Prospects and Challenges of Structural Transformation in Ethiopia: Assessing the Performance of GTP I and Reflecting on GTP II

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Outline

1. Introduction
   - Introduction

2. Structural Transformation: Theory and Experience
   - Major Signs of Structural Transformation
   - Country Experiences

3. Status of Structural Transformation in Ethiopia
   - Performances So Far
   - Some Reflections on GTP II
   - Implications for Structural Change
The year 2014/15 marks the end of the first phase of the growth and transformation plan (GTP-I) of Ethiopia and a prelude to the second phase of the plan (GTP-II).

Ethiopia achieved important milestones in laying foundations for structural transformation.

Nevertheless, there are important hurdles that the nation need to address to ensure an irreversible change in the structure of the economy for the better of its people.

The purpose of this presentation is to reflect on the prospects of structural transformation in Ethiopia, the challenges ahead and emphasize possible areas of intervention.
In the conventional economic literature, when the term "transformation" is applied in economics, it is most often referred to as "structural transformation".

The term structure refers to a particular stage of an economy in relation to the relative importance of sectors in terms of production and factor use [Syrquin, 1988].

A change in structure is broadly weighed by changes in the relative importance of sectors in which industrialization is considered to be the central process of such changes.
Structural change is accompanied by principal changes such as:

1. increases in the rates of capital accumulations
2. shifts in the sectoral composition of economic activity
3. geographic relocation of economic activities
Accumulation includes both physical as well as human capital.

Type and quality of capital indicates the level of transformation a nation has gone through:

1. Natural capital ⇒ Localized agriculture
2. Built-up (physical) capital ⇒ Industrialization
3. Human capital ⇒ Globalized services
4. Social capital ⇒ Public services
The shift in the sectoral composition of economic activities mainly refers to the **industrialization** process which focuses on changes in production and use of factor inputs.

The change in the sectoral composition is typified by a **shift of economic activities from sectors of low productivity to sectors of high productivity**.

The change in the location of economic activity that comes along the industrialization process implies **urbanization**.

Industrialization is also accompanied by other changes such as **demographic transition**, and **income distribution**.
These elements of structural change are subjected to interaction.

Such "interrelated processes of structural change that accompany economic development are jointly referred to as the structural transformation." [Syrquin, 1988: 206].
The broader economy-wide phenomena which constitute structural transformation are:

1. Agricultural transformation
2. Industrialization
3. Migration and urbanization

A typical feature of these processes is that all of them "involve reciprocal interaction between rising income and changing proportions of demand and supply, and all are affected by macroeconomic and sectoral policies." [Chenery, 1988: 200].
Key signs of structural transformation are:

1. A rise in per capita income
2. A rise in rate of capital accumulation
3. Changes in sector composition of activities.

Institutional transformation is both an outcome and means of facilitating structural transformation.

A state can play a role in the process of structural transformation (what kind of role??)
Chenery and Syrquin (1986) empirically identified three stages of structural transformation.

At the critical stage of transformation (second stage), the primary sector gives way for the manufacturing sector to take the lead in invigorating growth.

The contribution of the manufacturing sector to growth tends to exceed that of the primary sector at a level of per capita income over USD 1,200.

This level may vary from country to country based on the resource endowment and trade policies of countries.

Normally, the second stage is characterized by a higher rate of capital and a higher contribution of capital to growth.

At the third stage, an economy is said to be developed.
Stylized Facts

Source: Chenery and Syrquin, 1986.
Stylized Facts

The timing and sequence of structural change differ from country to country depending on “factor proportions on comparative advantage” and “policy decisions about the levels of trade and foreign capital inflows.”

A country of average performance undergoes transformation at an income level of about USD 850 while a large country could reach semi-industrial stage at a per capita income level of USD 550.

In contrast, transformation may take a while for a small country specializing in primary exports until it reaches USD 1300.

A large country specializing in manufacturing can achieve early industrialization through a policy of import substitution due to a large domestic demand.
Stylized Facts

- A small country specializing in light manufactured goods can start with an initial flow of foreign capital and can later gain from export of light manufactures.

- In general, empirics shows that large countries tend to perform better than small ones among countries that begin transformation.

