ETHIOPIA

HOMEGROWN ECONOMIC REFORM 2.0

2023/24 – 2025/26 Ethiopian Fiscal Years

Addis Ababa, Ethiopia

CONTENTS

1. CONTEXT AND BACKGROUND

Ethiopia has embarked on a wide-ranging reform over the past five years to address structural democratic, political, and economic bottlenecks facing one of the biggest economies in Africa. Following the political transition in the spring of 2018, the reform processes brought new hope of a transition to democracy and a stable economy. Key milestones in democratic, judicial, and political reform have included repealing oppressive legal frameworks that hindered the establishment of free, independent, and robust institutions crucial for peacebuilding and democracy. A notable example is the establishment of the National Dialogue Commission (Proclamation No. 1265/2021), which aims to foster inclusive dialogue and cultivate a civic and political culture conducive to resolving internal issues and fostering a peaceful and democratic society. Furthermore, reforms to civil society laws have created an environment that enables civil society organisations to participate actively in the democratisation and development processes of the country.

Democratic, justice and political reforms are pivotal in fostering sustainable and inclusive growth and development. They serve as the bedrock for establishing free, independent, and robust institutions, ensuring accountability, and upholding the rule of law, all of which are vital for attracting and maintaining investments. By improving the effectiveness of governmental institutions, these reforms enable better addressing of socio-economic challenges and the implementation of sustainable development plans. Ultimately, a politically stable environment cultivates an atmosphere conducive to continuous growth and development by encouraging innovation and ensuring equitable distribution of development benefits among the populace.

As part of the wider reform process, homegrown economic reform holds immense policy implications. The strategic objective of the first phase of the homegrown economic reform (HGER 1.0) program was to achieve inclusive, quality, and sustainable growth by maintaining a stable macroeconomic environment and reducing domestic and external economic vulnerabilities. This laid the foundation for prosperity by correcting macroeconomic imbalances, enhancing sectoral productive capacity, diversifying sources of economic growth and job opportunities, and correcting structural bottlenecks to ensure an enabling environment for private sector initiative and investment. Therefore, the HGER 2.0 promises to build on these successes and further propel Ethiopia's economic growth.

All the reform measures have shown significant progress and enhanced the country's resilience. Nevertheless, multiple and overlapping shocks that the economy faced during the implementation period of HGER 1.0, including the COVID-19, Russia-Ukraine conflict, climate change-induced flood and drought, domestic war and conflict, and international commodity price rises, have weakened the scale of positive effects expected from key policy reforms and actions, and simultaneously, delayed some policy reforms and actions.

This document primarily focuses on the economic and public sector reforms program within the HGER 2.0 framework. Other reform initiatives, such as the justice sector roadmap, transitional justice policy, and the implementation of inclusive national dialogue reforms, are addressed separately. However, all reform programs and activities collectively create an enabling environment for Ethiopia's Medium-term Development and Investment Plan (MDIP), which will be implemented during the 2023/23 – 2025/26 Ethiopian fiscal years.

Ethiopia's structural issues and transitions, and its impact on the progress of HGER and sustainable growth and prosperity: A fuller understanding of Ethiopia's HGER reform progress requires an appreciation of structural factors that influence the pace and scale of reform and transformations over the medium- to long-term. The core insight is that the country is undergoing multiple structural transitions simultaneously. How these transitions unfold can either expand the development frontier for the country in ways that were not possible before or limit this frontier. Either way, these transitions may make the task of economic reform, development planning and management more complex, volatile, and uncertain. At least six structural transitions are worth noting in the context of anchoring reform and achieving sustainable macroeconomic management and economic growth – complex economic structure and dynamics, macroeconomic structure and transition, demographic transition, social inclusion, and the wider political reform process transition.

On the other hand, multiple and overlapping shocks and uncertainties continue to challenge Ethiopia's progress. The multiple and overlapping shocks during the implementation period of the HGER 1.0 and the ten-year development plan (TYDP) include the impacts of the triple shocks – the COVID-19 pandemic, persistent domestic conflict and security situation, and external economic uncertainties. The COVID-19 pandemic in early 2020, followed by the northern Ethiopian war and the war in Ukraine, has affected the economy. These multiple and overlapping external and domestic shocks continue to challenge the successful implementation of domestic reforms and development agendas. The shocks have become recurrent and the new normal; hence, preparedness and building resilience through reforms and flexibly adjusting priorities are vital. For this reason, the government has formulated MDIP to integrate HGER 2.0 by renewing its commitment to maximise the potential, consolidate peace, and enhance the economy's resilience.

The economic and social repercussions of recent shocks have been substantial. These shocks, coupled with global trade disruptions and increases in commodity prices, have led to inflationary pressures, exacerbating the cost of living and food security concerns. Global commodity prices have also increased the costs of imported raw materials and intermediate inputs used in the manufacturing and construction sectors. The conflict in Northern Ethiopia has further strained basic service delivery, affecting education and healthcare. The government has implemented various measures, including budgetary allocations and public mobilisation efforts, to generate resources to support affected local communities. A multi-year Reconstruction, Rehabilitation, and Recovery Plan (3R Plan) has been initiated to expedite rebuilding and improve community conditions in the short to medium term. This plan is critical to the MDIP. Furthermore, the government is dedicated to reducing the likelihood of prolonged dependence on humanitarian aid and preventing a return to conflict. To this end, an all-inclusive peace process and sustaining peace-building will be cemented under the coordination of the NDC.

The climate-related shocks continue to challenge Ethiopia. The recent climate-related drought shocks in the Somali Region and southern parts of Oromia have caused a significant loss of livestock assets, the community's main livelihood sources. Frequent weather events and climate change's long-term impacts undermine Ethiopia’s development effort, especially in agriculture and pastoral livelihoods. These climate-related shocks of drought and flooding have been a recurring risk, and the government recognises that it requires a sustainable solution in terms of investment in the water sector to build a climate-resilient production system, which will remain a key component of the MDIP.

The global economy has become fragmented and volatile, and external development finance flows to Ethiopia have been constrained. The country has, however, benefited from the Debt Service Suspension Initiative of the G20, and implementation of the Common Framework is still in progress. Implementing the HGER program to manage external debt sustainably has eased the pressure on the overall external public debt, and the observed export growth performance is easing the external debt distress risk. On the positive end, Ethiopia’s foreign policy engagement has shown a significant improvement and is expected to reward Ethiopia in attracting investment, finance, and technology.

Inadequate human and institutional capabilities limit Ethiopia’s progress towards sustainable growth and prosperity. Implementation capacity gaps have become a challenge in different government institutions involved in the implementation, coordination, and service delivery of development plans, including implementing the HGER 2.0. Capacity challenges occur in the design of results-based performance management systems, database management, monitoring, evaluation, and reporting systems for up-to-date information on implementation status.

Ethiopia faces significant challenges and shocks, but transformative actions and reforms are imperative to enhance resilience. Despite these obstacles, there's a critical need to persist with inclusive reforms and sustainable development agendas, ensuring sustainable economic growth, shared prosperity, social inclusion, and a peaceful society. The government is steadfastly committed to advancing inclusive peacebuilding efforts, instilling hope in affected communities, and mitigating the risk of conflict resurgence.

It's important to recognise that Ethiopia's crises and challenges represent temporary setbacks rather than permanent hindrances to its progress towards sustainable economic growth and shared prosperity. The government remains steadfast in its vision of fostering a peaceful and inclusive society, aiming to become a beacon of sustainable growth, peace, and prosperity. Prioritising this goal, the government is determined to continue domestic reform processes and implement robust policies to ensure prosperity for all citizens.

The document is structured as follows. Chapter one deals with the overall context and background of HGER 2.0. The second section presents the progress review of the wide-ranging reform processes undertaken over the past five years, specifically, results achieved under HGER 1.0. Section three presents the factors and constraints that continue to challenge the Ethiopian economy that require transformative reform actions. Section four presents the rationales and goals of the HGER 2.0, and detail priority focus areas with specific reform intervention activities.

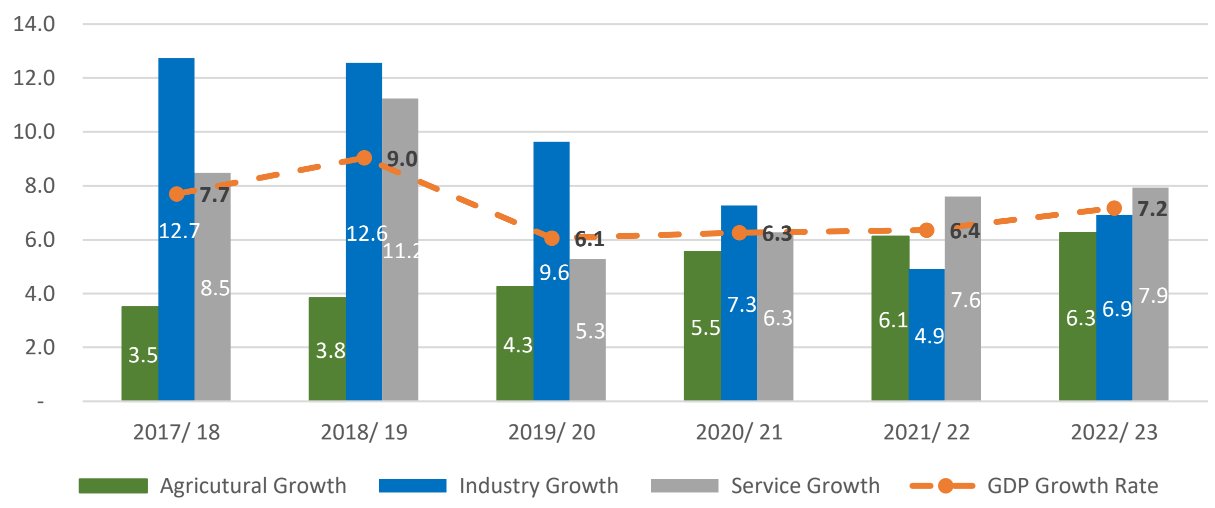
2. BUILDING ON PAST REFORM ACHIEVEMENTS

2.1 Real Economic Growth Performance

Real GDP growth remained resilient amidst multiple and overlapping shocks. The value of nominal GDP at market prices has increased from US$84.3 billion in EFY 2017/18 to US$163.7 billion in EFY 2022/23, doubling the nominal GDP over the past five years. The real GDP value at market prices has also increased by about 40.1% over the past five years. This corresponds with an average annual GDP growth rate of 7.1% at constant prices over the past five years. Similarly, the value of per capita GDP at current prices has increased from US$882 in EFY 2017/18 to US$1,549 billion in EFY 2022/23, showing an increase of 75.6% over the past five years.

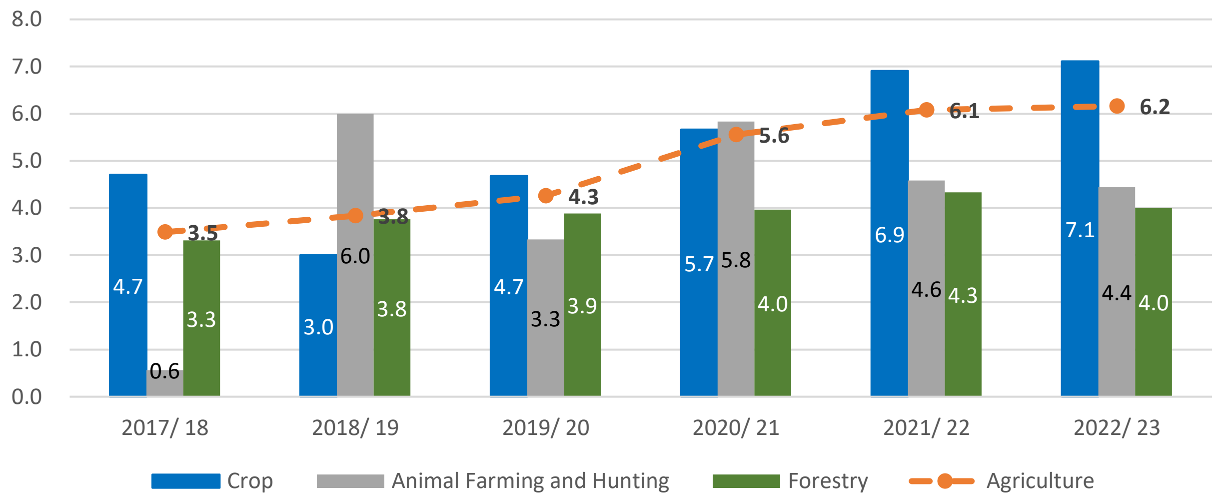
Intensive and extensive agricultural production has been the major source of growth, supported by government interventions and investments in input supplies and widespread extension services. Its average percentage share of GDP during the 2017/18 to 2022/23 period is 33%. Meanwhile, the overall industry classification has seen a decline in growth rate levels, with an average percentage share of GDP at 28.5% during the same period. Conversely, the service sector has exhibited an upward trend in growth post-Covid-19, maintaining the highest average percentage share of GDP at 39.7%.

Figure 1. Real GDP Growth Rates by Major Economic Classification



The crop sub-sector within the agriculture exhibited remarkable growth performance. With an average percentage share of 21.5% of GDP from 2017/18 to 2022/23, crop production has displayed a consistent upward trend in growth levels since 2018/19. The average annual crop production growth over the EFY 2017/2018 to 2022/23 period is 5.3%, above the average growth rate of the agriculture sector. This shows the crop subsector plays a vital role in driving the overall growth of value added in the agricultural sector and the GDP. The positive performance in crop production results from policy reforms and initiatives taken by the government to expand the productive capacities of the agricultural sector. The extensive cluster farming approach, farmland expansion, irrigation-led dry season farming, and agricultural mechanisation under HGER 1.0 initiatives are markedly changing the state of the agricultural sector and enhancing the productive capacity of the sector and economic opportunities in the rural area. With sustained government reforms, the agricultural sector contributes significantly to the country's economic growth. Despite its significant potential, the growth performance of the livestock economic activity, accounting for an average share of 8.5%, falls short of expectations.

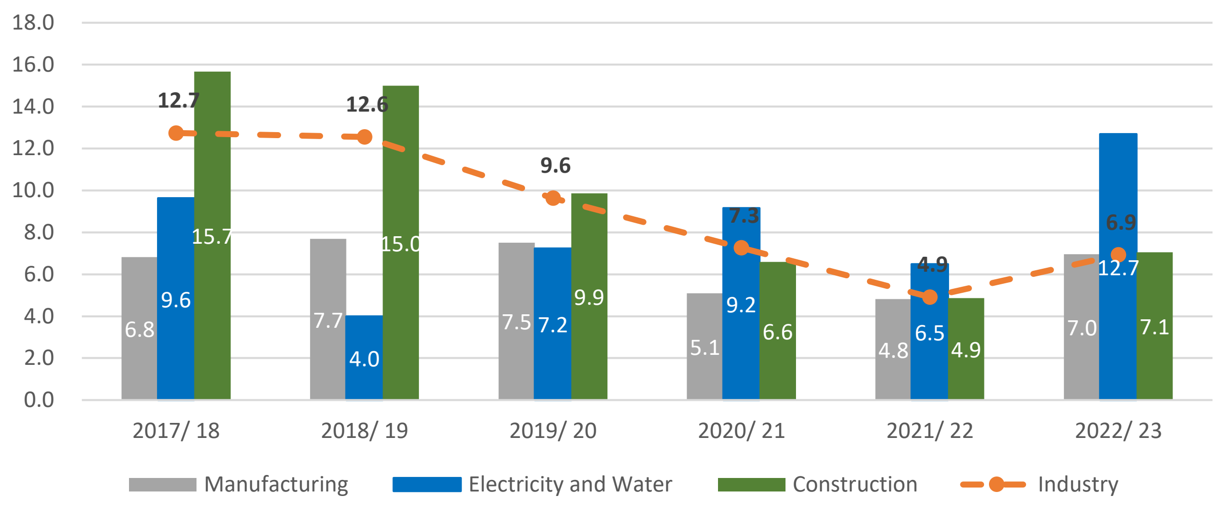
Figure 2. Real Agriculture GDP Growth Rates by Sub-sectors



Since 2017/18, the construction economic activity within the industry classification has experienced a decline in growth levels. Second, only to the crop sector in its percentage share of GDP, the construction industry shares an average of 19.7% of the total GDP from 2017/18 to 2022/23. Conversely, the mining industry has demonstrated a volatile growth performance, averaging a 0.3% share of GDP during the same period. Due to scaling issues, the economic activity of mining and quarrying is not included in the graph.

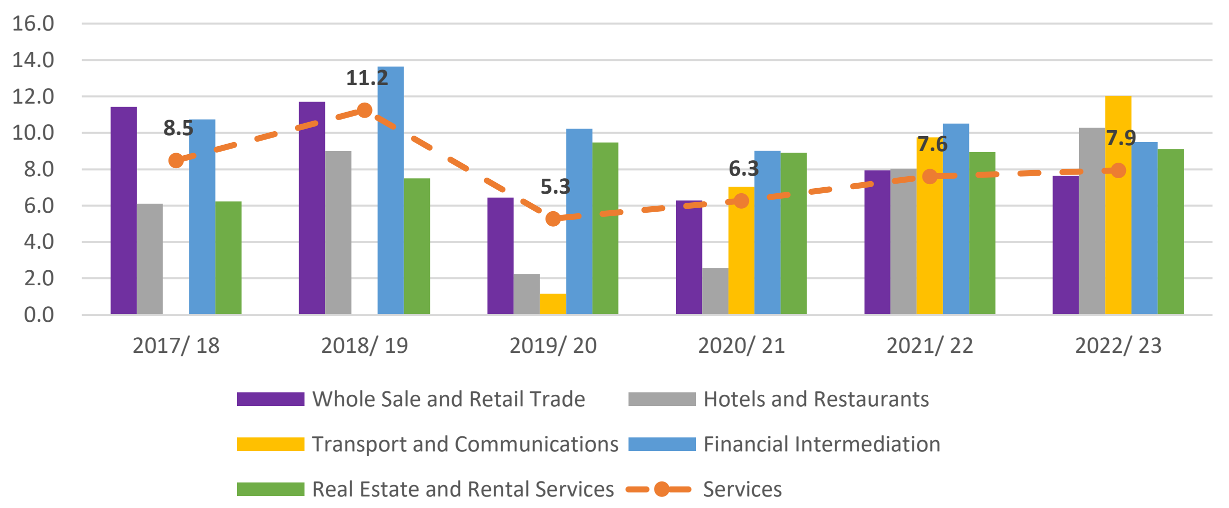
The manufacturing sector has shown an improving growth trajectory, though its overall GDP growth contribution remains low. During the EFY 2017/2018 to 2022/23 period, the manufacturing GDP has grown at an average annual rate of 6.5%, and it only accounts for 6.8% of the total GDP, with medium and large-scale manufacturing industries contributing 4.8%, and the small and cottage manufacturing industries contributing 2%. However, the overall industry sector (including the construction sub-industry) has grown at an average annual rate of 9% during the same period, and it accounts for 28.8% of the total GDP, with the construction industry contributing the most at 20.8%.

Figure 3. Real Industry GDP Growth Rates by Sub-sectors



The service sector has shown significant improvement, and its overall GDP contribution remains the highest. During the EFY 2017/2018 to 2022/23 period, the service sector GDP has grown at an average annual rate of 7.8%, and it accounts for 40.3% of the total GDP, with wholesale and retail trade contributing the most at 14.6%, and transport and communications contributing 5.8%.

