

Capacity Building: CGE Training



The Ethiopian Development Research Institute (EDRI), Ethiopia Strategy Support Program II (ESSP II / IFPRI), and School of Economics of Addis Ababa University organized a two-week course in Computable General Equilibrium Modeling, October 17–28, 2011. In the first week the course focused on the basic tools and a static version of the model (40 participants). Week two was devoted to a dynamic version of the CGE Model (31 participants). Participants came from different research organizations (EDRI, EEA), Ministries (e.g. Ministry of trade), and several universities.

Capacity Building: GIS Training



Twenty four participants from the National Meteorology Agency, the Central Statistical Agency, and the Ethiopia Strategy Support Program II attended 3 days training on Introduction to GIS organized by the Ethiopia Strategy Support Program II, September 20–22, 2011.



News:

Sherman Robinson (IFPRI) and Dario Debowicz (IFPRI) were in Addis Ababa from October 17th until October 28th to conduct the training on CGE. Emily Schmidt (IFPRI) is in Addis Ababa from October 10 till November 8 to work on different research topics as well as conduct GIS trainings.

Upcoming Events!

- An **Introduction to GIS** course for regional CSA analysts as to improve the use of CSA data for analytical and planning purposes is organized in Hawassa starting on November 1–4, 2011.
- ESSP II is supporting the organization of the international conference on **Increasing agricultural productivity and enhancing food security in Africa**, held November 1–3 at the Africa Hall – UNECA. This conference is jointly organized by IFPRI, FARA, AUC, and UNECA.
- A one-day seminar on **Taking stock of the economy of the livestock sector in Ethiopia** is jointly organized by ESSP II and EDRI at Jupiter Hotel in Addis Ababa on November 4th. New research results will be presented and discussed with stakeholders.
- A five-day course on **Game Theory and Industrial Organization** is organized in collaboration with EDRI and Oxford University November 7–11 at the University of Addis Ababa. The audience is coming from national and regional universities, national research institutes, and ministries.
- A two-week course on **Applied Micro-economics** will be conducted by Prof. David Stifel the first two weeks of December 2011. The intended audiences are graduate students at the University of Addis Ababa and researchers at national research institutes, including EDRI and EEA.

Highlights of presentations in September – October, 2011:

Enhancing Resilience and Promoting Development in Pastoralist Areas of the Horn of Africa: Derek Headey, Athur Mabiso, Alemayehu Seyoum Taffesse. Nairobi, Kenya (An Expert Consultation Workshop on Interventions for Sustainable Livestock Systems in the Horn of Africa). September 2–3.

- Pastoralist areas of the Horn of Africa are faced with many challenges including more frequent and more damaging droughts, reducing grazing lands, rapid population growth, and poor market access.
- Despite these challenges, and despite the need for economic diversification, pastoralism should not be neglected. It remains the most important source of income and employment in lowland areas, and nonfarm sectors cannot yet absorb the rapidly growing labor force.
- With more investment and more innovation, there are good opportunities to modernize and commercialize pastoralism in a pro-poor fashion. This involves better access to markets, to public services like animal health care, and to market information and early warning systems.

Consumption, Saving and Investment Behavior of Successful Farmers. Income Sources, Diversification, Asset Accumulation, Constraints, and Lessons: Guush Berhane, Alebel Bayrau, and Tassew Woldehanna. Addis Ababa (Workshop on Successful Farmers Study). September 6.

- The survey data show that the average Successful Farmer (SF) is certainly better off than the average Comparison Farmer (CF). However, some SF have lower asset bases than the average CF.
- Individual SF's entrepreneurship may explain much of the successes of SF, but there are a number of practices linked to their success: experimentation with improved varieties and technologies; improved water harvesting mechanisms; focus on local specific resources; improved access to input and product markets; and better post harvest output management efforts.
- Limiting factors in the transformation from smallholder to medium farmer are: scarcity of land; absence of appropriate credit facility; unavailable or expensive improved seed varieties for high-value cash crops; and an efficient, equitable, and credible market for agricultural produce is lacking.

