

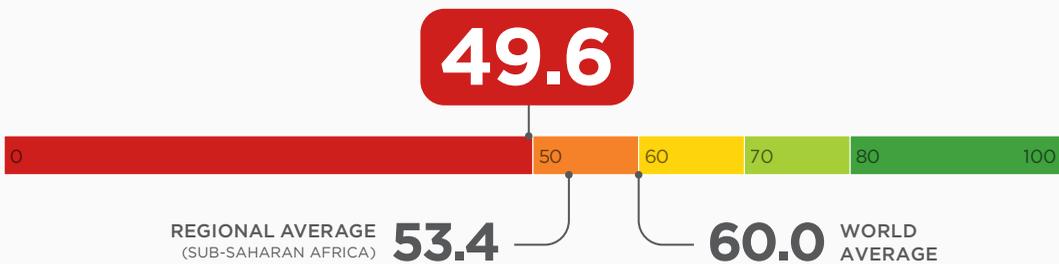
# ETHIOPIA

Ethiopia's economic freedom score is 49.6, making its economy the 150th freest in the 2022 *Index*. Ethiopia is ranked 35th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

Over the past five years, Ethiopia has enjoyed uninterrupted and impressive economic growth averaging over 8 percent annually. Economic freedom peaked in 2019 and 2020. However, dragged down by score decreases in **judicial effectiveness** and **labor freedom**, Ethiopia has recorded a 3.1-point overall loss of economic freedom since 2017 and has fallen from the "Mostly Unfree" category to the "Repressed" category. The **government spending** score is good, but rule of law, **investment freedom**, and **financial freedom** are far below average.

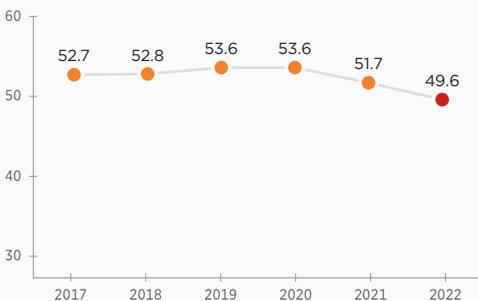
**IMPACT OF COVID-19:** As of December 1, 2021, 6,771 deaths had been attributed to the pandemic in Ethiopia, and the government's response to the crisis ranked 83rd among the countries included in this *Index* in terms of its stringency. The economy grew by 6.1 percent in 2020.

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +7.0

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
115.0 million

**GDP (PPP):**  
\$282.6 billion  
6.1% growth in 2020  
5-year compound annual growth 8.2%  
\$2,908 per capita

**UNEMPLOYMENT:**  
2.8%

**INFLATION (CPI):**  
20.4%

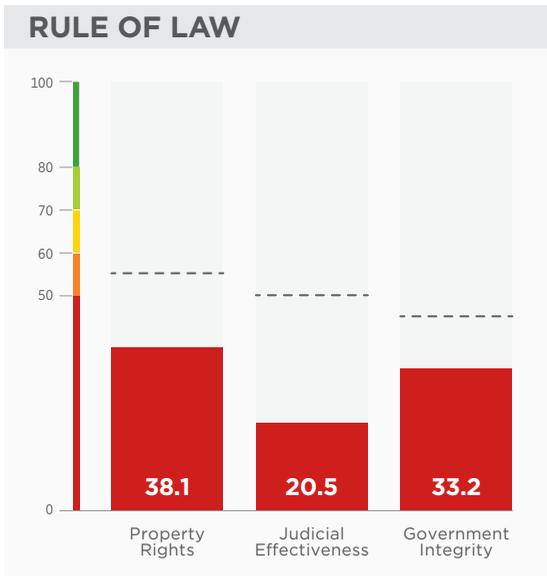
**FDI INFLOW:**  
\$2.4 billion

**PUBLIC DEBT:**  
55.3% of GDP

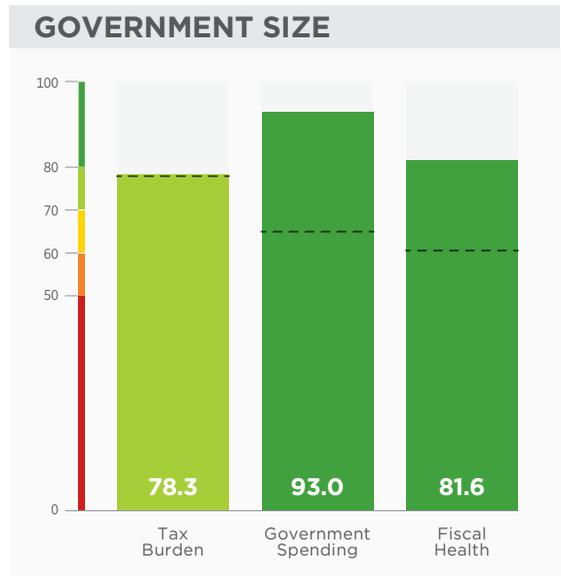
2020 data unless otherwise noted. Data compiled as of September 2021

