

PROSPECTS FOR CORPORATE SECTOR ENGAGEMENT IN PASTORAL DEVELOPMENT IN ETHIOPIA

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Our Objective

- Enhanced dialogues between the corporate sector and other stakeholders in pastoral development, based on appropriate understandings of corporate social responsibility in the Ethiopian pastoral context, and realistic views of the corporate sector's potential roles.

Pastoralism

- Pastoralists are a poor, vulnerable and marginalised group
- They are almost all heavily involved in sales of livestock
- The timing of sales and the type of animal sold are subject to complex considerations of herd accumulation and drought resilience, which are still not well understood, and do not necessarily correspond to business rationality

Broader contexts

- Dialogues are developing internationally on pastoral development between pastoralists and:
 - Government and policy-makers
 - NGOs
 - Researchers
- But little so far between pastoralists and the private sector
- Also an opportunity to explore what “Corporate Social Responsibility” might mean for the domestic private sector in developing countries, and for South-South value chains

Ethiopia

Ethiopia is a good place to develop such a dialogue because of:

- Importance of pastoral production to the national economy
- Relatively well-developed corporate activity within the livestock sector
- Experience of private sector involvement in drought mitigation, and pastoral market development

Methodology and Limitations

- Semi-structured interviews with representatives of private sector companies and other stakeholders, plus document review
- Project designed as a limited exploratory exercise, so no direct consultation with pastoralists
- Information from private sector and other stakeholders was often contradictory, sometimes contentious

The Private Sector and Pastoralism in Ethiopia

Here we discuss:

- The interlinked meat and livestock export sectors

We also covered:

- Veterinary pharmaceutical import
- (To a limited degree) domestic meat supply
- (To a limited degree) hides and skins

But the private sector also interacts with pastoralism in:

- Delivery of veterinary drugs and services
- Supply of all sorts of commodities to pastoralism

And arguably *should* interact in:

- Financial services

The Meat and Livestock Export Sectors (1)

- Vital sectors for the national economy, largely dependent on livestock from pastoral/lowland areas
- Competing and overlapping with massive informal cross-border trade, strongly discouraged by government
- Ultimate market for both formal and informal export largely in Middle East
- Trade restricted by veterinary regulations in importing countries, often imposed abruptly and with limited scientific justification

The Meat and Livestock Export Sectors (2)

- Value chains at local level complex and distinguished by a range of actors, with overlap between formal meat and livestock export, informal export, and domestic meat supply
- Formal value chains are structured around five companies owning export abattoirs, and 12 live animal exporters
- Government favours meat export over live animal export as it is thought to add value and create employment

Meat Export: Industry Structure

- Five companies owning export abattoirs, relatively new
- EI-Fora is part of the MIDROC conglomerate: others are specialised, medium-sized and family- or sole-owned
- Extensive grounds for short-term holding, but very little fattening
- Grouped in Meat Exporters and Processors Association, receives technical assistance from USAID

Meat Export: Export Markets

- Export mainly of small sheep or goat carcasses by air to Gulf States, Egypt; also Congo-Brazzaville
- Markets are highly competitive on price, with competition from Australia, NZ, South America, Europe, other East African countries
- Long-term, but not very formal relations to distributors in importing countries
- Meat sold on butchery counters, labelled by national origin; important as migrant labourers prefer meat from own countries

Meat Export: Local Procurement

- Complex value chains at local level: companies employ mixed strategies of purchase by own staff, small traders acting independently or as agents, and pastoral livestock marketing groups/co-operatives
- Distrust of small traders as colluding in price-fixing
- Approval in principle of co-operatives as shortening the value chain and lowering transaction costs
- Problems in practice with co-operatives, but some have been more successful. One company has introduced an incentive scheme for well performing co-operatives

Meat Export: Drought

- Droughts affect quality of meat and may disrupt supply and therefore long-term market share, but profits are reduced rather than companies losing
- Some evidence that companies have bought (marginally) more during droughts, under Govt/donor/NGO encouragement, but this is controversial.
- Buying limited by pastoralists' concern to sell cattle, not smallstock, and by lack of fattening facilities
- El-Fora bought additional stock for *domestic* market during export ban

