

Analysis of Opportunity Factors for Economic Development in Ethiopia: A Commentary

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Abstract

Ethiopia has been registering an impressive double-digit growth over the last decades that led to improvements in per capita income and poverty reduction. The purpose of this paper was to review and reflect on the contemporary opportunities available in Ethiopia to build a robust economy, the challenges encountered and the way forward. The assessment employed systematic literature review study design that involved descriptive and content analysis techniques. The results of the intensive desk review indicated that the country is endowed with huge natural resource bases such as diversified agro-ecologies; large labour power supply; enormous renewable energy sources such as hydroelectric power, wind, geothermal and solar energy, and outstanding tourist attractions that expedite its development. Likewise, the Home-Grown Economic Reform and “*Medemer*”; government commitment; increased economic collaborations with countries, regional organizations and development agents; growing inflows of foreign direct investment; improvements in infrastructure; and aspiration of the people to prosper have contributed for the growth. Key challenges that should be addressed to build a robust economy include the rain-fed, subsistence and traditional nature of agriculture; negative balance of payments and unsatisfactory export performance; price inflation; ethnic conflicts and insecurity; unemployment; climate change; and land degradation. Nevertheless, it could be fairly concluded that Ethiopia is at the right track to build a strong and competent economy.

Keywords: Economic development, Reform, Home-grown Economy, Medemer, Ethiopia

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1. Introduction

Ethiopia is a mountainous, landlocked country located in East Africa. With a total population of over 110 million (CSA, 2017), it is the second most populous country in Africa. Ethiopia has created international reputation for its impressive double-digit growth over the last decades. The robust and sustained economic growth recorded over the past 15 years has led to reduction of income inequality and poverty in Ethiopia (NBE, 2019). According to the 2019 annual report of the National Bank of Ethiopia (NBE), per capita income of the country has continuously increased and reached US\$985 in 2018/19; and the prevalence of poverty has declined to 22% in 2018/19 from 38.7% in 2004/05. The natural resource bases of the country; government's commitment to change the livelihoods of its people; economic collaborations with developed and/or fast developing countries, and regional organizations (such as European Union) and international development agents; and the aspiration of the people to prosper have contributed for the growth. Ethiopia is also characterized as a country with growing inflows of Foreign Direct Investment (FDI), with a record of \$4 billion in 2017 (Messay, 2018a).

The agricultural sector is the mainstay of the Ethiopian economy, contributing to about 42% of the country's GDP, and employing 85% of the workforce. It generates 90% of export earnings and supplies about 70% of the country's raw material requirements for industries. The main agricultural products are cereals, pulses, oilseeds, vegetables, root crops, fruit crops, stimulant crops (coffee and chat/khat), cotton, sugarcane, flowers, hides and skin, cattle, sheep, goats and seafood (CSA, 2020). However, the agricultural sector is still dominated by rain-fed subsistence production, and is highly vulnerable to climate variability. Likewise, land degradation and deforestation, dependence on traditional implements and farming practices, and poor rural infrastructure are among the challenges constraining agricultural performance in Ethiopia (CSA, 2020).

At present, the government has been making sustained efforts to add value to its agricultural products and is planning to develop large agro-industrial parks across the country. The manufacturing sector contributes to about

27% to the country's GDP and 13% of the workforce. The main industries are food-processing, beverages, textiles, leather, garments, chemicals, metals processing and cement. The manufacturing sector still has a low impact on total exports (around 15% in 2017), but is expected to grow in the coming years. Recently, a large number of international companies outsourced their manufacturing firms from Asia to Ethiopia, among which Chinese, South Koreans and Turkish companies are most notable (NPC, 2016).

The main focus of this paper is on issues related to the contemporary economic development in Ethiopia. The overall contemporary infrastructural, demographic, socioeconomic, political, policy and diplomatic situations are found to be opportunities to build a robust economy in the country though challenges are also at hand to be dealt with. Therefore, the purpose of this paper is to systematically review and reflect on the contemporary opportunities available in Ethiopia to build a robust economy, the challenges encountered and the ways forward. The main question to be answered in this paper is: do the contemporary economic development activities and reforms undertaken in Ethiopia lead to build a robust economy in the country, and what are the challenges?

2. Theoretical Basis

The appropriate theoretical orientation for this review is the work of Devereux and Cook (2000), which questions whether social policy in the South meets social needs. They argue that in poor countries, social policy as conventionally designed and delivered leaves the needs of the poor inadequately addressed. They identified two key reasons why this is happening. The first is that Northern models of social provisioning were transplanted to poor countries with little adaptation to local realities. The second arises from the top-down and sectoral nature of social policy. The result is a mismatch between the provision of social goods and services and actual needs. In fact, it is not difficult to understand why social policy in the Southern and Western countries does not meet the needs of the poor in developing countries (Devereux and Cook, 2000; Kennett and Oakley, 2001; Gumede, 2017). The gap between the actual social needs and the

priorities at the target groups happened due to the top-down policy making process (Devereux and Cook, 2000). The central issue in social policy is therefore the process of decision making and the choices of policy made, participatory and demand-based policy. In this case, participatory and bottom-up policymaking and implementation process that consider the local realities is crucial to bridge the gap.