Figure 4. Real Services GDP Growth Rates by Sub-sectors

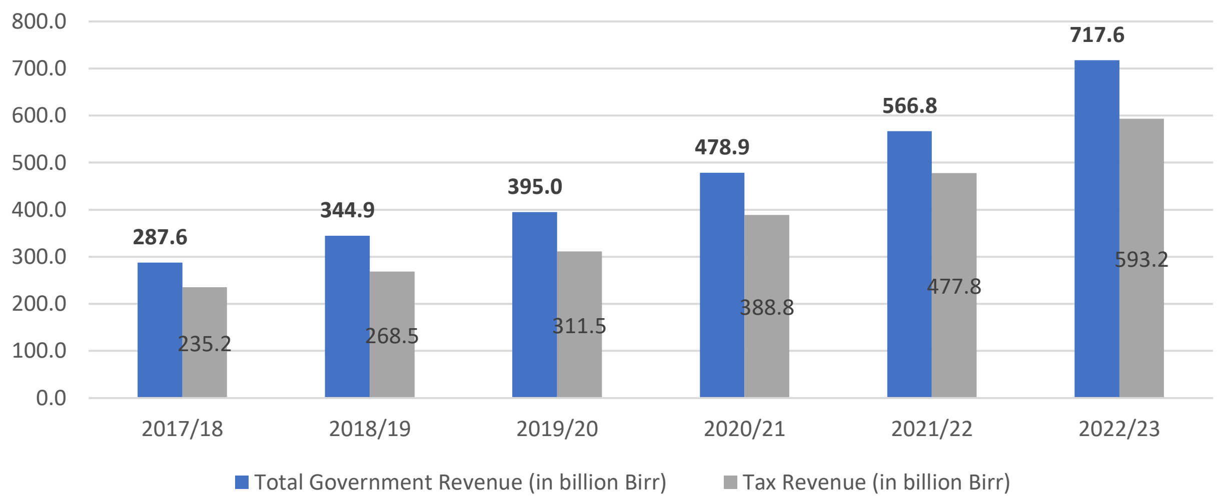


Within the services sector, wholesale and retail trade activities contribute significantly to the GDP, ranking as the third-highest economic activity with an average share of 14.3% from 2017/18 to 2022/23. Despite facing challenges from the COVID-19 pandemic, global economic uncertainties, and domestic conflicts, the wholesale and retail trade sector has shown resilience and demonstrated an upward trend in growth levels since 2019/20. Following closely is the transportation and communications services sub-sector, which holds the second-highest economic activity share within the services sector, averaging a GDP share of 5.4%. This sector has also experienced a notable upward trend in growth since 2019/20. Real estate and rental services and financial intermediation services represent the second and third economic activities within the services sector, respectively. Both sectors have exhibited steady growth over the past years, contributing to the overall stability and growth of the services sector. The other sub-sectors within the services sector include public administration, education, and healthcare and social assistance services.

2.2 Fiscal Performance

Improved tax revenue collection despite low tax-to-GDP ratio. During the EFY 2017/2018 to 2022/23 period, the government's capacity to collect tax revenue has increased from Birr 235 billion to Birr 593 billion. In the last five years, tax revenue has recorded an average annual growth of 20.7%. Tax revenue has the largest share of general government revenue, averaging 86.5%. Nevertheless, its share of the gross domestic product (tax-to-GDP ratio) has declined from 10.7% in EFY 2017/18 to 6.8% in EFY 2022/23. The improved tax collection performance is attributed to several fiscal-related reforms in fiscal policy and tax administration improvements.

Figure 5. Government Tax Revenue Collection Trends



Reduced public debt stock, both domestic and external. Ethiopia's total public debt-to-GDP ratio declined to about 38.1% in 2022/23 from 58.6% in 2017/18 following the adoption of strict reform initiatives, limits on new commercial loans, and a prudent fiscal stance with a narrowing fiscal deficit. Similarly, the external public debt-to-GDP ratio declined to 17.2% in 2022/23 from 30.2% in 2017/18. Generally, the ratio indicates the proportion of a country's total external debt to its gross domestic product (GDP), serving as a key indicator of its debt sustainability and creditworthiness.

Figure 6. External Debt-to-GDP Ratio

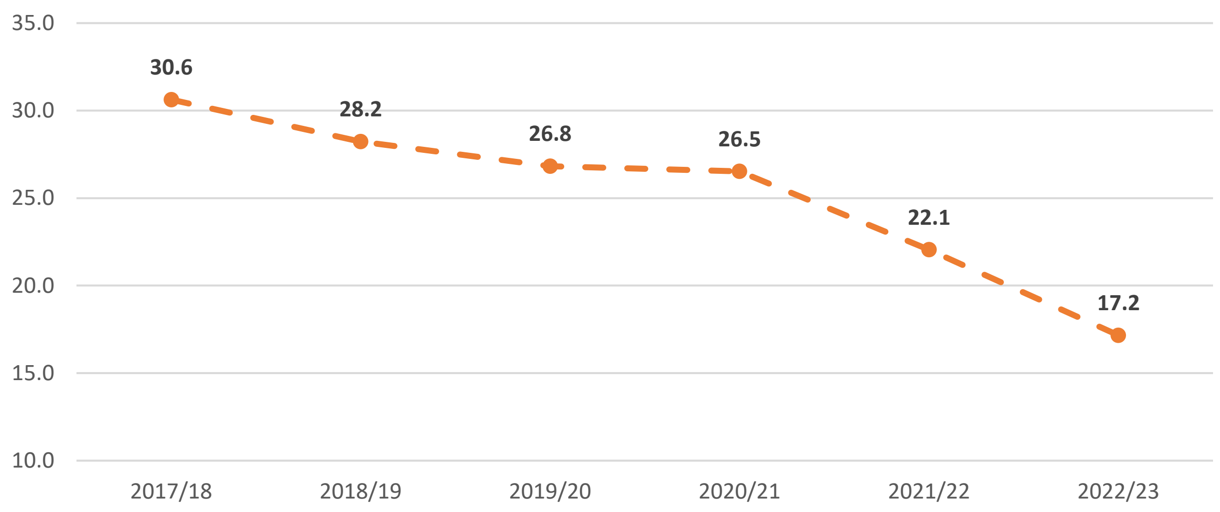
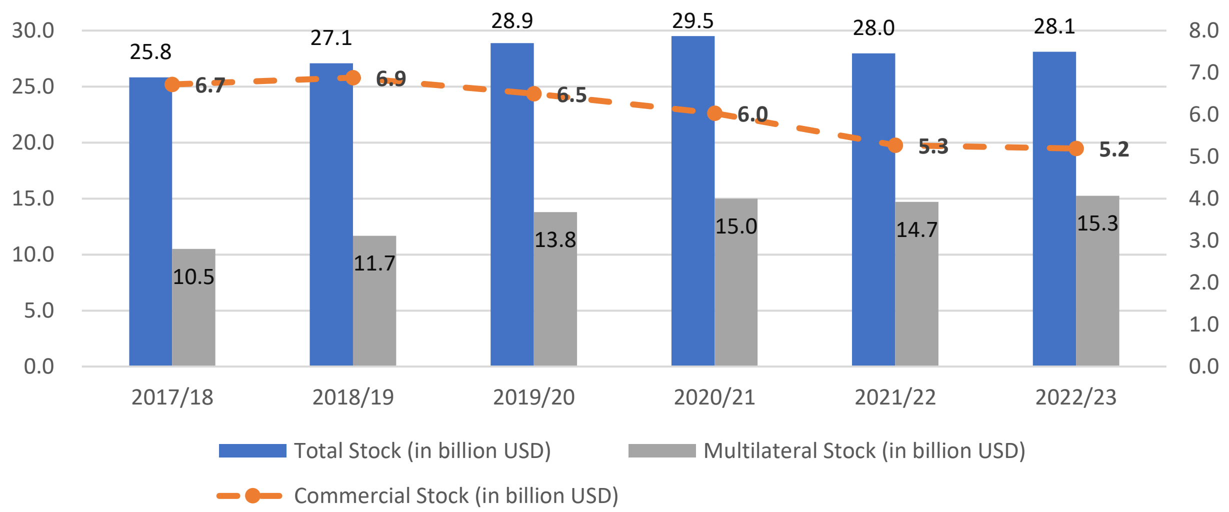


Figure 7. External Debt Stock Development

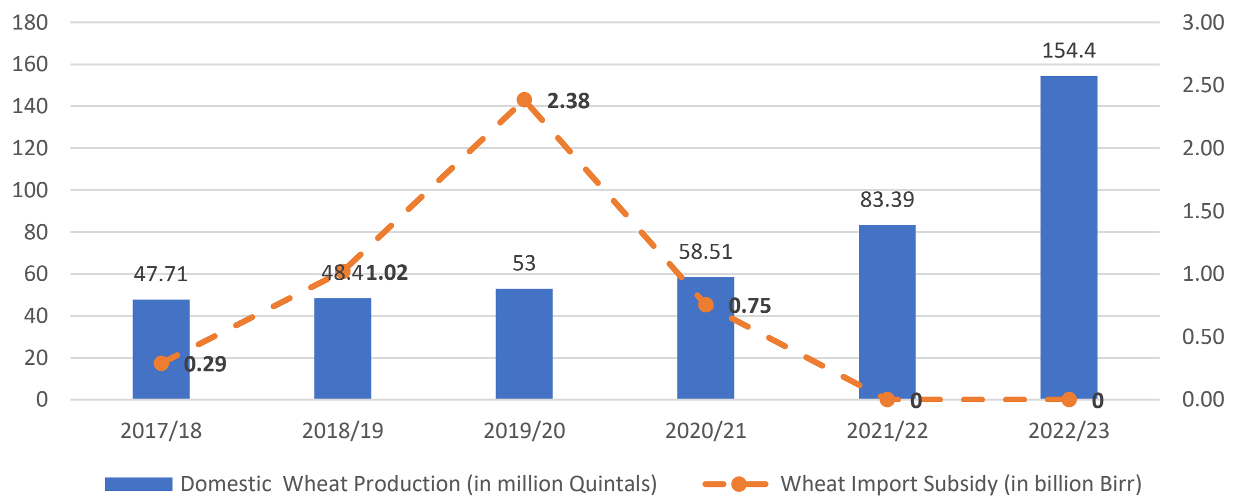


While the total external debt stock has increased over recent years, this growth has been primarily driven by an increase in multilateral external debt. In contrast, bilateral external debt has declined during this period. The decline in the commercial external debt stock suggests that Ethiopia has successfully managed its debt portfolio and implemented prudent debt management practices. This trend reflects government efforts to diversify sources of financing, negotiate more favourable terms with creditors, and prioritise concessional borrowing over commercial borrowing.

The performance of subsidy reforms in Ethiopia has also been noteworthy, reflecting the government's dedication to addressing fiscal challenges, enhancing resource allocation efficiency, and providing targeted assistance to vulnerable populations. Over the past five years, the government has phased out inefficient subsidies that were costly for the government and often benefited wealthier segments of society. This includes gradually reducing or eliminating subsidies on items with low social returns or high fiscal costs. By redirecting resources from inefficient subsidies to more targeted social safety net programs, the government improved the effectiveness and equity of its subsidy system.

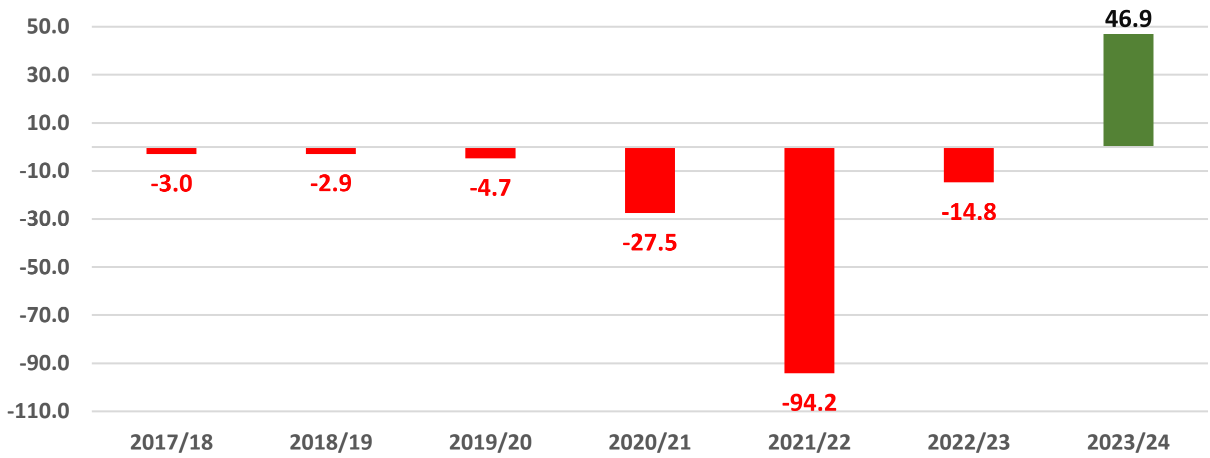
From 2017/18 to 2020/21, Ethiopia spent a total of Birr 4.4 billion on wheat import subsidies. However, upon evaluating the effectiveness of the wheat import subsidy program, it was found that the intended low-income groups did not benefit as intended. Consequently, the government decided to phase out the wheat import subsidy by EFY 2021/22. The government fully substituted domestic wheat production for wheat imports as part of this transition. Ethiopia has witnessed a substantial expansion in its annual wheat production capacity, demonstrating significant progress in its national wheat development initiatives. From 2017/18 to 2022/23, the country's wheat production capacity has surged from 47.7 million quintals to 154.4 million quintals. This remarkable increase underscores the strategic interventions undertaken by the government to reduce reliance on imported wheat while concurrently bolstering domestic production for both self-sufficiency and potential export opportunities.

Figure 8. Wheat Import Subsidy and Domestic Wheat Production Trends



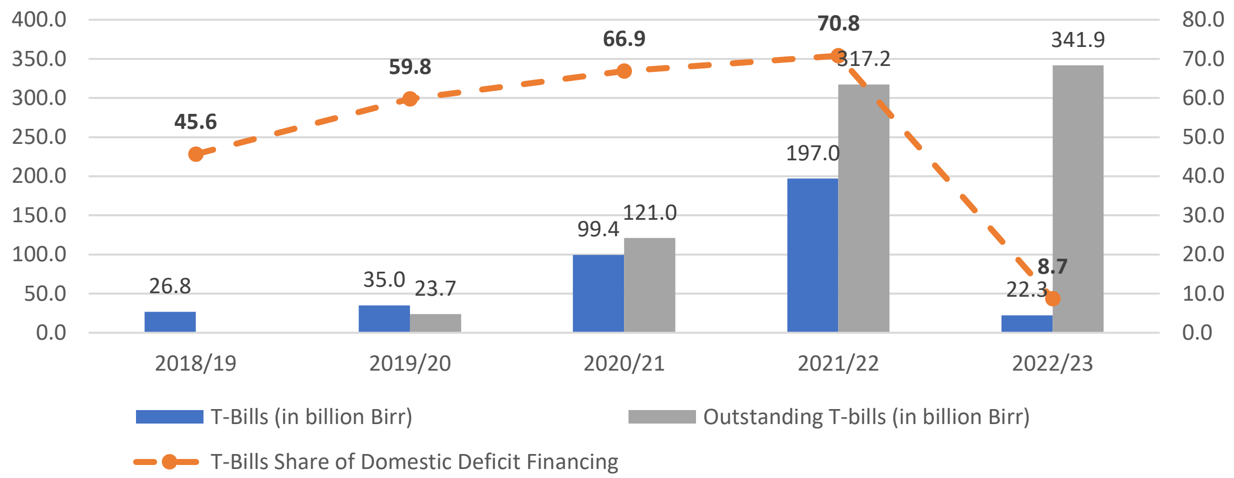
Phasing out credit-based fuel sales to fuel distributors entailed a gradual transition from providing fuel on credit to distributors to implementing a system where distributors purchase fuel upfront or on a cash basis. This shift marked a departure from previous practices and aimed to enhance financial stability and accountability within the fuel sector. As a result of these reforms, the Fuel Stabilization Fund Account, established under Proclamation 247 in 2001/02, experienced a significant turnaround. The account recorded a substantial Birr 46.7 billion in credits for the first time, signalling improved financial management and reduced reliance on inefficient credit-based transactions. This improvement in credit receivables performance is evident in the significant reduction of accumulated debt, decreasing from approximately Birr 196.8 billion in June 2021/22 to about Birr 100.2 billion by February 2023/24. This positive trend reflects the effectiveness of the reforms in enhancing financial discipline, reducing debt burdens, and promoting sustainable practices within the fuel sector.

Figure 9. Fuel Price Stabilisation Fund (Annual Receivables in Billion Birr)



Another fiscal reform were the domestic deficit financing and reforms in Treasury Bills (T-Bills) which represented critical measures to address fiscal deficits, enhance liquidity management, and strengthen the government's deficit financing mechanisms. Over the past five years, Ethiopia's government financing instruments have noticed a notable shift in the composition. The share of Treasury Bills (T-Bills) financing increased from approximately 46 per cent in 2018/19 to about 71 per cent in EFY 2021/22. However, this trend saw a significant reversal in EFY 2022/23, with the share of T-Bills reducing drastically to only 9 per cent. Conversely, the government increased the issuance of Treasury Bonds (T-Bonds) during the same period, raising Birr 38.7 billion in EFY 2022/23. This shift in government borrowing patterns reflects a strategic move towards diversifying financing sources and optimising debt management strategies. By reducing reliance on short-term T-bills and increasing the issuance of longer-term T-bonds, the government aims to mitigate rollover risks and enhance overall debt sustainability.

Figure 10. Domestic Deficit Financing Through T-Bills



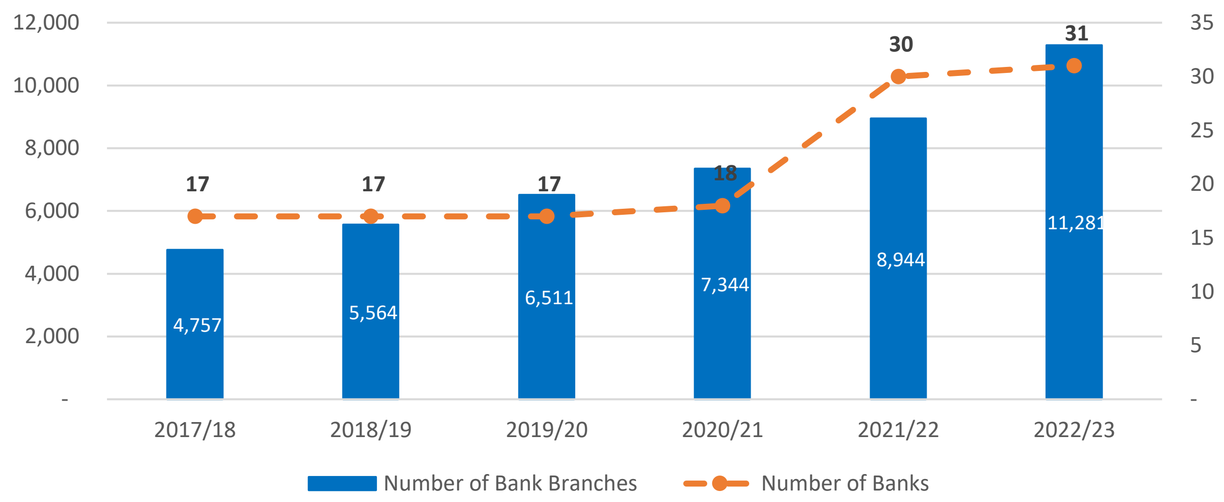
Improved state-owned enterprises' performance and competitiveness. Pre-tax and interest profits of the SOEs grew more than five-fold between EFY 2017/18 and EFY 2021/22, reaching Birr 200 billion. Establishing Ethiopian Investment Holdings (EIH), representing assets worth US$35 billion in EFY 2021/22, helped provide a strong commercial orientation for SOEs and foundations to attract private investment. On the other hand, forming the Liability and Asset Management Corporation (LAMC) also helped improve the financial healthiness of highly indebted SOEs. Through LAMC's innovative approach, the government aimed to address unsustainable debt burdens of SOEs, enhance financial stability, and promote a more efficient allocation of resources in the Ethiopian economy.

2.3 Monetary and Finance Sector Performance

Conventional banking methods and practices predominantly marked Ethiopia's domestic banking industry. However, in the last five years, the government has embarked on significant initiatives to enhance banking sector regulations and procedures. These efforts include the elimination of restrictive financial regulations like the abolishment of the "27 rule," the removal of obstacles to Islamic banking, the implementation of a legal framework for movable property collateral, and the introduction of new currency notes.

