produce reports that clearly identify and track climate-related expenditures.

13.b. Effective financial management systems

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

Ethiopia's budget classification system has been comprehensive., similar with international standards. There are no significant extra-budgetary funds and donor funds are mostly reported in the budget, but there is little analysis of contingent liabilities Budget monitoring occurs throughout the year based on well-functioning management information systems with minor deficiencies. The budget is implemented as planned, and actual expenditures deviate only slightly from planned levels (e.g., by less than 10 percent on most broad categories).

Budget formulation, execution, and reporting are based on administrative, economic, and functional classification using GFS/ Classification of Functions of Government (COFOG) standards. The expenditure budget is broken into four parts: recurrent, capital expenditure from Treasury, capital expenditure from external assistance and capital expenditure from external loans. There is an administrative classification: general, economic, social, and other. These groups are then classified into 22 'sub-functions', which broadly align with the international COFOG classification at the main functional level. Since 2011/12, the expenditure budget has also been classified into programs, which correspond to important medium-term objectives of the country. The Chart of Accounts (CoA) embedded in IBEX has the program classification and sub-functional classification that is in line with the COFOG standards. Execution and year-end reporting are detailed at the sub-functional or program level. The classification in IBEX follows the GFS 2001 standards and is consistent with COFOG at the level of functions.

The Government has introduced an Integrated Financial Management Information System (IFMIS), which is presently being implemented in almost all sector ministries and budgetary institutions at the federal level. The next step is to roll it out to the rest of the budgetary institutions at the federal and regional levels. Currently, the Government is financing IFMIS. Development partners may support the IFMIS initiatives to facilitate the roll out and reduce the burden on the Government expenditures. The World Bank is presently supporting the PFM reform with a standalone PFM reform project excluding IFMIS. DFID is supporting the Ministry of Revenue in installing a computerized tax collection system and related reforms such as Automated System for Customs Data (ASYCUDA) to the Customs Commission.

The budget is implemented as planned and actual expenditures deviate only slightly from planned level, less than 5% of deviation. Ethiopia's budget execution is also sound and has been enhanced by the strengthening of cash flow management, especially use of zero cash-balance system. The implementation of the budget is monitored throughout the year using management information systems. The Parliamentary Budget Financial Committee has 20 members appointed by the Speaker of Parliament. The Committee oversees the executive implementation of the budget. Other standing committees (including the Agriculture and Pastoralist Affairs Standing Committee, which is responsible for Climate-related public bodies) also impact assessments. The MoF prepares and submits quarterly reports to parliamentary committees. Physical implementation of the budget is verified by site visits, as necessary. Regional governments compile and submit quarterly reports to the federal government, although these reports are submitted with a delay.

13.c. Timely and accurate fiscal reporting

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

The public accounts are prepared on a timely basis. The accounts are audited and submitted to the legislature in a timely way, and appropriate action is taken on budget reports and audit findings.

The government has been migrating to IFMIS; this has improved data security and integrity. In spite of the ongoing reforms, internet connectivity, technical capacity of woreda officials, and compatibility between IFMIS and IBEX are becoming challenges that may hinder the success of the IFMIS rollout. Automation of the accounting systems through the computerized Integrated Budget and Expenditure (IBEX) system and its roll out to the woredas has led to improvement in the timeliness and quality of preparation and disclosure of accounts.

The public accounts have been prepared on a timely basis, 15 days following the closure of the fiscal year. The quality of reports at district level is improving, although more advancement is still required. Treasury bank reconciliation is done on a monthly basis within four weeks by the Accounts Department at the MoF and likewise for budget units and extra-budgetary entities. Monthly detailed reports are prepared by BIs and submitted to the MoF. The reports include budget execution by detailed economic classification, source of funds, payables, receivables, transfers, and trial balances. Bank statements and bank reconciliation statements are also annexed to the reports. BIs separately report donor-funded expenditures on a quarterly basis in a format agreed with the donors. Although the IBEX and the IFMIS accounting systems are capable of producing budget execution reports, there is no consolidated report prepared at the federal government level that compares budget versus actual. In-year fiscal reporting does not include outturns for revenue, expenditures, and commitments against approved/revised budget, even though reports received from the BI compare budget versus actual. Furthermore, the monthly reports are not used to analyse BIs' monthly budget performance.

The accounts have been audited and submitted to the legislature in a timely way, within nine months following the closure of the fiscal year, and appropriate action has been taken on budget reports and audit findings, especially at federal level. Accounts are regularly audited; follow up of audit queries has been strengthened by setting up woreda Audit Committee for the purpose, even though more is still required in capacitating the established woreda Audit Committee both in human resources-related issues and the required facilities at district level.

According to the PEFA 2018 report, high-quality budget reporting and actions taken on the basis of audit findings, including reduction in budget allocations as necessary for some government institutions, has led to maintain an effective system of internal controls over public expenditures, recording and management of cash balance and public access to comprehensive and key fiscal information.

13.d. Clear and balanced assignment of expenditures and revenues to each level of government

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

The assignment of revenues between federal and regional levels of government has been clear and there is a good match of revenues and expenditures at each level of government, even though not matching with the needs for the basic services required at the local level.

Ethiopia being a federal system of government, the constitution enshrines regional governments a political, administrative, and fiscal powers. However, regional and district level governments continue to rely on federal subsidies, which are disbursed in the form of non-earmarked block grants for their expenditure needs. Based on the principles of fiscal federalism, transfers are made from the federal to the regional governments and from the regional governments to woredas through a system of non-earmarked block grants. Regional states obtain most of their financial resources from these transfers, as revenue collection mandate is biased towards the federal government. The regions and woredas decide how to allocate and use the funds in their jurisdictions.

The Constitution of the country mandates the House of Federation (HoF) for approving the general-purpose grant formula the regional governments. Article 62(7) of the Constitution stipulates that the HoF “shall determine the division of revenues derived from joint Federal and State tax sources and the subsidies that the Federal Government may provide to the States.” The distribution formula, which is valid for three years, is based on population and size of region/state, the proximity to the federal capital city, the socioeconomic development status (the needs of the region/state), earmarked external aid, and the ability to generate own revenues (state revenues such as property tax). To accommodate changing contexts, such as poverty, population, economic endowments etc., the allocation formula is updated every three years. In this context, the allocation formula is informed by the spending needs of the sub-national governments, with federal subsidies increasing in tandem with the spending needs. To promote fiscal autonomy at the subnational government level, the allocation formula assigns a higher weight to indicators of own-source revenue collection.

The system of horizontal allocation of grants (both conditional and unconditional) is transparent and rule based; also, actual distribution of both conditional and unconditional grants follows the same approved allocation formula. The formula considers each region’s need. The higher the need, the greater the percentages share. To avoid any tendency to dependence, the formula also encourages regional governments greater mobilization of own revenue, and amends recently the rule of the revenue share between the federal and regional governments.

Regional governments receive reliable information on transfers more than two months before the beginning of the new fiscal year; this allows sufficient time to prepare their annual budgets. The federal government budget timetable provides indicative ceilings by February. It should be noted that both federal and regional governments have the same fiscal year. The annual budget calendar issued by the MoF (federal government) also provides an indicative ceiling of transfers to regions by February. There are, however, significant delays regarding the actual disbursement of grants to regional governments, mainly due to cash flow challenges.

14. Efficiency of Revenue Mobilization

Criteria Score: 4.5

14.a. Tax policy

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5

Second Draft Score	4.5
Final Score	4.5

Country Notes:

The bulk of revenues are generated by low-distortion taxes such as sales and VAT, etc. Import tariffs are low and relatively uniform, and export rebate or duty drawback are functional. There is a single statutory corporate tax rate comparable to the maximum personal income tax rate. The tax base for major taxes is broad and free of arbitrary exemptions.

The bulk of tax revenues in Ethiopia are generated through low-distortion taxes such as VAT. In 2021/22 fiscal year, VAT (both on domestic transactions and external trade) accounted for 84.3% of tax revenue, a slight increase from 81.2% in 2020/21. The significance of direct tax in the tax revenues has increased overtime, from 29.5% in 2007/08 to an average of 44.95% in 2020/21 - 2021/22, a gradual move away from a distorting tax revenue source. The Ministry has implemented a digitalized e-tax filing system in 2020/21 to increase the country's tax revenue.

The digitalized e-tax filing system improved the inconvenience of the long queuing and time-consuming process of filing and paying tax and avoided the penalties and interest payments resulting from delays. The online service of the Ethiopian Customs Commission avoided the need for customers to physically appear at customs stations. Customers upload the necessary documents online and obtain the required documents for clearing goods, ensuring a considerable saving for both the Authority and the customers in terms of time, cost and service satisfaction, and introducing stronger tax administration systems to reduce evasion and collect unpaid dues.

All imported goods to the country are subjected to import tariffs, which are low and relatively uniform. Taxes applicable on imported goods are import duty (levied in accordance with the rules of the international convention on the harmonized customs description and coding system); VAT (a flat rate of 15%); surtax (a fixed rate of 10%); a 2% of withholding tax and excise tax (ranging from 0% to as high as 100%). Export rebate or duty drawbacks are also functional in Ethiopia. Duties and other taxes paid are drawn back 100% at the time of the export of the finished goods. Moreover, there is a single statutory corporate tax rate (30% of profit) which is lower than the maximum personal income tax rate (35% of personal income). The tax base for major taxes is broad and free of arbitrary exemptions.

Yet, the increase in tax collection is not at par with GDP growth, maybe due to the structure of the economy. tax-GDP ratio still remains below 10%. As a difficult-to-tax-agriculture sector plays a significant role (more than 30% of GDP), a large section of the economy remains untaxed. Tax administration and policy issues, a narrow tax base and prevalent tax evasion could also drive for the low tax-GDP ratio.

In general, the tax laws and regulations are up to date and comprehensive. However, private sector representatives complain that regulations prepared by the Ministry of Revenue are not easily accessible; also, these tax laws are too many, resulting in ambiguity and confusion regarding which laws are applicable. E-tax payment is limited in scope. Indirect tax still plays a significant role as the source of the country's tax revenue, with a distorting role. The rationale for tax expenditure is not yet robust.

14.b. Tax administration

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Tax administration in Ethiopia is effective, and entirely rule-based. Legislation and procedures used by Ethiopian Ministry of Revenues (MoR) for all major taxes and customs duties are comprehensive and clear. Eligibility for preferential rates and exemptions is relatively transparent, and the discretionary power of the government entities involved is fairly limited. Besides, the government is taking strong measures on corrupt officials. The recently passed income tax law simplifies procedures, updates tax brackets, and improves the tax appeals process. Reporting corruption act is made easy through dedicated phone lines and in person at the Federal Ethics and Anti-Corruption Commission (FEACC) and through the online system. The corruption perception index slightly deteriorated from 39 in 2021 into 38 in 2022.