- Specialization in manufacturing instead of in primary commodities and outward orientation instead of inward orientation has proved to have facilitated transformation.
Stylized Facts

- **Small country, primary exports**
- **Large country**
- **MANUFACTURING**
- **PRIMARY**
- **Small country, manufacturing export**

**PCI, $**

- 300-600
- 600-1200
- 1200-2400
- 2400-4500

**Contribution to Growth (percent)**

- 0
- 0.5
- 1
- 1.5
- 2
- 2.5
- 3
China: Initial Conditions

- Low rates of growth of capita income
- High share of manufacturing sector in growth and GDP
- Relatively high rate capital accumulation
- Low share of manufacturing goods in the total merchandise export
China: Key Changes

- High growth in per capita income
- High share of the manufacturing sector in the total merchandise export
- High rate of accumulation
- Relatively high contribution of agriculture to growth
China: Trend in the Dynamic Contributions of Sectors to Growth
China: Dynamic Contributions of Sectors to Growth as PCI Grows
China: Share of Manufacturing in the Total Merchandise Export

![Graph showing the share of manufacturing in exports and imports over time from 1984 to 2013. The blue line represents the share of manufacturing in exports, and the red line represents the share of manufacturing in imports. The share of manufacturing in exports increases steadily from 1984 to around 1995, then fluctuates slightly before stabilizing. The share of manufacturing in imports decreases sharply from 1984 and continues to decline, reaching a low in the early 2000s and then stabilizing.]
South Korea: Initial Conditions

- Low per capita income, low per capita income growth
- Relatively low rate of accumulation
- Low initial share of the manufacturing sector in the GDP
- Low initial share of the manufactures in the total merchandise export
South Korea: **Key Changes**

- High growth in per capita income
- Relatively high rate of accumulation, effective use of foreign capital
- Fast growth in the manufacturing sector and hence high contribution to GDP growth
- Fast growth in manufacturing export—high share of the manufacturing goods in the total merchandise export
South Korea: Changes in the Static Share of Sectors to GDP
South Korea: Changes in the Dynamic Contribution of Sectors to GDP
South Korea: Dynamic Contribution of Sectors to GDP as PCI Changes
South Korea: Trend in the Share of the Manufacturing Goods in the Total Merchandise Export

[Graph showing trend in the share of manufacturing goods in exports and imports from 1962 to 2012]
Botswana: Initial Conditions

- Low per capita income; low rate of growth in per capita income
- Low rate of accumulation
- Low share of the manufacturing sector in the economy
Botswana: Key Changes

- High growth rate in per capita income
- High rate of accumulation (above 50 percent)
- Large contribution of the extractive industry to the GDP growth
- Low share of the manufacturing sector in the economy
Botswana: Trend in the Structure of the Economy—percent

![Graph showing the trend in the structure of the economy for Botswana from 1975 to 2013. The graph compares the percentage contributions of agriculture, industry, manufacturing, and services over time. The data indicates a significant shift from agriculture to services, with the latter growing rapidly after 2000.](image)
Botswana: Trend in the Contribution of Sectors to Growth
Botswana: Change in the Dynamic Contribution of Sectors as PCI Changes
The Economy at a Glance

- Nominal GDP (2013/14): 54.9 billion USD (1.047 trillion Birr)
- GDP at 2010/11 constant factor cost (2013/14): 626.6 billion Birr
- Per capita GDP (2013/14): 631.5 USD (12,039 Birr) (population size: 87 million)
- 2011 PPP$ (2013): 1,303 (176th out of 187)
- HDI rank (2013): 173rd out of 187
- Exports (2013/14): 6.4 billion USD (122.6 billion Birr)
- Imports (2013/14): 16.2 billion USD (308.7 billion Birr)
- Gross domestic savings (2013/14): 22.5 percent of GDP
- Gross capital formation (2013/14): 40.3 percent of GDP
- The resource gap (= current account deficit) (2013/14): 17.8 percent of GDP - up from 16.6 the previous year.
Per Capita Income: High Growth (Five Years Moving Average)
Growth in Per Capita Income: Robust and Sign of Resilience
Growth in Per Capita Income: Prospect of Becoming a Middle Income country
Growth in Per Capita Income: How Much Better off Are We?

