

# All-in-one-platform for Creating Post-scarcity Economy in Ethiopia

## Introduction

In successive ten parts with a continuing title, I presented for your consideration three documents (definitions and technical descriptions) on the creation of a post-scarcity economy of Ethiopia. The first document is about vision and mission formations (Part Three, Part Four and Part Five), the second document deals with long-term planning (Part Six, Part Seven, Part Eight and Part Nine), and the third document explains the back ground idea (Part One and Part Two).

The vision document contains the vision statement (creation of a post-scarcity economy), the goals reaching the vision, strategies of the vision goals and a mission statement. The vision goals and mission statements intend to serves as a guiding document to communicate the overarching purpose and desired future state of the Ethiopian economy (that is a creation of superabundance resources for 170 million people by the year 2048).

The second document, the long-term planning document, outlines the specific strategies, policy areas, initiatives, and actions required to achieve the goals set out in the vision and mission document. It includes details of the different phases and the operational policies needed to implement in the coming 25 years. The long-term planning document provides a roadmap for implementation of the vision goals and strategies.

Both the vision statement and long-term planning document inspires and motivates the Ethiopian people and their leaders to work for the future. The documents help to align the efforts of everyone involved in the country's economy. They provide a shared understanding of the long-term goals and direction, ensuring that all actions are coordinated towards creation of post-scarcity economy.

The various components of these documents seamlessly integrate a toolkit of essential elements, including root cause analysis, vision, and goal setting, mission statement formulation, strategic planning, policy framework, phases of long-term strategy, enabling factors, and guiding principles, forming a cohesive and holistic system. These steps and tools have been designed with the overarching aim of creating a post-scarcity economy in Ethiopia.

Much like an all-in-one software platform, the technical descriptions of these diverse components harmonize multidisciplinary approaches of economic development analysis that were previously addressed in isolation. Moreover, this comprehensive solution platform offers you ample room for conducting multidimensional analyses. You have the flexibility to determine the focus areas, all while benefiting from its integrative and versatile functionalities.

## About the author

The author has a background as a policy advisor and evaluation specialist, with experience as a researcher and senior lecturer at Uppsala University, Stockholm University, and the Institute for Futures Studies in Stockholm.

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- *The Evolution of Ethiopian Absolutism: The Genesis and the Making of the Fiscal Military State*
- *Evaluation of the Operation and Performance of Ethnic Decentralization System in Ethiopia.: A Case Study of the Gurage People, 1992-2000*
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# Economic Strategic Vision Roadmap for Ethiopia: Part One

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What is an economic strategic vision roadmap? I avoided using conventional titles such as growth and development plans. The name of the document has a long title “economic strategic vision roadmap”. It consists of nouns and adjectives whose contents will be discussed in different parts of the forthcoming presentations.

In few words, an economic prosperity roadmap is a visual representation of vision, missions, goals, strategies and policy areas of a self-reliant, all-inclusive, and sustained economic growth and structural transformation. It defines long-term government goals (“what” to achieve), and ties together the strategies needed to reach the goals (the “why” and “how” questions), specifies the missions (who do we do it for) and a timeline for completion (the “when” question). The roadmap is “an extended look at the future”, covering a generation, an average period of 20-25 years.

In this part I will discuss about the overall need for the formulation such a document. Why do we need a new visionary document? What has happened to past development, growth and transformation experiences? There are two fundamental reasons why we need a new visionary document: i) future population growth of the country and ii) versus failure of past development policy and planning experiences.

Population growth projection and need for economic sources: by 2050 Ethiopia’s population is projected to reach 174 million to become the 9th largest country in the world. Are we prepared for that? How is the government going to provide basic needs (food, shelter, health, education, and other infrastructure services) to the additional population? Already we have chronic macroeconomic and political instability, massive outmigration, and chronic poverty (see Part One). Can the economy carry an additional 54 million people? What should be the present when looking at the future.

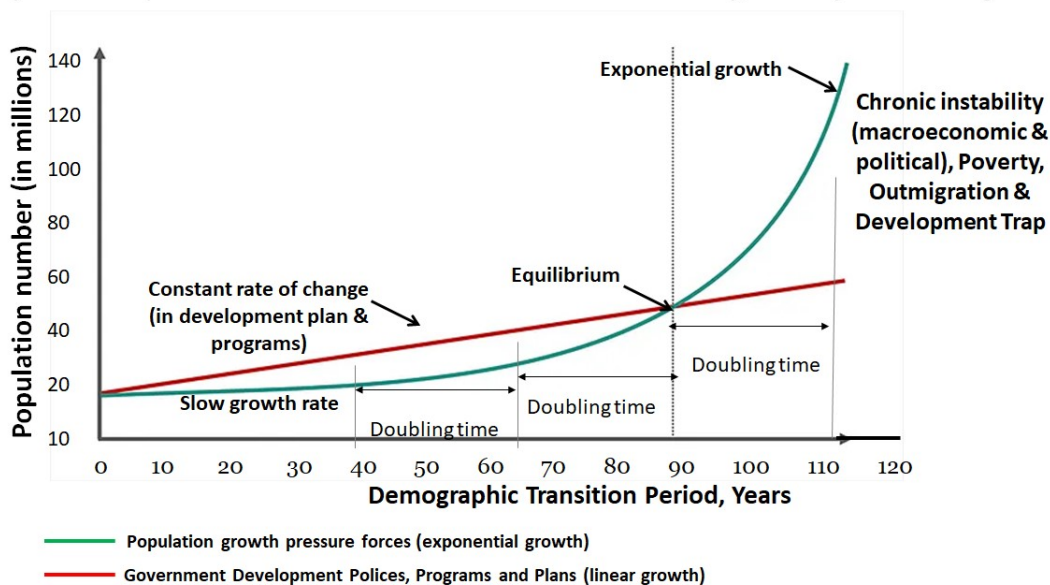
Second reason for the need of a visionary document is the failure of past and current economic growth and development policy and planning experiences. Ethiopia had Five-Year Development Plan since the late 1950s. By then the total population of the country was 22 million. In the 1970s the country had no national planning (it was revolutionary time). In the 1980s there was Ten Year Perspective Plan covering the period 1984/85-1993/94. By then (late 1980s) the population has doubled to 44 million.

During EPRDF, the country had five-years National Development Plan, Poverty Reduction Programs, Growth and Transformation Plan (GTPI). By 2014 (end of GTPI), the population has doubled to 88 million. The country had Growth and Transformation Plan II (GTP II) and Ten Years Perspective Development Plan for the period 2015 to the present. During this period the population has increased by 32 million people.

The point is that while the country’s population doubles in size showing an exponential growth, the development planning experience remained at constant rate of growth (linear growth). Initially the population growth was slow, but as the population growth started to double, the rate of change becomes faster and faster. As time progress the needs and demands of the population of the country increased rapidly (exponential), while the outcomes of

government economic policies and development plans shows linear change overtime. This rapid increase led to a significant gap between the exponential curve (needs and demands of population) and the linear axis (resource development plan outcomes). The figure below explains the gap between an exponential growth (green line) and constant rate of change (red line).

Impacts of Population Pressure Force Curve: Chronic Instability, Poverty and Outmigration



In other words, the government hodgepodge development plans and patched up economic policies could not catch up with the exponential growth of the population pressure forces. Ethiopia cannot continue under linear thinking of economic development policies and plans. The outcomes, as we will discussed in part two, is instabilities, poverty and outmigration.

To cope up with the population doubling time the hitherto behavior of the policies and strategies have to change. The problem is how to design new strategies and policies taking into account of chronic macroeconomic instability, chronic political instability, chronic poverty, massive outmigration and future needs of economic sources for the projected population growth.

Unfortunately, there are no standard toolkits on how to prepare economic strategic vision roadmap. One needs to review the works of researchers, policy practitioners and long-term government development plans. Depending on their work structure, values, studies, domains, and expertise, every designer or team seems to take a unique approach to road mapping. What emerges from my research studies of these disjointed practices and documents is that economic strategic vision roadmap contains different steps, elements and sets. According to my findings the making of the roadmap includes the following steps and components:

1. Current economic situation analysis (wants and needs of the national economy, multiple causes of current reality)

2. Root cause analysis of economic situation
3. Vision (what do we aspire to achieve)
4. Vision goals and strategies (what and how to accomplish the vision): Where do we want to go? and how are we going to get there?
5. Mission (outcomes or who do we do it for), maximize welfare
6. Principles (guiding rules for preparing strategy, enablers, and policy choices)
7. Enablers (efforts to accelerate the implementation process of the strategies and policies)
8. Long-term development planning targets (are we getting there?)
9. Significance of the document

In the forthcoming presentations, we will discuss on each of the steps and components of the document. Stay tuned for the coming parts.

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[Reflection on the Ten Year National Economic Plan](#)

[Ethiopia's Economy Needs Strategies and New Policy Design](#)

[Economic Growth: Thinking Exponentially](#)

[Tsegaye Tegenu \(PhD\) – Ethiopian Business Review](#)

## Economic Strategic Vision Roadmap for Ethiopia: Part Two

Tsegaye Tegenu, PhD

2023-08-30

In Part Two I will discuss the current economic situation of the country as background to the forthcoming economic strategic vision document, covering a generation, an average period of 20-25 years.

### ***Chronic macroeconomic instability***

Macroeconomic instability refers to a situation in an economy characterized by significant fluctuations and uncertainties in key macroeconomic indicators, such as GDP growth, unemployment rates, inflation, exchange rates, and fiscal deficits. In what follows, I will try to summarize the long-term patterns and trends of these common macroeconomic indicators.

### **GDP Growth**

In the past two decades Ethiopia has relatively registered notable economic growth. Real GDP growth between 2000 and 2019 averaged 8,8% while real GDP per capita in the same period was about 6,3%. But this economic growth is a result of public investment and debt in infrastructure. It was the service and construction sectors that benefited from the public investment. The service sector (41%), and not the manufacturing sector (7%) was the major driver of GDP growth. That means growth was not the result of structural transformation, namely reallocation of labor and capital from subsistent agriculture to manufacturing sector.

The relatively growth contribution of the manufacturing sector (7%) is not even a result of total factor productivity of the sector, (output per worker) which measures the technological efficiency of firms. The contribution was a result of heavy investment in tangible assets such as buildings and machinery. It is possible that inefficient firms with political connections have benefited from subsidized credit of the government development bank.