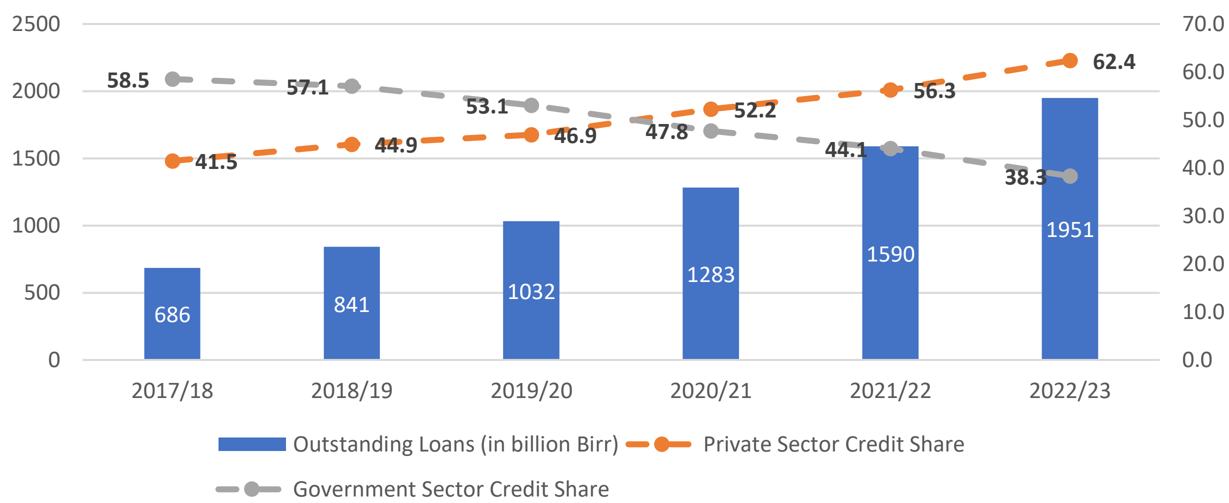
The banking industry continued to expand its financial outreach, shown by improved net deposit mobilisation and loan disbursements. By EFY 2022/23, the total deposits of the banking industry had reached about Birr 2.2 trillion, showing 196.6% growth from the EFY 2017/18. During the EFY 2017/2018 to 2022/23 period, the bank deposit mobilisation recorded an average annual growth of 24.4%. Similarly, the banking industry's total loan or credit disbursement capacity had reached about Birr 1.96 trillion by EFY 2022/23, showing 186.3% growth from the EFY 2017/18. The bank credit allocations recorded an average annual growth of 23.4% over the past five years. The total loans-to-deposit ratio has improved over the past, and the average annual ratio is 94.5%.

Figure 11. Banking Sector Expansion and Growth



Improved access to finance for the private sector, showing an increase of the private sector credit allocation share from the total new credits from 41.5% in EFY 2017/18 to 62% in EFY 2022/23. During the EFY 2017/2018 to 2022/23 period, the private sector credit allocation share accounted for an annual average of 52.3%. At the same time, public sector credit disbursement declined from 58.5% to 38%. As the key objective of the HGER 1.0, access to finance is crucial for the development of the private sector, and establishing the Ethiopian capital market would further diversify the private businesses' access to sources of finance.

Figure 12. Domestic Commercial Banks Credit Allocations Trends



Improved investment climate and ease of doing business have significantly reduced the cost and time of starting and doing investment and business. Ethiopia's Commercial Code, enacted in 1960, was revised to align with international best practices. Since launching a single-window service portal in EFY2019/20, the average trade clearance duration has been reduced from 44 days to 13 days. The digitisation of services such as business registration and licensing, construction work permits, e-single windows for trade clearance, and tax filing, among others, played a vital role.

Leveraging financial inclusion, including expansion of bank branches in rural and remote areas, introducing digital financial services such as Telebirr and Sharia-compliant financial services as part of the reform. The total bank branches have more than doubled during the past five years, from 4,757 in EFY 2017/18 to 11,090 in EFY 2022/23. Ethiopia is at a turning point in leveraging financial inclusion through the digitalisation of financial services. The country historically had a financial sector with limited access to modern financial services, and there have been notable reforms and developments over the past five years aimed at fostering digital financial inclusion.

- **Ethio Telecom has emerged as the leader in the digital financial services sector,** each pioneering innovative mobile money solutions that have transformed financial inclusivity and empowerment in their respective markets. Ethio Telecom introduced Telebirr, its mobile money service, in 2021, rapidly gaining traction, reaching 40.3 million users within just two and a half years of its launch. With over 70 million subscribers, Ethio Telecom processed transactions exceeding ETB 1.6 trillion during this period, highlighting the widespread adoption and impact of Telebirr. Notably, Telebirr's app functionality has enabled the provision of microloans totalling ETB 7.8 billion to 3.6 million users and facilitated savings of ETB 7.7 billion for 1.4 million customers within just a year and four months of operation. Furthermore, the ongoing digitisation efforts have led to the integration of over 521 services with Telebirr, promoting interoperability, accessibility, productivity, and efficiency while empowering enterprises.
- **Similarly, Safaricom's MPESA mobile money product, launched in August 2023, quickly garnered 1.2 million users within two months**, underscoring the demand and potential for mobile money services. These initiatives signify a pivotal shift towards digital financial services, driving financial inclusion.

Augmenting the financial deepening strategy, the government has also prioritised enhancing pension funds and asset management to improve efficiency and maximise investment returns. Recognising the pivotal role of a well-managed pension system in ensuring financial security for individuals during retirement and fostering broader financial and economic stability, these reforms aimed to optimise the allocation of pension funds into productive and high-return investments. The government seeks to leverage pension assets as a catalyst for economic growth and development by instilling a culture of responsible pension fund investment and financial planning.

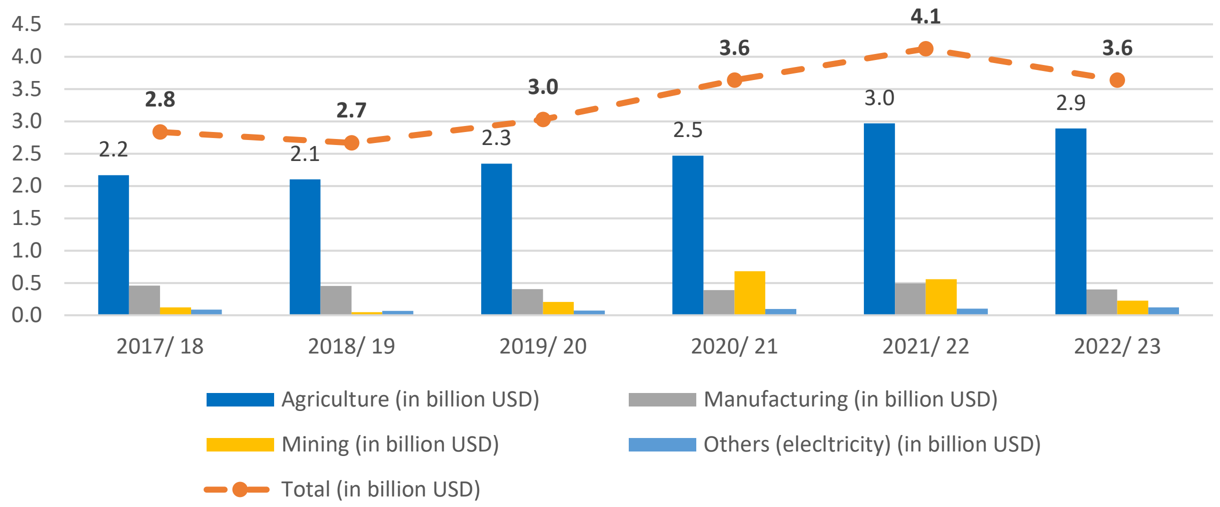
- **Public and private pension fund financial assets increased by 184 per cent and 207 per cent, respectively**, between EFY 2017/18 and EFY 2021/22. Return on investment also increased by 17 and 18 folds, respectively. The efficiency of pension funds is attributable to the launch of a competitive T-bills market, which contributed to a significant return on investment, and legal reform was introduced to modernise institutional structure that accommodates and encourages pension investment in diverse sectors other than T-bills.

Recognising the pivotal role of capital markets in driving sustainable investment and growth, the Ethiopian government has enacted the Capital Market Proclamation (No 1248/2021) to lay the foundation for a robust and inclusive financial ecosystem. This legislation aims to mobilise long-term capital and foster innovative financial instruments, facilitating broader economic participation. Complementing this legal framework, the Ethiopian Capital Market Authority (ECMA) has been established to regulate and supervise capital market activities, ensuring fairness, integrity, and efficiency. The ECMA is tasked with issuing exchange licenses, establishing admission criteria, and facilitating listing securities on the exchange. As part of implementing the HGER 2.0, efforts to accelerate the operationalisation of the capital market have been prioritised, focusing on market infrastructure development, capacity-building initiatives, and the review of protocols and instruments essential for the market's functionality.

2.4 External Sector Performance

Improved merchandise export performance. During the EFY 2017/2018 to 2022/23 period, exports have registered a good performance in foreign exchange earnings. Ethiopia’s goods export has crossed the US$3 billion mark for the first time in EFY 2020/21, and the average annual growth rate of the export revenue has been 5.9% over the past five years. Over the past five years, agriculture has commanded a substantial portion of total export earnings, averaging 75.3 per cent from 2017/18 to 2022/23. It is followed by the manufacturing industry exports, averaging 13.4%, the mineral sector at an average of 8.6%, and other sectors (including electricity), with an average share of 2.8%.

Figure 13. Sectoral Export Performance



Services exports continued to show remarkable growth, with an average annual growth rate of 11.5% over the past five years. The total exports increased from US$7.1 billion in EFY 2017/18 to US$10.7 billion in EFY 2022/23, with an average annual growth rate of 8.9%. This has improved the prospect of the country's external capital inflow.

Improved net foreign direct investment (FDI) inflows. During the EFY 2017/2018 to 2022/23 period, the average annual growth rate of the net FDI inflow was 2.4%. Despite the multiple and overlapping shocks over the past years, the economy has shown resilience in attracting foreign direct investment. The net FDI inflows are increasing, and the country has attracted, on average, close to US$3.3 billion in FDI annually since the EFY 2017/2018. Surpassing a staggering FDI stock of over US$35 billion by 2022, Ethiopia is one of Africa's foremost destinations for FDI.

Improved remittance mobilisation. During the EFY 2017/2018 to 2022/23 period, the average annual growth rate of the remittance inflow was 3.3%. The remittance inflows are increasing, and the country has attracted, on average, US$6.3 billion in remittances annually since the EFY 2017/2018.

Table 1. Key External Sector Performance in USD Billions

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Private Transfers	6.1	6.4	5.2	6.1	7.1	7.0
Private Individuals	*5.1*	*5.7*	*4.3*	*4.9*	*5.3*	*4.9*
FDI	3.7	3.0	2.4	4.0	3.3	3.4
Current Account	-5.3	-4.9	-4.4	-3.2	-5.1	-4.5
Good Export	2.8	2.7	3.0	3.6	4.1	3.6
Service Export	4.2	4.9	4.7	4.9	6.4	7.1
Imports	15.2	15.1	13.9	14.3	18.1	17.1

3. CHALLENGES STILL FACING ETHIOPIAN ECONOMY

The Ethiopian economy still confronts multifaceted challenges ranging from sectoral issues such as low productivity to structural impediments such as low-skilled human resources and infrastructure gaps hindering investment and economic growth. Macroeconomic challenges, including unemployment and inflation, fiscal deficits, and external debt distress, still threaten overall economic stability. Public sector capability and institutional weaknesses further complicate effective policy implementation and hinder private sector development. Social challenges and the political environment, notably conflict and illegal business undertakings, add to the complexity, impacting the pursuit of inclusive and sustainable economic growth. Addressing these challenges requires comprehensive and coordinated reforms and efforts across various public organs to foster resilience, promote inclusive development, and ensure Ethiopia's long-term economic sustainability.

Fundamental challenges facing the Ethiopian economy are the following, including –

3.1 External Sector and Stability Challenges

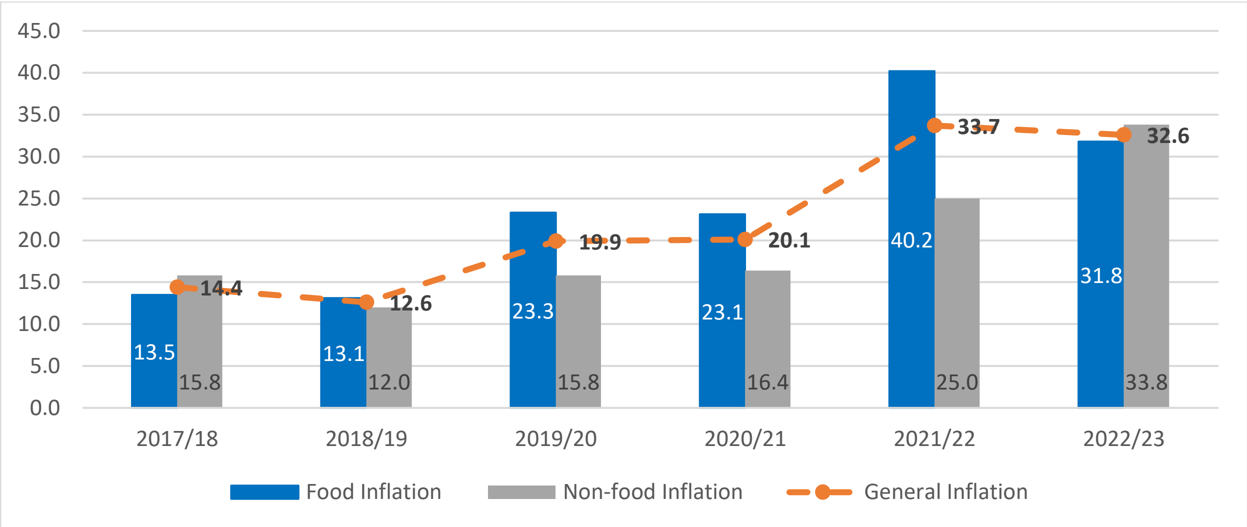
Global economic uncertainty and stress on the balance of payments: An array of economic and geopolitical trends is casting a shadow on the outlook of the global economy. From developing economies' perspective - as highly dependent on and vulnerable to the external economy for borrowing, attracting investment, and trade - the most immediate risk is the spike in external borrowing costs, rising international commodity prices affecting trade flows, and declining capital inflows mainly through FDI inflows.

- The ongoing external risks and instability persistently affect Ethiopia's Balance of Payments (BOP) outlook, increasing fluctuations and disparities between official and unofficial foreign exchange rates. This is primarily attributed to limited foreign exchange inflows and scarce supplies, creating a vicious cycle that disrupts export promotion, FDI, and consequently, macroeconomic balance. The government faces the challenge of reducing dependence on the external economy and rectifying foreign exchange rate distortions through a pragmatic and balanced policy approach. It's crucial to address these issues without inadvertently increasing the social cost burden and other domestic economic and financial frictions.

Inflation presents significant monetary and financial policy challenges, impacting macroeconomic stability. In Ethiopia, structural factors such as supply chain rigidities, food price volatility, and exchange rate challenges exacerbate inflationary pressures, making it challenging to address through conventional monetary policy tools alone. Furthermore, the limited stability of financial markets and the predominance of traditional financial practices constrain the effectiveness of monetary policy transmission mechanisms. The annual average general inflation increased from 14.4 per cent in 2017/18 to 32.6 per cent in 2022/23.

- Coupled with the unemployment and limited income-earning opportunities for citizens, mainly in urban areas, the high inflation rate contributes to a significant rise in the cost of living. High inflation erodes individuals' purchasing power; high production costs reduce business confidence and distort resource allocations. The challenge for the government is to keep inflation within a reasonable, stable range through disciplinary monetary and fiscal policies while expanding domestic productivity gains and creating economic opportunities at the same time.

Figure 14. Price Development Trends (Annual Average)



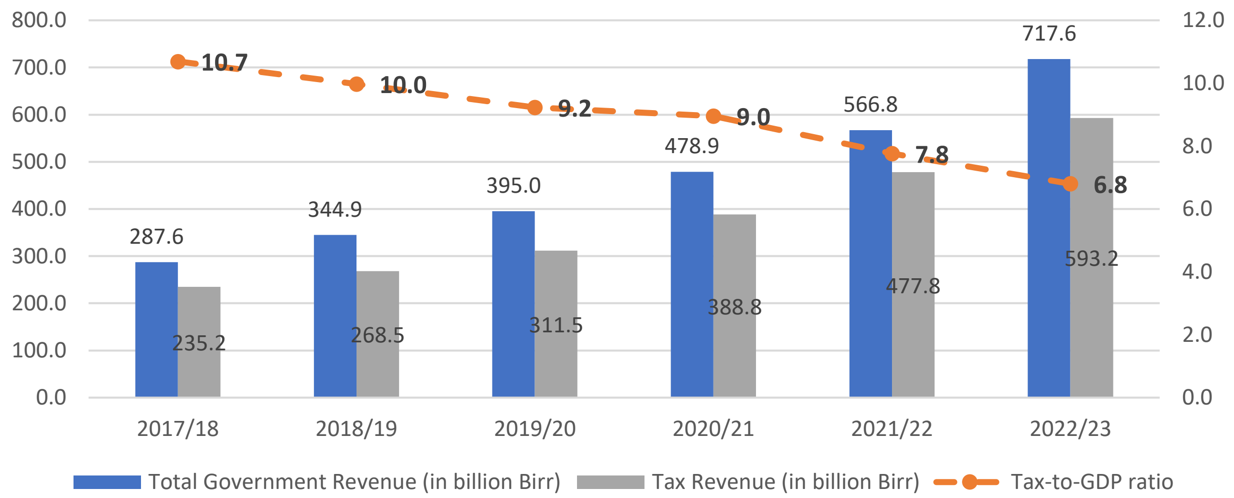
Low domestic saving mobilisation and limited access to finance for investment: The key challenge revolves around structural economic constraints negatively impacting the economy's productive capacity and income-generating potential. During the 2017/2018 to 2022/23 period, the annual average gross domestic saving rate (as % of GDP) was only 19.3%. In contrast, the gross capital formation (total investment to GDP ratio) is 29.3% during the same period. The Ethiopian economy grapples with limited financial infrastructure, an underdeveloped capital market, and a persistent trade imbalance, further exacerbating the difficulty in mobilising and sustaining domestic savings and investment. Addressing these challenges requires comprehensive policy reforms to enhance financial and capital market development, deepen financial inclusion, foster economic diversification and productivity, and encourage domestic and foreign investment in key sectors.

Furthermore, a lack of robust and modern MPF and tools constrain the NBE's capacity to effectively manage inflation, forex, and overall macro-financial stability. Furthermore, updated and disaggregated monetary and financial data quality and availability posed challenges, limiting the NBE's ability to conduct timely and accurate economic analyses and forecasts necessary for informed monetary and financial policy decisions. Moreover, institutional capacity gaps within the NBE hinder its ability to implement monetary policies effectively and adapt to evolving economic conditions.

