



Insights on economic success in rural communities (2010-13) WIDE Discussion Brief No. 9 of 10ⁱ

Key messages from the WIDE evidence

- WIDE research indicates that economic success usually results from **synergy** between **government actions** and other equally important factors, namely **personal initiative, some form of initial capital**, and **broader contextual factors** - not least the **generally increased dynamism (since 1995)** of the WIDE rural communities, where economic success has become socially acceptable and even desirable.
- On one hand, economic success opportunities differ in different types of rural community and the level of **infrastructure development** matters. On the other hand, **individual success** has broader **spill-over effects**, opening up further local economic opportunities.
- Flowing from this evidence, key policy considerations are that
 - Economic success **cannot be simply replicated** from one to another individual, through the same government action for all.
 - **Supporting individual initiatives** (alongside attention to groups and associations) can **contribute to stronger rural development outcomes**.
 - **Infrastructure investments better targeted to local economic niches** would enhance outcomes for local entrepreneurs.
- WIDE research found a **remarkable diversity of profiles of successful individuals** (young or older men, young women, married women and female household heads, farmers, traders and businesspeople).
- This indicates the emergence of **more complex local rural economies**, in which a **wider range of types of economic success** can occur. In particular, there is evidence that:
 - **Success in farming, and in local trade or business can be mutually reinforcing.**
 - Rural growth could be enhanced by strengthening all links of rural 'value chains', notably through **greater support to local traders and local investment in agro-processing**.
 - Enhancing **transparency and consistency in taxation and business regulations** would go a long way in encouraging local trade and business undertakings. Both are in line with GTPII policy trajectories, which evidence from WIDE suggests should be expedited.
- **Government agricultural extension services** have generally been key for successful farmers, and could be further strengthened by
 - **addressing farmers' financial constraints to access inputs and further tailoring extension services to local contexts** – E.g. more targeted support to farmers interested by 'alternative' cash crops or engaged in irrigation, alongside the current focus on traditional crops;

- **further recognising the importance of irrigation** as a key success factor, in particular through ensuring **maintenance** of existing infrastructure and furthering **infrastructure development**, to boost private investment that would expand irrigated areas;
- as planned in GTP2, giving greater focus to **livestock extension and** expanding access to **quality veterinary care** so as to respond to the growing role of livestock rearing as a source of economic success.
- **Availability of financial capital** is another key to success for farmers and traders and businesspeople alike, yet **formal credit is often hard to access** (supply constraints, cumbersome procedures and unrealistic collateral requirements, loans too small). To address this, Government might wish to:
 - encourage **MFIs to adopt a more business-friendly approach**; and also
 - **enhance the bankabilityⁱⁱ** of successful individuals from rural communities by creating **new collateral types** (e.g. title deeds for high quality assets or houses in rural areas), in line with Government objectives of expanding banking services and ‘modern housing’ in rural areas.ⁱⁱⁱ
- **For successful farmers, access to more land** is key to further growth, but can be locally controversial:
 - strengthening **institutional mechanisms for legal land transactions** would facilitate this, while protecting weaker community members; it would also help address tensions e.g. between land acquisition and facilitating access for landless youth groups, or for urban expansion.
- In many cases the **security of economically successful trajectories is not yet established**. Successful individuals manage risks by **diversifying within and across farm/non-farm sectors**: farming provides an initial foundation for many to diversify beyond it.
- Diversification of portfolios thus enhances resilience and sustainability, suggesting that:
 - **Caution is in order in the promotion of specialisation in economic activities** (e.g. mono-cropping for farmers).
 - Access to a **range of insurance types (livestock, health etc.)** would further contribute to securing economic success.
 - **Broadening the perspectives of successful entrepreneurial individuals** could help them to consolidate their success.

Introduction

The late Prime Minister Meles Zenawi, talking about economic policy and success, liked to cite Einstein who said: *“Insanity has a technical definition – doing the same thing all over and each time expecting a different outcome.”*^{iv} This brief directly speaks to this citation, showing how in rural Ethiopia, entrepreneurial individuals became successful precisely because they went beyond ‘doing the same thing all over’.