Economic growth, if taken as a goal, it means a rise in the goods and services available for consumption per capita, per person. The lack of structural transformation and absence of firm efficiency (misallocation of capital and labor) shows economic growth in Ethiopia is not sustainable.

### **Underemployment and Unemployment**

In 2022, the total labor force in Ethiopia (the sum of all persons of working age who are employed and those who are unemployed) was 60 million. According to the IOM (2021), Labour and Migration Survey, the employment to population ratio is 59.5 percent. This means, 60 percent of the total population aged ten years and above are employed.

The majority of the employed person are in subsistence agriculture and informal economy. That means the majority of employment is not in commercial farming and manufacturing sector that follows established rules and contracts. In other words, 60 million employed persons in subsistence (land-based economy) and informal economy face challenges of providing their basic needs. Moreover, in such types of employment, workers are not fully utilizing their skills, education and potential, leading to suboptimal outcomes in terms of job satisfaction, income, and overall economic productivity.

The subsistence and informal economy do not have a potential for absorbing surplus labor. The survey result reveals there are four million unemployed people in the economically active age group. The rate of unemployment in urban areas is 18 percent, with a higher unemployment rate amongst females (25 percent). The comparisons of unemployment between urban and rural indicate that unemployment is a predominant problem of urban areas more than rural areas.

### **General inflation**

Inflation measures a rise in the overall price level of goods and services in a given economy. It is a decline of purchasing power of Ethiopian Birr. An item that cost 100 birrs in 1966 costs 11,128 birrs at the beginning of 2022.

Average annual inflation for Ethiopia between 2015 and 2019 was 11.3%; the corresponding figures for low middle-income countries and Sub-Saharan Africa were 3.4% and 4.4% respectively. Similarly, average inflation for 2018 and 2019 was 14%. In a country where a quarter of the population lives under the poverty line, double digit inflation puts significant strain on the livelihood of people, particularly on wage earners of the population whose income can rarely cope with inflation rates. High inflation also raises the real exchange rate, reducing the competitiveness of exports.

High inflation has remained a major source of concern in recent years. Several factors have contributed to the recent inflation, such as policy changes, increment in world price, drought and political instability in the region.

### **Currency Depreciation**

Currency depreciation refers to a decrease in the value of Birr relative to US dollar and Euro in the foreign exchange market. Since the implementation of the floating exchange rate in the early 1990s, the Ethiopian Birr has been steadily depreciating. In 2010 the National Bank of Ethiopia devaluated Birr by 20%. In 2017 a second nominal devaluation took place; the government depreciate the birr currency rate by 15%. The government used exchange rate policy as one available tool to boost the growth of the country's export sector and economic growth in the country. But this did not happen.

The Birr's depreciation increased the existing demand for goods and there was no excess domestic capacity to meet the domestic and export demand. Instead, the devaluation measure raised the cost of production for state and private owned enterprises that rely heavily on imported intermediate/capital goods (inputs). More money was required to pay for the same amount of foreign goods. Not only that the birr's depreciation worsens the country's current balance of payments position, the measure did not lead to improved trade balances. As one study suggested "there is no significant gain from international trade to justify currency depreciation in Ethiopia".

### **Budget Deficits and Government Debt**

General government debt of Ethiopia refers to the debts of the federal government, regional states, municipalities and public sector institutions. According to the Ministry of Finance and Economic Development, Ethiopia recorded a Government Budget deficit equal to 4 percent of the country's Gross Domestic Product in 2022.

The government debt in the period from 2000 to 2021 was between 7.7 billion and 58.9 billion USD. The highest level was reached last years at 60 billion US Dollar. Based on the number of inhabitants, this is a debt of 500 USD per person. Public expenditure is the main driver of government debt. According to one study “several big projects launched by the government of Ethiopia consumes more time and budgets than the allocated amount because of poor leadership and corruption”.

To sum up, high inflation, high urban unemployment, high underemployment, low wages, high fiscal deficit, low productivity trap and lack of structural transformation characterize the Ethiopian economy. Because these well-being and growth issues are not properly addressed, we have a situation of political instability.

### ***Chronic political instability***

Ethiopia has experienced significant political instability in its modern history. There were student movements and protest, a revolution, coup d'état, armed struggle of liberation movements, political repression, mass arrest and killings, ethnic conflicts, religious tensions, media suppression, corruption, etc. all leading to regime changes and disruption of institutions.

There are several factors contributing to the political instability in the country. The primary factor is the economic instability mentioned above. Household poverty, economic shortages, unemployment and economic stress led to dissatisfaction among the population. The demand for better economic condition was and is led by political elite obsessed with radical solutions, full control and regulation of the civil society and the market.

The second source of political instability is related to the collective behavior of the majority of Ethiopian political elite which has non-participatory culture. The political elite is obsessed with ideology, local identity, suspicion on claims and zero-sum cognition.

Since the middle of the 1990s, the political culture of the elite has coincided with the period of youth bulge, the third source of political instability. In youth bulge countries there is a potential for occurrence of conflicts if and when the proportion of youth bulge exceeds 20% of the adult population. In the case of Ethiopia, it is about 50% of the adult population.

Making the livelihood of youth bulge is directly dependent on resource entitlements such as rights to basic needs, economic assets and opportunities. Since entitlement relationships are embedded in power relationships, the political elite used the youth bulge opportunity to assume power and advance its own interest. The coincidence of youth bulge with the collective behavior of the political is another factor of political instability.

The fourth source of political instability is external enemies of the country and wars caused by geo-political factors such as the Red Sea coast, the Nile water and religion. The geo-political situation of the country has caused external aggression and threat since the second half of the nineteenth century. So long as the given geo-political situation exists, it is unavoidable to be preoccupied in building the fiscal and military base of the state and this will reinforce state functionality.



## ***Development Trap***

Why the macroeconomic and political instability in the country have become chronic? Why have they persisted and extended over a long period of time. This is related to development trap, a concept used to refer to a combination of mutually reinforcing factors that limit further progress. The self-reinforcing nature of the development trap is a result of a combination of government economic policy failure in resource creation and the continued and increasing demand and needs of a growing population.

As the population continues to grow, the demand for essential services and resources, such as education, healthcare, jobs, and basic infrastructure, also increases. This puts additional strain on an economy that may already be struggling to generate sufficient resources to meet these demands. Government policy failure in creating and managing resources effectively, particularly at a time of rapid population growth, perpetuates the development trap.

When government policies fail to create or allocate resources adequately, scarcity can result. Scarce resources can lead to underinvestment in education and healthcare, inadequate job opportunities, and limited access to basic services.

The combination of government policy failures in resource creation and a growing population's demand for resources can create a self-reinforcing cycle. As the government struggles to provide for the population's needs, poverty and inequality persist, making it difficult for individuals and communities to break free from the trap. Breaking this cycle requires an economic vision strategy roadmap.

It is not possible to address development trap through short-term solutions and interventions. The situation requires a comprehensive approach involving root cause analysis, and formation of strategic vision and goals that address the complex and systematic issues over long period of time, covering a generation, an average period of 20-25 years.

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## Economic Strategic Vision Roadmap for Ethiopia: Part Three

Tsegaye Tegenu, PhD

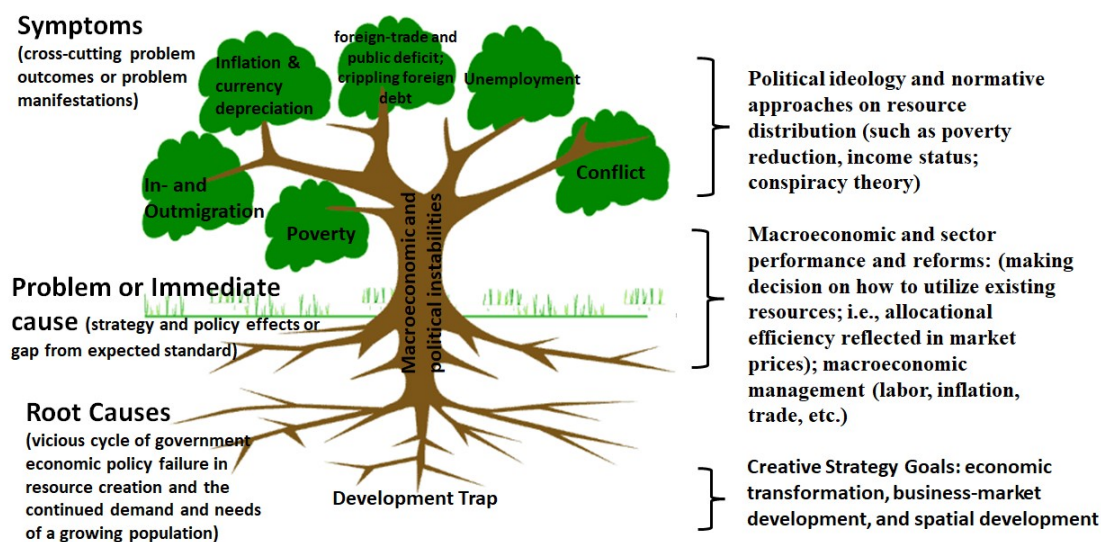
2023-09-05

Part Three discusses the first step of the Economic Strategic Vision Roadmap making, namely root cause analysis of the economic situation of the country. By definition, root cause analysis is a systematic and interdisciplinary approach used to identify the underlying or fundamental causes of problems, incidents, or failures. The purpose of root cause analysis is to prevent similar problems (chronic macroeconomic and political instabilities discussed in Part One) from recurring in the future.

Root cause analysis typically involves such techniques like the "5 Whys", fishbone diagrams, or Failure Mode and Effects Analysis (FMEA) to trace symptoms and problems back to their root causes. In other words, it comprehensively investigates the causes of symptoms and problems.

A symptom is a visible or apparent indication of an underlying issue (see figure). Often you hear about symptoms of the economic situation of the country in a too short interviews about unemployment rate, inflation, budget deficit, etc. Symptoms themselves do not provide a complete understanding of the core problem causing them and addressing them do not provide long-lasting solution.