Social policy is broadly concerned with the public provision of (public or private) goods and services to meet human needs (Devereux and Cook, 2000). The service providers of social policy can be public or private, community or household, formal or informal. More broadly, social policy implies the ways in which policies are made to fit the day-to-day experiences and needs of the poor (Coffey, 2004). Hence, policies should be designed in ways in which government and societies across the world respond to the global challenges of social, demographic and economic changes (Kennett and Oakley, 2001). Likewise, its essence is finding a way of reducing inequalities in access to goods and services between social groups defined by socio-economic status and meet human needs for food security, education, work, health and wellbeing (Coffey, 2004). However, putting social policies at the centre of the country's development agenda requires shifting the process of decision making from top-down towards more participatory and demand-driven (Devereux and Cook, 2000), because, moving towards an integrated social policy is crucial to meet the needs of the poor. An integrated view of social policy implies addressing the social goods and services in a multi-dimensional way.

Social policy could also incorporate all government policy that has a social dimension that is concerned with labour market (Coffey, 2004). To this end, interest in social policy has been stimulated by the realization that labour is a means of production (Mkandawire, 2001). In addition, the shift towards a high value-added manufacturing industry encouraged greater investment in human capital to enhance labour force productivity and stability (Mkandawire, 2001). This can be associated with increased government emphasis on investing in education and training. However, decision-makers seek to design policies that support sustainable development, though challenging, to meet sustainable development goals. Again, the

contemporary economic development in many developing countries including Ethiopia is criticized due to the absence of social dimensions (Mkandawire, 2001). Hence, social policy is appropriate in Ethiopia, where the country's economy largely utilizes available human labour resources.

The other important perspective in social policy is inclusive development (Gumede, 2017). The concept of inclusive development emphasizes the social, economic, ecological and political dimension in development (Gupta and Vegelin, 2016). Likewise, the role of social policy in all-inclusive development is emphasized on policies that should be designed, formulated and implemented primarily to generate sustainable social development (Mkandawire, 2001). According to Gumede (2017), weak inclusive development in developing countries such as in Africa has largely emanated from poor economic development, which is caused by lack of appropriate policies/reforms, heavy reliance on natural resources, and absence of an original economic development model and poor implementation. Nonetheless, there is a need to come to the realization that inclusive development is a foundation for sustainable development in Ethiopia. Moreover, the social dimension of development policy is vitally important for the current home-grown reforms in Ethiopia that focuses on pro-growth, pro-poor and pro-inclusivity pathway to prosperity and growth.

3.Methodology

3.1. The Setting

Ethiopia, with the total area of about 1.1 million square kilometres, is the 8th largest country in Africa. Water bodies occupy only about 0.7% of the total area. One-third of its total area is highland, where nearly 85% of Ethiopia's population lives. Rainfall patterns exhibit high temporal and spatial variability. Ethiopia is rich in geographical diversity. It consists of rugged mountains, flat-topped plateaus, deep gorges and several river valleys. Erosion, volcanic eruptions and tectonic movements over the ages have contributed to the country's diverse topography. The highest altitude is at *Ras Dashen Mountain* (4,620m above sea level) and the lowest altitude is at *Afar Depression* /also known as *Kobar Sink*/ (120m below sea level). River *Abay* (also known as *Blue Nile*) is the chief headstream of the Nile, rises in

Lake Tana (3,600km²) in Northwest Ethiopia. The Great Rift Valley extends across the Ethiopian plateau, dividing the country into two major landscapes. Diverse geographical set-up is an opportunity for the Ethiopian Economy, which is mainly dependent on agricultural production. However, agricultural production has been constrained by low growth in both land and labour productivity, partly as a result of irregular rainfall and conflicts, but also because of very low levels of investment. Smallholder farming dominates the agriculture system in Ethiopia. The majority of farmers are smallholders, with about 85% of the households farming less than 2 hectares and 40% less than 0.5 hectares (<https://www.indexmundi.com/ethiopia>; FDRE, 2011; Billi, 2015; NPC, 2016; CSA, 2020).

Ethiopia is located near the equator where maximum solar insolation and rainfall is received. The length of days and nights are almost the same; and the climate is moderate in most parts of the country owing to the high elevation. The rainfall decreases from the Southwest to the Northeast and is largely concentrated during the summer months (*i.e.* June, July and August). The lowlands of the Danakil Desert and the Ogaden (usually greater than 40°C) are hot all the year. The highlands are temperate with night frost in the mountains. Rainfall is generally lower in the South-eastern and North-eastern lowlands. Annual rainfall ranges from about 300 millimetres (mm) in South-eastern lowlands to nearly 2,000mm in western areas of the country. The length of growing period also varies from the Northeast to Southwest, from less than one or two months in the Northeast to more than six months in high-rainfall areas of Western and Southern parts of Ethiopia. Existence of wide range of ecosystems endowed Ethiopia with great fauna and flora diversity (FDRE, 2011 Billi, 2015; <https://www.indexmundi.com/ethiopia>).

The total population of Ethiopia is estimated to be over 110 million, of which about 43% is less than 15 years of age and about 3% is 65 years and above (CSA, 2017). The birth rate is estimated to be 36births/1000persons, while the death rate is about 8deaths/1000people (<https://worldpopulationreview.com/countries/ethiopia-population>). Infant, child and maternal mortality rates have fallen sharply over the past decade, but the total fertility rate has declined more slowly and the population

continues to grow. The rising age at marriage, increasing proportion of women remaining single, and improvements in girls' education have contributed to fertility reduction. The use of modern contraceptive methods among married women is still quite low, i.e. estimated to be less than 30% only. The mother's mean age at the first birth is about 20 years. Average life expectancy at birth is about 63 years. (NPC, 2016; CSA, 2017).

