

Table 3 shows that the contribution of the livestock sector (live animals, meat and hides, skins and leather products) to exports has held steady at about 11% of the national total, with declines in the value of skins, hides and leather being offset by roughly comparable increases in live animal exports. By 2008-09 the position of hides, skins and leather exports had declined to the point where these constituted less than half of the livestock sector's contribution to official exports. From the perspective of the official figures in Table 3, livestock and their products make a regular but modest contribution to exports.

But the official figures do not tell the entire story. Table 4 takes two widely accepted estimates for the value of informal cross border livestock trade (US \$106 million in 2002-03) and (US \$250 million in 2008-09) and adds these estimates to official figures for the relevant years.

Table 4: Value (million US dollars) and percentage of export share for major exports, with and without the cross border livestock trade – 2002- 03 and 2008-09

Commodity	2002-03 official	2002-03 cross border included	2008-09 official	2008-09 cross border included
Coffee	165.26 34.2%	165.26 28.1%	375.9 26.0%	375.9 22.1%
Leather, hides and skins	52.22 10.8%	52.22 8.9%	75.3 5.2%	75.3 4.4%
Pulses	19.97 4.1%	19.97 3.4%	90.7 6.3%	90.7 5.3%
Oilseeds	46.09 9.5%	46.09 7.8%	356.1 24.6%	356.1 21.0%
Fruit and veg.	9.58 2.0%	9.58 1.6%	12.1 0.8%	12.1 0.7%
Meat	2.42 0.5%	2.42 0.4%	26.6 1.8%	26.6 1.6%
Live animals	0.48 0.1%	106.48 18.1%	52.7 3.6%	302.7 17.8%
Chat	58.02 12.0%	58.02 9.9%	138.7 9.6%	138.7 8.2%
Gold	42.08 8.7%	42.08 7.1%	97.8 6.8%	97.8 5.8%
Flower	-	-	130.7 9.0%	130.7 7.7%
Others	86.66 18.0%	86.66 14.7%	91.3 6.3%	91.3 5.4%
Total	482.78 100%	588.78 100%	1447.9 100%	1697.9 100%
Livestock/ products share	11.4%	19.66%	10.6	23.8%

For the two years that it covers, Table 4 undoubtedly provides a more realistic estimation of Ethiopia's export situation than do the official figures alone. Including the cross border trade, live animals were the second most important national export by value in 2002-03, following coffee, and the third most important export in 2008-09, following coffee and oilseeds. The revised total value of livestock and their products now stands at about 20% of all national exports, up from 11% according to official calculations.

Note: Data sources that substantiate the calculations in this briefing paper are given in the original reports: *The Contribution of Livestock to the Economies of IGAD Member States* (IGAD LPI Working Paper No. 02 - 10) by Roy Behnke and *The Contribution of Livestock to the Ethiopian Economy - Part II* (IGAD LPI Working Paper No. 02 - 11) by Roy Behnke and Fitawekle Metaferia.

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As putatively illegal animals flow out of Ethiopia, equally illegal consumer goods purchased by the proceeds of animal sales flow back. Informal live animal exports do not produce foreign exchange or tax revenues. What the cross border trade does finance is the provision of internationally sourced commodities, presumably exactly the goods on which Ethiopian consumers would have spent their foreign exchange if the trade was legalized. All that has been lost is the paper trail that would link imported consumer goods to livestock production. What has suffered here is not the Ethiopian economy but rather, yet again, the recognition of the importance of livestock production to that economy.

Even including the cross-border trade, the vast bulk of Ethiopia's livestock output is consumed domestically. Household expenditure on livestock products was estimated in 2008-09 at 19 billion EB. Generous estimates of the total value of livestock sector exports places their value at slightly more than 4 billion EB in that year. Domestic consumption outweighs exports by a factor of nearly five to one.

