

Weather Index Insurance

The second round of The Weather Index Insurance survey was launched in mid November 2011. The related study analyzes to what extent insurance based on a rainfall index will be useful to and demanded by farmers. Four woredas in the region of Oromia are piloted.

Capacity Building:

Introduction to GIS: Regional level trainings were given in Hawasa (November 1-4) for 24 participants and in Dire Dawa (December 12-16) for 30 participants.



Stefano Caria gave a five-days training (November 7-11) on **Game Theory and Industrial Organization** for 33 university students/lecturers.

Applied Micro-economics. Prof. David Stifel taught a two week course from November 28th to December 9th to 28 participants (graduate students of the University of Addis Ababa and researchers of National Research Institutes).

Staff News

ESSP II/EDRI hired 2 new staff:
Thomas Woldu joined ESSP II/EDRI as a Research Officer effective November 15, 2011
Mekdim Dereje joined ESSP II/EDRI as Research Officer effective December 12, 2011.

IFPRI – ESSP II and EDRI Small Research Grants:

In order to increase the national capacity to conduct policy-relevant economic research, ESSP II resources will be utilized to fund for the second time a small research grants scheme, beginning in November 2011.

The Grants are provided on a competitive basis, depending on the quality of the proposal and the relevance of the topic to the development problems of the country. A maximum grant of US\$1,000 and US\$2,000 will be awarded for the winning proposals of master students and for doctoral student, respectively.

Currently, a total of 72 students from all over Ethiopian Universities have applied for the grant.

For further information, please visit <http://www.edri.org.et/news.php>

Upcoming Events!

- An IFPRI/ESSP II/EDRI Policy Conference is being prepared and planned for April 2012.
- The Tenth International Conference on the Ethiopian Economy will be held in July 2012 at the Ethiopian Economics Association.
- A regional training on "Introduction to GIS" will be given in Amhara and Tigray region.

Highlights of presentations in November – December, 2011:

Food Security without Food Transfers? Seneshaw Tamiru, Stefano Caria and Gerawork Getachew. IFPRI conference on 'Increasing Agricultural Productivity & Enhancing food Security in Africa'. Addis Ababa, UNECA. November 1, 2011

- High agricultural productivity growth, coupled with local procurement, delivers an effective response to chronic food insecurity.
- Food transfers may be the most effective short-to mid-term answer to food access insecurity when high return agricultural productivity policies are not available.

Agricultural Productivity in Ethiopia - Challenges for Future Growth. Alemayehu Seyoum Taffesse and Fantu Bachaw. IFPRI conference on 'Increasing Agricultural Productivity & Enhancing food Security in Africa'. Addis Ababa, November 3, 2011

- Output growth was mainly driven by growth in cultivated area and traditional inputs such as labor and livestock, and the amount of rain received in the region.
- Modern inputs have yet to contribute significantly to increases in output.
- Both ERHS and CSA data implied positive contributions of increased advisory services by extension agents.
- Future growth need to derive from increases in Total Factor Productivity (TFP).

Urbanization and Spatial Connectivity in Ethiopia: Urban Growth Analysis using GIS.

Mekamu Kedir and Emily Schmidt. Hawassa University. November 2, 2011.

- Ethiopia has placed a primary emphasis on rural and agricultural led development; nonetheless, the country continues to urbanize and agglomeration economies are beginning to link and form corridors of economic growth.
- Improved transport within Ethiopia has facilitated greater mobility of capital, goods, and people, and incentivized population clustering along major transportation routes.

Taking Stock of the Economics of the Livestock Sector in Ethiopia. Derek Headey, Seneshaw Tamiru, Fantu Nisrane, Tadesse Kuma, Stefano Caria, Gidey G/medhin, Belachew Hurrissa and Ayele Gelan. Addis Ababa, Jupiter Hotel. November 4, 2011.

- A total of nine different presentations on the topic were given during this seminar. You can consult all presentations at <http://www.slideshare.net/essp2/presentations>.

MDGs and Beyond. Alemayehu Seyoum Taffesse. Regional Workshop 'Articulating Africa's Position on the Post 2015 MDG Agenda'. Accra, Ghana. November 15-18, 2011.

- The MDGs project faced a number of implementation difficulties including trade-offs, complementarities, sequencing among targets and instruments; measuring progress towards targets; valuing outcomes in multi-dimensional space; and sustainability of outcomes.
- The challenge for the post-2015 strategy is to choose and mix from options and visions based on: evaluation of the outcomes, policies, sustainability of the MDGs project; diagnostics of binding resource and institutional; acknowledgement of the changes in the global context (including economic slowdown, food/energy prices, climate change); and assessment of the usefulness of global goal setting and coordination.

CSA data from a user's perspective. Alemayehu Seyoum Taffesse. UNECA, African Statistics Day Workshop. November 28, 2011

- Some gaps and suggestions were presented.

The Impact of SMS-Based Agricultural Information on Farmers: Insights From A Randomized Control Trial. Bart Minten. December 9, 2011.

