

### The Ninth International Conference on Ethiopian Economy, July 21-23, 2011.



Thirteen papers were presented by the ESSP II researchers at the Ninth International Conference on the Ethiopian Economy that was organized by the Ethiopian Economic Association (EEA) and the Ethiopia Strategy Support Program II (ESSP II). More than 400 people attended this event. Dr. Alemayehu Seyoum Taffesse, President of EEA and Research Fellow IFPRI-ESSP II, gave the opening speech at the conference.



Dr. Paul Dorosh, Division Director – Development Strategy Governance Division IFPRI gave a presentation on “Ethiopia’s Growth and Transformation Plan: Observations on Growth, Financing and Household Welfare”.

Link to Videos of Presentations:  
<http://essp.ifpri.info/>

### Capacity Building: Econometric Techniques for Panel Data Analysis



EDRI, ESSP II and the School of Economics of Addis Ababa University (AAU) jointly organized a training workshop on Econometric Techniques for Panel Data Analysis – Ethiopian Rural Household Survey (ERHS) and Young Lives Survey (YLS) – July 25-28, 2011, at the AAU, School of Economics. The training workshop was given to a total of 35 young university teachers, researchers, regional university graduates, and postgraduate students. The training was conducted by two lecturers from University of Oxford.

### Upcoming Events!

- A workshop will be held at Jupiter International Hotel on **September 6<sup>th</sup>, 2011** to present and discuss the results of the study by EDRI and ESSP II on consumption, investment, and savings of successful farmers.
- A GIS training will be conducted on **September 20-22, 2011** for representatives of MoA, EDRI, NMA, and CSA.
- CGE Analysis training workshop, to be conducted by Dr. Dario Debowicz (IFPRI), Dr. Sherman Robinson (IFPRI), and Prof. David Stifel (Lafayette College), the last two weeks of **October 2011**.

### Highlights of ESSP II Presentations at the 9th International Conference on Ethiopian Economy, EEA Conference Hall, July 21-23, 2011:

**Ethiopia’s Growth and Transformation Plan: Observations on Growth, Financing and Household Welfare:** Ermias Engida, Seneshaw Tameru, Eyasu Tsehaye, Dario Debowicz, Paul Dorosh and Sherman Robinson. July 21.

- Total Factor Productivity (TFP) growth assumptions are very high when compared to evidence from other countries.
- The real incomes of the poor rise substantially under the GTP. GTP accelerates this real income growth provided there is sufficient foreign savings, part of which could be utilized towards investments in Ethiopia.
- Agricultural growth still makes a big difference as agricultural growth is mostly pro-poor.

**Decomposing the Impact of Poverty Covariates in Ethiopia:** Ibrahim Worku, Bethlehem Koru and Fanaye Tadesse. July 21, 2011.

- From 1996 to 2004 poverty has shown a declining trend. The illiteracy rate has decreased as well. The decrease in illiteracy has been more pronounced in urban than in rural areas. However, urban poverty is more persistent.
- Asset ownership, education, smaller household sizes, and income source diversification have all contributed positively to welfare improvement.

**The Benefit of Lower Transport Costs:** Hanan Jacoby and Bart Minten. July 21, 2011.

- Living standards decline substantially with increased remoteness, reflected most strikingly in land values.

**Was the Global Food Crisis Really a Crisis?** Derek Headey. July 21, 2011.

- How good is the evidence base for the assumptions (by WB, FAO, and others) that the poor would suffer as a result of the price rises of wheat, maize and rice?
- We still don’t know the true impacts of the “crisis” as alternative data show the impact to be less severe.
- Institutions should think about how we can improve measurement of food insecurity. Food consumption scores and anthropometric measures arguably get closer to what we really mean by food insecurity.

**Urbanization and Fertility Rates in Ethiopia:** Fanaye Tadesse and Derek Headey. July 22.

- Why is the rural-urban fertility gap so large (6 children in rural areas; 2.4 children in urban areas) in Ethiopia?
- Wealth, by itself, does not seem to matter much. Policy-relevant findings are related to female secondary education, age at marriage, and raising awareness of family planning goals and technologies.

**Formation of Aspirations - An Empirical Analysis:** Tanguy Bernard, Stefan Dercon, Fanaye Tadesse, Alemayehu Seyoum Taffesse and Ibrahim Worku. July 22, 2011.

- The present study adopts the aspirations failure approach which attempts to blend external constraints that the poor face with the potential effect these constraints may have on the internal logic governing choice by them.
- Preliminary findings: Poorer individuals seem to have lower aspirations; individuals with low aspirations appear to have limited exposure to the ‘rest of the world’; and thus low aspirations can perpetuate poverty, inequality, and marginalization.

**Consumption Patterns of Livestock Production in Ethiopia: Elasticity Estimates Using HICE (2004/05) Survey Data:** Kibrom Tafere and Ibrahim Worku. July 23, 2011.

- The consumption of livestock products is very low and varies between rural and urban areas: Rural areas: 4.3% of total expenditure and 8% of food expenditure; urban areas: 5.2% of total expenditure and 12.7% of food expenditure. For all livestock products, per capita calorie intake rises with income.
- There is a significant expenditure and price response and this differs between rural and urban areas. For beef, mutton/goat meat, and ‘other meat’, rural areas have higher elasticities, while the opposite is true for dairy products.