A number of reforms have been introduced to strengthen tax administration and ease tax compliance. First, tax administration legal and regulatory framework has been strengthened following the ratification of Federal Tax Administration Proclamation No. 983/2016 and issuance of the Council of Ministers Federal Tax Administration Regulation No. 407/2017. These instruments are designed to improve the efficiency and effectiveness of the tax system. Second, to improve coordination between tax policy and administration, a dedicated Tax Policy Directorate has been established under the MoF to coordinate improvements in tax policy, tax legislation, forecasting and analysis of revenue potential, and tax administration. Third, the Ministry of Revenues has implemented reforms to improve its human resources, strengthen data management, and enhance large taxpayers' compliance. Fourth, measures have been taken to improve the coordination between MoR and the MoF on tax policy matters. This approach comprises the Prime Minister's Delivery Unit to facilitate political dialogue between the Prime Minister's Office, MoF and MoR. A Tax Transformation Office to coordinate the implementation of tax administration reforms and underlying technical support.

According to 2022 PEFA Climate assessment, Ethiopia's rate on taxpayers' easy access to comprehensive, user-friendly and up-to-date information on tax liabilities and procedures. Unfortunately, there are currently no climate-related taxes in place in Ethiopia. GHG emitters are not identified and registered in a database. Therefore, the score of Climate related tax management, audit and investigation is NA. Carbon tax studies have been conducted, but there is no policy as yet to set a carbon tax. While the excise tax on imported vehicles has a different rate for older vehicles and therefore influences emissions, it is not levied on an emissions basis and does not qualify as a climate tax. This is the same for the duty-free privilege for solar energy equipment. Furthermore, there is no specific legislation for climate tax arrears. According to the finance administration proclamation, bills for goods, services, and works should be paid within 30 days after their receipt.

Ethiopian Custom Commission uses a partly structured and systematic approach for assessing and prioritizing compliance risk. Taxpayers are identified with their Tax Identification Number (TIN) in the Standard Integrated Government Tax Administration System (SIGTAS) and the Automate System Customs Data (ASYCUDA) is also used by the Ethiopian Custom Commission (ECC for facilitating the import and export process, but this information cannot be used because GHG emitters are not currently identified and registered in the database.

15. Quality of Public Administration

Criteria Score: 4.333

15.a. Policy coordination and responsiveness

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

As reported in the 2021 CPIA, Ethiopia has a strong policy coordination framework for and responsiveness both horizontally (across sectors) and vertically (from Federal to subnational level governments). Federal and regional coordination of government business is led by the Council of Ministers (or Cabinet) chaired by the Prime Minister and regional governments, led by the presidents. The Council of Ministers coordinates the implementation of national strategies and policies. The Ten-Year Development Plan 2021-2030 guides government agencies in developing sector strategies and corresponding action plans. These action plans include policy actions and respective activities that will be implemented over a given fiscal year. Ethiopia introduced performance contracts for heads of government agencies with Parliament monitoring progress against the agreed key performance indicators. The Ministry of Planning and Development consolidates the individual institution action plans into a holistic annual action plan. This enhances coherence of development programming with national development ambitions, thereby enhancing horizontal coordination. A holistic monitoring and evaluation (M&E) system has been developed to strengthen vertical coordination. What is needed is a monitoring plan for the performance contracts.

Ethiopia has a medium to a long-term planning framework, currently, the Homegrown Economic Reform II and the Ten-Year Development Plan 2021-2030 (TYDP 2021-2030) that guides government agencies in developing sector strategies and the corresponding implementation action plans. These action plans include policy actions and respective activities that will be implemented over a given fiscal year. Starting in

FY 2018/19, Prime Minister Abiy Ahmed announced that heads of government agencies will sign performance contracts with Parliament, which will directly monitor progress against the agreed key performance indicators. The Ministry of Planning and Development consolidates the individual institution action plans into a holistic annual action plan. This enhances coherence of development programming with national development ambitions, thereby enhancing horizontal coordination. A holistic monitoring and evaluation (M&E) system has been developed to strengthen vertical coordination. The upper (Council of Peoples' Representatives) and lower (Federal Council) Houses of Parliament provide oversight on the coordination processes and ensure that all public organs are held to account. The Ministry of Planning and Development reviews the coherence of sectoral policies with the national framework before tabling to the Council of Ministers for approval; and consolidates national KPIs from the respective sectors to monitor and evaluate both the annual and the ten-year development plan.

Sectors coordinate though the responsible ministries. Aid coordination is led by facilitates planning and country policy dialogue around sectoral priorities. The Development Partners Group (DPG) facilitates engagement and policy dialogue with the Government of Ethiopia (GoE), among development partners and other stakeholders. The DPG is the apex development partner and government policy coordinating body in Ethiopia that works to promote effective development cooperation, including through regular high-level fora, annual review meetings of the national development plan, Effective Development Cooperation Taskforce (EDCTF), regular sector working group as well as Heads of Agency meetings. The DPG underscores the need to address peacebuilding, humanitarian, and development challenges in Ethiopia through an integrated approach, as well as to invest in conflict prevention and resilience building. It is committed to strengthening the implementation of the Humanitarian-Development-Peace Nexus in Ethiopia and supports strategic national-led initiatives to build conditions for sustained peace, rehabilitation and long-term development.

The DPG is co-chaired by the Ministry of Finance and the development partners. DPG membership is open to all Addis Ababa-based, development partners with an active development programme in Ethiopia. An open house policy is practiced on issues-arising-basis. DPG Membership is not open to CSOs, private sector or philanthropic foundations. The FDRE is structured along the lines of bicameral parliament, with the council of Peoples' Representatives being the highest authority of the federal government while the federal council represents the common interests of the nations, nationalities and peoples of the states. Being a federal government, policy coordination across the tiers of government has passed through different iterations. Currently, the federal ministries are mandated to develop policies and strategies. At the same time, the federal ministries are responsible to capacitate regional counterparts and coordinate and facilitate the alignment and implementation of the sectoral policies with their respective regional counterparts at the lower tiers of government. Sectors coordinate though their responsible ministries and their counterparts at regional level. Sectors have annual conferences (like the Annual Education Conference) that bring all sectoral experts at all tiers of government, annual review meetings (like the health sector annual review meeting) that brings together all stakeholders, and also sector working groups and thematic working groups that feed into the TYDP Annual Progress Reviews, which provides a platform to discuss performance against the sectoral and consolidated annual action plans for a completed fiscal year and agree on measures to accelerate progress as well as action plans for the subsequent fiscal year. The sectoral priorities and the corresponding policy actions and activities are derived from the sector strategies, which are in tandem linked with TYDP, thereby ensuring a strong linkage between the TYDP results matrix. However, limited budgets and staffing for coordination platforms imply that multisectoral themes and activities are not effectively implemented. The current governance arrangements in terms of institutional arrangement, financial arrangements and regulatory frameworks are less effective and unsuitable for a multi-sectoral theme, in this case, coordination among interdependent sectors. The new Civil Society Organization Proclamation 2019 provided room for a working relationship between government and civil society, especially in terms of operation and maneuverability in issues of democracy and governance. With some government bodies including National Election Board, the Ethiopian Environment Council, the Federal Transport Council, and the National AIDS Council obliged by law to include civil society in their policymaking processes, inclusiveness is improving.

Ethiopia has put in place a strong policy coordination framework for and responsiveness both horizontally (across sectors) and vertically (from Federal to subnational level governments). Vertical coordination is led by the Council of Ministers (or Cabinet), which is chaired by the Prime Minister. The council of ministers is mandated to coordinate the implementation of national strategies and policies. The Ten-Year Development Plan guides government agencies in developing sector strategies and corresponding action plans. These action plans include policy actions and respective activities that will be implemented over a given fiscal year. Starting in FY 2018/19, Prime Minister Abiy Ahmed announced that heads of government agencies will sign performance contracts with Parliament, which will directly monitor progress against the agreed key performance indicators. The Planning and Development Commission consolidates the individual institution action plans into a holistic annual action plan. This enhances coherence of development programming with national development ambitions, thereby enhancing horizontal coordination. A holistic monitoring and evaluation (M&E) system has been developed to strengthen vertical coordination. At the sectoral level, the aid coordination is adequate and facilitates planning, budgeting and country policy dialogue around sectoral priorities. Policy dialogue and coordination activities are undertaken within the framework of the Development Partners Group (DPG), which is the highest-level coordination forum in Ethiopia. The DPG interacts with the GoE through the High-Level Forum. The GoE-DPG joint dialogue architecture is underpinned by several thematic and sector working groups (TWGs/ SWGs). Dialogue in TWGs/SWGs, which is focused on the sector priorities of the specific agency action plans, also feeds into inter-ministerial and inter-sectoral working/ thematic groups to effectively collaborate pertinent sectoral or thematic issues. SWGs/TWGs semi-annual meetings feed into the Annual Progress Reviews, which provides a platform to discuss performance against the sectoral and consolidated annual action plans for a completed fiscal year and agree on measures to accelerate progress as well as action plans for the subsequent fiscal year. The sectoral priorities and the corresponding policy actions and activities are derived from the sector strategies. Coordination structures are the subnational government levels mirror the Federal government level, in line with the 1995 Constitution, which guarantees self-determination for the country’s ten regions. The upper (Council of Peoples’ Representatives) and lower (Federal Council) Houses of Parliament provide oversight on the coordination processes and ensure that all public organs are held to account.Yet, coordination platforms are ad-hoc and not sufficiently budgeted and staffed. Hence, multisectoral themes and activities are not effectively implemented, despite appropriate policies. The current governance arrangements in terms of institutional arrangement, financial arrangements and regulatory frameworks are less effective and unsuitable for a multi-sectoral theme, in this case, coordination among interdependent sectors. These factors - institutional, regulatory and financial arrangements - have strong relationships and significant influence on the process of development and service provision as well as level of inter-sectoral coordination indicating an urge and need for the current governance arrangement to be made more effective and compatible for the existing needs and requirements. Despite the efforts made to put in place a strong policy coordination framework challenges remain, as noted in the Bertelsmann Transformation Index (BTI 2020). For example, the report notes that the government often fails to coordinate among conflicting objectives and between levels of administration. The political system still suffers from over-centralization, leaving little room for maneuvering by the regional governments vis-à-vis a strong Federal government.The Bank is providing technical support for Institutional Support Project for Strengthening Macroeconomic Management and policy coordination. This builds on earlier support for the Public-Private Partnerships (PPP) framework and reforms of the financial sector. Financial and technical assistance to the PPP framework has resulted in the establishment of a fully functional PPP Directorate in the Ministry of Finance to coordinate PPP projects in the country, review projects in pipeline and advise on practical issues. The PPP Proclamation and policy were approved in 2018 and capacity of PPP Directorate staff strengthened.