3.2 Fiscal Gaps and Challenges

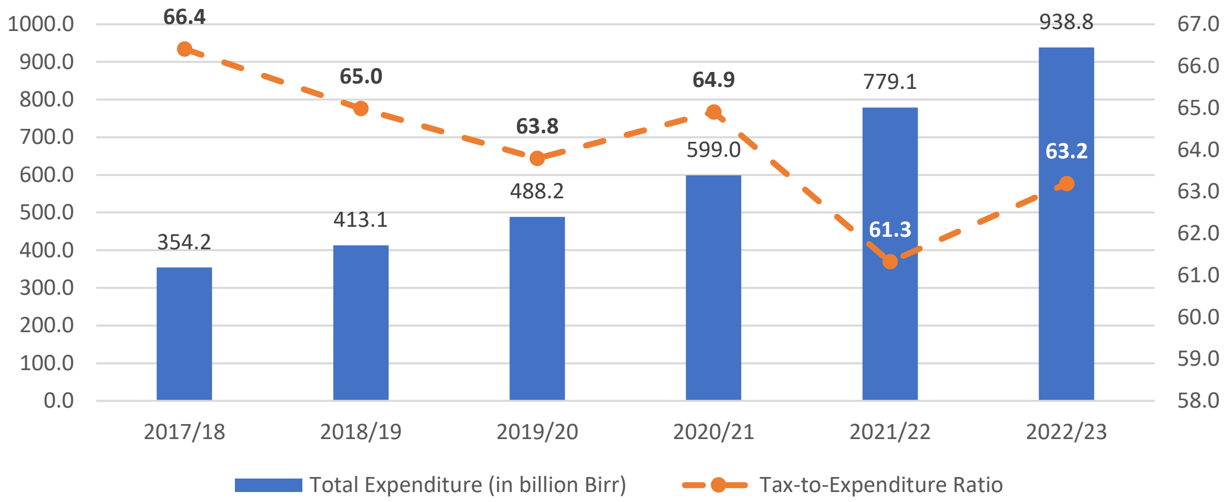
Ethiopia faces significant challenges in mobilising sufficient domestic tax revenue to finance its expenditure and development agenda. Weak tax enforcement mechanisms, low compliance levels, a large informal sector, low economic productivity, limited capacity in tax administration and narrow tax bases, limited coverage of indirect taxes, and overreliance on trade taxes. contribute to revenue leakage and undermine the effectiveness of fiscal policies. Consequently, Ethiopia's tax-to-GDP ratio has experienced a significant deterioration over time, which poses challenges for revenue mobilisation and fiscal sustainability.

Figure 15. Tax-to-GDP Ratio Trends



Expenditure has been escalating rapidly over the years, outpacing the growth of tax revenues, and resulting in a declining tax-to-expenditure ratio. This trend poses significant fiscal challenges as the government grapples with the increasing burden of financing its expenditure obligations. Several factors contribute to this phenomenon, including rising demand for public services, ambitious development agendas, and infrastructure investments. Additionally, macroeconomic pressures, such as inflationary pressures and currency depreciation, may further exacerbate expenditure growth. The widening gap between expenditure and tax revenues underscores the urgent need for comprehensive fiscal reforms to enhance revenue mobilisation, improve expenditure management, and promote fiscal sustainability in Ethiopia.

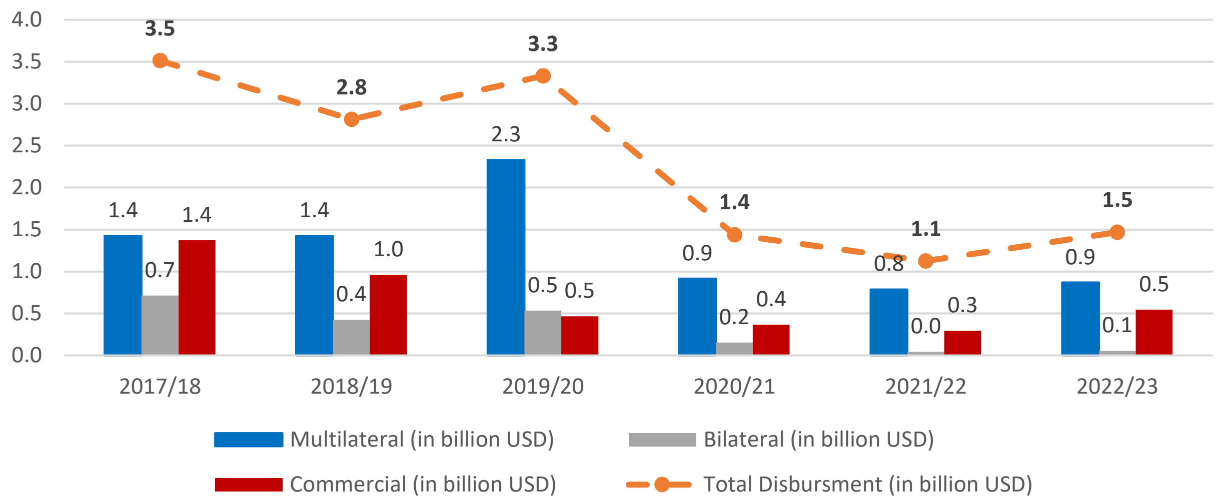
Figure 16. Tax-to-Expenditure Ratio Trends



Global economic uncertainty poses significant challenges for developing economies like Ethiopia, which depend on external resources for borrowing, investment attraction, and trade. The current economic landscape is marked by various economic and geopolitical trends that shadow the global economy's outlook. The most immediate risk for developing economies stems from the spike in external borrowing costs and rising international commodity prices, which impact external resource mobilisation efforts. These challenges can hamper economic growth, exacerbate debt burdens, and constrain access to vital financial resources needed for development initiatives.

External debt disbursement gaps and constraints represent significant bottlenecks in Ethiopia's development trajectory, arising from many factors. These include restricted access to concessional financing, escalating debt levels prompting sustainability concerns, ongoing economic and political instability, and limitations in capacity and institutional frameworks for effective debt management. These challenges impeded Ethiopia's capacity to obtain additional concessional financing for crucial development initiatives, resulting in delays in disbursements and suboptimal utilisation of existing funds.

Figure 17. External Debt Disbursement Trends



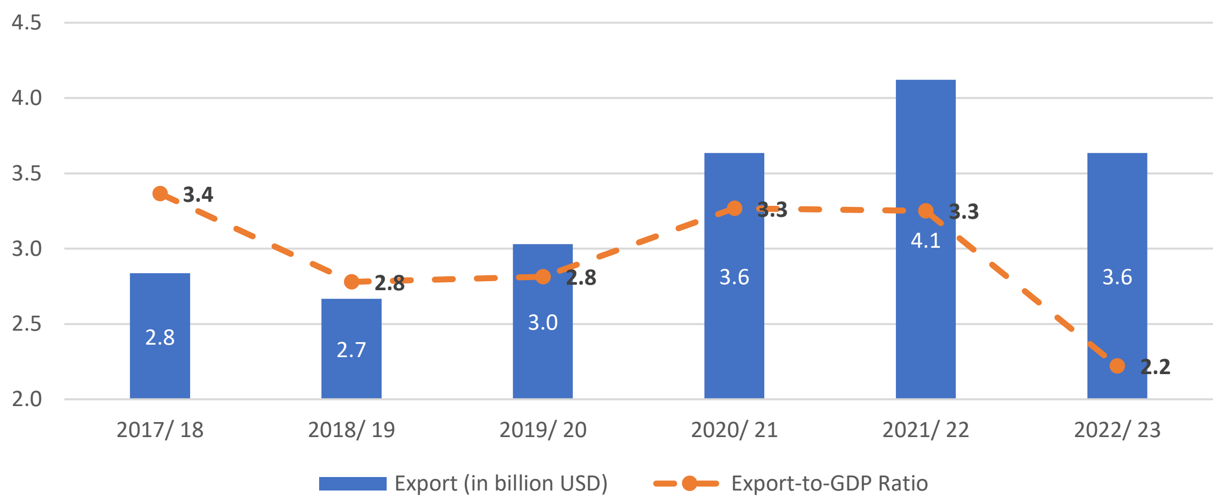
Furthermore, weak fiscal governance and institutional capacity constraints undermine the effectiveness of fiscal policies and contribute to mismanagement of public finances. Strengthening fiscal governance frameworks, enhancing transparency and accountability, and building institutional capacity are essential for improving fiscal policy formulation, implementation, and oversight. This entails reforms to enhance the independence and effectiveness of fiscal institutions, strengthen procurement and financial management systems, and promote good governance practices across all levels of government.

3.3 Real Sector Gaps and Challenges

Ethiopia's real sectors are characterised by a low-productivity economy, particularly in agriculture, manufacturing, and mining. In agriculture, outdated farming practices, limited access to modern technology and inputs, and dependence on rain-fed cultivation contribute to suboptimal yields and inefficient production processes. The manufacturing sector faces challenges such as inadequate infrastructure, a shortage of skilled labour, and limited access to finance, resulting in low levels of industrialisation and productivity. Similarly, the mining sector struggles with inefficiencies from insufficient investment in exploration and infrastructure and regulatory complexities.

A notable indicator of low productivity gaps is the competitiveness of Ethiopia's external economy. Over time, the export-to-GDP ratio has declined, indicating various underlying structural and sectoral challenges. Historically, Ethiopia's economy has relied heavily on domestic consumption and agricultural pursuits, with less attention given to export-driven manufacturing and mining sectors. Moreover, the prevalence of low-value agricultural products, such as coffee and other primary commodities, has led to lower export-to-GDP ratios than higher-value exports. External factors such as fluctuations in global commodity prices and uncertainties in the global market further impede export expansion.

Figure 18. Export to GDP Ratio Trends



Export earnings are concentrated in a few primary commodities. Coffee remains Ethiopia's primary export commodity, representing a 33.6 per cent share of the total export earnings over the past six years. Following the coffee exports, flower, khat, gold, pulses, and oilseeds emerged as the leading exports, representing 12.3%, 10.6%, 9.8%, 8.1%, and 8.1%, respectively. These top six commodities account for 89.7% of the total exports, indicating a high concentration of Ethiopia's export earnings in a few primary commodities. The high concentration of export earnings in a few primary commodities makes the country vulnerable to global price fluctuations and market uncertainties. Furthermore, dependence on a limited number of exports limits diversification efforts, hinders the development of other sectors, and reduces overall resilience to external shocks.

3.4 Structural Gaps and Challenges

Unfavourable investment and trade environment: Ethiopia faces the complex challenge of creating a conducive investment, trade, and business environment. Key challenges include inefficient bureaucracy and regulatory barriers, corruption and its negative impact on public service provisions, private sector limited access to finance, education and skill gaps, infrastructure and connectivity gaps, and inadequate market access and trade infrastructure. Addressing the challenges requires a pragmatic, balanced, and multi-faceted approach involving macroeconomic reforms, strengthening public sector capability, and targeted investments in infrastructure, education, and skill development. On the other hand, political stability is essential for creating a favourable investment, trade, and business climate.

Although Ethiopia has made significant progress over the past five years, political unrest and conflicts continue to deter investment and disrupt trade and business operations. Ensuring political stability and fostering a peaceful environment are critical for attracting and retaining investment, and the government's commitment to consolidating peace through inclusive national dialogue is vital.

Low-skilled labour force supply: Despite the large investments in secondary education, technical and vocational training (TVT), and higher education over the past years, the supply of highly skilled labour force is limited in the country. The low-skilled labour force poses challenges to competitiveness and sustainable growth by limiting productivity and innovation. Sustainable growth relies on a workforce equipped with the quality, relevant, and practical education, skills, and knowledge necessary to adapt to changing modern technologies and contribute to a competitive and dynamic economy. Low-skilled workers resulted in lower labour productivity, hindered innovative advancements across sectors of the economy, and reduced Ethiopia's competitiveness in the global market. To achieve sustainable growth, there is a need for transformative reform and value-for-money investments in education, training, skill, and entrepreneurship development to uplift the workforce's capabilities, ensuring their active participation and contribution to a knowledge-based and innovation-driven economy.

Infrastructure gap and weak connectivity: Infrastructure gaps and weak connectivity present formidable obstacles to unlocking growth potential. Inadequate transportation networks, limited energy supply, and limited digital connectivity can constrain businesses, hampering their ability to operate smoothly and reach markets efficiently. It also stifles the smooth flow of goods and services, affecting trade and inhibiting economic integration between regions and beyond. To foster sustainable growth by unlocking the country's growth potential, investments in robust and inclusive infrastructure are imperative, as well as creating an environment conducive to innovation and resilience in the face of evolving challenges.

Weak public sector capability and inefficient service delivery system: Weak public sector performance is a significant challenge in Ethiopia, hindering overall development and the creation of a favourable investment and trade environment. Some key factors contributing to this challenge may include lack of free, independent, and strong civil service, failure to separate political and public administration, lack of merit and competition-based public sector recruitment system, lack of qualified manpower in public sector, persistent gap in terms of diversity and inclusivity in the public sector, lack of development of effective occupational classification, job evaluation and payment system, absence of strong and quality public service delivery system, absence of an quality public sector information and data, and lack of leadership for institutional change.

HGER 2.0 builds on the achievements of past reform processes by augmenting those reform measures by adding depth and breadth, and lessons learned are incorporated into future reform and development planning to address the fundamental challenges facing the Ethiopian economy sustainably. During the HGER 2.0 and MDIP implementation periods, macroeconomic reforms are again complemented with broad productive sector economic and structural reforms to transform the investment and trade environment and unleash the potential of agriculture, manufacturing, mining, tourism, and the digital economy.

4. STRATEGIC OBJECTIVES AND PILLARS OF HGER 2.0

HGER 2.0 is crucial for the following four strategic goals and objectives – (1) to establish a modern and sound macroeconomic policy framework that supports and ensures stability, resilience, and sustainability; (2) to transform investment and trade environment to boost competitiveness through a favourable environment and opportunity that promotes and enhances innovation and entrepreneurship, (3) to expand productive capacity and productivity growth by increasing investment and unlocking economic growth potentials, and (4) to improve public sector capability that enhances the government's capacity to ensure quality and efficient service delivery.

Establishing a modern and sound macroeconomic policy framework: The successful implementation of the HGER 2.0 is expected to ensure price and external stability by maintaining low and stable inflation, promoting export and net FDI inflows, maintaining stable forex inflows and exchange rates, and achieving sustainable fiscal balance and debt management. Modern and sound monetary and fiscal policies are vital to creating a stable macroeconomic environment that supports boosting trade and investment, sustainable growth, and job creation. A modern and sound macroeconomic policy framework also enables Ethiopia to ease its dependence on and vulnerabilities to external factors to foster resilient and sustainable economic growth. The essence of easing vulnerabilities and building resilience is promoting domestic self-sufficiency. By diversifying its economic base to expand domestic production and economic opportunities, Ethiopia can reduce its susceptibility to external reliance on food and raw materials. Building self-sustaining economies fosters long-term growth, enhances the resilience of the country, and contributes to a more equitable and stable regional and global economic landscape.

Transforming investment and trade environment to boost competitiveness, innovation, and entrepreneurship: The successful implementation of HGER 2.0 is expected to promote competition in the market by creating a favourable environment and opportunity for enterprises and businesses to thrive. Increased competition through favourable environment and opportunity enhances efficiency, entrepreneurship, and innovation, leading to economic outcomes such as lower and stable prices, increased production and better-quality goods and services in the market.

Enhancing productive capacity and productivity growth by increasing investment and unlocking growth potentials. Ethiopia has untapped potential to boost domestic productivity gains and create wealth from across the diverse sectors of the economy, including agriculture, manufacturing, tourism, mining, and creative sectors such as the ICT and the broader digital industries. Nevertheless, the country faces challenges in accessing adequate capital for investment and growth, weak infrastructure, low skills, and inadequate distribution networks constraining businesses from operating efficiently, and inadequately skilled labour that limits productivity, innovation, and entrepreneurship to unlock potential.

- The successful implementation of HGER 2.0 is expected to enhance the domestic productive capacity and ensure productivity growth by addressing macroeconomic and structural constraints, such as inefficient financial and goods markets, low investment in key infrastructure and services, and inadequate human capital and low skills. Such reforms are expected to promote and attract domestic and foreign investment, foster innovation and entrepreneurship, and boost productivity and competitiveness. This allows the creation of job and employment opportunities by increasing investment and economic opportunities across all sectors of the economy through enterprise and private sector development while easing barriers to starting businesses and start-ups, increasing labour market flexibility, and promoting skills and entrepreneurship development.

- Moreover, the expected outcome of the reform through productivity growth is to improve living standards and inclusive social protection. HGER 2.0 is expected to raise standards of living and create new opportunities for all citizens, regardless of their socio-economic backgrounds. The reforms are expected to contribute to reducing poverty and vulnerabilities by promoting inclusive and sustainable economic growth, employment creation, and sustainable development that increases income and better living standards for citizens.

Improving public sector capability and efficient public service delivery: The successful implementation of HGER 2.0 is expected to improve public sector capability through a comprehensive public sector reform program to ensure efficient service delivery, enhance the government's capacity to manage resources and development projects and respond to the needs of citizens. A motivated, skilful, and accountable public sector is also fundamental for attracting investments, fostering innovation, and creating an environment conducive to social and economic progress. Enhancing public sector capability is a cornerstone of good governance and vital for building resilient, responsive, and inclusive societies.

HGER 2.0 is built on four pillars - (1) macroeconomic reforms, (2) investment and trade sector reforms, (2) productive sector reforms, and (4) public sector reforms. These HGER 2.0 key pillars are subdivided into programmatic reform areas (sub-pillars), with clear expected strategic results (outputs, outcomes, and impacts) to be achieved under each sub-pillar, augmenting the strategic goals and objectives of HGER 2.0. Each expected strategic result under the programmatic reform area is accompanied by strategic and priority focus areas to be implemented to achieve the results. This would allow for the identified priority reform activities and projects under programmatic reform areas and sub-components to be integrated into the MDIP.

Figure 19. HGER 2.0 Pillars and Programmatic Reform Areas

PILLAR I - MACROECONOMIC REFORMS	PILLAR II - INVESTMENT AND TRADE REFORMS
(1) Fiscal Policy and Public Finance Reforms (2) Monetary Policy and Financial Sector Reforms (3) Economic Statistics and National Accounts	(1) Domestic Market Development and Reforms (2) Export Promotion and Facilitation Reforms (3) Customs and Logistics Sector Reforms (4) FDI Promotion and Facilitation Reforms (5) MSME Reforms (6) Skills Development and Labor Market Reforms
PILLAR III – PRODUCTIVE SECTOR REFORMS	**PILLAR IV - PUBLIC SECTOR REFORMS**
(1) Agricultural Sector Reforms (2) Manufacturing Sector Reforms (3) Mineral Sector Reforms (4) Construction Industry Reforms (5) Tourism Sector Reforms (6) Digital Sector Reforms	(1) Government Administration and Structure Reforms (2) Government Service Delivery Reforms (3) Pragmatic Leadership and Capacity-Building Reforms (4) Civil Service Digitalisation Reforms

HGER 2.0 theory of change and linking with MDIP: The Ethiopian economy has several structural challenges, and HGER 2.0 aims to transform the economy by unlocking the challenges via a pragmatic and well-sequenced reform process. The major programmatic reform areas are further subdivided into strategic and priority intervention areas with clear and specific priority activities and projects to be implemented. These priority activities and projects will be part of the development programs designed under the MDIP. The expected specific results of the reform intervention activities and projects are to be stated in terms of processes, outputs, outcomes, and impacts (as aligned with the HGER 2.0 strategic objectives and sector-specific strategic goals, key result areas, and key performance indicators as clearly outlined in the MDIP, with specific and measurable targets).

4.1 Macroeconomic Reforms

Establishing a modern and sound macroeconomic policy framework is a key strategic goal and objective of the HGER 2.0. The government recognises that one of the key requirements for stable, resilient, inclusive, and sustained growth is the realisation of macroeconomic balance and stability through a sound macroeconomic policy framework. In this regard, establishing a modern and sound macroeconomic framework aims to support sustainable growth, a stable financial system, low inflation, and a stable external economy over time. The macroeconomic reforms are designed to promote macroeconomic balance and stability by fostering macroeconomic reforms in fiscal policy, monetary policy, financial policies, public investment management, state-owned enterprises and other frameworks that can sustainably promote investment and entrepreneurship, domestic productive gains, job creation, sustainable growth, and price and external stability.

A sustainable macroeconomic balance and stability will be restored through – (1) expanding tax revenue mobilisation, (2) making government spending and subsidy more efficient, (3) making public investment and state-owned enterprises more efficient, (4) improving the country's debt-carrying capacity and debt sustainability, (5) modernising monetary policy framework and its governance system, (6) expanding domestic saving mobilisations and access to finance for investment, and (7) improving balance of payments accounts and efficient utilisation of forex.