The greatest majority of the Ethiopian population is living in rural areas depending on rain-fed subsistence farming. Urban population in Ethiopia is only 21.2% of the total population, whereas rate of urbanization is about 4.63%. This shows that Ethiopia is one of the least urbanized but rapidly urbanizing countries of the world. Poverty, drought, political instability and forced government resettlement programs have driven Ethiopia's internal and external migration since the 1960s. Currently, there is a new wave of migration to the West and Middle East in search of better livelihoods at destination area. Internal and international trafficking and smuggling of women and children for domestic work and prostitution is a growing socioeconomic problem in Ethiopia. Ethiopia's population is highly diverse, containing over 85 different ethnic groups, of which the Oromo's and the Amhara's constitute the largest majority (CSA, 2017; Messay, 2019; <https://www.indexmundi.com/ethiopia>).

3.2. Methods

The paper employed a systematic literature review approach to examine the contemporary opportunities available to build a robust economy in Ethiopia. Systematic literature review approach is widely accepted to identify and analyse relevant literature (Tranfield *et al.*, 2003; Besemer *et al.*, 2017). Such approach reduces the researcher's subjectivity and provides guidance on how to form logical conclusions concerning what is learned and yet to be learned. Although the study employed predominantly a qualitative approach, some complementary numerical secondary data from various sources were used. Descriptive and content analysis techniques were employed to analyse the data obtained through intensive desk reviews. The descriptive technique involved the investigation and description of key numerical circumstances uncovered from the statistical data obtained from secondary sources and the analysis thereof. Regarding content analysis, text

data obtained from the relevant documents were categorized and summarized in view of the pre-designed research objectives.

4. Discussion and Reflections

This section presents our reflections on the contemporary economic development in Ethiopia based on the information obtained from different sources. It is divided into two subsections. The first subsection presents the opportunities available to build a robust economy in the country. The second subsection presents the challenges encountered and the ways forward to improve the economic development.

4.1. Available Opportunities

Policy environment and economic performance

Ethiopia is among the countries with favourable policy environment for investors. It has implemented several governmental policies aimed at attracting FDI inflows. This includes the signing of over 30 bilateral investment promotion and protection agreements. Ethiopia is also a member of the Multilateral Investment Guarantee Agency (MIGA), an international financial institution founded in 1988 to offer political risk insurance and credit enhancement guarantees. In Ethiopia, foreign investors have the right to make remittances out of the country in convertible foreign currency at the prevailing rate of exchange. There are also fiscal incentives in place for investors. Ethiopia approved a revised investment proclamation in February 2020, aiming at widening FDI, increasing revenue from foreign currency and creating job opportunities for unemployed youth in the country. It targets to further increase and diversify foreign investment inflow to accelerate inward transfer and diffusion of knowledge, skill and technology. It also targets to maximize linkages between foreign and domestic investments, promote equitable distribution of investments among regions, and leverage foreign capital to promote the competitiveness of domestic investors. With this law in place, the investment administration system is expected to be more transparent, predictable and efficient to increase investment attraction, retention and expansion in Ethiopia (NPC, 2016; Messay, 2018a; UNCTAD, 2019).

Regarding the economic performance situations, Ethiopia has experienced sustained economic growth of around 10% per year on average over the past decade (Seid *et al.*, 2016). The main drivers of the economic growth are agricultural production and service sectors, supported by foreign development aid. Gross Domestic Product (GDP) growth of Ethiopia was at 7.4% in 2019. Although

the GDP per capita has doubled over the last 10 years (US\$1,000 in 2020), it remains one of the lowest in the world.

FDI: Status, major sources and performances

Foreign Direct Investment (FDI) inflows to Ethiopia have accelerated since the late years of 1990s. However, in 2018, the inward inflow has decreased to US\$3.3 billion compared to US\$ 4 billion in 2017. Almost half of the inflows to the East African region were absorbed by Ethiopia. Despite a 24% fall in investments in 2018, Ethiopia still maintained its top rank in East Africa with investments in petroleum refining, mineral extraction, real estate, manufacturing and renewable energy assuming prominent positions. In 2018, the total FDI stock was over US\$22.25 billion (UNCTAD, 2019; World Bank, 2020; (<https://www.nordeatrade.com/en/explore-new-market/ethiopia/investment>)). The main investor countries are Saudi Arabia, China, the United States, India, Turkey, and South Korea. China has significantly increased its investment in the country over the past decade, notably in construction, textile, power generation and telecommunication sectors. Chinese investment has been rising over the years between 2006 and 2017. China and China-Ethiopia joint project owners invested over US\$766 million in 2017 alone (Messay, 2018a (<https://www.indexmundi.com/ethiopia>)). Recent data from Ethiopian Investment Commission (EIC) shows that Ethiopia managed to attract about 237 investment projects (with the investment amount of about US\$711 million) from China between April 2018 and August 2018 (EIC, 2019). Of these, 54 projects are already operational investing about US\$39 million.

Ethiopia has been ranked 159th worldwide, for the ease of doing business in the World Bank's 2020 '*Doing Business*' Report, showing no improvement in its position a year earlier (World Bank, 2020). The report shows that Ethiopia, however, made progress in registering properties. Among others, the country improved the quality of its land administration system by publishing the official list of documents required for property registration, doing business. The country benefits from abundant and low-cost trainable labour, and enjoys a strategic location giving access to lucrative markets in the Middle East and Europe, mainly through Port Djibouti (<https://www.nordeatrade.com/en/explore-new-market/ethiopia/investment>)).

Export-import scenario and the trade balance

Ethiopia is one of the least exporting and importing economies in the world. In 2017, for example, Ethiopia ranked 129th export economy in the world and the 116th most complex economy according to the Economic Complexity Index (ECI). Ethiopia runs consistent trade deficits due to small production of exportable goods and logistic difficulties. In 2017, Ethiopia exported US\$2.2billion and imported US\$8billion, resulting in a negative trade balance of US\$5.8billion. Main exports are gold, coffee, live animals, oilseeds and cut flowers. Its top imports are aircrafts, machineries, automobiles, medicine, telecommunication appliances and foodstuffs. Main trading partners are China (18% of total imports and 8% of exports) and Saudi Arabia (13% of imports and 7% of exports). Ethiopia recorded a trade deficit of about US\$2,662 million in the second quarter of 2019 (Samuel, 2009).