15.b. Service delivery and operational efficiency

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

The coordination framework described in the preceding section ensures that administrative structures function effectively. Ethiopia's Federal system of governance allows for bringing government closer to the people, thereby enhancing delivery of quality of public services. The Regional and sub-regional governments are closer to the people than the Federal government and they are considered to have better information about the preferences of local populations than the central government. Hence, they are argued to be better informed to respond to the demands for goods and services. As reported in the 2021 CPIA, the 1995 Constitution enshrines equal access to basic services to all citizens and assigns subnational governments to implement basic service programs in line with the sectoral and subnational strategies. Inter-governmental fiscal transfers from the Federal Government are the main source of financing for basic service delivery. Federal and regional government bodies are required to have systems for financial administration that ensure transparency, accountability and monitoring. Internal audit systems are expected to be appropriately staffed with trained and qualified workforce and that the internal audits are carried out efficiently, effectively, and economically. The focus on managing for results is the underpinned by a results-based management framework the National Monitoring and Evaluation system (NMES). Ethiopia has also implemented reforms a civil service reform to enhance service delivery, including staff appraisals that are informed by and anchored of measurable results, a 'Business Process Re-engineering Reform' to improve efficiency in basic service delivery, a 'Balanced Score Cards' and service charters.

Starting in FY 2018/19, the performance of heads of Federal government agencies are monitored directly by Parliament and Regional Bureaus by the Regional Council against agreed key performance indicators. Ethiopia's GDP growth decelerated from 7.6% during 2018-2019 to 6.5% for 2022, largely due to the COVID-19 pandemic and the conflict in Tigray region as well as Russia's invasion of Ukraine. In addition, 20.1 million people required food aid in 2022 in part due to the conflict and drought experienced following consecutive poor rainy seasons during 2020-2022. On a positive note, the services sector grew by 7.6% in 2021/22, above the 6.3% in 2020/21, as trade and the real estate sub-sectors recovered from the impacts of conflict and the COVID-19 pandemic.

Improvements have been recorded in the coverage of the health extension program and primary health care and in sanitation and hygiene at the national level. The encouraging move by the GoE with respect to health care financing is demonstrated through the allocation of 13.8% of total government budget to health; community-based health insurance (CBHI) saw rapid expansion with additional 60 woredas having started implementing CBHI in 2021 bringing the total CBHI woredas to 894 with a total of 9.8 million CBHI members. Health coverage in Afar (62%), Gambella (67%) and Somali (67%) regions was below the national average (78%). The sector's performance was below target for key health results including contraceptive acceptance rate (CAR) which showed regional disparity, ANC 4 and delivery through skilled birth attendant. Immunization has intensified driven by emergencies. Efforts were made by the MoH and regional health Bureaus to respond to health emergencies. Between 2000 and 2021 there was a 22-fold increase in the number of health posts, an 11- fold increase in the number of health centers and a four-fold increase in the number of public hospitals. Due to such efforts as well as changes in healthcare seeking behavior, access to essential healthcare services has increased. The country has also made progress on the demand-side through the implementation of voluntary Community-based Health Insurance (CBHI) schemes for the rural and informal sectors of the economy. Based on figures from a presentation made by the Ethiopian Health Insurance Agency (EHIA), since 2013, the scheme has expanded and as of June 2022, CBHI schemes have been implemented in 950 rural districts and urban centers covering about 46.5%% of Ethiopia's 22 million households. More than 70% of the target population is enrolled, which is high, as compared to other voluntary CBHI schemes in Sub-Saharan Africa.

An assessment was carried out in conflict affected woredas and recovery/rehabilitation plan prepared across basic service delivery sectors. Some health service facilities and schools have been rehabilitated, and service is resuming in many parts of the conflict affected areas. Water tankers were provided to schools, school materials were supplied, school feeding program started, back to school campaign was conducted, and accelerated education opportunity was provided to students living in conflict affected areas.

Key challenges that affected basic service delivery include the war in Northern Ethiopia and sporadic conflict in some other parts of the country, drought, COVID-19 pandemic, macroeconomic challenges, especially inflation. The population estimation based on the old census (2007) is affecting target setting and results reporting in health and education with some population-based indicators showing over a 100% performance. Other challenges include low standard schools and health facilities; inappropriate curriculum before the revised curriculum is introduced in 2022; limitation of technical school infrastructure; budget shortage at school level; shortage of qualified teachers especially at middle school (grade 6 and 7) level; growing student class ratio; the low participation of female students in secondary schools and higher education and low participation of students with disabilities and special needs; gaps in informing education policy on research and evidence. In health, challenges include those related to demand creation in rural areas for family planning and immunization; drug supply challenge due to forex shortage; drug supply chain management problems; and regional disparities in key health results. The limited access to electricity, water and ambulance service and shortage of modern medical equipment are key challenges to health service delivery. There is a need to reverse declining trend in some key education and health results, regional and gender disparity and improve the standards of basic service delivery facilities. There is also a need for concrete actions to control inflation which is eroding basic service delivery across the country. Security problem in many parts of the country, partner coordination/fragmentation, resource shortage, long lead time for procurement and renovation bids and substantial number of displaced populations that require support, are hampering response in conflict and drought affected woredas.

Shocks including conflict and climate change-related events affect service delivery. The drought experienced in 2020-2022 following three consecutive poor rainy seasons led to 7.4 million people requiring food aid. Conflict in the North of the country has exacerbated the situation in the affected zones of Afar, Amhara and Tigray. Over 20% of under-5 children and 50% of pregnant and breastfeeding women in Tigray are malnourished; 32% of parents in Afar; and 16% in Amhara reported that their under-5 children to be admitted to health centres in the previous three months due to malnutrition. The combination of conflict, drought and the ripple effect of Russia's invasion of Ukraine have exacerbated the food security crisis, and women and children are hit hardest. WFP emergency food security assessments show that 89% of female-headed households are food insecure compared to 81% of male-headed households. This is driven by limited economic opportunities for women. Overall, 65% of female-headed households have poorer diets compared to 53% of those headed by males. An assessment was carried out in conflict affected woredas and recovery/rehabilitation plan prepared across basic service delivery sectors. Some health service facilities and schools have been rehabilitated, and service is resuming in many parts of the conflict affected areas. Water tankers were provided to schools, school materials were supplied, school feeding program started, back to school campaign was conducted, and accelerated education opportunity was provided to students living in conflict affected areas. There is a need to reverse declining trend in some key education and health results, regional and gender disparity and improve the standards of basic service delivery facilities. There is also a need for concrete actions to control inflation which is eroding basic service delivery across the country. Security problem in many parts of the country, partner coordination/fragmentation, resource shortage, long lead time for procurement and renovation bids and substantial number of displaced populations that require support, are hampering response in conflict and drought affected woredas.

Recent engagement with CSOs in Ethiopia shows that they can provide services and carry out their activities effectively. In some cases, they co-implement projects with larger or foreign CSO, with permission from government. They are very dependable in terms of their engagement at community level and in far to reach areas. However, they are largely dependent on resources from donor organizations.

Decentralization is often thought to "bring government closer to the people," thereby enhancing delivery of quality of public services. Decentralization of local public good financing and delivery is argued to improve public service provision in at least three ways: by improving the efficiency of resource allocation, by promoting accountability and reducing corruption within government, and by improving cost recovery. Subnational governments are closer to the people than the central government and they are considered to have better information about the preferences of local populations than the central government. Hence, they are argued to be better informed to respond to the demands for goods and services. Second, subnational governments are also considered to be most responsive to demands for and costs of providing public goods. Decentralization is thought to increase the likelihood that governments respond to the demand of the local population by promoting competition among subnational governments. Since subnational governments are closer to the people, citizens are more aware of subnational governments' actions than they are of actions of the central government. Making services more demand responsive through decentralization is argued to have the added benefit that it increases households' willingness to pay for services. Households are argued to be more willing to pay for and maintain services that match their demand. Moreover, a close match between supply and local demand, if coupled with transparency and with local cost-sharing or cost recovery, can provide the incentives and information base for effective local monitoring. The latter is a necessary ingredient in an overall anti-corruption strategy and helps to shrink the information asymmetries and leakages that can undercut both allocative efficiency and cost recovery.Consequently, Ethiopia has followed economic and fiscal decentralization, entrenched in the 1995 Constitution (Proclamation No. 1/1995). Article 51-52 and Article 94-98 of the Constitution clarifies the responsibility/duty of federal government and regional states and provides the schedule of expenditure and revenue assignments to the federal government and regional states. Art. 55.11 of the Constitution requires the House of Representatives to approve the federal budget and, by extension, to approve the division of the federal resource envelope into federal level and the federal transfer to regional states. The House of Federation resolves all issues concerning how to share out the assigned regional envelope to the various states and city administrations (Art. 62.7 of the Constitution and Art. 3.6 of the Proclamation No. 251/2001). This division of labor is one of the defining components of the fiscal decentralization in Ethiopia as the articles clearly outline the fiscal relationship between the federal government and regional states.The same Constitution enshrines equal access to basic services to all citizens. In line with Ethiopia' 1995 Constitution that assigns self-determination to subnational governments, subnational governments are fully in charge of implementing basic service programs in line with the sectoral and subnational strategies. Inter-governmental fiscal transfers from the Federal Government are the main source of financing for basic service delivery. According to the PEFA 2019, the timeliness and reliability of information on transfers to regional governments improved to 'A' from 'B' in 2015. Ethiopia has specific laws on the accountability of public administration bodies. The financial governance of public administration bodies is spelled out in Ethiopia's constitution. They are required to have a well-functioning system for financial administration, which ensures transparency and accountability and monitoring the system. They are required to have internal audit systems that are appropriately staffed with trained and qualified workforce and that the internal audits are carried out efficiently, effectively, and economically. They are also required to have timely, relevant, and reliable financial information analysis prepared and disseminated. There is also an increased focus on 'managing for results' as the underpinning orientation to public sector management, through a results-based management framework. For this, the Ethiopian government has developed a National Monitoring and Evaluation system (NMES). Ethiopia has also implemented reforms a civil service reform to enhance service delivery, including staff appraisals that are informed by and anchored of measurable results, a 'Business Process Re-engineering Reform' to improve efficiency in basic service delivery, a 'Balanced Score Cards' and service charters.Delays in the release of actual cash to regional governments, undermine primary service delivery. Resource allocation according to the originally planned government policy is affected by the poor performance in expenditure composition outturn and the numerous numbers of in-year budget reallocations. There are also limitations on dissemination of information on resource allocation to sectors, thereby limiting transparency and accountability. All these contribute to inefficient service delivery. While primary service delivery is not the remit of the federal government, some federal services such as referral hospitals and tertiary institutions have been affected. Weaknesses in public procurement remain unchanged; there are no reliable data to assess the extent to which a non-competitive procurement method is justified.

