International Conference on Ethiopia 2050:
Grand Challenges and Opportunities
19-20 December 2019
Addis Abeba

Building Wealthy and Free Ethiopia in 2050: Inclusive Growth and Sustainable Development as Policy Framework and Strategy

Mersie Ejigu[1]

[1] Strategic planning and sustainable development expert. Former Minister of Planning and Development of Ethiopia and Assistant Director General for Programmes and Policy of IUCN-The World Conservation Union.   Contact: mejigu@paes.org; ejigum@gmail.com

Abstract

During the past two decades, Ethiopia reported substantial economic growth that made the country among the world's best performing economies with an average annual real growth rate of GDP of 11.8 per cent (2004-2008) and 10 per cent (2009-2017).[2] This was, however, achieved against the backdrop of[3] a stagnating or slow growing manufacturing sector, large youth unemployment, severe income inequality, natural habitat loss, pervasive human insecurity, restrictive flow of trade and movement of capital and labor; social grievances manifested in the form of street protests; and ethnic and religion motivated killings.

This paper argues that Ethiopia has both the potential and means to address the above issues, achieve middle income country status and be among the best performing economies and global players by 2050. Whilst Ethiopia's population currently estimated at 110 million is expected to double by 2050, which when combined with mega constraints like climate change, small manufacturing base, biodiversity loss, undiversified economy, weak infrastructure and markets and land lockedness, among others, pose massive challenges, all can be transformed into opportunities for wealth creation and technological transformation through a development strategy of sound governance, inclusive growth and sustainable development.

The paper, then, recommends several strategic actions to be taken, which include: (a) de-ethnicization of Ethiopia's governance architecture and society; changing the political narrative from ethnicism to people centered and driven development (job creation, eradication of poverty and famine, access to quality education and health services, etc.); (b) putting in place internally located processes of structural change and transformation - build a strong manufacturing sector driven by a strong private sector that operates in concert with a smart and efficient public enterprise sector to enable Ethiopia participate at the high end of the global value chain; (c) expanding the asset boundary of aggregate income through caring for, sustainably using and accounting for changes in natural resources and pursuing sustainable development in a balanced manner; (d) acting on mega challenges strategically; (e) building a development oriented capable state with efficient bureaucracy that ensures human security, equal access to justice and prevalence of rule of law and; (f) putting in place robust development planning (short, medium and long term) well-coordinated vertically (from communities, woreda and provinces to national level) and horizontally (across sectors and social groups) anchored in vigorous M&E and accountability system.

Key words: wealth, inclusive growth, internal located growth processes, structural change, sustainable development, governance, peace, pragmatic vision and planning

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[2] IMF, Country Data, 2019
[3] African Development Bank, UNECA Economic Outlook Reports

Table of Contents

Introduction

Last February, I had the opportunity to address the staff and leadership of the Ethiopian Development Planning Commission under the title: "National Development Planning in the New Sustainability Era." The address had four parts: (a) a review of the Ethiopian planning experience and lessons learnt; (b) description of sustainability and the new sustainability era; (c) evolution of development planning as a critical development management tool; and (d) a way forward for Ethiopia, which included the need for long term planning.

I am so grateful to the organizers of this International Conference on Ethiopia 2050: Grand Challenges and Opportunities for giving me another forum to share my experience and development perspective. There is nothing better than an academic setting, which this conference offers, to make a *tour d'horizon* of development issues and set a development and technological transformation agenda to build an Ethiopia that is wealthy and free; Ethiopia that stands high in the global scene and assume its rightful place in the community of nations in Africa and world at large; and an Ethiopia, where people are free to move from place to place to live, invest, trade, attend schools, receive health services and enjoy equal access to justice and all opportunities.

This Ethiopia 2050 conference is taking place at an opportune moment in Ethiopia's history. First, the conference offers an opportunity to bring science to the forefront of the political and development discourse, debate issues based on knowledge and evidence and inform government (local and federal) policies and actions.

Second, the conference is also an opportunity to objectively assess the economic progress of the past three decades, analyze what has worked, what has not worked and why Ethiopia finds itself today in socioeconomic and political quagmire in spite of the phenomenal economic growth of the past two decades. Ethiopia 2050 can then build on what has worked and avoid repeating failures.

Third, the conference is also an opportunity to shift a political narrative centered on emotionally charged ethnicism, divisiveness and neglect of wellbeing of individual citizens to addressing societal concerns, viz., eradicating poverty, hunger, joblessness, access to quality education and health services; fundamental human freedoms, access to justice and building democratic institutions - common agenda to all Ethiopians (regardless of ethnicity and religion) and thus more unifying.

Fourth, it is further an opportunity to align Ethiopia's development policy to global and continental developments to best harness opportunities arising from the information technology revolution, trade, investment, finance, etc., as well as to the grand continental initiatives like Agenda 2063, which aims to build a prosperous, industrialized, united, well-integrated (infrastructure and markets), peaceful, borderless and visa free Africa. It will also help Ethiopia become among

countries with long term plans and national visions that extend over 40 to 50 years (e.g., Ghana (2057), Uganda (2040), South Africa (2030), Egypt (2050), Rwanda (2050) and China (2050).

It is tempting to take "inclusive growth and sustainable development" that my paper promotes as UN jargons and buzz words of the decade. But it is important to note that inclusive growth and sustainable development are easier said than done. More importantly, they are outcomes of over 50 years of development research and debate, which I had the opportunity to participate in since the late mid-1970s discourse on "What Kind of Africa by the year 2000" to the 2015 UN Sustainable Development Goals.

Clearly, pragmatic visioning over a period of three decades could be a Sisyphean task that requires political stability, peace, mega data and rigorous analysis, unity, rule of law and equal access to justice at all levels of government and/or a leadership that is committed to building democratic institutions across time and space. Visioning is also a process that helps us identify gaps and potential risks and transform them into opportunities.

Some may question why worry about 2050, when the country, today, finds itself in turmoil and where the first task would have to be maintaining law and order and building peace. Yes, peace is vital, but peace is both a means and an end. It is a means because most conflicts, often given ethnic cover, are rooted in economic, social and ecological problems, viz. poverty, scarcity of land and water, perceived or actual deprivation and income inequality, unequal access to justice. Addressing these issues *a priori* will clearly create conditions for prevalence of peace. It is also through participatory and robust development that we can achieve, build and sustain peace.

This paper focuses on what I call the six imperatives to build an Ethiopia that is wealthy, free, industrialized, democratic, united and economically integrated (markets and infrastructure): (i) de-ethnicization of the Ethiopian administration and polity and putting in place inclusive, people centered and driven development process; (ii) using sustainable development as organizing principle, policy and planning framework; (iii) setting up internal processes of structural change and transformation; (iv) acting on mega challenges and transforming these challenges into opportunities; (v) ensuring sound governance; and (vi) pragmatic visioning and sound development planning.

I. People Centered and Driven Inclusive Growth

1. Freedom and Security of Individuals

Amartya Sen, the Nobel Laureate in Economics, defines development as "the process of expanding real freedoms people can enjoy."[4] Where there is development, citizens are free from want and deprivation, people are free to move from place to place, trade, invest, own property, receive

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[4] Sen, Amartya, Development as Freedom. New York: Alfred Knopf; 1999

education and health services, and work at night if they choose to, without any fear or threat. Professor Sen argues that development requires removing sources of unfreedoms: underdevelopment, poverty, tyranny, hegemony, disease, illiteracy, conflict, hate, ethnic and religious profiling, etc.

Professor Sen's thoughts were followed by UNDP's 1994 Human Development Report publication that defined development as "human security"- the enhancement and protection of fundamental freedoms from critical (severe) and pervasive (widespread) threats of poverty, hunger, economic and social deprivation, freedom of movement.[5] According to the Report, development and attainment of human security mean creating political, social, environmental, economic, military and cultural systems that together give people the building blocks of survival, livelihoods and dignity. The notion of security that once was concerned mainly with a state's capacity to counter external threats has been brought down to the individual citizen's level to encompass food security, income security, health security, energy security, community security and personal security. Freedom from want, freedom from fear and freedom of future generations to inherit a healthy natural environment—these are the interrelated building blocks of sound development, which the Ethiopian society aspires.

2. The New Technology Empowered Citizen

Advances in technology have empowered individuals, more than ever before, to be well informed, assertive and act on their own behalf. Beyond being knowledgeable about fundamental economic questions of what, where, how and to whom to produce and provide services, the informal sector, to which category, many individual citizens belong is increasingly becoming an economic player with contribution to the economy reaching 25 and 65 percent of GDP and accounting for between 30 and 90 percent of total nonagricultural employment."[6]

Over the past two decades, Ethiopia and several African countries have reported substantial economic growth and transformation. Some of the world's best performing economies are, today, found in Africa.[7] Top performer has been Ethiopia with an average annual real growth rate of GDP of 11.8 pc (2004-2008) and 10 pc (2009-2017).[8]

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[5] UNDP, 1994 Human Development Report, New York, 1994.

[6] IMF, 2017, Regional Economic Outlook, Sub-Saharan Africa Restarting the Growth Engine

[7] IMF, 2018, Regional Economic Outlook as of March 30, 2018

[8] Ibid.