Establishing a modern and sound macroeconomic framework will be ensured through effective synergy and harmony of reforms in the following three programmatic areas, including –

(A) Fiscal Policy and Public Finance Reforms: Fiscal policy and public finance reforms – including tax revenue mobilisations, government spending and subsidy, public investment and state-owned enterprises, and government borrowing and debt sustainability – are undertaken with an eye on stability, resilience, and long-term sustainability. A sound fiscal framework and management ensures that budget deficits are manageable, public debts are sustainable, and public resources are allocated efficiently to enhance investment, entrepreneurship, and economic growth over time. A sound fiscal framework and management create a stable economic environment that supports targeted and critical public investment in infrastructure projects, human capital development, and pro-poor social protections.

(B) Monetary Policy and Financial Sector Reforms: Stability, resilience, and sustainability are also integral to monetary policy and financial sector reforms. Well-designed and successfully implemented monetary and financial policies create an environment conducive to investment and growth, export growth, job creation, and price and external stability. Monetary policy and financial sector reforms are essential tools to navigate the complexities of the Ethiopian economy's challenges, ensure price and exchange rate stability, and build resilience to shocks and uncertainties while supporting sustainable growth through a sound financial and capital market system. At the core of the long-term policy mission and goal of maintaining price and external stability while ensuring a resilient, sustainable, and inclusive domestic financial system is the establishment of a modern MPF that augments exemplary governance systems and practices with sound accountability and transparency, with pragmatic policy and operational strategy, and with credible external communications and engagement.

(C) Strengthening Economic Statistics and National Accounts: A modern and sound macroeconomic policy framework promotes strengthening economic statistics and national accounts. High-quality economic statistics and national accounts that are accurate, relevant, and comprehensive, encompassing data such as national account statistics, price and inflation statistics, and employment and poverty statistics, offer a clear understanding of economic trends and policy impacts. For monetary policy, these statistics offer insights into the economy's overall health, helping the government formulate effective monetary and financial policies to achieve objectives like price and external stability. In fiscal policy, robust and updated economic accounts support governments in designing efficient budgetary measures, ensuring fiscal policy discipline and sustainability while supporting sustainable growth. Hence, strengthening economic statistics and national accounts enhances the effectiveness of macroeconomic policy tools.

Modern and sound macroeconomic management promotes the synergy between monetary and fiscal policies. HGER 2.0 macroeconomic reforms aim to establish a sound macroeconomic framework that supports harmony and synergy between fiscal and monetary policies that reinforce each other's impact and contribute to overall economic stability, resilience, and sustainability. The government will ensure a cohesive, sequenced, and balanced approach to policy reform actions and interventions, promoting a synergistic approach and response to ensure macroeconomic stability. Such synergy is crucial for managing inflation, fostering job creation, promoting export and investment, and creating a conducive environment for sustained economic growth over the long term. Moreover, for the macroeconomic reforms to be most effective, they will be coordinated as part of a broader agenda of economic and structural change through investment and trade reforms, improving real-sectoral productivity gains, and improving public sector capability and service delivery.

Price and external stability, resilience, and sustained growth are collective strategic objectives and outcomes of HGER 2.0 through positive synergy between fiscal policy and public finance reforms, monetary policy and financial sector reforms, and supply-side economic and structural reforms to support production, trade, and investment. The sources of Ethiopia’s price and external instability are fundamentally three in nature – (1) external economic shocks and uncertainty, (2) unsustainable fiscal balance, and (3) low investment, trade, and unlocked productive capacity. Underpinned by a modernised monetary policy framework and stable, inclusive, and deep financial sector reform, the NBE’s strategic actions aim to foster economic stability, support investment, support international trade, and maintain a sustainable external position for the country. The results of the monetary policy and financial sector reforms would meaningfully contribute to overall economic stability, resilience, and sustainability when fiscal policy and key supply-side reforms are well-sequenced and progressively implemented.

A) Fiscal Policy and Public Finance Reforms

The four strategic results of the fiscal policy and public finance reforms include – (1) expanding tax revenue mobilisation, (2) making government spending and subsidy programs more efficient, (3) making public investment and state-owned enterprises more efficient, (4) improving public debt burden and sustainability, and (5) strengthening government finance statistics and fiscal analysis.

(A1) Expanding Tax Revenue Mobilisation: One of the key expected results of fiscal policy and public finance reforms is to improve the country's fiscal position and sustainability by improving the government's tax-collecting capacity. To this end, identifying and implementing high-impact fiscal policy and tax administration reform initiatives that will bring transformative change in tax revenue collection has been considered as the main driving rationale. Broadening tax bases and increasing domestic tax revenue will provide a sustainable resource base for raising public investment in pro-poor basic services, social protections, and key growth-enhancing public investment projects. The improved tax mobilisations will also support the recovery and reconstruction needs and programs designed to respond to the multiple and overlapping shocks over the past few years.

Fragmented globe and constrained external resource mobilisations. Access to foreign or external development finances and resources has become increasingly uncertain and difficult; hence, improving domestic tax revenue collections remains imperative under the HGER 2.0. Nevertheless, Ethiopia's positively improving foreign relations structure and juncture is expected to improve the existing partnerships and create new external development financing opportunities and partnerships. The detailed strategic focus areas and activities are explained under the (A4-4) exploring innovative and sustainable external financing mobilisation of the (A4) improving public debt burden and sustainability reform area.

Strategic and priority focus areas identified to improve tax revenue mobilisation include –

> **(A1-1) Reforming Fiscal Policy and Tax Administration Legal Frameworks:** In line with global best practices and the pragmatic context of Ethiopia, the government is committed to deepening fiscal policy and tax administration legal reforms. The government has developed and adopted a national medium-term revenue strategy (NMTRS) that supports broadening the tax bases and enhances the state's capacity to collect and administer tax revenue. This will include expediting the approval and implementation of tax-related fiscal policies and legal reforms already in the process, including social welfare development duty tax, excise tax amendment, value-added tax amendment and vehicle tax exemption amendment. On the other hand, it also

includes exploring new fiscal policy options during the medium-term. Along with these new options, studying and implementing agricultural income tax targeting farmers earning high income will be considered. In addition, new economic activities not covered by the fiscal policy and tax law are reviewed and planned to be part of the tax base. It is also important to strengthen the income-generating capacity of the regions and reduce their dependence on the budget transfers they receive from the federal government—for example, the introduction and implementation of property taxation under the regional jurisdiction.

(A1-2) Modernising Domestic Tax Administration System: Besides the policy and legal reforms, the reform supports capacity-building and modernisation of the tax administration system. The modernisation and capacity-building actions aim to improve the human resources, facilities, and operational capacity of domestic tax-collecting and administering public organs. This will include digitalisation reforms, including accelerating the implementation of an Integrated Tax Administration System (ITAS) aimed at improving digital tax collection and service deliveries. The modernisation reform will also improve tax compliance culture and enforcement capacity.

(A1-3) Modernising Customs Systems and Facilitation: The reform aims to strengthen customs modernisation and facilitation services to improve capacities for effectively implementing various strategic policies regarding customs administration, not only for customs revenue collection purposes but also for enhancing trade facilitation and tackling illicit trade. As with the modernisation of the customs system, the government is committed to undertaking modernisation and capacity-building actions to improve the human resources, facilities, and operational capacity of customs administration and facilitation services. This will include the customs system digitalisation reforms to improve digital customs revenue collection, external trade facilitation, and customs-related service deliveries. The reform will also improve customs compliance culture and enforcement capacity.

(A2) Targeted and Efficient Government Spending and Subsidy: Another expected result of fiscal policy and public finance reforms is to make government spending and subsidies more efficient through pragmatic and targeted resource allocations. Despite the importance of supporting pro-poor basic services and social protections, the government pays due attention to the efficiency of the spending and subsidy programs to overcome the macroeconomic stress and sustain the fiscal balance. Targeted and efficient government spending and subsidies are essential tools to achieve specific socio-economic objectives, correct market failures, and ensure a more inclusive and sustainable growth path. The government is committed to building on the ongoing subsidy reforming initiatives and managing government spending and subsidy interventions judiciously to avoid inefficiencies, fiscal imbalances, and unintended consequences.

Strategic and priority focus areas identified to improve the efficiency of government spending and subsidy programs include –

(A2-1) Reforming Government Expenditure Management Systems: The government is committed to ensuring cost-effective and efficient public expenditure management with strict fiscal and financial discipline. The key requirements for an effective and efficient public expenditure management system, more specifically on the recurrent expenditure front, are effective control of government expenditure to ensure value-for-money and affordability consistent with macroeconomic constraints, effective means for achieving a resource allocation that reflects policy priorities, productive efficiency of public service delivery, and efficient budget execution to minimise the financial costs of budgetary operations. The expenditure management reform will ensure innovative budget preparation and expenditure discipline across all public bodies by strengthening budgetary institutions' capacity-building and digitalisation, including deepening the electronic government procurement (EGP) system and transparency and accountability around budget preparation, utilisation and execution, and audit systems across government organs.

(A2-2) Deepening Targeted and Efficient Government Subsidy: The government is also committed to establishing and strengthening targeted subsidy programs to protect the poor and spur pro-poor production and growth. The government is committed to continuing agriculture input-related subsidies and incentive programs to achieve pro-poor growth and job creation, targeting the most vulnerable farming households. In this regard, government support to subsidise fertiliser imports, irrigation water pumps, and the removal of heavy duties on other agricultural input imports. Similarly, given the level of poverty and vulnerabilities amidst multiple and overlapping shocks over the past few years, the implementation of the Productive Safety Nets Program (PSNP) remains vital, impacting government spending. Reforming PSNP aims to enhance the adequacy, coverage, and sustainability of safety net expenditure in rural and urban areas. The subsidy program reform ultimately supports a pragmatic, orderly and just phase-out of inefficient and untargeted subsidy programs across sectors over time.

(A2-3) Reforming Inter-Government Fiscal Transfer System: This strategic and priority focus area of fiscal policy and public finance reforms aims to support the alignment of fiscal transfers to regional governments with the national macroeconomic reforms. Under the medium-term fiscal framework preparation, it is considered that there will be no increase in the nominal budget transfer to regional governments. This is due to the inability of the federal government's limited revenue-generating capacity and the increasing expenditure needed to pay off the national public debt. Regional governments are expected to pursue fiscal reforms to strengthen the regions' income-generating capacity and improve regional public expenditure and subsidy. Some priority activities are considered under the (A1) expanding tax revenue mobilisation.

(A3) Improving Public Investment and State-Owned Enterprises: Improving public investment is another expected result of fiscal policy and public finance reforms. Efficient public investment management is a cornerstone for building critical infrastructure, fostering education and healthcare systems, and promoting innovation and entrepreneurship - all essential for reducing poverty, enhancing productivity gains, and creating a conducive environment for private sector growth. By prioritising and optimising public investment, the government can address key challenges facing the Ethiopian economy, such as infrastructure gaps, weak connectivity, inadequate skilled workforce, and social inequality. Moreover, well-targeted public investments can generate positive spillover effects, attracting private sector participation, stimulating job creation, and bolstering economic competitiveness. However, it is crucial to ensure efficient management in the public investment process to maximise its impact. An improved public investment framework is integral to laying the foundation for long-term economic growth, resilience, and improved living standards.

Improving the efficiency of state-owned enterprises fosters sustainable economic growth and mitigates fiscal burdens. Efficient management of SOEs and operations is critical for boosting the economy’s competitiveness, attracting domestic and foreign investment, promoting innovation and entrepreneurship, and ultimately achieving long-term economic development goals. Moreover, efficient SOEs contribute to overall fiscal discipline, preventing potential financial strains on government budgets and ensuring the effective delivery of public services. Therefore, prioritising the improvement of SOE efficiency is integral to unlocking Ethiopia's full economic potential.

Strategic and priority focus areas identified to improve the public investment management and efficiency of state-owned enterprises (SOEs) include –

(A3-1) Deepening Public Investment Management (PIM) System: The government is committed to ensuring an efficient PIM system – making public investments work for entrepreneurship, innovation, and growth. Improving innovativeness of government-led investments to design and create new economic and market opportunities and stimulating private innovations and investment. Establishing an efficient PIM system is aimed at improving the whole life cycle of public investment and asset management system, as opposed to just focusing on fiscal and budgetary perspectives of public investments – including improving project designing capacity, project appraisal, independent reviewing of public investment appraisal and selection mechanisms, efficient allocation of fiscal resources and budgeting mechanisms, project implementation capacity, efficient facility operations and public asset management, and public investment monitoring and evaluation system. This requires establishing effective multi-year public investment programs through an integrated planning, programming, and financing (PPF) approach, including adopting a standardised and harmonised regional PIM system. Similarly, strengthening the public asset management system will focus on institutional capacity-building efforts and digitalisation to sound public asset accounting, valuation, and maintenance practices.

(A3-2) Deepening SOE Reform: One of the mechanisms through which the government is committed to making public investments work for entrepreneurship, innovation, and growth is through its strategic investment arms - such as the Ethiopian Investment Holding (EIH) and Public Enterprises Holdings and Administration (PEHA). Hence, the deepening of the SOE reforms aims to enhance the SOE's efficiency, financial sustainability, competitiveness, and entrepreneurial spirit by effectively implementing the new public enterprise proclamation.

(A3-3) Deepening Public-Private Partnerships: Another key mechanism through which the government is committed to making public investments work for entrepreneurship, innovation, and growth through effective implementation of public-private partnerships. The deepening of the PPP system and practices aims to foster effective synergy and partnership between the government and private sector to deliver services and infrastructure projects.

(A3-4) Successful Implementation of Recovery and Reconstruction Program: The multi-year recovery and reconstruction program addresses the needs in conflict-affected areas and the overall social costs of shocks and macroeconomic issues. The program is expected to assist the recovery by restarting essential production activities in agriculture, mining, and industry, rebuilding vital social assets and services in the education and health sectors, and reconstructing physical infrastructure and facilities. The reform will support the successful implementation of the program through innovative resource financing mechanisms and tools, including the private sector, Ethiopian diaspora, and international communities.

(A4) Improving Public Debt Burden and Sustainability: Ensuring public debt sustainability is another key expected result of fiscal policy and public finance reforms. The medium-term priority of the government is to reduce public debt vulnerabilities and achieve moderate risk of debt distress, enhance public debt management capacity, and improve sovereign credit rating. Given the weak macroeconomic performance and fiscal pressure, it has been considered that the share of government debt payment expenses, especially external debt servicing in foreign exchange, is increasing over time, and it is important to pay due policy attention to the public debt management and payment services over the next medium-term. The long-term outcome of macroeconomic reforms is ensuring sound macroeconomic policies and performance to improve Ethiopia's capacity to handle greater debt accumulation, especially long-term debt, supporting long-term growth and ensuring prosperity.

Strategic and priority focus areas identified to improve public debt burden and sustainability include –

(A4-1) Strengthening Public Debt Management and Transparency: The government is committed to strengthening the public debt management system, including introducing robust public debt data management systems to conduct debt sustainability analysis and proactively monitor and mitigate risks. This will also include improved engagement with credit rating agencies to boost the confidence of creditors by optimising data availability, thereby bolstering the prospects for expanded access to diversified debt financing. The government is also committed to ensuring proactive engagement regarding the Common Framework (CF) and other debt treatment initiatives for favourable external debt treatment under the G20 Common Framework and other plausible bilateral and multilateral creditors. Establishing a modern and sound macroeconomic policy framework and timely external debt restructuring and adjustment from bilateral and multilateral creditors would complement each other in helping to address external debt vulnerabilities. Moreover, the government is committed to exploring and pursuing innovative and sustainable external concessional and long-term financing mobilisations as the government continues to harness any plausible external concessional and long-term borrowings, including climate finance-related and other innovative external financing mobilisations. The government will continue to commit to no new short-term and commercial borrowing.

(A4-2) Resolving Triangular Public Debt Problem: The government is committed to sustainably resolving a historically strong triangular relationship between fiscal, state-owned banking, and state-owned enterprises. The genesis and essence of Ethiopia's triangular debt problem has been caused by state-owned banks providing soft loans (soft lending policies) to state-owned enterprises, causing quasi-fiscal burdens. Addressing the triangular public debt problem supports financial stability by pragmatically and progressively transitioning the state-owned Commercial Bank of Ethiopia (CBE) to a more sound, viable, and commercially oriented bank. One perspective of the reform is to deepen the LAMC corporate capacity by improving its overall debt management and transparency system, including sound monitoring and mitigating domestic debt risks, including effective financing strategy for LAMC contingent liabilities and the growing debt stock from T-bills and notes. Another perspective is to finance SOE debt sustainably and effectively under the LAMC through reforming SOE dividend and Industry Development Fund (IDF) administrations and maximising proceeds from privatisation reforms.

(A5) Strengthening Government Finance Statistics and Fiscal Analysis: The government is committed to strengthening the capacity of the Ministry of Finance, Ministry of Revenue, and the Ethiopian Customs Commission to manage and analyse government finance statistical data and strengthen fiscal analysis for an informed fiscal policies and tax administrations. The fiscal policy and public finance reforms underscore the importance of comprehensive, accurate, and timely government finance statistics, including government assets and liabilities data. The GFS improvement will be aligned with the national economic account statistics as per the system of national accounts (SNA). The medium-term plan will strengthen and update the GFS with the 2014 government finance statistics manual (GFSM 2014), which provides guidelines for compiling fiscal sector statistics. Ethiopia's statistics development program will strengthen the linkages and integration of the GFS with other fundamental statistics, i.e., real sector statistics, monetary and financial statistics (MFS), and external sector statistics (BOP), as the 2008 SNA.

Action plan for fiscal policy and public finance reforms: Table 2 presents strategic and priority focus areas with specific reform intervention activities under each expected strategic result area, with schedule and primary implementing public organ. Chapter 5 of the MDIP presents the specific expected results regarding strategic goals, key result areas, and key performance indicators following the 'One Plan, One Report' system over the medium term.

