

# Ethiopia

## Combined Agenda 2063 scenario

Kouassi Yeboua

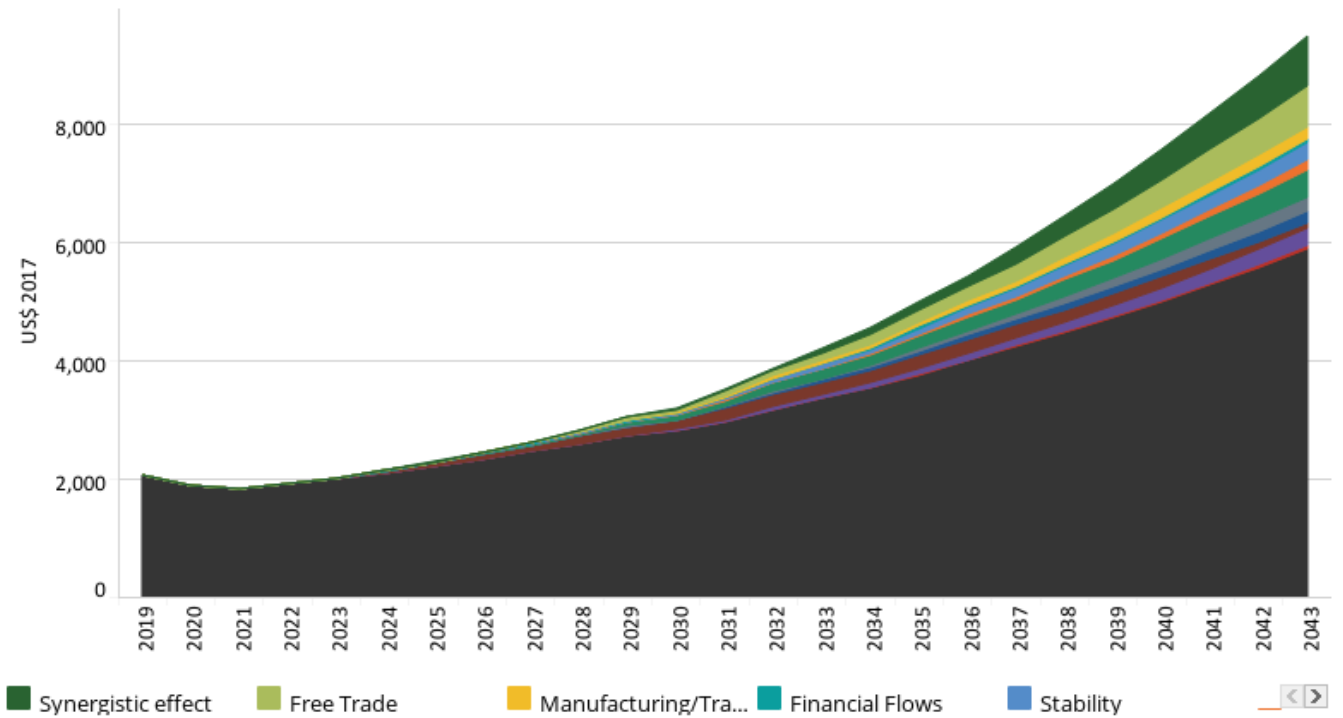
Last updated 13 December 2023 using IFs v7.63

## Chart 55: GDP per capita in CP and scenarios, 2019–2043

Additional GDP per capita per scenario, purchasing power parity



Ethiopia



Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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The Combined Agenda 2063 scenario consists of the combination of all 11 sectoral scenarios presented above, namely the Stability, Demographic, Health/WaSH, Agriculture, Education, Manufacturing/Transfers, Leapfrogging, Free Trade, Financial Flows, Infrastructure and Governance scenarios. The cumulative impact of better education, health, infrastructure, etc. means that countries get an additional benefit in the integrated IFs forecasting platform that we refer to as the synergistic effect. Chart 55 presents the contribution of each of these 12 components to GDP per capita in the Combined Agenda 2063 scenario as a stacked area graph.