	2004-08	2009	2010	2011	2012	2013	2014	2015	2016	2017
Côte d'Ivoire	1.8	3.3	2.0	–4.2	10.1	9.3	8.8	8.8	8.3	7.8
Ethiopia	11.8	10.0	10.6	11.4	8.7	9.9	10.3	10.4	8.0	10.9
Ghana	6.2	4.8	7.9	14.0	9.3	7.3	4.0	3.8	3.7	8.4
Kenya	4.6	3.3	8.4	6.1	4.6	5.9	5.4	5.7	5.8	4.8
Malawi	6.1	8.3	6.9	4.9	1.9	5.2	5.7	2.9	2.3	4.0
Nigeria	7.7	8.4	11.3	4.9	4.3	5.4	6.3	2.7	-1.6	0.8
Rwanda	9.0	6.3	7.3	7.8	8.8	4.7	7.6	8.9	6.0	6.1

Source: IMF, 2018. Regional Economic Outlook- Sub-Saharan Africa, 2018. Compiled by author.

Though often attributed to improved policies, public infrastructure investment and restrained government consumption,[9] high export commodity prices and massive flow of development aid/ remittances, the sources of Ethiopia's sustained growth of over a decade and half have been hard to establish. This is partly because this phenomenal growth happened against the backdrop of a stagnating manufacturing sector, large youth unemployment, huge income inequality, natural habitat loss, growing human insecurity and social grievances manifested in the form of mass migration of people (often risking their lives); the 2016-2017 street protests; local level conflicts that took ethnic and religion cover; and raw material supply disruptions, which should have been unfamiliar happenings in a country that takes pride in its economic achievements.

In understanding the sources of such high, frequently double-digit growth rate of close to two decades, it is essential to look into the contribution of ordinary Ethiopian citizens, who strive to make means meet ends under any circumstance. The revolution in information technology has empowered individuals, enhanced global interconnectedness and opened up opportunities to harness their creativity and ingenuity, understand the world of competition and excel in the production of goods and services. Indeed, mobile phones and internet access have, undoubtedly, facilitated market access and helped to unleash latent citizens' ingenuity, innovativeness and entrepreneurial talents to expand the trade and service sectors in a manner unseen before. Given the inevitable growth of mobile phone and internet access from its low base now in Ethiopia, the empowerment of individual citizens by technology and the creativity and ingenuity it unleashed is perhaps the biggest asset of the country, which needs to be harnessed. Hence, the vital importance of putting in place individual citizens centered and driven development process.

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[9] Lars Christian Moller Konstantin M. Wacker, 2015, Ethiopia's Growth Acceleration and How to Sustain It Insights from a Cross-Country Regression Model. World Bank, Working Paper 7292

3. The Essence of People Centered and Driven Development

People centered and driven development means productively engaging every citizen as both contributor and beneficiary of development through broad based participation in the development decision making process regardless of gender, ethnicity, religion and age. It also means making sure no one is left behind (youth, women, children, etc). It further means removing administrative structures and ethnic boundaries that constrain the movement of labor, capital and factor services and that prevent women and youth, in particular, from full participation in all areas, and levels, of human endeavor. It means in a word, shifting the development focus from ethnic enclaves to individual citizens by organizing them around bio-physical regions and ensuring the free movement of people from place to place in the use of their talents, ingenuity and know-how to help themselves. Whilst ethnic identity of every citizen needs to be fully respected, people should not be enslaved by ethnicism, hence the need for de-ethnicization of the Ethiopian polity.

Enhanced participation of Ethiopians in the global technological revolution will produce smarter, mobile, well-connected, borderless and informed citizens, who fight for their democratic and socioeconomic rights. This paves the road for rapid intake of new technologies to improve productivity, which means quicker graduation, say, from subsistence agriculture and under developed industrial sector to modern, fully commercialized, high level of productivity and middle class status. A people centered and driven development strategy helps to harness these opportunities.

II. Sustainable Development as Organizing Principle and Policy Framework

The concept of sustainable development is implicit in the two conflicting sides of human behavior: our capacity to create and destruct ((IUCN, et. al, World Conservation Strategy, 1980 and Caring for the Earth, 1991). The notion of destruction encompasses both over-use and abuse of natural resources to the extent of self-destruction of communities and groups. Diamond (2005) attributes the collapse of great human civilizations (Aztec, etc.) to the mismanagement of common property (the environment) and ultimate erosion of the then rulers' political base. The Axum civilization may also fall in this category.

The Portuguese explorer Alvarez at the time of Atse Libne Dingle (1520 – 1527) described what he witnessed around Debre Damo "a densely forested area with a crowd of no less than 200-300 monkeys.[10] While human beings destroyed their habitats for centuries, according to the Millennium Ecosystem Assessment (MA), it was "over the past 50 years, humans have changed ecosystems more rapidly and extensively than in any comparable period of time in human history" (MA 2005).[11] Ethiopia's forest cover once estimated at 40 percent in the early years of the 20th

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[10] (ወደ አማርኛ የተረጎመው አቶ የና ቦጋለ) አንድነት ተሰብስበው የሚገኙ ዝንጀሮዎች ከሁለት እስከ ሦስት መቶ ያልፋል እንጂ አያንስም። ገጽ 78

[11] Millennium Ecosystem Assessment, 2005. Ecosystems and Human Well-being: Synthesis. Island Press, Washington, DC

Century had dwindled to 2.7% in 1993 (MOA, 1998) and about 20 percent of the forest cover was lost in less than two decades (2001-2018).[12] The north and northwest and northeast regions of the country have lost their entire forest resources except pockets of Ethiopian Orthodox Church forests, which also experienced diminished cover and thickness compared to what they were a few decades ago.

While there has been considerable gain in human well-being and economic development, these gains have been compromised, in countries like Ethiopia, by massive economic, social and ecological costs in the form of recurrent drought, desert encroachment, famine, dislocation, deprivation, worsening of poverty, water scarcity, increased vulnerability to climate risks and frequent armed conflicts (that took the form of ethnicism).

The great Greek philosopher, Aristotle, who is believed to be the father of economics, has one explanation, people "pay most attention to what is their own; they careless for what is common (water, air, forest, etc)."[13] In 1968, Garett Hardin coined the term "tragedy of the commons" based on research conducted on communal grazing areas with open access, where he found everyone grazing but no one caring for the pasture. However, with her extensive research of rural communities of Ethiopia and Philippines (for fishing), Elinor Ostrom, in her book "Governing the Commons (1990)" that earned her the Nobel Prize in economics, countered by arguing that users of common property resources, in various places around the world, have managed sustainably those common resources through local institutions and self-regulation that defined clearly individual and group rights and obligations.

Indeed, Ethiopia has a long and proud history of well-functioning community governance and regulatory institutions for managing common properties. It is the poorly defined property rights and institutions, under the Derg, in the name of socialism and over the past three decades of ethnic federalism and eagerness to attract investment under any cost that seriously threatened or destroyed these institutions. Clearly, public policies and institutions influence the development of either nature / biodiversity degrading or biodiversity conserving behavior. So policies both at the macro and local levels matter. Deficient land tenure and property rights, investment incentives, population size based budget allocation have all nurtured the growth of biodiversity degrading behavior. An inclusive growth and sustainable development strategy will help to restore respect to citizens and communities they belong to and harness the sound natural resource management wisdom that resides in them.

The term "sustainable development" was first used in the 1980 World Conservation Strategy (WCS), a joint publication of IUCN- the World Conservation Union, World Wide Fund for nature

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[12] https://rainforests.mongabay.com/deforestation/archive/Ethiopia.htm

[13] Aristotle (384 BC - 322 BC) Greek Philosopher, at http://www.gurteen.com/gurteen/gurteen.nsf/id/L003789/

(WWF) and UNEP. The publication brought the fast depletion of natural resources to the attention of the world community and proposed that natural resources (timber and non-timber in particular) used need to be replaced by and equal area of replantation of similar tree species.

The 1987 Brundtland Commission Report, Our Common Future gave sustainable development a holistic perspective by defining it as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." The United Nations organization, then, took the lead in the conceptualization and defining strategies for implementation through the 1992 Rio Earth Summit, its successors the 2002 World Summit on Sustainable Development (WSSD)[14] held in Johannesburg, South Africa, the Rio plus 20 or the 2012 Rio Summit, which culminated with agreement on 17 Sustainable development goals (SDGs) in 2015.

Today, sustainability is a globally recognized and accepted policy framework/ strategy for the pursuit of an integrated and balanced economic growth, social wellbeing and protection of the environment. It is a framework for fully understanding and managing trade-offs between economic growth and protection of the environment, for creating and maintaining conditions that enable humans and nature coexist in productive harmony and fulfilling the social, economic and ecological wellbeing needs of present and future generations.

Since the launch of UNSDGs in 2015, we can safely say that the world has entered the new sustainability era, a historical period that demystified sustainable development and planned to make it operational through the fulfillment of 17 SDGs. We are also witnessing the gradual move of the private sector from environmental compliance to voluntarily embracing sustainability as a business strategy. Sustainability, today, is not only good national development strategy but also good business strategy. As a member of the UN, Ethiopia has signed for it. Sustainability is clearly not a new idea (over thirty years since it came to the global scene), but the challenge is operationalizing it in a strategic and holistic manner anchored in the Ethiopian history, culture, objective realities prevailing today and what is likely to evolve in the coming 30 years.

