



# APRA Policy Brief

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## The white gold of Wereta: A city raised on rice

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### Key messages

- It is estimated that, on average, 100,000 t of rice is brought into Wereta City Administration every year to be processed and marketed.
- At the end of 2019, there were 119 rice processors operating in Wereta which are creating employment opportunities.
- Increased incomes for rice farmers and processors have created demand for goods and services; a number of business opportunities have evolved, including the expansion of hotels, wholesaling, retailing and banking.
- The contribution of rice to Wereta can serve as a model for towns and cities found in other potential rice-producing areas in the country.

### Introduction

In the Fogera plain in northern Ethiopia, rice is referred to as 'white gold', which indicates the significant contribution of rice in enhancing agrarian change in rural areas, and in stimulating the emergence and modernisation of towns. Wereta – the administrative capital of Fogera district – is an example of one of the fastest growing urban areas in the Fogera plain. Its rapid development is strongly connected with the development of the rice industry, which has had a spillover effect in the development of diverse services, including hospitality, wholesale and retail businesses, and banking. Most recently, a dry port service centre has been established; an inland port which provides customs services established to reduce port service fees for goods imported from the Republic of Sudan.

Wereta City Administration is located in the South Gonder zone of Amhara regional state, east of Lake Tana and is located 625 km from Addis Ababa and 55 km from the regional capital, Bahir Dar. Wereta was established in 1949 and became a City Administration in 2007 in recognition of its economic importance and increased population. In 2019, the total population was 49,849 of which 50% was female.

In Fogera district, out of a total of 33 *kebeles* (wards), Wereta is surrounded by 29 *kebeles* with a high potential for rice production, making Wereta an enclaved city surrounded by rice fields. The extensive rice fields have stimulated the development of rice processing in Wereta; it is estimated that, on average, 100,000 t of rice is brought into the city every year to be processed and marketed.

This brief examines the role of rice commercialisation in the development of Wereta City Administration and concludes with some pointers for scaling experiences that may be applicable to other areas suitable for enhancing rice production and processing.

### Socioeconomic contribution of rice

The role of rice for the socioeconomic development of Wereta can be explained in two ways. Firstly, the direct contribution to the emergence of the rice processing industry and increased

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© APRA Stages of rice processing: dehusked rice (left) and polished rice (right)

income of rice farmers. Secondly, the indirect contribution through the spillover effect in terms of increased farm household income, which has created demand for goods and services that have attracted investment in different sectors, including hotels, banking, wholesaling and retailing.

## Direct contribution of rice

### Importance of rice processing industry for Wereta

The rice processing industry in Wereta creates important rural-urban linkages with rice producers from across the district, who travel to the district capital to get their rice processed, as well as to purchase consumables and other services (e.g. banking). At the end of 2019, there were 119 rice processors operating in Wereta which, in turn, create employment opportunities for locals living in or close to the city. These processors have a dual role – providing milling services and serving as wholesalers and retailers for milled rice. It is common for processors to provide a milling service whereby they first agree the price at which they will buy the milled rice, then mill the rice for free but keep the by-products (bran and husk) for further processing, which they sell. The processors, as wholesalers, also sell milled rice to different parts of the country, but mainly to bigger cities including Addis Ababa, Bahir Bar, Dessie, Gondar and Woldia.

The rice processing industry also engages other service providers including paddy rice collectors (who act on behalf of processors), brokers and transporters. For instance, the numbers of assemblers (independent buyers of rice smallholder farmers who sell on to processors) are estimated to be about 75 in Nabega *kebele*, 25 in Kidist Hanna *kebele* and 20 in Diba Sifatra *kebele*. This highlights the role of rural-urban linkages between rice farmers and rice processors through assemblers, who often also live in Wereta.

### Spillover effect of the rice industry

With increased incomes for rice farmers and processors, a number of business opportunities have evolved within Wereta. The most important relate to the expansion of hotels, wholesaling, retailing and banking, all of which have developed as the city has expanded.

The boom in businesses has also led to the need for more public services, which in turn has led to the establishment of a number of government offices and other public organisations.

## Indirect contribution of rice

### Hospitality services

The hotel industry is one of the most important service sectors within Wereta and, with increased economic activity, the number of hotels and restaurants has considerably increased over recent years. This not only provides critical hospitality services for temporary residents and visitors, but also creates important job opportunities.

### Private businesses

Trade and investment in private businesses are flourishing with the expansion of the city and increase in economic activities (Table 1).

Table 1: Expansion of businesses in Wereta

Category	Types of businesses	No. in 2010	No. in 2020
A – those with investment greater than 1 million Birr (US\$30,300)	All types of businesses	0	78
B - those with investment ranging from 0.5-1 million Birr (US\$15,150- US\$30,300)	All types of businesses	62	148
C – those with investment less than 0.5 million Birr (US\$15,150)	Mainly shops, kiosks, coffee houses, and local liquor, <i>tela</i> and <i>teji</i> (alcohol) houses	809	1,516

Source: Wereta Trade and Investment Office (2020)

Note: categories are as per the classification for taxation purposes set in Ethiopia

These trends clearly indicate how private investment has flourished across the city, which has stimulated the income for locals through the creation of further jobs.

