



The Political Economy of Pro-Poor Livestock Policy-making in Ethiopia

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EXECUTIVE SUMMARY

This study examined the political economy of pro-poor livestock and related policy-making in Ethiopia. The main objective was to determine and assess how relevant policy is made, including the role of key actors and forces both domestic and international. Emphasis was given to the political and institutional processes at the basis of such policy-making. Another objective was to identify “entry points” and provide strategic recommendations aimed at achieving positive change.

The report is divided into six chapters:

- Chapter 1 introduces the study and key factors identified during the research
- Chapter 2 explains the policy-making context, including the legacy of centralized authority, the dominance of the ruling party, decentralization, and key issues regarding policy-making and implementation
- Chapter 3 discusses the importance of livestock in Ethiopia and the decline of the livestock sector
- Chapter 4 examines issues relevant to pro-poor livestock and related policy-making in the rural highlands, urban & peri-urban, and pastoral areas of the country. The three areas are examined separately because of significant differences between them.
- Chapter 5 examines a number of key issues: livestock marketing and exports, security and related concerns, SPS standards, animal health services, land tenure issues, and the link between conflict mitigation and pro-poor livestock policies.
- Chapter 6 provides conclusions and recommendations.

Key Conclusions Identified During the Research

Several conclusions particularly relevant to pro-poor livestock and related policy-making in Ethiopia were identified during the research and provided the basis for the analysis in the present report:

- The continued significance of the legacy of decades (longer in some areas) of centralized, hierarchical political, economic and administrative systems aimed at maintaining control. The ethnically-based decentralization initiated in 1995 responds in some ways, and to varying degrees, to these forces.
- Livestock are viewed by policy-makers primarily in terms of their contribution to crop production (as draught animals) which prevents appropriate recognition of the value of livestock to the livelihoods of the poor and the potential of livestock for poverty reduction.
- Official marketing and export systems for livestock and livestock products (LLPs) are heavily burdened by regulations, transaction costs, and government efforts to generate tax and other revenues.

- There also exists dynamic, unofficial cross-border trade in live animals exported on the hoof to neighboring countries and then usually (except for Kenya) re-exported to Saudi Arabia and Gulf countries. The other side of this private sector cross-border trade is consumer goods unofficially imported into Ethiopia. The government describes this informal trade in livestock and goods as “contraband.”
- The poor lack secure tenure to land in all areas of the country. In some areas, there is a link between this lack of secure tenure and violent conflict.
- The strong anti-pastoralist bias of the core highland culture seems to prevent recognition of the relevance and importance of pastoralism. The central government’s strategy of settling pastoralists along the major rivers is, in part, a reflection of this bias.
- There is very limited involvement by civil society in policy-formulation, even when proposed policies directly affect long established systems that provide the basis of livelihoods and natural resource management.

The Policy-making Context

Ethiopia is a large and important African country with an estimated population of 67 million people, 82% of them below the international poverty line of US\$1 per day (see Table 1 for key statistics). Ethiopia is also a major recipient of official development assistance, as multilateral and international organizations, bilateral development agencies and NGOs are supporting the government in wide-ranging efforts to reduce poverty and develop the country.

Policy-making and implementation in Ethiopia today are strongly influenced by a long history of centralized, hierarchical systems of control under Imperial rule and nearly two decades of military rule by the Derg. The Ethiopian Peoples’ Revolutionary Democratic Front (EPRDF) faced difficult challenges in 1991 when it took control of a country that had suffered 17 years of harsh, authoritarian rule and more than a decade of civil war under the Derg. The EPRDF has successfully met many of the internal challenges but, in spite of the significant political, administrative and financial decentralization begun in the 1990s, the centralized and controlling legacy remains an important factor. National and regional government policies are primarily made by the ruling party (see Annex 1 for a list of the main organizational actors involved in relevant policy-making, development or advocacy activities).

Importance of Livestock but Decline of the Sector

Livestock are extremely important in Ethiopia to economic development and to pro-poor development strategy, although these points are not as well recognized as they could be. Ethiopia is generally considered to have the largest population of livestock of any country in Africa. There are huge numbers of cattle, sheep, goats, horses, donkeys, mules, camels, poultry and beehives in the country. The livestock sector contributes 12-16% of total GDP and 30-35% of agricultural GDP, according to government estimates. For many years the export of livestock and livestock products has been Ethiopia’s second most valuable source of foreign exchange, after coffee. Hides and skins have been by far the most important official LLPs exported.

There have been several negative livestock-related trends over the past 30 years including a decline in national and per capita production of livestock and livestock products, export earnings from livestock, and per capita consumption of food from livestock origin. There has been enormous decline in the official exports of live cattle, both in quantity and value, and significant decline in the value of exported hides and skins.