The Sustainable Development Policy Framework: Unpacked

For Ethiopia, sustainable development as organizing principle and policy framework means: sustained growth, structural change and transformation; poverty eradication; ending hunger; maintaining macroeconomic stability; ensuring social and cultural wellbeing and equity (intra &

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[14] UN Department of Economic and Social Affairs tasked me to prepare the guidance paper on the implementation of sustainable development national strategies, a working document of the WSSD titled: Guidance for Preparing A National Sustainable Development Strategy: Managing Sustainable Development in the New Millennium, 2001.

intergenerational); infrastructure (land, air, water and sea communication) development; attainment of full literacy and well-educated and enlightened society; well-nourished and healthy citizens, mothers and children; maintenance of different cultures, ethnic diversity, pluralism and effective grass-roots participation in decision-making; respect of human rights, including their rights to move from place to place to work, invest, attend schools and reside; access to justice; sustainability aligned property rights and institutions; restoration of ecosystems and reversal of land degradation and water scarcity; and adapting to climate change and building resilience.

The actions stated above are all big tasks. But doable if strategically planned and implemented, which the last section of my paper tries to underscore.

It is also important to note that the ascendancy of sustainable development and the political support it garnered, changed economic thought in a variety of ways including: (a) the simultaneous maximization of sustainable use of natural resources and allocative efficiency; (b) balanced and integrated pursuit of economic growth, social improvement and protection of the environment through strategic management of tradeoffs over time and space; (c) efficient management of the commons and enforcement of corporate social and environmental responsibility; and (d) natural capital accounting (NCA) - measurement of aggregate output and services- which was based on a flow concept now to include System of Environment Economic Accounts (SEEA) that measures the stock of natural capital, the use of it (flows) and ecosystem services nature provides, for example, carbon sequestration, pollination, cloud formation, etc. Few weeks ago, I attended the Global Forum on Natural Capital Accounting (NCA) for Better Policy in Kampala, where some countries reported progress they made in the preparation of forest, water, mineral and landscape accounts, as SNA or GDP satellite accounts, to inform their respective policy and planning work. But Ethiopia is not among the 100 countries that have developed or are developing natural capital accounts.

A critical component of the sustainability endeavor is the proper management of national parks and protected areas, including those designated as World Heritage Sites by UNESCO. Ethiopia has designated about ten percent of its land area to national parks and protected areas that meets the Achi Biodiversity Targets of the Convention of Biological Diversity (CBD). Ethiopia's national parks and protected areas include: the Simien National Park, the Bale Mountains National Park; Gambella National Park, Omo National park, Nechsar National Park, Awash National Park, Mago National park, Maze National park, Quafta Shiraro National Park; the Senekele Swayne's National Park; Alitash National Park, Yangudi Russa National park, Didessa Wildlife sanctuary, Babile Wildlife sanctuary, Kuni-Muktar Wildlife sanctuary, Senkelle Wildlife sanctuary, Stephanie Wildlife sanctuary and Yabello Wildlife sanctuary But almost all are in poor conditions due to weak management.

Ethiopia's national parks and wildlife sanctuaries are home for 279 mammal species among those 31 are endemic to Ethiopia and endangered species there are 924 bird's species recorded in Ethiopia among those 23 are endemic to Ethiopia only recorded in Ethiopia.[15] Nevertheless, many of the wild life listed as endangered species (close to extinction) (see the IUCN Red List) because of weak park management, encroachment by farmers and pastoralists, and government/private investors. For example, according to the African Wildlife Foundation (AWF) the Ethiopian red wolf mostly found in the Bale mountains has gone almost extinct with only 120 to 160 individuals remaining; about 30 percent of the population declined since 2008 due to habitat loss arising from expanding cultivation, human settlement, overgrazing by domestic livestock and lethal diseases carried by domestic dogs such as rabies and canine distemper, and breeding with domestic dogs.[16] Unfortunately, Ethiopia's NAP to combat climate change and Growth and Transformation Plan (GTP) do not seem to have given the priority attention the issue merits.

The attainment of sustained economic growth, eradication of poverty and the development of an Ethiopian knowledge society, i.e., well-educated and informed, healthy and well-nourished and well-engaged and productive citizens are dependent on the country's capacity to properly manage natural resources now and in the future. A farmer settled inside a national park may feed himself and his family for a few years, but the destruction inflicted to natural habitats, wildlife and human wellbeing of current and future generations runs into multimillion dollars.

An inclusive growth and sustainable development strategy should aim at reducing threats to these parks and embark on ecosystem restoration programs that include provision of alternative livelihoods and resettlement to people inside the park, expanding environment conservation education and making communities take responsibility for current problems.

In 2009, I joined USAID team tasked to study/ assess artisanal and modern mining practices in Ethiopia with a focus on the Shakisso area. The area is Ethiopia's largest gold mining area, but practices are ecologically destructive. Artisanal miners dig deep and often large holes in search of gold, which is fine. However, they leave behind those deep and large holes open when they are believed to be mined out; making them hazardous to people and livestock wellbeing and also breeding ground for mosquito. A sustainable development strategy would make it a requirement for every miner to fill back those holes and ensure that any mining operation should not be done at huge environmental and social cost.

15

http://www.et.undp.org/content/ethiopia/en/home/ourwork/ClimateRiskandResource/successstories/protectedareas_newseven.html

[16] https://www.awf.org/wildlife-conservation/ethiopian-wolf

Artisanal mining sites in Shakisso. Photo: Mersie Ejigu

Sustainability as a business strategy

For the private and public enterprise sector, sustainable development as a strategy means integrated and balanced pursuit of three P's: Planet, People and Profit. There is an increasing realization by the business community (small and big corporations) that incorporating sustainability goals will help enhance the way a company operates across its entire business.

Good business is equated with good sustainability practice and involves, among others, (i) setting sustainability practices and targets on production, distribution, packaging, supply chain, office efficiency, manufacturing plant operations, human resources and even research and development; (ii) caring for the environment including keeping the business area green and clean, avoiding air and water polluting practices, putting in place environmentally friendly waste disposal, in mining areas restoring vegetation cover in mined out lands; (iii) improving social wellbeing of employees and their communities, including supporting improvement and expansion of educational and health services and access to clean water and energy; and (iv) striving for innovative approaches that enhance productivity and grow profits. Obtaining sustainability certification is, today, placing companies at the top of corporate social and environmental responsibility ladder with sustained growth of profits, which the Ethiopian private sector should come aboard.

Thus, sustainable development as an organizing principle and policy framework is not only a framework for the public sector, but should also be for the private sector. "A sound sustainability strategy protects a company's reputation; it drives innovation and employee engagement, it satisfies consumers and attracts and retains top talent; it demonstrates compliance and leads to market differentiation - all key ingredients for long-term growth and profitability."[17] PWC, 2019.

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[17] https://www.pwc.com/gx/en/services/sustainability/responsible-corporate-strategy.html

III. Internally Located Processes of Structural Change and Transformation: Critical Foundation for Sustained Growth

In his 1954 seminal publication,[18] Professor Arthur Lewis, a Nobel Prize recipient in economics, argued that development occurs as labor shifts from subsistence and low productivity agriculture to modern sector driven by industrialization and technological change. The surplus labor released by agriculture is absorbed by the manufacturing and service sectors.

Clearly, with the rapid technological changes and globalization of our era, countries should not necessarily follow traditional development economics path articulated by Arthur Lewis. Nevertheless, Ethiopia with a stagnating manufacturing sector, where its share in GDP is less than 10 percent (AfDB 2018) and the share of agriculture in GDP remaining at close to fifty percent, the burden of absorbing the migrant labor force from the rural sector fell on the construction and infrastructure sectors. The investment in these sectors, although showed massive growth and remains important, has clearly failed to generate adequate employment opportunities, hence the huge overt unemployment.

To achieve either middle income country status or go beyond it, countries should not also necessarily pass through a structured development stages postulated by W.W. Rostow in his 1960 book, "Stages of Economic Growth."[19] To be called "developed," Rostow suggested five stages: (i) traditional society - characterized by a subsistent, agricultural based economy, with intensive labor and low levels of trading, and a population that does not have a scientific perspective on the world and technology; (ii) preconditions to take-off, which involves developing the manufacturing sector and a more international outlook; (iii) take-off stage - a period of intensive growth, in which industrialization begins to occur, and workers and institutions become concentrated around a new industry; (iv) drive to maturity - takes place over a long period and involves standards of living rise, use of technology increases, and the national economy grows and diversifies; and (v) age of mass consumption: output levels grow, enabling increased consumer expenditure, shift towards tertiary sector activity and the growth sustained by the expansion of a middle class of consumers.

In 1994, UNDP tasked me to prepare a paper on modalities of cooperation between Africa and Asia based on a review of the Asian development experience and distillation of lessons learned. Among the key lessons learned from the experience of Asian tigers are: (a) an export led industrialization (export of manufactures to North America and European markets); (b) strategic and cost effective import substitution; (c) heavy investment in human capital (notably science, technology, engineering and mathematics (STEM) training) and (d) a sound macroeconomic

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[18] Lewis, Arthur, 1954 "Development with Unlimited Supplies of Labor" which appeared in his 1955 book, the Theory of Economic Growth.

[19] W.W. Rostow, The Stages of Economic Growth: A Non-Communist Manifesto, Cambridge University Press, 1960

policy that promotes investment (domestic and foreign) and low indebtedness; all guided by sound medium and long term planning. Although Ethiopia's conditions are different, the Asian development experience indicated pathways Ethiopia should seriously consider.

In Ethiopia, the low share of manufacturing in GDP side by side with a huge merchandise trade deficit is a good indicator that the task of absorbing surplus labor released by agriculture had descended on the service and construction sectors. "Workers moving out of agriculture have typically bypassed manufacturing and gone straight into services[20]—sub-Saharan Africa is actually less industrialized today than it was in the 1980s. What makes it worse is that these services are often low-productivity and informal" (McMillan and Rodrik, 2011 and De Vries, Timmers and de Vries 2013).

