

Platform
for Agricultural
Risk Management

Managing risks
to improve farmers'
livelihoods

Risk Assessment



Ethiopia

**Agricultural Risk
Assessment Validation
Workshop**
Addis Ababa, Ethiopia

**Volume 1
Main Report**
December
2015



AGRICULTURAL RISK ASSESSMENT STUDY VALIDATION WORKSHOP

16-17 December, 2015 | Addis Ababa, Ethiopia

VOLUME I MAIN REPORT

Summary from the rapporteur:
Kiflu Segu
Senior Technica Expert for Environmental Sustainability
Ethiopian Agricultural Transformation Agency (ATA)

Table of Contents

| | |
|---|-----------|
| FORWARD | 3 |
| WORKSHOP AGENDA | 4 |
| NOTE ON THE OUTCOME OF THE WORKSHOP | 8 |
| SUMMARY OF THE DISCUSSIONS | 10 |
| OPENING REMARKS | 10 |
| SESSION 1A <i>Wednesday, December 16th, morning</i> ARM in Ethiopia | 11 |
| SESSIONS 1B and 2 <i>Wednesday, December 16th, afternoon</i> ARM prioritization in Ethiopia and work in groups | 14 |
| SESSIONS 3 and 4 <i>Thursday, December 17th, morning</i> Financial services and Managing market risks and Innovations on Information systems | 15 |
| SESSIONS 5 and 6 <i>Thursday, December 17th, afternoon</i> Innovations on Information systems and Closure | 17 |
| CLOSING REMARKS | 18 |
| ANNEX 1: LIST OF INSTITUTIONS | 19 |

FOREWORD

The National Stakeholder Workshop on Agricultural Risk Management took place in the Capital Hotel in Addis Ababa on the 16th - 17th December 2015. The event was jointly organized by Platform for Agricultural Risk Management (PARM), the Agricultural Transformation Agency (ATA) and NEPAD Agency of the African Union, building on the results of the Policy Forum on Integrating Agriculture and Food Risk Management that took place on the 11-13th November 2014 in Addis Ababa. The workshop brought together 75 participants from a significant group of organizations and development partners, public and private, from farmers, financial institutions, service providers and research. The discussions allowed to advance in the identification and assessment of agricultural risks in Ethiopia on the basis of the draft risk assessment report and they will be reflected in the final Risk Assessment report to be delivered in early 2016. At the end of the Workshop, an output note was discussed with H.E. Ato Wondirad Mandefro, Ministry of Agriculture and Natural Resources (MoANR), State Minister for development sector.

The organizers want to thank the ATA and MoANR for their active contribution to the organization and discussions in this workshop. A special gratefulness for all the speakers and their contribution with their presentations, and for Kiflu Segu from ATA for drafting the summary of the discussions.

WORKSHOP AGENDA

Agricultural Risk Management in the Ethiopian Strategic Context

Agricultural development in Ethiopia is threatened by vulnerability of farming households to various risks as a result of which investments in long term development can be undermined by considerations of short term shocks and expectations of disasters. To achieve the Government of Ethiopia's ambitious developmental targets for the agricultural sector, it is therefore important to include initiatives for better management of agricultural risks as part the strategic approach to supporting sectoral development. Related to this, a *Policy Forum on Integrating Agriculture and Food Risk Management* took place on the 11-13th November 2014 in Addis Ababa. This was an important milestone in the process of enhancing Agricultural Risk Management (ARM) in the policy agenda of Ethiopia. The Forum was supported by the then Ministry of Agriculture (now Ministry of Agriculture and Natural Resources, MoANR), the Ethiopian Agricultural Transformation Agency (ATA), the African Union's New Partnership for Africa's Development (NEPAD), the United Nations Food and Agricultural Organization (FAO), the International Fund for Agricultural Development (IFAD), and AFRACA.

At the close of the Forum, the MoA recognized the importance of following through, in a systematic manner, on-going efforts on ARM. A unit constituted by IFAD-PARM, NEPAD, FAO, MoANR and the Association of Ethiopian Micro-Finance Institutions (AEMFI) and ATA was so created in order to allow PARM to kick-off its process in the country. The first important action for doing so has been a comprehensive analysis of agriculture risks affecting farmers in Ethiopia. An international consultancy agency, the National Research Institute (NRI) of the University of Greenwich, UK was recruited by PARM to carry a comprehensive Risk Assessment Study (RAS) in collaboration with experts in Ethiopia. The first results of the study was presented and discussed on this workshop held in Addis Ababa on the 16th and 17th December, 2015.

ARM has been identified as an important intervention area for promoting agricultural transformation in Ethiopia. It is, however, a new area for Ethiopia's agricultural transformation agenda— consultations at this national ARM stakeholder workshop will serve as a forum for further defining transformational deliverables around this important issue and setting a clear plan of action for moving the agenda forward.