- Indian farmers get market and weather information delivered to their mobile phone by a commercial service called Reuters Market Light (RML)
- Treated farmers make use of the information that RML provides. However, no statistically significant average effect of treatment on the price received by farmers, on crop losses resulting from rainstorms, on the likelihood of changing crop varieties and cultivation practices. Thus, disappointing results but in line with the take-up rate of RML services

Publications:

Bingxin Yu, Alejandro Nin-Pratt, José Funes, and Sinafikeh Asrat. 2011. **Cereal Production and Technology Adoption in Ethiopia.** ESSP II Working Paper 31.

Ermias Engida, Seneshaw Tamru, Eyasu Tsehay, Dario Debowicz, Paul Dorosh and Sherman Robinson. 2011. **Ethiopia's Growth and Transformation Plan: A CGE Analysis of Alternative Financing Options.** ESSP II Working Paper 30.

Dorosh, P., S. Robinson, and H. Ahmed. 2010. **Economic Implications of Foreign Exchange Rationing in Ethiopia.** *Ethiopian Journal of Economics* 18(1)

Kibrom Tafere, Alemayehu Seyoum Taffesse, Seneshaw Tamiru, Nigussie Tefera, and Zelekawork Paulos. **Food Demand Elasticities in Ethiopia.** ESSP II Brief 09.

John W. Mellor and Paul Dorosh. 2011. **Agriculture and Ethiopia's Economic Transformation.** ESSP II Brief 08.

Tewodaj Mogues, Carly Petracco, and Josee Randriamamonjy. 2011. **Making Rural Services Work for the Poor and Women in Ethiopia.** ESSP II Brief 07.

Ethiopia Strategy Support Program II

Research Initiatives 2012:

- Agricultural Productivity: Performance and Constraints
- Determination of Food Prices
- Determinants of Adoption and Impacts of Sustainable Land/Watershed Management
- Dynamic Implications of Production Shocks and Policy on Livestock Markets and Household Welfare: A Sectoral and Economywide Analysis
- Aspirations, Risk and Household Investment Behavior
- Agricultural Growth Program (AGP) Impact Evaluation
- Accelerating Agricultural Market Transformation in Ethiopia: Processes, Potentials, and Challenges
- The Teff Value Chain
- Understanding and Improving Agricultural Extension Service Delivery in Ethiopia

Capacity Building Initiatives 2012:

- **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
- **Central Statistical Agency (CSA)**
 - Support to GIS analysis
 - Federal and regional GIS training
 - Strengthening of 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 policy analysis

Policy Related Analysis:

From Drought to Development in the Horn of Africa: An Exploration into Alternative Investment Options: Derek Headey, Alemayehu Seyoum Taffesse, and Liang You. Paper presented at EDRI, December 7, and at the USAID Conference 'Enhancing Resilience in the Horn of Africa: an Evidence-based Summit on Strategies for Success' Washington, DC. December 13, 2011.

Background:

- The Horn has witnessed recurring and devastating droughts (and floods), seemingly with more frequency. This has led to perceptions that these regions are on an unsustainable development path—a nexus of climate change, resource pressures, and conflicts.
- This context has produced some very polemical views: those who favor sedentarization, those who want to see pastoralist livelihoods protected.
- Key questions: To what extent is pastoralism sustainable? What role should other sectors play? What is the right balance between different investments?
- There is an evidence base to inform all these questions, but in relative terms it is certainly quite weak.

Pastoralism:

- In Arid and Semi-Arid Landscapes (ASAL) livelihoods are still dominated by pastoralism. In all lowlands in Ethiopia, it is the major source of cash income.
- This is not surprising: where rainfall patterns vary across an abundance of land, mobile livestock is a sector of comparative advantage.
- We found some anecdotal evidence that inequality—i.e. that some households have only a dozen livestock units, others have hundreds—is increasing; and there is not much evidence that commercialization of the sector has benefited poorer pastoralists.
- A dominant view now is that the increasing frequency of emergencies is as much related to mobility restrictions—through cropland expansion, fencing, border controls, pests, resettlement policies—as it is to overpopulation. This remains an unsettled question: mobility restrictions could partly be a result of overpopulation; population growth rates are very high and indefinite population growth is not sustainable.

Non-pastoralist livelihoods:

- Despite its importance, there is a declining share of pastoralism in employment and income over time. Significant populations are engaged in sedentary farming (irrigated and non-irrigated) and firewood/charcoal production.
- Most non-pastoralist livelihoods yield lower incomes than pastoralists, with the exception of urban livelihoods and irrigated farming.
- Additional irrigation investments in pastoralist regions appear to be capable of absorbing only about 3-6% of the estimated pastoralist population in 2020.
- Migration is promising, but only provided that it comes on the back of much larger investments in education and meaningful urban job opportunities.

Cross-cutting investments:

- The highest returns are probably in education, followed by roads (access to markets), and finance.
- In addition, investments in governance are needed: bottom up policymaking, conflict resolution, attention for pastoralist issues at the highest levels.

Conclusion:

- Both theory and the evidence base warrant a more balanced strategy involving movement out of pastoralism, as well as modernization of pastoralism, and cross-cutting transformations of the demographic, social, and political structure of ASAL populations.
- Pastoralism is too big to fail: in the medium term it is impossible to create enough viable livelihoods in other sectors and livestock has a strong potential.
- Policy should pay attention to: land fragmentation and carrying capacity; understanding commercialization (constraints, engagement with the poor); and improving drought management (destocking, restocking and interactions with commercialization).

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