



### The Tenth International Conference on the Ethiopian Economy: June 19–21, 2012 at the EEA Conference Hall.

Co-organized by Ethiopian Economic Association and Ethiopia Strategy Support Program II

### New ESSP II Publications:

- Derek Headey, Fantu Bachewe Nisrane, Ibrahim Worku, Mekdim Dereje, and Alemayehu Seyoum Taffesse. **Urban Wage Behavior and Food Price Inflation: The Case of Ethiopia.** *ESSP II Working Paper 41* and *ESSP II Research Note 15*.
- Emily Schmidt and Fanaye Tadesse. **Household and Plot Level Impact of Sustainable Land and Watershed Management (SLWM) Practices in the Blue Nile.** *ESSP II Working Paper 42*.

### AGP Baseline Workshop



A half-day workshop was held at ILRI Campus on August 2, 2012 with participants from MoA, USAID, DFID, and other stakeholder institutions.

### ESSP II – ATA collaboration

ESSP II is one of the partners of the Ethiopian Agricultural Transformation Agency (ATA) for its new Ethiopian Soil Information System (EthioSIS) project. The EthioSIS initiative will generate a granular soil information system and so contributing to data meticulous enough to provide functional soil information for policy makers. It is hoped that the EthioSIS project will greatly contribute towards the realization of the country's goal of doubling agricultural production by 2015 from the 2010 level.

### Upcoming Events!

- Regional training in the "Introduction to GIS" will be given in Jimma August 27–September 1 and in Nazareth September 3–7, 2012.
- A training on "Computable General Equilibrium (CGE) modeling" will be given by Dr. Sherman Robinson (IFPRI) (with help from Seneshaw Tamiru and Ermias Engida), September 17–26, at Addis Ababa University (AAU).

### Papers Presented at the Tenth International Conference on the Ethiopian Economy. EEA Conference Hall. July 19–21, 2012. Find all presentations on [www.slideshare.net/essp2/presentations](http://www.slideshare.net/essp2/presentations)

- **Do Informal Risk-Sharing Groups Reduce the Challenge of Providing Weather Indexed Insurance Products? Evidence from a Randomized Field Experiment in Ethiopia:** Guush Berhane.
  - Early results from the randomized field experiment (piloting) in Ethiopia show that informal risk-sharing groups, such as Iddirs, can be exploited to help reduce basis risk. Specifically, Iddirs can be encouraged to make payouts to members in the event of individual household specific crop losses, addressing part of the basis risk.
- **Aspirations and Household Choices: Evidence from a Randomized Field Experiment in Rural Ethiopia:** Alemayehu Seyoum Taffesse. (Also presented at the 28th International Conference of Agricultural Economists, Foz Do Iguacu, Brazil, August 18–24, 2012).
  - Watching documentaries of local success stories affect perception more than watching local TV show (placebo); not so much seeing the documentary, but discussing it with friends who have seen it.
  - Impact more important on education-related aspiration; Indication of positive effects onto demand for credit.
- **Understanding Nutritional Change over Time: Ethiopia 2000–2010:** Mekdim Dereje.
  - We found that the substantial progress against stunting over the last 10 years is difficult to explain.
  - There is some tentative evidence that wealth, education and health factors (maternal education, maternal nutrition, diarrhea incidence, wealth index) matter, but the relationships are often quite weak and not consistent across years or the rural–urban divide.

### Drivers of the Demographic Transition in Ethiopia: Fanaye Tadesse.

- Ethiopia has recently witnessed a rapid reduction in fertility, entirely driven by trends in rural areas.
- The largest driver of that reduction was increased female labor force participation, followed by the equal contributions of women's education and visits by health extension workers.

### Transaction Costs, Transportation Costs and Modern Inputs in Ethiopia: Bethlehem Koru.

- Most farmers link lower use than desired to limited access to credit.
- Transaction costs limit the profitability of modern input use.
- Transportation cost is important determinant of adoption (indicating that farmers respond to profitability concerns).

### Impact of Public Investment in High Potential Agricultural Areas through the Agriculture Growth Program (AGP): A Dynamic Computable General Equilibrium (CGE) Model for Ethiopia: Ermias Engida.

- Preliminary results show that the investment has a potential of accelerating the GDP growth rate with a faster increment in marketable surplus which results in reduced commodity prices and significant improvement of households' welfare.

### Spatial Analysis of the Livestock Production Patterns in Ethiopia: Helina Tilahun.

- Sheep and goat population is increasing compared to cattle population in all regions.
- Transportation infrastructure and access to livestock markets has improved considerably between 2000 and 2008.

### Structural Transformation in Ethiopia: Evidence from Cereal Markets: Bart Minten.

- Important improvements have happened in the last decade in Ethiopia's cereal marketing system.
- The study revealed five important drivers for the structural changes in the cereal economy in Ethiopia.

### Urban Wage Behavior in a time of Food Price Inflation: Derek Headey. (See back of newsletter)

### The Benefits and Returns to Rural Feeder Roads in Ethiopia: Evidence from a Quasi-experimental Setting in Ethiopia: Bart Minten and Bethlehem Koru.

- Benefit to most remote households is about 60% of households' consumption.
- Costs of feeder road construction are recovered in 3 years.

### Prices and Quality in Food Retail in Addis: Thomas Woldu.

- Modern retail is still a very small niche in the retail market; on the other hand, consumer cooperatives are very important for some products such as wheat, sugar, and edible oil
- The study revealed variation of prices among different retail outlets even when controlled for quality.