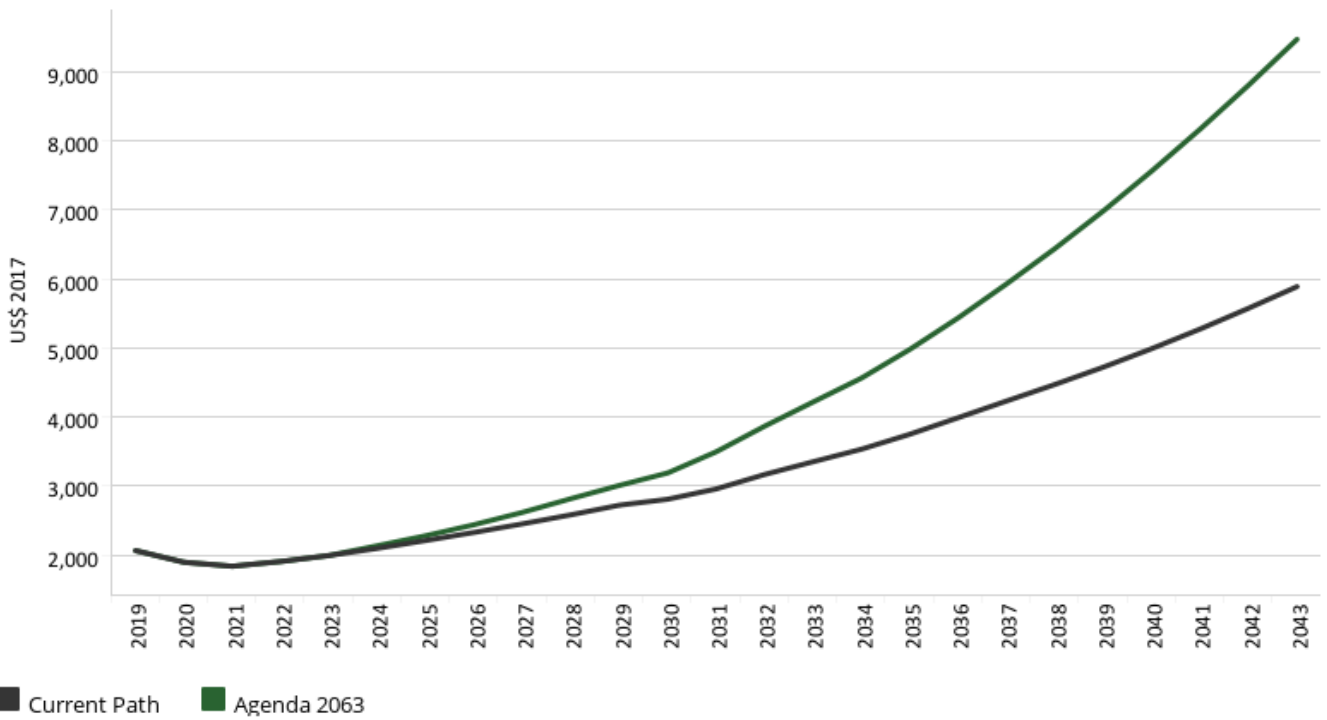
The synergistic effect of all the scenarios on the GDP per capita is US\$819.7 in 2043. The scenario with the most significant impact on the GDP per capita by 2043 is the Free Trade scenario followed by the Leapfrogging scenario, while the Health/WaSH scenario has the least impact on GDP per capita. The full implantation of the AfCFTA and investment in agriculture and ICT sectors will improve human and economic development the most in Ethiopia.

### Chart 56: GDP per capita in CP and Combined scenario, 2019–2043

Purchasing power parity



Ethiopia



Source: IFs 7.63 initialising from UN Population Division World Population Prospects and World Development Indicators data

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Whereas [Chart 55](#) presents a stacked area graph on the contribution of each scenario to GDP per capita as well as the additional benefit or synergistic effect, Chart 56 presents only the GDP per capita in the Current Path forecast and the Combined Agenda 2063 scenario.

In the Combined Agenda 2063 scenario, It is assumed that the Government of Ethiopia makes a concerted effort to remove the binding constraints to growth and development. The Combined Agenda 2063 scenario has a much greater impact on the GDP per capita compared to the individual thematic scenarios. By 2033, the GDP per capita of Ethiopia in the Combined Agenda 2063 scenario is US\$865, or 25.85%, larger than in the Current Path forecast, and by 2043 it would come to US\$9 472, US\$3 584, or 60.9%, more than in the Current Path forecast for that year. Furthermore, GDP per capita in the Combined Agenda 2063 scenario will be 2.5 times more than the average of US\$3 790 for low-income African countries on the Current Path.

