



Ethiopia

Ethiopia: Conclusion

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Chart 38: Policy recommendations

Recommendations

- Promote good and inclusive governance to achieve more equitable development.
- Improve domestic revenue mobilisation to sustain public investments.
- Enhance economic diversification by promoting downstream beneficiation of agriculture goods and natural resources.
- Increase agricultural productivity and livestock production.
- Undertake reforms in the business environment aimed at reducing business costs and risks by improving the quality of business regulation.
- Enhance climate risks management and support the development of green value chains.
- Improve the quality of education at all stages.
- Encourage citizens to build an entrepreneurial mindset to shift labour from the large informal sector to businesses in the formal economy.

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.

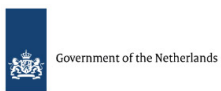
- **Increase agricultural productivity**

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** is a Senior Research Consultant in the African Futures and Innovation (AFI) programme at the Institute for Security Studies (ISS), which he joined in January 2023. An economist by training, his research focuses on development economics, international trade, public policy, and econometric modelling. Within the AFI programme, he specialises in long-term forecasting and policy analysis to explore Africa's development trajectories. He has co-authored numerous reports and policy briefs that employ data-driven scenarios to support strategic planning and decision-making on the continent's economic and human development prospects. Before joining the ISS, Blessing served as an assistant lecturer and research assistant in the Department of Economics at the University of Pretoria. He holds a PhD in Economics from the University of Pretoria.

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