Using data from the Ethiopia WIDE research, the brief provides **insights on economic success in twenty diverse rural communities, based on the cases of seventy economically successful individuals**^v. It highlights how economic success was usually the result of a synergy of factors, including but going beyond government actions. Giving a brief overview of the diversity of profiles of economically successful individuals in terms of gender, age and type of activity, the brief argues that this is evidence of the emergence of more complex local rural economies. It also shows that in different local economic contexts, individual economic success of different types generated ‘spill-over’ effects, thus making the case for support to entrepreneurial individuals, alongside the more associative forms of economic activities that Government is already promoting. The brief reviews the role in economic success of aspects of Government action, and considers how these could be strengthened to further enhance local economic outcomes. Reflecting on the resilience and sustainability of the successful trajectories found in the WIDE communities, the brief illuminates how **diversification was a crucial strategy** in this respect.

Economic success – The outcome of a combination of factors

Across the seventy very diverse individual profiles there was evidence that **economic success resulted from a combination of factors**, whereby **government action** (reviewed in a later section) interacted with **personal initiative, broader contextual changes and some form of initial capital** at the disposal of the concerned individuals.

Personal initiative was key, making some individuals to **aspire, keep an open mind and work hard** in ways that enabled them to **exploit all possible resources at their disposal** to become more successful than less entrepreneurial people. This included both resources that other individuals might not have had such as financial and/or social capital, and resources that in principle were available to all, such as opportunities brought by broader contextual changes and government interventions.

Most striking were the cases of individuals who **grew successful out of adversity** as they deployed their personal initiative to overcome personal crises of various kinds – like a young illiterate female trader from Adele Keke (East Hararghe) who engaged in shop-keeping after her second divorce to be able to raise her child and who in 2012 had been able to build her own house with her savings.

A number of contextual changes such as environmental calamities, inflation, and societal dynamism also mattered. There were numerous instances of the negative effects of **environmental calamities**, leading to **serious setbacks** in successful trajectories – such the case of a farmer from Geblen (East Tigray) who had lost a lot of cattle to the 2008/9 drought and had to work hard to return to the household’s previous wealth status.

Inflation had both positive and negative effects and the combination was rewarding for some, and disappointing for others. A number of **farmers** readily acknowledged that **their success resulted from a combination of better production, usually with support from the extension services, increased demand** (especially in communities not too far from expanding urban areas), **and higher prices for their agricultural or livestock products** – but as some noted, inflation also curtailed their

success due to higher prices of inputs and of the commodities needed by the household. **Traders were less positive**, like a business-woman in Gelcha (East Shoa) explaining that inflation weakened her customers' purchasing power and led to reduced activity and income. **Fluctuations in crop price** could drive **success but also recess**, like in Adado (Gedeo) where the deflated price of coffee on the international market since 2011 was hitting hard the biggest coffee growers, or Dinki (North Shoa) where successful farmers with irrigation were affected by ups and downs in the price of onions.

A more intangible but equally important broader change was the generally higher dynamism of the WIDE communities' societies – where “(T)he fatalistic cultures of the 1990s were being replaced by cultures of aspiration”^{vi} – a trend echoed in other community-focused research noting how “changing one's life” had become a standard phrase^{vii}. This greater vibrancy acted as a resource for entrepreneurial characters as it is **easier to be successful when it is socially acceptable**. Thus for instance, a successful milk trader in Adele Keke (East Hararghe), who had been twice divorced, and had been asked for marriage by several men, attributed this to her economic success (she had refused them all).

Being able to allocate **some form of** initial capital was an essential prerequisite. **For farmers**, this meant having initially ‘enough’ **land and labour** and thanks to the virtuous combination highlighted above (of better production, increased demand and higher output price) becoming able to accumulate more land and/or hire labour – such as a farmer of Gara Godo (Wolayta) with 2 ha of his own (significantly more than the local average) and who was able to sharecrop more land.

Financial capital mattered for both **farmers and traders and businesspeople**, and had **diverse origins** (formal credit, informal loans, equbs or migration savings or remittances – see below). A number of successful individuals made it with very little financial capital but using well other resources such as support from relatives. A striking example was a middle-age woman trader in Sirba (East Shoa, between Mojo and Debre Zeit) who had opened the first commodity shop in the area fifteen years ago with just 100 birr and the support of her husband, and who in 2013 was engaged in a wide range of farm and non-farm activities, had solid assets such as a house for rent in Debre Zeit and her own car, employed seven people, and planned to open a supermarket in Debre Zeit.

