

2023/24 Academic Year **Economics** Lesson Note for Grade **11**

UNIT 7

MAIN SECTORS, SECTORIAL POLICIES & STRATEGIES OF ETHIOPIA

7.1.1 Uni-modal Agricultural Strategy

Uni-modal agricultural strategy is a strategy by which the agricultural transformation is achieved through intensification of small-scale peasant farms. It is based on the concept that specific peasants are not separated from their means of production and retain a degree of control over land and family labor in spite of international secular differentiations (e.g. in Japan, Thailand and China).

Characteristics of uni-modal agricultural strategy

The development and diffusion of highly divisible innovations that promote output expansion within the existing agrarian structure (small-size holdings) is the central element of this approach. It is a pro-poor (in favor of the poor) growth strategy. It enhances small-landholders' access to modern inputs such as improved seeds, fertilizers, and provides them to farmers on revolving-credit bases. The focus is on the production of food crops as a means of ensuring food security

Advantages of uni-modal strategy:

- It protects the existence of a differentiated peasant group/class.
- It protects peasants from eviction.
- It creates a huge potential for the government to gain political support.
- It reduces poverty in the rural economy.
- It provides individual peasants with access to modern technologies.
- It reduces outgoing migration from rural areas.

Limitations of uni-modal strategy

- The focus is on food crops rather than on high-value products for the market.
- There is no means by which the shortage of knowledge regarding market information and weather conditions can be improved.
- There is no way the shortage of infrastructures that is due to the smallholders' fragmented settlement patterns can be improved.
- Due to the small-size holdings, it is difficult to employ large-scale agricultural inputs.
- There are no controls to increased price of agricultural inputs.

7.1.2 Bi-Modal Agricultural Strategy

- This strategy advocates the practices both of the intensification (strengthening) of small peasant farms and of **commercialization**.
- It is based on a **dualistic structure** of farm units (as in the case of Mexico and Columbia) which proposes that **commercialization and commoditization** inevitably generate differentiation in agrarian societies, whereby rural producers are set apart into agricultural capitalists and landless agricultural employees.

Characteristics of the bi-modal approach

- It supports a strong principal commercial sector.

- It is based on the belief that entrepreneurial individuals should be allowed to accumulate land.
- The differentiation of individuals who invest more in farming and those who develop business should be supported.

Advantages of bi-modal approach

- It supports individual rights to acquire land.
- It invites more capital and technology investment for agriculture.
- It promotes large-scale diversification.
- It allows the transfer of technology.

Limitations of bi-modal approach

- It creates differentiation in the rural society.
- Lack of off-farm job opportunities.
- It promotes the eviction of small peasants/poor people.
- It deprives the majority of the rural population of land.

7.1.3 Overview of Agricultural Policies and Strategies of Ethiopia

- The government in Ethiopia has implemented various agricultural policies such as
 - Market Liberalization
 - **Structural Adjustment**
 - Agricultural-led Industrialization
 - Sustainable Development
 - Poverty Reduction Program
 - Participatory and Accelerated Sustainable Development to Eradicate Poverty
 - Successive Growth and Transformation Plans I and II
 - The Current Ten Years Prosperity Plan to Raise Productivity in Agriculture.
- A **structural adjustment** program reduces the role of the government and increases the role of demand and supply forces in the allocation of resources in the Ethiopian economy.

7.2 Specific Policies and Strategies of the Agricultural Sector Pre-1974 Policies and Strategies

Mainly the priority focus was given to

- Industry (manufacturing)
- Minerals
- Electric power development
- Unlike the first five-year plan, **some** attention was given to agriculture.
- There were targets for the production of agricultural marketable products like cereals, cotton, cattle, and coffee; and for the rate of growth of agriculture were set.
- To achieve the production targets **three** main approaches were outlined
 - 1) Outlined the execution of land reform
 - 2) Outlined the introduction of tools implements and machinery as well as elementary training of the producers so as to raise productivity,
 - 3) Outlined Per capita income and consumption so as to transform the subsistence economy into a monetized economy.