### Spatial Cereal Market Integration in Ethiopia: Seneshaw Tamru.

- Cereal markets function much better at the end than in the beginning of the decade.
- Continuous investments to improve market integration even further are desired given the important benefits of having integrated markets for producers and consumers alike.

### Adaptation to Climate Change in Ethiopia: Sherman Robinson.

- Poor and rural households are similarly hurt by climate change shocks.
- Adaptation investment is very beneficial; it reduces size and variance of climate change impacts; it reduces but does not eliminate negative impact of climate change shocks.

### Enhancing Resilience in the Horn of Africa: An Exploration into Alternative Investment Options: Derek Headey.

- Pastoralism has significant advantages, but major risks. Resilience of pastoralists and 'Arid and Semi-Arid Landscapes' populations will also require some pastoralists to exit, ideally into urban livelihoods and irrigation.
- Education and infrastructure are likely the big cross-cutting investments, but innovative service deliver will be key.

### Household Determinants and Impact of Sustainable Land and Watershed Management (SLWM) Practices in the Blue Nile: Fanaye Tadesse.

- Farmers that sustain SLWM experience higher value of production in the medium term; significant benefits are not experienced until after 7 years of maintenance.
- The longer one sustains SLWM, the higher the marginal effect, although benefits of investment in SLWM at the private farm-plot level may not outweigh the opportunity costs of non-farm labor.

### Population Pressure and Farm Size Evolution in Ethiopia: Threads of a Narrative: Derek Headey

- Preliminary results show that farm sizes in Ethiopia are surprisingly small despite suggestion of abundant land.
- Land access is subjectively regarded as a major constraint, although redistribution of land appears to have de-linked farm size and wealth on aggregate.

### Economy-wide Implications of Large-scale Land Investments in Ethiopia: Seneshaw Tamru.

- Large-scale agricultural investments and land deals have recently received considerable attention by the government.
- Large-scale land investments on the six agro-subsectors will increase GDP by about 0.7% over the GTP period; displacement, however, decreases GDP by about 0.4%.

### 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

#### Highlights of other presentations in July – August, 2012:

**Consumption Behavior and Consumer's Preferences for Dairy Product Quality and Safety in Ethiopia. Using Survey and Experimental Methods.** Alemayehu Dekeba Bekele. August 9, 2012. ILRI campus.

- The general objective of this study is to get insight into consumption behavior and retail outlet choice of dairy consumers as well as to compare consumers' preference for fat content in fluid milk from crossbred and indigenous zebu cattle and to evaluate the price premium that consumers are willing to pay for this.

**The Role of Livestock in the Ethiopian Economy: Policy Analysis Using a Dynamic Computable General Equilibrium Model for Ethiopia.** Ermias Engida. August 18-24, 2012. 28th International Conference of Agricultural Economists, Foz Do Iguacu, Brazil.

- Livestock has important economic linkages, especially when we take complementarities with crop production into account.
- Improving productivity in the livestock sector has larger aggregate economic efficiency gains measured by value added growth effects and by improvements in the external sector.
- Although livestock is not the predominant factor owned by poor households, its accelerated productivity growth brings about higher gains in labor incomes than that in the cereal scenario, and only slightly smaller gains in poor households' consumption of food.

#### Policy Related Analysis:

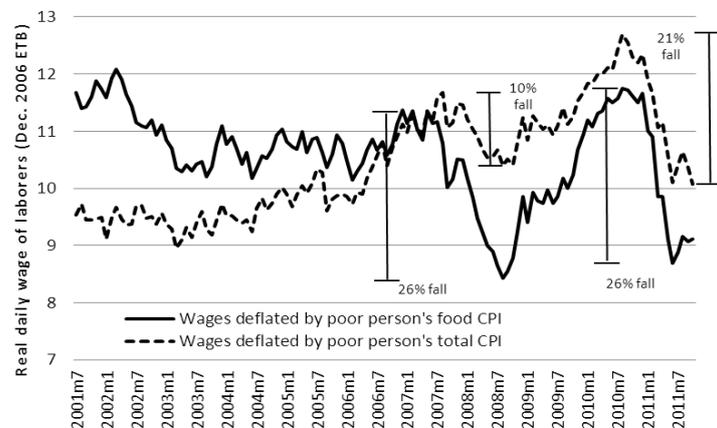
**Urban Wage Behavior and Food Price Inflation: The Case of Ethiopia.** Derek Headey, Fantu Bachewe Nisrane, Ibrahim Worku, Mekdim Dereje, and Alemayehu Seyoum Taffesse. ESSP II Working Paper 41 and ESSP II Research Note 15.

- In light of the exceptionally rapid food inflation, we sought to identify trends in the purchasing power of casual wages in the cities and rural towns of Ethiopia.
- Casual workers in urban Ethiopia have been hit hard by rapid food inflation in 2008 and 2011, particularly ultra-poor: 10–26% loss of disposable income.
- Our data also suggest that the 2010–2011 food crisis had larger welfare impacts than the 2008 crisis because of more rapid non-food inflation.
- Given that households could have many coping mechanisms (e.g. longer working hours), these may be upper bound estimates of welfare impacts.

#### Policy questions:

- The government has focused on trying to directly curb food inflation through price controls and subsidization.
- Efforts to reduce domestic inflation are sensible, but the capacity to fully reduce inflation may be limited given higher international prices and ambitious domestic growth scenarios in the GTP.
- So does Ethiopia need an urban social safety net? Many considerations here, but one option is to index cash transfers to a poor person's price index.

**Trends in real daily laborer wages deflated by consumer price indices (CPI) for the urban poor**



Source: Author's calculations from CSA (2011) data

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