The Platform for Agricultural Risk Management – PARM

The Platform for Agricultural Risk Management (PARM), a G8-G20 initiative hosted by IFAD, provides technical support to Governments on ARM (www.p4arm.org). The PARM Secretariat is working in the African continent in strategic partnership with the NEPAD Agency which supports African countries in mainstreaming agriculture and food security risk management into their Comprehensive Africa Agriculture Development Programme (CAADP) implementation. PARM is a global platform that builds on existing initiatives and knowledge, in particular from the World Bank that has already undertaken "agricultural sector risk assessment" reports in several countries, the FAO, the World Food Program (WFP), Non-Governmental Organizations (NGOs) and the private sector. PARM activities are oriented to facilitating the development of ARM knowledge and tools, creating synergies and complementarities among different partners and stakeholders.

The PARM process follows five phases in a given country: setting up of activities, risk assessment, policy dialogue, follow-up and implementation. The first substantial phase of the PARM process consists in assessing agricultural risks through a long-term vision and a holistic approach (OECD, 2009). It is essential to begin the process from the risk assessment in order to define the problem before the potential solutions. The risk assessment phase is built on a RAS that is discussed in this national ARM stakeholders' workshop. This consultations on the risk assessment study will lead to the identification of the main ARM priorities in a roadmap, including capacity building support to improve local stakeholders' awareness and knowledge. The

final objective of the process in Ethiopia is facilitating a holistic risk management strategy incorporated into the Agricultural Transformation Agenda and its implementation, by matching the demand and supply of ARM tools suitable for farmers, market level stakeholders and Governments and addressing systemic bottlenecks that constrain their effectiveness.

The Risk Assessment Study (RAS) in Ethiopia

The Risk Assessment Study (RAS) should be usable as reference guide for the government, donors, service providers and international organizations that work on ARM issues in Ethiopia. To the extent possible the RAS in all countries of the PARM initiative will follow a similar methodology and common indicators so that country comparisons can be undertaken. Nevertheless, it will address country specific issues. PARM has already published a RAS on Uganda.

The Final RAS document for Ethiopia will incorporate the outcomes of discussions this National Stakeholder Workshop on Agricultural Risk Management, December 16 – 17th, 2015. It is expected to serve the Government of Ethiopia to identify the main focus for action including feasibility studies, capacity development initiatives and interventions to address key bottlenecks. A National Steering Committee (NSC) will be established to guide the process and will include the main relevant stakeholders identified by the RAS.

Objectives of the National Stakeholder Workshop on Agricultural Risk Management

The main objective of the National Stakeholder Workshop on Agricultural Risk Management jointly organized by PARM, ATA and NEPAD is the presentation and discussions of the RAS. In addition participants will hear from different stakeholders who currently implement some risk management tools. It is expected to identify the most relevant agriculture risks affecting both farmers and other stakeholders, to define related transformation deliverables, and to guide future decisions about national strategies and programs/investments. The discussions will also contribute on the identification of some ARM tools that will be subjected to additional analysis as well as the identification of capacity building interventions. More specifically, the two day workshop is expected to contribute to:

- A common definition and understanding of risk and understanding of holistic approach
- Review of results of the RAS undertaken by PARM experts
- Through a participatory approach, prioritization of the main risk that, in Ethiopia, affect the agriculture sector, with a special focus on smallholder farmers
- Sharing experience on existing ARM initiatives and tools and experiences in three areas: financial services; market risk tools; and innovations on information systems.
- Recommendations on some integrated studies to manage prioritized agricultural risks, which will be submitted the National Steering Committee (including an information system analysis)
- Recommendations on transformational deliverables to include in the agricultural transformation agenda

The workshop is expected to generate a debate with practitioners and experts on potential instruments to address specific areas or agricultural risk of interest for Ethiopia.

Expected outcomes

The results of the RAS enriched by the inputs and recommendations collected during the workshop will be finally included in the workshop report and will represent the base for PARM following activities. The workshop final report will be so elaborated by PARM-NEPAD and submitted to ATA for validation.

The main expected outcomes derivate by the workshop are so represented by:

- a) A short outcome document summarizing the results of the prioritization exercise in terms of sources of risk and potential gaps on tools or policies

- b) A revised final RAS on Ethiopia that incorporates the results of the discussions.
- c) A national steering committee heading the ARM in Ethiopia is nominated in order to provide technical advice and guidance to (P)ARM process

