



Livestock's Contribution to Ethiopia's Economy: Much Higher than Previously Thought

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

For this reason, IGAD LPI and the Ministry of Finance and Economic Development (MoFED) have undertaken two consecutive studies on the contribution of livestock to the Ethiopian economy. The first of these studies, IGAD LPI Working Paper No. 02-10, examined the contribution of livestock to Ethiopia's agricultural GDP. It concluded that current agricultural GDP calculations underestimated the contribution of livestock, and readjusted the most recent figures upwards by 47%.

A second study, (IGAD LPI Working Paper No. 02-11) has now 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

Notable findings of the study

Current agricultural GDP calculations underestimate the economic contribution of livestock. In the light of more recent data, livestock's contribution to agricultural GDP can now be adjusted upwards by 47%.

If we add the value of those services provided by livestock that are excluded from GDP calculations, we arrive at a value of USD11.3 billion - and increase of 250% over and above original GDP estimates.

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.

The extent of underestimation becomes clear if we compare 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 add the value of livestock services excluded from GDP calculations, we arrive at a total value for livestock's contribution of 113 billion Ethiopian birr (roughly \$11.3 billion US dollars at 2009 exchange rates).

In other words the total value of livestock goods





and services is 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. By excluding informal exports, official figures again undervalue the real contribution of livestock to the national economy.

National accounts do not accurately depict the



Ethiopia has over 8 million equines providing transport for people and goods

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 the study strengthen the conviction of the vast majority of stakeholders to Ethiopia's livestock sector that increased resource allocation for livestock is warranted. The study further supports the argument that the exclusive policy bias towards livestock production and marketing is not justified, 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.



Camels on route to market

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