Land Reform Policy Ignored

- The land reform policy was completely **ignored**, a fact which basically accounted for the failure
- There was **lack** of progress in policy measures and organizational programs, which were essential for the success of the plan.

- Because of all these, the agricultural sector could not develop as much as it was anticipated in the plan.
- In the later era of the regime, it started modernization of peasant subsistence agriculture in strategically selected areas in which good results can soon be seen.
- Two main approaches for the development of Ethiopia agriculture were indicated in the third five-year plan.
 1. The package program
 2. The development of large-scale commercial farms

1. Large-Scale Mechanized Commercial Farm (LSMCF)

- The main objective of this path was
 - To facilitate agricultural exports
 - To create new employment opportunities.
- LSMCF requires bringing extensive areas of land under cultivation with the use of modern agricultural inputs such as
 - Modern technology
 - Machinery
 - Equipment (tractors and combines)
 - Chemical fertilizers
 - Hired labor, in contrast to the family labor which is used in the small-holder farming system.
- The government took some fiscal measures to encourage the expansion of these farms in the country. Among the resulting policy measures were
 - Credit arrangements
 - Tax holidays(Exempt) for the first five years for investments in excess of 200,000 Birr
 - Low land use fees
 - Tax-free import of heavy machinery
 - Possibilities of remitting profits to investor countries of origin.
- As a result, some foreign-owned profitable plantations were developed. They mostly produced food and fiber. However, these results were too small to achieve the given incentives.
- They accounted for almost 5% of the total agricultural output and 3% of the total area that was cultivated.
- The 1974 popular uprising led to the nationalization of these farms and their conversion into state farms in 1975.

2. Establishment and development of package projects

- The basic objective of donors and the government in initiating the package project in Ethiopia was to repeat the success of the Green Revolution of India in Ethiopia.
- The Green Revolution was a type of agrarian revolution which was characterized by the large-scale use of improved and high yield variety (HYV) seeds and other inputs. The package approach was successful in improving the productivity of farmers in Mexico, India, Bangladesh, Israel, etc. There were two types of package projects
 1. Comprehensive package projects
 2. Minimum package projects

Comprehensive Package Projects

- Comprehensive Package Projects were designed to supply important inputs such as chemicals, fertilizers, improved seeds and farm tools, credits, pesticides, and know-how. The supplies of these inputs were for the purpose of
 - Raising the living standard of the peasants
 - Creating labor-intensive employment opportunities
 - Encouraging peasant participation in the development process
 - Expanding experimental stations for propagating new ideas in agricultural technology and providing improved farm tools.

Established Comprehensive Package Projects

- Chilalo Agricultural Development Unit
 - (CADU)
- Welayita Agricultural Development Unit
 - (WADU)
- Adaa District Development Package Project
 - (ADDP)

Achievements and adverse effects of comprehensive package projects

- Achievements that can be mentioned as an example
 - Income of participating farmers increased
 - Productivity in crops and livestock was increased significantly
 - The adoption of modern inputs expanded in the project areas
- Adverse effects (disadvantage)
 - Increase in the eviction of tenants and huge cost
- Because of these problems, the comprehensive package project was too difficult to be duplicated in other areas of the country. Therefore, a relatively less costly package program, known as the “minimum package program”, was launched.

Specific Agricultural Policies and Strategies during the Derg Regime

- The Derg regime changed the previous national development strategy, placing the emphasis on a centrally planned economy.
- Industry-led development was deployed as the main development strategy.
- Rural land and other productive assets were **nationalized**, and land was distributed among farmers.
- Commercial farms were put under government control, and **land tenancy (land rental) was abolished**.
- **Private** commercial laborers and commercial farming were **marginalized**, and large collectivization programs were promoted through resettlement and civilization programs.
- The comprehensive and minimum package projects were continued in the Derg period.
- CADU (Chilalo Agricultural Development Unit) was transformed into Arsi Rural Development Unit (ARDU) and then to Bale-Arsi Rural Development Unit (BARDU), which resulted in the **thinning** of resources over wide areas.
- Finally, all these projects were transformed into Peasant Agricultural Development Extension Projects (PADEP) which was organized along pluralist principles.
- The government also organized the small holders along socialist lines for the purpose of the collective production and marketing of agricultural output and distribution of inputs.