AGENDA

| 16 Dec. | Program proposal | Speakers |
|--|---|---|
| SESSION 1: INTRODUCTION – ARM in Ethiopia | | |
| | Chair :Dejene Habesha, RED/FS Secretariat | |
| 9.00 | Opening statement: Incorporating agricultural risk management into the agricultural transformation agenda | ATA – Khalid Bomba , CEO |
| 9.15 | CAADP process in Ethiopia | Dejene Habesha, RED/FS Secretariat |
| 9.30 | PARM process and definition of Agriculture Risk. | PARM – Jesus Anton |
| 9.45 | Meaning and advantage of the holistic approach associated to ARM | FAO – Mulat Demeke |
| 9.45 | Risk Management overview and good practices to manage droughts | FAO – Mulat Demeke |
| 10.00 | Q&A | Plenary |
| 10.10 | | |
| 10.30 | | |
| 10.30 | Coffee break | |
| 10.45 | | |
| 10.45 | GoE disaster risk management strategy | Disaster Risk Management Task Force - Ato Abera Kassa |
| 11.15 | Vulnerability to agricultural risks in Ethiopia | WFP (VAN unit) |
| 11.40 | Introduction of PARM-RAS (methodology and risk profiling of Ethiopia) | NRI – Gideon Onumah |
| 11.40 | | |
| 12.20 | Q&A | Plenary |
| 12.20 | | |
| 13.00 | Lunch | |
| 13.00 | | |
| 14.00 | Agriculture Risks in Ethiopia: prioritization based on the RAS | NRI – Gideon Onumah |
| 14.30 | | |
| SESSION 2: WORKING GROUPS ON ARM | | |
| | Facilitators: ATA –PARM - NRI | |
| 14.30 | RAS working groups: | |
| 16.00 | 1) Does the RAS capture the situation in Ethiopia? 2) What are the sources of risk that should be prioritized in Ethiopia? 3) Identify key risk mitigation action | Group discussions |
| 16.00 | | |
| 16.00 | Coffee break | |
| 16.15 | | |
| 16.15 | Chair: Laketch Mikael, ATA | |
| 16.15 | Group reports | Group presenters |
| 17.30 | | |
| 17 Dec. | | |
| SESSION 3: ARM Tools (finance) | | |
| | Chair :Dejene Habesha, RED/FS Secretariat | |
| 9.00 | Summary of 1 st day (summary of prioritization from group discussions) and overview of linking risk prioritization to ARM tool | NRI Gideon Onumah |
| 9.30 | | |

| | | |
|--|--|--|
| | Chair: Hailemeleket Teklegiorgis, ATA | |
| 9.30 10.45 | Presentation of potential ARM tools: Financial Services <ul style="list-style-type: none"> Summary of last Policy Forum AFRACA (November 2014) Experiences in crop and livestock insurance in Ethiopia What can Insurance offer to farming in Ethiopia? Why other financial services are also linked to risk management? | AFRACA - John Amimo , Prog. Coordinator IFPRI – Guush Berhane Oromiya Insurance – Daniel Lemu, Head of Microfinance ACSI MFI –TBC |
| 10.45 11:00 | Coffee break | |
| 11:00 11.30 | Q&A | Plenary |
| SESSION 4: ARM Tools (contracting mechanisms) | | |
| | Chair Massimo Giovanola, PARM/IFAD | |
| 11.30 12.30 | Presentations of potential ARM tools: Managing market risks <ul style="list-style-type: none"> P4P (contracting mechanism and quality control) Private sector contracting mechanism Role of Commodity Exchange in Ethiopia and beyond The potential role of the food security reserve | WFP (P4P) - Mesfin Tesfaye Diageo - Bezawit Worku ECX, (TBC) ATA - Shaan Mavani |
| 12.30 13.00 | Q&A | Plenary |
| 13.00 14.00 | Lunch | |
| SESSION 5: ARM Tools (information system) | | |
| | Chair: Wagayehu Bekele, ATA | |
| 14.00 15.15 | Presentation of potential ARM tools: Innovations on Information Systems <ul style="list-style-type: none"> Agro-met advisories to farmers Information through mobile devices (technology platform for information sharing and facilitation of financial transactions) Impacts of El Niño on the Current Food Security Situation in Ethiopia Information systems for risk management | ATA - Tesfaye Gissila Kifiya –Munir Duri EWS (FEWSNET) - Yakob Seid CEIGRAM - Alberto Garrido |
| 15:15 15:45 | Q&A | Plenary |
| 15.45 16.00 | Coffee break | |
| SESSION 6: Conclusions and next steps | | |
| | Chair :Dejene Habesha, RED/FS Secretariat | |
| 16.00 17.00 | ARM tools summary & next steps | PARM-ATA |
| Closing remarks | End of Workshop | PARM-NEPAD-ATA |

NOTE ON THE OUTCOME OF THE WORKSHOP

At the end of the Workshop, an output note was discussed in a short meeting with the with H.E. Ato Wondirad Mandefro, State Minister of the Ministry of Agriculture development sector. During this meeting appreciation was expressed for the continuity of this agricultural risk management initiative, and potential avenues for mainstreaming ARM in Ethiopia's policies were explored, such as insurance and creating ARM capacities in extension services.