Group Credit, Weather Risk, and Food Security: The Potentials for Weather Linked Credit Insurance: Guush Berhane and Cornelis Gardebreek. UNECA, Addis Ababa (5th African Microfinance Conference). September 20, 2011.

- Access to finance is a serious challenge for achieving food security, particularly in rural Africa. Credit is needed to help extricate households out of poverty through reducing risk by asset building, or by bridging the present consumption gap.
- If the credit contract itself introduces additional risk, then poor households tend to avoid credit, i.e. farmers prefer to stay poor rather than face the risk of becoming poorer.
- Poor farmers would be interested in weather index-based insurance (insurance payouts based on nearest rainfall records), as they need credit and want minimized risk. However, experiments in this field are needed as to better understand the most appropriate delivery mechanisms.

Household Determinants and Impact of Sustainable Land and Watershed Management (SLWM) Practices in the Blue Nile: Emily Schmidt, and Fanaye Tadesse. ILRI Campus. October 24, 2011.

- Households that have poorer quality of soil, steeper slopes, and experience erosion or flooding are more likely to invest in SLWM. Those that invest in fertilizer are also more likely to invest in SLWM.
- Impact analysis suggests that farmers that implement and sustain terraces, bunds, or check dams experience higher value of production in the medium term.
- The longer one sustains SLWM, the higher the marginal benefit of sustaining an extra year of activity.

Publications:

- de Brauw, A., V. Mueller, and T. Woldehanna. 2011. **Insurance Motives to Remit: Evidence from a Matched Sample of Ethiopian Internal Migrants**. ESSP II Working Paper 25.
- Asfaw Negassa, Shahidur Rashid, and Berhanu Gebremedhin. 2011. **Livestock Production and Marketing**. ESSP II Working Paper 26.
- Hill, R. V., J. Hoddinott, and N. Kumar. 2011. **Adoption of weather-index insurance: Learning from willingness to pay among a panel of households in rural Ethiopia**. ESSP II Working Paper 27.
- Cohen, M., and M. Lemma. 2011. **Agricultural Extension Service and Gender Equality. An Institutional Analysis of Four Districts in Ethiopia**. ESSP II Working Paper 28.
- A. S. Caria, S. Tamru, and G. Bizuneh. 2011. **Food security without food transfers? A CGE analysis for Ethiopia of the different food security impacts of fertilizer subsidies and locally sourced food transfers**. ESSP II Working Paper 29.
- Dorosh, P., and J. Thurlow. 2011. **Urbanization and Economic Transformation: A CGE Analysis for Ethiopia**. ESSP II Working Paper 14.

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Ethiopia Strategy Support Program II

Research Initiatives 2011:

- Determinants of agricultural productivity
 - Analysis of farm-level data from Central Statistical Agency (CSA)
 - Analysis of agricultural input use, gender issues, household response to high food prices
- Evaluation of watershed management investments
- Determinants of market prices of cereals
- Operational multi-market model
- Book on Ethiopian food and agricultural policy
- Consumption, savings and investment behaviors of successful farmers
- Rural-urban transformation
 - Rural-urban migration survey
 - CGE analysis of structural changes in the economy
 - Implications of infrastructure investments

Capacity Building Initiatives 2011:

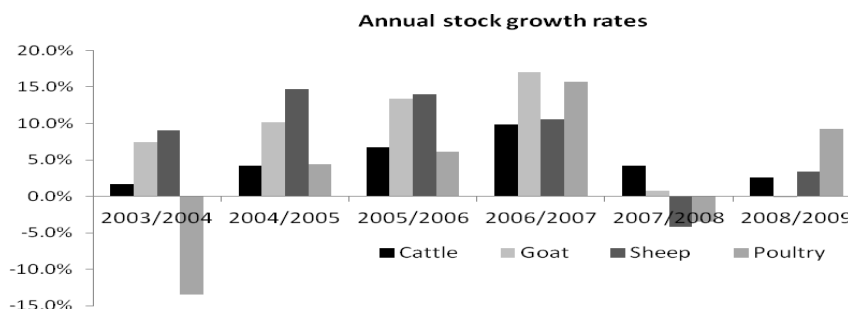
- **Ethiopian Development Research Institute (EDRI)**
 - Support to EDRI SAM/CGE Analysis
 - Support to short-term policy analysis on cereal markets, inflation, and economic growth
 - Joint seminar series
 - International PhD training
- **Central Statistical Agency (CSA)**
 - Support to GIS analysis
 - Maintain operational geo-database
 - Federal and regional GIS training
 - Strengthen data dissemination through REKSS
- **Ministry of Agriculture (MoA)**
 - Support to agricultural and food security policy analysis
 - Creation of operational agricultural policy data base
 - Training on agricultural market analysis