In spite of the trends noted above, livestock are estimated to contribute to the livelihoods of 60-70% of the Ethiopian population. Throughout Ethiopia, with some regional variation, livestock are:

- valuable - essential in pastoral areas - in providing food for subsistence
- essential in many areas for the cultivation of crops (draught power)
- essential for transporting goods and, in some areas, transporting people

- the most important source of cash income for people living in rural areas
- the most significant and widespread form of asset accumulation for rural residents, particularly assets used as hedges against risk and disaster
- used to invest in traditional security systems through, for example, brideprice.

The use of livestock for asset accumulation is an ancient and traditional practice in Ethiopia, and it continues to be important today because for the majority of the population - especially the poor - the alternatives are limited and most are ineffective. In regard to poverty reduction policies and strategies, it is useful to recognize that for Ethiopian households livestock serve as:

- productive assets that allow households to be self-provisioning
- critical buffers (particularly for households in a precarious position) against falling into what is usually unremitting poverty
- springboards that enable some households to advance to relative wealth by the standards of contemporary Ethiopia.

The Need for Appropriate, Pro-poor Livestock Policy

Several individuals interviewed were concerned that the government did not have an appropriate livestock policy to effectively guide activities in this sector. Nor is there a livestock strategy or policy specifically directed at poverty reduction. It is significant that the final Poverty Reduction Strategy Paper (PRSP) contains only general points relevant to livestock policy and strategy. Some interviewed argued that for years there has been no real policy for livestock, and that this lack represented a significant obstacle to effective development of the sector. Government policy has long concentrated on increasing cereal crop production, leading to a focus in regard to livestock primarily (some might say “exclusively”) on draught oxen. This narrow focus has prevented full appreciation of (a) the enormous contribution livestock make to the livelihoods of the poor, (b) the considerable potential of livestock for poverty reduction, and (c) the potential role of livestock in the economic development of Ethiopia. One example: in spite of the great potential for beekeeping to reduce poverty in Ethiopia there is no development strategy or policy for apiculture.

Rural Highland, Urban & Peri-urban, and Pastoral Areas

About 60% of Ethiopia’s human population and enormous numbers of livestock live in rural highland areas. Population density is very high, most of the people are poor, and many are destitute. Much of the highlands, especially in the north, suffer severe land degradation. There has been considerable rural development activity (and research) in the highlands with strong support from various donors and NGOs. The government has emphasized production of cereal crops and coffee. Until recently, livestock have received little attention in government strategy and development efforts, except draught oxen because they are essential to cereal crop production. An on-going research program by IFPRI/ILRI and affiliated organizations (much of it related to livestock and pro-poor issues, and involving technical, social, economic and institutional factors) is attempting to influence central and regional government policy regarding agricultural development in the highlands. The research has found inter alia that livestock represent a critical element of development strategy.

Both population and poverty are increasing in urban and peri-urban areas, located primarily in the highlands. Approximately 15% of Ethiopia’s human population lives in urban areas alone. It is obvious that livestock are an important source of livelihood for poor residents of peri-urban and urban areas of the country, but little is being done to promote or effectively regulate these activities. Ethiopia’s ADLI development strategy has focused on rural areas, resulting in what some interviewed called years of neglect of urban areas. The poor raise poultry and sheep, practice beekeeping, and some have one or two dairy cows. Donkey transport is a very important source of income for poor residents of urban and peri-urban areas (as well as rural areas), and horse-carts have long been a key form of human transport in several urban centers. The production and marketing of dairy products is important within Addis Ababa and surrounding peri-urban areas. It

seems likely that: (1) the already better-off, more specialized and better supported dairy producers will be the main beneficiaries of increasing urban demand for dairy products; (2) poor dairy producers will continue to function at what might be called a “coping level” by providing dairy products to the informal sector. In the absence of appropriate policies and support, similar patterns may also be the case in regard to the production of other livestock products in urban and peri-urban areas.

Pastoral areas cover 60% of Ethiopia and include 12-15% of the human population, as well as very large numbers of livestock. Pastoralists are very poor, even by the standards of Ethiopia, when judged by their limited access to basic social services. Residents of pastoral areas have the lowest access in the country to education and to human health services, and pastoral areas have the least developed infrastructure. Pastoralists rely more on livestock than any other population category in Ethiopia. Significantly, pastoral societies have been under enormous pressure for decades as a result of political upheavals in Ethiopia and neighboring countries, repeated drought, government neglect and inappropriate policies.

Central government actions and pronouncements demonstrate that the strategy and policy for pastoral areas include: (a) controlling border areas and armed opposition movements; (b) suppressing the very old, unofficial cross-border trade in livestock and consumer goods; (c) settling the pastoralist population along the major rivers over a period of many years; (d) supporting, with donor assistance, the existing pastoral production systems in the short and medium term. A large number of interrelated political, economic and institutional (“rules of the game”) factors affect pastoralists and pastoral areas, as discussed in chapter 4.