Note discussed with H.E. Ato Wondirad Mandefro, State Minister of the Ministry of Agriculture Development sector on the outcome of the National Stakeholder Workshop on Agricultural Risk Management. 17th December 2015

This workshop was organized by the Agricultural Transformation Agency (ATA) in partnership with the Platform for Agricultural Risk Management (PARM, hosted by IFAD) and NEPAD. Other main partners of the Policy Forum on Agricultural Risk Management organized in November 2014 in Addis Ababa such as the Ministry of Agriculture and Natural Resources, the FAO, the WFP, IFAD and AFRACA, also participated in this workshop, providing continuity in the process. Stakeholders from the public and private sector and development partners met to discuss and provide feedback on the preliminary findings from the study "Agricultural Risk Assessment: Ethiopia"; and to discuss and identify specific areas for further action to mainstream risk management on agricultural initiatives and investment plans, with a special focus on three areas: insurance services (to underwrite weather risks to farmers/pastoralists and to support credit), enhancing market services towards more structured markets, and innovations on information systems.

However, the workshop also pointed to additional risks that are not addressed through these tools. For example market risks do not only emanate from weak markets but also from government interventions (e.g., subsidies on wheat) and international price movements. Similarly, risks related to weak services and a degrading natural environment are also important but would be addressed through regular agricultural development programs. The workshop also highlighted that different initiatives may affect one another in unanticipated ways.

The discussions in the workshop underlines that Agricultural Risk Management (ARM) is an innovative approach to policy making, a way of thinking about agricultural management and strategic approaches that can overcome some of the barriers for successful investments and policy initiatives in agriculture. The lack of risks management tools are often main impediments for the uptake and success of agricultural policy initiatives in different areas: from the supply of inputs, to productivity improvements, integration in value chains and sustainability. The occurrence of a risk that is not well managed, can lead to a failure of a whole programme. Risk management includes not only sophisticated financial tools but also climate smart agriculture or simple strategies such as diversification.

The workshop is a first step in defining an agenda for effective agricultural risk management in Ethiopia. It served to identify a holistic set of initiatives for more effective management of risks within smallholder agriculture in Ethiopia. It also advanced in the prioritization of agricultural risks through an approach based on severity and frequency. The next step is to think through how to operationalize such initiatives and take them forward. This will require a number of actors given that ARM is multi-dimensional and needs to be mainstreamed within different agricultural programs.

Most participants agreed that on broad priorities. The prioritization will be finalized based on the full Risk Assessment Study that will be completed in the next few weeks, including an estimation of the economic costs of different agricultural risks. The list of potential priority risks in Ethiopia include:

- Weather related risks that are exacerbated by Climate Change. They mainly include frequent floods and less frequent but more damaging droughts. Climate risk often come in combination with pests and diseases increasing the severity of the impacts. A distinction between extreme events and smaller fluctuations in rainfall and temperature may be required when identifying risk management strategies.
- Crop and livestock pests and diseases. These are high frequency risks with potential high losses as well.
- Price and market risks. Both seasonal price variability and inter-year price uncertainties, and policy driven risk are important depending on each commodity. Price risk generate high food prices for households but also low income for farmers and dis-incentives for the adoption of yield enhancing technologies.
- Land degradation and loss of water resources exacerbate all production risks and constrain potential risk management strategies
- International trade can be a source of risk but also contribute to stabilize prices.
- Policies and institutional arrangements: important government initiatives such as safety nets, subsidies on agricultural products (wheat), support to credit systems, promotion of commercial farming, etc. create residual risks because they are not always stable and also influence the effectiveness of market-based ARM tools.

The workshop also identified potential areas for risk management policies and tools that may fit these priorities. The discussion focussed on the following policy areas:

- Financial services, which were the main focus during the discussions in the Policy Forum in 2014. The limits and potentialities of insurance were presented by experts and insurance companies. The discussions alerted about the potential excessive costs of premium insurance subsidies, and the need to think of insurance as one among other financial and risk management tools.
- Managing market risks. Contracts with the downstream industry can serve to stabilize prices, or at least, the access to buyers. The commodity exchange contributes to stabilize and structure markets, but it has mainly focused on exporting commodities. The strengths and weaknesses of commodity reserves were also discussed.
- Innovations and information systems were signalled as a key risk management tool for all risks along the two days of the workshop. Innovative ways of providing agro-meteorological advice to farmers and the use of mobile technologies were also discussed. Finally the preliminary findings of a comparative study of agricultural risk management information systems in Ethiopia and other African countries were presented.

Moving forward, there is a need for the following:

- Further work on the prioritization of risks and tools and finalization of the risk assessment study and the study on information systems,
- Once risks and risk management tools are prioritized, further definition of interventions that can leverage significant change to better manage risks
- Consultations, particularly with regional stakeholders for broad alignment on intervention areas.

SUMMARY OF THE DISCUSSIONS

The main objective of the National Stakeholder Workshop on Agricultural Risk Management that was jointly organized by PARM, ATA and NEPAD is to bring different stakeholders and review the risk assessment study (RAS) undertaken by the National Resources Institute (NRI) of the University of Greenwich. The workshop has created chance of learning from different stakeholders who are currently implementing some risk management tools. Based on this consensus, it was managed to identify the most relevant agriculture risks affecting both farmers and other stakeholders, and define related transformation deliverables, and to guide future decisions about national strategies and programs/investments to mitigate the potential risks. The discussions have contributed to identify some of Agricultural Risk Management (ARM) tools that will be subjected to additional analysis as well as the identification of possible mitigation interventions. This summary does not intend to be exhaustive, but just bring some of the highlights of the issues discussed.