Indeed, for many, **social capital** had been **very important**. Most of the successful female heads of household had been able to rely on encouragement and support from **relatives, family members, friends and others** – like a successful female agro-pastoralist in Luqa (Tsemai), growing sesame for the market and planning to diversify in livestock fattening, who had labour support and advice from neighbours and the local officials. Division of labour and **cooperation between household members** was also crucial, like in a large successful farming household in Dinki. Less usual was the example of a couple of young businesspeople in Sirba, running a hotel/café/restaurant and providing transport services to flower farms with their minibus, in which it was the wife who was going to discuss business issues with the kebele trade and industry office.

Also important was **cooperation among traders and businesspeople**, like in the case of a young banana and maize trader from Do'oma (Gamo) cross-lending money with trading friends, depending on the needs and cash available of each. A number of successful individuals had had the **opportunity of working for other people already established** in the business they envisaged, which enabled them to **learn about it and accumulate some capital** – like a young trader in hides and skins in Harresaw (East Tigray) who had started by guiding donkeys for other hides and skins traders and in 2011 had his own trade; or a young farmer in Adele Keke who had started on his father's land and sharing a pump with a friend, and in 2012 was renting more land and had his own pump (*DB10:change* also highlights the importance of social capital in learning processes).

Across the WIDE communities, about a third of the economically successful individuals were **part of or well connected with the local political elite**, but there were **also very successful individuals who did not have any such connection or position**. Some model farmers recognised having had privileged access to inputs and advice, but it was not clear cut whether this had ‘come first’, or if instead, their being recognised as models had followed their initial success. An important aspect of being well-connected is **easier access to information on potentially useful government initiatives**. (cf. *DB10:change*)

Among the factors just outlined, government actions and broader contextual changes were, in principle, in reach of everyone in the communities; while personal initiative and drive is an individual characteristic, and access to some form of initial capital is a matter of individual life circumstances. What mattered was how these factors combined. This ‘combination’ effect indicates that

- **Economic success cannot just be replicated from an individual to another through the same ‘standard’ government action for all.** As shown in *DB03:inequality*, government actions that clearly benefitted the successful individuals studied in this brief were out of reach for those who lacked any form of capital or whose personal initiative had been thoroughly eroded by adversity. Replicating success requires interventions than can be tailored to individual circumstances.

Individuals’ success shaped by and shaping local context

Different types of communities offered different types of success opportunities. For instance, **successful businesspeople** were more readily found in places experiencing some form of **urbanisation** (*DB02:(r)urbanisation*). This could be through strong links with relatively large and expanding urban areas (examples include couples of businesspeople in Somodo near Jimma, with multiple service/trade businesses; and the Sirba couple mentioned earlier); or through internal or roadside urbanisation like in Gelcha (where a couple of young shop-keepers took advantage of this trend too). Successful people in communities with **significant agricultural potential** were more likely to be **farmers**, and **traders** facilitating farmers’ output marketing, especially in communities a bit more distant from larger urban centres like Oda Haro in West Shoa, Kormargefia in North Shoa and Oda Dawata in Arsi.

The other way round, **the success of some individuals had ‘spill-over effects’ in their community.** A number of them **employed people** e.g. to work on their farm, for the big coffee or chat growers and farmers with large plots of land or irrigation like in Korodegega (Arsi); or to work in their business like the couples in Somodo and Sirba. Successful individuals were also **at the origin of ‘opportunity chains’** – most often starting from successful farmers. For instance, in Oda Haro, **the success of a number of farmers led to the emergence of a class of local traders**, some of them large-scale, buying from local farmers for whom this saved time, and selling to traders from outside. Together with improvements in the internal road network this allowed **mule cart transport to emerge as a new profitable business activity** and in 2013 more than 160 carts were used mainly for transporting commodities to markets, traders, grain mills or threshing places. **Labour to load and unload products** was another of these success-induced opportunities.

Equally important was the **role of examples to emulate**, that these individuals played in their communities – while as noted above, often not being among the formal government-designated ‘models’ (see also *DB10:learning* and *DB07:women*).