15.c. Merit and ethics

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Ongoing reforms underscore opening the political space, inclusion of women and youth. Ethiopia ratified the United Nations Anticorruption Convention and the Federal Ethics and Anti-Corruption Commission (FEACC) and is pursuing measures to combat corruption, including arrests and prosecution of high-profile government officials and private sector operators. A whistle-blower legislation was passed and the FEACC is working closely with key stakeholders. Space for civil society engagement is improving, with the revision or repeal of restrictive federal legislations such as the 2009 Charities and Societies Proclamation, and Broadcast and Media regulations. The Federal Ethics and Anti-Corruption Commission has a mandate to expand and promote ethics and anticorruption education, prevent corruption (through review of working procedures and systems), and investigate and prosecute alleged corruption offences and to coordinate anticorruption efforts across regions.

As reported in 2021 CPIA, Proclamation No. 1064/2017 - Federal Civil Servants Proclamation - establishes the standards for hiring and promotion in line with performance and ethical standards. Proclamation No. 1064/2017 aimed to attract a diverse pool of talent to contribute to the country's development ambitions while also ensuring that all suitably qualified Ethiopians have equal opportunities to public sector employment. The same proclamation guides employment benefits, emoluments, and career advancement and progression. However, these require updates to bring them in line with emerging trends in human capital development and requirements for public service management. The lack of meritocracy is a key challenge, resulting in mismanagement and inefficiency of public offices. Every senior level appointment is politically influenced, effecting creating creeping cronyism and patronage throughout the system. One of the weaknesses of the government is its inability to draw on the best and brightest the country has produced because they are seen as politically hostile.

In July 2022, the Bank's Board of Directors approved a $4.3 million grant to fund capacity building in Ethiopia, to enable the country tackle declining growth and other economic challenges. The project will support capacity strengthening in research and policy analysis underpinned by a well-managed public investment program. The goal of developing a cadre of Government staff with stronger capacity in research as well as policy analysis and formulation to facilitate the implementation of the country's Ten-Year Development Plan and Homegrown Economic Reform Agenda. The project will support capacity strengthening of officials in the Ministry of Finance, the National Bank of Ethiopia, Ministry of Development Planning and the established Capital Markets Authority.

Standards for hiring and promotion are underscored in Proclamation No. 1064/2017 – the Federal Civil Servants Proclamation The objective of Proclamation No. 1064/2017 to attract a diverse pool of talent to contribute to the country's development ambitions while also ensuring that all suitably qualified Ethiopians have equal opportunities to public sector employment. The proclamation guides employment benefits, emoluments, and career advancement and progression. The Ethiopian Federal Civil Servants Proclamation (Proclamation No. 1064/2017): Article 12 sub-Article 1 indicates that human resource planning is vital to enable government institutions to take measure to meet the objective specified in the strategic plans, to predict the demand on human resource, to obtain the right number and type of human resource, to build-up and properly utilize it, monitor and appraise its result and make corrective measures from time to time. Article 12 sub-Article 3 stated that vacancies may be filled through merit-based recruitment, promotion, transfer or employing on the basis of the human resource plan. With this assumption, Article 13 sub-Article 1 of the Ethiopian Federal Civil Servants Proclamation (Proclamation 1064/2017) positioned in filling of vacancies, there shall be equal treatment among job seekers or civil servants in filling vacancies because of their ethnicity, sex, religion, political viewpoint, disability, HIV/AIDS or any other ground. These require updates in line with change in the public service systems.The lack of meritocracy is a challenge problem in Ethiopia, as leads to mismanagement and inefficiency resulting from the fact that individuals are appointed to important positions of power that require particular expertise simply because they are loyal and trusted by the ruling elites. Every senior level appointment is politically influenced, effecting creating creeping cronyism and patronage throughout the system. One of the weaknesses of the government is its inability to draw on the best and brightest the country has produced because they are seen as politically hostile. Overall, the government wastes a considerable amount of its resources, particularly human and natural resources. Individuals are appointed simply because they are loyal and trusted by the ruling elites. Political expediency is the most important rule guiding the government's decisions.As the result, the country's ranking on Transparency International's Corruption Perception Index remains among the top two factors impeding doing business, albeit improved to 94/180 in 2020 compared to 107/180 in 2018. Similarly, Ethiopia's ranking on the 'ratio of wage and salaried female workers to male workers' was 90 out of 141 countries compared to 87. Ranking in the 'pay and productivity' dimension was 106/141 compared to 79/ 140 in 2018. Ranking on 'reliance on professional management' also deteriorated to 133/141 compared to 109 in 2018 and internal labour mobility ranked 130/141 compared to 113/140.Also, a robust legal framework for enforcing ethics is in place. For instance, the government has established the Federal Ethics and Anti-Corruption Commission (FEACC) with a mandate to expand and promote ethics and anticorruption education, prevent corruption (through review of working procedures and systems), and investigate and prosecute alleged corruption offences since 2001. The government has also declared that it follows a zero-tolerance policy toward corruption and unethical behavior. The FEACC has received political support at the highest level in the country. Since 2007, all the nine regional governments have established their own Regional Ethics and Anti-Corruption Commissions (REACCs) as per their respective regional laws. The FEACC is responsible for coordinating anticorruption efforts across regions, including in urban and local governance, and preparing a national report on anticorruption efforts across the country.

15.d. Pay adequacy and management of the wage bill

No score data available for this subcriteria.

16. Transparency, Accountability, and Corruption in the Public Sector

Criteria Score: 3.833

16.a. Accountability of the executive to oversight institutions

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

As reported in the 2021 CPIA, the 1995 Constitution underscores segregation of powers across the legislature, judiciary, and executive. Article 50(3) of the Constitution grants the supreme authority to the legislative assemblies of the Federal and State governments. The House of People's Representative has the mandate to supervise the executives. The same is true for the State Parliament, which has jurisdiction over the state-level administrative organs. Article 55(17) of the Federal Constitution empowers Parliament to summon, call to order, interrogate the Prime Minister and Head of Government and his cabinet on the execution of their functions. In line with Article 55(18), at the petition of not less than 1/3 of the House of People's Representative, Parliament is required to table for discussion any issues concerning the authority of the executive and the use of this authority in the implementation of their duties. Parliament is also empowered to take appropriate remedial measures to address any shortfalls in the conduct of the executive branch. The Constitution requires the Head of Government to report to Parliament both a progress report and a plan for approval and endorsement.

The principles of accountability are underscored declared under article 12 of the Constitution. Any public official or an elected representative is accountable for any failure in official duties. In case of loss of confidence, the people may recall an elected representative. This is the general accountability clause applied to executive branch of the government. Another relevant provision regarding the accountability of the government declares that "The conduct of affairs of government shall be transparent (article 12 of the constitution). Reinforcing this article 29 (3) provides for access to information of public interest. This facilitates the accountability of government organs through exposing the malpractices to the public and the concerned bodies and forcing to rectify it.

The Parliament has the power to control the discretionary power of the executive organ of the government including all the dependent agencies established under the umbrella of the executive and those independent agencies that fall outside the organizational structure of the executive organ of the government. As clearly stipulated under Article 50(3) of the FDRE Constitution, the respective legislatures of both of the Federal and the State governments are the highest authority of the respective governments.

Ratification of International agreements concluded by the executive and the appointment of federal judges, members of the council of ministers, commissioners, the Auditor General, and of other officials whose appointment is required by law to be approved by the parliament pursuant to (FDRE Constitution, 1995, Art 55/12/ & /13/). This oversight is designed to restrain the executive and to halt corruption and related crimes.

Parliament can also exert control over the behavior of the government through the budgetary processes. Usually, the executives prepare and defend their budget before the parliament. The Legislature has also the power to oversight the conduct of the executives through its standing committees. The various standing committees of the parliament can visit the concerned institutions and offices to observe whether or not they are discharging their responsibilities to the level of their expectation in accordance with the law. Moreover, the OFAG submits the report to the Parliament about March each year (nine months from the end of the FY), and it provides the basis of accountability to Parliament.

Not only the external accountability mechanisms limit the degree to which special interests can divert resources or influence policymaking through illicit and non-transparent way, but also the internal government system limit the possibilities of such behavior. It has become the practice of the Federal Ethics and Anti-corruption Commission (established under Proclamation No. 235/2001 and revised Proclamation 433 of 2005) to gather whistleblowing, carry out performance, management and financial audit, open files and prosecute wrong doers, including high level government officials. Different laws are used for the purpose including: The Criminal Code Proclamation No. 414/2004; The Criminal Procedure Code 1961;The Revised Federal Ethics and Anti-corruption Commission Establishment Proclamation No. 433/2005; The Revised Anti-corruption Special Procedure and Rules of Evidence Proclamation No. 434/2005; Assets Disclosure and Registration Proclamation No. 668/2010; Protection of Witnesses and Whistle-blowers of Criminal Offences Proclamation No. 699/2011; Prevention and Suppression of Money Laundering and the Financing of Terrorism Proclamation No. 657/2009; The African Union Convention on

Preventing and Combating Corruption Ratification Proclamation No. 545/2007; The United Nations Convention Against Corruption Ratification Proclamation No. 544/2007; IGAD Convention on Mutual Legal Assistance in Criminal Matters Ratification Proclamation No. 732/2012; Regional Ethics and Anti-corruption Commission Establishment Proclamations (8 of the nine regions have such laws); Office of the Federal Auditor General Establishment (as amended) Proclamation No. 669/2010; Federal Courts Advocates' Licensing and Registration Proclamation No. 733/2012; Customs Proclamation No. 622/2009; Licensing and Supervision of Banking Business (Ethiopian National Bank Directive No. SBB/46/2010 Customer Due Diligence of Banks) and Definition of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia Proclamation No. 691/2010.