Ethiopia, for the first time in history, has become a founding member of the highly promising African Continental Free Trade Area, which was launched in July 2019. Data from various sources (such as NPC, 2016; World Bank, 2020) indicate that the exports of Ethiopia have decreased at an annualized rate of -7.1%, from \$3.01billion in 2012 to \$2.2billion in 2017. The most recent exports are led by coffee, which represents 32.5% of the total exports of Ethiopia, followed by oil seeds, which accounts for 15.9%.

Transport infrastructure: Domestic and regional connections

Transport and communication sectors are contributing about 23% of Ethiopia's GDP at the constant market prices. The government of Ethiopia has taken several steps to improve the transportation sector over the last two decades. In the middle of 2018, Ethiopia had 120,171km of all-weather roads, which was only about 32% of the required road network in the country. It has invested US\$7.1 billion in road construction projects alone, between early 1990s and 2018, out of which 77% has been financed by internal sources. The Addis Ababa-Djibouti Corridor is the key transport network for Ethiopia's export-import trade, and hence essential for the economic progress and prosperity of Ethiopia. This corridor is the dominant gateway for the country with over 95% of Ethiopia's import & export service through Port Djibouti. In addition, there exists very small trade

volume through Port Sudan (in Sudan), Berbera (in Somaliland) and Mombasa (in Kenya) (NPC, 2016; Yonas, 2019). Hence, Ethiopia's current attempt to integrate the economies in East Africa (Djibouti, Eritrea, Kenya, Somalia/Somaliland, South Sudan and Sudan), through its planned and completed transportation networks, generates an enormous opportunity to access seaports and large market for Ethiopia. Hence, it contributes hugely in its export-import trade as well.

The government of Ethiopia is also investing heavily in railway networks. A 759km electrified standard gauge railway line running from Addis Ababa to Djibouti has already been fully operational since January 2017, next to the inauguration of the Addis Ababa Light Rail in September 2015. In addition to those operational and under-construction railway networks, other lines (estimated to be about 3,350km) are still in the planning phase. The major operator of the Ethiopian railway network is the state-owned enterprise known as Ethiopian Railways Corporation (ERC). Most of the Ethiopian railways are constructed by Chinese companies. The massive expansion of inland dry port and airports in Ethiopia is worth mentioning. Currently, there are eight dry ports in the country: *Mojo, Qaliti, Gelan, Semera, Dire Dawa, Kombolcha, Meqelle and Woreta*, located in strategic location for export-import trade. All are owned and operated by the Ethiopian Shipping and Logistics Enterprise, the state-owned shipping giant. Seventeen (17) airports are functioning in Ethiopia at present, of which Bole International Airport (in Addis Ababa City) is the main hub of Ethiopian Airlines, the national airline that serves destinations in Ethiopia and throughout Africa as well as flight services to Asia, Europe, North America and South America. As of June 2018, nearly 450 flights per day were departing from and arriving at the airport (Messay, 2018a).

Labor power supply and the market

The fact that Ethiopia has over 110 million people, of which 54% are found within the age range of 15 to 65, implies that the country is abundantly rich in labour supply. Estimations indicate that about 600,000 individuals enter the Ethiopian labour force every year, most of which are graduates from universities and colleges (Seid et al., 2016). However, the economy is not generating enough jobs for this large number, as a result of which

unemployment has become rampant (NPC, 2016; CSA, 2017; EDC, 2018; <https://www.indexmundi.com/ethiopia>).

Nevertheless, manufacturing sector including industry contributed to job creation and Ethiopia's economic transformation. For instance, labour-intensive industrial parks developed across the country create massive job opportunities for the millions of young people who join the labour market every year (EIC, 2019). This is because industries use a large amount of labour force to produce essential goods and services. Likewise, NEBE (2019) report shows that manufacturing sector has created about 76.5% of the permanent employment in 2019. There is also about 67.2% of the temporary labour force created by this sector in the same year (NEBE, 2019).

Energy supply: Renewable

Ethiopia is endowed with renewable energy sources including hydroelectric power, wind, geothermal and solar energy. It has one of the largest hydraulic energy potential, estimated at 45,000 megawatts, in Africa. However, only a small portion of the potential is harnessed today because of which Ethiopia remained a country with one of the lowest rates of access to modern energy services, whereby the energy supply is primarily based on biomass. With a share of about 92% of Ethiopia's energy supply, animal waste and firewood/charcoal are the country's primary energy sources, followed by oil (about 6%) and hydropower (about 2%). Today only 27% of the population has access to electricity grid though this share is increasing due to extension of the national grid to rural areas (Mondal *et. al.*, 2018).

Hydropower is also pivotal to the government's ambition of achieving a green economy. Currently, the country is exploiting only 2.5% of the total potential. Ethiopia's terrain and high highland rainfall is valuable for the hydropower projects. With about 10 major river basins and hundreds of streams flowing into the major rivers dissecting the mountainous landscape in every direction, and each river basin covering massive catchment areas with adequate rainfall, Ethiopia is said to be the '*Water Tower of Eastern Africa*'. Ethiopia alone contributes to about 86% of the waters in the Nile River, which is a source of life for Sudan and Egypt. The annual run-off

from the major river basins is estimated to be about 122 billion cubic meters (Mahmuda, *et.al.*, 2014; Mondal, *et. al.*, 2018).

