

ETHIOPIA 2050 'A TREE IS KNOWN BY ITS FRUIT' :

CITY AGGLOMERATIONS AND ECONOMIC GROWTH

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DECEMBER 20, 2019 Addis Ababa

- 1. Changing Demography with all its consequences**
- 2. Inequality—in income, education and opportunities**
- 3. Scarcity of Commodities, including scarcity of capital**
- 4. Technological Innovation (the development & deployment of technologies and what this means for society and the economy)**

‘Farming until you cannot bear it anymore’ has had a dark side and harmful effects on agricultural communities. We need to intentionally include cities as the basis for economic growth and macroeconomic policy making.

One new way of organizing our society is by building mini-megalopolis – a set of roughly adjacent city agglomerations forming a continuous urban region.

In addition, it will be argued that cities are dynamic centers of exchange, innovation, and economic growth and provide the platform where people, ideas, and capital come together.

As a consequence, regulations and political schemes that limit urban development constrain the movement of labor and capital, reduce the potential for income mobility and rising standard of living over time.

KEY VARIABLES

As Bremmer's insight suggests, the marketplace for commodities, the export of most developing countries including Ethiopia, is becoming more globalized—meaning, more competition. The market for goods and services, on the other hand, will become less global.

As everyone here realizes, the holders of capital assets enjoy certain privileges. Katharina Pistor calls these:

- a) priority (in cases of competing claims);**
- b) durability, which allows capital to grow;**
- c) convertibility, which enables past gains to be locked in; and,**
- d) universality, which ensures that all of the other privileges are retained globally.**

Closer to home, we have a population growth rate of 2.31%, an eye popping doubling of the population in just 30 years (2050) using the simplest method of calculation; an urban population of 20.3%; and an urban working age population of 12.8 million people compared to a rural working population of 40.8 million persons.

Rural Land Use Fee generated \$330.0, \$437.8 and \$410.9 Million for 2014/15—2016/17; while Urban Land Use Fee generated \$1,276.7, \$2,528.2, and \$2,677.8 for the same period.

When it comes to mobile technology, the country has 58,080.626 users for 2016/2017; and total data and Internet use stands at 16,505,225 for the same year.

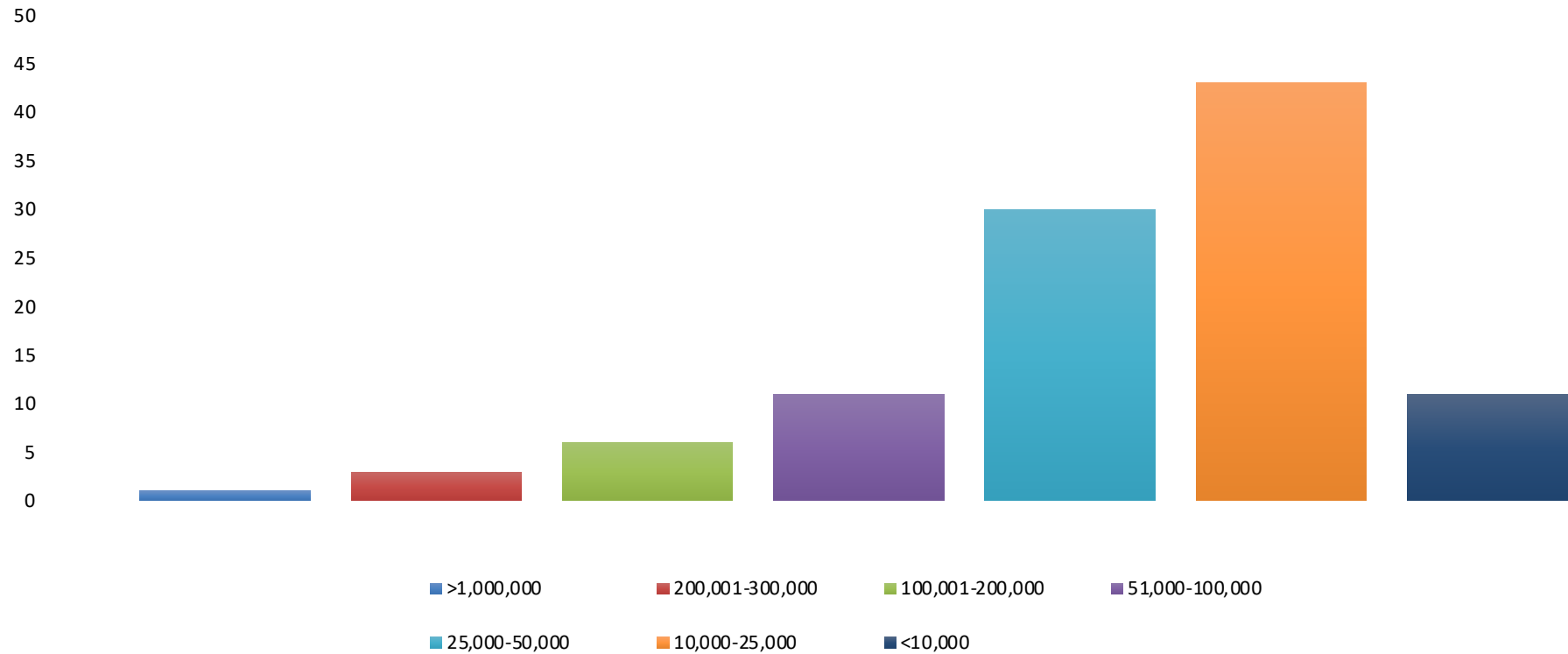
Tigray	49 (\$207m)	45 (\$112)	21 (\$66)
Amhara	4 (\$10m)	7 (\$14)	42 (\$105)
Oromia	304 (\$1,398)	26 (\$346)	19 (\$336)
Addis A.	31 (\$2,382)	755 (\$6,148)	376 (\$8,308)