Table 2. Action Plan for Fiscal Policy and Public Finance Reforms

	Priority Focus Areas and Activities	Government Organ	Schedule
(A1) Expanding Tax Revenue Mobilisation			
(A1-1) Reforming Fiscal Policy and Tax Administration Legal Frameworks			
1	Strengthen the Tax Policy and Administration Reform Steering Committee	MoF	Jun 2024
2	Adopting NMTRS by the Council of Ministers	MoF/MoR	Jun 2024
3	Adoption and Publication of the New VAT Proclamation	MoF	Jun 2024
4	Removal of Tax and Duty Exemptions (Selected Categories)	MoF	Jun 2026
5	Establish Revenue Raising Mandate for Motor Vehicle Circulation Tax	MoF	Mar 2024
6	Introduction of Real Estate Property Tax Proclamation	MoF	Jun 2025
7	Study for the Introduction of Agricultural Sector Taxation	MoF	Jun 2024
8	Streamline and Reduce Proliferation of Tax Incentives and Tax Holidays	MoF	Jun 2024
9	Renegotiating Double Tax Agreements	MoF	Jun 2026
10	Rationalising Personal Income Tax Rate Structure	MoF	
11	Changing Withholding Rate (Dividend, Royalty, Interest)	MoF	Jun 2026
12	Amendment of Excise Tax Proclamation	MoF	Jun 2024
13	Rationalising and Removing VAT Exemptions	MoF	Jun 2024
14	Simplifying Tax System for SMEs (ToT Rationalization)	MoF	Jun 2024
15	Simplifying Tariff Regime - Rationalizing Tariff Bands and Rates	MoF	Jun 2025
16	Phasing-Out Surtax 0n Imports in Staggered Approach	MoF	Jun 2025
17	Rationalizing Import Tax Exemptions	MoF	Jun 2024
(A1-2) Modernising Domestic Tax Administration System			
1	Instituting Excise Stamp System	MoR	Jun 2024
2	Revising and Switching to Higher Excise Stamp Regime	MoR	Jun 2024
3	Establish Dedicated Tax Administration Reform Unit with MoR	MoR	
4	Full Funding to Procure Integrated Tax Administration System	MoF/MoR	Dec 2023
5	Revamping the IT and data management system	MoR	
6	Completing ITAS	MoR	
7	Strengthening Taxpayer Registration	MoR	
8	Strengthening E-Filing and Digitalized Self-Assessment	MoR	
9	Strengthening Compliance Risk Management (Construction/Manufacturing/Retail)	MoR	
10	Instituting Dynamic Computerized Risk Management System	MoR	
11	Strengthening Tax Audit Efficiency	MoR	
12	Introducing Excise Stamps Tracking and Tracing Mechanisms	MoR	
13	Enhancing Federal and Regional Tax Administration Harmonization	MoR	
14	Institute Government and SOE Taxpayers' Office	MoR	
15	Preparing Tax Data and Statistics Management Manual (Aligned with GFS)	MoR/MoPD	Jun 2026
16	Preparing Human Resource Development Strategy	MoR	
17	Improving Existing Taxpayer Touchpoints	MoR	
18	Establishing National Fair Market Value Institution/Structure within MoR	MoR	
19	Upgrading Existing Sales Registration Machine Technology	MoR	
(A1-3) Modernising Customs System and Facilitation			
(A2) Targeted and Efficient Government Spending and Subsidy			
(A2-1) Reforming Government Expenditure Management System			
1	Revised Financial Administration Proclamation and Regulation	MoF	
2	Revised Government Procurement and Property Administration	MoF/PPPA	
3	Full Rollout and Implementation of EGP	MoF/PPPA	
4	Completion of IFMIS Roll-out, Including Extra Budgetary Units (EBUs)	MoF	
5	Introduce Structured Modular PFM Training for Public Bodies	MoF	

6	Revised/New Budget Process Guidelines	MoF	
7	Introduce CBA Framework for PB budget allocation	MoF	
8	Modernised and Digitalised Independent Auditor General	GA	
9	Enhanced Capacity of Public Bodies' Internal Audit System	MoF	
(A2-2) Deepening Targeted and Efficient Government Subsidy			
1	Develop Subsidy Targeting and Evaluating Mechanisms Framework (Result-Based, Household-Based and Community-Based Mechanisms)	MoPD/MoF	Jun 2025
2	Establishing Objective Criteria for Eligibility and Simplify Program Design	MoPD/MoF	Jun 2025
3	Develop Clear Graduation Criteria and Exit Strategies	MoPD/MoF	Jun 2025
4	Establish Identification and Registration Process for Beneficiaries	MoA/MoUI	Jun 2025
5	Establishing Social safety net Management Information Systems	MoF	Jun 2025
6	Modernised and Digitalize Social Safety Net Payment System	MoF	Jun 2025
7	Ensure Timely and Targeted Geographical Expansion of the PSNP	MoF	Dec 2026
8	Accumulated Inflation-adjustment to Rural and Urban PSNP	MoF	Dec 2026
9	Progressively Phasing-out Temporary Direct Subsidies (Food and Medicines)	MoF	Dec 2026
10	Targeted Fertilizer Subsidies (Most Vulnerable Farmers)	MoF	Dec 2026
11	Ending Direct Fuel Subsidies	MoF	Jun 2026
(A2-3) Reforming Inter-Government Fiscal Transfer System			
1	Review General-Purpose Grant and Revenue Sharing System	MOF	Dec 2024
2	Assess Specific Purpose Grant System	MOF/HOF	Dec 2025
(A3) Improving Public Investment and State-Owned Enterprises			
(A3-1) Deepening Public Investment Management System			
1	Adoption of Harmonized Regional Public Investment Proclamation	MoPD	Jun 2025
2	Establish Climate Smart PIM Legal Framework	MoPD/MoF/EIH	Jun 2025
3	Developing Sector-specific Project Level PIM Tools and Manuals	MoPD	Jun 2025
4	Proposal for Integrated Planning, Programming, and Financing Approach	MoPD	Jun 2024
5	Revised/New Proclamation/Regulation for Medium-term Public Investment Planning and Investment (Financial Administration)	MoPD/MoF	Jun 2025
6	Establish a Centralized National Project Prioritisation and Selection Structure	MoPD/MoF	Jun 2026
7	Establish PIMIS (Integrating Planning, Financing, Implementation, Monitoring and Evaluation, and Asset Management)	MoPD	Jun 2026
8	Revised Government Procurement and Property Administration (PIM relation)	MoF/MoPD/EIH	Jun 2026
9	Establish Public Asset Valuation and Classification System and Mechanism	MoPD/MoF	Jun 2026
10	Adoption of PAM Software and Data Analytics Tools		Jun 2026
11	Establish Transparent Procedure for PA Maintenance Planning and Budgeting	MoPD/MoF	Jun 2026
12	Consolidated Institutional Governance for PAM	MoPD/MoF	Jun 2026
(A3-2) Deepening SOE Reform			
1	Approving the new Public Enterprise Proclamation	MoF	Jun 2024
2	Adopting Implementation Strategy (New Public Enterprise Proclamation)	EIH/PEHA	
3	Consolidating SOE Sector Oversight and Governance	EIH/PEHA	
4	Developing SOE Result Framework (Economic and Finance Performance)	EIH/PEHA	Jun 2024
5	Assess SOE Performance and Public Service Mandates (New Result Framework)	EIH/PEHA	Jun 2025
6	Developing Digital Reporting System for SOE Performance	EIH/PEHA	
7	Full Compliance with IFRS-based Audited Reports Publication	EIH/PEHA	
8	Developing SOE-Based Public Asset Management Framework	EIH/PEHA	
9	Approving the Four-Year Tariff Adjustment for Energy Sector		Jun 2024
(A3-3) Deepening Public-Private Partnerships			
1	Prepare and approve a PPP regulation	MoF	Dec 2025
23	Certify the PPP project management team with APMG certification	MoF	Dec 2025
(A3-4) Successful Implementation of Recovery and Reconstruction Program			
1	Adopted Financing Strategy for 3R	MoF	
2	Establish Transparent and Accountable Resource Management Mechanism	MoF	
(A4) Improving Public Debt Burden and Sustainability			
(A4-1) Strengthening Public Debt Management and Transparency			
1	Develop and Adopt Medium-Term Debt Management Strategy	MoF	Jun 2025

2	Undertake a Debt Management Performance Assessment (DeMPA) and develop strengthening measures based on findings	MoF	June 2025
3	Develop internal Debt Sustainability Analysis (DSA) Framework and Report	MoF	March 2025
4	Public Debt Bulletin improved with depth and analytics	MoF	Jan 2025
5	Upgrade the Debt Management Information System (DMFAS)	MoF	Dec 2025
6	Develop a strengthened monitoring framework for contingent liabilities	MoF	
7	Develop a revised borrowing plan (domestic and external borrowing) based on the MDTS and capital markets opportunities	MoF	Feb 2026
8	Revise and strengthen the Debt Management Team and Unit functions and deliverables based on DeMPA	MoF	Oct 2025
9	Developing Long-Term Financing Projects on the PIM Project Pipeline	MoF/MoPD	Dec 2024
10	Strengthen institutional investors relationship management	MoF/MoPD	Dec 2024
(A4-2) Resolving Triangular Public Debt Problem			
1	Develop LAMC Debt Financing Implementation Strategy	LAMC	Sep 2024
2	Finalised Evaluation of CBE's Claims on LAMC and Other SOEs	LAMC/CBE	Jun 2025
3	Finalised and Agreed MoF-LAMC-CBE Debt Repayment Schedule	MoF/LAMC/CBE	Jun 2024
4	New Policy and Legal Framework for SOE-Fiscal Relations (including Dividend Policy - Retention, Debt Servicing and Treasury Financing)	LAMC	Jun 2024
5	Develop LAMC Debt Financing Implementation Strategy	LAMC	Jun 2024
6	Develop Privatization Options and Road Map (Institutional LAMC Relations)	MoF	Jun 2024
7	CBE's Capital Position Meet the Minimum Regulatory Requirement	NBE/MoF/CBE	Jun 2026
(A5) Strengthening Government Finance Statistics and Fiscal Analysis			
1	Updated and Integrated Government Finance Statistics (GFS) System	MoF/MoR	Jun 2026
2	Expanding Coverage of Extrabudgetary Units in GFS (GFSM2014)	MoF/EIH/PEHA	Jun 2026
3	Enhanced Fiscal Reports	MoF	Dec 2024
4	Enhanced Fiscal Modelling and Forecasting Framework	MoF	Mar 2025
5	Improved macro-fiscal analysing capacity of staff	MoF	Mar 2025

B) Monetary Policy and Financial Sector Reforms

The three expected strategic results of the monetary policy and financial sector reforms include - (1) ensuring macro-financial stability, (2) modernising and strengthening governance system and transparency, and (3) enhancing operational excellence in organisational structure, people, processes, and technology.

(B1) Ensuring Macro-Financial Stability: Ensuring macro-financial stability is pivotal as it safeguards the overall health and resilience of the economy, shielding it from systemic risks and shocks. This strategic imperative entails maintaining stability in key macroeconomic indicators such as inflation, exchange rates, and interest rates, which fosters confidence among investors and lenders. By mitigating the likelihood of financial crises and disruptions, macro-financial stability facilitates sustainable investment and economic growth. Additionally, it promotes a conducive environment for effective monetary policy transmission, sound financial intermediation, and efficient allocation of resources, ultimately contributing to the long-term prosperity and stability of the economy.

Strategic and priority focus areas identified to ensure macro-financial stability include –

(B1-1) Ensuring Price and External Stability: Ensuring price and external stability and fostering an environment conducive to savings, investment, and sustained growth in Ethiopia hinges on implementing responsible monetary and exchange rate policies. The government will prioritise reforming the existing monetary policy and exchange rate frameworks, transitioning towards a more modern and market-driven approach. The key reform activities under this strategic objective include transition to price-based MPF, undertaking fundamental reform of the exchange rate regime, reviewing current account and capital account policies for potential revisions, establishing strong data analysis and research capabilities to support NBE policy making, and enhancing international foreign exchange reserves management

(B1-2) Ensuring Financial Stability: Ensuring financial stability is a fundamental responsibility of the NBE, as a robust and secure financial system is essential for effectively mobilising, safeguarding, and deploying public savings towards economy-wide lending, investment, and growth. The key reform activities include improving regulation, improving supervision and payment system oversight, improving the currency management system, enhancing payment system infrastructure, and introducing financial system stability functions.

(B1-3) Ensuring Financial Inclusion, Deepening, and Digitisation: Efforts to expand financial inclusion will not only focus on geographical reach and access points but also on ensuring the availability of products and services tailored to the needs of all borrowers, regardless of economic sector, business size, location, gender, or other factors. The key reform activities include implementing and monitoring the national financial inclusion strategy action plans related to NBE, including in the area of Interest-Free Banking (IFB), enhancing financial education and consumer protection, establishing an independent Insurance Regulatory Agency (IRA), ensuring widespread adoption and usage of digital financial services, and improving credit reference and rating infrastructure.

(B1-4) Operationalising Ethiopia's Capital Market: Cognizant of the role of capital markets, the government has enacted Ethiopia's Capital Market Proclamation (No 1248/2021) to support sustainable investment and economic growth through mobilising long-term capital and promoting inclusive and innovative financial mobilisations. Following the capital market legal framework, the Ethiopian Capital Market Authority (ECMA) has also been created with a mandate to regulate and supervise capital market activities and operations to ensure the market's fairness, integrity, and efficiency. The ECMA is responsible for granting exchange licenses, setting admission criteria, and providing conditions for listing on the exchange. During the implementation of the HGER 2.0, the operationalisation of the capital market is to be accelerated, and the required market infrastructure, capacity development and reviews of protocols and instruments that are critical for the operationalisation of the capital market are prioritised.

(B1-5) Improving Pension Fund and Asset Management: Augmenting the financial deepening strategy, the financial sector reforms will continue to reform the management of pension funds and assets to improve their efficiency and maximise investment returns. A well-managed pension system not only protects individuals from financial insecurity during their retirement period but also contributes to the broader financial and economic stability by channelling funds into productive and high return investments and fostering a broader financial and economic stability by channelling funds into productive and high-return culture of responsible pension fund investment and financial planning. The HGER 2.0 reform efforts are expected to enhance pension fund and asset management, which involves developing sound investment strategies, implementing risk management measures, and ensuring regulatory frameworks that balance prudence with opportunities for returns.

(B2) Modernising and Strengthening Governance and Transparency: Modernising Ethiopia's monetary policy framework (MPF) and its governance system is another strategic result of the reform. In line with global best practices, the government is committed to establishing a strong institutional accountability and transparency system, and implementing a modern and effective communication strategy, and ensuring a strong and independent internal audit and risk management function.

(B3) Enhancing Operational Excellence of NBE: For the NBE to successfully design and implement the full range of monetary policy actions and measures, it will need to transform its human resource and talent management to ensure efficient and effective internal process and enhance digitalisation, to strengthen planning and performance management systems, and to reestablish the EIFS as a centre of excellence for the financial sector with new strategy and improved facilities.

Action plan for monetary policy and financial sector reforms: Table 3 presents strategic and priority focus areas with specific reform intervention activities under each expected strategic result area, with schedule and primary implementing public organ. Chapter 5 of the MDIP presents the specific expected results regarding strategic goals, key result areas, and key performance indicators following the 'One Plan, One Report' system over the medium term.

Table 3. Action Plan for Monetary Policy and Financial Sector Reforms

	Priority Focus Areas and Activities	Government Organ	Schedule
(B1) Ensuring Macro-Financial Stability			
(B1-1) Ensuring Price and External Stability			
1	Implement Open Market Operations (OMO)	NBE	Jun 2024
2	Establish and Operationalize Secondary Market for Government Securities	NBE	Jun 2024
3	Introduce High Frequency (Daily) Liquidity Forecasting System	NBE	Jun 2024
4	Introduce Emergency Liquidity Support and Standing Facilities	NBE	Jun 2024
5	Issue Directive and Code of Conduct for the Inter-Bank Money Market	NBE	Jun 2024
6	Establish and Operationalize Inter-Bank Money Market	NBE	Dec 2024
7	Prepare Policy Document for Foreign Exchange Policy Reform	NBE	?
8	Streamline Foreign Exchange Directives	NBE	?
9	Enhance Functioning of the Inter-Bank Foreign Exchange Market	NBE	?
10	Enhance Foreign Exchange Monitoring System	NBE	?
11	Implement Risked Based Foreign Exchange Compliance Inspection System	NBE	?
12	Revise Existing Current Account and Capital Account Policies	NBE	Dec 2025
13	Establish Foreign Exchange Investment Committee	NBE	Dec 2023
14	Revising Foreign Exchange Reserve Management Guideline	NBE	Dec 2024
15	Adopted and Integrated Monetary and Financial Statistics (MFS)	NBE/MoPD	Jun 2026
16	Updating and Integrating External Sector Statistics (BPM6)	NBE/MoPD	Jun 2026
17	Enhance Macroeconomic Data Coverage, Quality, and Frequency (SNA?)	NBE/MoPD	Dec 2023
18	Enhanced Macro Reports (Inflation Expectations Survey and Model Forecasts)	NBE	Jun 2024
19	Establish Research Quality Assurance Committee to Publish SWPS	NBE	Dec 2023
(B1-2) Ensuring Financial Stability			
1	Issue New Banking, Insurance, Leasing and Microfinancing Proclamations	NBE	Jun 2024
2	Issue New/Revised Directives for Financial Institutions Regulations	NBE	Jun 2025
3	Adopt Basel II/III and Solvency II Frameworks	NBE	Jun 2025
4	Develop FI Problem Resolution and Crisis Management Framework	NBE	Jun 2024
5	Strengthen Risk-Based Supervision Manual and Implementation	NBE	Dec 2024
6	FI Supervision and Payment System Oversight, Comply with Core Principles	NBE	Jun 2025
7	Introduce FI Supervisory Technology or Suptech	NBE	Jun 2026
8	Avail Clean and Adequate Currency	NBE	Dec 2024
9	Introduce Modern Currency and Cash Cycle Management System	NBE	Jun 2024
10	Initiate Study on Potential Use of Central Bank Digital Currency (CBDC)	NBE	Jun 2024
11	Establish Ethiopia's Currency Museum	NBE	Jun 2025
12	Upgrade EATS to ISO 2022	NBE	Jun 2024
13	Establish and Operationalize Intraday and Overnight Liquidity Facility	NBE	Jun 2024
14	Establish Central Security Depository (CSD) for Government Securities	NBE	Mar2024
15	Join Cross Border Payment System	NBE	Dec 2024
16	Establish Real Time Instant Payments (RTIP)	NBE	Mar 2024
17	Establish Financial Stability Unit	NBE	Jun 2024
18	Produce Financial Stability Report via ad hoc Committee	NBE	Dec 2023
19	Introduce Macroprudential Policy Framework	NBE	Jun 2024
20	FI Asset Classification (Aligned With International Practices)		
(B1-3) Ensuring Financial Inclusion, Deepening, and Digitisation			
1	Implementing a National Financial Inclusion Strategy	NBE	Jun 2026
2	Operationalize Financial Education and Consumer Protection Functions	NBE	Dec 2023
3	Policy Proposal for Establishment of Independent Insurance Regulatory Agency	NBE	Jun 2024
4	Develop Organizational Structure and Initial Strategy for IRA	NBE	Jun 2024
5	Establish IRA	NBE	Jun 2025
6	Establish a Regulatory Sandbox	NBE	Dec 2023
7	Establish Automated DFS Data Collection, Storage, and Visualization System	NBE	Mar 2024
8	Evaluate and Finalize the Implementation of National Digital Payment Strategy	NBE	Jun 2024

9	Upgrade New Credit Reference System and Movable Collateral Registry	NBE	Dec 2025
(B1-4) Operationalising Ethiopia's Capital Markets (ECM)			
1	Launching the Ethiopian Securities Exchange (ESX)	ECMA/EIH	
2	Launch the Central Securities Depository and Dematerialize securities	ECMA/NBE	
3	Formulate regulations, directives, and other legal frameworks to regulate ECM	ECMA	
4	Implement capital market monitoring and surveillance system	ECMA	
5	Design and implement corporate governance and disclosure platforms	ECMA ABBE	
6	Diversify capital market instruments	ECMA ESX	
7	Implement applicable capital market products and platforms for SME	ECMA NBE	
8	Introduce capital market tribunal and compensation schemes	ECMA	
9	Developing and Establishing Effective ESG Framework	ECMA	
10	Strengthen ECMA and request IOSCO membership	ECMA	
11	Diversify Capital Market Investors and Design Strategy for Diaspora and Foreign Investors' Participation	ECMA	
12	Encourage share companies for listing and enable a liquid secondary market	ECMA	
13	Design IPO readiness for companies and facilitate SOE privatisation	ECMA/EIH	
14	Develop Local Currency Government Securities Market	ECMA	
15	Encourage collective investment schemes	ECMA	
(B1-5) Improving Pension Fund and Asset Management			
	To be filled by the two Pension Agencies		
(B2) Modernising and Strengthening Governance and Transparency			
1	Revise NBE's Establishment Proclamation	NBE	Jun 2024
2	Establishing Monetary Policy Committee	NBE	?
3	Creating Sustainable Monetary Fiscal Financing Facility	NBE/MoF	?
4	Devise and Implement Communications Strategy	NBE	Dec 2023
5	Prepare and Publish Audited IFRS Financial Reports	NBE	Mar 2024
6	Update Internal Audit's & Risk Management Framework	NBE	Dec 2023
(B3) Enhancing Operational Excellence of NBE			
1	Develop and Implement Human Talent Management Strategy	NBE	Jun 2024
2	Devise and Implement HR and Compensation Solutions	NBE	Aug 2023
3	Digitalize NBE Internal Operations and Service Delivery Systems	NBE	Jun 2025
4	Revise and Update NBE Customer Service Delivery Standards	NBE	Sep 2023
5	Implement the IT Strategy	NBE	Jun 2025
6	Develop and Cascade Clear and Measurable MT Strategic Plan	NBE	Jul 2023
7	HR/TM Study Addresses NBE's Internal Performance M&E System	NBE	Mar 2024
7	Adopt Strategic Roadmap to Re-establish EIFS as Centre of Excellence	NBE	Jun 2024
8	Revise the Training Curriculum	NBE	Jun 2024
9	Renovate the Training Facility	NBE	Dec 2024

C) Strengthening Economic Statistics and National Accounts

The government has developed a national statistical development program intended to support the production of high-quality statistical data responding to the needs of various users by effectively addressing the country's ever-changing data and statistical ecosystem. More specifically, it supports strengthening the system of national account statistics by improving the real sector statistics, government finance statistics, monetary and financial statistics, and the balance of payment statistics. The Ethiopian Statistical Development Program incorporated eight strategic objectives, and four of the strategic activities are prioritised to respond to the need to enhance national economic account statistics, macroeconomic statistical analytical competence, and evidence-based monetary and fiscal policy formulations.