Live Animal Export: Industry Structure and Export Markets

- 12 live animal export companies, mainly small, all sole- or family owned
- Companies grouped with domestic livestock traders in Ethiopian Livestock Traders and Processors Association, founded 2003 and given technical assistance by USAID
- Most companies have significant fattening operations
- Exporting mainly cattle to Gulf States, Yemen and Egypt, by road or rail through Djibouti
- Selling to individual traders, companies, and Jordanian trading companies operating throughout the region
- Demand very peaked around Muslim Festivals

Live Animal Export: Local Procurement

- Similar mix of strategies to meat export sector: even less engagement with co-operatives
- Demand peaks do not correspond with pastoralist desire to sell

Live Animal Export: Drought

- Drought has serious effects through declining condition of animals, and need for extra fattening. Profits are low
- Companies discussed destocking with various agencies, some participated in NGO/donor programmes
 - Buying more, buying further from roads, buying poorer quality animals
 - With soft credit facilities or simple encouragement
- Some problems reported, but generally felt to be successful as pilots
- Companies most involved were building their reputations, but also going beyond (even long-term) commercial motives

Meat and Live Animal Export: Other “CSR” Activities

- Some philanthropic donations
- Participation in study tours for pastoral elders organised by projects
- Participation in government policy meetings
- One LAE company approached by ICRC about drug distribution but did not follow up

Attitudes to “CSR” (1)

- “Business is not a charity”
- “Creating an export market could be considered as social responsibility because the pastoralists benefit”
- “Our real competitors are not each other, they are India, Sudan, Australia”
- “If the pastoralists are weak, we are all weak”

Attitudes to “CSR” (2)

- Businesses not familiar with CSR concept
- *Not* hastening to foreground their own responsible practices, but able to see some relation between business survival and responsibility towards pastoralists
- Responsibility comes from the business, not from personal beliefs or backgrounds
- Responsibility will be easier to practice through trade associations than as individual companies
- Businesses not seeing the time as ripe for public adoption of (even very general) CSR principles

Exporter Views: Government and Policy

- A strong view that government, not themselves, should take the lead
- Live animal exporters take a more cautious view because of perceived government favour to meat exporters
- Companies want government action on animal health, cross-border trade, market infrastructure, credit
- Some companies support further-reaching and problematic policies; sedentarisation, restructuring of land-tenure

Exporter views: Shortening Value Chains

- Concern about collusion among lower-level brokers and traders
- Concern to build “real pastoralist” co-operatives, to shorten value chains, cut out middlemen, and lower costs

Exporter Views: Outreach on Marketing

- Exporters are interested in “technical assistance” to pastoralists, to educate them in market requirements for livestock
- Not yet acknowledging that exporters need educating on pastoralist herd accumulation and offtake strategies

Conclusions (1)

- Livestock and meat exporters in Ethiopia trade within value chains driven in the importing countries (primarily the Gulf States) and have limited freedom of action
- There is interest in the idea of CSR, but a persistent complaint of powerlessness compared to the Gulf market *and government*

Conclusions (2)

- Increased corporate responsibility can be built, based primarily on the “business case” or win-win options
- Building an Ethiopian brand in export markets, and keeping capacity utilised, requires predictability and quality of livestock supply
- More altruistic motives exist at individual level, but are hard to disentangle
- *Current “responsibility” tends to assume that pastoralist needs are straightforward and already known*

Ways Forward: Concrete

- Involvement of exporters in drought mitigation/destocking should be refined, widened and made part of long-term contingency planning
- Exporters should be encouraged to communicate with pastoralists on market requirements, but also to learn from them on their drought survival and offtake strategies

Ways Forward: Process

- Donor and NGO work with exporters must emphasise the business case for businesses' wider engagement with pastoral development
- Underdevelopment of the sector, and need for capacity-building, must be seen as windows for discussion of CSR
- Trade associations will be key in future voluntary initiatives
- Public discussion must be encouraged on the three-way relations between pastoralists, exporters and the national economy