Characteristics of Agricultural sector policies of the Military government

- Nationalization of all private and commercial farms

- Prohibition of private investment in the agricultural sector
- Involuntary collectivization of peasants into peasant associations, and into producers' and service cooperatives
- Forced villagization and settlements
- Government control of virtually all agricultural input and output markets
- Forced food-grain quota deliveries at predetermined low prices
- Restriction of the movement of agricultural outputs from one part of the country to another.
- Improper government interventions were the primary reasons for the lack of success in the agricultural sector

Post-1991 Agricultural Policies and Strategies

- The 1991 economic policy document of the Transitional Government of Ethiopia liberalized (freed up) both agricultural markets.
- The government adopted Agricultural Development-Led Industrialization (ADLI) in 1994, which revolved around enhancing the productivity of smallholder agriculture and industrialization based on the utilization of domestic raw materials via adopting labor-intensive technology.
- The essence of this strategy (ADLI) rests on the belief that the agricultural sector can serve as the driving force for the rest of the economy. This means that the strategy aims at better use of the massive agricultural labor force in rural areas.
- It has internal forward and backward linkages with the industrial sector. **Backward Linkage** captures the interconnection of an industry to other industries from which it purchases its inputs in order to produce its output. **Forward Linkage.** The interconnection of an industry to other industries to which it sells its outputs.

Participatory Demonstration and Training Extension System (PADETES)

- An extensive program which had been launched in 1994/95 was the Participatory Demonstration and Training Extension System (PADETES).
- In this system, (PADETES) packages of fertilizer, improved seed and credit, as well as information on input use and better agricultural practices were delivered to the vast majority of smallholders in the rural areas by government.
- Improvement of productivity through extending the use of modern technology had attracted the attention of government.
- However, even though government had extended different packages, particularly the fertilizer credit package, the average agricultural output failed to sustain the high population growth.

Sustainable Development and Poverty Reduction Program (SDPRP)

- The Sustainable Development and Poverty Reduction Program (SDPRP) was an integrated rural and agriculture development strategy which was launched in 2002 on account of the limited success of PADETES. It was the first full Poverty Reduction Strategy Paper (PRSP) that was developed and implemented by the Ethiopian government through:
 - Strengthening agricultural extension services
 - Training extension agents in Technical and Vocational Education and Training (TVET) and training farmers in Farmers Training Centers (FTC)
 - Water harvesting and irrigation
 - Improved marketing opportunities
 - Restructuring peasant cooperatives
 - Supporting micro-finance institutions.

- However, heavy dependency of the agricultural sector on the amount and timing of rainfall means that the **output continuously fluctuates.**
- In addition, the agricultural sector's productivity did not show significant improvement.
- The developments of large-scale commercial agriculture were also emphasized for inter sectorial linkages. To achieve these objectives, the following instruments were used in the Plan for Accelerated and Sustained Development to End Poverty (PASDEP):
 - Constructing farm-to market roads
 - Development of agricultural credit markets
 - Specialized extension services for differentiated agricultural zones and types of commercial agriculture
 - The development of national business plans and tailored packages for specialized export crops (such as spices, cut flowers, fruits and vegetables)
 - Area irrigation through multi-purpose dams
 - Measures to improve land tenure security, and to make land available where feasible for large-scale commercial farming
 - Reforms to improve the availability of fertilizer and seeds.