(Data: National Bank of Ethiopia, for 2014/15, 2015/16, and 2016/17)

CHART

The Structure of Cities and Towns in Ethiopia:

Ethiopia's Cities by Population



WHAT SHOULD WE DO THEN?

Allow me to offer a modest proposal.

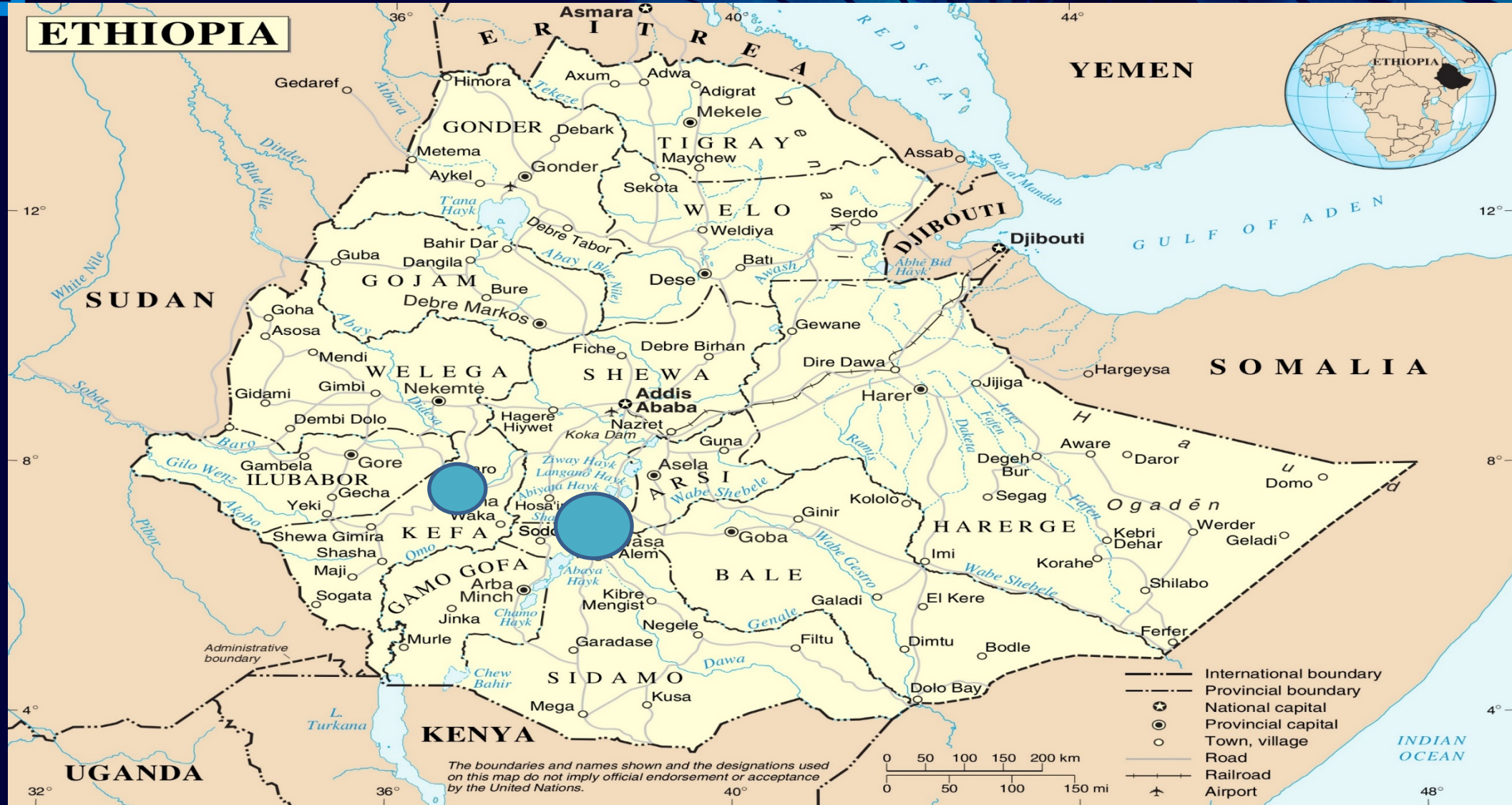
**CITY AGGLOMERATIONS AND
ECONOMIC GROWTH**