### Framework to Understand Economic Situation and Policy Suggestions



A problem is a broader issue that goes beyond the surface-level symptoms and represents a more comprehensive understanding of what's going wrong. An example is macroeconomic and political instabilities discussed in Part Two. Economic researchers try to understand the causes of these problems using economic models to identify and explain the factors that lead to inflation, unemployment, economic stagnation, etc. But these economists do not provide a complete understanding of the core causes of the problems.

Their model of causal relationship between variables or events focuses on specific causes of immediate problems or observed outcomes such as unemployment rate or inflation. The aim is to understand the nature and strength of the relationship between the variables without necessarily focusing on identifying the specific underlying causes. Their primary purpose is to improve policy performance.

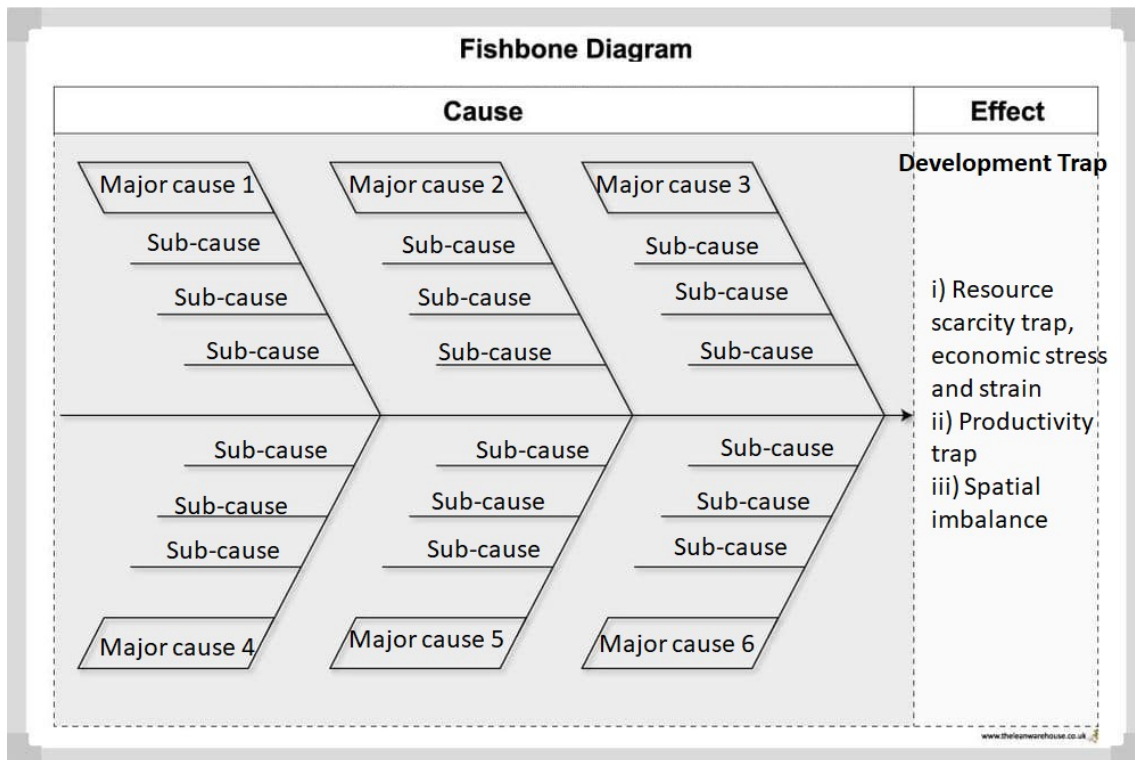
Root cause analysis of the economic situation goes beyond the surface-level symptoms and problem analysis. It is an interdisciplinary, systematic and structural approach used to identify the underlying or fundamental causes of problems, symptoms and failures.

Often a team of experts is formed to conduct a root cause analysis. The team members include macroeconomic specialist, sector experts (agriculture, industry and basic services), microeconomic specialist in business and market development, economic geographers specialized in spatial analysis and regional development, future studies experts, and scientists in political and social development.

Even if we do not have the expert group at the moment, I have tried to conduct a root cause analysis of the economic problems of Ethiopia using a fishbone diagram as a tool (see diagram). Before explaining the fishbone diagram, I have to say few words on the assumption and basic concepts I used to identify the causes and effects of the fishbone diagram.

To start with, I consider the population growth in Ethiopia as an independent force which is determined by demographic variables of fertility, mortality and migration. That means it operates separately from or without direct influence of government policies. Even if it is man-made choice, human society can't stop/prevent this natural process called demographic transition, from happening once it starts to unfold itself. Governments, demographers and economists cannot eliminate/prevent it from happening. What is important is to understand it's dynamic better in order to change the state of economic situation of the country.

Considering population growth as an independent force, I studied the multidimensional effects of population growth and described its properties in terms of size, structure and space (see the effect part of the figure). Size refers to the quantity and quality of resource scarcity, economic shortages and the kind of economic stress and strain it creates as the population continues to grow. Structure refers to the internal composition of the economic activities and their arrangement as the population pressure increases. Space refers to the characteristics, position, location, distribution of the economic activities and the relationship to their environment.



Recognizing population growth as an independent force help in devising effective strategies, policies, efficient allocation of resources, understanding of complex systems, and enables better decision-making.

In the fishbone diagram, the problem or effect is displayed at the head or mouth of the fish and the possible major and minor causes are listed on the main arrow of bones (see figure).

The effects (development trap manifestations) are i) Resource scarcity trap, economic stress and strain; ii) Productivity trap, and iii) Spatial imbalance. On the branches of the main arrow, I have sorted out the major causes of the effect problems into six option categories.

Major cause 1) Population growth pressure forces

Major cause 2) Availability of the quantity and quality of economic resource, supply, and coverage

Major cause 3) Organization, structure, location and distribution of economic activities

Major cause 4) Performance of government development programs and plan of resource creation

Major cause 5) Population pressure curve impacts (Part One), policy choice and design

Major cause 6) Institution and management environment

I have used extensive framework, various approaches and employed different methods to address each of the major causes. It is beyond the scope of this article to mention them and I defer the task to a later publication. But I have to say few words on what makes my

conceptual approach (recognizing population growth as independent force) and my method of root cause analysis (fishbone diagram) unique or special.

In the past five decades, we have tried to address the economic challenges of the country through combination of macroeconomic, microeconomic, and sectoral perspectives. There is massive publication and you can order some of them from Ethiopian Economics Association, established since 1991. These distinct fields of study within economics addresses mainly immediate economic policy issues focusing on different levels and using causal analysis models. They use data and statistical analysis techniques to uncover patterns, trends, and correlations related to the symptoms or problems under investigation. These perspectives do not necessarily delve into the detailed factors or specific causes behind the observed associations. Correlations do not imply causation.

Identifying associations between variables is helpful in the choice of policies and intervention instruments. The primary goal of macro, micro and sectoral analysis is to enhance policy performance in economic growth, resource allocation, industrial competitiveness, technological innovation, job creation, etc. Whatever methods and tools used, these perspectives are primarily used to analyze economic policy choices and performance.

In long-term planning, however, it is vision, goal and strategy which comes first before policy issues. It is time that we change our thinking, ordering and sequencing in economic development intervention and planning process. The general sequence in planning process starts with vision, goal, strategy, and policy analysis comes last.

The sequence of vision, goal, strategy, and policy is logical because it starts with a broad and inspirational vision, narrows down to specific, measurable goals, then develops a plan (strategy) to achieve those goals, and finally establishes guidelines (policies) to ensure consistent execution of the strategy. This sequence provides a structured and coherent approach to planning and achieving long-term objectives. In the coming article (Part Four) we will look into the components of vision, goal and strategy. In Part Six, I will discuss policy issues.

## Economic Strategic Vision Roadmap for Ethiopia: Part Four

Tsegaye Tegenu, PhD

2023-09-07

This part discusses steps two and four of the Economic Strategic Vision Roadmap making, namely vision and mission formations. What are the vision and missions of the roadmap document that I am trying to share with you?

A vision is a statement or description of a desired future state or outcome that provides direction, motivation, and a sense of purpose. It helps paint a mental image of how you want to see the country in the future. Vision is what you want to accomplish in the future.

A well-crafted vision helps to formulate the goals you want to reach, serves as a compass, set priorities, make decisions, mobilize people, and align strategies and policies. To realize these advantageous, vision should be specific, realistic, and achievable, even if it represents a long-term or aspirational goal.

In the case of economic situation analysis, vision formulation can differ depending on the goals, motivations and objectives of the leaders and policy makers. Visions can be crafted for political or public relations purposes. Vision statements may be based on high-level aspirations rather than root cause analysis and a deep understanding of the challenges at hand. Vision statements can sometimes prioritize short-term gains or political objectives over long-term, sustainable growth and development. This can result in statements that are more about immediate popularity or electoral appeal.

In the case of a country where there is chronic poverty, macroeconomic and political instability, a well-crafted vision statement should be grounded or influenced by root cause analysis (see part three). Vision should not be only a sense of purpose and direction. It should also consider factors that influence the goals and reflect the country's strategic response to persistent economic challenges and opportunities.

The Ethiopian Government has a [Ten-Years Development Plan](#), which has a vision to make Ethiopia an "African Beacon of Prosperity" by 2030. This vision statement conveys a clear and aspirational goal for Ethiopia's future development and position in Africa. The term "African Beacon" suggests that Ethiopia aspires to become a shining example or a guiding light within the African continent. The term "Prosperity" denotes economic and social well-being of the people.

This vision statement of the Government indicates Ethiopia's commitment to achieving significant economic and social progress, not just for itself but also as a model for other African nations to follow. It expresses a desire for Ethiopia to become a symbol of success and prosperity on the African continent, showcasing what can be achieved through development, innovation, and effective governance.

Is this vision a result of root cause analysis of the economic situation of the country or a search for political support and public relationship? Is the motive to be popular in Africa or solve chronic economic problems of the country by providing detailed long-term plan. I will leave the questions for you to answer.

As I have said vision statements influence choice of goals, strategies and policies. To be popular, the Government may choose strategy of developing the traditional service sector rather than manufacturing-led structural transformation. It is well known that the traditional service sector (hotels, restaurants, community, social and personal services) can employ more labor but does not increase per capita income.