Policy Related Analysis:

Synthesis on Livestock Study: Stefano Caria (DRMFSS), Ayele Gelan (ILRI), Seneshaw Beyene, Ermias Engeda, Fantu Nisrane Bachewe, Helina Tilahun, Kibrom Tafere, Ibrahim Worku, and Derek Headey (IFPRI). Paper presented at the EEA Conference (July 2011) and one of ESSP II's research themes. A day-long workshop on this theme is organized on November 4th by ESSP II, EDRI, and ILRI in the Jupiter Hotel, Addis Ababa.

Trends in the livestock sector:

- Unprecedented stock growth in 2000s; stock growth in 2000–07, then slump.



- Rising real prices of cattle show sustained demand; real prices of sheep and goats stable or declining.
- Rising export values of live animals.

Supply constraints:

- Forage/feed forms a constraint for beef, sheep/goat meat, and dairy products.
- Diseases are particularly acute for chickens, but a problem for all sub-sectors.
- Market access for dairy is critical.
- Export constraints for beef and sheep/goat meat.
- Breed quality can be improved in all sub-sectors.

Markets:

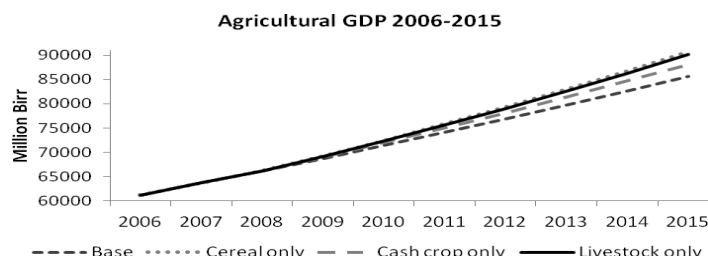
- Sheep markets are well integrated with Addis Ababa and less so within regions; goat markets are not as well integrated with Addis, but better integrated within regions; transaction costs are declining.
- Fall in transaction cost, but still imperfect market integration for cattle (well integrated with regional capital, less so with Addis Ababa).
- Proximity to livestock markets improved in 2000–07.

Demand:

- Significant price elasticities: mutton/goat meat has the highest own price elasticity; rural areas have higher own elasticities for beef, mutton/goat meat, and 'other meat'.
- Substitution relation between beef and mutton/goat.
- Significant expenditure and price response suggest policies affecting prices will have strong effects on consumption.

Macro-economic importance:

- Strong economic linkages for livestock.



- Livestock has significant income generation potential for the poor.

IFPRI – ETHIOPIA STRATEGY SUPPORT PROGRAM II

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Contact:

Bart Minten
IFPRI c/o ILRI
P.O. Box 5689, Addis Ababa, Ethiopia
Tel: +251 11 6 17 25 55 Fax: +251 11 6 46 23 18
Email: mahlet.mekuria@cgiar.org

INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE

<http://www.ifpri.org>

Contact:

2033 K Street, NW • Washington, DC
20006-1002 USA
Tel: +1-202-862-5600
E-mail: ifpri@cgiar.org

ETHIOPIAN DEVELOPMENT RESEARCH INSTITUTE

<http://www.edri.org.et/>

Contact:

P.O. Box 2479,
Addis Ababa, Ethiopia
Tel: +251 11 5 50 60 66; +251 11 5 52 53 15
Fax: +251 11 5 50 55 88
Email: exe-director@edri.org.et