Addis Ababa/ Nazret



Jimma/ Awasa

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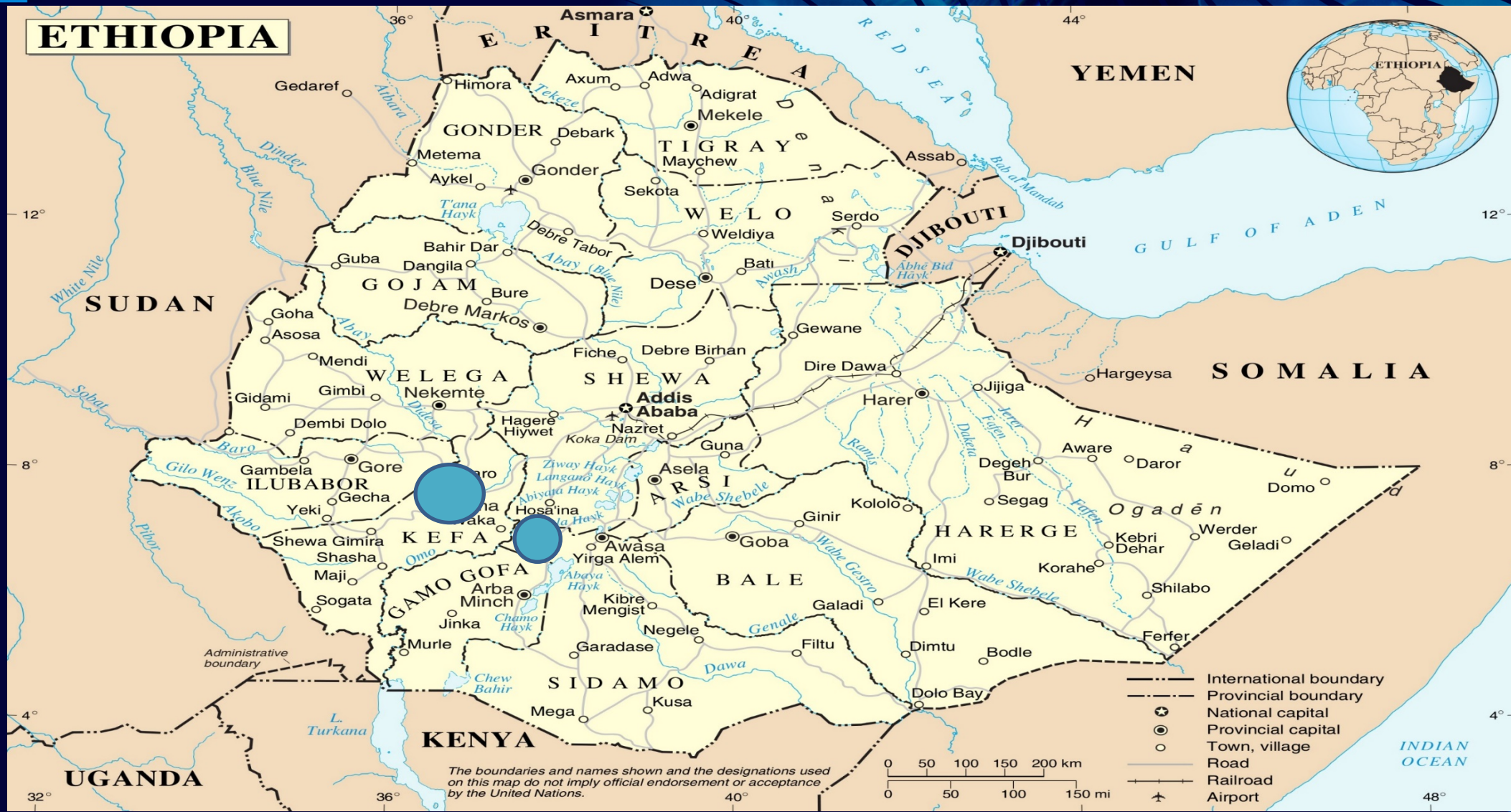
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Bahir Dar/ Gondar