Since 2011, Ethiopia has been constructing a huge gravity dam known as The Grand Ethiopian Renaissance Dam on Abay river, also known as Blue Nile River. It is located at about 15km east of the border with Sudan. The dam that is supposed to be completed in two years, at 6.45 *gigawatt*, will be the largest hydroelectric power plant in Africa, as well as the seventh largest in the world. This is considered to be one of the excellent opportunities to build a robust economy in Ethiopia (Mondal *et. al.*, 2018).

Ethiopia receives a solar radiation of 5,000-7,000Wh/m² (watt hour per square meter) and thus has great potential for the production of solar energy. However, with a majority in the private solar home system and telecommunication sector, the potential is not yet exploited. In the same way, Ethiopia has untapped wind resources for energy supply with the wind velocities ranging from 7 to 9m/s (meter per second) and wind energy potential is estimated to be 10,000MW. Similar to solar and wind energy sectors, Ethiopia's geothermal energy resource is not exploited though the country is endowed with an estimated potential of 5GW, of which 700MW are suitable for electric power generation. Geothermal resources are primarily located in the Rift Valley areas of Ethiopia (Mahmuda *et.al.*, 2014; Mondal *et. al.*, 2018).

Tourism industry

Ethiopia, an old country beyond all imaginations, has culture and traditions dating back over 3000 years. It is the earliest known home of humankind as the skeleton of more than two million years old human ancestor, *Australopithecus afarensis*, revealed. It is endowed with diversified natural as well as tangible and intangible socio-cultural and historical tourist attractions many of which are registered as world heritages including the Obelisk of Axum, Lalibela Rock-hewn churches, the castles of Gondar, the Lower Valley of Awash, Tiya curved standing stones, Simien Mountains National Park, Lower Valley of Omo and Harar Walled City. The intangible world heritages are Meskel (Finding of the Tue Corss) festivity, Irrecha and Fiche Chembalala (Kidanemariam, 2015; Yimer, 2016; Nurhssen, 2016).

Addis Ababa, the diplomatic capital of Africa, a highland metropolis with its pleasant climate, an international transportation hub, historic and recreational sites including museums, the recent splendid Andinet (Unity), Sheger and Entoto parks, excellent hotel facilities is an important tourist destination (EIC, 2019).

The natural beauty of Ethiopia amazes the first-time visitor. Ethiopia is a land of rugged mountains, broad savannah, lakes and rivers. The unique Rift Valley is a remarkable region of a chain of volcanic lakes, with abundant wildlife and variety of birds, great escarpments and stunning vistas as well as national park that presents a unique feature for bird watching, trekking and wildlife scenery. The Sof Omar Cave is one of the most spectacular and extensive underground cave systems in the world. The Blue Nile Falls- locally known as Tiss Issat Falls, meaning 'water that smokes' presents a spectacular waterfall with an intense gash from more than forty-five meters' peak, producing rainbows across the gorge. Simien Mountains are home of Ethiopia's highest peak Ras Dashen (4,620masl) that could be ideal for mountain trekking and accommodate the endemic Walia Ibex, Abyssinian fox and the Gelada baboon. Similarly, the Bale mountains accommodating the country's second highest mountain peak Tulu Dimtu (4377masl) is a region of the most extensive Afro-Alpine summit of the Senetti Plateau in Africa with endemic mammals like Nyala, Red fox and Menelik's Bushbuck (Billi 2015; Altes, 2018).

The service sectors of tourism facilities in Ethiopia are increasing; tour operators and travel agents are mushrooming; international hotels are expanding; and the number of tourism professionals is growing. The government of Ethiopia is also making tremendous effort in the development of basic infrastructure and facilities of energy, roads, runways, water supply, health and visa services, which would have profound significance in utilizing the tourism potential that the country is endowed with. Ethiopia is experiencing an ever increasing international tourist flow with high arrival growth rate. It is becoming one of the growing East African tourist destination regions in the "long-haul" travel of international tourism and travel market of the world. It has also a great potential in being a tourist transit route for most African countries in general and for East

Africa in particular due to its national carrier/the Ethiopian Airline/ position in connecting Africa (World Bank, 2016). However, compared to its great potential, Ethiopia has the lowest tourist flow and it is one of the lowest beneficiaries of the sector in Africa. Tourism accounts for less than 10 percent of the country's GDP (NPC, 2016; Yimer, 2016; Nurhssen, 2016; Altes, 2018; Yonas, 2019).

The current reforms and the impacts therein

Currently, Ethiopia is under the leadership of HE Dr Abiy Ahmed, who came to power in April 2018 amidst the wide-ranging public turmoil against the Tigray People's Liberation Front (TPLF)-led Government since 1991. The current leadership sought to accelerate its progress towards democratization, expanded political freedoms, and introduced market liberalization and developed a new approach to foreign policy, which is crucial to build robust economy in the country. The coming to power of the incumbent Prime Minister has been followed by significant reforms in the political, economic, foreign policy, constitutional, military and security sectors.

In political reforms, over 43,000 political prisoners have been released from several jails across Ethiopia. Thousands of the members of the opposition political parts (such as Ogaden National Liberation Front /ONLF/, *Ginbot 7*, Oromo Liberation Front /OLF/ and Oromo Federalist Congress /OFC/) were released. Some of these political parties had been designated as terrorist organizations by the EPDRF government and banned since 2011. A few of the released detainees were facing death penalty on terrorism charges. Charges were also dropped for US-based political activists and affiliated satellite television networks such as Oromia Media Network (OMN) and Ethiopian Satellite Television (ESAT). Currently, the CEOs of both media networks are living and actively engaging in political arena in Ethiopia (Messay, 2018b).