Expected strategic outcomes of strengthening economic statistics and national accounts of the country include – (1) supporting the rebasing of the annual national account statistics, (2) supporting the production and official publication of annual regional account statistics, as harmonised and standardised consistently with the national account statistics, (3) expanding the production and publication of quarterly national account statistics by expenditure and supply side, (4) improving the quality and coverage of the production of price statistics that are consistent with national and regional economic accounts, and (5) supporting the production and official dissemination of national multidimensional poverty index and regionalised poverty index.

Priority strategic focus areas and activities identified to improve and strengthen economic statistics and national accounts include –

(C1) Modernising Legal and Institutional Frameworks for Statistics: Establishing sound and modern legal and institutional frameworks for official statistics is pivotal for achieving high-quality economic data that underpins evidence-based policymaking and sustainable development. Statistical modernisation helps establish a robust infrastructure that ensures data production's independence, transparency, and professionalism. It also promotes a well-functioning statistical organisation through a well-defined responsibility of the producers of official statistics, and it also strengthens the coordination of the national statistical system. Aligning legal frameworks with international standards and best practices enhances the reliability and comparability of statistical data, attracting trust from the broader stakeholders.

(C2) Strengthening System of National and Regional Accounts: The System of National Accounts (SNA), including the standardised and harmonised system of regional accounts, is a fundamental framework for comprehensively measuring and analysing a country's economic activities, providing a systematic and standardised approach to organising economic statistics by integrating the real sectors statistics, government finance statistics, BOP statistics, monetary and financial statistics. Its essence lies in offering a structured and coherent system to capture the complexities of the country’s economic landscape, encompassing production, income, consumption, and investment. Continuous improvement and strengthening of the national and regional accounts are crucial for ensuring economic statistics' accuracy, relevance, and comparability, which, in turn, supports effective policy formulation, monitoring, and evaluation, ultimately contributing to sustainable growth and a more informed understanding of the country’s economic dynamics on both domestic and external fronts.

(C3) Updating and Integrating Government Finance Statistics, Monetary and Financial Statistics and External Sector Statistics: The strengthening of the SNA also requires strengthening, updating, and integrating monetary and financial statistics (MFS) on one side and the government finance statistics (GFS) and the external economy statistics encompassing balance of payments and investment position. The medium-term plan will strengthen MFS and update the Ethiopian BOP statistics with the 2022 sixth edition of the balance of payments and international investment position manual (BPM6), the standard framework for statistics on the transactions and stock positions between Ethiopia's economy and the rest of the world. The current government finance statistics will also be updated based on the 2014 government finance statistics manual (GFSM 2014), which provides guidelines for compiling fiscal sector statistics. These GFS, MFS and BOP manuals are standardised and harmonised with the 2008 SNA. Ethiopia's statistics development program will strengthen the linkages and integration between all these fundamental statistics, i.e., real sector statistics, MFS, GFS, and external sector statistics. A clear understanding of the linkages between economic statistics will assist in producing comparable and consistent statistics needed for analysis and policy decisions.

(C4) Improving Statistical Data Production and Development: The strengthening of the SNA also requires strengthening, updating, and integrating the existing methodological statistics data production on the front of survey, census, and administrative operations. On the other hand, improving statistical data production helps the government better address economic challenges, identify growth opportunities, and design targeted reforms and public investments, thus facilitating more efficient resource allocation. Additionally, the continuous development of statistical data production capabilities is indispensable for creating a foundation of evidence and knowledge that underpins stability, resilience, and sustainable growth.

Action plan for strengthening economic statistics and national accounts: Table 4 presents strategic and priority focus areas with specific reform intervention activities under each expected strategic result area, with schedule and primary implementing public organ.

Table 4. Action Plan for Strengthening Economic Statistics and National Accounts

	Priority Focus Areas and Activities	Government Organ	Schedule
(C1) Modernising Legal and Institutional Frameworks for Statistics			
1	Preparing and Adopting the National Statistical Proclamation and Regulation	MoPD/ESS	Jun 2025
2	Adopting Code of Practice for Official Data and Statistics	MoPD/ESS	Jun 2024
3	Adopting the Ethiopian Data Quality Assessment Framework	MoPD/ESS	Jun 2025
4	Adopting Ethiopian Official Data and Statistics Calendar	MoPD/ESS	Jun 2025
5	Adopting Statistical Literacy, Advocacy and Communication Strategy	MoPD/ESS	Jun 2025
6	Establishing the Ethiopian Statistical Board	MoPD/ESS	Jun 2026
(C2) Strengthening System of National and Regional Accounts			
1	Rebasing National Annual Gross Domestic Product (GDP)	MoPD	Jun 2026
2	Establishing Regional Accounts System (Harmonized and Standardized GDP)	MoPD	Jun 2026
3	Establishing Quarterly GDP Accounts Estimate (Output and Expenditure Side)	MoPD	Jun 2026
4	Improving Human Resource and Capacity Building	MoPD	Jun 2026
5	Improving Innovation and Infrastructure	MoPD	Jun 2026
6	Improving Growth Modelling and Forecasting Capacity Building	MoPD	Jun 2026
(C3) Updating and Integrating GFS, MFS and External Sector Statistics			
1	Updated and Integrated Government Finance Statistics (GFS) System	MoF/MoR	Jun 2026
2	Strengthening Monetary and Financial Statistics (MFS) System	NBE	Jun 2026
3	Updated and Integrated External Sector Statistics (BOP) System	NBE	Jun 2026
(C4) Improving Statistical Data Production and Development			
1	Conducting Multi-Sector Economic Establishment or Enterprises Census	ESS	Jun 2024
2	Conducting Ethiopian Demographic and Health Survey	ESS	Jun 2024
3	Conducting Ethiopian Integrated Household Survey	ESS	Jun 2025
4	Conducting Ethiopian Agricultural Census (Agricultural Sample Enumeration)	ESS	Jun 2025
5	Adopting Sector-Specific Standards for Admin Data Classification and Collection	MoPD/ESS	Jun 2026

4.2 Investment and Trade Sector Reforms

A transformed investment and trade environment is another key strategic goal and objective of HGER 2.0, which involves comprehensive development and reforms aimed at fostering a more dynamic and vibrant investment and trade landscape. This entails reforms in institutional and regulatory frameworks, infrastructure and logistics development, and trade and investment policies to ensure competitive domestic and external trade, improved investment attractions, thriving private sectors and enterprises, and a competitive labour market. By improving infrastructure and connectivity, streamlining rules and procedures, reducing barriers, and promoting effective governance, the essence of this transformation is to create a conducive environment for businesses to thrive, leading to stability, resilience, and sustainable growth.

Expected strategic results from investment and trade sector reforms include – (1) ensuring a dynamic and competitive domestic market and efficient supply and trade chains to support the movement of goods and services between producers and consumers, hence supporting and anchoring the macroeconomic objective of stability and job creation, (2) improving export sector competitiveness and performance, (3) improving the quality and diversity of foreign direct investment attractions to support investment in productive sectors, (4) improving MSMEs productivity and competitiveness to support sustainable growth and job creation, and (5) improved labour market through skills and education development.

Transforming the investment and trade environment is expected to be ensured through the following five programmatic areas of reforms, including -

(A) Domestic Market Development and Reforms: Domestic market development and reforms are fundamental drivers to promote sustainable growth and job creation, foster competitiveness, attract investment, and strengthen domestic market institutions, all of which are essential for long-term stability, resilience, and sustainability. A dynamic and vibrant domestic market allows for the diversification of products, services, and sectors. This diversification makes the domestic economy more resilient to external shocks, volatility, and uncertainties, contributing to overall economic stability. Domestic market development and reforms often go hand in hand with macroeconomic and institutional reforms as the implementation of such policy reforms is expected to promote fair competition, protect property rights, and ensure a level playing field which creates an environment conducive to innovations and entrepreneurship, as market reforms encourage businesses to become more efficient and innovative to stay competitive. A well-regulated and transparent domestic market attracts domestic and foreign investors. Confidence in the market encourages investment, which is vital for infrastructure development and overall economic progress.

(B) Export Promotion and Facilitation Reforms: The government is committed to improving the BOP accounts through pragmatic and sequenced foreign trade reforms, more specifically through export promotion and facilitation. The successful export sector performance is fundamental in foreign exchange mobilisations, which is vital for the stability of the country's balance of payments and the sustainability of external public debt servicing. By expanding export capabilities, Ethiopia will position itself towards reducing trade deficits, leading to a more stable external trade position. Similarly, a thriving export sector supports the competitiveness and growth potential of the domestic economy, hence supporting the attraction of foreign direct investment. On the other hand, accessing international markets allows businesses to tap into a larger customer base, fostering growth and sustainability. This identified reform area aims to improve trade negotiating capacities and opportunities for the country, as participating in trade agreements can open new markets and provide preferential access.

(C) Customs and Logistics Sector Reforms: Customs and logistics sector reforms are crucial for the development of a vibrant and efficient trade ecosystem essential for facilitating international trade, improving supply chain efficiency, reducing transaction costs, and promoting economic growth. This identified reform area aims to streamline and simplify customs procedures and reduce regulatory barriers that can facilitate smoother export processes, encouraging businesses to engage in international trade. Similarly, it aims to implement technology solutions and digitise customs processes, leading to faster clearance times, increased transparency, and a reduction in corruption. It also aims to enhance customs compliance and reduce the risk of illicit trade, smuggling, and fraud. More importantly, customs and logistics reforms aim to promote investments in logistics infrastructure, including transportation, warehousing, and ports, enhancing the overall logistics network and reducing transportation costs and transit times.

(D) Foreign Direct Investment Promotion and Facilitation Reforms: Another reform area aimed at improving the BOP accounts is through FDI promotion and facilitation. Accompanied by the macroeconomic reforms, FDI can contribute to foreign exchange earnings, which helps to improve the balance of payments position, making the economy more resilient to external shocks. The FDI can serve as a sustainable source of financing, reducing the need for external public borrowing and mitigating risks associated with debt dependency. Similarly, the FDI can integrate domestic firms into global value chains, enhancing domestic industries' competitiveness and fostering their growth and sustainability. The government is committed to promoting and facilitating FDI, which often involves creating an investor-friendly regulatory environment, including transparent rules and regulations, to attract foreign investors. The HGER 2.0 would allow a stable and predictable policy environment that is crucial for attracting quality and long-term FDI.

(E) Micro, Small and Medium (MSME) Sector Reforms: The government is committed to enhancing the productivity and efficiency of the MSME sector, thereby positively impacting the overall economic output, including employment generation. MSME sector reforms encourage entrepreneurship by simplifying regulatory procedures, providing financial support, and fostering a conducive business environment. Many innovative solutions and ideas emerge from the MSME sector. Reforms can facilitate the integration of these innovations into the broader economy. The financial sector reforms are expected to improve credit availability, offer financial incentives, and support the development of alternative financing mechanisms for MSMEs. This reform would also focus on streamlining and simplifying regulatory compliance for MSMEs, reducing the administrative burden, encouraging formalisation, and improving the ease of doing business. Moreover, the MSME sector reforms focus on facilitating linkages between MSMEs and larger enterprises that can provide MSMEs with access to larger markets and supply chains, fostering their growth and transformation. By addressing challenges faced by the MSME sector and creating an enabling environment, the reform contributes to building a vibrant economic landscape.

(F) Skills Development and Labour Market Reforms: Skills development and labour market reforms are essential components for transforming the country's business environment. The skills development aims to ensure that the labour force is equipped to handle technological changes, fostering innovation and competitiveness by aligning the workforce's skills with the evolving needs and requirements of industries. Well-trained and skilled workers contribute to increased productivity, which is crucial for the competitiveness of industries and the country's overall economic growth. The skills development reforms also aim to align education and training programs with international standards to enhance the global competitiveness of the workforce. This is particularly important for international trade and global value chain industries. The labour market reforms that focus on skills development can also enhance Ethiopia's appeal for foreign direct investment.

Action plan for investment and trade sector reforms: Table 5 presents strategic and priority focus areas with specific reform intervention activities under each expected strategic result area, with schedule and primary implementing public organ. Chapter 6 presents the specific expected results regarding strategic goals, key result areas, and key performance indicators following the 'One Plan, One Report' system over the medium term.

Table 5 Action Plan for Investment and Trade Sector Reforms

Priority Focus Areas and Activities		Government Organ	Schedule
(A)	**Domestic Market Development and Reforms**		
1	Modernise Retail and Wholesale Market Through Sequenced Liberalisation	MoTRI	
2	Adoption and Use of Technology by Local Retailers and Wholesalers	MoTRI/MiNT	
3	Strengthen Competition Policy Framework and Its Implementation	MoTRI	
4	Fully Digitalise Trade Registration, Licensing, and Certification	MoTRI	
5	Policy and Regulatory Framework for Domestic E-Commerce	MoTRI	
(B)	**Export Promotion and Facilitation Reforms**		
1	Accession to World Trade Organization	MoTRI	
2	Accession to Common Market for Eastern and Southern Africa	MoTRI	
3	Accession to the African Continental Free Trade Area	MoTRI	
4	Policy and Regulatory Framework for Export/International E-Commerce	MoTRI	
(C)	**Customs and Logistics Sector Reforms**		
1	Legal Frameworks for the Liberalization of Logistics Subsectors	MoF/MoTL	
2	Assured PPP Investments in the Logistics Sector	MoF/MoTL	
3	Fully Digitalize the Logistics System	MoTL	
4	Improved Capacity of Rail Network	MoTL	
5	Revamped Fleet Management System Across All Corridors	MoTL	
6	Establishment of FTZs in Selected Areas	MoTL	
7	Expansion of Cold Chain Ports and Facilities for Perishable Products	MoTL	
(D)	**Foreign Direct Investment Promotion and Facilitation Reforms**		

1	Revamped Federal and Regional Investment Promotion Agencies	EIC	
2	Strengthened Aftercare and Account Management Systems	EIC	
3	Redefine Priority Sectors Based on Industrial Mapping, Resource Endowments and Geographic Advantages	EIC	
4	Facilitate New Investment and Growth Clusters	EIC	
5	Establishment of SEZs	EIC	
6	Establishment of Private Sector Owned IPs	EIC	
7	Targeted Strategy and Incentive Framework for Diaspora Investment	EIC	
(E)	**MSME Sector Reforms**		
1	Policy and Legal Framework for Integrated MSME		
2	Introduce Targeted Extension Program to Support MSME	MoLS	
3	Policy and Legal Framework for Integrated Cooperatives System	ECC	
4	Preparing MSMEs for Capital Markets [?]		
5	Promote Strong MSMEs' Linkages to Export Markets [?]		
6	Adoption of Digital Tools and E-Commerce [?]		
7	Build the capacity and independence of the national and regional chambers of commerce and sectoral associations [?]		
8	Institutionalise Public-Private Dialogue Platforms	?	
(F)	**Skills Development and Labour Market Reforms**		
1	TVT Sector Autonomy and Specialisation	MoLS	
2	TVT Zoning and Differentiation Based on Local Economic Activities	MoLS	
3	Entrepreneurial Culture and Skills Through Educational and Informal Systems	MoLS	
4	Fully Digitalize the National Labor Market Information System	MoLS	
5	Develop an Industrial Relations Framework	MoLS	
6	Leverage the gig economy for better supply and demand matching.	MoLS	
7	Develop Frameworks and Infrastructure for the Labour Offshoring Hub	MoLS	
8	Improved Legal Frameworks, Training and Market Linkages to Support Unskilled and Low-skilled Workers in Accessing International Labour Markets	MoLS	
9	Develop Policy and Regulatory Environments for Innovation and Entrepreneurship	MoLS	
10	Establish Financing, Mentoring and Coaching Programs to Support Youth Entrepreneurship	MoLS	
11	Engage the Diaspora for Skills Development and Transfer	MoLS	

4.3 Productive Sector Reforms

Strengthening productive capability and productivity growth is the third pillar of the HGER 2.0. The two possible sources of the Ethiopian economy's limited productive capability and low productivity growth are mainly explained by the macroeconomic imbalances that affect the overall resource allocation incentive structure and investment and trade-related structural bottlenecks that hamper competition, innovation and entrepreneurship at industry and enterprise levels. The macroeconomic reforms and investment and trade sector reforms that are identified and prioritised in the HGER 2.0 are expected to strengthen productivity growth in agriculture, manufacturing, mining and construction, tourism, and digital sectors of the economy. Under this HGER 2.0 pillar, sector-specific reforms that are accompanied and supplemented by a favourable macroeconomic policy framework and transformed investment and trade environment will influence the productivity of private sectors and enterprises by promoting competition, innovations, and entrepreneurship.

- **Improving domestic stability and resilience through enhanced productivity growth.** Expanded productive capability and productivity growth contribute to poverty reduction, improvements in the living standards of society, and social progress by boosting incomes, supporting inclusive growth, and lowering prices. The productive sector reforms are expected to unlock the underutilised potential by enhancing efficiency and competitiveness, attracting investments, and spurring innovation and entrepreneurship. Moreover, a more productive economy contributes to domestic macro-financial stability by creating a favourable environment for both domestic tax and saving mobilisations.
- **Improving the Ethiopian economy's external stability and competitiveness through enhanced productivity growth.** The HGER 2.0 aims to boost trade and investment competitiveness by better positioning the economy to integrate into regional and global value chains and compete externally. Diversified economic growth potentials, expanded economic opportunities across productive sectors, and enhanced productivity growth allow for cost competitiveness, making domestic commodities more desirable in international markets and boosting export earnings. It also allows Ethiopia to attract quality and long-term foreign direct investment with efficient and competitive production capabilities. Similarly, a productive and diversified economy is more resilient to external shocks, such as global economic downturns or fluctuations in commodity prices.

Expected strategic results from productive sector reforms include – (1) expanding productive capability and productivity growth of the agricultural sector, (2) improving manufacturing industry capacity utilisation and growth, (3) improving mining industry competitiveness and growth, (4) improving the efficiency and transformation of the construction industry, (5) expanding economic opportunities in the tourism sector, (6) harnessing innovation and technology for sustainable growth and prosperity, and (7) ensuring resilient and green productivity growth.

Strengthening productive capability and productivity growth is expected to be ensured through the following seven programmatic areas of reforms including -

(A) Agricultural Sector Reforms: The government has implemented extensive economic reforms over the past years, resulting in encouraging food self-reliance initiatives and agricultural output growth. There are still necessary and sufficient improvements and reforms in expanding productive capability, strengthening productivity growth, and enhancing market linkages. The government has shown commitment to the sector by addressing policy constraints and improving resource allocations to the agriculture and rural areas. The expected outcomes in the agriculture sector reforms include reducing dependence on rainfall, expanding agricultural mechanization, upgrading successful smallholder farmers, improving livestock resource development, promoting horticultural development, increasing private sector participation, enhancing institutional capacity, generating employment, and maximizing the benefits of climate-smart agriculture. Going forward, the reform focuses on collaborative efforts involving the public and private sectors. Recognizing the private sector's role in driving innovation, investment, and market-driven solutions, the government aims to support and enable private sector participation while addressing structural bottlenecks and market failures hampering productive capability and productivity growth of the sector. Key areas of focus include agricultural research and development, access to essential inputs and technology supply, improvement of extension services, agricultural diversification, rural infrastructure development, promotion of rural entrepreneurship, and creating an enabling environment for private sector-led initiatives.