Recent Developments in Agricultural Sectors

- The Present government of Ethiopia has identified key priority intervention areas to increase productivity of smallholder farms and expand large-scale commercial farms. Under the new administration, the government has renewed emphasis to develop the agriculture sector and ensure food security. Among the top priorities identified by the government are:
 - Small and large-scale irrigation development
 - Financing agricultural inputs
 - Increasing productivity of crops and livestock
 - Improving agricultural production methods using mechanization
 - Post-harvest loss reduction
 - Developing a research-based food security system and natural resource management.
- In addition, as part of the Home-Grown Economic Reform Agenda, the government is looking to the agro-processing sector as one engine to spur (increase) future economic growth.

7.3 Problems of the Agricultural Sector

- Natural problems:** these problems are related to recurrent drought and its negative effects.
- Human made problems:** these are negative effects that result from the social and economic practices.
 - Land fragmentation
 - Lack of infrastructure
 - Lack of credit facilities
 - Lack of effective land-ownership entitlement
 - Erosion and land degradation
 - Traditional practices
 - The use of backward technology
 - Inadequate rural markets.

Possible Remedies

- Reduce the prevailing heavy dependence **on rain-fed** agricultural practices by:
 - Promoting the use of local streams and lakes for irrigation purposes of various scales

- Promoting and expanding the storage of rain water in shade to reduce the rate of evaporation and to enable people to store water for longer periods of time
- Expanding the number of afforestation and reforestation schemes through a structured and financed agency or office
- Production of drought-resistant crops in drought-prone areas so that the recurrence of acute shortages of food will be minimized
- Pursue an effective land-ownership right so that the farmers will develop long term developmental commitments
- Promotion of extension services supported with consistent capacity-building tasks
- Promote committed literacy campaigns to help farmers understand price and farm technique information
- Promote infrastructure facilities as per their availability

7.4 Specific Policies and Strategies of the Industrial Sector

- The astounding success of several Asian economies over the past half-century shows evidence of the role of industrialization as the surest way to reduce poverty.
- Industrialization requires careful management of policy options and consistent monitoring of sectorial dynamics.

7.4.1 The Imperial Regime (pre-1974)

- A conscious move to stimulate industrial growth began in the mid-1950s.
- The plan envisaged achieving industrial development through the development of import substituting light industries which produced consumer goods for the domestic market.
- In the plan it was anticipated that foreign direct private investment would play the leading role in financing the investment capital required for the sector. Various policy measures were introduced to encourage investment in manufacturing including
 - Protection of the domestic industry through
 - High tariffs
 - Banning of certain imports
 - Fiscal incentives
 - Provision of credit
- The driving philosophy of the industrial policy in the imperial period can be characterized as in favor of market and private sector but sought (seek) gaps whereby the government should play a role including direct ownership in selected sectors.
- In practice, the incentive structure was biased towards
 - Import-substituting
 - Larger, capital-intensive
 - Foreign dominated industrial activities
- By the end of the plan period, the overall industrial base of the country remained weak and was characterized by a dual structure
 - A rudimentary small-scale and handicraft sub-sector
 - A modern medium-large-scale subsector
- In this period the modern medium- and large-scale manufacturing sector (MLSM), which employs ten or more people and use power-driven machinery, was predominantly foreign owned.

7.4.2 The Derg Regime (1974-91)

- The military government **nationalized** most of the MLSM enterprises, which were later reorganized under state corporations.
- The government also declared '**a socialist economic policy**' and introduced various restrictions on the private sector and the market.
 - Private investment was **restricted to not exceed half a million Birr**
 - Entrepreneurs could participate in only one venture.
 - Price controls were instituted covering a wide range of products
 - The labor market was highly regulated.
 - Imports were also subjected to quantitative restrictions and higher tariffs in this period.
- The manufacturing sector exhibited a sharp decline particularly in the first few years following the revolution.
- In 1977/78 the government initiated a successive production campaign locally known as '**zemecha**' to improve productivity mainly through increasing capacity utilization and have partly reversed the declining trend.
- Nevertheless, the government had no industrial policy per se until the mid-1980s. The main focus of the industrial development plan in this period was **to promote the import-substituting and labor intensive industries.**
- The Public sector investment was considered as the main mechanism in progress towards industrialization.
- In March 1990, the regime adopted a mixed economic policy to shift the country from one of a centrally managed economy to a modest liberal economy. This initiative was, however, too late and short-lived without bearing fruit, as there was a regime change in **May 1991.**