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Jimma/Sodo



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Dire Dawa/ Harar/ Jijiga



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Arba Minch/ Yirga Alem/ Awassa



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Mekele/ Adigrat



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Goba/ Ginir



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Nekemte + Gimbi



Dese/ Weldiya

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Why The Agglomeration?

Why am I suggesting this as an intentional growth plan by policy makers? The answer is because this is the real world. And in the real world, we need an economics that can integrate resources, social stability, and the environment into one cohesive, realistic, internally driven, long term framework.

According to Euromonitor International's very robust study, 20 megalopolis have been identified: nine in North America, seven in Asia Pacific, three in Europe and one in Latin America. These accounted for 35% of global GDP in 2018 and made up 9% of global population.

The agglomeration of cities adds to the richness of our analysis when we consider the sheer economic size and contributions they espouse to the country's GDP.

As demonstrated around the world, agglomerations are the engines of the global economy.

Their impact provides insights into how infrastructure plans and economic development policies should be directed to initiate or improve regional integration in Ethiopia.

By their very nature, cities are dynamic centers of exchange, innovations and economic growth. They also provide the platform where people, ideas, and capital come together.

Cities are one of the best forms of a powerful impulse to unite a people. Rather than continue the fault lines of mainly cultural politics currently underway, cities help converge cultures as opposed to merely co-exist.

Properly executed, agglomerations would bring economic activity closer to where people already reside.

Governments, consumers and business can share benefits in effective megalopolis integration. Government initiatives in establishing mega regional development plans can trigger positive benefit from better transport links, in turn triggering more robust housing markets.

A bonus in the case of Ethiopia, agglomerations would reduce urban migration mostly to Addis, thereby reducing unwanted and unplanned urban sprawl, and the competition for “ownership”.

Furthermore, based on the particularities of the pairing of the cities planned or chosen, agglomeration brings economic growth and development closer to the people, thereby helping to convince all that economic growth is being distributed roughly equally within the country.

The focus on agglomerations would help build new pillars of development buffeted by quality education, science and technology, innovation and entrepreneurship, and more equality.

Agglomerations would lend to the empowerment of the populace, amplify local pride, and break the psychological brick wall that the center of the Ethiopian universe is Addis Ababa.

A by-product of a pro-agglomerations policy is that it would make regulations that limit urban development unnecessary and irrelevant as well as backward, as these would reduce the potential for income mobility and rising standard of living over time.

The implications on workforce development of this simple proposal could be astounding, and include:

THANK YOU