Successful individuals rarely mentioned **infrastructure development** as a specific factor of success in their story. But the data clearly indicates that developments such as better access roads, phone

network and electricity coverage, improvements in feeder roads etc. were a **key source of the greater overall dynamism** noted earlier, that contributed to the success of entrepreneurial characters in the communities. Infrastructure development was recognised in all communities as being critical for local economic growth and conversely, **specific infrastructure deficits were identified as big constraints** to economic success. Poor road access was the most frequently mentioned, which in all communities was the case for internal roads (see *DB02:(r)urbanisation*) and there were examples of produces rotting in hard-to-access fields (e.g. potatoes in Kormargefia). In some communities, external roads/ links outside were still poor. E.g. in Adado (Gedeo) this was an issue for big coffee growers and local business-people; in Korodegaga this affected the ‘irrigated farmers’ trying to sell their production.

The insights above suggest that:

- Alongside Government support to group-based economic activities, **supporting individual initiatives also has the potential to contribute to broader-based development of rural communities.**
- Tapping the ‘emulation effect’ would require, as suggested in *DB10:learning*, **closer attention to and encouraging informal social knowledge diffusion processes.**
- In line with a clear Government priority, **further infrastructure development** will continue to have a key role. The potential for this to support local entrepreneurs could be maximised by **targeting investment more specifically to local economic niches.**

More direct support measures could be considered as well. A number of those mentioned below already figure on the government current or planned rural development agenda. The considerations proposed in this brief aim to stress their importance and possibly highlight some of the issues requiring attention.

A wide range of success experiences in more complex local economies

In the varied contexts just outlined, successful individuals featured a **wide diversity of profiles in terms of age, gender, and type of activity**. They could be young or older, farmers or mainly business-people/traders, men or women. Some of the women were married – and their husbands’ support usually had played a role. But (and as also explored in *DB07:women*) there were also successful women heading their household. While the data does not allow exploring the role of education in economic success, it is noteworthy that some of the economically successful individuals were illiterate. This was the case of the rich milk trader from Adele Keke mentioned earlier, who had started with an interest-free credit of birr 500 obtained from the woreda office and who in 2011 planned to buy a minibus and open a wholesale distribution shop with her savings.

There were also **examples of economically successful couples**, with their success owing in part to their working jointly towards it, such as the couples from Sirba and Gelcha mentioned earlier. Another example is a couple of middle-age businesspeople from Somodo (near Jimma). Sharecropping their land and giving their livestock for share-rearing, they drew their income from diversified non-farming activities including a commodity shop, trading of agricultural crops (mainly coffee and maize) for the wife and installation and maintenance of grain mills and transportation services for the husband; while also owning and running seven grain mills of their own.

This diversity of profiles and experiences documents **the emergence of more complex rural economies, in which a wider range of types of economic success can occur and reinforce one another**, along the lines of the Oda Haro story (not unique) showing that successful farmers both

generate opportunities for and can benefit from the presence of successful local traders and businesspeople with their network. This in turn, suggests that

- Rural development outcomes could be improved **through greater support to local traders and local investment in the processing of agricultural products**, focusing wereda planning on the development of **local value chains** (also see *DB02:(r)urbanisation* suggestion on the establishment of local 'one-stop shops' assisting rural entrepreneurs willing to invest).

Government actions - Supporting, hindering, ignoring success

In spite of their diversity, the cases of economic success described in this brief highlighted a number of factors related to government action and that were important in many of them. In some instances, **government action** was directly addressed to enhancing livelihoods, and it had on the whole rather **positive effects** on the trajectories of economically successful individuals (e.g. agricultural extension services). **Other factors** seemed to matter for economic success, but government action was **less effective** (e.g. livestock; irrigation; 'alternative cash crops'; and access to credit). Government action in relation to **taxation and other regulations** was generally perceived as having **rather negative effects**. Finally, **migration** was by and large **ignored** by the government as a factor leading to instances of economic success (*cf. DB08:mobility*).

Agricultural extension services - Most if not all those identified as successful farmers noted that **agricultural extension interventions**, guidance and advice from the DAs and government training programmes **had been helpful**, as well as experience-sharing with other successful farmers. However, there were also many **mentions of drawbacks** related to quality, quantity, timeliness and suitability of certain inputs (e.g. unsuitable improved maize seeds forcefully imposed on a successful coffee grower in Adado), and weak professional skills of the DAs. The **most common criticism was the high costs of agricultural inputs**, that deterred the successful farmers from using them as per the recommended dosages.