Indeed, the development strategy thinking and debates of the late 1970s on "What kind of Africa by the year 2000?" that I actively participated in and eventually resulted in the Lagos Plan of Action[21], 1980, which in turn gave rise to NEPAD in the 1990s advocated a manufacturing (anchored in strong backward and forward linkages) led and internally located (harnesses creativity and ingenuity of citizens) processes of economic growth and transformation. Agenda 2063, which I am one of the three authors of, urged Africa resuscitating its manufacturing sector through maximizing domestic value-added and participation at the high end of the global value chain under an inclusive growth and sustainable development strategy.

The economic history of the now developed countries as well as the Southeast Asian countries suggests that sustained growth can only be built on strong manufacturing rooted in Ethiopia. While Ethiopia's revival of interest in manufacturing through the creation of industrial parks is good move forward, what is critically important is ensuring that manufacturing has high domestic value-added (for example, cotton, its semi processed products and to some extent chemicals needed by textile industries adequately supplied within the country and the final product (fabric) exported directly).

Let's consider another example, the fully automated public garage that I came across in the Megenagna Addis Abeba Transport Authority area. The parking garage has three drop off chambers. I front parked in one of them and exited. I watched my car lifted to the eighth floor.

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[20] Free exchange Why Africa's development model puzzles economists
The structural transformation of its economies is not following precedents
https://www.economist.com/news/finance-and-economics/21726697-structural-transformation-its-economies-not-following-precedents-why

[21] I had the opportunity to chair the UNECA Technical Committee that produced the Lagos Plan of Action, 1980s. In the mid-1980s, I participated actively in the "structural adjustment with the human face" debate that resulted in the African Alternative Framework to the Structural Adjustment Programme (AFSAAP) 1989, which the joint meeting of the African Ministers of Planning and Finance produced under my chairmanship. I presented AAFSAP to the international community at the Summer Session of ECOSOC, Geneva 1989.

Upon return, I swiped the parking card and my car came down. As the chamber's door opens, the car auto-turned 180º for front exit. The parking fee was only 6 birr (something like 20 US cents at then prevailing exchange rate) for the one and half hours that I parked. While I was delighted with the ultra-modern and efficient but extremely cheap parking service, several questions came to mind. How much would such fully automated parking garage, which appears to be imported, cost? Is it subsidized by the Government or is it a free-standing profitable business entity? Shouldn't the country's investment policy encourage a labor absorbing and export earning technology rather than one that displaces labor and depletes scarce foreign exchange reserves?

Clearly, the issue of "appropriate technology" may not be relevant these days. Ethiopia should opt for the latest available technology, but it is important to ensure that it is affordable taking into account all costs (direct, indirect, current and future), that there is market for the product, business is profitable, any kind of repair and maintenance is handled by Ethiopians and that spare parts are available locally to the extent possible and do not compete for scarce foreign exchange reserves.

In a word, manufacturing based on strong backward, lateral and forward linkages to the rest of the economy enables the country to generate employment, reduces undue-dependence on non-essential imports, diversifies exports, facilitates move to modern (more technology absorbing) and climate smart (agriculture and infrastructure sectors), creates conditions to sustain the high growth momentum of the past decade and half while enabling Ethiopia participate at the higher end of global value chains.

IV. Acting on Mega Challenges and Transforming Them into Opportunities

Undoubtedly, 2050 is a long-time horizon to clearly identify mega-challenges and determine their significance (positive or negative) on Ethiopia's development trajectory. Nevertheless, the economic, social and ecological quagmire Ethiopia finds itself in today, the need to transform the structure of output and demand against the backdrop of the country's fragile geo-political position, biophysical condition and recent conflict prone ethno-politics narrative, make acting strategically on the following issues a development imperative.

1. Ethnic Diversity: From Beast to Beauty
The organization of the Ethiopian society along ethnic lines and the ascendancy of narrow ethnic thoughts have placed the country in political predicament and made "narrow ethnicism" a major constraint to socioeconomic development, technological transformation, prevalence of peace and the sustainable use/conservation of our natural heritage. The system has "intensified inter-ethnic discord instead of cultivating ethnic harmony (Alem Habtu, 2003); deepened "fear that minorities face stronger discrimination from regional authorities than they usually encounter from central government" (Yonatan Tesfaye Fessha, 2012); and distorts policies and actions from real development issues to ethnic tensions. Whatever economic gains achieved over the past years seem to have been eroded by the predominance of ethnic ideology; widespread ethnic and religious

propelled destruction of life and property; erosion of state capacity to maintain law and order, hence erosion of personal freedoms and security and, in a word, lack of peace. Peace is the most treasured asset for any society and a top priority concern for all.

Ethnicity is generally understood as "the embodiment of values, institutions, and patterns of behavior, a composite whole representing a people's historical experience, aspirations, and world view" (Deng, 1997), which Ethiopia has been blessed with in considerable diversity. Ethiopia, indeed, has long and proud history of peaceful coexistence of different ethnic groups, cultures and religions. Extensive movement of the population driven by economic needs, which resulted in interethnic marriages, easy assimilation of the migrant population and speaking of local languages, has produced a significant size of the population that may be categorized as ethnic mix. Ethnic mix "brings about variety in abilities, experiences, cultures which may be productive and may lead to innovation and creativity," (Alesina and La Ferrara, 2003) essential conditions for sustained economic growth and technological transformation.

Organizing society along ethnic lines, however, is anti-developmental (Martinussen, 1997), aggravates income inequality and leads to resource scrambles harmful to growth (Alesina & Rodrik, 1994), thus creating conditions for an ultimate rejection of the state by large numbers of frustrated and politically conscious people, especially those with considerable education (Todaro, 1994). It masks policy and institutional failures in addressing development challenges. Ethnic based organization of society is also tantamount to corruption (Deng, 1997) since it often involves explicit and implicit reciprocal obligations among the favoured groups, depending on whether the beneficiaries are business associates and acquaintances or friends and loved ones. It weakens the ability of the state to function efficiently and pursue growth-promoting policies (Mauro, 1995) because of lack of consensus on issues favorable to all ethnic groups (Easterly & Levine, 1997).

Sustained growth of productivity and technological transformation require rational decision making based on science and objective conditions that maximize resource allocative efficiency, which ethnic oriented administration does not permit. Accountability to the general public is compromised since those in power often misuse public trust and the power entrusted to them for private gain (Rose-Ackerman, 1999). The lack of proper accountability, coupled with the sometimes-passive response from intimidated and manipulated citizens−many of whom lack the willpower to speak out for fear of harassment−results in monopolization of power, abuse of privileges, arrogance and waste of resources by the political leadership (Ilorah, 2009).

Ethnic based development administration stifles proper functioning of the market, competitiveness and free entry and exit from an industry, etc., vital for productivity growth. "Personalized ties seldom promote efficiency in the market" (Rose-Ackerman, 1999). Development decision making is easily reduced to dealing only with friends and loved ones, which limits market entry to insiders, undermines competition, causes sales and trading agents to favor relatives and friends, and

compromises an important advantage of the market – its impersonality (Rose-Ackerman, 1999). Similarly, such ties in the public sector lead to a patrimonial system characterized by favoritism and payoffs that undermine the transparency and effectiveness of formal institutions (Rose-Ackerman, 1999). "To argue that ethnic groups are unwitting tools of political manipulation is to underestimate a fundamental social reality" (Deng 1997). Clearly, ethnicity enhances society's vulnerability to political manipulation and ascendancy of conflict entrepreneurs, while eroding citizens personal freedoms, self-confidence and independent thinking.

Further, ethnic based political organization and administration contradicts the very foundation of African Unity (African Union and its predecessor Organization of African Unity) that every African nation keep the colonial boundaries after independence despite multiple tribes within national borders. It is also contrary to the kind of Africa, member states would like to see by 2063, 100th Anniversary of the creation of the unity as articulated in Agenda 2063[22], which aims to build united and visa free Africa with free trade, movement of people and capital.

The de-ethnicization of the Ethiopian society, governance structure, political party organization and media is a political and economic imperative. Under ethnic based structure, every citizen and the entire country lose. There is need to put in place people centered (individual citizens focused) and driven development process, where people will be organized along ecoregions and natural resource endowments to meet their needs as individuals and communities. Indeed, de-ethnicization is *sine quo non* for building a wealthy, free and democratic Ethiopia, where people enjoy full respect as citizens, freedom to live, trade, invest, work and go to school anywhere they want and where the rule of law prevails. It involves, first and foremost, changing the mindset and the political narrative to development and reorganizing political parties and media along development issues (jobs, food, shelter, good education, health, roads, etc.) that people care most.

2. Climate change and the low carbon economy

Ethiopia is highly vulnerable to both climate variability[23] and climate change[24] risks, which impact all sectors: food production, availability and quality of water, agro-industries, energy, exports, transport and trade as well as access to education and health services.

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[22] I was one of the three experts who prepared Agenda 2063 (2013-15) posted by DANIDA as senior strategic planning adviser to the Department of Strategic Planning (AUC).

[23] Climate refers to the average pattern of weather in a place and includes patterns of temperature, precipitation, days of sunlight, wind, humidity, and seasons. Weather is the condition of the atmosphere at a place and time measured in terms of such things as wind, temperature, humidity, atmospheric pressure, cloudiness, and precipitation. While climate is generally stable and predictable, weather can change from hour-to-hour, day-to-day, and season-to-season.