In the economic aspect, the current government has launched a *Home-grown Economic Reform (HER)*, which aims at transforming Ethiopia from a largely agrarian low-income country to an industrialized lower-middle-income country by 2030. Considering that the current reform

requires a more active private sector, the Ethiopian government opened key economic activities to private investments. HER is consisting of a mix of macroeconomic, structural and sectoral policies to address vulnerabilities and tackle structural bottlenecks inhibiting private sector activity. Ethiopian State Owned Enterprise (SOE) giants such as Ethio-telecom and Ethiopian Airlines will be the crown jewels (most important assets) among proposed privatization offerings under the reform. On December 20, 2019, the International Monetary Fund (IMF) approved three-year arrangements under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) (*i.e.* US\$2.9 billion) for Ethiopia to help the implementation of this plan (Messay, 2018a).

Moreover, Ethiopia is attempting to reform its economic sectors based on the context of the country. Among these sectors, some most prized SOEs (such as Ethiopian airlines and Ethio-telecom) are targeted to be partially or wholly privatized. This is a landmark shift in Ethiopian economic model, which used to be a kind of '*Developmental Sate Model*' between 1991 to April 2018. Other SOEs deemed less critical include power supply companies, railway operation, industrial parks, hotels and manufacturing firms. The intended economic reform, in addition to the shift in the level of the government control over the economy, is considered as a vital measure aimed at improving the country's deteriorating foreign-exchange reserves. By the end of 2017, it was equal in value to less than two months of import value */i.e.* only about \$3.147 billion/ (very low as compared to South Korean *i.e.* \$408.80 billion), as well as easing its growing external debt load (*i.e.* estimated at \$22.5 billion). In the same way, the Ethiopian Diaspora Trust Fund (EDTF) has been introduced aiming at widely involving the diaspora community in the development trajectory of Ethiopia. The fund mainly targets to get \$1 day per person (\$30 million per month) from the estimated 3 million diaspora Ethiopians. The money will not be part of the government budget, but will be administered through its own independent board for vital development and social projects (CSA, 2017; EDC, 2018; Messay, 2018a; Messay, 2018b; <https://www.indexmundi.com/ethiopia>). The intention to establish an Ethiopian stock exchange together with the privatization of the aforementioned SOEs is another fundamental economic reform of the current Ethiopian macro-economic milieu. According to invest

frontier, Ethiopia is the most populous country in the world without a stock exchange. It is surprising that nothing had been planned earlier than the announcement by the incumbent government in this regard.

In foreign policy reform, the country is attempting to bring the most acclaimed improvements. In addition to the targeted high-level government body visits and talks with many neighbouring East African and Arabian countries, the port agreement with Djibouti, Somaliland, Sudan and Kenya are the much-admired achievements in foreign relations. Ethiopia is also actively working towards ensuring peace and security in the Horn and similarly pioneering sub-regional integration. The often-volatile Horn of Africa region is looking more stable politically, and more attractive economically than ever before. The end to the two-decade old Ethiopia-Eritrea conflict may be the greatest achievement that led the premier of Ethiopia to win the Nobel Peace Prize of the 2018.

In the same way, Ethiopia is attempting to reform the Constitution of the country though there is no remarkable attempt to move ahead with it. The great expectation in this regard is that the power of the premier would be limited to only two terms in the upcoming revised Constitution.

The *Medemer* notion

In its effort to shape the comprehensive political and economic reforms in the country, the government of Ethiopia has launched the *medemer* notion in 2018 (Sara, 2019). A home-grown medemer notion is considered crucial to build and secure the future of Ethiopia. It provides a great opportunity to boosting the country's economy, as it entails maximizing the utilization of its available human resources, and aims at meeting other human needs such as fairness, equality and freedom (<https://www.press.et>). Medemer means synergy. Hence, it requires all Ethiopians to complement with each other and build integration with neighbouring countries, development partners and other key stakeholders, and establish real synergies to accelerate the development pace (Desalegn, 2019; Sara, 2019; <https://www.press.et>). The *medemer* reform is centred on three independent pillars, which provides an opportunity to create a dynamic economy. These are 1) building a vibrant

democracy, 2) creating economic vitality, and 3) regional integration and openness to the world.

Moreover, *medemer* provides a new way of dealing with the country's economy as it guides the country's domestic and foreign policy (Sara, 2019). The philosophy embodies the vision required for Ethiopia's new path towards sustainable and inclusive development, and hence, promotes social inclusiveness. Gupta and Vegelin (2016) indicate that social inclusiveness is aimed at empowering the poorest population through investing in human capital and enhancing the opportunities for participation in decision-making process. Besides, socially inclusive development creates sustainable societies, and accelerates economic transformation and growth (Abbott et al., 2017). This is because socially inclusive societies are more stable and have greater potential for economic growth, and hence, provides an opportunity for creating robust economy in the country. The Medemer philosophy further embodies the concept of national unity, amid the ethnic and political divisions, and the need for all to work for the common good and equality of need (<https://www.press.et>; Desalegn, 2019). This implies that the *medemer* philosophy is in line with the social policy, where Gemedemariam (2017) suggested that social policy improves social cohesion and strengthens nation building.