However, parliament has no power to impeach, dismiss or to ensue vote of no confidence directly to the executive. There is strong fusion of power among the executive and the parliament. The decisions of the house towards the executive are only possible through government answerable minster to the parliament. The government answerable minister in the parliament proceeds to enforce the directions of the house to take corrective measures. The decisions of the house are left in the whim of the executive. The power to the house is limited to giving directions to the chief executive to take constructive or punitive measures against the body which commit fault. These are the loopholes of Ethiopian political executive accountability when equated with parliamentary systems like Germany, India and Britain.

Moreover, Ethiopia ranked low on the Corruption Perception Index of Transparency International in 2021 at 94 out 180 countries. Detailed survey data from Transparency International suggests that everyday corruption is widespread, with half of all Ethiopians paying a bribe to secure government services in all areas in the last year. Scrutiny and accountability have never reached the higher echelons of officialdom. While there is a problem of capacity to control corruption at all levels, there is extraordinarily little political and legal commitment to hold accountable powerful actors implicated in corruption and those who facilitated massive capital flight. While anti-corruption laws remain strong in principle, they are not implemented adequately. The executive maintains control over the judiciary and legislature. Ethiopia remains a closed political space, with the ruling coalition retaining all federal and regional parliamentary seats and silencing any opposing voices.

The government needs to continue the economic reforms to improve the efficiency of public services and to facilitate draw in the private sector investment. The new Home-Grown Economic Reform agenda that is being finalised is expected to provide the basis reinvigorated reforms.

16.b. Access of civil society to information on public affairs

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Ethiopia's ranking on Transparency International's Corruption Perception Index declined to 94/180 in 2022 from 87/180 in 2021, where the country ranked first is perceived to have the most honest public sector. Corruption commonly occurs in the sectors of land distribution and administration, business and public procurement. The Government continued to implement the major anti-corruption campaign since 2017/18, which has led to the arrest and prosecution of public officials (including a Minister of State) and businesspeople suspected of corruption. Political and economic reforms have been launched to address several public sector deficiencies, including corruption, restructuring public institutions and the heads of these institutions. In addition, a compressive Law and Justice Sector reform also commenced with the priority areas including civil society and media laws. The progress through has been slow and the existing laws are noted to be draconian and had negatively impacted on the work of civil society organizations, including those working on anti-corruption advocacy, including the restrictions on receiving foreign funding. Another priority focus of the reforms is instituting and improving access to information legal and institutional regime through the actualization of the Freedom of the Mass Media and Access to Information Proclamation.

Government actively attempts to distribute relevant information to the public, although capacity may be a constraint. Significant parts of the media operate outside the influence of government or powerful business interests, and media publicity provides some deterrent against unethical behaviour. Executive accountability to the public for the use of funds is strong. Budget disclosure is now institutionalized in the Government financial management system down to the district level. MoF and Bureau of Finance at all States have a website where budgets are regularly posted. Regions and districts also disseminate their budgets to the public. Budgets and other fiscal data are regularly published, and all districts in the country had posted their budget and expenditure information in public areas. Some districts have gone beyond the use of spreadsheet forms and started publishing their budget on local newspapers, calendars, t-shirts and holiday brochures. Some also use community meetings, radio drama, and poems. The Basic Services Delivery Program financed by the Bank and other DPs had significantly contributed to this process.

Access to Information legislation was enacted in 2008 to enshrine Citizen's right to access information. The objectives of this part of the Proclamation are:(i) to give effect to the right of citizens to access, receive and import information held by public bodies, subject to justifiable limits based on overriding public and private interests; (ii) to establish mechanisms and procedures to give effect to that right in a manner which enables persons to obtain information as quickly, inexpensively and effortlessly as is reasonably possible; and (iii) to encourage and promote public participation, public empowerment, to foster a culture of transparency, accountability and efficiency in the functions of public bodies and to encourage and promote good governance

Institutions have been established to provide checks and balances such as the Institute of Ombudsman and the Human Rights Commission in order to bring about good governance that is of high quality, efficient and transparent and based on the rule of law, including access to information. Moreover, civil society organizations have made a modest impact on public attitudes. However, decision-makers as a body are not willing to listen to civil society organizations or are ready to recognize that they have legitimate claims. Indeed, among some government circles, civic institutions are still considered as part of the political opposition and regarded with hostility. Thus, far from playing a determining role in political reforms and the democratic process, civil society remains a marginal force and in no position to influence decision-making in Ethiopia. Initiatives to strengthen the capacity of civil society in budget literacy and in monitoring service delivery are recently being expanded, and the financial accountability and transparency tools are being rolled out to regions.

The new Civil Society Organizations Agency Proclamation No. 1113/2019 was approved in March 2019 in the House of Peoples' Representatives with the main objective of creating an enabling environment to enhance the role of civil society organizations in the development and democratization of the country. For Ethiopian civil society, 2019 has been a new beginning with the amendment of 2009 Charities and Societies Proclamation. This law imposed a lot of restrictions on civil society, especially when working for human rights, democracy and good governance. The new law changed the classification of civil society organisations (CSOs) and only distinguishes between local and international CSOs. It lifted restrictions on funding for CSOs and allowed for the re-entry of international organisations into Ethiopia. The scope of action for CSOs has now widened because unlike the old law, the new proclamation does not provide an exhaustive list of the permitted activities of CSOs, so it does not set a limit to the activities that civil society can engage in, except for those that are against criminal law. This is more consistent with the right to the freedom of association, which means that anyone can form an association to pursue any legitimate objectives, without restriction.

In 2023 and 2022, Ethiopia ranked 130 and 114 in the 2023 and 2022 World Press Freedom Index, a decline from 101 in the 2021. In 2018, Prime Minister, Abiy Ahmed Ali, who was awarded the Nobel Peace Prize in 2019, allowed the many detained journalists and bloggers to be released. Despite restoring access to more than 200 news websites and blogs (by the new authorities) that had been blocked for years, and made Ethiopian TV stations that are based abroad to work freely, the press freedom situation has further deteriorated due to the arrest of the journalists and media workers across the country in 2022 and 2023.

Yet, the existing repressive legislative arsenal has even been reinforced by a law on hate speech and disinformation that was adopted in early 2020 during a wave of intercommunal violence. It provides for heavy fines and prison sentences. Non state actors and citizen's representatives complain access to information on government policies and decision-making process is still limited. Non-State Actors complain also of lack of transparency in the decision-making process. In 2019, the government shut down the Internet eight times, leading Access Now to report that Ethiopia was one of the 'worst internet shutdown offenders in 2019'. Limitations on disseminations on budget information and resource allocation to sectors limit transparency and accountability.

The government needs to continue the economic reforms to improve the efficiency of public services including access to informationand to facilitate private sector investment. The new Home-Grown Economic Reform agenda that is being finalised is expected to provide the basis reinvigorated reforms.

16.c. State captured by narrow vested interests

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Weak State presence in service delivery creates fertile ground for emergence of non-State actors and terrorism. Ethiopia has several legal, regulatory, and institutional measures to ensure that elected and other public officials serve the public interest and do not promote private interests that conflict with their professional duties. All members of the civil service at the regional and federal levels are required to register their assets, including financial and non-financial properties. Under the new registration, the Federal Ethics and Anti-Corruption Commission is set to register the assets of one million public servants working across the country. The Commission has started registering the assets of the government officials following the issuance of the Disclosure & Registration of Assets Proclamation in 2010. The proclamation obliged the public officials to disclose and register assets under their ownership, possessions of themselves and their families, and sources of their and their families' incomes within 45 days of their appointment.

The Federal Ethics and Anti-Corruption Commission (FEACC) is mandated to undertake activities that reduce opportunities for state capture. These activities include promoting ethics and anticorruption education, routine reviews of working procedures and systems, and investigation and prosecution of alleged state capture. The FEACC enjoys political support at the highest level in the country. In addition, all twelve states have their own Ethics and Anti-Corruption Commissions (REACCs) as per their respective regional laws. The FEACC coordinates all these efforts - across levels of government - and prepares a report a national report on anticorruption efforts across the country for Parliament's consideration. FEACC also engages with Public Procurement and Property Administration Agency (PPPAA) in terms of investigations of procurement cases and relevant training activities. The most recent data available indicates that the FEACC has achieved a conviction rate to 89%, reflecting a strong record of pursuing and bringing to justice corrupt officials. The GoE ratified the UN Convention against Corruption and also enacted the Asset Disclosure Act (a proclamation to provide for the disclosure and registration of assets proclamation no. 668/2010). With the election of the new Prime Minister Abiy Ahmed, Ethiopia has taken a number of positives steps to improve its governance record and reduce the prevalence and perception of corruption and state capture.

A key characteristic of state capture in Ethiopia is partly the strong state hand in the economy, not only through an enormous number of rules directly guiding the operation of the private sector, but also through SOEs. The regulatory function is blurred, and many of the SoEs operate in key sectors as monopolies or in an oligopoly structure, creating large inefficiencies a recipe for state capture. There is a high-level of economic and business concentration among politically connected enterprises. There is constant collusion between the powerful groups operating from outside and within the government

Indeed, state capture, accountability, and rent-seeking perceptions seem to be mostly associated with the Federal level of government and particularly in relation to SoEs and party-affiliated enterprises. Perceptions of rent-seeking do also exist at the regional level when it comes to the distribution of jobs and benefits, where there are accusations of favoritism and nepotism.

While there is a problem of capacity to control corruption at all levels, there is extraordinarily little political will and legal commitment to hold accountable powerful actors implicated in corruption and those who facilitated massive capital flight. According to Global Financial Intelligence, on average, the country has lost around half a billion dollars annually under the 'Derg' regime, doubled to over one billion per annum during the EPRDF regime. A look at the worldwide governance indicators of the World Bank ranking on control of corruption shows poor performance. Ethiopia's ranking in WGI of control of corruption had remained below the 40th percentile ranking for the last two decades. The Bank is providing technical support for Institutional Support Project for Strengthening Macroeconomic Management and policy coordination.

The government needs to continue the economic reforms to improve the efficiency of public services and to facilitate private sector investment. The new Home-Grown Economic Reform agenda that is being finalised is expected to provide the basis reinvigorated reforms.