(B) Manufacturing Sector Reforms: To support the productive capability and productivity growth of manufacturing industries, the government has implemented various policy reforms and initiatives, including the establishment of industrial parks, cluster development, and incentives for small and micro-enterprises (SMEs). However, challenges persist in terms of low production capacity utilization and the sector's contribution to the overall economic performance, mainly reflected in low manufacturing-to-GDP-ratio contributions. To address these constraints during the MDIP, the manufacturing sector reform focuses on overcoming structural bottlenecks, addressing input supply issues, improving coordination mechanisms, enhancing incentive frameworks, and refining legal and policy frameworks. The objective is to increase production capacity utilization and output growth by ensuring sufficient input supply, implementing effective incentives, nurturing a skilled workforce, enhancing the ease of doing business, expanding industrial and cluster development (especially in agri-business parks), supporting research, and improving technology quality.

(C) Mineral Sector Reforms: The government is committed to integrating the development of the mineral sector with its overall development plan and initiatives. Recognizing the potential of the mineral sector to play a significant role in Ethiopia's industrial transformation and export promotions, the government is committed to improving the business environment through targeted support at the national and sub-national levels. This involves simplifying regulatory rules and procedures, reducing bureaucracy, eliminating redundant procedures, and harmonizing regulations to facilitate ease of doing business. Streamlining permitting and licensing processes, along with clear timelines and online platforms, will enhance efficiency and transparency, attracting investments and minimizing delays. The government's reform interventions will focus on improving the investment environment, ensuring transparency and governance, fostering local community engagement, investing in infrastructure, capacity building, enhancing security and law enforcement, and establishing sound external FDI investment mobilizations. Through these efforts, Ethiopia aims to create an enabling environment for the mineral sector, attract investments, and realize the sector's contribution to export and economic transformation.

(D) Construction Industry Reforms: The construction industry remains to be a significant contributor to overall economic growth and job creation. Despite the significant government reforms and support mechanisms over the past years, the sector is still characterised by several productive inefficiencies, administrative malpractices, low technical capabilities, and heavy dependence on the external economy for raw material imports. The government is committed to developing a modern construction industry information system, enhancing the efficiency and effectiveness of construction and infrastructure projects, improving construction management and control systems, and promoting competitiveness and customer satisfaction in the construction industry.

(E) Tourism Sector Reforms: Recognising the importance of the tourism sector in terms of foreign currency mobilisations and enhancing Ethiopia's socio-economic progress, the government has provided significant policy attention and reform interventions in terms of diversifying and developing tourist site destinations, addressing infrastructure gaps, improving hospitality services, and addressing the shortage of skilled human resources. The tourism sector reforms places significant attention on further identifying tourism potentials of the country and developing tourism destinations, improving infrastructure, enhancing competitiveness, expanding tourism products, and implementing comprehensive marketing and promotional activities. The objective is to attract new tourists, increase market share, and create an investment-friendly environment. These measures aim to generate employment opportunities and foreign exchange earnings, positioning Ethiopia as a premier tourism destination. By implementing these reform measures, the government aims to unlock the full potential of the tourism sector, fostering economic growth, job creation, and overall development.

(F) Digital Sector Reforms: The government recognises that technology and innovation are crucial drivers of long-term economic growth and social progress. By leveraging digital technologies, Ethiopia aims to improve access to essential services such as education, healthcare, and financial services while building a robust innovation ecosystem, digital infrastructure, and promoting inclusive and sustainable development. To unlock its full potential, the HGER 2.0 reforms will focus on strengthening the enabling environment to boost digital business, e-services and e-commerce. Key reform measures will include investing in digital infrastructure, conducive regulatory environment, and digital skills to promote the adoption of digital technologies across all sectors. By doing so, new opportunities for economic growth and job creation will be unlocked, leading to a more competitive and productive economy. The government is committed to attracting both domestic and foreign investments in the digital sector. Furthermore, Ethiopia has embarked on the privatization and liberalization of its telecom sector, aiming to attract global investors and increase competition. This move will lead to improved service quality, expanded network coverage, and increased affordability of telecommunications services. The entry of global players will also bring in expertise, technology transfer, and investment opportunities.

Action plan for productive sector reforms: Table 6 presents strategic and priority focus areas with specific reform intervention activities under each expected strategic result area, with schedule and primary implementing public organ. Chapter 7 - 13 of the MDIP presents the specific expected results regarding strategic goals, key result areas, and key performance indicators following the 'One Plan, One Report' system over the medium term.

Table 6 Action Plan for Productive Sector Reforms

	Priority Focus Areas and Activities	Government Organ	Schedule
(A)	**Agricultural Sector Reforms**		
1	Reform rural land administration to unlock economic value through investment.	MoA	
2	Implement alternative financing strategies, such as lease financing, movable collateral financing, contract farming	MoA	
3	Promote private sector participation in the input delivery market	MoA	
4	Support livestock production through improved inputs and health systems	MoA	
5	Support agricultural mechanization, research, and technology adoption.	MoA	
6	Ensure improved value chain linkage with key industry sectors.	MoA	
7	Promote regulatory reforms to attract investment.	MoA	
8	Increase wheat, rice and oil seeds production to substitute imports.	MoA	
9	Identify and champion new commodities for import substitution.	MoA	
10	Develop product specific strategies to identify and boost production and market access of high potential export commodities.	MoA	
11	Boost livestock breeding for export and address illicit flows of live animals.	MoA	
(B)	**Manufacturing Sector Reforms**		
1	Improve domestic input supply system and the import of raw materials for priority industries.	MoI	
2	Strengthen sector research and development institutions to improve productivity.	MoI	
3	Provide infrastructure such as industrial parks and zones and necessary services such as logistics and investment.	MoI	
4	Improve the effectiveness of incentives to the manufacturing sector including through performance-based incentives system.	MoI	
5	Improve access to finance to the manufacturing sector • Encourage the participation of the domestic private sector.	MoI	
6	Improve backward and forward linkage.	MoI	
7	Design and implement a product-specific strategy to substitute key import goods.	MoI	

8	Increase the productivity and scale of geoprocessing for export market.	MoI	
9	Develop product specific strategies to identify and boost production and market access of high potential export commodities.	MoI	
10	Improve the value addition, quality assurance and standardization of export goods.	MoI	
(C)	**Mineral Sector Reforms**		
1	Formalize and build the capabilities of small-scale mining actors.	MoM	
2	Enhance mining industry's capability to improve skills and modern laboratory infrastructure development.	MoM	
3	Support targeted investment attraction and aftercare services to attract large scale mining investments to realize the potential of the industry.	MoM	
4	Increase domestic production of imported industrial inputs such as coal, marble, granite, steel billets, cement and chemicals.	MoM	
	Develop product specific strategies to identify and boost production and market access of high potential export commodities.	MoM	
5	Reduce illicit trade of mining products.	MoM	
(D)	**Construction Sector Reforms**		
(E)	**Tourism Sector Reforms**		
1	Improve the quality and effectiveness of tourism marketing through increased rebranding, targeted promotions and digital presence.	MoT	
2	Promote completed and new flagship projects.	MoT	
3	Upgrade existing tourism destinations and continue developing new ones.	MoT	
4	Expand MICE (meetings, incentives, conferences, and exhibitions) tourism promotion and infrastructure.	MoT	
5	Increase stopover tourism by leveraging Ethiopian Airlines, the African Union and diplomatic offices.	MoT	
6	Establish tourism centers of excellence, improve training institutions, and quality of hospitality service	MoT	
7	Improve access to finance by identifying alternative financing options for tourism sector investment.	MoT	
8	Improve policy and regulatory framework to encourage private investment and PPPs.	MoT	
(F)	**Digital Technology Sector Reforms**		
1	Complete the roll-out of the National Digital ID scheme.		
2	Continue to diversify and enhance coverage and quality of digital payment systems.		
3	Improve digital skills and infrastructure development.		
4	Conduct a coordinated and centralized assessment of Ethiopia's cybersecurity.		
5	Develop an enabling policy and regulatory environment for digital startups.		
6	Promote financing for digital startups and firms.		
7	Leverage digital platforms to match skilled workers with businesses.		
8	Enhance the policy and regulatory environment for tech startups to offer their services internationally.		
9	Establish an enabling environment for offshore outsourcing to Ethiopia, including data and call centers.		
10	Establish an enabling environment for e-commerce.		
11	Promote the adoption of digital tools by MSMEs through targeted incentives and initiatives.		
12	Rollout strategic e-government initiatives to bring efficiency and effectiveness to public service delivery.		

4.4 Public Sector Reforms

Improving public sector capability is the crucial feature of the HGER 2.0. The essence of public sector reform lies in its transformative capacity to enhance governance, foster economic growth, and ensure efficient public service delivery. Strategically, such reforms are crucial for streamlining bureaucratic processes, strengthening public institutions through capacity building, and promoting transparency to combat corruption and other maladministration practices. By aligning policies with development goals, ensuring fiscal sustainability, and creating a favourable business environment, public sector reform contributes to sustainable growth, private sector development, and increased entrepreneurship and competitiveness. Moreover, public sector reform plays a pivotal role in social protection and inclusion by delivering services to society fairly and equitably while embracing innovation and technology adoption to modernise government functions. Public sector reform is a key driver for catalysing positive change, fostering resilience, and paving the way for the long-term national development vision of ensuring shared prosperity.

Expected strategic results from public sector reforms include – (1) building free, independent and strong government administration (institutions or organisations) that can combat corruption and other maladministration practices, (2) building a government administration that can embrace diversity and inclusiveness, (3) strengthening and modernising government administration with an appropriate occupational and job classification and grading, effective result-oriented performance appraisal system, and efficient payment and incentive structure, (4) establishing innovative, efficient, and accessible government service delivery system that can provide high-quality public services, (5) strengthening government employees qualification system to enhance policy implementing capacity of government, (6) building a digital civil service system, and (7) accelerating pragmatic civil service leadership and institution building.

Strengthening public sector capability is expected to be ensured through the following seven programmatic areas of reforms, including – (1) government administration and structure reforms, (2) government service delivery reforms, (3) pragmatic leadership and capacity-building reforms and (4) civil service digitalisation reforms.

A) Government Administration and Structure Reforms

The three strategic results of the government organisation and structure reforms include – (1) building free, independent, and strong government administration (institutions or organisation), (2) building a government institution that can embrace diversity and inclusiveness, and (3) strengthening and modernising government administration with an appropriate occupational and job classification and grading, effective result-oriented performance appraisal system, and efficient payment and incentive structure.

(A1) Building Free and Strong Government Administration: As part of the wider political economy reforms that have been pursued over the past five years, the government is committed to building a civil service system that is free, independent, and strong, whereby a political and government administration system and operation must be executed per a defined legal framework. To ensure the independence of government administrative and public service delivery operations, there should be merit-based recruitment of public servants while proactively embracing diversity and inclusivity, independent of political influence, without mixing the political leadership appointment and merit-based system. Moreover, public administration operations require transparency and accountability per defined laws issued through administrative courts and law enforcement audits.

- **Strategic and priority focus areas identified to build free, independent, and strong government institutions** include – (A1-1) establishing political and non-political government administration and structure by defining the separation and interaction of roles and responsibilities at all levels of government structures, (A1-2) establishing a merit-based recruitment system in government administration, (A1-3) establishing HR administration audit system, and (A1-4) modernising administrative court system.

(A2) Strengthening Civil Service Diversity and Inclusion: Ethiopia is characterised by various cultural and religious diversity, and the government administration and service delivery system should accommodate the diversity of Ethiopian demographics. Government employment and promotion systems, service delivery, and access to government information should treat all sections of society (including women, youth, and people with disabilities) properly and equally. Ensuring diversity and inclusiveness in the civil service system is strategically essential as it fosters a more representative, innovative, and effective government. A diverse civil service brings together individuals with varied backgrounds, perspectives, and experiences, which enriches government decision-making processes and development policies. Diversity and inclusivity not only enhance the legitimacy and trust in government institutions but also contribute to the development of policies that address the population's needs. Furthermore, a diverse and inclusive civil service promotes a culture of fairness, reduces discrimination, and encourages collaboration, ultimately leading to a more resilient and responsive public sector administration system.

(A3) Modernising Government Administration and Structure: The government is committed to harmonising and standardising the organisation and structure of government institutions at the federal and regional levels to effectively manage development and public delivery operations across the country. It is strategically essential to have such government organisation and structure while considering the regional dynamics to successfully implement the national development plans and achieve sustainable development goals. In addition, the organisation and structure of government institutions should be appropriately equipped with relevant skills and quality manpower.

- **Strategic and priority focus areas identified to modernise government administration and structure** include – (A3-1) modernising and harmonising government organisational structures at the federal and regional level, (A3-2) establishing sustainable occupational and job classification and grading system, (A3-3) establishing result-oriented performance appraisal system, and (A3-4) establishing efficient payment and incentive structure.

(A4) Modernising Government Employees Qualification System: The government is committed to establishing a robust and well-structured national qualification framework that ensures public servants possess the requisite skills, knowledge, and competencies. This enhances the efficiency and effectiveness of government operations and cultivates skilled professionals capable of formulating and implementing policies that address the country's unique development and prosperity needs. A robust qualification system contributes to institutional capacity-building, fosters meritocracy, and instils public trust in government institutions, laying the foundation for inclusive growth and sustainable progress in the long term. Efforts will be made to produce public servants who realise that being a public servant and serving the citizens is a source of pride for public servants and who have moral superiority to achieve the aims and goals of their institution. Building a professional and competitive civil service by producing well-educated civil servants is considered a key task in building the government's regulatory and enforcement capacity.

- **Strategic and priority focus areas identified to modernise the national qualification system for government employees** include – (A4-1) improving the competence of government work and employees, (A4-2) establishing a system of manpower planning, education, and training for government work, (A4-3) accelerating the improvement of a set of ethical values, and (A4-4) establishing result-oriented performance appraisal system.

B) Government Service Delivery Reforms

The key strategic result of the government service delivery reforms is establishing an innovative, efficient, and accessible government service delivery system that can provide high-quality public services. The government is committed to establishing an innovative, efficient, and accessible government service delivery system for several strategic reasons. Firstly, innovation introduces cutting-edge systems and technologies, streamlining government processes and making public services more responsive to the evolving needs of society. Efficiency ensures that government resources are utilised optimally, reducing bureaucratic bottlenecks and enhancing the overall effectiveness of public services. The emphasis on accessibility ensures that citizens, including those in remote areas or with diverse needs, can easily access and benefit from government services.

(B1) Establishing Innovative, Efficient, and Accessible Government Service Delivery System: Through the establishment of an innovative, efficient, and accessible government service delivery system, the government is committed to fostering inclusivity and improving public satisfaction and trust in government institutions. A modern and accessible service delivery system enhances the government's capacity to meet the demands of a dynamic society, encourages citizen engagement, and contributes to society's overall development and well-being.

- **Strategic and priority focus areas identified to establish innovative, efficient and accessible government service delivery system** include – (B1-1) establishing a market-friendly public service delivery system that accelerates and strengthens market-creating efforts of the government, (B1-2) standardising government service delivery, (B1-3) establishing a transparent system for public service delivery complaints and grievances, (B1-4) establishing government service delivery satisfaction survey and citizens' report card system, and (B1-5) strengthening ergonomics and modernising office environment.

C) Civil Service Digitalisation Reforms

The key strategic result of civil service digitalisation reforms is the development of a digital civil service system that is pivotal for catalysing comprehensive and efficient governance. Building digital infrastructure and solutions within the civil service streamlines government administrative processes, enhances transparency and accountability, and reduces bureaucratic bottlenecks, leading to improved service delivery.

(C1) Building Digital Civil Service System: A digital civil service system fosters innovation and adaptability and facilitates data-driven decision-making, allowing governments to respond swiftly to emerging challenges. By harnessing technology, Ethiopia can leapfrog traditional barriers, cultivate a culture of accountability, and optimise resource allocation, ultimately promoting sustainable growth and improving public service quality. The digitalisation of the civil service thus becomes a cornerstone in advancing the developmental agenda and fostering resilience in the face of evolving societal needs.

- **Strategic and priority focus areas identified to strengthen the development of digital technology in the civil service sector** include – (C1-1) strengthening the implementation of an integrated civil service information management system, (C1-2) development of integrated and one-centre service provisions, (C1-3) developing a strong network and data centre system, and (C1-4) development and utilisation of HR information database for decision making.

D) Pragmatic Leadership and Capacity-Building Reforms

The key strategic result of civil service digitalisation reforms is the strengthening and improvement of pragmatic civil service leadership and institutional capacity-building. The government is committed to establishing and strengthening pragmatic leadership and institution-building in the civil service to foster a sustainable governance system and socioeconomic progress. Pragmatic government leadership, characterised by their adaptive and results-oriented approach, play a pivotal role in steering public institutions towards effective policy implementation and service delivery. Simultaneously, institution building involves the creation of robust frameworks fostering continuity and stability. In the context of Ethiopia, where challenges are multifaceted and dynamic, pragmatic leadership coupled with institution-building acts as a catalyst for government organisational resilience, innovation, and entrepreneurship.

(D1) Pragmatic Leadership and Capacity-Building: The government is committed to establishing and strengthening pragmatic leadership and institutional capacity-building to enhance the capacity of the government to address pressing societal issues and establish a foundation for long-term growth and prosperity, institutional integrity, and the cultivation of a skilled and accountable public sector workforce.

- **Strategic and priority focus areas identified to strengthen and improve pragmatic civil service leadership and institutional capacity-building** include – (D1-1) accelerating capacity building of federal and hierarchical civil service institutions, (D1-2) building the capacity of government employees training institutions and organising a reform training centre, (D1-3) mobilising resources for reform implementation and management, (D1-4) federal leadership coordination for effective reform implementation, and (D1-5) widespread reform advocacy and strategic communications.

Action plan for public sector reforms: Table 7 presents strategic and priority focus areas with specific reform intervention activities under each expected strategic result area, with schedule and primary implementing public organ. Another further detailed activity action is separately developed.

Table 7. Action Plan for Public Sector Reforms

Priority Focus Areas and Activities		Government Organ	Schedule
(A) GOVERNMENT ADMINISTRATION AND STRUCTURE REFORMS			
(A1) Building Free, Independent and Strong Public Sector			
1	Establishing Political and Non-political Government Administration	CSC	
2	Establishing Merit-Based Recruitment System	CSC	
3	Developing HR Administration Audit System	CSC	
4	Modernising Administrative Court System	CSC	
(A2) Strengthening Civil Service Diversity and Inclusion			
1	Reforming Existing Civil Service Laws and Procedures	CSC	
(A3) Modernising Government Administration and Structure			
1	Modernising and Harmonising Government Organisational Structure	CSC	
2	Establishing Sustainable Job Classification and Grading System	CSC	
3	Establishing Efficient Payment and Incentive Structure	CSC	
(A4) Modernising Government Employees Administration System			
1	Improving Competence of Government Work and Worker	CSC	
2	Establishing Manpower Planning, Education and Training System	CSC	
3	Improving Government Workers' Ethical Value Set	CSC	
4	Establishing Result-Oriented Performance Appraisal System	CSC	
(B) GOVERNMENT SERVICE DELIVERY REFORMS			
(B1) Establishing Innovative, Efficient and Accessible Service Delivery System			
1	Establishing Market-Friendly Government Service Delivery System	CSC	
2	Standardising Government Service Delivery	CSC	
3	Establishing Transparent System for Service Delivery Complaints	CSC	
4	Establishing Service Delivery Satisfaction Survey and Citizens' Report Card	CSC	
5	Strengthening Ergonomics and Modernizing Office Environment	CSC	
(C) CIVIL SERVICE DIGITALISATION REFORMS			
(C1) Building Digital Civil Service System			
1	Strengthening Integrated Civil Service Information Management System	CSC	
2	Developing Integrated and One-Centre Service Provision System	CSC	
3	Developing Strong Network and Data Centre System	CSC	
4	Developing HR Information Database	CSC	
(D) PRAGMATIC LEADERSHIP AND CAPACITY-BUILDING REFORMS			
(D1) Pragmatic Leadership and Capacity-Building			
1	Building Reform and Training Center	CSC	
2	Mobilizing Resources for Reform Implementation	CSC	
3	Federal Leadership Coordination for Effective Reform Implementation	CSC	
4	Reform Advocacy and Strategic Communications	CSC	