7.4.3 The Post-1991 Regime

- In 1998, the Ethiopian government adopted an **export promotion strategy** in an effort to address the lack of progress in export diversification.
- The strategy aimed at promoting
 - High value agricultural exports (e.g. horticulture products and meat)
 - Labor-intensive manufacturing products (clothing, textiles, leather and leather products).
- A comprehensive industrial policy was then formulated in 2002/03. In 2002/03, after a decade in power, the EPRDF-led government formulated a comprehensive industrial development strategy (IDS). The IDS is based on the Agricultural Development Led Industrialization (ADLI).
- The **Industrial Development Strategy (IDS)** adopted in 2003 emphasized:
 - Export-led industrialization, and focused on labor-intensive industries,
 - The development of infrastructure to support rapid economic growth, and
 - The development of small enterprises for massive job creation and poverty reduction

Fundamental principles of the strategy (IDS) are

- Considering the Private Sector as an Engine of the Industrial Development Strategy Implementing the Agricultural Development Led Industrialization Principle.
- Implementing the export-led industrialization principle.
- Focusing on the expansion of labor-intensive industry direction.
- Implementing effective domestic-foreign investment partnership method.
- Implementing the direction where the government will play a leading **managerial** role.
- Implementing the principle that encourages the active participation of the public.

- That industrial policy was more concretized into action by various sub-sector strategies and by the successive development plans.

The 2003 IDS declared priority sectors for government direct support which include:

- Textile and garment,
- Meat, leather and leather products
- Agro-processing industries (e.g. sugar and sugar related industries)
- Construction industry and the micro and small enterprises (MSEs)
- The strategy recognizes the role of the private sector as an engine in the industrialization process.
- It argues for the need to make concerted efforts to enhance the private sector to discharge its leading role given that it was weakened by the deliberate policy of the previous regime. The document also made a clear distinction between
 - Rent-seeking' and 'developmental' capitalists
 - The need to curtail the former and promote the latter.
- In contrast to the neo-liberal (favoring policies that promote free-market capitalism, deregulation, and reduction in government spending.) advice the strategy explicitly argues for a strong role of the state; not merely as a facilitator but also as a leader (i.e., providing direct support, coordinating and guiding the private sector).
- Inspired by the East Asian experience the, government has recently introduced the language of 'developmental state' as its policy principle regarding the state-business relationship. The strategy cites two important mechanisms in which the government could engage:
 - Promote the private sector; creating a conducive environment,
 - Provide direct support for selected sectors.

Industrial Park Development in Ethiopia

- For developing countries, industrial parks can maximize resource integration for limited production factors within a certain spatial scope.
- By attracting labor and capital-intensive domestic and foreign investment in manufacturing and service industries, industrial parks not only increase job opportunities, wages and skills of local workers but establish links to global value chains through participating in international competition, making full use of
- Industrial park development in Ethiopia is characterized by:
 - Investment area opens for domestic and foreign direct investment.
 - State-of-the art industrial parks under construction.
 - Located along key economic corridors, connected to ports by road and electric powered railway lines with close proximity to high labor force pool.

