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Ethiopia

Abiynomics (Abiy's economic policy): Inflation, debt, military spending

Summary
*Ethiopia's economy suffers from a lack of economic competence and development prospects, which is the responsibility of Prime Minister (**PM**) Abiy's government. He uses borrowed or begged money to finance projects that are questionable from an economic point of view, are usually not thought through to the end and do not solve the problems of the majority of the population. Ethiopia is heavily indebted and its economy is rated D ("junk status") by rating agencies. For the first time in Ethiopia's history, it has also recently failed to service its debts on time. In addition, Abiy's regime is waging war against its own people - especially the **Amhara** - and wasting Ethiopia's budget on military spending and debt servicing. Germany and the **EU** occasionally admonish the regime, but are only interested in Abiy's regime as long as he prevents refugees from entering the EU. According to **UN** data, up to 20 million people are dependent on food aid, which is blatant proof of a misguided economic policy.*

Growth without employment
The PM of Ethiopia has been in office since 2nd quarter 2018 and has been received with enthusiasm at home and abroad. His often superficially pointed speeches have led Ethiopian citizens to compare him to a prophet. Abiy calls on Ethiopia to overcome thinking in terms of poverty and to accept "prosperity" as a guiding principle. He does this in his speeches and unsolicited interjections and repeats it again and again. This sets him rhetorically apart from his two predecessors **PM** Meles and Hailemariam. They spoke of poverty as Ethiopia's arch-enemy that must be defeated. His credo is: with the right attitude and positive slogans, health, prosperity etc. will come into people's lives. Poverty is seen as a curse that can be overcome with the right faith. His Prosperity Party emphasizes that this is only possible through work. It claims that this is only possible through "Export Processing Zones" (**EPZ**), where workers earn €35-50/month while having a six-day working week. **This approach has not created growth, let alone prosperity.**

Ethiopia's economy in free fall - Pentecostal economic course fails miserably
The 10-year economic development plan (2021-2030) "Ethiopia 2030: The Pathway to Prosperity" was supposed to lead to poverty reduction and make Ethiopia a "middle-income country" by 2025. An absurd idea, given the chaotic economic course of the Abiy regime and the economic realities in the country.
Since 2018, the following economic figures have shown deadly consequences for the people. Inflation, price increases and a lurching course without a substantial development policy contribution determine the course of his regime. Even government agencies that steer economic policy (e.g. the central bank) are left out in the cold. **It is a one-man program that relies on grandiose projects to conceal the misery of the population.**
The following data shows the desolate state of the Ethiopian economy and outlines the consequences for the population:

- **Economic growth**: The Ethiopian government has indicated that the rate of economic growth in 2023 was 7.2%. The International Monetary Fund (**IMF**) projects that economic growth will reach 6.1% in 2023 and 6.2% in 2024. In contrast to the government's figures, independent estimates suggest that Ethiopia's economy expanded by a mere 4.5% in 2023. As a result, objective data is not available. **In light of the aforementioned data, it is probable that the growth rate will be below 5%.**
- **Foreign exchange and currency**: The country's foreign exchange reserves have declined to a level below 1 billion US dollars, representing a coverage ratio of less than two weeks of imports as of

December 2023. As evidenced by data from January 2024, the birr is trading at a minimum of 110 birr for 1 USD on the informal market, while the official rate is 56 birr for a dollar. In the context of these circumstances, the allocation of state funds to the establishment of questionable **EPZs** and Special Economic Zones (**SEZs**) is indicative of a lack of economic expertise. Local companies are unable to import the necessary production inputs due to a lack of foreign currency, while the population is deprived of imported malaria medication.

- **Fiscal:** In terms of fiscal policy, In comparison to the preceding year, the budget deficit in relation to GDP has decreased from 3.6% to 2.9%. The government has announced a reconstruction requirement of USD 20 billion, yet IMF and other actors have thus far been reluctant to provide loans. It is important to note that this is the same government that has been responsible for the indiscriminate killing of civilians through the use of drones, airstrikes, and heavy weapons in internal conflicts with armed groups, resulting in the devastation of entire regions and infrastructure, particularly in the Amhara region. **The incumbent's tenure has been marked by a persistent inability to achieve a balanced budget, a consequence of flawed economic policy.**
- **Debt**: Ethiopia has a considerable debt overhang, with a debt repayment of USD 1 billion for the Eurobond. The country was unable to meet the repayment obligations associated with the latter, which prompted "Fitch Ratings" to classify it as "D," a designation also known in financial jargon as "junk status." This makes Ethiopia Africa's third defaulting debtor, having failed to make a coupon payment of USD 33 million on its Eurobond. In January 2021, the government submitted an application for debt restructuring under the auspices of the G20 Common Framework (CF). In December 2023, Fitch Ratings downgraded the country's credit rating to "C" following the expiration of a grace period for a payment originally due on December 11, 2023. **This marks the first instance in Ethiopia's history where a debt service of this nature and magnitude has not been fulfilled.**
- **Social issues:** The allocation of financial resources to military spending and debt servicing is resulting in a significant reduction in the budgetary allocation for other essential public services. It is becoming increasingly challenging to finance social spending and development measures. Furthermore, the decline in development funding has resulted in a reduction in current expenditure on poverty reduction. This is resulting in the deterioration of the "Safety Net Program." As indicated by the World Food Program, over 20 million individuals in Ethiopia are anticipated to require food assistance in 2024. UNICEF estimates that approximately 33% of the 2024 federal budget will be allocated to poverty-oriented sectors, such as education, health, and agriculture. This represents a 59% reduction compared to the 2020 budget. A significant portion of the Ethiopian budget will be directed towards military expenditure, debt servicing and unspecified general spending measures, primarily allocated to the intelligence service.

Human development not desired - Debt for generations to come

- As a Bible-obsessed Christian, Abiy preaches that whoever is a good Christian will be blessed with prosperity. He mixes his misplaced theological view with crude economic beliefs that have no sound economic basis. His way of thinking, which neither recognizes structural problems nor sees the explosive nature of economic figures and is unable to penetrate economic theories, which has led to the country falling into the debt trap.
- An interview with the magazine "The New Yorker" states: "Abiy occasionally fretted over how much money he was borrowing. "If you are a really good person," he told me, "pray for me for just one thing-that I can manage our debt."
- The majority of his debt-financed projects are either gigantic reforestation programs, palace buildings, or favorite projects that have no connection to the development problems of the majority of the population. In the past five years of his term of office, Ethiopia has suffered considerable damage to people and infrastructure as a result of war and violence caused by the regime itself. This willful policy of destruction is to be and is being rebuilt in part with international aid and is called "post-conflict reconstruction". All those who oppose this Pentecostal economy, such as the Amhara Self-Defense Forces (FANO), are being attacked militarily and economically starved.

Remark: A number of digital/print resources have been reviewed/screened for this press release (PR). In order to maintain concision, footnotes have been omitted, but a select few sources have been included for reference. Furthermore, the PR relies on human resources working within government structures, the security apparatus, specialized state agencies, party cadres, faith-based organizations, and NGOs.

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