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Conceptualizing the Forest and Wood Product Industry Cluster in Ethiopia: Implication for Economic Development

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Abstract

A cluster is a group of industries whose linkages mutually reinforce and enhance economic development. The forest and wood product industry cluster and its implication to the national economy is poorly understood in Ethiopia. This study was conducted to identify the national forest and wood product industry cluster and quantify the multiplier effect to the national economy. Data was collected from the recently published the 2010 social accounting matrix table of Ethiopia. Multiplier analysis was used as a modelling application. The result indicates that the forest cluster includes 25 economic sectors. The forest cluster interrelations among the different sectors are 15 from agriculture sub-sectors 6 from service sub-sector and 2 from industry sub-sector. Similarly, the wood product industry cluster demonstrates 15 sectors, 3 from agriculture sub-sectors, 6 service sub-sectors and 6 from industry sub-sectors. The direct gross output shows 1.7 billion USD and 92 million USD from forestry and wood product industry sector to the economy respectively in 2010. The input source for the forest sector demonstrates 99.95% comes from domestic production while 0.05% is imported. On the other hand, the wood product industry dependent on the imported products; it shares 51.6% of all expenditure. The output multiplier effect to the economy due to a unit increase in forest and wood product industry sector generates an extra 1.85 and 1.56 demands for other intermediate inputs respectively. Consequently, the total output multiplier effects generated 2.81 billion USD and 50 million USD in the economy in 2010 due to the forest and wood product industry sector respectively. The multiplier effect to the household income indicated 1.35 and 0.43 due to a unit increase in the forest and wood product industry sector respectively. Among the six household group the higher multiplier share goes to non-poor households in small urban settlements group by 0.56 more (41.4%) and 0.16 (38.2%) from the forest and wood product industry sector respectively. Planning forest and wood product industry sector development should include the identified clusters actors, which can serve as a guide to sectoral cooperation to promote innovations and improve the multiplier effect to the economy.

Keywords: Gross output, household, output multiplier, social accounting matrix