Policy Recommendations

- To conform to international standards, MOFED must continue to estimate GDP according to established procedures. These conventional methods nonetheless do a poor job of capturing the full range of economic benefits provided by livestock to the Ethiopian national economy. In the interest of supporting more informed policies for livestock development, MOFED and the Ministry of Agriculture (MOA) should collaborate to supplement the standard national accounts with periodic estimations – possibly once or twice a decade – of the value of those livestock goods and services that are underestimated in national accounts.
- With the support of MOFED and MOA, the CSA should undertake a national survey of the value of animal power to the economy and of the role of animal power in sustaining both rural and urban livelihoods. This survey should include all forms of animal traction, transport, and haulage by all species of working animals – cattle, equines and camels – in rural and urban areas and in all agricultural sectors – agriculture, manufacturing and services. As well as the commercial provision of animal power, the survey should assess the monetary value of the services that working animals directly provide for their owners.
- Ethiopia needs to recognize the central contribution of the informal cross border livestock trade to national exports. As a regional organization committed to supporting regional trade, IGAD is well positioned to discuss this issue with government, and should continue to do so.
- The document above indicated that there is extensive policy bias against livestock production and marketing and that the creation of an enabling environment in support of livestock's broader functions would strengthen national and household economies, and be of particular benefit to the poor.

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POLICY BRIEF SERIES

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The Contribution of Livestock to The Ethiopian Economy

A country's GDP, its gross domestic product, does not represent a nation's entire economy. The kinds of economic output that are included in GDP are broad, but what GDP excludes can also be quite significant.

For this reason, IGAD and the Ethiopian Ministry of Finance and Economic Development (MoFED) undertook two consecutive studies on the contribution of livestock to the Ethiopian economy. The results of both of these studies are summarized in this briefing paper. The first study (IGAD LPI Working Paper No. 02-10), examined the contribution of livestock to Ethiopia's agricultural GDP. The working paper concluded that in 2009 – the year chosen for study – agricultural GDP calculations underestimated the contribution of livestock, and readjusted the figures upwards by 47%.

The second study, (IGAD LPI Working Paper No. 02-11) assessed the value of the economic benefits that are derived from livestock but not routinely included in agricultural GDP estimates. Livestock supply power for farming and transport. Livestock also supply their owners with financial services: by providing a substitute for credit and by serving as a form of insurance, as well as giving their owners a way of spreading risk. According to international conventions, most of the value of these services is not separately itemized in national accounts and therefore cannot be identified as part of the economic benefits that livestock provide. The value of these services is nonetheless considerable – in recent years about double the official value of livestock's contribution to agricultural GDP.



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The extent of underestimation becomes clear if we compare the different estimates for 2009. In 2009 the official estimate of the livestock contribution to agricultural GDP was slightly more than 32 billion Ethiopian birr or \$3.2 billion US dollars. In the same year, if we combine an adjusted estimate of the livestock component of agricultural GDP with the value of livestock services excluded from GDP, we arrive at a total value for livestock's contribution of 113 billion Ethiopian birr, or roughly \$11.3 billion US dollars at 2009 exchange rates. In other words the total economic benefits of livestock goods and services, are more than three and a half times greater than the MOFED's original estimate of the value added from livestock in 2008-09. In short, the great bulk of what Ethiopian livestock provide for the domestic economy is not identified in national accounts as coming from livestock.

Much the same can be said for the livestock contribution to exports. Livestock and their products probably constitute a fifth of Ethiopia's exports, but about half of these exports are not recorded or officially recognized because they are produced by the informal cross border trade in live animals. These unofficial exports contribute to the welfare of Ethiopians by financing the importation of a wide range of consumer goods, including necessities such as clothing and staple food items. For instance, the gross value added in the informal cross border livestock trading activities on the Berbera and Bosaso marketing corridors in Somali region of Ethiopia is estimated to be as high as 144 million USD (Desta et al 2011). Livestock are also informally exported through Kenya, Sudan, Djibouti and Eritrea. By excluding informal exports, official figures again undervalue the real contribution of livestock to the national economy.

National accounts do not accurately depict the full range and value of the benefits obtained from Ethiopian livestock. Accurately quantifying these benefits promotes an increased appreciation of the central role of livestock in both household welfare and the nation's economy. The findings of these studies also support the conviction of the vast majority of stakeholders to Ethiopia's livestock sector that increased resource allocation for livestock is warranted.

The estimation of agricultural GDP in Ethiopia

GDP estimates for Ethiopia are prepared by the National Accounts Department of the Ministry of Finance and Economic Development according to internationally recognized procedures. Ethiopia follows the production approach to estimating GDP, in which the goods and services produced by all categories of economic activity are summarized to arrive at total GDP. For livestock this approach involves four stages. First, national livestock populations are estimated by MOFED based on data supplied