Industrial Park Anchored On the Principles of

- Specialized Parks
- Export Promotion
- Sustainability
- Vertical Integration
- Skills development and competitiveness
- The industrial parks in Ethiopia have contributed significantly by creating
 - Employment
 - Increasing government revenue
 - Export
 - Diversifying the industrial products

- Attracting foreign director investment
- Attracting foreign exchange

7.4.4. Problems of the Industrial Sector Post 1991

1. **Lack of finance**
2. **Marketing problems:** the market problems arise due to
 - Weak domestic demand for manufacturing output
 - Lack of marketing information about both local and export markets.
 - Strong competition from cheap imports.
 - A consumer bias against local products.
3. **Technological Problems:** these may reveal themselves in one of the following ways:
 - Lack of sufficient information on appropriate technology.
 - The technology in Ethiopia today is not developed based on available local raw materials. This limits the linkage.
 - The technology is also capital-intensive.
4. **Input related problems**

7.4.5 Possible Remedies for the problems of Industrial Sector

- By way of creating a conducive business environment for the development of the private sector, the following concrete intervention areas among others are required:
 - Maintaining macroeconomic stability
 - Building a functioning and well-regulated financial sector
 - Creating dependable infrastructure services
 - Developing skilled and effective human resource
 - Creating efficient civil service and legal framework
 - Developing industrial zones in the major cities and towns with all required infrastructure facilities

7.5 The Service Sector Policies and Strategies in Ethiopia

- This sector is composed of various sub-sectors include trade, hotels and restaurants, transport and communication, education, banking and insurance, public administration and defense, health, and other services.
- The service division includes a wide variety of industries, but they can be categorized into primarily
 - Consumer-oriented (providing a service directly to a consumer)
 - Primarily business-oriented (providing a service directly to another business)
 - Mixed (providing services to both businesses and individual consumers)

Economic Activities of the Division of Service Sector

- **Physical activities:** involve working with objects
- **Intellectual activities:** involve providing education or training
- **The aesthetic activities:** entail providing consumers with artistic experiences

7.5.1 Education Sector Policies and Strategies (Pre-1974)

- The Imperial Government initiated a comprehensive study of the education system.
- The education sector review (ESR) **recommended**
 - Attaining universal primary education
 - Ruralizing the curricula through the inclusion of

- **Informal training**
- **Equalizing educational opportunities**
- **Relating the entire system to the national development process.**
- However, the ESR **was not published until February 1974.**

7.5.1 Education Sector Policies and Strategies (Post-1974)

- By the early 1975, the government had closed Haile Selassie I University and all senior secondary schools had deployed some 60,000 students and teachers to rural areas to participate in the government's development through cooperation campaign (commonly referred to as **Zemecha**).
- In 1975, the Derg Regime nationalized all private schools. The directives set during the military government were
 - Education for Socialist Consciousness
 - Education for Production
 - Education for Science and Research
- Worked towards a more even distribution of schools by concentrating its efforts on small towns and rural areas

7.5.1 Education Sector Policies and Strategies (Post-1991)

- The gross enrollment ratios for primary and secondary education have since showed a Post 1991, the ESDP (Education Sector Development program) was launched.
- This program has the following six components:
 - 1) Primary education
 - 2) Secondary education
 - 3) Technical-vocational training
 - 4) Teacher training
 - 5) Tertiary education
 - 6) Institutional capacity building

Problems of Education Sector

- Problems of relevance, quality, accessibility and equity
- Great disparity between the relatively developed and undeveloped regions and between rural and urban areas
- Gender inequality
- Insufficient participation of stakeholders
- Inadequate facilities, insufficient training of teachers, overcrowded classes, and shortage of books and other teaching materials
- Quality of the education is not up to standard level
- Financial and resource constraints
- Lack of alternatives in resource mobilization in addition to the public budget
- High drop-out rate

Possible Remedies

- Expand the participation of parents, teachers and communities in education affair.
- Provide adequate student textbooks, teaching materials and various school facilities.
- Narrow the inequalities
- Inspect the private education sector to ensure the minimum necessary quality, standard of certification, service fees, etc.
- Improve the quality of teachers, in terms of training and motivation.