### Financial services

With the increased demand for financial services, eight banks have opened branch offices in Wereta, namely the public Commercial Bank of Ethiopia (two branches), as well as Abay, Abyssinia, Awash, Buna, Dashen, Nib and United banks. The high number of banks indicates the considerable demand from locals for banking services and the extent of financial transactions; it is common to see long queues of farmers waiting for banking services on market days.

### Public organisations

With the development of the town, a number of public organisations have been established, in addition to the main public district administration offices, including those related to the development of the rice sector in the region:

- The National Rice Research and Training Center (NRRTC) of the Ethiopian Institute of Agricultural Research, which has a mandate for national coordination of rice-related research and for conducting rice research in different areas. NRRTC is engaged in promoting diverse rice-related technologies and the facilitation of rice stakeholder linkages.



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APRA team at the National Rice Research and Training Center in Wereta City

- Wereta Agricultural Technical Vocational Education and Training College (ATVET). The country has 25 operational ATVETs (five federal and 20 regional); the Wereta ATVET is one of the 20 regional colleges responsible for providing training for agricultural development agents and small enterprises in rural areas. Wereta ATVET was established in 1991 and currently runs five departments with 205 permanent staff.
- Wereta Technical Vocational Education and Training College (TVET) was established in 2013 and runs eight departments (areas of specialisation) with 86 staff. The main objective of Wereta TVET is to prepare a competent workforce for improved employability in the labour market, and enhanced self-employment. TVET trainees are those that did not pass the national exam at grade 10 in the town and surrounding areas. They are provided with training on road construction, plumbing and sanitary installations, surveying, construction management, electrical system installation, carpentry and joinery, textile design and manufacturing.
- The Office of Small and Medium-Scale Entrepreneurship Creation promotes job creation mainly for youth and women by facilitating business start-ups, and has been instrumental in the start-up of a number of rice processors. In 2019, two youth groups were established to engage in the rice-husk briquette industry (energy conversion of the husk) in collaboration with Mennonite Economic Development Associates, an international NGO engaged in rice sector development.

also increased to allow individuals with better incomes to make use of *bajaj* (three-wheel vehicles), minibuses, and buses. Similarly, demand for the transport of goods – mostly agricultural and construction materials – has also considerably increased, mainly through the use of medium-size trucks (Isuzus). Consequently, the number of fuel stations has increased considerably and there are currently eight in Wereta.



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A rice mill at Wereta

### Transport service providers and gas stations

With the increase in Wereta's population and the demand for linking with rural *kebeles*, the call for public transport services has

## Rice and job opportunities

The job opportunities created through rice commercialisation are related to the temporary (casual) and permanent jobs created in rice production, processing and marketing, as well as in the different businesses established through the spillover effects of the rice sector (e.g. hospitality and tourism, banking, fuel stations, other processing industries, and smaller businesses that have flourished in the town). Rice production is highly labour intensive and some of the agronomic practices (e.g. weeding, cultivation and harvesting) are time sensitive. This requires farmers to use hired labour, especially those with small families and limited household labour. This, in turn, has facilitated the development of a rural, seasonal labour market, especially for unskilled labours. The APRA rice farmers' survey (2018) indicates that 52.4% of smallholder rice farmers use hired labour in rice production. The wage rates range from 80-120 Birr (US\$2.40-US\$3.60) per day depending on the type of work and distance from Wereta. The labourers are mainly from the South Gonder area (97%) and the rest from North Gonder zone (3%) of the Amhara region.

Rice processors employ both casual and permanent labour. The APRA rice processors' survey (2020) indicates that, on average, six casual labours and four permanent staff are involved in loading/unloading, processing machine operation, customer handling (purchase of paddy and sale of milled rice), guarding and cleaning of each property.

## References

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## Key recommendations

- The emergence of Wereta from a typical rural town into a city administration was driven by the expansion of rice production and commercialisation in the surrounding *kebeles*. This has led to a change in perception of the Fogera plain and Wereta, which used to be considered by government officials and local people as a region of persistent poverty and food insecurity, but are now thought of as areas of surplus with diverse livelihood options.
- Development of the rice value chain ensures strong rural-urban linkages, facilitating not only the economic development of urban areas but also rural areas as a pull-factor.
- The economic development of Wereta was predominantly stimulated from rice-related private initiatives/incentives. Proactive public support at all government levels could have enhanced even better city development.
- In order to sustain the growth of Wereta, further modernisation of the rice sector (production, processing and marketing), and also diversification of agricultural production, needs attention from governments at local, regional and federal levels.
- The contribution of rice to Wereta can serve as a model for towns and cities found in other potential rice-producing areas in the country, specifically in the seven rice sector development hubs (Assosa, Chewaka, Ferda, Gambella, Gode, Gura, May, Pawe and Tsebri).

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