(E) Infrastructure and Regional Integration

Cluster Score: 4.375

17. Infrastructure Development

Criteria Score: 5

17.a. Sector strategy/policy

Score Type	Value
Draft Score	5.5
Reviewed Score	5.5
Second Draft Score	5.5
Final Score	5.5

Country Notes:

Economic recovery of Ethiopia from the impacts of the COVID-19 pandemic, conflict and other shocks will be driven by investments in infrastructure, industrial parks and integrated agro-industrial parks. Government estimates indicate that the conflict in Northern Ethiopia caused large amounts of damage to public infrastructure that is estimated to cost more than US$20 billion to reconstruct. The national growth strategy is centred on public-sector led infrastructure development, including the construction of roads, railways, water supply and Sanitation, industrial parks and energy generation and distribution. The Ten-Year Development Plan, 2021-2030 underscores infrastructure development as a key foundation for sustained growth. The two key infrastructure sector ministries include the Ministry of Transport and that of Water and Energy coordinate the development, implementation, and monitoring and evaluation of infrastructure related policy and strategy. Other government agencies including the Ethiopia Roads

Authority, and electricity utilities contribute to the development and implementation of the sector policies and strategies to ensure that infrastructure development is aligned with the national development priorities. The transport sector is seen as a game changer for sustaining robust growth and transformation, with public infrastructure spending accounting for about 25% of the budget. During 2016-2022, 130,000 km of all-weather roads were constructed out of a planned 220,000 km. As of 2022, road density was 136 km per 1,000 km². However, the quality of infrastructure remains a challenge. Overall road connectivity index score is 32 on a scale of 0-100. The efficiency of air transport services score is 4 out of 7; the quality of roads scored 3.3 out of 7; electric power transmission and distribution losses score is 17.3 out of 100.

The ongoing reforms to expand the role of the private sector is expected to help the economy grow faster. The pursuit of sound, private sector-led and export-oriented economic policies is critical to achieving Ethiopia's economic and social ambition. Ethiopia's current development policy choices are subject to a number of trade-offs, which, if not addressed will pose macroeconomic risks such as substantial domestic and external public borrowing for public infrastructure investment is leading to rising debt levels and a growing risk of external debt distress. The Government is implementing an ambitious program of infrastructure investment. As part of this effort, the Ethiopian MoF and Economic Cooperation started to develop a program of PPP projects.

Investments in railways aim to provide low-cost bulk transportation routes and improve export competitiveness. The Ethiopian Railway Corporation (ERC) has identified eight railway corridors for study, design and subsequent implementation, with a total estimated length of 5,060 km. Owing to financial limitations, construction of the Addis Ababa-Djibouti railway and the Addis Ababa City Light Rail Transit (LRT) were prioritized and have been completed.

Ethiopia's growth strategy is underpinned by efforts to expand energy generation and distribution for the domestic and export markets and to support green economy, from a mix of low-cost and clean renewable sources (e.g., hydro and wind). Increased access to electricity is expected to promote economic growth, structural transformation and foreign exchange earnings through exports to neighbouring countries. The share of the population with access to electricity increased to 51% in 2022 from 48% in 2019, with per capita electricity consumption of 118kWh, about one-fifth the average for Africa at 500kWh. Demand for electricity is projected to grow at 13.7% p.a. to reach 62,000 GWh in 2030, from 13,800 GWh in 2021. To meet this growing demand, Ethiopia plans to increase generation capacity, which is estimated at 5,330 MW in 2023 from 4,500MW in 2019. Ethiopia plans to increase generation capacity to 17.1 GW by 2030, with 10 GW currently underway including the 5.15 GW Grand Ethiopian Renaissance Dam. According to Ethiopian Electric Power (EEP), the country has abundant renewable energy resources and has the potential to generate 45,000 MW of hydropower, 10,000 MW of a geothermal and 1.3 million MW of wind farm sources. Ethiopia seeks to become a power supply hub for the East Africa region and is looking to expand its power export capability through increased power system integration in the region, in line with the East Africa Power Pool, IGAD and the Horn of Africa Initiative. The Grand Ethiopia Renaissance Dam (GERD), with a projected installed capacity of?5,150?MW, is under construction and is 90% complete as of August 2023. All planned future electricity generation will be from renewable sources, in line with the GoE's clean energy strategy. Ethiopia exports up to 100 MW of electricity each to Djibouti and Sudan and 200 MW to Kenya. In the year 2023, the Ethiopian Electric Power has exported 1,701 GWh to Djibouti, Sudan and Kenya. In May, 2022, Ethiopia signed a MoU with South Sudan to export 100 MW over the next three years. There is also a plan to increase power exports up to 400 MW to Djibouti. In 2022, the government received the first gas reserves certificate and revealed the presence of seven trillion cubic feet (TCF) in the Ogaden Basin, located in Somali regional state. To address capacity limitations, various capacity building interventions were conducted in 2022-2023.

The quality of infrastructure for access to safe drinking water and improved sanitation improved due to the proper monitoring system at the federal, regional and woreda level. In 2022, 62.5% (59.8% rural and 72% urban population) of the population had access to safe drinking water, an improvement from 58.5% (57.3% rural and 63% urban people) in 2021. This indicates that the urban areas had relatively better access to potable water than rural areas. Proper maintenance of water infrastructure is difficult in the rural communities compared to the urban communities. Key challenges in the water sector include: the growth observed in the urban population that is estimated at 3.8% and urbanization 5.4% with many pull factors including search for better quality education, establishment of industrial parks, increased rate of modern job seekers; growing concern of gender inequality in access, equity and inclusion of people with different demand is an area that need further strength; climate change is bringing substantial concern and the approach to readdress the challenge both for people leaving in arid, semi-arid and water scarce areas is becoming issue that need cross sectoral collaboration in planning and implementation; and increased competition over resources. The existing Ethiopian Water Resources Management policy provide clear guidance on the priority of drinking water over all other consumptive uses industrial, and irrigation, however, the demand for production and food is also increasingly important that require well thought water resources management. Water source security and protection will be an aspect that the revision will give emphasis.

Infrastructure development is a key pillar of Ethiopia's Ten-Year Development Plan and a strategy for infrastructure sectors exists. For more than two decades, planning tools such as five-year sector development plans have been in place and fully implemented. The alignment with other sectors for which infrastructure is critical is fully ensured. Social sectors and rural areas are fully covered by infrastructure strategy/programs. Government's human and institutional capacities are in place and play an effective role in designing, implementing and evaluating infrastructure strategy/projects/programs. At least 40 percent of the national budget is consecrated to investments in the infrastructure sector.The Ethiopian Ten-Year Development Plan, covering 2021-2030, underscores infrastructure development as a key foundation for sustained growth. In addition, a ten-year infrastructure sectoral plan for roads, energy, water and sanitation, education, health and logistics also exists. Ethiopia achieved success in developing its road, rail and energy infrastructure and water supply and Sanitation, over the past decade using only public financed and public executed approaches. For the last two decades, the GoE invested huge finance, time and human resources for the development of infrastructure in the country. The government has devoted concerted efforts to infrastructure development with the aim of improving delivery of infrastructure services to citizens, making the economy more competitive and creating favorable conditions for sustaining the country's future development endeavors. The national flag carrier, Ethiopian Airlines is expanding its route network around the globe. More international airlines are coming to Addis Ababa. A huge investment has been made so as to acquire the latest technology and expand the services in the telecom sector. As a result, the accessibility and quality of telecommunication services have improved. Ethiopia aims to expand energy generation and distribution and to support green economy, from a mix of low-cost and clean renewable sources. Ethiopia pursues to become a power supply hub for the East Africa region and is looking to expand its power export capability through increased power system integration in the region, in line with the East Africa Power Pool, IGAD and the Horn of Africa Initiative. The existing Ethiopian Water Resources Management policy provide clear guidance on the priority of drinking water over all other consumptive uses industrial, and irrigation, however, the demand for production and food is also increasingly important that require well thought water resources management. The quality of infrastructure, however, remains a challenge. In the 2019 Global Competitiveness Report, the overall road connectivity index score was 32 on a scale of 0-100 and Ethiopia ranked 123 out of 141 countries. the efficiency of air transport services is good, scoring 4 out of 7 and ranking 93 out of 141 countries. However, the quality of roads scored 3.3 out of 7 and ranked 103/141; electric power transmission and distribution losses scored 17.3 out of 100 and ranked 107/141; and reliability of water supply ranked 113/141.

17.b. Legal and regulatory frameworks for infrastructure

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

As reported in 2021 CPIA, Ethiopia’s infrastructure development legal and regulatory framework is comprehensive and incorporates all pertinent aspects of the sector. The legal/ regulatory framework covers the mandates and associated government agencies across the seven infrastructure sub-sectors (roads, railway, air transport, maritime, energy, digital infrastructure/ ICT, and portable water supply and irrigation development). The legislation also covers the regulatory agencies, such as the Ethiopian Energy Authority. Relevant legislation, Ministerial Directives, and Guidelines were discussed in the 2021 CPIA and these have not changed much. Legislation is clear and largely stable with no uncertainties and minimal adjustments.

A key new piece for infrastructure development in Ethiopia is the Public-Private Partnerships (PPP) legislation and implementation arrangements have been supported by the Bank during 2018-2023 to catalyze private investment and finance. The PPP approach recognizes that the private sector is essential to supporting the country's economic growth and improve the quality of public services, particularly in infrastructure. A PPP Board consists of MoF (chair), National Bank of Ethiopia, Ministry of Water, Irrigation and Electricity, Minister of Transport, Public Enterprises Holding and Administration Agency, National Planning Commission, Ministry of Peace and two members from institutions representing the private sector. As of September 2023, about 30 PPP pipeline projects, worth over US$10 billion were evaluated by the Board. Out of these, two solar PV projects were awarded to the winners and six solar PV projects are at request for proposals stage. A key challenge expressed by potential PPP investors is foreign currency availability. To facilitate guaranteeing of foreign currency availability, National Bank of Ethiopia released the Off-Shore Account Opening and Operations Directive for Strategic Foreign Direct Investment Projects (Directive No. FXD/86/2023). This demonstrates that the laws and regulations for infrastructure are largely applied. The PPP legislation will also be used to guide the ongoing privatization of key state-owned enterprises, particularly telecoms, transport (air, railway, maritime), electricity and logistics. According to the Global Competitiveness Report, Ethiopia’s ranking on the reliability of policies ranked 114 out of 141 countries in 2019, from 93/140 in 2018. The ranking on judicial independence was 90 out 141 countries in 2019 compared to 76 /140 in 2018.

The transport sector is seen as a game changer for sustaining robust growth and transformation, with public infrastructure spending accounting for about 25% of the budget. During 2016-2022, 130,000 km of all-weather roads were constructed out of a planned 220,000 km. As of 2022, road density was 136 km per 1,000 km². The railway network represents a small share of the national transport system, with three railway lines, totaling 1,400 km. Ethiopian Roads Administration (ERA), formerly Ethiopian Roads Authority is responsible for the expansion and maintenance of the federal road network; and the Federal Transport Authority that regulates land transport services. In addition, the nine Regional Road Authorities are in charge of expansion and maintenance of the regional road network which report to their respective Regional Governments.