[24] Climate change refers to a statistically significant variation in either the mean state of the climate or in its variability, persisting for an extended period (typically decades or longer), which may be due to natural internal processes or external forcing, or to persistent anthropogenic changes in the composition of the atmosphere or in land use. Evidence of climatic changes is inferred from changes in climate related indicators, such as vegetation, tree ring dating, ice cores, sea level change, and glacial retreat.

In Ethiopia, climate variability and change occur in the form of: temperature increases and accelerated evapotranspiration; recurrent drought; prevalence and severity of extreme events such as heat waves, cold waves, storms, floods and mudslides; greater rainfall variability and changes in rainfall patterns that disrupt traditional crop cycles; shifts in human settlements and spontaneous formation of villages resulting from changes in rainfall distribution; lower water availability, declining water tables, drying of hydropower dams, and resulting power shortages; and increase in plant and animal pests and diseases. These issues were clearly articulated by community elders during consultations I had the opportunity to participate as a member of the USAID Study Team[25] in Woreta, Kimir Dengay, Gorgora, Yabelo, Moyale, Wachile, Dubti, Meisso, Bati and Kombolcha, among others between 2008 and 2011.

Impacts of climate change are made worse by ethnic based administration. During the consultations we had with community elders in Moyale as part of USAID study to capture how communities perceive climate change in Ethiopia's pastoralist communities, the community elders (from both the Garre clan/Somalia and Borana/Oromia sides) informed us that in the past they take their cattle to areas of water and pasture across the region at times of drought. They used to understand each other's problems. Now, the highway between Addis and Nairobi, separating Oromia regional state from Somali regional state, is seen as an international boundary, where each ethnic group is not supposed to cross, which made the impact of drought more severe and devastating, they said.

Recent USAID study shows that because of climate change, "39–59 percent of Ethiopia's current coffee production area could become unsuitable" highland regions of Ethiopia at higher elevations (above 2000 meters), where coffee does not normally grow, could become better suited for coffee production in the coming decades (USAID)."[26] Climate change amplifies existing stresses, insecurity and inter-community tensions arising from competition over scarce resources, which today are presented as "ethnic tensions" to be exploited by "conflict entrepreneurs" (Mersie Ejigu, 2013).

The coming three decades leading to Ethiopia 2050, should see the development of climate resilient and resource-efficient low-carbon economy (smart agriculture, low energy intensity, clean technology, etc.) as an integral part of inclusive growth and sustainable development framework. This entails, among others, well planned development of the climate knowledge base; expanded climate adaptation programmes; improved management of national parks and protected areas; promotion of climate smart agriculture and energy sectors: climate mitigation through significantly reducing emissions resulting from habitat/biodiversity loss, deforestation and degradation of land

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[25] Organized by the Foundation for Environmental Security and Sustainability (FESS), which was fully funded by USAID and where I worked as Senior Fellow.

[26] https://fraym.io/the-impact-of-climate-change-on-ethiopian-coffee/

as well as water sources; improved access to technology and know-how that contribute to building a low carbon economy; and strengthened human and institutional capacity in climate sciences and integrating this science and local knowledge in development policies at the regional and national levels.

In 2011, the Government of Ethiopia launched the Climate-Resilient Green Economy (CRGE) to "protect the country from the adverse effects of climate change and build a green economy." While this is a vital step forward, measures designed to address issues of climate variability and change need to be comprehensive and fully integrated into the Growth and Transformation Plan (GTP), the country's medium-term plan, which is yet to be done. Clearly, with a sustainable development-oriented planning, Ethiopia will, not only cop up with climate risks, but also seize opportunities arising from carbon neutral driven technologies to positively impact the rate and quality of economic growth in the years to come.

3. Natural capital: depletion and demand shifts
Natural capital (stock of natural capital) refers to the quantity and quality of natural resources (land, water, forest, minerals, sea, oceans, air, ecosystems and their functions and services) that people need to live and reproduce, lead a healthy and productive life; expand and transform livelihoods as well as trade with and relate to the rest of the world. Ethiopia's natural heritage (flora and fauna, beautiful landscapes, wildlife species, ecosystem and genetic diversity) has been a defining feature of its history and culture and the emotional attachment of each one of us to the mother land.

Nevertheless, the combined pressures of population growth, over-dependence and over-exploitation, low technological input and extensive agricultural practices, neglect, greed, climate change and policy failures have placed heavy stress on biodiversity and natural habitats (including water, arable land and timber). Deforestation, habitat loss and soil/water degradation have been severe leading to increased drought frequency, declining soil fertility, water and arable land scarcity. Indeed, political instability, armed conflicts (that took ethnic and religious forms), income inequality, pervasive poverty, and deterioration of social and environmental wellbeing that characterize Ethiopia's development experience of the past years can be related to excessive reliance on natural resources and severe competition over the access to, use and transfer of scarce natural resources (Mersie Ejigu 2009). Resource scarcity and competition arising from it at the backdrop of weak institutional capacity have been blamed for the breakdown of security and the lack of peace and stability in the country. "Ethiopia is a classic example of how severe degradation of ecosystems and productive agricultural lands and poor utilization of water resources increase poverty, food insecurity, loss of biodiversity, and even conflict."[27]

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[27] https://www.usaid.gov/ethiopia/environment

Economic diversification and sustainable natural resource management have now become the norm, and integral parts of an inclusive growth and sustainable development strategy. Ethiopia's move from a raw material producing and exporting to semi and fully processed commodities producing exporting country will, undoubtedly, reduce the country's undue dependence on natural resources. There also need to be proactive and socio-environmental sensitive in the issuance of permit to foreign and local investors. Transparency, accountability, ensuring corporate social and environmental responsibility are critical sustainable development success factors. To this end, there is the urgent need to strengthen state institutional capacity for guiding and monitoring investment, putting in place adequate checks and balances and eliminating rent seeking behavior and corruption.

The past decade or so has witnessed a scramble for a slice of African soil as they call it, which includes Ethiopian soil. To us, Ethiopians, land is the primary source of identity, livelihoods, socioeconomic, cultural and ecological well-being. Large land acquisitions by foreign and local firms for the production of export crops, e.g., rice, wheat, horticulture, flowers etc., has become a source of concern because of low concession rates, which almost gave the land zero value; serious environmental and social impacts, including crowding out of small farmers, monoculture practices and overuse of fertilizers and agricultural chemicals, soil pollution, increased greenhouse gas emissions that negatively impacted the country's natural resources. Investment policy, whether for locals or foreign direct investment needs to be managed in a manner that is socially and environmentally responsible with the view to ensuring the proper nature conservation, sustainable use and equitable sharing of benefits derived therefrom across social groups and generations.

Water scarcity is the other problem that merits serious consideration. Ethiopia is either close to or below the water stress limit (Gedion Asfaw, 2003). Water shortages in Addis Abeba is a daily stress. Such scarcity of water will severely constrain food production, ecosystem maintenance, access to water for drinking and domestic use, and for development. Take for example, the current issues over the Abay or Blue Nile waters and Renaissance Dam. The Blue Nile constitutes about 86 percent of the Nile waters that flow to Egypt. But the quantity of this water has been declining for many years due to deforestation and land degradation of Ethiopian highlands. The two water towers of the Blue Nile, Guna and Choke mountains have lost their entire vegetation cover and are severely exposed to soil and water erosion, which has diminished the Nile waters. See photo below what a densely forested area some 50 years ago looks today:

The Two Blue Nile Water Towers: Guna and Choke Mountains Degraded

Photo: Mersie Ejigu

Diminishing water resources of the tributaries of the Nile waters, siltation of Lake Tana and deforestation of catchment areas are the big problems facing the river system. There is need for massive intervention in the form of reforestation, soil and water conservation, improved agricultural practices and rural settlement. While availability of water is important; what is most crucial is efficient management of existing water resources. To this end, Ethiopia 2050 should aim at ensuring equitable and sustainable use and management of water resources for socio-economic development, improved living standards and ecological wellbeing.

Last March 2019, the UN launched the Ecosystem Restoration Decade. At the Africa level, ecosystem restoration has been identified as top priority area for development and Post 2020 Biodiversity Framework.[28] Ethiopia has been an active participant in the setting of the agenda, which offers opportunities to put in place local and national multi-stakeholder driven ecosystem restoration projects, which will enormously contribute to reducing water scarcity and recurrent drought. Indeed, Ethiopia can join those countries that have successfully ensured adequate supply of water for their population, wildlife and development through a well thought out Ethiopia 2050 vision/plan that promotes, reforestation, soil and water conservation and improved and efficient management of available water resources.

4. Demographics and urbanization

Ethiopia's greatest resource is her people; and the ultimate beneficiaries of development, but also the makers and destructors of that development. Population growth rates, age structure, fertility and mortality and migration impact economic, social and environmental wellbeing; and at the same time are heavily influenced by a country's socioeconomic development. Ethiopia's first national

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[28] Pan-African Action Agenda on Ecosystem Restoration for Increased Resilience, https://www.cbd.int/doc/c/274b/80e7/34d341167178fe08effd0900/cop-14-afr-hls-04-final-en.pdf

population policy was initiated in the late 1980s as a development agenda to reverse natural resource degradation, low agricultural productivity and technology intake, abject poverty and poor economic management that led to the 1984/85 severe drought of apocalyptic proportions.