4.2. Challenges and the ways out

Despite the positive achievements over the last decade, Ethiopia is facing multiple challenges such as ethno-politic conflicts, price inflation (14.6% in 2018), an appreciating real exchange rate (about 40% devaluation between 2009 and 2018), declining export trade and the resultant high current account deficit (-8.10% in 2017), land-lockedness and high foreign debt (32% of GDP in 2016). In addition, the 2015/16 drought is the main challenge to build a robust economy in the country and to reverse the current political reforms. Locust infestations and COVID-19 pandemic are also come to the top of the list of challenges. Besides, despite the *Medemer's* notion inspiration to many Ethiopians to curb the political, economic and ethnic problems, it will not be enough to address the grievances, ethnic violence and the challenges facing Ethiopia. Moreover, despite Ethiopia has one of the fastest growing economies, together with the

fast population growth, unemployment rate is increasing (for example, to 19.10% in 2018 from 16.90% in 2016). Unemployment is reported to be prevalent across the country, with urban areas more severely affected. Wage level in Ethiopia remains low, especially for those with lower skill. Overall, unemployment/underemployment and low wage level, together with other adverse factors, are driving the youth to migrate to urban area and move abroad. Much of the growth is centred in urban areas, resulting in high urban-rural disparities (CSA, 2017; <https://www.indexmundi.com/ethiopia>).

However, most of these challenges have way outs and can be mitigated (NPC, 2016). For example, the existing widespread ethno-political conflict can be mitigated through democratization and realization of rule of law. In case of vulnerability to climatic conditions, the most important way out is environmental protection and rehabilitation of degraded areas. Ethiopia has already initiated the Climate-Resilient Green Economy (CRGE) strategy targeting to help the country achieve its development goals while limiting greenhouse gas emissions. The green economy plan is based on four pillars: (1) improving crop and livestock production practices for higher food security and enhancing farmer income while reducing emissions, (2) protecting and re-establishing forests for their economic and ecosystem services, including as carbon stocks, (3) expanding electricity generation from renewable sources of energy for domestic and regional markets, and (4) leapfrogging to modern and energy-efficient technologies in transport, industrial sectors and buildings. The current government has also initiated the green legacy campaign on 29 July 2019 to combat environmental degradation in Ethiopia. Most importantly, the campaign has been promoted to reach the national green environmental goals and face the effects of deforestation and climate change in the country.

Regarding the economic challenges of land-lockedness, the port agreement with many neighbouring countries (such as Djibouti, Eritrea, Kenya, Somaliland and Sudan) is a much-admired achievement of the contemporary Ethiopia. In May 2018, Ethiopia signed an agreement with Djibouti to take an equity stake and to have a say in the development and management of Port Djibouti. This is a breakthrough achievement for a landlocked Ethiopia for its import-export trade. It is good news for its economic allies and helps

Ethiopia to attract more investors and trade partners across the world. In fact, Ethiopia has already achieved 19% of the stake in Port Berbera as part of the joint venture with Dubai Ports World (DP World). Agreement was also signed with Sudan granting Ethiopia an ownership stake in the Port Sudan. Ethiopia also reached an agreement with Kenya for the construction of an Ethiopian Logistics Facility at Lamu Port. There is also a possibility to resume using Ports of Massawa and Asseb (in Eritrea) as a result of the current end to the 2-decade Ethio-Eritrea conflict. Furthermore, the existing economic problems (like inflation, unemployment, scarcity of foreign currency and debt burden) can be alleviated through proper and well-thought-out economic development and financial strategies. Hence, the current HEP seems to have a clear answer for some of the economic problems and assist the move from a largely agrarian low-income country towards an industrialized lower-middle-income country by 2030.

5. Conclusion

The purpose of this paper was to examine the contemporary opportunities available in Ethiopia to build a robust economy in the country. The results of this paper show that the contemporary economy of Ethiopia, though passing through several political, socioeconomic and environmental challenges, is growing fast and the current development activities and reforms have contributed to do so. The evidence from this study suggest that even if the challenges are multiple and varied, the enormous and well-thought-out efforts of the government, together with the support of development partners and countries, is a good opportunity to build a robust economy in Ethiopia.

The results further show that Ethiopian economy is one of the fastest in the world, with an average of about 10% per year during 2010 to 2019. Ethiopia is currently investing a higher percentage of its GDP in public infrastructure development (such as roads, railways, airports, dams for energy and irrigation schemes, public housing projects, power transmission projects, tourism infrastructure, dry ports and university premises) than nearly every other country in the world which, in turn, is a fundamental foundation for the economy to take off. This could be explained by the high economic ties of Ethiopia (through investment and trade partnership) to other developed

and fast developing countries/regions (such as South Korea, USA, European Union and China) and an opportunity for technology transfer which, in turn, plays a great role to build a strong and knowledge-based economy in Ethiopia. This is because overseas investment projects have great potential to play key roles in improving the technology gaps in Ethiopia. Particularly, the enormous projects in roads, railways, airlines and telecommunications connectivity are expected to be integral for the Ethiopian economy to flourish. Above all, the current economic reform, which requires determination and commitment of the huge Ethiopian population, is a tremendous opportunity for Ethiopia to build a strong and competent economy. Hence, we can conclude that Ethiopia is a country on a good track of building a robust economy in the near future.

As a final conclusion, we recommend that the government of Ethiopia should robustly facilitate a take-off milieu for the economy through strengthening rule of law, maintaining peace and security, democratization of the political environment, strengthening regional economic integration, and enforcing proper home-grown economic development strategy to continue build a robust economy in the country.

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- have appropriate, relevant and adequate illustrative material;
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Length: the manuscript should

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- be 20–30 pages (for articles); 7-10 pages (for critical reviews and feature articles/commentaries); up to 3 pages (for book reviews and short communications).
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I. Details

1. Title Page

1.1. The Title Page shall contain the following shall details:

- a. full title of the article, which should:

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- avoid abbreviations, formulas and jargon;
- specify the study period (for articles based on longitudinal and historical data);

b. name(s) of the author(s);

c. the titles(s), academic position(s), address (institutions of their affiliation, postal address, telephone, e-mail etc., for correspondence) of the author(s) footnoted at the bottom of the page with the use of asterisks;

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☞ The degree of contribution shall be determined by the order in which the names appear, unless indications are given by the authors to the contrary.