The two days' workshop outcomes were:

- Creation of common definition and understanding of risk and understanding of holistic approach
- Review of results of the RAS undertaken by PARM experts
- Through a participatory approach, prioritization of the main risk that, in Ethiopia, affect the agriculture sector, with a special focus on smallholder farmers
- Sharing experience on existing ARM initiatives and tools and experiences in three areas: financial services; market risk tools; and innovations on information systems.
- Suggestions on some integrated studies to manage prioritized agricultural risks, which will be submitted the National Steering Committee (including an information system analysis)
- Suggestions on transformational deliverables to include in the agricultural transformation agenda

OPENING OF THE WORKSHOP

Chairperson Ato Dejene Habesha, RED&FS secretariat made a short introductory speech pinpointing the importance of the transformation agenda and the role of ATA and he invited Ato Kalid Bomba CEO of the ATA to give an opening speech. Recalling back the ambition of the government to reach middle income status at 2030, he noted the importance of agricultural transformation in addressing Systemic bottle neck, Agriculture related issues/risks: Namely, the weather risks, that are related with moisture, crop and livestock , market risks as the weather index insurances are not currently, sustainable because that they are financially weak. In his opening remark, he also thanked the Support of risk related study (RAS) by PARM as it will help us to identify the available tools and consider risk management investments more broadly. He officially opened the workshop opting for fruitful discussion as the agricultural risk is one of the systemic bottlenecks that compromises the agricultural transformation.

SESSION 1A

Wednesday, December 16th, morning

ARM in Ethiopia

The chair person introduced the participants of the workshop into the different topics that were to be addressed.

a. CAADP process in Ethiopia by Dejene Habesha

CAADP Program initiated and led by African Union (AU). Processes in each country are led by the Government and facilitated by NEPAD. It is designed to help countries increase agricultural productivity by 6% and achieve millennium development goal1, which is to cut hunger in half by 2015. Ethiopia has developed its CAADP. To Eliminating hunger and poverty 6% annual sector growth is required (in all 4 sectors).

The national agriculture Investment plan or Ethiopian PIF has 4 Strategic Objectives (SOB) that will address the agricultural growth, sustainable land Management and Disaster Risk Management and food security (DRM

&FS). Currently the second generation of PIF road map is on the way for 10 years, where RED & FS SWG Brings together Gov. and NGOs

b. PARM process and definition of agriculture risk. Meaning and advantage of the holistic approach associated to ARM. By Jesús Antón

Under this presentation topic, several points were raised as an introduction to PARM and back ground of the workshop.

The Rationale of ARM includes the following points:

- Risk is crucial in agriculture, farmers need to reduce risk
- Risks have two sides, can damage or can create opportunity, (economic or social opportunities)
- Risk mitigation requires Interaction and holistic approach
- Farming risk requires farmer's strategy, government policies, and consideration of known risk vs. unknown risk
- Managing risk

Risk management begin with a rigorous risk Assessment and developing a holistic set of instrument and strategies including Risk reduction, Risk mitigation and Risk coping.

Risk characteristics & type of risk can be: Idiosyncratic risk, systemic or catastrophic risk- with high frequency low severity, medium frequency and severity, low frequency and high severity, while, catastrophic risk is highly damaging and affecting the entire country.

The PARM Approach to ARM system is based on: Building on existing initiatives, requires holistic approaches, works on demand driven and evidence based, promote diverse set of tools, and enhance ARM activities.

Areas where PARM operate: it is global platform that operates in African continent in strategic partnership with NEPAD.

**c. Risk management overview and good practice to manage drought. By
*Mulat Demelke***

The presenter summarized type of Agricultural risks that are caused by different factors such as weather, variability's, natural disaster and other catastrophe. He showed various experiences from different countries indicating that there will be no agricultural transformation without managing Risk. He discussed and shared the experience how other countries manage disaster:

As an example he showed that countries like Australia and US managed by proactive approaches (NRM, Irrigation, conservation and they moved from Agriculture) literally every farmer has other job in addition to agriculture. He also pointed how we need to learn from our past experience, designing long term strategy how to fight drought.

Indicated the need to have center of excellence to manage draught related issues and the need to consider CSA, Diversification Agroforestry, Saving strategy, government policies need to help what to do in drought prone stepping in we need to help farmers for good decisions.

In cause of transferable risk: Market and price stabilization like china, Bangladesh India Philippines Thailand through PPP and some make food reserve- like Brazil. The other is impute subsidy measures to support diversified and sustainable production (we need to think outside fertilizer like (CSA, Agricultural insurance and disaster risk Managements, Premium subsidies and combinations, promotion of private insurance companies, social production programs as an mitigation options). In conclusion he put the need of long term strategy, development of risk assessment capacity and the issue of addressing inclusiveness.