Ethiopia has now a population of 109 million (World Bank, 2018),[29] which is expected to almost double by 2050.[30] As in other growing countries, improved access to health services, consequently lower mortality rates and expanding longevity seem to have resulted in fast growing population. The division of the country along ethnic lines and the allocation of central budget based on population may also have contributed to the higher growth rate. Today, Ethiopia is among most populous countries "with fertility equal to or greater than four live births per woman, on average, in 2019, ranked according to population size, are Nigeria, Ethiopia, the Democratic Republic of Congo, the United Republic of Tanzania, Uganda and Sudan."[31]

Of the total, the working age population is expected to reach 68 percent, while the dependency ratio, or the ratio of young (ages 14 and below) and old (ages 65+) to the working-age population, decreases from 77.4 percent in 2012 to 47 percent by 2050.[32] This represents a big demographic dividend that Ethiopia can harness through an inclusive growth and sustainable development strategy and the pursuit of a comprehensive population and development agenda. There is need to undertake population census and put in place a revised national population policy that integrates existing and new population factors, i.e., adapting to and mitigating climate change; expanding education and training; investing in science and technology; improving nutrition and health services; empowering women and the youth; and creating job opportunities.

It is also important to note that the coming thirty years will see big changes in the global workforce. Developed countries will face a shortage of people, whereas developing parts of the world face a shortage of skills. The developed world's population is also ageing; paving the way for the developing economies, including Ethiopia, with their younger population, reap the demographic dividend in the years to come. However, with the fast-changing technology, including artificial intelligence, the needed skills agenda, both at the national and global levels, will be far broader than the traditional focus on vocational training.

An integral part of the population equation is urbanization. Ethiopia's youthful and fast-growing population, in concert with the concentration of employment opportunities in urban centers, notably Addis Abeba, Bahir Dar, Hawassa, Dire Dawa, among others, is significantly changing the urban landscape. The Ethiopian Central Statistics Agency projects the urban population to triple by 2037 growing at 3.8% a year while World Bank's 2015 Ethiopia Urbanization Review

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[29] https://www.worldbank.org/en/country/ethiopia/overview

[30] https://population.un.org/wpp/Publications/Files/WPP2019_Highlights.pdf

[31] https://population.un.org/wpp/Publications/Files/WPP2019_Highlights.pdf

[32] USAID: https://www.healthpolicyproject.com/pubs/724_PROJECTINGETHIOPIAN.pdf

estimates the rate of urbanization at 5.4%, which means tripling by 2034[33] and quadrupling perhaps before 2050.

Like the rest of the economy, Ethiopia's urban agenda should promote inclusive growth and sustainable development with a focus on value adding activities. Through participatory strategic planning, Ethiopia should aim at building sustainable cities (economically and socially vibrant, green and clean). Among others, pursuing an ecosystem approach[34] to urban development would help in ensuring that the level of resource use (food, water, energy, materials supply) and waste generation (solid waste, wastewater, pollutants) are compatible with the ecological resource sustainability of the surrounding region.

5. External Debt and Changes in the Global Financial Architecture

"With a public debt–to-GDP ratio of 61.8% at the end of June 2018, Ethiopia remains at high risk of debt distress" (AfDB, 2019).[35] Such heavy external indebtedness poses challenges on several fronts: (i) the narrow export base and slow growth means almost all or a significant part of export earnings would have to be used to service debt. "Merchandise exports account for only 7 percent of GDP – the lowest among populous developing countries (Moller and Wacker 2015)." (ii) it would be difficult for Ethiopia to access new and highly concessionary loans, as lenders consider Ethiopia as a high risk country; (iii) the country's attractiveness to foreign direct investment will also be diminished; and (iv) limited foreign exchange availability means low investment rate, which leads to low economic growth, weak employment opportunities and social programs, which in turn could result in social tensions and unrests.

The massive development aid Ethiopia received over the past two decades has, undoubtedly, helped the country cover trade deficit and placed the balance of payments in a positive territory. Nevertheless, given the rise in protectionism in the developed world of recent years, it would be reasonable to assume that the next thirty years would see significant changes in the global financial architecture and the rules by which international trading, financial and aid systems operate leading to a diminished aid flows in volume and predictability. As flow of aid diminishes, foreign direct investment (FDI) will be more competitive and demanding. Through a well-planned inclusive growth and sustainable development, Ethiopia has the potential to transform heavy external indebtedness into opportunities for growth and transformation.

6. Landlockedness

Ethiopia lost its direct access to the sea in 1991, making it the largest landlocked country in the world. This lack of access to the sea remains a mega constraint to growth and investment.

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[33] World Bank Group- https://blogs.worldbank.org/africacan/why-should-ethiopians-care-about-urbanization-jobs-infrastructure-and-formal-land-and-housing - Abebaw Alemayehu, March 2019

[34] I have worked on the issue and would be delighted to elaborate.

[35] AfDB, https://www.afdb.org/en/countries/east-africa/ethiopia/ethiopia-economic-outlook

"Landlocked countries often lag behind their maritime neighbors in overall development and external trade."[36] Distance from the port, reliance on the infrastructure of the port providing country as well as on the peace and stability, economic policy, administrative efficiency and labor laws therein; and the task of always ensuring that cross-border relations are always impeccable are a drain on the limited resources of the landlocked country. Building a wealthy and free Ethiopia by 2050 requires, among others, removing this constraint and achieving sustainable solution (secure, reliable, predictable and fully Ethiopia managed port) through a smart and comprehensive economic and political negotiation.

V. Governance: The Critical Determinant

Initially, sustainable development was conceptualized to be three dimensional: economic, social and environmental; and the integrated and balanced pursuit of these three dimensions, thereof. UN Commission on Sustainable Development (CSD) added "institutions" as the fourth dimension of sustainable development. "Institutions" represented the glue that bonds the economic, social, and environmental dimensions and makes sustainable development operational.

At the Africa level, the notion of "institutions" was replaced by "governance."[37] Governance can be defined as "the traditions and institutions by which authority is exercised in a country" Kaufmann et al. (2008). In broader terms, it means policies and institutions; the rule of law, political empowerment of people, effective participation, respect of human rights, access to justice, transparent and accountable processes, an efficient and effective public sector, state legitimacy, access to knowledge and information, laws and structures governing and regulating a community including the management and use of common-property, and attitudes and values that foster responsibility, solidarity and tolerance (AU Agenda 2063).

According to Agenda 2063, which Ethiopia is signatory of, the key attributes of good governance are: (a) a democratically elected government, transformative leadership and institutions for checks and balances and accountability at all levels; (b) development driven by private ownership of capital, the nurture of entrepreneurship and proper functioning of the market; (c) responsibility including for conserving biodiversity, ecosystem integrity and diversity, sustainable management of common property; (d) transparency including timely and unconstrained access to knowledge and information: (e) effective participation of citizens in decision making at all levels; (f) responsiveness (to the needs of the people and their cultural values); (g) efficient and effective civil service (capacity to formulate sound policies and operationalize them, enforce rules and

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[36] Michael L. Faye , John W. McArthur , Jeffrey D. Sachs & Thomas Snow (2007). The Challenges Facing Landlocked Developing Countries, Columbia University, New York.

[37] Mersie Ejigu, Sustainable Development Indicators Framework for Africa and Initial Compendium of Indicators, 2012. Study completed for UNECA.

regulations); (h) sound property rights and institutions; (i) rule of law and equitable access to justice; and (j) sound development planning.

Let me focus on the three critical components of good governance: (a) capable and efficient state; (b) private sector driven growth and building a vibrant entrepreneurial class; and (c) smart, competitive and gap filling public enterprise sector.

A Capable and Efficient State
A capable state refers to efficient bureaucracy and development administration, rule of law, equitable access to justice and enabling environment for investment (Agenda 2063). It should also be able to combine coordination of economic decisions at the center with the exercise of discretion and initiative at the periphery. Successful decentralization requires strong centralization (national level capacity).

Critical here is the need to ensure civil service is highly professionalized, disciplined and efficient through recruitment and retention of skilled and competent manpower, nurturing and rewarding good work ethics and putting in place value systems for independent judgment and neutral bureaucracies. Historically, technical competence, efficiency, not promising what cannot be delivered but delivering what has been promised, love for the motherland and placement of the country's interest ahead of personal interest have been distinguishing features of the Ethiopian bureaucracy; an envy of the rest of Africa and the developing world.

Development successes and failures are often attributed to the presence or the lack there-of sound policies and the political will and institutions to enforce these policies and make things happen. A capable and efficient state ensures full respect of citizens' rights, their full participation in development and use of their respective creativity and ingenuity to their own and societal betterment. It creates conditions for people to live in harmony, peace and understanding at all levels (individual and community). Governance structures that fuel tensions and create fertile ground for exploitation of individual citizens by groups need to be replaced by ones that place the focus on individual citizens, ensure unconstrainted access to justice and have mechanisms for preventing conflicts or their timely resolution.

A capable and efficient state places and rewards its workers based on merit, but at the same time ensures that all citizens are fully employed in line with respective skills and ability to perform tasks. In areas where there are skill gaps, it provides training and skill upgrading to ensure that citizens are productively engaged.

Enabling the Private Sector to be the Engine of Growth and Transformation
Ethiopia is not among the top ten countries in a recent study conducted to assess favorable factors for private sector development such as degree of innovation, infrastructure, market size, political

risk, quality of life, workforce, technology landscape, but also other business factors including property rights, taxes, corruption, freedom (personal, trade and monetary), red tape and investor protection.[38] "Private sector development faces limited financial access, foreign currency shortages, and a costly and weak business regulatory environment"[39] (AfDB, 2019).