1.3. All correspondences will be made with the author whose name appears first (unless otherwise specified).

2. Abstract

The manuscript should have an abstract:

- not exceeding 250 words;
- that briefly introduces the problem, research gaps and the study area;
 - that outlines the methodology, mainly the study design, approaches, sampling strategies, materials used and methods of data collection and analysis;
- containing the key findings of the study, their implications and conclusions or key recommendations.

3. Introduction

In this section, the author(s) should:

- give background to the study problem and the rationales;

- present statements of the problem, set the contexts, the nature and extent of the problem studied;
- indicate the study area and objectives of the research;
- introduce the research questions or hypotheses;
- present adequate review of the literature (both conceptual—including theoretical and conceptual frameworks—and empirical) related to the research;
- do all these in no more than five pages.

4. Materials and Methods

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 - ☞ chemicals, laboratory equipment with the necessary technical specifications; standard units of measurement;
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5. Results and Discussion

Depending on the craft and choice of authors, as well as on what the subject matter warrants, results and discussion can be either intertwined together or presented under separate sections. In any case,

- present only results that add new insights to existing knowledge;
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- reduce large masses of data to means, along with the standard error or standard deviation;

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- repeat in the text only the most important findings shown in tables and graphs;
- refer in the text each table and figure by its number;
- include negative data—what was not found— if they affect the interpretation of results;
- give only data that relate to the subject of the paper (in other terms, include concomitant/related findings only if they are important);
- provide adequate answers to all the research questions or pursue all the hypotheses/assumptions made at start of the study.

6. Interpretation of the Results

This section, which should preferably be embedded with the ‘Discussion’ section, should:

- not repeat what has already been said in the review of literature;
- show significance of the results;
- relate the results to the initially-stated objectives and research questions or hypotheses that were set out in the introduction;
 - show how the results and their interpretations relate to (agree or disagree with) previous findings and their interpretations.

7. Conclusion and Implications/or Recommendation

This is the section where,

- the author(s) draw, based on the findings and discussions of their implications, logical conclusions about each research question or hypothesis;
- nothing (methods, observations or results) should come as a surprise (should not be mentioned for the first time);
- authors should avoid unnecessary detail or repetition from preceding sections;
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The author-date citation in a running text or at the end of a block quotation consists of the author's/editor's last name, and the year of publication. Examples:

- Author, year, page no.: (Johnson 1987: 22–25).
- Two sources, with one author having two works: (Sen 1999; Jenden 1978a&b).
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☞ Short quotes should be placed in quotation marks.

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- 8.5. References in the text should read as follows:

* Brown (1975: 63) has argued that the ...

OR

* One economist (Brown 1975: 63) has argued that...

Use “*et al.*” when citing work by more than two authors. Example: A new treaty (Goody *et al.* 1976) suggests...

The letters a, b, c, and so on should be used to distinguish citations of different works by the same author in the same year. Example: Brown (1985a, 1985c) insist that...

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Authors are advised to use endnotes instead of footnotes.

Endnotes should be numbered consecutively throughout each chapter or article, and placed at the end of a work, in a section titled “Notes”, after any appendix and before the reference list.

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These should be placed at the end of the text next to the appendix but before the endnotes.

9.4. Headings

Major chapter headings must be in Title Case and centered on the page. Sub-headings must also be in Title Case but aligned with the left margins. A manuscript with subsections should be presented as follows:

1.	2.	3.
1.1	2.1	3.1
1.2	2.2	3.2

However, authors are advised to avoid using more than three levels of subheadings unless the complexity of the argument warrants it. Preceded by the decimal notations indicated above.

- 1st level titles should be set in Times New Roman 14pts, bold;
- 2nd level titles should be set in Times New Roman 12pts, bold;
- 3rd level titles should be set in Times New Roman 12pts, bold-italics, run-on with text.

9.5. Text

Text should be set in Times New Roman, 12pt font size, double-spaced.

Block quotes should be indented from both sides and set in 11pt font.

9.6. Tables and Figures

- Tables should be used only where the data requires at least 2 rows/columns by 3 rows/columns. Shorter details shall be presented in text form.
- All tables and figures should be consecutively numbered and referred at the right place in the text.
- Titles of tables and figures should short and not in form.
- Each column and row of a table should have a proper title.
- All footnotes to, and sources of tables and figures, should be placed below them.
- Captions to figures should be placed immediately below the figures, followed by source information and Notes (if any) on some variables in the tables/figures.
- Keys to the different components of figures or graphs shall be placed at upper right corner within the boundary of the figure.
- Tables and figures should be used to present details and thus they should not be duplicated in text form. Unnecessary and lengthy tables and figures should be avoided, or, if important, should be annexed.

9.7. Abbreviations

Avoid use of dots in all familiar abbreviations, such as CSA, EEC, FAO, UNESCO, USA. However, dots should be placed at the end of the followings: e.g., etc., *et al.*, and other similar entries.

9.8. Language

- English is the medium of the Journal. Use one form of spelling, preferably the UK English (English English), throughout the article. Do not mix or switch between the two forms.
- All authors must avoid gender-biased and racist language.
- Use of discriminatory, inflammatory, and unethical expressions (derogatory, inciting, defamatory, etc. language) is unacceptable.

10. Copyright

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