The share of the population with access to electricity increased to 51% in 2022 from 48% in 2019, with per capita electricity consumption of 118kWh, about one-fifth the average for Africa at 500kWh. Demand for electricity is projected to grow at 13.7% p.a. to reach 62,000 GWh in 2030, from 13,800 GWh in 2021. To meet this growing demand, Ethiopia plans to increase generation capacity, which is estimated at 5,330 MW in 2023 from 4,500MW in 2019. Ethiopia plans to increase generation capacity to 17.1 GW by 2030, with 10 GW currently underway including the 5.15 GW Grand Ethiopian Renaissance Dam.

The quality of infrastructure for access to safe drinking water and improved sanitation improved due to the proper monitoring system at the federal, regional and woreda level. In 2022, 62.5% (59.8% rural and 72% urban population) of the population had access to safe drinking water, an improvement from 58.5% (57.3% rural and 63% urban people) in 2021. This indicates that the urban areas had relatively better access to potable water than rural areas. Key challenges in the water sector include: the growth observed in the urban population that is estimated at 3.8% and urbanization 5.4% with many pull factors including search for better quality education, establishment of industrial parks, increased rate of modern job seekers; growing concern of gender inequality in access, equity and inclusion of people with different demand is an area that need further strength; climate change is bringing substantial concern and the approach to readdress the challenge both for people leaving in arid, semi-arid and water scarce areas is becoming issue that need cross sectoral collaboration in planning and implementation; and increased competition over resources. The existing Ethiopian Water Resources Management policy provide clear guidance on the priority of drinking water over all other consumptive uses industrial, and irrigation, however, the demand for production and food is also increasingly important that require well thought water resources management. Water source security and protection will be an aspect that the revision will give emphasis.

The Ethiopian legal and regulatory frameworks for infrastructure is comprehensive and incorporates all pertinent aspects. The legal/ regulatory framework covers the mandates of the associated government agencies across the infrastructure sub-sectors. The legislation also covers the regulatory agencies, such as the Ethiopian Energy Authority, Ethiopian Road Authority, and Ethiopian Civil Aviation. Legislation is clear and largely stable with no uncertainties and minimal adjustments. This legislation is accessible online on respective agency websites or the Law Ethiopia portal (https://www.lawethiopia.com/) and in print/ hard copy and published in the two official languages (English and Amharic). A landmark Public-Private Partnerships (PPP) legislation was ratified in January 2018 to catalyze private investment and finance. The PPP approach recognizes that theprivate sector is essential to supporting the country's economic growth and improve the quality of public services, particularly in infrastructure. A PPP Board was also formed to grant approvals at key milestones in the project development process from the tendering level to awarding contracts. The eco-system of the legal and regulatory framework has been strengthened. As an example, statutory agencies in the infrastructure sector have been set-up to follow-up on the implementation of the legal framework. In addition, the institutional capacity to design and enforce legislation, including infrastructure related legislation, is fairly established and spearheaded by the Ministries of Justice, Finance and Economic Cooperation, and the pertinent sector Ministries. The Government has adopted the best practices generated by the Bank supported 2018 PPP legislation, notably the comprising: (i) the preparation of background studies, (ii) policy discussions, preparation of a policy document, (iii) engagement and clearance by the Council of Ministers, and (iv) subsequent clearance by Parliamentary ratification. According to the Global Competitiveness Report, Ethiopia's ranking on the quality of institutions, which includes the judiciary system, improved from 75 out of 138 countries in 2016/17 to 73 out of 2017/18 countries in 2017/18. The ranking on sub-criteria indicators particularly the 'burden of government regulation', improved from 55/138 in 2016/17 to 40/137 in 2017/18. However, the country's ranking on the 'efficiency of the legal framework in settling disputes', and 'efficiency of the legal framework in challenging regulations' decreased 55/138 and 53/138 in 2016/17 to 57/137, and 60/137. The Bank is providing Technical Assistance for the operations of the Public-Private Partnerships (PPP) framework and reforms of the financial sector. Financial and technical assistance to the PPP framework has resulted in the establishment of a fully functional PPP Directorate in the MoF to coordinate PPP projects in the country, review projects in pipeline and advise on practical issues. The PPP Proclamation and policy were approved in 2018 and capacity of PPP Directorate staff strengthened. Some 24 PPP projects, worth about US$9.6 billion have since been evaluated and approved by the Board. Two solar PV projects (Gad and Dicheto) were awarded to the winners and six solar PV projects are at request for proposals stage. Other projects will be launched after conducting the tendering processes. This demonstrates that the laws and regulations for infrastructure are largely applied. However, the issue of guarantee for FX availability has hampered projects reaching financial close. The PPP legislation will also be used to guide the ongoing privatization of key state-owned enterprises, particularly telecoms, transport (air, railway, maritime), electricity and logistics. According to the Global Competitiveness Report, Ethiopia's ranking on the reliability of policies ranked 114 out of 141 countries in 2019, from 93/140 in 2018. The ranking on judicial independence was 90 out 141 countries in 2019 compared to 76 /140 in 2018.

17.c. Public resource management and accountability in the infrastructure sector

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

As one of the key pillars of Ethiopia's economic growth model, the infrastructure sector has strong institutional coordination and accountability mechanisms. In particular, the transport sector is seen as a game changer for sustaining robust growth and transformation, with public infrastructure spending accounting for about 25% of the budget. Proclamation number 857/2014 establishes the Federal Integrated Infrastructure Development Coordination Agency that is responsible for overall coordination of infrastructure master plans, ensure their execution and resource availability and accountability, compensation and environmental issues. The Agency reports to and is accountable to the Office of the Prime Minister. However, this agency has not had the impact it was intended to have.

Transport sector plays a key role in Trade and Regional Integration, and for landlocked Ethiopia is important to country's economic growth. Reforms are being carried to allow international and domestic private investors to engage in the Ethiopian transport sector in the form of full private ownership, joint ventures with the government or other local entities or in public private partnership (PPP) modalities. The National Transport Policy, a National Logistics Strategy (2020 to 2030) and policy, and the Transport sector's 10-Year Perspective Plan (2020 to 2030) underpin the sector's development targets. The sector is also covered under the Government 10-Year Development Plan (2021-2030) as well as the country's long-term vision 2035 and is aligned with regional aspirations of IGAD and COMESA. According to the 10-Year Transport Perspective Plan, 3 trillion birr (approximately US$74 billion) is needed to finance the sector in the next ten years and private sector is identified as key financer and active participant. Out of the estimated funds, 70 billion birr to be generated from the government Ministry's revenues and the rest is planned to be sourced from government budget subsidies, private sector involvement, foreign support, and grants. The 10-Year Transport Perspective Plan identified about 44 projects that will be open for private sector investment covering these areas of development: dry ports and terminals; freight forwarding and shipping agency services; railways development and rolling stock spare parts manufacturing; pipeline transport; express roadways; air transport and aviation services; ICT development for port shipping and logistics sector; as well as bus rapid transit corridor system and cable car system.

The Ten Year Development Plan (2021-2030) has ambitious targets for the transport sector which include: expanding road transport infrastructure; (i) build 102,000 km new roads; (ii) upgrading the standard of 28,000 km existing roads; (iii) increase the total length of expressways from 301 km to 1,650 km; • increase the total length of the rural roads built through the "Universal Rural Roads Access Program" (URRAP) from 56,000 km to 109,000 km; and raise the proportion of roads in good condition from 58% to 87%. Others include: expanding transportation services; (i) raise the number of truck terminals from 1 to 23; (ii) increase the number of dry ports from 8 to 11; (iii) build 1,000 product and input storage centers; (iv) increase the number of cold storage facilities from 3 to 6; and increasing the length of railway from 902 km to 4,199 km; expanding aviation infrastructure by building 6 airports, 6 passenger terminals and 10 cleared earth runways; and; expanding inland water transport system by developing water transport infrastructure on Tana, Abaya and Chamo lakes and on the Baro and Gibe rivers, as well as on the GERD reservoir.

The Ministry of Water and Energy (MoWIE) is responsible for policy and legal frameworks to develop water resources. The National Water Policy and Strategy of 2020 focuses on promoting sustainable water use and security Access to safe water is improving but rural-urban disparities exist. In 2022, 62.5% (59.8% rural and 72% urban population) of the population had access to safe water compared to 58.5% (57.3% rural and 63% urban people) in 2021. Access to improved sanitation is a major challenge, with adverse implications for health, especially during emergencies such as the COVID-19 pandemic and floods. Only 21% of the population have access to improved sanitation and 28% of the population have no access to any form of sanitation facilities. Estimates indicate that 60-80% of communicable diseases are attributed to limited access to safe water and inadequate sanitation and hygiene. During 2015-2022, at least 4.5 million people accessed improved water and sanitation from Bank-financed projects.

The national procurement/public contract systems and procedures mostly conformed to international standards of procurement/public contracts. It is transparent and stable. Quality control/inspection to verify the conformity of the infrastructure constructed/rehabilitated is often ensured during or after works. External/independent audits to assess the selection process of contractors are undertaken when necessary but with some delays. Economic analysis/cost opportunity analysis is always undertaken. Populations/beneficiaries/civil society/private sectors are regularly consulted in designing, implementing and evaluating infrastructures projects/programs. Social safety and environmental safeguards are partially addressed. Clear compensation mechanisms in case of expropriation or damage/injury exist but remain weak, sometimes discriminatory and hardly enforced. Ethiopia's Public Procurement legal framework – the