Traditional service goods are intangible (involve more face-to-face interactions in their delivery) and do not use technology, capital intensity, labor skill, and scale economies to increase productivity. Traditional service sector has weaker productivity levels and growth rates than manufacturing. Vision of promoting the traditional service sector does not reflect and address the underlying root causes of economic challenges facing the country. For further comments see “[Reflection on the Ten-Year National Economic Plan](#)”.

Why the government focus on traditional service sector as a development means? We know already that the industrial parks are facing a number of hurdles: quality and shortage skill labor, power failure and water supply interruptions, poor custom and work permit procedures, shortage of local industrial inputs, underdeveloped agricultural sector, shortage of foreign currency, inflation in production costs, poor logistic services, poor co-ordination and communication problems among responsible government authorities, weak domestic linkages, backward and forward linkages, illegal transfer pricing, high cost of entry and exit from business, lack of production facilities, and political instability.

Vision matters for the choice, direction and evaluation of economic policies. The question is what is the perfect vision for the country? I have tried to formulate an alternative vision by summarizing the manifestations of the development trap in terms of the properties of size, structure and space (see the effect part of the fishbone diagram in Part Three).

Size refers to the quantity and quality of resource scarcity, economic shortages and the kind of economic stress and strain it creates as the population continues to grow. Structure refers to the internal composition of the economic activities and their arrangement as the population pressure increases. Space refers to the characteristics, position, location, distribution of the economic activities and the relationship to their environment.

Since the start of rapid population growth (late 1980s), the country is experiencing resource scarcity and transformation traps (both structural and spatial). This phenomenon will persist as the population continues to grow (phenomenon of development trap). A combination of government economic policy failure in resource creation and the continued demand and needs of a growing population creates development trap. I see an urgent need of creating superabundant resources to cover the needs and demands of a growing population.

My vision statement on how to break the cycle or self-reinforcing nature of the development trap: "To create an economy in Ethiopia that prioritizes self-reliance, transformation, and creation of abundant resources to ensure the needs and demands of 140 million people, and provision of limitless opportunities for the growth and development of every individual."

As you can see my vision does not search for popularity among African countries. It is about a creation of post-scarcity economy. In economics, the idea of post-scarcity is related to the concept of superabundance, in which the production of goods and services can meet the needs and demands of the population without the presence of scarcity or shortage. In a post-scarcity

economy, resources are so plentiful, and production is so efficient that everyone's basic needs can be met, and there is a surplus of goods and services for all. I have 140 million people (not African countries) on my mind when formulating the vision statement.

My vision statement combines ambition with practicality by emphasizing self-reliance, transformation (both structural and spatial) and resource abundance, while keeping the well-being and opportunities of citizens at the forefront.

My vision statement describes long-term aspirations and a desired future, covering a generation, an average period of 20-25 years. As I have said, vision helps to formulate goals and identify strategies. But there is a question why people of the country should look too far into the desired future. People need justification to keep them on track. Vision needs a mission statement which explains what people do, for whom they do it, and why they do it.

In the ten years development plan, creating prosperity is considered as the objective of the long-term plan. Prosperity is defined in terms of “overall human and institutional capability” and it includes, improvement in income levels, provision of basic economic and social services, enabling environment and social freedom.

There is still a fundamental question: prosperity for whom, for members of the ruling party or for the ordinary people? In the case of Ethiopia, where there is a fast population growth, a vision can only be successful if it is driven by people-centered and place-based (territorial development) objectives.

I have considered population growth pressure forces (multiplication of child-rich households, labor force growth and internal migration-led urbanization) to formulate the mission statements. The missions of the long-term planning include: i) job creation for the unemployed, ii) income growth for those employed, iii) regional development, and iv) increasing universal coverage of basic services.

In summary, a mission statement defines the Government annual planning purpose and activities, while a vision statement outlines its long-term aspirations and goals. Vision and purpose complement each other and help guide Government’s strategy and policy choices and decision-making. In the forthcoming part I will discuss vision goals and strategies.



## Economic Strategic Vision Roadmap for Ethiopia: Part Five

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2023-09-09

This part discusses one of the third steps of the Economic Strategic Vision Roadmap making, namely choice of vision goals. As discussed in Part Four, the economic vision of the Ethiopian people and Government is the “creation of post-scarcity economy in which resources and goods are so abundant that they are no longer considered scarce for fast growing population of the country”.

This vision is a long-term perspective, but how do we know that we have reached to this ultimate purpose. We need goals: specific, measurable, relevant and achievable objectives that shows the realization of the vision. Think of a vision as the destination on a map, and goals as the individual checkpoints or milestones along the journey to reach that destination.

Think of your vision of traveling to Addis Abeba, your desired destination. To reach the destination of Addis Ababa, you set various milestones or goals to make the journey more manageable and track progress. For example, you save money to cover your whole expenses, you book flight, you plan what to visit in Addis Abeba, you pack and prepare. Each of these goals serves as a milestone along the journey to reach the vision of visiting Addis Abeba. These milestones make the vision of experiencing Addis Abeba more achievable and provide a sense of progress as each one is accomplished.

Similarly, there are three goals which track the progress of the vision of “creating post-scarcity economy” in Ethiopia. These are: i) private sector and market development, ii) manufacturing led structural transformation, and c) spatial transformation (see figure).

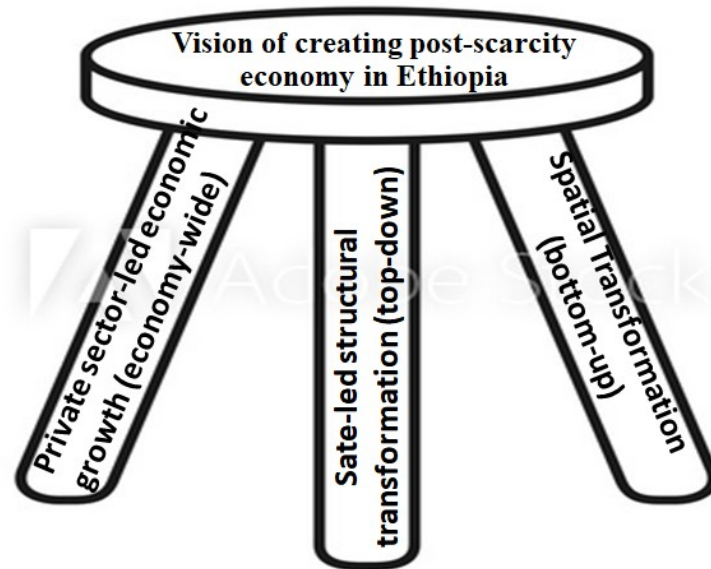
Why select only these three goals and not others such as Millenium development goals (Eradicate Extreme Poverty and Hunger, Achieve Universal Primary Education, Promote Gender Equality and Empower Women, Reduce Child Mortality, Improve Maternal Health, Combat HIV/AIDS, Malaria, and Other Diseases, Ensure Environmental Sustainability, and Develop a Global Partnership for Development). Using market language, I may say that these (MDGs) goals primarily address demand-side issues rather than supply-side issues.

The selection of goals thus depends on once perspective, framework of analysis and intentions. In my case, the goals focus on the supply side issues and they are the results of root cause analysis of the development trap and vision formations discussed in parts two and three. The goals refer to the three major manifestations of the development trap in Ethiopia. Overcoming these traps and turning these vicious circles into virtuous circles will set the country on a path of post-scarcity economy.

The first goal is related to the existence of chronic poverty and economic shortages which has created economic stress and strain both on the households and government. This situation and the projected increase in population size indicates the need for abundant resources to cover needs and demands. This is accomplished based on private sector and market development.

When the private sector thrives and markets function efficiently, several benefits and opportunities for resource creation emerge, such as economic growth, wealth accumulation and investment, innovation and technology, global trade, job creation, etc. On the state of the

private sector development in Ethiopia see, [3-D System Approach to Private Sector Development in Ethiopia](#)



The second goal is related to the structural and productivity traps discussed in the root cause analysis. The country's economy is trapped in a subsistence agriculture and rural economy. Two-thirds of Ethiopia's workers are farmers, and agriculture accounts for about one-third of the country's GDP. The country's industrial sector has a relatively small share of current GDP (25Pct) and employment (7Pct), and it has got various challenges to grow.

Today, most of the industrial sector consists of non-tradable construction activity—roads, power plants, buildings—often financed with external funds. Manufacturing, traditionally associated with successful structural transformation, currently accounts for just one-third of Ethiopia's industrial activity. Higher productivity levels demand more diversified economic structures with more sophisticated goods and services.

For the country, structural transformation and a productivity-driven economy are not a choice but a necessity. Due to rapid labor force growth, unemployment, and underemployment, it is time to move the focus to structural transformation and labor productivity growth. In the context of present-day Ethiopia, what must come first is structural transformation and not input factor growth. For further reference see "[What Does the Ethiopian Economy Want!': industrialization-led structural transformation](#);

[Structural Transformation is a Defining Moment that Leads Ethiopia to Modern Development](#);

[Tsegaye Tegenu \(PhD\) – Ethiopian Business Review](#)

The third goal is related the effects of internal migration-led urbanization. Regional distribution, pattern and growth of towns in Ethiopia is unbalanced. The level of urbanization varies regionally, ranging from nearly 100 per cent in Addis Ababa to 8,7 per cent in southern Ethiopia. The urban structure has uneven character in size and amorphous in functions and it is therefore important to have a spatial transformation vision goal, which involves reshaping the spatial distribution of economic activities, land use, population and resources within the regions of the country. For details on the effects of speedy urbanization in Ethiopia see [Urbanization in Ethiopia: Study on Growth, Patterns, Functions and Alternative Policy Strategy](#)

The first and the second vision goals are spatial blind to local variations, differences in urban growth, functional areas, a network of economic flows, the concentration of unemployment, income inequality, and availability of the natural resources. It is, therefore, necessary to construct comprehensive geography of functional economic areas and strategies of balanced regional growth. The vision goal of spatial transformation focuses on the geographic scale of development and spatial integration.