Supporting and enabling the Ethiopian private sector to be the engine of growth and transformation is a development imperative. By 2050, Ethiopia should have a large entrepreneurial commensurate with the size of the country's population and vibrant private sector in all development sectors. This entails not only removing the constraints stated above, but also putting in place a robust private sector development programme that includes programmes to promote socially and environmentally responsible investment and also develop mutually reinforcing relation between the state and privates sector.

Often, privatization of the public enterprise sector is proposed as a means of accelerating the growth of the private sector. Nevertheless, unlike the rest of Africa, privatization in Ethiopia is neither a panacea for poor performance of public enterprises nor a panacea for a weak private sector growth. While it is important to ensure that public enterprises operate at the highest possible level of efficiency and societal integrity, Ethiopia's long tradition of efficient, profitable and well-managed public enterprise sector is an asset to be capitalized on in the development of the private sector.

Strong and capable state is *sine quo non* for the emergence and development of a vibrant private sector. In Ethiopia and the rest of Africa, weak state capacity has been the *Achilles Heel* of private sector growth, because of the state's weakness to: (a) create a competitive environment because of corruption; a competitive environment where the best performers thrive and weaker firms work hard to improve productivity, where there is free entry and exit from an industry; (b) distinguish between rogue and genuine investors through extensive background checks and reward those deserving, primarily because of weak human capacity within Ethiopia and those placed in Ethiopian embassies; (c) negotiate from a position of strength based on globally accepted norms and guidelines on corporate social and environmental responsibility; (d) monitor, follow up and take timely corrective measures; and (e) build mutual trust and align the private sector with government and vice versa.

Undoubtedly, the private sector in Ethiopia has the potential to be the engine of growth and transformation in relatively short period. But that requires Ethiopia to embark upon a comprehensive and participatory private sector development programme that aims at: (i) awareness raising on socially and environmentally responsible investment, respective role and

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[38] Africa's top 10 countries for businesses and entrepreneurs, 08 January 2019 Consultancy.africa
[39] AfDB, Africa Economic Outlook, 2019 Ethiopia: Economic Outlook, 2018.

responsibilities of both government and private sectors in this endeavor; (b) removing both perceived and actual bottlenecks to the growth of a competitive and technologically smart private sector; (c) building the necessary infrastructure (roads, sea, air and rail transport as well as phone & internet communication); (d) putting in place clear and standard incentives, where those eligible have access to; (e) establishing sound property rights and institutions that protect both citizens and investors; (f) setting up well functioning regulatory frameworks with the requisite monitoring and evaluation processes.

There must also be mutual trust between the state and private sectors, where one stands for the other and transparency and accountability in their respective operations with both embracing "sustainability" as strategy. Building mutual trust based on understanding of respective roles and responsibilities, improved access of the private sector to more credit and foreign exchange at the same level as the public enterprise sector, developing infrastructure, including through a Public-Private Partnership Framework are all critical components of the private sector development programme.

Smart, Efficient and Gap-filling Public Sector
Ethiopia has a long-standing tradition, and indeed, proud history of highly efficient and well-functioning public enterprises, which operate side by side with the private sector, an envy of the rest of Africa. The public investment rate rose from about 5 percent in the early 1990s to 18.6 percent of GDP in 2011, making it the third highest in in the world (World Bank, 2013).

A development-oriented government would have to continually assess the country's situation, identify gaps and establish new public enterprises or strengthen existing one; and where needed close down operations in line with the growth and performance of the private sector. Although public enterprise investment projects are implemented through the national budget in most cases, it is important to ensure that they are financially viable, their freedom and autonomy is respected, and failures are addressed without a rush to privatization.[40]

Pragmatic Vision and Robust Development Plan

Since the notion of sustainable development came to the global scene, several national level strategies and tools were developed as means of operationalizing it. For example, the World Conservation Strategy (WCS), 1980, promoted national conservation strategies (NCS), which were formulated by several countries including Ethiopia.[41] The NCS initiative, however, did not go far because they failed to be fully mainstreamed in the development decision making process at sectoral, macro and development assistance levels. Later, the Rio Earth Summit (1992)

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[40] Tewodros Mihret, 2014. The Concept and Characteristics of Public Enterprises in Ethiopia: An Overview
[41] Ethiopia's first national conservation strategy was launched in 1989 under the auspices of the National Office for Planning I was heading.

advocated national sustainable development strategies (NSDS) for achieving sustainable development. About the same time, the World Bank launched National Environment Action Plans (NEAPS), with the view to addressing environment related issues as part of its development assistance. NEAPs, however, died right away because they were essentially arm-chair exercises to meet World Bank loan requirements that failed to engage sectors and communities. NSDS, however, stayed in the global scene much longer because of the global monitoring mechanism put in place by the UN Commission on Sustainable Development (CSD) and success stories in some countries, e.g., Costa Rica and Belgium, among others.

The late 1990s, often referred to, as the MDGs era, saw the formulation and implementation of National Poverty Reduction Strategies (NPRS) to promote economic growth, although ended up being highly restrictive that did not permit countries embark upon the needed structural transformation of their economies. Based on lessons learned, the international community launched in 2015 the UN Sustainable Development Goals (SDGs) articulated 17 goals, but left the implementation strategy to individual countries, which meant national development planning (short, medium and long term).

Indeed, over the past half century, national development planning grew as a flexible, engaging, and responsive to different social needs and market conditions, efficient and fashionable tool for managing a country's development. It thrived on wide use of participatory, practical and reflective M&E system. The emergence of an evaluative culture (good mix of process, outcome and impact assessments) that involved, among others, continuously tracking progress, steering participation process in plan formulation, implementation, distilling and capturing lessons, and signal when a change of direction is necessary all helped to made development planning state-of-the art instrument for guiding and managing a successful participatory development process.

Today, there is wide acceptance of sound development planning as a tool for pursuing integrated, balanced and inclusive economic growth, social and environmental wellbeing as well as effecting structural change and transformation based on prevailing objective conditions. Sound planning requires strong technical capacity and effective institutions at all stages of the planning cycle (assessment and identification of problems, priority setting, plan formulation, implementation, monitoring and follow up of implementation). Effective institutions refer to strong technical capacity (human resources) and conducive environment (legal, regulatory and policy) for them to function properly.

For an inclusive growth and sustainable development strategy driven growth and transformation, development planning helps to: (a) frame national needs and aspirations and guide development through coherent and actionable programmes/projects over a defined time period; (b) correct market failures and deficient signals to guide investors to rational decision making: (c) ensure sustainability and distributive efficiency– integrated, inclusive and balanced growth over time &

space; (d) unify government across sectors and people across territories – instils hope, brings people together toward a common and clearly defined goal and helps to harness their goodwill; and (e) mobilize resources – material, human and financial resources (domestic and foreign) as well as creativity & energy of people; and (f) achieve resource allocative efficiency (financial / investment / skills) resources across sectors.

It is not uncommon for several countries to formulate high sounding development plans and end up forgetting the plan and doing something different. Sustained growth and transformation is serious undertaking that requires strong political commitment, engagement of citizens at all stages of the planning process, in a word ownership of the plan by the people and strong accountability system.

Sound development planning involves also integrated short term, medium and a long term planning across sectors and geographic territories. Such a planning approach anchored in inclusive growth and sustainable development would enable Ethiopia to wisely address local and national political and socioeconomic issues while at the same time adequately respond to the unfolding global trends and opportunities (geo-political power shifts, changes in the global economic, security and social landscapes; changes and advances in technology, trade, knowledge and labor markets).

Building on Ethiopia's Development Planning Experience

The vital importance of sound governance and planned approach to development has been well recognized long time ago. Suffice it here to quote two prominent authors: "አእምሮ የሌለዉ ሕዝብ ሥርዐት የለዉም፤ ሥርዐትም የሌለዉ ሕዝብ የደለደለ ኃይል የለዉም። የኃይል ምንጭ ሥርዐት እንጅ የሥራዊት ብዛት አይደለም" ነጋድራስ ገብረ ሕይወት ባይከዳኝ፣ "መንግሥት እና ሕዝብ አስተዳደር"
የፕላንን ጠቃሚነት በሚመለከት "ከሁሉ ነገር አስቀድሞ አንድ የተዘጋጀ ፕላን ይኖር ዘንድ አስፈላጊ መሆኑን መንግሥቱ ተረዳዉ" ልጅ ከበደ ሚካዔል፣ ጃፓን እንደምን ሠለጠነች

It was, indeed, immediately after liberation from the brief Italian occupation (1935-40) that Ethiopia embarked upon national level reconstruction and rehabilitation. A Ten-Year Investment Programme was launched in 1944-45 with the support of the United States Technical Project Mission. Subsequently, sectoral development programmes of varying durations were prepared for agriculture and forestry, transport and communication, foreign trade, education, and water resource development that laid the foundation and paved the way for the initiation of a five-year development plan series. The first Ethiopian five-year plan was prepared and launched in 1957 with the help of Yugoslav experts. "Ethiopia became the first African country to launch comprehensive planning for her economic and social development."[42]

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[42] Mersie Ejigu (1991), Development Planning in Africa: Which Way Now? UNDP sponsored study, New York

The Second Five Year Development Plan (SFYDP) covered the period 1963-1967; the Third Five Year Development Plan (TFYDP) 1968-1973 (extended by one year). The latter recognized the need for building national planning capacity for which Ethiopia engaged Harvard University Center for International Development (Harvard University Advisory Group) in 1970.[43] With the technical lead of the Group, several sectoral and multi-sectoral task forces were established in 1973 tasked to prepare the Fourth Five Year Development Plan (FFYP 1974-1978). Although approved by then Council of Ministers, the FFYP was taken over by events following the February 1974 revolution.