Index (Per capita GDP in 2013/14 = 1)

Year


44 percent
Growth in Per Capita Income: How Much Better off Are We?

The graph illustrates the per capita GDP in Birr at 2010/11 constant prices over the years from 1960/61 to 2011/12. The solid line represents the actual growth, while the dashed line shows the growth if the economy had been growing at the average rate of 1960/61-1969/70.
Accumulation: High Rates of GDS, GFI
Structural Dynamics: Sources of Growth

Methods

- Capital stock is calculated by relating equation of motion of capital, and the Harrod-Domar model:

  \[ K_t = K_{t-1} + I_t - \delta K_{t-1} \]

  \[ g + \delta = \frac{s}{\kappa} \]

- Growth decomposition by factors of production used the Solow method:

  \[ \frac{\dot{Y}_t}{Y_t} = \frac{\dot{A}_t}{A_t} + \frac{\dot{L}_t}{L_t} + (1 - \alpha) \frac{\dot{K}_t}{K_t} \]
Structural Dynamics: Sources of Growth

- Share of Labor
- Share of Capital
- TFP

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Structural Dynamics: Sources of Growth
Structural Dynamics: Sources of Growth

The chart illustrates the average productivity of capital (blue line) and the marginal productivity of capital (red line) from 1991/92 to 2013/14. Over this period, the productivity of capital shows fluctuations with periods of increase and decrease. The marginal productivity of capital is particularly notable for its peaks in the late 1990s and early 2000s, indicating periods of significant productivity gains.
Structural Dynamics: Trends in the Structure of the Economy

- Agriculture
- Industry
- Services

Data points for the years:
- 1960/61
- 1963/64
- 1969/70
- 1972/73
- 1975/76
- 1978/79
- 1981/82
- 1984/85
- 1987/88
- 1990/91
- 1993/94
- 1996/97
- 1999/00
- 2002/03
- 2005/06
- 2008/09
- 2011/12
Structural Dynamics: Dynamic Contribution of Sectors

Methods

- Sectoral contributions to growth from the supply-side are computed using the method:

\[
g = \sum_{i=1}^{n} \left( \frac{\Delta v_i}{v_i} \right) \frac{v_i}{Y_i}
\]  

(4)

- Growth is decomposed into demand-side components due to changes in domestic demand, export (foreign demand), and import substitution according to:

\[
g = \left[ \frac{\dot{D}}{D} \left( \frac{Z}{Y} \right) \right] + \left[ \frac{\dot{M}^W}{M^W} \left( \frac{X}{Y} \right) \right] + \left[ \frac{\dot{\alpha}}{\alpha} \left( \frac{Z}{Y} \right) \right] + \left[ \frac{\dot{\beta}}{\beta} \left( \frac{X}{Y} \right) \right]
\]  

(5)
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Structural Dynamics: Dynamic Contribution of Sectors

- Agriculture
- Industry
- Services

Contribution to Growth (%)

- 1991/92-95/96
- 1992/93-96/97
- 1993/94-97/98
- 1994/95-98/99
- 1995/96-99/00
- 1996/97-2000/01
- 2000/01-2003/04
- 2001/02-2005/06
- 2002/03-2006/07
- 2003/04-2008/09
- 2004/05-2009/10
- 2005/06-2010/11
- 2006/07-2011/12
- 2007/08-2012/13
- 2009/10-2013/14
Growth: The Leading Sectors

<table>
<thead>
<tr>
<th>Contribution to Growth (Weighted Growth)</th>
<th>2010/11</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crop</td>
<td>3.2</td>
<td>1.5</td>
<td>2.4</td>
<td>1.9</td>
</tr>
<tr>
<td>Construction</td>
<td>0.5</td>
<td>1.5</td>
<td>2.4</td>
<td>2.8</td>
</tr>
<tr>
<td>Wholesale and Retail Trade</td>
<td>0.9</td>
<td>1.9</td>
<td>1.6</td>
<td>2.4</td>
</tr>
<tr>
<td>Hotels and Restaurants</td>
<td>0.9</td>
<td>0.4</td>
<td>0.8</td>
<td>1.2</td>
</tr>
</tbody>
</table>
## Growth: Agriculture

