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የጠቅላይ ሚኒስትር ጽሕፈት ቤት
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Eight Years On: Ethiopia’s Economic Evolution Toward a Modern and Diversified Economy

Over the past eight years, Ethiopia has undergone a far-reaching economic transformation, shifting from a restrictive and state-led model to a more enabling, resilient, diversified, and market-oriented economy.

Prior to 2018, economic growth was constrained by structural weaknesses, including limited job creation, narrow export diversification, and heavy dependence on external borrowing. The Agriculture Development-Led Industrialization (ADLI) framework expanded agricultural output but remained insufficiently action-oriented and did not fully utilize Ethiopia’s vast agricultural potential or generate adequate rural incomes to drive industrialization. Manufacturing exports stagnated below three billion dollars for many years, while industrial parks often operated as isolated enclaves with weak linkages to the domestic economy. This model also created macroeconomic vulnerabilities. Large infrastructure investments financed through external borrowing failed to generate sufficient foreign exchange, contributing to rising debt pressures. Key sectors such as telecommunications, finance, and mining remained underdeveloped or closed to private participation, constraining innovation, private investment, and overall economic dynamism.

Since 2018, Ethiopia has implemented a comprehensive reform agenda to address these challenges, unlock new sources of growth, and correct macroeconomic imbalances.

Agricultural Transformation and Food Sovereignty

A central pillar of reform has been the transformation of agriculture toward higher productivity, diversification, resilience, and sustainability. Ethiopia has achieved wheat self-sufficiency. By 2024/25, the country emerged as Africa’s largest wheat producer. Crop diversification has accelerated significantly, including rapid expansion in rice, oilseeds, and other industrial crops. Livestock and high-value agriculture have grown rapidly. Annual egg production has reached 9.4 billion, milk production approximately 13 billion litres, and meat production has increased nearly tenfold. These gains reflect improvements in nutrition, food systems, and diversified rural incomes. Structural reforms such as cluster farming[፣] now involving 9.5 million farmers across 12.8 million hectares[፣] have delivered measurable results, including a 29 percent increase in productivity and an 18 percent rise in incomes. Overall agricultural output has increased from 41.7 million tons to around 150 million tons within seven years. This has strengthened the sector’s contribution to economic growth, employment generation in both rural and urban areas, and export performance. Coffee production has doubled to nearly one million tons, generating about 2.65 billion dollars in export earnings in 2024/25.

Environmental Protection and Green Growth

Through the Green Legacy Initiative, more than 48 billion seedlings have been planted and 12.5 million hectares of land rehabilitated. Forest coverage has increased from 17 percent in 2019 to 23 percent in 2025. These efforts have reduced soil erosion while supporting agricultural productivity and export performance, particularly in coffee. They demonstrate the strong linkage between environmental protection and economic growth.

Industrial Policy and Export Orientation

Industrial strategy has evolved toward integrated Special Economic Zones that support manufacturing, logistics, and services while strengthening linkages with the domestic economy. The number of investors has grown from 36 in 2018 to over 200 today, with domestic investors accounting for nearly 65 percent. This transition reflects a shift from enclave-style industrialization toward a more integrated, inclusive, and sustainable ecosystem. Export-oriented production from these zones continues to expand, broadening the country's export base.

Mining, Import Substitution, and Export Growth

The mining sector has emerged as a key pillar of the economy. Previously underutilized, it has been repositioned as a driver of sustainable development and broad-based benefits. Gold production has increased significantly to nearly 39 tons, generating approximately 3.5 billion dollars in export earnings in 2024/25—accounting for more than 45 percent of total exports. Import substitution efforts have also delivered results. Coal imports have been fully replaced by domestic production, and cement production capacity now exceeds 20 million tons annually, supporting self-sufficiency.

Digital Transformation and Financial Inclusion

Liberalization of the telecommunications sector has driven one of the fastest digital expansions in Africa. Mobile subscriptions have increased from 37.9 million to 87.9 million, significantly expanding access and inclusion. Mobile financial services now serve more than 58 million users, with transactions exceeding 7.5 trillion birr. Financial sector reforms have strengthened macroeconomic stability and improved financial intermediation. Credit allocation has shifted toward the private sector, which now accounts for more than 85 percent of total bank lending. Reforms, including the restructuring of state-owned banks and improved financial sector governance, have enhanced liquidity, asset quality, and sustainability.

Fiscal Discipline and Structural Reform

A defining feature of recent progress has been strong fiscal discipline. Unlike the pre-2018 period, reforms have reduced reliance on external commercial borrowing. Improvements in state-owned enterprises, better project selection, and restructuring of underperforming sectors have reduced inefficiencies and strengthened public finances.

Urban Transformation and Human Capital Development

Ethiopia recognizes cities as engines of economic growth and structural transformation. Investments in urban development, infrastructure, and housing, supported by private sector participation, have improved living conditions and expanded economic opportunities. Integrated corridor development has enhanced the liveability, competitiveness, and economic functionality of cities, expanding from Addis Ababa to more than 50 cities nationwide. These efforts have positioned cities as hubs for innovation, tourism, and business.

A New Economic Direction

Ethiopia is transitioning away from a model heavily reliant on state-led investment toward one anchored in productivity, private sector dynamism, sectoral linkages, and structural transformation. Reforms across agriculture, industry, mining, finance, digitalization, and urban development reflect a practical and results-oriented approach to economic management. While challenges remain, the ongoing transformation is laying the foundation for sustainable and inclusive growth. It underscores the importance of structural reform, fiscal discipline, and effective policy implementation in building a competitive and resilient economy.

Over the past eight years, under the leadership of Prime Minister Abiy Ahmed (PhD), Ethiopia has advanced toward greater self-reliance and a more promising future. Guided by the philosophy of *Medemer* (synergy), this period has been defined by reform, resilience, and measurable results. As Ethiopia looks ahead, the progress achieved despite significant challenges demonstrates strong potential. The growth trajectory is becoming broader, deeper, more diversified, and more inclusive, with continued momentum aimed at delivering lasting benefits for future generations.

Answer the call of *Medemer*:

Let us unite, work together, and build a strong, shared, and prosperous future for all Ethiopians.

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