Q&A Discussion

Participants wondered how the holistic approach dealt with the interactions between different agricultural risk management tools. A second issue was linked to the tradeoffs between diversification and specialization of production. Finally, the issue of the sustainability of risk management tools that are heavily subsidized by the state was brought up. The facilitators answered that the holistic approach sees different layers of risks to be managed by different actors and tools, and that it includes a systematic examination of each tool and its interactions with other tools. They also explained that diversification could take different shapes depending on the farmer's situation, but that some diversification was

necessary to manage risks. The sustainability concern was also acknowledged, but they underlined that other options exist, apart from subsidized programmes, to help farmers make the right decisions to manage their risks.

d. Disaster Risk Management. By Abera Kassa

The presenter indicated that the main risk is Drought with (4656) records and summarized in detail the direction of National policy and strategy on DRM, how the DRM task force is organized and works to address the national problems. Disaster risk management council's establishment, mainstreaming of disaster risk management, sectoral institution should put on their annual plan and implement and the importance of resource mobilization, indicating that the domestic capacity is the main source where, 200 million USD was allocated for Elinino

e. The process of risk assessment vulnerability to food insecurity risk in Ethiopia. By WFP

It was mentioned that, the risk profile gives information for different actors, shows the hazards at kebele level from the hazard analysis and elaborated on the process of the data collection and the methodology used. Wereda disaster risk profile gives detailed information in terms of available different risks based on the susceptibility of the area. DRM actors can use these facts for different interventions and planning on the Website: <http://profile.dppc.gov.et/>

f. PARM- Risk Assessment Study: methodology and risk profiling of Ethiopia. By Gideon Onumah (NRI)

RAS in Ethiopia was conducted to help managing risks in Ethiopia. The assessment methodology was: document review, cooperatives and analysis data from different sources, agriculture in Ethiopia grow 7.8%, but yet there is a gap between where it is expected to reach due to agriculture related risks. It was also indicated that output marketing is unstructured and constrained by the state of rural roads, limited availability of storage (high post-harvest loss). Major risks in rural community include price shock, health, marketed related risk natural risk policy risks, biological risks, and weather risks.

Q&A Discussion

Participants raised several points on the methodology and on the coordination between the different stakeholders. The presenters underlined that they used data accessible to all on government websites, but that their work could only be updated when the data was updated, which is not frequently, as data collection is expensive. They then confirmed that structured markets exist for some commodities, but that ECX should create a formalized system for commodities for which this is not the case, to create opportunities for contracts and other market options. They also pointed out that seed availability was an important concern in some cases. Finally, they explained how efficiency was attained in the coordination mechanisms between the DRM and the working groups.

SESSIONS 1B and 2

Wednesday, December 16th, afternoon

ARM prioritization in Ethiopia and work in groups

a. Agriculture Risks in Ethiopia prioritization based on the Risk Assessment Study, By *Gideon Onumah (NRI)*

The second presentation on RAS highlighted the Risk analysis methodology as: Qualitative that is focused on group discussion, and quantitative that focused on statistical analysis.

Weather risk is found to be the most pressing issue that came out during the discussion, followed by paste and plant disease, marketing access and lack of modern marketing system and capital.

The study looked into different aspect of natural resources, volatility of commodity prices/price volatility yield variability rather low and point out some input related risks. Like input availability, rise in input price and the uptake influenced by price volatility. Finally, among the prioritized Agricultural risk in Ethiopia are: Weather risk (drought and flood) and Crop and livestock risk (paste and disease).

Price -uncertainty that may look for contract trading and warehouse construction as mitigation options, and lastly putting the availability of input risk, stressed the importance of comprehensive strategy that will look into different sectors and put in place agricultural risk management system. The lack of ARM systems was highlighted by some survey results: people pray in case of drought when in fact that they may not in case of illness and other problem since other options are there on the table.

Q&A Discussion

During this session, some points for consideration were raised on the prioritization criteria and whether it includes affordability for farmers, and on the government's capacity to face large shocks. The participants also mentioned that non-extreme weather events such as late and lost rains also affect farmers' productivity. Answers showed that data was needed to make sure that existing tools were suitable for Ethiopia's situation, and that more tools needed to be developed for rainfall risk and to increase the government's capacity to face big shocks.

RAS working group discussion

The group was divided into three and discuss on the RAS looking to the given points below and presented its comments for consideration on the plenary.

- 4) Does the RAS capture the situation in Ethiopia?
- 5) What are the sources of risk that should be prioritized in Ethiopia?
- 6) Identify key risk mitigation action

Group 2

Indicated that the team has evaluated the RAS and witnessed that it has captured most of the situation in Ethiopia, except that there should be inclusion of the international trade risk and the security risk. Finally indicated the prioritization as:

Weather risk, crop and livestock, price risk, international trade risk, security risk with the tailored mitigation requirements like: early warning, agro met advisory, quality climate advisory, information on timely price, policy and amicable insurance and financial support to be taken as the option.