<table>
<thead>
<tr>
<th>Year</th>
<th>Crop</th>
<th>Animal Farming and Hunting</th>
<th>Forestry</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/11</td>
<td>3.2</td>
<td>0.7</td>
<td>0.1</td>
</tr>
<tr>
<td>2011/12</td>
<td>1.5</td>
<td>0.5</td>
<td>0.1</td>
</tr>
<tr>
<td>2012/13</td>
<td>2.4</td>
<td>0.5</td>
<td>0.1</td>
</tr>
<tr>
<td>2013/14</td>
<td>1.9</td>
<td>0.2</td>
<td>0.1</td>
</tr>
</tbody>
</table>
Growth: Industry

<table>
<thead>
<tr>
<th>Contribution to Growth</th>
<th>2010/11</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining and Quarrying</td>
<td>0.8</td>
<td>0.2</td>
<td>0.1</td>
<td>(0.0)</td>
</tr>
<tr>
<td>Large and Medium Scale Manufacturing</td>
<td>0.4</td>
<td>0.4</td>
<td>0.8</td>
<td>0.5</td>
</tr>
<tr>
<td>Small Scale and Cottage Industries</td>
<td>0.1</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Electricity and Water</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Construction</td>
<td>0.5</td>
<td>1.5</td>
<td>2.4</td>
<td>2.8</td>
</tr>
</tbody>
</table>
### Growth: Services

<table>
<thead>
<tr>
<th>Sector</th>
<th>2010/11</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale and Retail Trade</td>
<td>0.9</td>
<td>1.9</td>
<td>1.6</td>
<td>2.4</td>
</tr>
<tr>
<td>Hotels and Restaurants</td>
<td>0.9</td>
<td>0.4</td>
<td>0.8</td>
<td>1.2</td>
</tr>
<tr>
<td>Transport and Communications</td>
<td>0.4</td>
<td>0.5</td>
<td>0.7</td>
<td>0.6</td>
</tr>
<tr>
<td>Financial Intermediation</td>
<td>0.6</td>
<td>0.7</td>
<td>(0.2)</td>
<td>0.5</td>
</tr>
<tr>
<td>Real Estate, Renting and Business Activities</td>
<td>2.0</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Public Administration and Defense</td>
<td>0.5</td>
<td>0.2</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Social Sectors and Other Services</td>
<td>0.3</td>
<td>0.5</td>
<td>0.8</td>
<td>0.5</td>
</tr>
</tbody>
</table>
Structural Dynamics: Dynamic Contribution of Sub sectors
Structural Dynamics: Dynamic Contribution of Sub sectors
Structural Dynamics: How Near is Ethiopia to Structural Transformation?
Structural Dynamics: The Demand Side

![Graph showing domestic demand, import substitution, and export expansion over different periods (1992-2005, 2005-2010, 2011-2014).]
Structural Dynamics: The Demand Side

![Graph showing contributions to total absorption from private consumption, government consumption, gross fixed investment, and absorption over the years 1995/96 to 2013/14.](image)

- **Private Consumption**
- **Government Consumption**
- **Gross Fixed Investment**
- **Absorption**
Structural Dynamics: The Demand Side

- Private Consumption
- Government Consumption
- Gross Fixed Investment
- Export
- GDP

Graph showing contributions to growth in GDP from different sectors over the years 1995/96 to 2013/14.
Summary: What Can Ethiopia Learn from Others?