7.5.2 The Health Sector Policies and Strategies

- Definite policies and strategies for the development of health service were not formulated until 1963. However, efforts were made to include the health sector into the development plans. After the 1974 revolution, Ethiopia embarked upon different approaches towards solving health-sector problems, through the declaration of primary health care in a ten-year development plan in 1978.
- In these approaches, priority was given to creative types of strategies. It was highly centralized and there was little collaboration between public and private providers.
- The Ethiopian Transitional and Federal Government formulated the 1993 Health Policy and Strategy. Goals of the Federal Government and the regional administrations included reorganizing health services to make them more cost effective and efficient so that they contribute more to the overall socioeconomic development effort of the country.

Health Sector Development Plan (HSDP) in 1997

- The HSDP is now in its third phase (HSDP III). The major goals of the health policy are:
 - Decentralization of the health care system,
 - Development of preventive, facilitative, and curative components of health care
 - Assurance of accessibility of health care for all segments of the population
 - The promotion of private-sector and NGO participation in the health sector
- The national health policy focuses on a comprehensive health service delivery system to address:
 - Communicable diseases
 - Malnutrition
 - Improving maternal and child health

Major components of the health care strategies are:

- Curative and rehabilitative care
- Drugs and medical supplies
- Health information, documentation, and processing
- Organization and management of the health delivery system
- Human-resource development and management
- Research and development
- Financing the health care delivery system
- The most significant childhood and maternal illnesses and communicable diseases are: COVID-19, HIV/AIDS, malaria and tuberculosis (TB)

Problems of the Health Sector

- Limited physical access to health facilities and the absence of health care facilities
- The available health care facilities are unevenly distributed across regions
- Inadequate budgetary allocation and low levels of management
- Low quality of the facilities
- Maternal, infant, and child mortality rates are still high
- Inadequate and poorly maintained infrastructures and equipment, shortage of trained health personnel, and the unavailability of drugs and pharmaceutical supplies.

Possible Remedies

- Strengthen and expand existing health programs.
- Provide family planning services at all levels of health service delivery stations.
- Strengthen reproductive health content in health education programs.

- Strengthen and expand training of health personnel in collaboration with relevant institutions.
- Set standards for the provision of family planning services.

7.5.3 The Transport Sector

- During the military government, the transport sector was put under close state regulation and control. The entire commercial truck and passenger transport system was under strict control of the government through Proclamation No.107/1976.
- The policy changes in the sector that occurred on May 8, 1992 heralded the deregulation of the freight transport industry.
- The major liberalization of the transport industry began with government Proclamation No. 14/1992. This emphasizes the promotion of efficiency and equitable distribution.
- Following the 1992 Proclamation, many of the private commercial freight and passenger transport activities left the corporation and formed their own independent association. Some, however, continued as associates of government enterprises.
- The other content of the new policy allows:
 - Free entry into existing associations
 - Obtaining licenses to form new associations

7.5.4 The Tourism Sector

- Ethiopia has so many historical and natural sites and diverse cultural tourism attractions, but unfortunately the country has been unable to realize the economic benefits it deserves from the sector.
- Nonetheless, in recent years' tourism has shown significant growth despite the economic crisis in the world. However, there is still a long way to go
- In 2009, the government launched a tourism development policy to increase tourist arrivals and optimize returns from the sector. The guiding principles are:
 - Guiding the sector in a broad-based development framework
 - Developing existing and new tourism attractions and products
 - Expanding the infrastructure and tourist services that are vital for the growth of the sector
 - Ensuring that the country benefits from the sector by being sufficiently competitive in international tourism markets
 - Solving the serious limitations in capacity that are apparent in the industry

Major Challenges of the Tourism Sector and Suggested Solutions

- Tourism has a considerable and unexploited potential in the development of the Ethiopian economy. But the sector has major obstacles are due to lack of:
 - Coordination among tourism stakeholders
 - Attention to domestic tourism
 - Awareness and incentives among the local people
 - Shortage of trained labor
 - Infrastructure
 - Quality service provision
 - Promotion work

Suggested solution for Tourism sector

- Improving transportation facilities, allocating an adequate government budget, improving management to enhance the quality of the sector, providing manpower training and promoting the country's tourism resources can address the challenges of the tourism sector.