Irrigation - In many of the WIDE communities, **irrigation** had been important as it enabled farmers to significantly increase their production (also see *DB02:(r)urbanisation*). Many of those with access to irrigation had invested or were planning to invest in increasing the size of their irrigated land. However, many mentioned as a big constraint the **high costs of the capital investments** that would be necessary **to ensure reliable or increased access to water** and the **lack of government action in this regard**. In several communities, the emergence of irrigated farming was unrelated to any government effort – e.g. in Somodo farmers copied experienced outsiders; in Adele Keke farmers copied the way in which Chinese contractors had accessed water to build a main road in the area (*cf. DB10:change*).

High-value 'alternative' crops - A significant factor in the success of a number of farmers came from **growing high-value 'alternative' crops**. These were crops with high or increasing value on the market, which these individuals became aware of and which they undertook to grow or expanded the area planted with them as a response to market demand – in some instances **without government support**, such as for eucalyptus trees (with e.g. a successful farmer in Kormargefia who had 10,000 trees worth hundreds of thousands of birr) and chat (from which fortunes, at the local scale, were made in Adele Keke). In other cases, farmers innovating with crops had access to generic extension services but **no specialised advice** was available, such as with sesame which some individuals had started to grow as cash crop in Luqa, and spices in Do'oma.

Livestock activities - In a good number of communities, **animal rearing** had become an **important business activity**, in addition to the traditional value of livestock as saving. **Livestock fattening** was

important and some successful individuals practised it on a large scale, including through “share-rearing” like a leading businessman from Aze Deboa (Kembata) who was buying and fattening up to 20 oxen at a time in this way. The other major livestock activity revolved around **dairy cow-rearing** and the **production and sale of milk and related products**, which could bring a good income to the farmers themselves and traders such as the woman from Adele Keke mentioned earlier. **However, livestock rearing was also risky**, and especially in the drought-prone communities, livestock losses could lead to a strong set back, as in the case of the farmer from Geblen mentioned earlier.

The following measures would **enhance the positive effects of agricultural extension services and increase the potential of irrigation and livestock activities**.

- **Addressing financial constraints to access inputs**, which seemed to affect even some of the successful farmers, would ensure that usage is adequate and further increase production.
- **Further tailoring extension services to local contexts** would better support those individuals on the lookout for ‘alternative’ crops; more specific attention to provision of seeds, seedlings and advice geared to the needs of ‘irrigated farmers’ would also help, alongside the current measures to boost production of more traditional crops. **Specialised advice** could be provided **through ICT-based solutions** as a way of expanding Government-led service outreach, as suggested in *DB02:(r)urbanisation*.
- There is scope for **greater government lead in expanding and developing irrigation** where sustainable water harvesting strategies require means beyond the reach of private investment. Addressing issues of maintenance of existing infrastructure, encouraging drip irrigation where relevant (*DB02:(r)urbanisation*), and taking further steps to develop irrigation infrastructure should all be considered.
- More focus on **livestock extension** would make livestock activities more profitable - pursuing the on-going efforts to increase the availability of **adapted improved breeds** and to further raise awareness of **modern rearing practices**; and further expanding **access to and the quality of veterinary care**. This could usefully be complemented by **livestock insurance schemes** to mitigate the effects of losses due to factors beyond the control of individuals.

The importance for **successful farmers to be able to access ‘enough’ land**, key for expansion and further growth, was noted earlier.

- Strengthening the **institutional mechanisms for legal land transaction** would facilitate this while also protecting weaker community members from abuse. In addition to the systems and procedures necessary to a well-functioning land rental market, attention also needs to be paid to **help local officials addressing tensions around land**, such as between land acquisition by successful individuals and facilitating access to land for landless youth groups, and in cases arising from urbanisation and the associated pressure on rural land (see *DB02:(r)urbanisation*).

Access to credit - A number of farmers, traders and businesspeople noted that **access to credit as a means of getting capital** had been **key to their success**. Some of them took loans from formal financial institutions, which usually required government support directly or indirectly. But many highlighted **significant drawbacks making formal credit inaccessible to them** (unattainable collateral requirements, cumbersome procedures) **or useless** (too small amounts). So that **many called on informal mechanisms** like the young trader from Do’oma mentioned earlier, who was cross-lending money with other trading friends. **Equbs**, appreciated for their trust-based character,

flexibility and absence of interest, were **very important sources of capital**. For instance, the couple of young businesspeople from Sirba mentioned earlier expanded their activities in opening a cafeteria with the birr 200,000 lot of an equb to which they contributed birr 2,000 weekly, and immediately began to contribute to an even bigger equb of birr 400,000 lot.