Spatial transformation aims to achieve specific goals, such as sustainability, regional economic development, and improved quality of life. Spatial transformation involves reshaping the spatial distribution of economic activities, resources, and populations within a region or country to achieve specific missions such as regional economic development. For details see [How Regions can Develop in Ethiopia: The Need for a Paradigm Shift](#)

Achieving the vision of creating post-scarcity economy requires working on three goals simultaneously. This idea is represented as three-legged stool (see figure). Geometrically speaking, three-legged stool forms a triangle in which the legs are equally spaced giving it stability. This triangular configuration provides stability to the stool because it distributes the weight of the person sitting on it evenly among the three legs.

Similarly, the three goals of the vision should be treated equally to accomplish the vision of creating post-scarcity economy in Ethiopia. If one of the goals of the three-legged vision is shorter than the others, it can significantly affect the stability and balance of the vision. Uneven focus (weight of policy distribution) and any discrepancies in goal length (lack of strategy) should be corrected to ensure proper balance and stability of the vision. A minimum of three legs is needed for a stable equilibrium (vision of superabundance resources).

## Economic Strategic Vision Roadmap for Ethiopia: Part Six

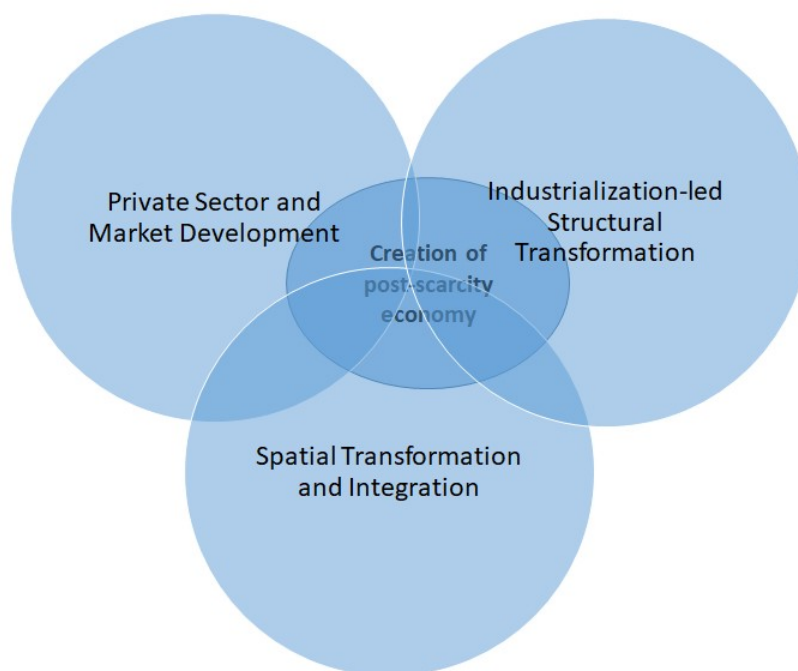
*Tsegaye Tegenu, PhD*

2023-09-11

This section discusses the strategies of the three-legged vision goals. Strategy is a direction, a path or an approach designed to achieve vision goals. A strategy fills the gap between “where we are” and “where we want to be”; that is, “how are we going to get there? Strategies are overarching and focus on "what is in the goal" and "why that". The first essential step in the development of a strategy is the thorough examination and clarification of the goals.

Once you have examined and clarified your goals in the strategy formulation process, the next step often involves identifying the driving or performance thrusting forces that will propel you toward those goals. These thrusting forces can be thought of as the driving factors or key elements that will help you achieve your objectives. Thrusting forces are essentially the critical factors, elements, or strategies that will help propel you toward your goals. I tried to examine the challenges or critical factors of the three-legged vision goals and identified the following strategies necessary to overcome the respective challenges. I know that strategy is purpose-driven and should be well-prepared to address the specific challenges and opportunities associated with achieving each of the vision goals (see figure).

### Vision Goals of Creating Post-scarcity Economy of Ethiopia



#### I. Strategies for the vision goal of private sector and market economy development

Strategy 1: Market-Oriented Economic Reforms

Strategy 2: Investment Promotion and Infrastructure Development

Strategy 3: Human Capital Development and Education

Strategy 4: Entrepreneurship and Small and Medium-sized Enterprise (SME) Support

Strategy 5: Regulatory and Governance Reforms

Strategy 6: Innovation and Technology Transfer

Strategy 7: Export Promotion and Economic Diversification

## **II. Strategies for the vision goal of industrialization-led structural transformation**

Strategy 1: Industrialization: promote the growth of manufacturing and industrial sectors.

Strategy 2. Agricultural specialization: Increase agricultural productivity and value-added activities

Strategy 3. Infrastructure Development

Strategy 4. Enhance access to capital for entrepreneurs and businesses.

Strategy 5. Education and Skills Development: Invest in human capital development.

Strategy 6. Technology and Innovation: Foster innovation and technological advancement.

Strategy 7. Regulatory Reforms: Create a conducive business environment.

## **III. Strategies for the vision goal of spatial transformation and integration**

Strategy 1: Promote regional development by addressing disparities between urban and rural areas

Strategy 2: Improve the planning and management of urban and metropolitan areas to reduce congestion, enhance livability, and promote economic growth.

Strategy 3: Enhance transportation networks and connectivity to improve access to markets, jobs, and services.

Strategy 4: Promote efficient land use, affordable housing, and well-planned urban development.

Strategy 5: Foster technology hubs and innovation clusters to promote economic diversification.

Strategy 6: Develop and upgrade critical infrastructure, including transportation, energy, and digital connectivity.

Strategy 7: Protect natural landscapes, create green spaces, and promote environmental sustainability.

Strategy 8: Engage the private sector in spatial transformation and infrastructure development through PPPs.

Strategy 9: Involve local communities and stakeholders in spatial planning and decision-making processes.

You have now a total of 23 strategies to think about on how to create a post-scarcity economy of Ethiopia. Successful vision goal achievements consist all of the above strategies. A good strategy has the following attributes: clarity, specificity, actionable, measurable, long-term, resource allocation, efficiency and effectiveness.

Each of the respective strategies contain various policies which provide rules and guidelines to ensure consistency and compliance within the specific strategy. In a forthcoming paper, I will present a list of the different types of policies (about 82 of them) belonging to the respective strategies.

# Economic Strategic Vision Roadmap for Ethiopia: Part Seven

*Tsegaye Tegenu, PhD*

*2023-09-14*

In part six we have mentioned about 23 strategies for the creation of a post-scarcity economy of Ethiopia. These strategies cannot be directly implemented by themselves. They require a number of policies, namely, standards, principles and rules that have to be adhered to when implementing a strategy.

By definition a policy is a set of rules, guidelines, or principles that govern decision-making and actions within an organization, government, or any structured group. Policies are designed to provide a framework for consistent and responsible behavior, ensure compliance with laws and regulations, and help achieve specific objectives of the strategies.

In our case policies serve as the guardrails and governance structure that support the successful implementation of the strategies. They help ensure that a large number of ministries execute the strategies efficiently, ethically, and in compliance with the established standards, principles, and rules. In this section I will try to identify the policies of the respective strategies.

Often the components and objectives of economic policies are mentioned covering a wide range of areas, including fiscal, monetary, trade, industrial, and regulatory policies. In this study economic policies are categorized under the overarching strategies mentioned in part six. Most of the common policies employed under the strategies are the followings:

## I. Strategies and policies for the vision goal of private sector and market economy development

### Strategy 1: Market-Oriented Economic Reforms

- Monetary and Fiscal Policy
- Deregulation Policy
- Land Privatization Policy
- Financial Sector Reform Policy
- Trade and Investment Policy

### Strategy 2: Investment Promotion and Infrastructure Development

- Infrastructure Investment Policy (transportation, energy, and communication)
- Foreign Direct Investment (FDI) Promotion Policy
- Policy of Establishing Special Economic Zones (SEZs)
- Public-Private Partnerships (PPPs) Policy

### **Strategy 3: Human Capital Development and Education**

- Policy of improving access and quality of education
- Promoting technical and vocational training
- Healthcare Improvement Policy
- Foster partnerships between educational institutions and the private sector to align skills with market demand.

### **Strategy 4: Entrepreneurship and Small and Medium-sized Enterprise (SME) Support**

- Policy of Access to Finance
- Policy of establishing Business Incubators and Innovation Hubs
- Policy of Entrepreneurship Education

### **Strategy 5: Regulatory and Governance Reforms**

- Policy of Implementing Anti-Corruption Measures
- Regulatory Reforms to reduce bureaucratic red tape
- Enhancing Contract Enforcement
- Policy of Intellectual Property Rights (IPR) Protection

### **Strategy 6: Innovation and Technology Transfer**

- Policy of investment in research and development (R&D) infrastructure and programs.
- Policy of incentives for private sector innovation and R&D, and support for technology clusters and innovation ecosystems.
- Policy of collaboration between universities, research institutions, and industry in technology transfer.
- Provide incentives for knowledge diffusion and technology adoption.

### **Strategy 7: Export Promotion and Economic Diversification**

- Policy of establishing agencies to promote export
- Policy of product diversification (new export-oriented industries and products)
- Promoting value-added processing



## II. Strategies and policies for the vision goal of economic structural transformation

**Strategy 8: Industrialization: promote the growth of manufacturing and industrial sectors.**

- Policy of establishing industrial parks and special economic zones to attract investments.
- Policy to provide incentives for local and foreign companies to set up manufacturing facilities.
- Policy of developing vocational training programs to build a skilled workforce for industrial jobs.
- Policy of establishing Special Economic Zones (SEZs)

**Strategy 9. Agricultural specialization: Increase agricultural productivity and value-added activities**

- Policy of investment in agricultural research and development.
- Policy of land consolidation
- Policy of irrigation
- Policy of specialization in agricultural products
- Policy to provide farmers with access to modern farming techniques, technologies, and equipment and market access.
- Policy to promote value chain development to add value to agricultural products

**Strategy 10. Infrastructure Development**

- Policy of investing in roads, ports, airports, and railways and telecommunications networks to facilitate the movement of goods and people.
- Policy of investing in a physical infrastructure of irrigation (regulators, canal reaches, and storage facilities) and energy sources

**Strategy 11. Enhance access to capital for entrepreneurs and businesses.**

- Policy of strengthening the banking and financial sector.
- Policy of promoting microfinance institutions to support small and medium-sized enterprises.
- Policy to facilitate venture capital and private equity investments.