**The Role of Livestock in the Ethiopian Economy: A Dynamic CGE Analysis:** Ayele Gelan, Ermias Engida and Stefan Caria. July 23, 2011.

- Livestock has important economic linkages, especially when we take into account the complementarities with crop production.
- The livestock sector has marginally smaller consumption effects and smaller productivity shocks, which means livestock needs to be taken seriously in food security policies.

**Spatial Integration of Livestock Markets in Ethiopia:** Fantu Nisrane Bachewe and Seneshaw Tameru. July 23.

- Sheep markets are well integrated with Addis Ababa; modest integration within regions.
- Goat markets are weakly integrated with Addis Ababa; very good integration within regions.
- Cuck markets: moderate degree of integration with Addis Ababa; strong degree of integration within regions.
- Most oxen and bull markets are better integrated with regional capitals than with Addis Ababa.

**Synthesis on Livestock Study:** Stefano Caria, Ayele Gelan, Ayele Gelan, Seneshaw Beyene, Ermias Engida, Fantu Nisrane Bachewe, Helina Tilahun, Kibrom Tafere, Ibrahim Worku and Derek Headey. July 23, 2011.

- The livestock sector is large, but has very low productivity, and low levels of commercialization.
- There is a strong growth in formal exports and some emergence of new markets.
- There is significant dynamism in supply and demand; a number of supply constraints; decreasing transaction costs and different patterns of market integration; high expenditure and price elasticities; important macro-linkages and thus income generation potential for the poor.

**Rainfall Insurance and Informal Groups: Evidence from a Field Experiment in Ethiopia:** Stefan Dercon, Ruth Vargas Hill, Ingo Outes-Leon, Alebel Bayrou, Daniel Clarke, and Alemayehu Seyoum Taffesse. July 23, 2011.

- Demand increased when groups were exposed to training that encouraged sharing of payouts within a group.
- One mechanism for this higher level of take-up may come from the ability of groups to mitigate some of the basis risks inherent in these products.

**Trends in Total Factor Productivity of Agriculture: A Growth Accounting and Econometric Approaches:** Fantu Nisrane Bachewe. July 23, 2011.

- Half of the increase in production during 2004/5-2009/10 was attained at an extensive margin; remaining increase resulted from intensive use of inputs, growth in TFP, and increased efficiency.
- Growth in TFP varied across models, ranging from 1.4 to 5.0 %. Annual growth in efficiency averaged 1.2 %.

**To get access to the slides of all the presentations:** <http://essp.ifpri.info/knowledge-sharing/>

**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:**

**Offering Rainfall Insurance to Informal Insurance Groups: Evidence from a Field Experiment in Ethiopia.** by Stefan Dercon, Ruth Vargas Hill, Ingo Outes-Leon, Daniel Clarke, and Alemayehu Seyoum Taffesse.

Paper presented at the EEA Conference and one of ESSP II's research themes

- Rainfall risk remains a key problem for Ethiopian farmers. In a recent survey conducted in 2009, 44% of farmers reported serious losses in wealth and consumption due to drought in last 4 years, and 22% report losses due to too much rain and floods. This would suggest that these farmers are likely to be interested in insurance.
- This study attempts to market rainfall insurance products to informal risk-sharing groups that offer a payout when rainfall falls below a particular level, measured at a local rainfall station.
- Leaders and members of risk sharing groups were trained on risk management and the possible benefits of insurance. Among those trained we randomized training, with some sessions focusing on group benefits and others only on individual benefits from insurance.

**Results:**

- Members of groups whose leaders had received group-focused training had considerably higher uptake.
- The results suggest benefits from marketing index-based insurance to insurance groups, at least in terms of uptake.
- The results also suggest that if farmers are increasing informal risk sharing as a result, it is being done in small groups of selected farmers.

**Neighbors and Extension Agents in Ethiopia: Who Matters More for Technology Diffusion?** by Pramila Krishnan and Manasa Patnam.

Paper presented at the EEA Conference, and analysis based on the Ethiopian Rural Household Survey, financed by ESSP II.

- Further adoption of fertilizers and improved seeds are the key to increased land productivity in Ethiopian agriculture. However, the adoption and diffusion of such technologies has been slow.
- While supply side factors undoubtedly play a role, in this paper we concentrate on the possibility that imperfect information about the returns to new technology explains low adoption rates.
- We use data from the Ethiopian Rural Household Survey between 1999-2009 to examine the role of learning from others for the adoption and diffusion of improved seeds and modern inputs.

**Results:**

- In 1999-2009, learning from neighbors was a potent factor in explaining adoption of improved seeds and fertilizer.
- The speed of diffusion of improved seed through learning from neighbors is likely to continue to increase until local diffusion levels of about 75 percent have been reached, but for fertilizer, the benefits from learning appear to tail off once about 40 percent diffusion has been reached.

**IFPRI – ETHIOPIA STRATEGY SUPPORT PROGRAM II**

<http://essp.ifpri.info>

**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](mailto: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](mailto: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](mailto:exe-director@edri.org.et)