This suggests that there is scope for **improving access to sufficient amounts of capital through formal credit** for those who would like to do so – in line with Government objective of expanding banking services in rural areas. Government could consider:

- **Encouraging MFIs to adopt a more business-friendly approach** – e.g. easing the bureaucracy, considering business proposals on their merit rather than compared to fixed loan ceilings, and finding ways to tailor collateral requirements.
- **Enhancing the ‘bankability’ of successful individuals** from rural communities through creating **new collateral types** – an example would be the provision of title deeds for high quality assets and houses in rural areas, in line with Government recently announced objective to develop ‘modern housing’ in rural areas.

Migration - In the WIDE communities a number of individuals owed their success to **migration**. Some used their **savings as start-up capital** – such as a successful businessman with a hotel, a truck for transport services etc. in Aze Deboa, who had returned from South Africa with birr 1.4 million. Others **invested wisely remittances** received from migrants, like a successful farmer/businessman in Girar (Gurage) whose daughters’ remittances complemented his own income and enabled him to open a butchery.

- As further elaborated in *DB08:mobility*, Government may want to consider the useful role of increased mobility in the development of Ethiopia’s rural communities, and take measures so that **more of the rural migrants are successful** in their experience so as to maximise their potential contribution to their home area.

Taxation and trade regulation - Government actions in relation to **taxation and trade regulation** were often raised as **obstacles to economic success**. In most communities, successful individuals, especially traders and business-people, saw the taxation system as unfair (tax level too high, not commensurate to actual profits) and marred with irregularities (e.g. tax-paying shop owners in Somodo pointing out the fact that large-scale local coffee traders were not taxed, or licensed grain traders in Oda Haro having to compete with unlicensed ones).

- **Transparency and consistency in applying licensing and taxation standards** would go a long way in encouraging local trade and business undertakings. Both are in line with GTP2 policy trajectories, and the evidence just outlined suggests that they should be expedited.

Resilience, sustainability and diversification

Some individuals seemed well established in their success, like the young businessman returnee migrant of Aze Deboa and the couple of businesspeople of Somodo. But in many cases, especially in the more vulnerable food insecure and agro-pastoralist communities, it was **unclear if their success would resist a big shock** – like an elderly woman head of household and farmer in Sirba, who had weathered the death of both her son and long-time farm worker but was later in the same year hit by a fire in her grain store. For the many successful farmers depending on rain-fed agriculture, the weather was key in determining whether their production income would exceed their production costs and by how much. **Questions on sustainability also arose** in relation to e.g. fluctuating or decreasing output prices or the risk of it.

Diversification was the response of all the successful individuals **to resilience and sustainability issues**. Farmers produced a **variety of different crops** and adapted the size of the land planted with each depending on e.g. their expectation of the price, or their ability after a good year to risk a bit more and invest in a new crop, like a big coffee grower in Somodo who had started growing more chat. Traders **diversified what they traded** like the young trader of Do'oma who wanted to open a commodity shop to add to his trade of banana, maize and livestock. Business people invested in **multiple business activities** like the couple already mentioned in Somodo.

A quite common trajectory was for a farmer becoming successful to invest in one or several non-farming activities, showing (as also found by Abeje and Ezana, 2011)^{viii} that **farming provided an initial foundation of potential for many, and across communities**. A big coffee grower in Adado, who also fattened livestock and had invested in a shop, a bakery and a teashop/restaurant, explained that a diversified portfolio of activities **enabled an individual to use the income of one to strengthen or expand another or engage into yet something else**. Most often mentioned diversification avenues were **trade of agricultural products, grain mills or shops, transport/hospitality services**, and **building rooms or houses for rent** in the community or a most often nearby urban area.

This evidence leads to the following points.