**Strategy 12. Education and Skills Development: Invest in human capital development.**

- Policy to improve access to quality education at all levels.

- Policy of aligning education and training programs with the needs of the evolving job market.
- Policy to promote lifelong learning and vocational training.

**Strategy 13. Technology and Innovation: Foster innovation and technological advancement.**

- Policy of supporting research and development initiatives.
- Policy to encourage technology transfer and collaboration with universities and research institutions.
- Policy to protect intellectual property rights.

**Strategy 14. Regulatory Reforms: Create a conducive business environment.**

- Policy of streamlining business registration and licensing procedures.
- Policy to enhance property rights protection and contract enforcement.
- Policy to reduce bureaucracy and corruption.
- Policy of establishing agencies to facilitate trade and investment and provide support to businesses

### **III. Strategies and policies for the vision goal of spatial transformation and integration**

**Strategy 15: Promote regional development by addressing disparities between urban and rural areas**

- Policy of investment in infrastructure development in less-developed regions.
- Policy to promote industries suitable for specific regions.
- Policy of rural industrialization
- Policy of supporting agricultural modernization and rural livelihoods.
- Cluster Development Policy: Supporting the growth of industry clusters in specific regions to leverage local strengths and enhance competitiveness
- Policy of Agribusiness Development: Promoting agribusiness and value addition to increase the income potential of agricultural activities in rural areas.
- Policy of Rural Entrepreneurship: Encouraging rural entrepreneurship and diversification into non-agricultural sectors to create alternative sources of income

**Strategy 16: Improve the planning and management of urban and metropolitan areas to reduce congestion, enhance livability, and promote economic growth.**

- Policy of developing a comprehensive urban master plan
- Zoning regulations to promote mixed land use.
- Investment in public transportation systems.

**Strategy 17: Enhance transportation networks and connectivity to improve access to markets, jobs, and services.**

- Policy of investment in road and highway infrastructure.
- Policy of developing rail and public transit systems.
- Policy to promote multimodal transportation solutions.

**Strategy 18: Promote efficient land use, affordable housing, and well-planned urban development.**

- Policy of affordable housing incentives and mandates.
- Policy of land use planning to reduce urban sprawl.
- Policy to encourage a mixed-income housing development

**Strategy 19: Foster technology hubs and innovation clusters to promote economic diversification.**

- Policy of investment in research and development centers.
- Policy incentives for technology startups and innovation ecosystems.
- Policy to support for science and technology parks.

**Strategy 20: Develop and upgrade critical infrastructure, including transportation, energy, and digital connectivity.**

- Policy of public-private partnerships (PPPs) for infrastructure projects.
- Policy of investment in renewable energy and sustainable infrastructure.
- Policy to expand broadband and digital infrastructure.

**Strategy 21: Protect natural landscapes, create green spaces, and promote environmental sustainability.**

- Policy of preservation of natural habitats and green corridors.
- Policy of establishing urban parks and greenways.
- Policy of environmental regulations and incentives for sustainable development.

**Strategy 22: Engage the private sector in spatial transformation and infrastructure development through PPPs.**

- Policy of legal and regulatory frameworks to facilitate PPPs.
- Policy of risk-sharing mechanisms and incentives for private investments.
- Policy of transparent and competitive procurement processes.

**Strategy 23: Involve local communities and stakeholders in spatial planning and decision-making processes.**

- Policy of establishing community planning councils or advisory boards.
- Policy to conduct public consultations and participatory planning exercises.
- Policy to support community-driven development initiatives.

## Economic Strategic Vision Roadmap for Ethiopia: Part Eight

*Tsegaye Tegenu, PhD*

*2023-09-16*

In part seven I have outlined 23 strategies and 82 policies for the vision goals of creating post-scarcity economy of Ethiopia. Implementing them, however, needs prioritization and mixing approach. Prioritization allows the government to concentrate efforts on addressing the most pressing economic challenges, sequencing policies and help allocate limited resources. Mixing policies can create synergy, where the combined impact of multiple policies is greater than the sum of their individual effects. The question is: what are the criteria used for prioritization and mixing the economic strategies and policies outlined in part seven?

The criteria for prioritizing and mixing economic policies can vary depending on the use of technical aspects of policy analysis and evaluation (such as impact assessment, feasibility studies, cost-benefit analysis, risk assessment, etc.). Priorities and mixing of economic policies are also influenced by differences in the use of economic theories and political ideologies about the role of government and the market in the economy.

In my study I used a different framework, which is not common. I used a long-term approach and phase system thinking to prioritize and mix the 23 strategies and 82 policies mentioned in part seven. By its very nature, the vision of creating a post-scarcity economy (the three-legged vision goals) is a long-term aspiration, covering a generation, an average period of 20-25 years. Implementation of the strategies and policies of the vision requires a detailed and structured plan that outlines how they will be executed, monitored, and evaluated over a defined period. Long-term planning provides clarity of direction, establishment of measurable goals, allows for the allocation of resources, and measuring progress.

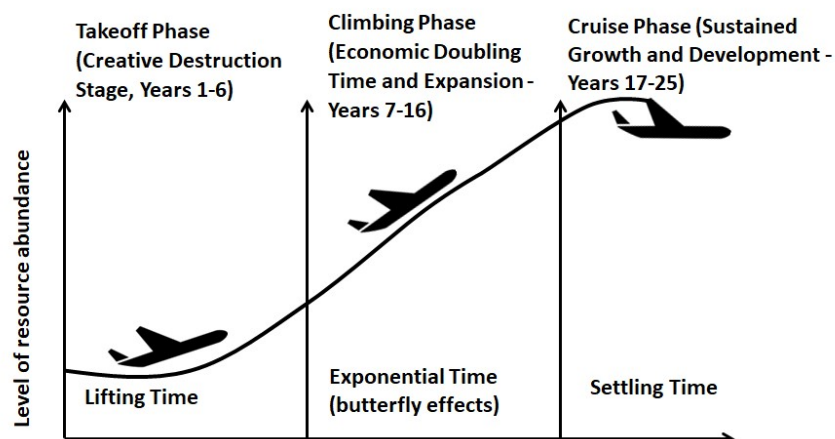
Long-term planning often involves breaking down the overall plan into phases or specific time periods, each with its own set of objectives and actions. These phases help structure the long-term plan, making it more manageable and allowing for progress monitoring. The question is how the phases in long-term planning is structured. What are the specific phases, the duration of each phase, and what kind of objectives and action each of them encompasses.

I identified the phases of the long-term post-scarcity economy plan (combination of 23 strategies and 82 policies) using the analogy and fundamental stages of an aircraft's flight: takeoff, climb, and cruise stages. These phases represent the core elements of an aircraft's flight profile. They serve a distinct purpose for completing a successful flight (in my case a successful vision). Different factors, equipment, and considerations are needed to ensure the safe and efficient operation of each phase.

The takeoff phase is the initial stage of a flight during which the aircraft transitions from a stationary position on the ground to becoming airborne. The primary purpose of this phase is to generate enough lift and speed to lift the aircraft off the runway. A suitable runway, sufficient engine thrust, aerodynamic devices on the wings, rotate (pitch up) at a precise speed, positive climbing rate, and retracting the landing gear are needed for the takeoff stage.

After takeoff, the aircraft enters the climbing phase, where it gains altitude and ascends to its designated cruising altitude. The cruise phase is the main segment of a flight during which the aircraft maintains a stable and level flight path at its designated cruising altitude. The primary purpose of this phase is to cover long distances efficiently and comfortably. Thrust management, altitude control, speed acceleration, accurate navigation, monitoring and ongoing communication is needed to reach the desired cruising altitude.

### Three phases and trajectories of abundant resource creation for countries with fast population growth



I have broken down the long-term strategies, policies and plan of creating post-scarcity economy of Ethiopia into three phases taking into consideration the needs and requirements each stage of an aircraft flight. These are: Takeoff Phase (Stage of Creative Destruction of Subsistence and Informal economy, Years 1-6), Climbing Phase (Economic Doubling Time and Business Expansion - Years 7-16), Cruise Phase (Sustained Growth and Development - Years 17-25). These phases reflecting a comprehensive approach to achieving superabundance while addressing both resource creation and sustainability concerns. The following policy areas and approach provide you an overarching theme which helps to mix specific policies and strategies discussed in part seven.

#### *Takeoff Phase (Stage of Creative Destruction of Subsistence and Informal Economy, Years 1-6):*

As we have tried in the past, it is not possible to creatively transform the subsistence and informal economy (constituting about 50% of the national GDP) by improving and upgrading their economic activities while retaining their core elements of survival and reproduction. Their economic structure and practices lack the inherent capacity for transformation and long-term sustainability. We need to borrow and use the creative destruction concept introduced by economist Joseph Schumpeter. It refers to the process where new and innovative economic activities disrupt and replace existing ones, often leading to the obsolescence of traditional economic structures and practices. The following policy areas focus to replace the subsistence and informal economic activities.

1. Development of private sector, market and credit cooperation, and creation of new firms based on comparative advantage.

2. Agriculture: private land ownership, crop specialization, commercialization and creation of capitalist framers
3. Labor intensive industrialization, rural industrialization, industrial decentralization (mining sub-sector)
4. Infrastructure development: invest in the necessary infrastructure to support resource creation and utilization
5. Human and physical capital development
6. Foundational economic policies: monetary and fiscal policy to establish a stable economic foundation

The above policy areas of creative destruction seek to replace outdated or less productive economic activities with new and innovative ones. The disruption of the traditional economy through combination of the elements of entrepreneurship development, market expansion, and private sector growth leads to the reallocation and accumulation of productive factors. With the right support and enabling conditions, individuals and communities can transition toward more sustainable and productive economic activities while minimizing negative disruptions.

