Can Ethiopia Create 2 Million Jobs Every Year?

Insights from a recent High-level Forum on job creation in the rural non-farm economy, held in Addis Ababa.

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By Lauren Kelly & José Carbajo Martinez

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- **As in many African countries, Ethiopia is facing a youth job crisis, and will need to foster employment at a pace of two million potential new workers each year.**
- **Ethiopia can bypass more traditional job growth approaches by supporting entrepreneurs and start-ups and by linking them to the global marketplace.**
- **To alleviate rural poverty, it is necessary to link rural and urban areas and confront key constraints to productive income-generating activities.**

> ***"The recent peace declaration with Eritrea has ended a decades-old conflict. Access to Eritrean ports and the free movement of people has the potential to create many economic opportunities for both countries. As a result, there has never been a better time to convene to discuss opportunities for job creation in Ethiopia's rural non-farm economy."***

In recent months Ethiopia has been swept up into a fervor of political renaissance and a resurging optimism for its future. Most notably, the recent peace declaration with Eritrea has ended a decades-old conflict. Access to Eritrean ports and the free movement of people has the potential to create many economic opportunities for both countries. As a result, there has never been a better time to convene to discuss opportunities for job creation in Ethiopia's rural non-farm economy.

The country has achieved extraordinary economic growth over the last decade, and unlike some developing nations, this growth was not entirely jobless. Urban unemployment dropped substantially from 35% (1999) to 21.7% (2013), and rural unemployment has fallen as well.

However, the country still faces the daunting challenge of creating sustainable and inclusive jobs for a rapidly growing population, at a pace of two million potential new workers each year. Solving this problem requires continued policy and regulatory

reforms, especially in the agriculture sector; further improvements to education and training; and increased efforts to foster innovations to overcome structural constraints, including land availability.

Up to now, the government's job creation strategy has focused largely on industrialization, but it needs to look beyond manufacturing to confront the employment challenge and better enable sustainable job creation within many of its secondary cities and towns.

With two million Ethiopian youth set to enter the workforce each year, enabling sustainable job creation has become a top priority for the Government to improve the welfare of its citizens and ensure peace and stability. To explore potential options, the World Bank Group recently hosted a High-level Forum in Addis Ababa on *Creating Jobs in the Rural Non-Farm Economy*.

Dr. Eleni Gabre-Madhin
Founder & CEO

Opened by Ato Berhanu Woldemichael from the Ministry of Finance and Economic Cooperation and World Bank Country Director Carrie Turk, the event explored the findings of two recent reports—an independent evaluation of the World Bank Group's support for the rural non-farm economy, and a World Bank study on job creation in Ethiopia by Tom Bundervoet—with a strong focus on the rural economy. The event brought together Lead World Bank Agricultural and Social Protection specialists to share lessons on agrarian transformation from China, Bangladesh and India. Over 50 policy-makers, experts and key donor partners from the AfDB, Irish

Alleviate Poverty, authored by Lauren Kelly and Andy Stone, stresses the need to develop a more integrated approach that fosters rural to urban linkages and that diagnoses and addresses key constraints to more productive, income-earning opportunities in the rural economy. The report points to dramatic improvements in rural livelihc in South and East Asian nations, and so the workshop included World Bank experts who sha some of the lessons behind success in those reg

Here are some of the key takeaways:

1. Implement a balanced strategy that includ structural investments and policy reforms simultaneously.

In Bangladesh, the rural economy underwent a dynamic, structural transformation as a result of a balanced strategy that supported both agricultural and non-agricultural sectors through traditional investments in infrastructure, at the same time as policy reforms that helped to liberalize the agricultural sector. Madhur Gautam, Lead Economist in the Agriculture Global Practice, attributed the nation's success to four key drivers—increased agricultural productivity; connectivity through secondary cities; an enabling regulatory environment; and access to markets.

As pointed out in IEG's Creating Markets blog series, success in creating markets requires client governments that have clear objectives, a strong leadership drive, and are committed to a reform agenda that promotes market entry, competition, and an improved business environment.

2. Empower local, bottom-up solutions by replicating their success and increasing coordination.

Dewen Wang, Senior Social Protection Economist, shared insights from China's structural transformation that included a multi-prong strategy to promote bottom-up land reform, the development of an agricultural product market, the facilitation of migration, and investment in skill development for rural workers.

3. Identify specific industries or sectors where there is potential for innovation and scale

As Parmesh Shah, a Lead Rural Development Specialist at the World Bank pointed out, Ethiopia has a thriving leather shoe industry with more than 5,000 MSMEs that are generating over USD 65 million in exports. Shah went on to list tourism, textile and garments, cultural handicrafts, floral growers, agro-processing, and several other industries where Ethiopia might have a competitive advantage. He then shared lessons from global experiences in India, South Africa, and China to highlight the different pathways countries have taken to create jobs in rural economies. He stressed the importance of developing a continuum of on-farm, off-farm, and non-farm services, taking a spatial approach to connect rural towns and large cities, and supporting entrepreneurs and micro-enterprises through incubation centers, industry clusters, and ecosystems.

4. Engage stakeholders to foster an enabling regulatory environment

These global lessons suggest that the daunting challenges Ethiopia is facing are indeed solvable, provided the right enabling environment is put in place. Participants, including local development experts from USAID, Ethiopia's Agriculture Transformation Agency, IFPRI, and the University of

Addis Ababa, shared success stories about policy interventions and pilot programs in Ethiopia that had begun to achieve impacts and showed promise.

Among the critical variables identified were the need for a favorable regulatory environment, access to land, affordable technical and financial services, as well as reliable basic services like water and electricity.

Also critical was investment in innovative entrepreneurs and start-ups, a point stressed by Dr. Eleni Gabre-Madhin, the Founder and CEO of blueMoon, Ethiopia’s first agribusiness incubator. After only 1.5 years, the incubator competitively selected and trained 30 entrepreneurs in total.

The World Bank has been called on by the Ethiopian Government to help solve the ‘wicked problem’ of creating employment for 2 million young citizens a year. The Bank is at its best when it brings together its vast country experience and its cross-sector expertise. Judging from the breadth of ideas generated at this High-level Forum, the Bank and the Government of Ethiopia are on track to do just that.

image credit: : © Stephan Gladieu / World Bank. Nebiba Mohammed at the Shints textile factory. Nebiba Mohammed, 28, works at the Shints textile factory, one of several textile manufacturing plants in Ethiopia's recently opened Bole Lemi industrial park, some 45 minutes from the Addis Ababa city center. The World Bank Gender Innovation Lab is studying the impact of this new source of employment on the young women who make up the majority of the workforce.

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Submitted by Anteneh Temesgen on Fri, 05/31/2019 - 03:56

Ethiopia has a serious problem of Poverty, joblessness, insecurity and low foreign exchange, these is a result of our Poverity. The only immediate solution for the above problem is irrigation agriculture. when I say irrigation I mean small scale irrigation which can be constructed in a simple way with a very low cost at a farmer level. Any one who wants to work on the reduction of Ethiopian poverty we can work together.

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