Ethiopian Federal Government Procurement and Property Administration Proclamation No. 649/2009 and Procurement Regulations approved by the Council of Ministers – is based on the UNCITRAL Model Law on Procurement of Goods, Construction and Services (1994) and encompasses all facets of public procurement at the Federal and sub-national government levels. The procurement legislation is also consistent with the World Bank procurement guidelines and corresponding COMESA regulation and directives. The Proclamation authorizes the Ministry of Finance to issue Procurement Directives to fulfill the objectives of the Proclamation. The Proclamation also provides for a system to deal with bidder complaints and appeals. The Procurement Directives provide details for application of the Proclamation, including national competitive bidding procedures and other methods of Procurement.The Public Procurement Proclamation establishes a Public Procurement and Property Administration Agency (PPPAA) for procurement oversight and capacity building to support the procurement functions at all levels to ensure the application of fair, competitive, transparent, non-discriminatory and value for money procurement and modern public property administration. In addition, the PPPAA conducts audits to ensure that procurement and property administration activities of public bodies are in accordance with the Proclamation and other documents governing public procurement and property Administration. A significant portion of public spending occurs through the public procurement process. Therefore, a robust and transparent system of public procurement is critical because of its impact on the economic and governance issues.As part of Proclamation No. 649/2009, disclosure of all information pertaining to public contracts is mandatory and is enforced by the Public Procurement and Property Administration Agency (PPPAA), which is the lead institution charged with the oversight of procurement activities. This information is also published at the PPPAA website (www.ppa.gov.et). Ethiopia's procurement system is transparent (i.e., legislation and other directions are posted (at www.ppa.gov.et) and stable – proclamations do not change abruptly. Key procurement principles including value for money, equal opportunity, and accountability are enshrined and enforced in the implementation of the procurement legislation. However, the challenges remain in capacity constraints both at the federal and regional levels with respect to staffing and qualification. The Proclamation establishes an independent Review Panel called the "Board" for conducting independent administrative reviews of complaints and appeals from bidders on the procurement process up to contract award. In addition to the Directives, procurement manuals, standard bidding documents and user's guide for the procurement of Goods, Works, Consultancy and Non-Consultancy Services, procurements under simplified Request for Quotation (RFQ) and Local Purchase Orders (LPOs) for both International and National Procurement have been prepared. Section 60 of the Proclamation authorizes the MoF to establish a central body to deal with large contracts having national significance for which a demand is shown by more than one public body.The Office of the Federal Auditor General (OFAG) carries out financial audits and performance audits. The OFAG reports directly to the Parliament and the overall enforcement of their recommendations are effective. PPPAA has the responsibility to conduct audits to ensure that procurement and property administration activities of public bodies are in accordance with this Proclamation and other documents governing public procurement and property administration. The aim of the audit is to identify weaknesses of Procuring Entities in complying with the law and regulations to enable appropriate measures, including implementation of appropriate capacity building strategies to be taken. These audits are typically comprehensive and cover the whole procurement cycle in relation to compliance with the law and procedures and methods used and generate appropriate recommendations on weakness and irregularities observed. At the regional level, the 2018 CFRA notes that absence of a robust monitoring mechanism to systematically check if implementation is going according to the plan lack of accountability in the procurement system is a key risk contributing to delays and noncompliance. Thus, the accountability framework for procurement activities should be developed and implemented. As part of this framework, PPPAA will develop and implement business standards for procurement actions/decisions for the regions Complaints related to violations of provisions of the procurement law are submitted to the Head of the Public Body (Head of a Procuring Entity) as a first level of recourse offered to complaining bidders. When a bidder is not satisfied with the outcome of such review, the complaint may be brought to a second level, the Complaint Review Board, which membership is comprised of the Ministry of Finance (Chair), PPPAA (Secretariat) and representatives of the Public Enterprises, Private Sector and High Spending Procuring Entities. If the complainants are not satisfied with the decision of the Board, they can take the case to the court. Information provided by PPPAA reveals that the total number of complaints received in the period 2012-2014 amounts to 130. Of this number, 74 decisions were made in favor of the complainants; 47 decisions in favor of the Procuring Entities; and 9 cases closed because the parties reached an agreement to resolve the issues amicably.A robust legal framework for addressing fraud and corruption is in place. The government has established the Federal Ethics and Anti-Corruption Commission (FEACC) with a mandate to expand and promote ethics and anticorruption education, prevent corruption (through review of working procedures and systems), and investigate and prosecute alleged corruption offences since 2001. The government has also declared that it follows a zero-tolerance policy toward corruption. The FEACC has received political support at the highest level in the country. Since 2007, all the nine regional governments have established their own Regional Ethics and Anti-Corruption Commissions (REACCs) as per their respective regional laws.A public sector Code of Conduct is available and published on the PPPAA website (www.ppa.gov.et). Mechanisms to assure quality during infrastructure project design, implementation and post-implementation are in place and largely enforced. Economic and opportunity cost analyses are part of the project feasibility and design studies and are used to evaluate infrastructure projects and programs. In line with the ESIA and other safeguards guidelines, project beneficiaries, civil society organizations and persons affected by the infrastructure projects are consulted during project design and findings from these diagnostics informs the required environmental and social remedial measures. The Constitution and the Expropriation of Land Holdings for Public Purposes and Payment of Compensation Proclamation No. 29/2001, establish a clear compensation mechanism in the case of expropriation or damage/injury. This compensation legislations are largely enforced.

18. Regional Integration

Criteria Score: 3.75

18.a. Movement of persons and labor and right of establishment

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Ethiopia has signed and ratified most of the existing regional conventions, treaties and protocols on free movement of persons and labour within the Regional Economic Community (REC) that Ethiopia is a membership and the necessary actions have been taken to harmonize the national legislation/regulations to its implementation. National institutions in charge of implementing those regional agreements have to some extent the required human, institutional and financial capacity to fulfill their mandate. Most of the administrative and immigration procedures related to movement of persons and labour have been lightened (including renewal of resident cards) but some discriminatory treatments prevail. Citizens from members of the REC are listed in a computerized national resident file which is updated regularly.

Measures to facilitate movement of persons and labour are applied, including the issuance of common means of identification at the regional level (e.g., regional passports), lifting of visa requirement and the establishment of efficient immigration offices at border posts/airports for citizens from regional member countries. Those immigration offices are generally equipped with the required human and organizational capacities.

Ethiopia has signed and ratified most of the protocols of the Common Market for Eastern and Southern Africa (COMESA), the Horn of Africa Initiative and the Intergovernmental Authority on Development (IGAD). Ethiopia signed the African Continental Free Trade Agreement (AfCFTA) in March 2018 and ratified the same in April 2019. Ethiopia has also applied for accession to the World Trade Organization (WTO) and the 4th meeting of the WTO Working Party held in January 2020 expressed support for Ethiopia's membership by 2021 and noted its strategic role in the Horn of Africa region.

According to the 2022 Visa Openness Index, Ethiopia scored 0.777 out of 1 and's rankeding on the Africa Visa Openness Index improved greatly to 17th position out of 54 countries, up from 48 (out of 54) in 2021 - moving up by a record 31 places and is now ranked among the top 20 most visa-open countries. Ethiopia undertook wholesale changes to its visa regime and moved from a general "visa required" policy to visas on arrival. Ethiopia had ranked among Africa's lowest performers in 2021 and moved into the top 20 in 2022. In 2017, Ethiopia introduced the e-visa policy and nationals of 92 countries can obtain three-months tourist visas on arrival at Addis Ababa Airport. In June 2020, Ethiopia launched a new e-Visa service that allows travelers from all countries to apply for a tourist visa online and receive it via email. The citizens of Djibouti, and Kenya do not require entry visas for three months and one-year visits, respectively. However, in October 2022, Ethiopia authorities had suspended visas on arrival for a large number of countries, instead requiring visitors to obtain a visa prior to departure. To ease the movement of goods and persons, Ethiopia has also signed the Single African Air Transport Market and bilateral trade and cooperation agreements with neighboring countries in 2018.

A national file for residents from another member of the REC exists, and the file is computerized and updated regularly. Moreover, nationals of more than 90 countries are allowed to receive their visas on arrival in Ethiopia at the regular charge. However, measures to facilitate movement of persons and labour - such as issuance of common means of identification at the regional level like regional passports, easing of visa requirement and the establishment of efficient immigration offices at border posts are partially not yet applied.

Ethiopia needs to enact and update its laws in relation to the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). The Ethiopian Intellectual Property Office needs to do more to ensure recognition and protection of international brand names is critical ensuring fair business practices. Local companies need to be guided to initiating and promoting local branding.

18.b. Regional financial integration

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0

Final Score	3.0

Country Notes:

Ethiopia has signed and ratified some of the existing regional agreements on finance/investment (Article 7 of the IGAD Agreement and Article 4 of COMESA Treaty). However, the required harmonization of fiscal, tax treatment, banking and insurance, and stock exchange legislations is hampered by lack of infrastructure frameworks to facilitate cross-border financial transactions. Progress in achieving financial market soundness and development has been also uneven across the COMESA member countries. The financial system is discriminatory to foreign banks/financial institutions in Ethiopia. There is also lack of coordination between national and regional strategies in the financial sector. This arises due to multiple memberships of countries in various regional groupings. For example, of the 19 COMESA members, 12 are members of two or more groupings. In addition to being members of COMESA, four states are also members of the EAC, seven are members of SADC, one of SACU, one of UMA, and two of ECCAS. Ethiopia has also less sophisticated financial systems and less developed regulatory and supervisory frameworks compared to its peers. In the case of economic and monetary unions, cross border banking supervision and information-sharing (including the fight against money laundering) is not observed while the country complies with some of the transnational and financial convergence criteria agreed at regional level.

Being signatory of most of the COMESA and IGAD protocols and agreements, Ethiopia has ratified key instruments for promoting regional finance and investment, notably Article 4 of the COMESA Treaty and Article 7 of the IGAD Agreement. However, the financial sector is still closed to foreign financial institutions. Absence of enabling legislation and policies, particularly related to the harmonization of fiscal regimes, banking and insurance, and stock exchange limits cross-border financial activities and investments. A national payment system is in place and its efficiency continues to be strengthened, with emphasis on improving its security features. The payment system is quite sophisticated and comprises a centralized clearing system, real time gross settlement, automated clearing house and an automated credit information center. However, the country's payment system is yet to be linked with regional payment systems. Ethiopia implements Basel II requirements, including capital adequacy and banking supervision, in line with Proclamation No. 84/1994 (as amended via Proclamation No. 592/2008) on Licensing and Supervision of Banking Business. In addition, banking supervision and regulation continues to be strengthened following the implementation of reforms to improve financial reporting, external audits, and risk-based supervision.

Ethiopia is a low performer on the overall regional integration, ranked 40th out of 54 countries on the Africa Regional Integration Index of 2019. Ethiopia is one of the least integrated countries on the free movement dimension: its score is close to 0 (0.025) and has not signed the Free Movement of Persons Protocol (Kigali), and they require most African citizens to obtain a visa to enter their territory. Ethiopia leads comfortably on macroeconomic and infrastructural integration (both 10ths out of 54 countries); the currency is easily convertible, and with Sudan, it is one of IGAD's two countries with a bilateral investment treaty in force. In the COMESA region, Ethiopia is ranked the third most integrated country on a macroeconomic level - behind Egypt and Rwanda - with a score of 0.554 and within IGAD it is ranked the most integrated on the macroeconomic level, with a score of 0.853.