### *Climbing Phase (Economic Doubling Time and Business Expansion - Years 7-16)*

Economic doubling time focuses on the rate of growth required for a specific economic variable to double, such as GDP, investment and other macro indicators. Business expansion (microeconomic concept) refers to the growth and development of a specific company. It involves increasing the scale of operations, market presence, or product/service offerings of a business entity. The policy areas which reduce the doubling time and accelerate business expansion of this phase include:

1. Diversified urban entrepreneurship. This policy area encompasses the idea that cities/towns are not dominated by a single industry or sector but instead host a diverse array of businesses, startups, and entrepreneurial ventures across various industries and sectors.
2. Diversifying and balancing manufacturing sub-sector (chemicals, metals and machinery, transport equipment, electrical machinery, textiles and clothing, agro-industries)
3. Upgrading and encouraging productivity (capital and TFP). Policy of incentives for private sector innovation and R&D, and support for technology clusters and innovation. Improvements in productivity, often driven by technological advancements, can accelerate economic growth. When workers and businesses become more efficient in producing goods and services, it can lead to higher output and economic expansion
4. Foreign Direct Investment (FDI): Attracting FDI can inject capital, technology, and expertise into the local economy. Developing countries often seek to create a favorable investment climate to encourage FDI.
5. Education and workforce development: A well-educated and skilled workforce can boost productivity and innovation, which in turn can contribute to economic growth. Investments in education and training can reduce the doubling time by increasing human capital

6. Establish growth and efficiency supporting services essential for the sustainable development of businesses and regions.
7. Backward, forward and business linkages, agglomeration and competitiveness. Strong linkages (both backward and forward) and agglomeration can contribute to the competitiveness of businesses and industries. Competitiveness, in turn, can further reinforce the attractiveness of a region for businesses, potentially leading to more agglomeration. Policymakers and businesses often consider these relationships when making decisions about location, investment, and regional development strategies.
8. Small towns consolidation and urban clustering
9. Infrastructure Development. Adequate infrastructure, including transportation, communication, and energy networks, is essential for economic growth. Infrastructure investment can reduce bottlenecks and inefficiencies, thereby speeding up growth.

### *Cruise Phase (Sustained Growth and Development - Years 17-25)*

The cruise phase is the most extended phase of a flight, during which the aircraft maintains a steady altitude and speed en route to its destination. Similarly, the strategies and policies at this stage of the economic development aims to maintain the stability and equilibrium of the economic system. They do not explicitly advocate for expansion or acceleration, rather focus on achieving specific objectives that prioritize sustainability, equity, and responsible development. The policy areas included at this stage of the long-term planning are:

1. Continue to address the gaps of phase two (such as human capital development, infrastructure development, macroeconomic stability, access to finance, encouraging entrepreneurship, regional and local development, public-private partnerships) to achieve a more prosperous and equitable future.
2. Investment in innovation, technology and research. Advances in innovation and technology are crucial for long-term economic growth. Investments in research and development, entrepreneurship, and the adoption of new technologies can lead to productivity gains and economic expansion.
3. Institutional efficiency and long-term planning. Efficient institutions provide the foundation for the successful execution of long-term plans, ensuring that resources are used effectively, policies are implemented, and societal goals are achieved over the long run. In turn, long-term planning encourages institutions to consider the future impact of their actions and policies, promoting a more sustainable and resilient society.
4. Global cooperation and trade, which are essential components of an interconnected global economy. While trade fosters economic growth and prosperity, global cooperation helps create the frameworks, rules, and collaborative efforts needed to ensure that trade benefits all nations, promotes sustainability, and addresses global challenges.
5. Inclusive growth which emphasizes not only the pace of economic growth but also its distribution and impact across different segments of society. It seeks to ensure the success accomplishment of the missions stated in part four.



6. Environmental Protection: which involves the conservation, preservation, and sustainable management of natural resources to ensure their availability for current and future generations.

The policy areas are interconnected and often require a coordinated approach to address the complex challenges and overlapping crisis facing the Ethiopian society and economy. Prioritization and mixing of economic strategies and policies require long-term approach and phase system thinking. That is how you do part seven.

## Economic Strategic Vision Roadmap for Ethiopia: Part Nine

*Tsegaye Tegenu, PhD*

*2023-09-19*

In part nine I will discuss the enabling environments and financial self-reliance principles of the vision of creating post-scarcity economy of Ethiopia. Before proceeding, I would like to summarize the different policy areas of post-scarcity economy of Ethiopia which I tried to identify in part eight based on the criteria of an aircraft flight phases: takeoff, climb, and cruise stages. The policy areas mentioned in part eight do not state the objectives of specific policies, choice of various instruments and tools to achieve the objectives, their time horizon, coherence and tracks. It is beyond the scope of part eight to discuss these details and I left the job to a long-term planning commission. In fact, in countries with a central planning tradition, the process of setting and pursuing vision, goals, missions and strategies over an extended period is a task of a planning commission.

The present part focuses on the enabling environments and self-reliance principles of the vision, goals, strategies and policy areas mentioned in the preceding parts. These parts of the roadmap require various enabling environments to thrive. Institutional and governance environments are the critical factors that influence and interact with the policies and strategies. They provide the necessary legal, regulatory, and political infrastructure to minimize risk and ensure the successful implementation of strategies and policies. The institutional and governance factors include:

### 1. Rule of Law and Property Rights:

The rule of law is a durable system of laws, institutions, norms, and community commitment that delivers four universal principles: accountability, just law, open government, and accessible and impartial justice. These foundational principles ensure that policies related to infrastructure development, trade, and technology are enforced and protected.

A well-defined legal framework is essential to protect property rights, enforce contracts, and ensure that individuals and businesses can operate in a predictable and secure environment. Property rights are the formal and informal arrangements that govern the ownership, use, and transfer of assets. Formal property rights are encoded into law, statute, ordinance, or contract. Strong intellectual property rights protection encourages innovation and investment in research and development.

2. Political Stability: The stability of a government and its effectiveness in implementing policies and strategies play a crucial role in their success. Stable political environments reduce uncertainty and encourage long-term investments.

3. Transparent and Accountable Governance systems that combat corruption, promote efficiency, and ensure the rule of law are critical. Transparency in government operations, budgeting, and decision-making helps build trust and accountability. Effective mechanisms for public oversight and reporting enhance accountability.

4. Regulatory Framework: The quality and effectiveness of regulations and institutions overseeing areas like finance, trade, and technology are essential for their success. Business regulations, for instance reduce barriers to entry, promote competition, and encourage

entrepreneurship. Labor market regulations balances workers' rights and business needs and they are essential to prevent excessive rigidity or informality in the labor market.

5. Efficient Bureaucracy: A competent and efficient civil service can implement policies effectively, reduce bureaucratic red tape, and provide responsive public services.

6. Fiscal Responsibility: Sound fiscal policies, including responsible budgeting, debt management, and taxation, help maintain macroeconomic stability and sustainable public finances.

7. Public Participation and Consultation: Involving civil society, businesses, and citizens in policy formulation and decision-making processes enhances policy relevance and legitimacy

Effective governance and institutional arrangements are the backbone of a thriving post-scarcity economy. When these triggering conditions and factors are well-developed and properly functioning, they create an environment in which economic policies and strategies can have a meaningful and sustainable impact on economic growth, development, and prosperity. The question is what happens if the enabling environments of long-term development plan are bad.

If the enabling environments of long-term development plans are characterized by high corruption, internal conflict, population displacement, and political instability, as in the case of Ethiopia, it can have severe negative consequences for the prospects of successful development. High corruption can result in the misappropriation of public funds and resources, reducing the available resources for development projects and essential public services.

Political instability and conflict can disrupt economic activities, leading to a decline in economic growth and government revenues and its ability to finance development initiatives. Internal war and population displacement can create a humanitarian crisis, with basic needs such as food, shelter, and healthcare becoming scarce. Human suffering and loss of life can be substantial.

Conflict and corruption can undermine the capacity and effectiveness of government institutions, hindering their ability to plan and implement development projects. Political instability and conflict can lead to insecurity, making it challenging for development projects to proceed safely. Investors and development partners may hesitate to engage in such environments. Conflict and war often result in the destruction of critical infrastructure such as roads, bridges, and utilities, hindering economic activities and development efforts.

Addressing these challenges and creating an environment conducive to long-term development planning requires a comprehensive and multi-faceted approach: This includes, among others, conflict resolution and peacebuilding efforts, anti-corruption measures, political reconciliation and economic recovery visionary plans and programs.

The financial need to support the post-conflict environment and long-term development plan is immense. The situation requires a range of financial sources to fund various projects, programs, and initiatives aimed at achieving an enabling environment and sustainable economic and social development. Theoretically, there are diverse financial sources: government budgets, domestic savings, taxation, grants and aid, foreign direct investment (FDI), capital markets, public-private partnerships (PPPs), and remittances.

Development planning often involves a combination of these financial sources, tailored to the specific needs and circumstances. However, effective long-term planning should be based on the principle of self-reliance. It must rely on the country's own population and economic activities to generate funds for development. The principle of self-reliance emphasizes a nation's ability to finance its development needs and achieve its long-term goals using its own resources and capabilities.

Of all the financial sources, the category domestic resource mobilization directly aligns with the principle of self-reliance. It involves individuals, households, businesses, and institutions within a country saving a portion of their income or resources. However, in a country where there is high dependency ratio (about 40% of the population below age 14), it is challenging to mobilize domestic saving. Incomes are used to feed more mouths than to save.

As the level of total consumption increases as the absolute size of the population increase, there is a decline in saving and investment. The difference between domestic saving and investment needs, known as the resource gap, led to an increase in the country's external debt. Rapid growth of public expenditure and lack of fiscal discipline (lack of responsible management of government finances) have also contributed to the increased size of the country's external debt.

Financing long-term development plan under such condition is challenging, if not impossible. A combination of fiscal discipline, economic growth, and financial inclusion can address high government budget deficits.

The government must assess its investment in major projects, particularly their rate of return and expected net monetary gain. It must reduce corruption and promote private sector development. It must promote investments in productive sectors of the economy, such as commercial agriculture, manufacturing, and technology, to stimulate economic growth, create jobs, and generate additional income that can be saved. It has to expand access to financial services, particularly in underserved and rural areas.

In the context of Ethiopia, the institutional, governance, and financial enabling factors that play a critical role in the formulation and implementation of long-term plan faces several challenges. Addressing these challenges through a collaborative effort is crucial for Ethiopia's transition to a thriving and sustainable post-scarcity economy.

## Economic Strategic Vision Roadmap for Ethiopia: Part Ten

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This part aims to summarize the practical significance and immediate relevance of the three documents. Ethiopia is facing chronic challenges and relying on "business as usual" is no longer a viable solution. The chronic challenges are persistent and they are threatening the country's political stability, economic growth and transformation. It is now time to consider alternative approaches, strategies, and changes in the organization, planning and operation of development efforts in the country. Changing the mindset and thinking of the leaders and the people is now more urgent than ever.