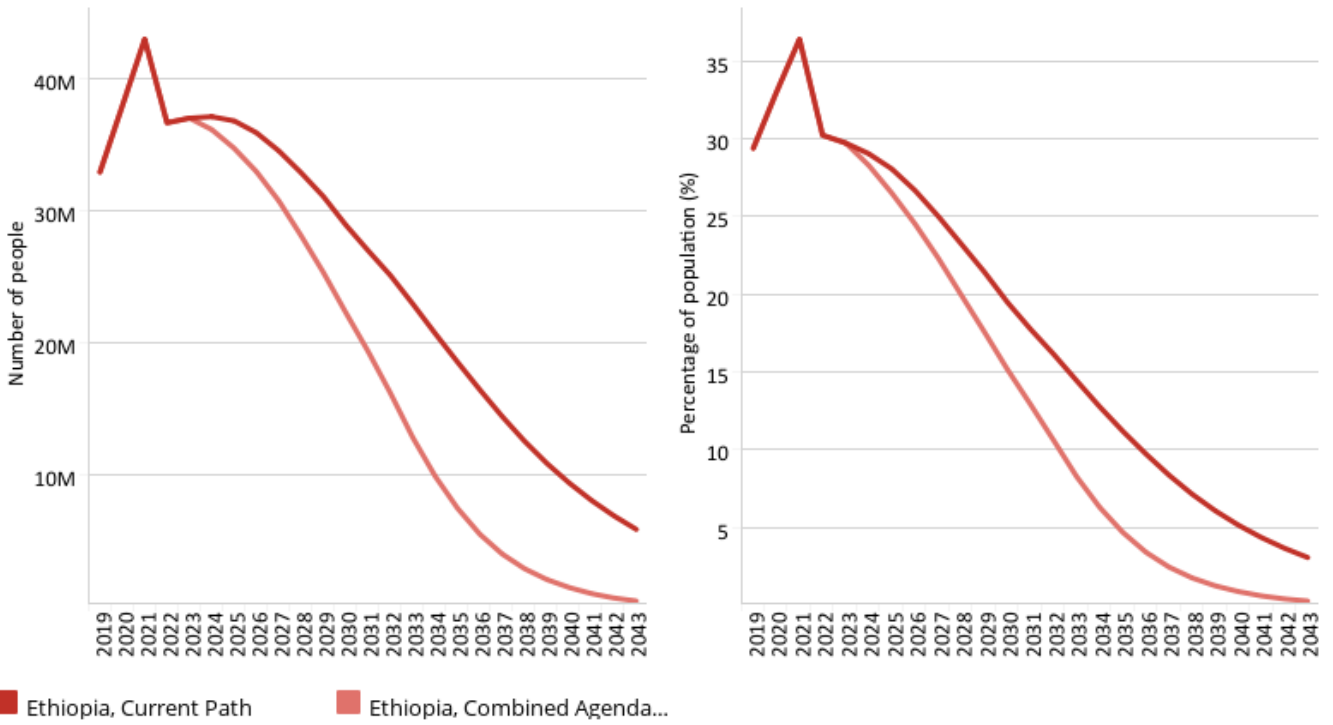
The Combined Agenda 2063 scenario shows that a policy push across all the development sectors is necessary to achieve sustained growth and development Ethiopia.

### Chart 57: Poverty in CP and Combined scenario, 2019–2043

Millions of people and % of total population



Ethiopia \$1.90



Source: IFs 7.63 initialising from UN Population Division Population Prospects estimate, World Development Indicators population data and DevPalNet World Bank data