### Country Matrix on the Process of Transformation

<table>
<thead>
<tr>
<th>Botswana</th>
<th>China</th>
<th>Ethiopia</th>
<th>South Korea</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Extractive Industry</strong></td>
<td><strong>High Initial Manufacturing Capability</strong></td>
<td><strong>High Rate of Public Investment</strong></td>
<td><strong>Effective use of foreign capital</strong></td>
</tr>
</tbody>
</table>

#### Botswana
- High Growth
- High Rate of Accumulation

#### China
- High Growth
- High Rate of Accumulation

#### Ethiopia
- High Growth
- High Rate of Accumulation

- Larger contribution of manufactures to the economy (static and dynamic shares, export, employment)

#### South Korea
- High Growth
- High Rate of Accumulation
- Effective use of foreign capital
- A transformation from low to high share of manufactures in the economy

### Outcomes of the process so far

<table>
<thead>
<tr>
<th>PCI @ current JSS$, 2013</th>
<th>Middle income</th>
<th>On transformation</th>
<th>Preparation for transformation</th>
<th>Developed</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,315</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6,807</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>505</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25,977</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Summary

- The growth and transformation plan of Ethiopia that has been launched in 2010/11 had a purpose of laying foundations for industrialization.
- The country has succeeded in achieving high economic growth and high rate of capital accumulation.
- Public investment in the infrastructure sector and social overheads has created better capability and in the process generated high rate of economic growth.
- Nevertheless, high economic growth and high rate of capital accumulations are the necessary but not the sufficient conditions for structural transformation to occur.
It appears that there is a long way to witness the shift of economic activities from sectors of low productivity to sectors of high productivity.

The low share of the manufacturing sector in the economy and the lack of change in the structure of exports stand out as major hurdles of transformation.

Judged by the performances in the last decade, Ethiopia is still in the preparatory stage that paves the way for structural transformation.
Investment in key infrastructure in a bid to lay foundations for sustainable transformation is expected to continue in the second phase of the growth and transformation plan.

As the return to the type of capital Ethiopia had been accumulating so far tend to wane even before reaching a middle income status, one way of sustaining high growth is through revisiting the quality of capital and redirecting the use of capital to more productive sectors.

What matters most is not the volume of capital we accumulate; rather it is what we can do with it compared to the cost at which we acquired it.

This dictates to focus on overall capability including physical capital, human capital, social capital, and institutional capital.
The opportunity for Ethiopia in this regard is that the low share of the manufacturing sector in the economy means a potential for other rounds of high growth periods.

Important task ahead of the GTP-II includes redirecting the use of capital to ensure a shift in the economy form public investment-led demand driven growth to private sector-led supply driven growth.

In particular investment in the manufacturing sector in the magnitude and quality that can trigger a change in the sectoral composition of the growth momentum in favor of industrialization becomes critical.
Summary

- Such a transition to a knowledge based economy requires institutional transformation.
- In addition to investments in physical infrastructure, issues such as service delivery, policy coordination, technology prioritization, and efficient labor market need to be revisited.
- At the heart of supply side constraints of the economy is the labor market.
- Labor market reforms and rewarding educational excellence through hierarchical incentives may prove essential to boost skill and motivation for work in a modern economy which Ethiopia is envisaging.
Summary

- Agriculture-manufacturing industry linkages may require balancing between small scale holders agriculture and commercial agriculture.
- The country’s policy of technological transfer need to be based on prioritization and identify ways of achieving it.
- Public-private partnership need to be a serious and candid engagement.
'GTP II’s Assessment of GTP I

- (The GTP II document is a draft; only preliminary comments can be made.)

- The performance of GTP I is critically assessed in the GTP II document.

- The low level of structural change and the issue of good governance are well emphasized.
Major Departure

- Major departure of the GTP II is the emphasis given to:
  1. The manufacturing sector
  2. Efficiency, productivity, quality, and competitiveness in the manufacturing and agriculture sectors
  3. Macroeconomic imbalances (demand-supply, resource balance, current account balance)
  4. Overall (institutional) capacity in the construction sector
  5. Urban development (urban administration and governance to foster industrialization)
  6. Private sector ‘transformation’
  7. Harnessing human capital with technology (quality)
  8. Climate resilient green economy
Objectives

1. An average economic growth of 11 percent
2. Deepen structural change by increasing engineering and fabrication capacity, productivity, quality, and competiveness
3. Ensure the organized participation, ownership, and inclusiveness of the people in the development process
4. Build developmental political economy through democratic developmental state

- There are no major differences between GTP I and II in terms of the objectives, and directions of the plans.
- The major 'departures' were also in the GTP I and hence the real departure is yet to be seen during the implementation.
Directions

Nine important directions are identified among which:

1. ensuring democratic and developmental good governance, and
2. deepening the capacity, participation, and inclusiveness of women and the youth

are parts.
Macroeconomic Goals

1. An average economic growth of 11 percent at base case scenario and 12.2 percent growth at high growth scenario
2. Structural change
3. Macroeconomic stability (single digit rate of inflation; stable and competitive foreign exchange rate)
### Growth Targets (percent) - Base Case Scenario

<table>
<thead>
<tr>
<th>Sector</th>
<th>Performance</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and Allied Activities</td>
<td>6.6</td>
<td>9.6</td>
</tr>
<tr>
<td>Industry</td>
<td>20.0</td>
<td>22.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>13.0</td>
<td>19.2</td>
</tr>
<tr>
<td>Services</td>
<td>10.7</td>
<td>9.4</td>
</tr>
<tr>
<td>GDP</td>
<td>10.1</td>
<td>11.4</td>
</tr>
</tbody>
</table>
### Expected Structure of the Economy

#### Static Contribution to GDP (percent) - Base Case Scenario

<table>
<thead>
<tr>
<th>Sector</th>
<th>Performance</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and Allied Activities</td>
<td>42.2</td>
<td>41.0</td>
</tr>
<tr>
<td>Industry</td>
<td>12.3</td>
<td>15.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.2</td>
<td>4.6</td>
</tr>
<tr>
<td>Services</td>
<td>45.5</td>
<td>43.4</td>
</tr>
</tbody>
</table>
### Dynamic Contribution of Sectors to Growth

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and Allied</td>
<td>26.1</td>
<td>31.8</td>
<td>25.9</td>
<td>24.5</td>
<td>23.2</td>
<td>22.4</td>
<td>21.7</td>
<td>23.6</td>
</tr>
<tr>
<td>Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>23.1</td>
<td>28.0</td>
<td>29.5</td>
<td>30.5</td>
<td>31.8</td>
<td>31.9</td>
<td>30.7</td>
<td>31.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td><strong>5.1</strong></td>
<td><strong>7.1</strong></td>
<td><strong>9.5</strong></td>
<td><strong>10.7</strong></td>
<td><strong>11.8</strong></td>
<td><strong>13.2</strong></td>
<td><strong>15.1</strong></td>
<td><strong>12.0</strong></td>
</tr>
<tr>
<td>Services</td>
<td>45.7</td>
<td>33.0</td>
<td>35.1</td>
<td>34.4</td>
<td>33.2</td>
<td>32.4</td>
<td>32.5</td>
<td>33.4</td>
</tr>
</tbody>
</table>
### Expected Change in Export Structure

<table>
<thead>
<tr>
<th></th>
<th>Targets of Export of Goods (as percent of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Base year estimates</td>
</tr>
<tr>
<td>Export of Goods</td>
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<td></td>
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<tr>
<td>Agriculture</td>
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<tr>
<td>Traditional exports</td>
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<tr>
<td>Flower</td>
<td>0.3</td>
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<tr>
<td>Others</td>
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<tr>
<td>Industry</td>
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<tr>
<td>Manufacturing</td>
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<td>Electricity</td>
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</tr>
<tr>
<td>Minerals</td>
<td>0.8</td>
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</table>
Overall Assessment

- The directions reflected in the plan document are plausible and appropriate.
- GTP II is basically a continuation of GTP I and no surprise if there are no other major changes in policy.
- The difference appears in the emphasis which can only be emerged upon implementation.
- Industrialization and issues of good governance are emphasized.
Overall Assessment

- The question to be asked should be "Is Ethiopia ready for industrialization" in terms of infrastructure, culture of industrialization, and institutional set up.
- Serious engagement in industrialization may require, among others,
  1. Identification and prioritization of major constraints in the manufacturing sector
  2. Targeted interventions for each constraint
  3. Presentation of clear account of the required inputs, technology, and skills in the short, medium and long-run
  4. Presentation of account of demand and supply of labor
  5. Assessment of technological readiness and identification of manufacturing industries based on readiness
- Growth in GDP by sectors need to be matched by source (how much due to capital, due to labor, and due to productivity.)
Thank You!!