I have some advice for three actors: planners, economic policy researchers and political leaders. These actors must be willing to examine their practices, make strategic changes, and embrace innovative ideas to effectively overcome their path-dependent thinking and practice, and be able to thrive in the changing environment of the country.

### **My advice to long-term planners: conduct root cause analysis**

Long-term planners are individuals, organizations, or entities that prioritize and engage in strategic thinking, decision-making, and action with a focus on the future. You find them at various levels of government entities (local, regional, national) and public agencies engaged in long-term planning to address issues such as infrastructure development, healthcare, education, urbanization, agriculture, manufacturing productions, etc.

In Asian and most developing countries there is also a Planning Commission, a government body responsible for formulating and implementing economic and development plans at the national or federal level. Central Planning Commissions are responsible for formulating long-term and short-term plans, setting targets for economic growth, and coordinating policies to achieve those goals.

Long-term planners in general use a variety of methods and approaches to formulate and implement effective strategies for their respective sector performance, economic growth and development. They gather and analyze a wide range of data related to the mission of their organization to understand current conditions and trends. My advice to long-term planners is start conducting root cause analysis before they engage stakeholders and design strategic planning (for details see Part Three and Part Four).

### **Advice to economic policy researchers and analyst: use my “all-in-one-platform”**

Economic policy researchers and analysts are professionals who study, analyze, and provide insights into economic issues, trends, and policies. They play a vital role in informing policy decisions in different areas (such as economic growth, unemployment, inflation, sector performances) and subject matters (such as building productivity capacity). They use different methods to conduct research and understand economic phenomena, assess the impact of policies, and provide evidence-based suggestions.

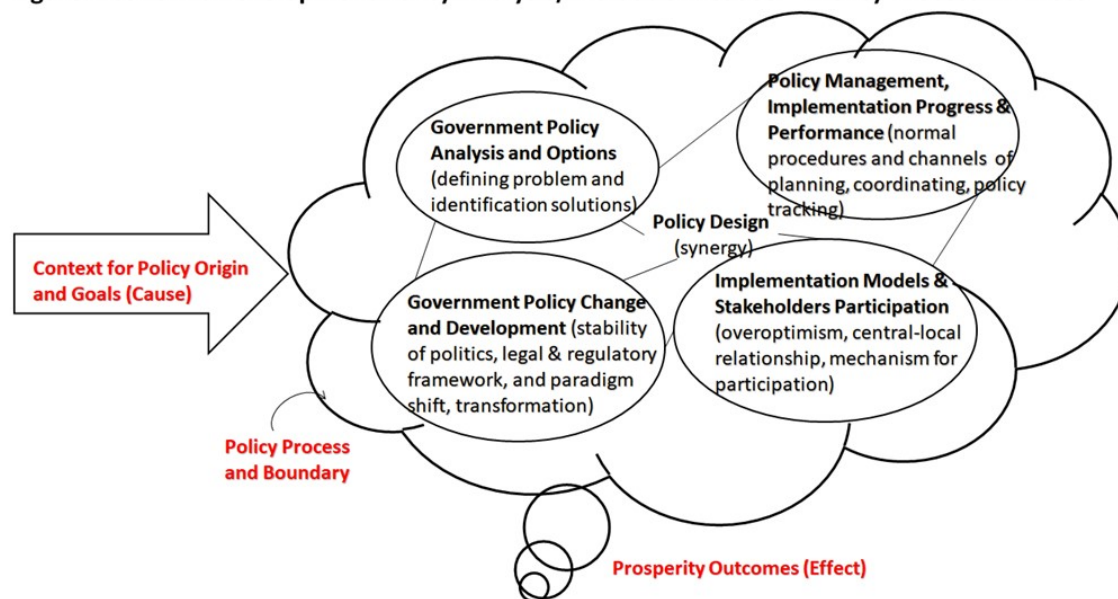
I see no problem with their professional methods and techniques of data analysis (econometric modeling, input-output analysis, cost-benefit analysis, case studies, simulations and scenario analysis, among others). But drawing conclusion from their analysis varies depending on the

choice of objectives, the specific economic problem being addressed, the policy goals, and the time horizon under consideration.

For instance, solutions may focus on economic stabilization, economic growth, structural reforms, inclusive growth, human capital development, environmental sustainability, etc. The question is how can economic policymakers balance these objectives to achieve a holistic and effective strategy outcome. Is there an “all-in-one-platform”, which is multidisciplinary, multidimensional, integrative, futuristic, and long-term.

Based on my “all-in-one-platform” tools, I have three suggestions for economic policy analyst on ways of combining their multidisciplinary research results into a single integrated system. The first one is to use policy research areas discussed in Part Seven (strategies of vision goals) and Part Eight (a long-term approach and phase system thinking). These two parts outlined policy areas on the basis of long-term vision goals and strategies that can help economic policy researchers to avoid goal conflicts and interest difference. They can use these different parts to identify the relevant objectives and instruments of policy interventions at a given point in time and space (see figure).

**Figure: Economic Development Policy Analysis/Evaluation: Cause — Policy Process — Effect**



The second suggestion refers to the importance of adopting their policy suggestions to changing and evolving circumstances. The different research methods they use (econometric modeling, input-output analysis, etc.) to inform their decision at different levels of economic aggregations (macro, micro, sector, global) even if they are correct and relevant, they are not enough by themselves. They need to consider the exponential curve of the population growth pressure (mentioned in Part One) to adopt their policy suggestions to changing pressure forces.

The third suggestion is to make use of Part Five (choice of vision goals) and Part Six (identifying strategies of vision goals). Researchers propound different visions depending on the nature of the economic issue they tackle and the desired outcomes. Their vision recommendations may include achieving sustainable development, reducing income

inequality, becoming a leader in a specific industry or technology, regional or rural development, export-led growth, etc.

Their suggested economic visions can vary significantly in their goals, priorities, and underlying philosophies. The specific type of vision depends on the values, objectives, and circumstances of the economic policy researcher or analysts. The question: Is there an “all-in-one-platform” to minimize the potential feasibility risks and trade-offs associated with different visions?

The three-legged vision goals and strategies mentioned in parts five and six provide a comprehensive approach that help them integrate the different visions of economic researchers. Part Five and Part Six encompass a broader range of cross cutting approaches for integrating visions and strategies. These are people-centered, place-based, bottom-up and top-down approaches. These cross-cutting approaches recognize the interconnections between economic, social, and spatial issues and can thus help to align multidisciplinary and multi dimensional visions suggested by economic policy researchers.

### **My advice to policymakers and political leaders: adopt the skills, characteristics and thinking ability of ocean sailor**

Policymakers and political leaders are individuals who play key roles in the governance and decision-making processes of the country. They are responsible for formulating, implementing, and evaluating government policies and legislation. They work within government institutions, agencies, and bodies.

Political leaders are individuals who hold positions of influence within political parties or movements. They may or may not hold official government positions, but they often play crucial roles in shaping public opinion, advocating for specific policies, and mobilizing support.

Both policymakers and political leaders have a shared responsibility for long-term development planning, design and implementation of economic policies. Policymakers translate the broad economic vision and priorities advocated by political leaders into concrete policies and actions. Political leaders, in turn, advocate for policies that reflect the needs and aspirations of their constituents.

However, to both of them, particularly in the context of Ethiopia, they have to understand the vastness, depth, and dynamic nature of the country’s economic problems and solutions. To begin with, they must know that they have taken a responsibility to address the economy of 120 million people (vastness), which has chronic problems at any aggregate levels (depth), and the dynamic nature of policies which makes them complex and ever-changing systems (waves, tides, and currents).

Both policymakers and political leaders have to know that they are just like individuals who specialize in sailing an ocean. Ocean sailors are skilled and knowledgeable individuals who combine navigation expertise, seamanship, weather awareness, safety protocols, adaptability, and resource management to safely navigate the vast and challenging open seas. Their capabilities and experience enable them to undertake long-distance ocean voyages. If they are incapable of exploring, they can get lost with their crew and vessel.

There are some parallels between the roles and responsibilities of policymakers, political leaders, and ocean sailors, especially when it comes to navigating complex and unpredictable environments just like the economy of our country. Both of them need

- Navigation skills: use of charts, GPS system or vision roadmaps in the case of policy makers and political leaders.
- Seamanship: skills related to operating and maintaining a sailing vessel, or long term-plan.
- Weather knowledge: signs of approaching storms or changing needs and demands of the population.
- Safety and emergency preparedness: safety equipment or economic policy design.
- Communication skills: crew coordination or policy implementation skill.
- Adaptability: respond to changing wind and weather or skill in policy prioritization and quick decision making.
- Long-distance planning: route selection and timing of voyages or long-term development planning for the country.
- Legal and regulatory knowledge: navigating maritime regulations or capable bureaucracy for policy implementation; and
- Environmental Stewardship: strong appreciation for the marine environment or economic policy enabling environment discussed in Part Nine.

In summary, ocean sailors are skilled and knowledgeable individuals who combine navigation expertise, seamanship, weather awareness, safety protocols, adaptability, and resource management to safely navigate the vast and challenging open seas. The question: do our policymakers and political leaders have the capabilities and experience, just like ocean sailors, that enable them to undertake long-term planning and creation of post-scarcity economy of Ethiopia.

My advice to them is to stop the tradition of short-term and ad hoc thinking. Short term thinking focuses on immediate gratification (search for popularity) or impulsive decisions without proper foresight and planning. Ad hoc thinking refers to making decisions and taking actions without a structured or premeditated approach. It often involves responding to immediate circumstances rather than following a well-thought-out long-term plan. A good example the use of a conspiracy theory to run the country (see figure).



## When conspiracy theorists run development and transformation



Policymakers and political leaders must approach their roles just like ocean sailors with a greater appreciation for the challenges they must navigate (120 million people economy which is vast and deep) and the acquiring of skills like vision goals, strategy formulation, policy design and effective implementation capabilities discussed in the different parts my presentations. That is all I have for you when thinking about the future of the Ethiopian people caught up in chronic problems.