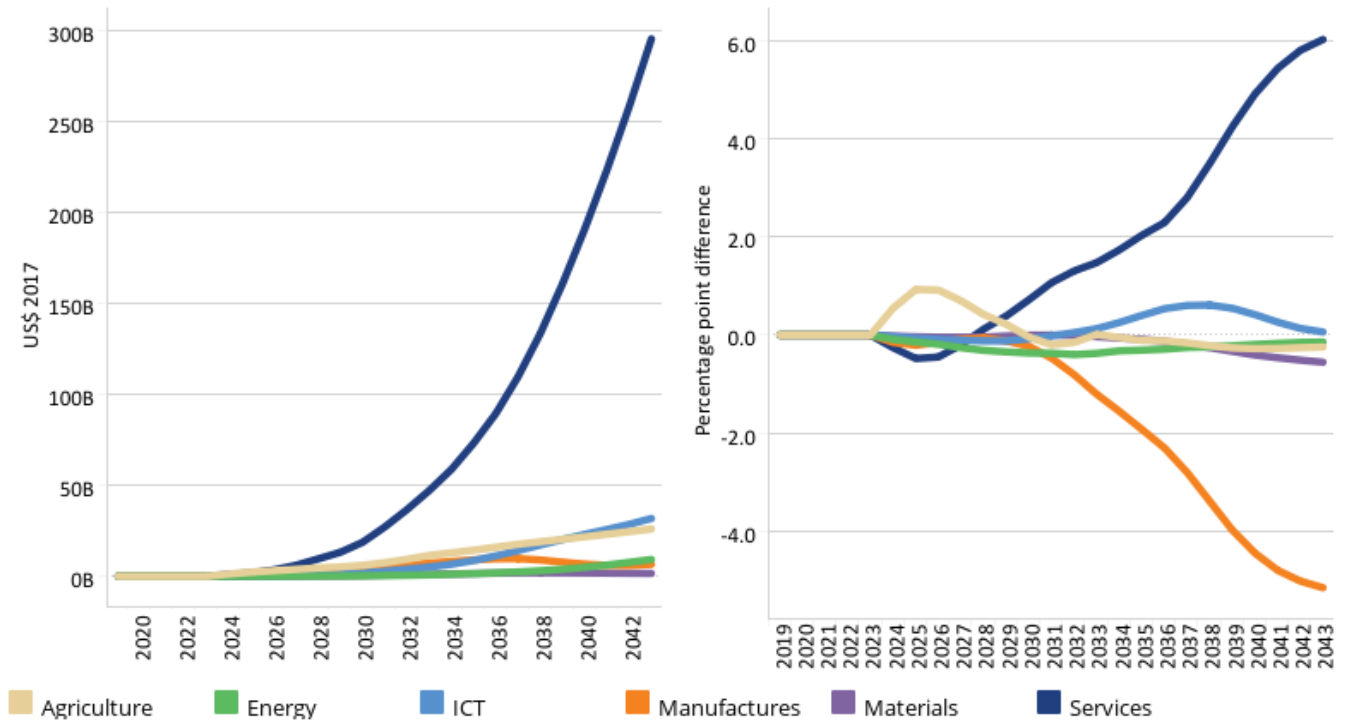
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In the Combined Agenda 2063 scenario, by 2033 8.2% of Ethiopians will be living in extreme poverty compared to 14.4% in the Current Path forecast. This represents about 10 million fewer people living in extreme poverty compared to the 22.9 million in the Current Path forecast. By 2043, the extreme poverty rate in the Combined Agenda 2063 scenario will be only 0.3% (450 000 people) compared to 3.1% (5.9 million people) in the Current Path forecast — a reduction of 5.4 million people. The Combined Agenda 2063 scenario shows that a concerted policy push across all the development sectors could significantly reduce poverty in Ethiopia.

**Chart 58: Value added by sector in CP and Combined scenario, 2019–2043**  
 Absolute and % point difference GDP



Ethiopia



Source: IFs 7.63 initialising from International Monetary Fund World Economic Outlook database

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See [Chart 8](#) to view the Current Path forecast of the sectoral composition of the economy.