**BACKGROUND:** A military junta deposed Emperor Haile Selassie in 1974 and established a socialist state. The Ethiopian People's Revolutionary Democratic Front overthrew the junta in 1991, replacing it with a repressive one-party system dominated by the Tigray tribe. Protests by Ethiopia's marginalized Oromo tribe in 2018 led to the surprise rise of Prime Minister Abiy Ahmed, who launched an ambitious reform agenda and won the Nobel Peace Prize. In 2020, however, war broke out between rebels from the Tigray Region and the federal government. At the end of 2021, the political situation was highly unstable. The agriculture-based economy's strong growth has reduced poverty, but high unemployment, still-severe poverty, and a large debt burden remain persistent challenges.

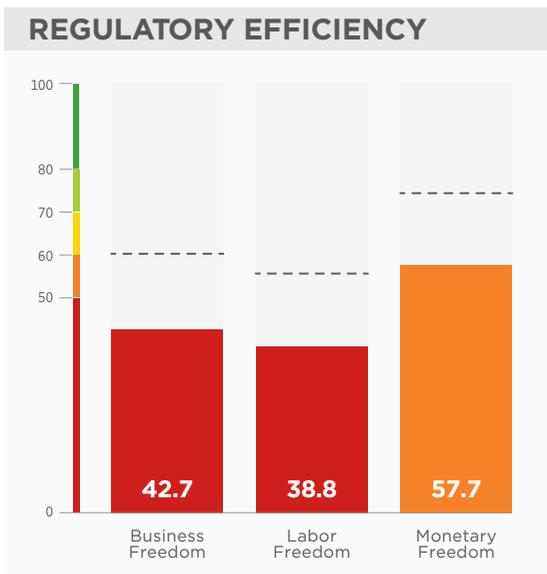
# 12 ECONOMIC FREEDOMS | ETHIOPIA



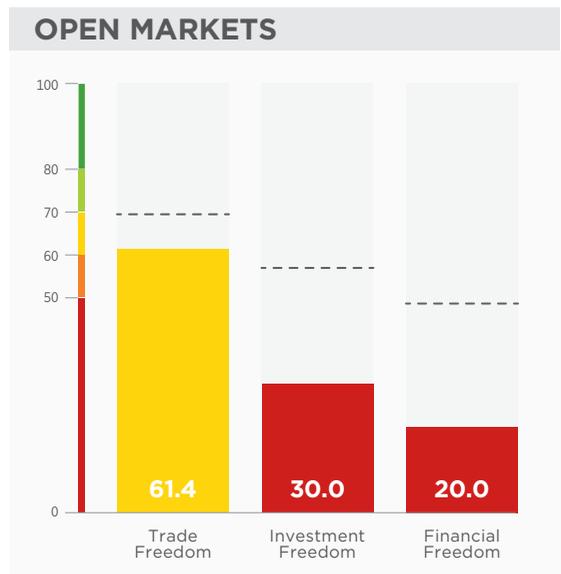
Ownership of land remains in the hands of the state, and decisions on land use have generated conflict. The judiciary is officially independent, but its judgments rarely deviate from government policy. While property and contractual rights are recognized, judges often lack a technical understanding of complex cases. Problems caused by corruption and unequal distribution of resources have contributed to the unrest that has beset Ethiopia in recent years.



The top individual income tax rate is 35 percent, and the top corporate tax rate is 30 percent. The overall tax burden equals 6.7 percent of total domestic income. Government spending has amounted to 15.3 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.8 percent of GDP. Public debt is equivalent to 55.3 percent of GDP.



In 2021, the 62-year-old commercial code was revamped to simplify business regulations and increase transparency. Ethiopia digitized its commercial registration and business licensing processes. More than 80 percent of Ethiopians work in agriculture. Partially or fully subsidized state-owned enterprises continue to dominate major sectors of the economy including telecommunications, power, banking, insurance, rail, air transport, and shipping.



Ethiopia has one preferential trade agreement in force. The trade-weighted average tariff rate is 11.8 percent, and nontariff barriers further undermine the freedom to trade. Ethiopia is not a member of the World Trade Organization. Institutional shortcomings continue to limit market openness to foreign investment. Although the state has allowed the private sector to participate in banking, it influences lending and funds state-led development projects.