During the 1974-78 period, the task of planning was reduced to development administration through the annual development budget and project appraisal process. Sporadic policy studies assignments also came in, for example, the 1975 mixed economy policy (although titled Social Ethiopia Economy Policy).[44]

In November 1978, the then government decided to strengthen development planning through creating a super agency called National Development Campaign and Central Planning Supreme Council chaired by the Head of State. Annual development campaign programmes were prepared, which helped to revive and invigorate the economy, although state sector based. By 1982, it was realized that the campaign approach to development was not the right course of action to build a strong economy that requires rational decision-making process. This resulted in the reorganization of office to a technical planning organization by dropping "development campaign" and renaming it Office of National Committee for Central Planning (ONCCP), headed by a Minister and cabinet member.[45] But there was no central planning, as such or as practiced in the then social countries because of Ethiopia's objective conditions, e.g., narrow industrial base, weak infrastructure, poor data and low human resources capacity.

The National Planning Office managed to build strong planning capacity characterized by: (a) strong in-house technical competence; (b) convening power of ministries, government agencies and international community representatives; (c) policy formulation (think-tank) and policy making power; (d) development priority setting and budget allocation; (e) manpower development (placement and training; (f) project evaluation/ appraisal; and (g) monitoring and evaluation. It was without any kind of external assistance that Ethiopia prepared and launched her first comprehensive long-term plan called the Ten-Year Perspective Plan (1984-1994) and put in place the necessary plan implementation as well as monitoring and evaluation mechanism. Several sectoral development strategies were also elaborated and launched subsequently.

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[43] I joined the Development Planning Commission in August 1970 to be a counterpart or mentored by one of the Harvard advisers.

[44] I chaired the technical committee that drafted the policy.

[45] That person happened to be me.

For almost two and half decades, since it assumed political power, the EPRDF government made national development planning a part of the Ministry of Finance, at some point fully assimilated. This resulted in weakening the technical capacity for development planning that Ethiopia built over the preceding fifty years. Although the National Development Planning Commission has been recently created as a separate authority, it needs substantive support to rebuild planning capacity demanded to plan, coordinate and monitor short, medium- and long-term planning for realizing inclusive growth and sustainable development. The national action plan (NAP) to combat climate change, a huge programme with massive international support and several sectoral strategies, which stands parallel to the national growth and transformation plan (GTP), need to be fully integrated into the latter.

There is thus a need to strengthen national development planning to effectively guide and manage inclusive growth and sustainable development. Key planning tasks are to: (a) prepare a transitional development plan, although should have been done earlier, to guide and manage the ongoing political transition and ensure that there is no loss of productivity, weakening of investment and unlawful land grabbing, practices often experienced during political transitions; (b) develop policies and regulatory frameworks that help realize inclusive growth and sustainable development; (c) plan, coordinate and guide sectoral development and the public enterprise investments; (d) create enabling environment for growth of robust private sector growth and increased investment in the most productive sectors of the economy, i.e., manufacturing, agro-industries, mining, energy, etc. through sustainability promoting economic instruments; (e) serve as center for policy studies and forecasting as well as for appraising projects requiring public sector financing; and (f) prepare national vision to provide framework for sectoral and regional development.

Conclusion and Recommendations

For Ethiopia, inclusive growth anchored in Ethiopiawinet and sustainable development is an economic, social, environmental, cultural and political imperative and agenda. The political discourse needs to shift towards: (a) freeing citizens from scourges of deprivation, hunger, poverty, unemployment, poor quality education and health services and ethnic profiling; (b) ensuring proper functioning of markets and trade throughout the country; prevalence of peace and security, personal freedoms and unconstrained access to justice and; and (c) avoiding risk of Ethiopia falling behind the rest of Africa and Ethiopians remaining under conditions of abject poverty and deprivation. Inclusive growth/ sustainable development is also a globally accepted development paradigm and policy framework that would enable Ethiopia build sound governance structure and expand and nurture its international partnerships.

In sum, an inclusive growth and sustainable development strategy encompasses: (a) de-ethnicization of Ethiopia's governance architecture and society; changing the political narrative from ethnicism to addressing issues of people centered and driven development (job creation,

eradication of poverty and famine, access to quality education and health services, etc.); (b) putting in place internally located processes of structural change and transformation to build a strong manufacturing sector anchored in strong backward and forward linkages and enable Ethiopia to participate at the high end of the global value chain driven by a strong private sector that operates in concert with a smart and efficient public enterprise sector; (c) expanding the asset boundary of aggregate income through caring for, sustainably using and valuing natural resources, developing capital accounts and pursuing sustainable development; (d) strategically acting on mega constraints and transforming them into opportunities; (e) building a development oriented capable state with efficient bureaucracy and that ensures human security, equal access to justice and prevalence of rule of law and; (f) putting in place robust development planning (short, medium and long term) well-coordinated vertically (from communities, woreda and provinces to national level) and horizontally (across sectors and social groups) anchored in vigorous M&E and accountability system.

To realize the above, there is no better instrument than sound short- and medium-term planning based on a pragmatic national vision, which the proceedings of this International Conference on Ethiopia 2050: Grand Challenges and Opportunities be an input of. Obviously, the national visioning exercise leading to 2050 needs to be a government propelled multi-stakeholder participatory process that instils hope, brings people together and helps to harness their goodwill toward a common and clearly defined goal. A well-planned participatory process will enable every Ethiopian to have a sense of ownership of the national vision, hence his/her destiny.

Sound and well-coordinated (horizontally across sectors and vertically from communities to national level) helps to operationalize inclusive growth and sustainable development, frame national needs and aspirations, shape the country's political development, keep the country united and guide development through coherent and actionable programmes/projects. Ensuring macroeconomic stability, maintaining the high economic growth momentum, invigorating the manufacturing sector, job creation, improving access to quality education and health services and sound management of natural resources, including climate adaptation, ecosystem restoration, proper management of national parks and protected areas are all essential components of inclusive growth and sustainable development.

Robust development planning is also a vital instrument for managing Ethiopia's political transition, including the de-ethnicization of the Ethiopian polity. Political changes impact people's attitudes and productivity and generate high expectations and hopes. For example, encroachment into or invasion of national parks and protected areas and land grabbing are associated with political transitions or perceived state weakness. There is thus a need for an emergency (transitional) plan to consolidate political changes, manage societal expectations, change the political narrative from narrow ethnicism to addressing development problems, correct market deficiencies and remove bottlenecks to socially and environmentally responsible investment, in a word, marshal peoples energy, good will, creativity and enthusiasm towards development

Sound and clearly stated economic policy is an absolute necessity and critical base upon which the development plan should be built. Hence, the urgent need for revising/improving / clarifying Ethiopia's economic policy to reflect the spirit and substance of political changes taking place and give direction to the formulation of the plan.

Accordingly, there is need for an economic policy that clearly states that the private sector will be the engine of economic growth and transformation for which the state will create an enabling environment and provide incentives. The policy should also state the importance of rationalizing public enterprises to make them operate at the highest possible level of efficiency and societal integrity side by side with the private sector. It is critically important to build upon Ethiopia's long standing tradition, which the rest of Africa envies, of highly efficient, profitable and well-functioning public enterprises that set high standards of excellence (Ethiopian Airlines and Commercial Bank of Ethiopia, among others) that the private sector should strive to achieve. The revised policy should also clearly state that public enterprises will operate free of government influence driven by socially and environmentally responsible business (profit making).

Finally, I propose a two-pronged approach to the follow up of this Conference: (i) publication of proceedings; and (ii) more importantly to immediately take the findings and recommendations of the Conference, which hopefully will include the idea of a government propelled launch of a multi-stakeholder visioning process leading to 2050, to the government authorities for immediate action.

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About the Author

Mersie Ejigu is a strategic planning and sustainable development expert. Currently, he is member of the Global Steering, IUCN Commission on Economics, Environment and Social Policy-Vice

Chair, Africa Region working on transforming economic models to fully capture changes in natural resources.

Mersie has served his country, Ethiopia, for over twenty years, almost all in one organization, National Development Planning, where he rose from junior expert to head of fiscal and monetary division, head of macroplanning department and then Minister. He has also served as Head of Central Statistics Office.

At the international level, his experience includes Regional Director, IUCN-The World Conservation Union Eastern Africa, Nairobi; Assistant Director General for Programmes and Policy of IUCN, Switzerland, Senior Fellow, Foundation for Environmental Security and Sustainability (FESS), Falls Church, USA. For the UN University of Peace, San Jose, Costa Rica, he developed syllabus for and taught environmental security and sustainability assessment as well as environmental insecurity and conflict as graduate level courses.

Mersie has consulted the United Nations, Department of Economic and Social Affairs, UNDP, UNICEF, World Bank, IMF and UN Foundation on sustainable development policy studies, strategic planning, programme formulation and evaluation. He also consulted UNECA, where he developed Africa's first sustainable development indicators framework and sustainable bioenergy policy framework. For the Africa Union Commission, as Senior Planning Advisor andmember of the three-person core team of experts, he prepared Agenda 2063. Also wrote, "Toolsand Guidelines for Integrating Biodiversity Concerns in Development Planning in Africa."

His global speaking engagements include: WTO Tenth Anniversary Symposium on Changing the African Energy Paradigm, Geneva; Meteorology, Climate Security and Energy Sustainability (Gold Coast, Australia), European Green Week, Brussels, on Biodiversity and Development Cooperation, among others.

Mersie has several publications on issues related to sustainability, environment/climate, energy and water security assessment, policy studies and strategic planning.