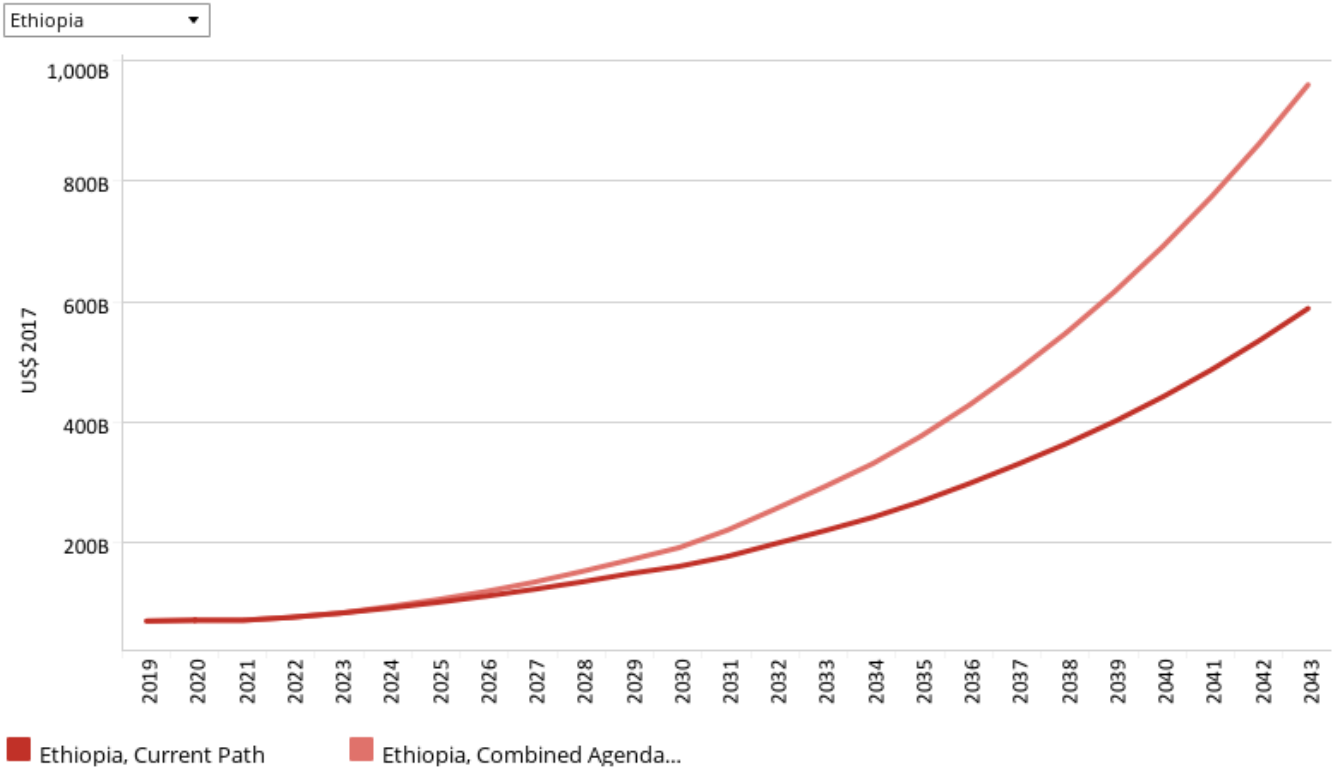
In absolute terms, the contribution of the service sector to GDP will experience the largest improvement compared to the Current Path forecast by 2043. The contribution of the service sector in the Combined Agenda 2063 scenario is US\$295.7 billion larger than in the Current Path forecast for 2043. The service sector is followed by the ICT and agriculture sectors, with their contributions to GDP in the scenario US\$31.8 billion and US\$26 billion larger than in the Current Path forecast, respectively.

As a percentage of GDP, the contribution of the service sector in the Combined Agenda 2063 scenario is 6 percentage points larger than the Current Path forecast for 2043, while the contribution of the manufacturing sector in the Combined Agenda 2063 is 5.2 percentage points lower than the Current Path forecast.

In sum, the service sector will continue to be the dominant sector of the Ethiopian economy, but the manufacturing sector will grow appreciably in the Combined Agenda 2063 scenario.

