

Ethiopia

Ethiopia: Conclusion

Blessing Chipanda

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Chart 38: Policy recommendations

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Chart 38 summarises the policy recommendations for Ethiopia.

This report highlights the opportunities and current development challenges Ethiopia faces and identifies strategic opportunities to set the country on a course toward inclusive and sustainable growth and development.

The analysis reveals that Ethiopia faces a range of complex, interconnected challenges that have contributed to its economic fragility and hindered sustainable growth and development. Key constraints to the country's growth include insecurity, higher dependence on agriculture (with low productivity and limited economic diversification), climate change, weak governance, a poor business environment, infrastructure shortages, and limited human capital.

Addressing these issues is essential for placing the country on a trajectory of sustained growth and development. The government needs to implement decisive and targeted actions based on the priority policies outlined below:

- **Promote good governance**

Ethiopia is at risk from its fragile institutions. Paradoxically, as the country opens up and sheds some of its more

authoritarian characteristics, it is likely to actually become less stable in the short to medium term. None is more pressing than finding a way forward in terms of ethnic inclusion and halting a potential downward spiral towards ethnic nationalism and fragmentation.

Authorities should make efforts to find a new political settlement that brings sustainable peace to the country, a critical condition for sustaining growth, and that improves living standards. Ethiopia's economic development depends more on sustainable growth over long periods than on bursts of explosive growth. While institutional reform is key, it has to happen in a steady and measured way, which is to say genuinely.

The government of Ethiopia must focus on establishing inclusive, transparent and accountable institutions. The existing overcentralised governance, coupled with ineffective government and a lack of accountability, contributes to social exclusion, inequality and conflict. Consequently, the government should prioritise efforts to combat corruption and impunity, enhance public sector administration, improve transparency in the agriculture and manufacturing sectors, and promote the decentralization process to bolster local governance and improve public service delivery.

- **Promote economic diversification**

Improving the business environment to foster private sector development and attract manufacturing FDI can diversify the economy away from agriculture and enhance formal job creation. This includes supporting light manufacturing, such as agro-processing, and promoting services, particularly within the digital economy.

- **Increase agricultural productivity**

Ethiopia must continue to invest in productivity-enhancing technologies and ensure farmers' access to high-yield, disease-resistant and drought-resistant seedlings, fertilisers, and credit guarantees. Furthermore, it is crucial to support research and development (R&D) activities focused on enhancing resilience and agricultural productivity. Since access to land, water and other natural resources is a key factor in the rising inter-communal conflicts within the country, Ethiopian authorities should implement a national land policy to ensure the effective, sustainable and equitable use of land. They should also improve the quality and supply of infrastructure to reduce production and transaction costs, improve connectivity and productivity, and boost regional integration and better public service delivery.

- **Transform and invest in education**

Without improving the quality of education Ethiopia will not be able to build the human capital required to industrialise. Better and more education is a prerequisite and appears to hinge on changes to language policies (a controversial issue hotly debated in Ethiopia), minimum teacher educational requirements and the introduction of modern facilities and practices.

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Dr Blessing Chipanda joined the African Futures and Innovation (AFI) programme in January 2023. Before joining the ISS he worked as an assistant lecturer/research assistant at the University of Pretoria, Department of Economics. He is particularly interested in tasks within the wider realm of international trade, development economics, public policy, monetary policy, and econometric modelling. Equally interested in economic and socio-economic activities that impact social welfare. Blessing has a PhD in economics from the University of Pretoria, South Africa.

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