The GoE’s stated long term development objective for pastoral areas is the radical transformation of pastoralists’ culture and livelihoods - settling pastoralists along the banks of major rivers and encouraging them to adopt sedentary, irrigated agriculture and to urbanize (in other words, to become like highland Ethiopians). The strategy of settling pastoralists is in direct opposition to pastoral systems of natural resource management, as the areas identified for settlement are critical dry season grazing areas and water points without which the pastoral systems cannot function effectively. Pastoralist advocacy and development organizations strongly oppose the official proposals for sedentarization. The proposals to settle pastoralists reflect both (a) the anti-pastoralist bias of highland Ethiopian culture and (b) a lack of full understanding of the now widely accepted “new directions in pastoral development.” The latter emphasize that pastoral production systems are not only rational and viable in semi-arid and particularly arid areas (“non-equilibrium environments”) but do not lead to significant overgrazing or to environmental degradation.

Official and Unofficial Livestock Marketing and Export Systems

For many years there have been two very different kinds of livestock marketing and export systems operating in Ethiopia. The official systems supported by the government have performed poorly, in large part because they are weighed down by excessive regulation, taxes and other transaction costs (that put a particularly heavy burden on the poor). On the other hand, there has long been a thriving, unofficial cross-border trade of live animals exported to Somalia and Djibouti and then re-exported to Saudi Arabia, Yemen and Gulf countries. In recent years there has been significantly increased cross-border trade with Kenya as it is unable to meet its demand for meat through domestic production. Consumer goods of various kinds are purchased from the sale of the live animals and are unofficially imported into Ethiopia through this informal trade network. The Ethiopian government does not earn foreign exchange and is unable to officially collect tax revenues on the exported livestock and imported goods. The government calls this unofficial trade “contraband” and has tried to suppress it (there is some evidence that the GoE has tried to formalize the trade with Kenya).

The unofficial cross-border trade in live animals is very large. The Livestock Marketing Authority has recently estimated the value of this trade at USD 105 million per year. This amount is more than 100 times greater than the average annual value of official exports of live animals over the 1993-2000 period. The cattle, sheep, goats and camels involved in this unofficial trade are produced in pastoral areas of the country. If the value of the unofficial cross-border livestock trade

is combined with that of the official trade in LLPs, the total value of the exports of livestock and livestock products rivals that of coffee, for decades Ethiopia's most important export commodity.

The informal cross-border trading system is very old, parts of it pre-dating the incorporation of the eastern and southern areas of the country into the modern Ethiopian state. It is particularly relevant that it is impossible for those involved in the cross-border trade with Somalia to comply with the requirements of the official trading system. The Ethiopian National Bank requires that all legal exports be done with a Letter of Credit, but there has been no national government or modern banking system in Somalia for over a decade (the banking system disintegrated after the government was overthrown in 1991).

Additional Conclusions and Recommendations

The final chapter presents a broad strategy aimed at achieving pro-poor livestock and related policies, draws conclusions and makes recommendations. The political feasibility of the interrelated strategy, conclusions and recommendations is examined. There is scope for positive change but it will be necessary to take a long-term approach in regard to the specific issues involved, as well as the strategy and political viability. This report represents one step in what may be a lengthy process that needs to be sustained and nurtured to be successful. The strategy includes:

- Reaching early agreement on selected issues and activities. This initial step would identify issues and activities promoting the use of livestock as a "vehicle" for poverty reduction and work to reach agreement relatively quickly in regard to follow up actions on the part of the government, donors and NGOs. To achieve rapid agreement, the issues and activities selected would be those with relatively little political opposition (recognizing that there are always vested interests that need to be dealt with).
- Forging strategic alliances and other links between key organizations to strengthen and enhance efforts to promote pro-poor livestock policies and activities.
- Engaging in high-level country dialogue. Given the current policy-making process and environment in Ethiopia, this is the most important and potentially effective entry point to influence policy-making (particularly in regard to politically sensitive issues).
- Strengthening relevant civil society organizations. Reducing poverty among poor livestock producers is only one aspect of much broader efforts aimed at general poverty reduction in Ethiopia. In the long term, achieving sustainable poverty reduction in Ethiopia and other developing countries will require the active and effective involvement of civil society. Yet some question the usefulness or effectiveness of current NGOs in Ethiopia in regard to poverty reduction and/or argue that pursuing this approach will not be politically viable in the short term. The solution is to improve the enabling environment, including policies and institutions, in Ethiopia and to strengthen civil society organizations.