### Chart 59: GDP in CP and Combined scenario, 2019–2043

Billions US\$ 2017, market exchange rates



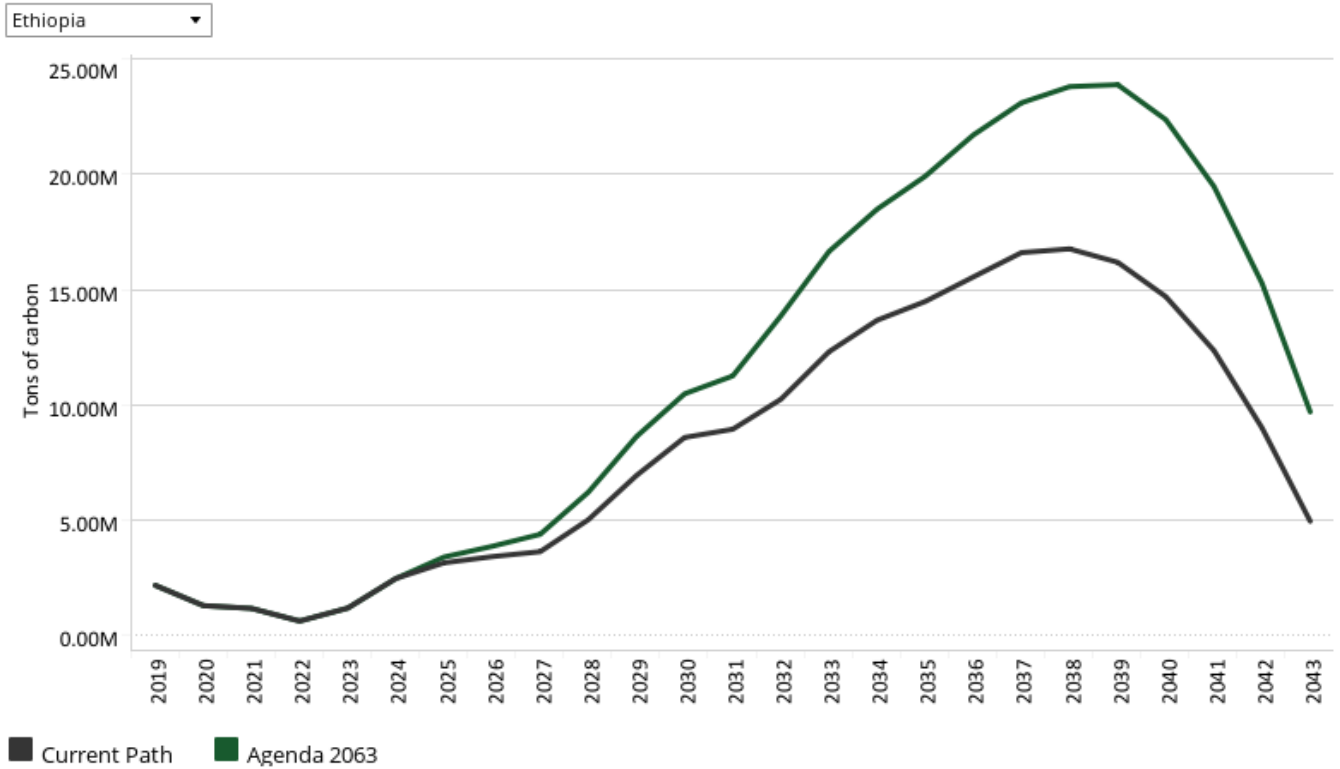
Source: IFs 7.63 initialising from International Monetary Fund World Economic Outlook database

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The Combined Agenda 2063 scenario dramatically impacts the expansion of the Ethiopian economy (GDP). In the Combined Agenda 2063 scenario, the size of the economy is projected to expand from US\$70.6 billion in 2019 to US\$959.4 billion in 2043, which is a 1 259% increase over the period compared to 733.7% in the Current Path forecast over the same period. In 2043, the GDP of Ethiopia in the Combined Agenda 2063 scenario is about US\$370.8 billion, or 63%, larger than in the Current Path forecast for the same year.

The Combined Agenda 2063 scenario shows the benefit of a widespread policy push across all development sectors in achieving sustained growth in Ethiopia.

**Chart 60: Carbon emissions in CP and Combined scenario, 2019–2043**  
 Million tons of carbon (note, not CO<sub>2</sub> equivalent)



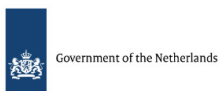
Source: IFs 7.63 initialising from Carbon Dioxide Information Analysis Center data

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The Combined Agenda 2063 scenario significantly impacts carbon emissions, albeit from a very low base, due to the increased economic activity. In this scenario, carbon emissions increase from about 2.5 million tons in 2019 to peak at 23.9 million tons in 2039 before declining to 9.7 million tons by 2043. In 2043, the carbon emissions in the Combined Agenda 2063 scenario are 4.8 million tons, or 96.2%, higher than in the Current Path forecast.

The materialisation of the Combined Agenda 2063 scenario would stimulate high economic growth and eliminate extreme poverty in Ethiopia, but the cost in terms of environmental degradation is relatively high. To mitigate the environmental impact of the Combined Agenda 2063 scenario, its implementation should be accompanied by concrete steps to accelerate the green energy transition.

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## About the authors

Dr Kouassi Yeboua is a senior researcher in African Futures and Innovation programme in Pretoria. He recently served as lead author on ISS studies on the long-term development prospects of the DR Congo, the Horn of Africa, Nigeria and Malawi. Kouassi has published on various issues relating to foreign direct investment in Africa and is interested in development economics, macroeconomics, international economics, and economic modelling. He has a PhD in Economics.

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