

Country Assistance Policy for Ethiopia

1. Aim for development cooperation in Ethiopia

Ethiopia, located in the centre of the Horn of Africa, is a large country with a population of approximately 100 million. The African Union (AU) and United Nations Economic Commission for Africa (UNECA) Headquarters are seated in the capital, Addis Ababa, making the city the centre of African diplomacy.

Ethiopia has sustained a high economic growth rate of around 10% on average annually in recent years (IMF), and certain results have shown improving agricultural productivity, primary education enrollment rates, and poverty reduction.

However, per capita GNI is as low as \$660 (World Bank, 2016) and there are some other significant issues such as improvement of productivity and quality of agriculture and industries that will be a key factor in the export industry, infrastructure development that is indispensable for economic growth and attracting foreign investment, vulnerability to natural disasters such as drought, and urbanization caused by population increase.

Under such circumstances, the Government of Ethiopia set the national vision of becoming a low middle-income country by 2025 in the "Growth and Transformation Plan II (GTP2)" drawn up in February 2016. The Government of Ethiopia has worked on industrialization centering on the manufacturing industry in addition to agriculture.

Through such assistance to the Ethiopian government's efforts, Japan contributes to high-quality and stable economic growth in Ethiopia and to the investment and advancement of Japanese companies, thereby enhancing bilateral friendship and cooperation, further enhancing Japan's presence in the diplomacy of the African region.

2. Basic policy of Japan's ODA (Major targets): Support for high-quality economic growth promotion

In order to promote industrialization in the GTP2, the Government of Ethiopia focuses on development, in particular by strengthening agricultural market access, improving the quality and productivity of industries through Kaizen, developing quality infrastructure, developing human resources, and promoting science and technology. Japan will support the Government's efforts in line with the above priority areas.

3. Priority fields (Medium targets)

(1) Agriculture and Rural Development

In Ethiopia, agricultural output and productivity have improved due to Government support for agriculture and rural development programs and partners' long term support for development programs. Meanwhile, in order to achieve "becoming a low middle-income country by 2025", which is stated as a goal by the Government, Japan will further accelerate the growth of the agricultural sector, which accounts for about 40% of GDP, and will also strengthen the production system to be resilient to natural disasters.

Based on these circumstances, in addition to improving agricultural output and productivity, Japan will support the Government's efforts on the whole agricultural product value chain, such as improving market access and improving small-scale farmer income.

(2) Industrial Development

In order to realize modernized economic structures by shifting focus from agriculture to industry, it is important to develop industries by developing industrial policy, improving labor productivity, and inviting high quality foreign direct investment. Based on this situation, Japan is positioning the industrial policy dialogue with the Government of Ethiopia as a top cooperation priority and is giving concrete advice on the country's industrial policy.

In addition to promoting human resource development in administrative and industrial sectors with Kaizen as the main method, Japan also provides support in various fields that contribute to the improvement of the investment environment.

(3) Infrastructure Development

In infrastructure development that supports economic growth, it is important to strengthen management capacity as well as development of roads and facilities. Japan supports the development of quality infrastructure using Japanese Technology to promote investment in such areas as transportation, urban infrastructure, electric power, water supply and sewerage

(4) Education and Health

To strengthen individual capacity and expand employment opportunities, Japan supports improving the quality of education and developing human resources required by industry through developing comprehensive educational cooperation focusing on science and mathematics education. Japan also supports improving science and technology education and research capacity that promote the industrialization of Ethiopia. Japan supports the development of a health system and improvement of the

quality of medical service based on the philosophy of Universal Health Coverage (UHC).

4. Points for consideration

(1) Japan formulates projects for developing measures against natural disasters such as droughts and floods, and for renewable energy development. Japan also contributes to solving climate change issues in Ethiopia utilizing the framework of Reducing Emissions from Deforestation and forest Degradation and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries (REDD+) etc.

(2) And, in project formulation, Japan will pay attention to Sustainable Development Goals (SDGs) that include indicators on solid waste management.

(3) From the perspective of gender equality, Japan considers elements of supporting capacity development and the promotion of activities for women in project formulation.

(4) In addition to collaboration with other development partners, international organizations, NGOs, etc., Japan will also consider cooperation with the Japanese private sector, local governments, universities and research institutions.

(5) Japan will also take note of efforts centering on the Ministry of Environment in Japan based on the framework of the 'African Clean Cities Platform'.