- First, considering how diversification enhanced resilience and sustainability of individual economic success, **caution seems to be in order when promoting specialisation in economic activities**. For farmers, mono-cropping, even in 'specialised' high-value crops, brings risks. For traders, depressed markets for one product can be compensated by a better market for another. Government might more fully **recognise the many advantages of diversified portfolios of activities** responding to people's own choices, in today's rural communities in Ethiopia, and gear its policies to support this better.
- The resilience of successful trajectories could also be enhanced through **developing different types of insurance schemes against shocks** such as livestock losses and ill-health (possibly building on customary forms of insurance such as iddirs and cattle iddirs). As discussed in *DB03:inequality* the expansion of such insurance schemes would also help protect the poor and vulnerable members of rural communities, whilst cross-subsidisation from the better-off in favour of poorer people would build on and expand local customary assistance mechanisms.
- **Broadening successful individuals' perspectives** on the **investments** that they could consider, could help them to consolidate their success. As *DB02:rurbanisation* suggests, establishing local 'one-stop shops' advising on marketable products/services, linking entrepreneurs to training and credit opportunities, helping them to address access to land issues etc. could be one of the ways to do this.
- The evidence above shows the importance of **encouraging individual undertakings**. At the same time, certain investments are beyond the means of even the most successful individual. **Cooperatives can have a role** in such cases – e.g. by supporting agricultural mechanisation and engaging in the processing of products. However, (also *DB03:inequality; DB07:women; DB10:change*), the WIDE data suggest that for cooperatives to effectively complement and help expand individual undertakings, increased **attention** would have to be paid to **building the required governance capacities and oversight mechanisms**.

How did successful individuals invest?

Beside investing to **strengthen/diversify their economic activity**, most of the successful individuals invested in **improving their living standards** (better houses, well-furnished – like the ‘modern villa’-looking new house of the couple of businesspeople in Somodo). In a good number of cases their investment was **urban-linked** – building in town to open a business there, or rent, or accommodate studying children, or doing several of these things at the same time like a successful farmer of Aze Deboa with a large building in Durame. Successful individuals also invested and/or planned to invest **in their children’s or their own education** – like a champion farmer from Gara Godo who ensured that all his children went to school and was himself attending an Accounting Diploma.

ⁱ This brief is one of ten in the Series II of the WIDE Discussion Briefs. It was prepared by Tefera Goshu with Catherine Dom and reviewed by Ezana Amdework. The author is grateful for the funding of the briefs by the UK Department for International Development, Irish Aid and the Swedish International Development Agency, and the time and support of the other research team members and the peer reviewers who engaged with the drafting process and helped to sharpen the focus of the brief. Acknowledgement should also be made of (1) the time and dedication of the research officers and research supervisors who over the years made the data on which the brief draws, (2) the various funders who financed the research phases, and (3) the time and interest of senior Government officials, with whom the Series II of the WIDE Discussion Briefs were discussed at a High Level Discussion Forum on 28th March 2016 convened by the Ethiopian Development Research Institute and organised by its Economic Policy Analysis Unit. The brief was finalised taking into account the feedback received at the High Level Discussion Forum. It does not represent the views of EDRI, the Government of Ethiopia, or the financing Development Partners, but is intended to stimulate policy discussion. The other Series II Discussion Briefs and other research products are available at <http://ethiopiawide.net/>.

ⁱⁱ The late PM Meles Zenawi stressed the importance of bankability of individuals in rural areas in his opening address at a Worldwide Congress on Agricultural and Rural Finance in November 20015 (<http://nextbillion.net/news/thiopia-meles/>).

ⁱⁱⁱ Rural housing development is a Government objective in GTP2, alongside further urban housing development (see e.g. <http://www.ena.gov.et/en/index.php/economy/item/816-ministry-plans-to-construct-over-2-4-million-houses-in-gtp-ii>).

^{iv} Cited by Donald Kaberuka, then President of the African Development Bank, when opening the Meles Zenawi Foundation.

^v The profiles studied for the brief do not represent a systematic selection of different exemplars of economic success; and success was locally defined. However, like the WIDE communities within which these individuals were active, the profiles were chosen as exemplars of different types of economic success featuring wide variations in a range of key characteristics. This and the case-based approach used in analysing the data make us confident in stating that our insights and derived conclusions/suggestions are likely to hold more widely in rural Ethiopia.

^{vi} Bevan et al, 2014, *Long Term Perspective on Development Impacts in Rural Ethiopia – WIDE3 Stage 3 – Six Communities with Agricultural Potential: Short Summary*

^{vii} Svein Ege, forthcoming, *The New Economy: Agricultural Transformation in North Shäwa, Ethiopia*.

^{viii} Abeje Berhanu and Ezana Amdework, 2011, *Peasant Entrepreneurship and Rural Poverty Reduction: the case of Model farmers in Bure Woreda, West Gojjam Zone*. Forum for Social Studies monograph No.8. Forum for Social Studies, Addis Ababa.