Group 3

Group three also after long discussion accepted the prioritization summarized by RAS: Weather (drought & flood), crop and livestock (paste and disease), price uncertainty, input risk and information gaps as risk. And suggested mitigation options like NRM, Watershed development and irrigation (micro and macro scale), CSA, improving agro met advisory and early warnings, investment on insurance and linkage between RUSACOs for finance, promote contract farming, real time seed and input demand assessment and supply and timely delivery, introduction of drought resistance seed varieties/early maturing and finally for comprehensive strategy that can address different segment of the society.

Group 4

Also indicated that RAS captured most of the risks and added some to be included from the discussions, like: Land degradation, Risk of losing hot spot resources (lakes, swamps heritages...., loss of livelihoods, loss of biodiversity, financial micro-economic related risks. concluded that the prioritization should look like: Weather risk, Market risk (output market & input market), land degradation, paste and disease, and loses of water resources. And put mitigation options to consider CSA, improved forecast and advisory service, improved market, halt land degradation, integrated NRM and paste and disease related risk management.

As a conclusion PARM has asked for evidences to include some of the recommendations and quantify how it affected the community.

SESSIONS 3 and 4

Thursday, December 17th, morning

Financial services and Managing market risks and Innovations on Information systems

Before the commencement of the day two presentations there were briefings from the chair on the group presentations and the day one recap and some reflections on the issues that need clarifications.

Some feed backs were given on the issue of policy and administration risk, market risks land administration and access and requirements of strengthening of PPP. The reflection indicated that policy and institutional risks like subsidy have their weak and also positive side. So, we need to look in contextual terms. And land access is also to be looked in a broader way as we do have rules for commercial farms and it is not directly affected by the policy but may be by the process and implementation.

a. Presentations on experiences from different partners on Financial services and Market risks

Different partners shared their good experiences and consensus that was created on different policy forum, meetings and regular works including innovative financial instruments, experiences that should be scaled up. The summary of the discussion in the Policy Forum organized in Addis Ababa in November 2014 were presented by AFRACA. Key lessons from weather index insurance pilots on crop and livestock for small holder farmers in Ethiopia were presented by IFPRI. Problems of linking insurance payment to an early observable index like (rain fall, vegetation index, average heard mortality...).

Financial Services. Experiences of micro insurance from Oromia, experience of Amhara micro finance (ASCI-MFI) were deeply shared for the workshop participants. WFP experience was also one learning presentation where, it demonstrated how it creates market opportunities for farmers through its known three interventions (procurement, capacity building and learning and sharing).

Managing Market risks. Furthermore the Ethiopian Commodity Exchange (ECX) presented an over view of the role of the In structuring and developing market, reducing price volatility, establishing market accountability, market transparency standardization of the agricultural products and market information dissemination. They are also looking for diversification of commodities into the trading floor promoting e-trading, mobile trading market information kiosk (MIK).

ATA (core analytics team) also presented paper on the demand based support on operational design of strategic food reserve. The team worked on the optimal operational design that can contribute to enhance food security, minimize food price volatility and reduce shock by storing 1.8 metric tons of food crops like wheat, maize and sorghum in selected central locations.

Q&A Discussion

After this session, participants raised points on the methodology of the ATA paper, on how WFP addresses risks, and on the collaboration between WFP and ECX. On the methodology, ATA explained that the paper was funded by domestic and international donors, and not by the government, but that they were discussing the results with high government officials to advocate for the creation of the food reserve. WFP answered that there were some

challenges in their collaboration with ECX, and that ECX was not very good with cereals, so their contribution to the work of ECX was limited. They then explained that they were working on the demand side only, so they did not face agricultural risks in the supply of food.

SESSIONS 5 and 6

Thursday, December 17th, afternoon

Innovations on Information systems and Closure

Presentations on innovative information systems

The last session of the presentation was started with the agro-metrology contribution that focused on the down scaled agro-met advisories that support the smallholder farmers what to plant and when to plant in the middle of uncertainty. Furthermore, he showed the importance of improving agro metrology information dissemination capacity and the human capacity.

Kifiya micro insurance was the next presenter who, that emphasized on the importance of micro insurance for the agriculture risk mitigation and the need of insurance plat forms that can make different weather insurance models and make basis for premium. Related to the presentation of EWS, it was demonstrated that the early warning system network collects data on rain fall, remote sensed data, market, production and conflict. Identify areas that are in emergency and those that are under study reaches to the decision makers for the early warning. Information assessment for agricultural risk management information system looks into different (8) thematic points and create bench mark to define agricultural risk.

This include: metrology and climate information, price of commodity, production level, animal health, policy related, socioeconomic condition and integration of the information system.

Q&A Discussion

Participants raised concerns about El Nino, how it affected Ethiopia, and how its impacts could be minimized. They asked the presenters to identify priority areas for investment in agriculture, and to explain how development partners could sustainably add value to agricultural development. The presenters underlined the importance of developing infrastructure, such as irrigation schemes, but also of climate resilient agricultural practices, both as priority areas for investment and as ways to minimize the impact of El Nino. They then identified areas of value for development partners in financial education and in mobilizing private partners.

CLOSING REMARKS

PARM and ATA officials summarized the two days' workshop achievements and finally closed the meetings with the following remarks:

PARM: The Workshop has succeeded in discussing and assessing agricultural risks in Ethiopia. The prioritization in the draft Risk Assessment Study has been confirmed and enriched by the discussion in groups, looking into the main areas and delivering new ideas that will be incorporated in to the document: soil degradation, market related risks, international trade risks, and policy related risks and others many more. We have also understood the insurance complexity to make it work and the requirement to link all instruments: financial services, contractual farming, requirement and accuracy of early warning. The need of holistic approaches to all tools, and the requirement of mainstreaming Risk management issues in policy and investment decisions. Risk management is way of thinking, a new approach to agricultural production and policy. PARM will facilitate the proceedings of the workshop, the finalization of the Risk Assessment Study and other studies to move to specific tools such as on information systems. PARM and NEPAD will enhance our collaboration with ATA and the Ministry of Agriculture and Natural Resources.

ATA: It was noted that agricultural risk management issue needs champions and ATA will continue to be so. Various institutions will be part of the group as they are also the champions. So, we need to broaden our scope. We need to do various tasks to manage agricultural risks, otherwise agricultural transformation will definitely compromised.

Risk management leverage should be mainstreamed to the agricultural system and resilient farming practices like CSA, including irrigation and conservation activities should be part and parcel of the system. Agriculture risk management tools like public private partnership, agriculture insurance, should be pushed further, and there will be further works from our side. We need to look at risk in multi-dimensional ways. The way policies and programs are implemented are those that need deep consideration and follow up to reduce the negative impacts. Finally, the ESIG Senior director put the way forwards and consensus, that we will wait for the result of RAS and look forwards for consultation to implement Agricultural risk management initiatives. The crosscutting team will take the role and be champion to form resilient and high growth in agriculture. Finally, the senior director pin pointed that we need to go to action as it is urgent and join hands to support the victims, and officially closed the workshop by thanking the participant.

ANNEX 1

List of institutions

Invited institutions:

| NO | INSTITUTION | NO | INSTITUTION |
|----|--|----|---|
| 1 | Addis Credit and Saving Institution S.C | 23 | International Food Policy Research Institute (IFPRI) |
| 2 | Admas FCU | 24 | International Livestock Research Institute (ILRI) |
| 3 | Admas MFCU | 25 | Kifiya Financial Technologies PLC |
| 4 | Agence Francaise de Development | 26 | Ministry of Agriculture and Natural Resource (MoANR) |
| 5 | Alliance for a Green Revolution in Africab (AGRA) | 27 | Ministry of Livestock and Fishery (MoLF) |
| 6 | Amhara Credit and Saving Institution (ACSI) | 28 | National Exchange Actors Association |
| 7 | Association of Ethiopian Microfinance Institutions | 29 | National Meteorology Agency |
| 8 | Becho-Woliso Cooperative Union | 30 | Nyala Insurance Company |
| 9 | Bore Bakko FCU | 31 | OMO Micro Finance Institution |
| 10 | Buusaa Gonofaa Microfinance Institution | 32 | Oromiya Coffee Cooperative Union |
| 11 | Coffee Exporters Association | 33 | Oromia Credit and Saving Share Company(OCSSCO) |
| 12 | Dedebit Credit and Saving Institution | 34 | United Nations Economic Commission for Africa (UNECA) |
| 13 | European Union - Delegations | | Vision Fund Ethiopia Microfinance Institute |
| 14 | Ethiopia Commodity Exchange (ECX) | 35 | Walta Farmers' Cooperative Union |
| 15 | Ethiopian Institute of Agricultural Research(EIAR) | 36 | Wasasa Microfinance Institution |
| 16 | Food and Agriculture Organization- Country Office (FAO) | 37 | World Food Program- Country Office (WFP) |
| 17 | Federal Cooperative Agency | 38 | World Bank |
| 18 | Strategic Food Reserve Agency (FSRA) | 39 | CARE Ethiopia |
| 19 | International Fund for Agricultural Development- Country Office (IFAD) | 40 | World Vision |
| 20 | Canada Embassy | 41 | SNV Ethiopia |
| 21 | DFATD | 42 | Royal Norwegian Embassy |
| 22 | AECID | 43 | World Agroforestry Center (ICRAF)_Ethiopia office |



Contacts

PARM Secretariat

**International Fund
for Agricultural Development (IFAD)**

📍 Via Paolo di Dono 44 - 00142 Rome (Italy)

✉️ parm@ifad.org
🌐 www.p4arm.org
🐦 [@parminfo](https://twitter.com/parminfo)