

Poverty & Equity Brief

Africa Eastern & Southern

Ethiopia

April 2021

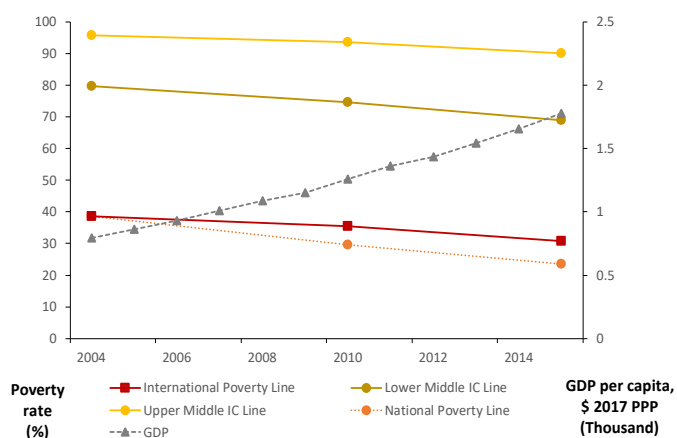
Ethiopia achieved strong poverty reduction between 2004 and 2015, with the share of the population below the national poverty line dropping from 39 percent in 2004 to 24 percent in 2015 (the last available data). Poverty reduction was especially fast in urban areas, reflecting the large urban investments linked to the urban renewal initiative and overall fast economic growth. Poverty reduction in rural areas, where the bulk of the poor live, was fast as well, though it has slowed down in the most recent period (2010-2015), during which rural consumption growth amounted to less than one percent per year (compared to six percent in urban areas). Though poverty reduction has been strong, the poorest segment of the **population—mainly concentrated in remote rural areas—did not experience any real consumption growth between 2004 and 2015**. As a result, rural poverty severity, which measures the depth of poverty, was higher in 2015 than in 2004. While still low, inequality in Ethiopia (Gini index of 35) has been increasing in recent years due to the diverging welfare trends between urban and rural areas. While regional inequality in consumption is low, the pastoral and drought-prone lowland areas in the geographical periphery of the country, mainly in Somali and Afar regions, are lagging on virtually all non-monetary indicators.

The COVID-19 crisis poses formidable challenges for the people and the economy of Ethiopia and the effects of the COVID-19 pandemic on household welfare are expected to be severe. Household incomes, as shown by the COVID-19 monitoring surveys, are impacted through a reduction in aggregate demand. According to recent surveys, more than half of the households reported in April that their incomes were either reduced or had totally disappeared. Reductions in income are disproportionately concentrated among low-income urban households. Although rural areas are less affected, the negative economic consequences of the virus are still felt. While the proportion of those who reported a reduction of income decreased in subsequent months, at 26 percent in October 2020 it remained high. Progress in poverty reduction may therefore come to a halt. The poverty rate based on the international poverty line of 1.9 USD per day per person was predicted to be 27 percent in 2019 and is expected to remain about the same in 2020 or 2021.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	23.5	23.5	2015
International Poverty Line 16.8 in Ethiopian birr (2015) or US\$1.90 (2011 PPP) per day per capita	31.1	30.8	2015
Lower Middle Income Class Poverty Line 28.2 in Ethiopian birr (2015) or US\$3.20 (2011 PPP) per day per capita	69.5	68.9	2015
Upper Middle Income Class Poverty Line 48.5 in Ethiopian birr (2015) or US\$5.50 (2011 PPP) per day per capita	91.0	90.2	2015
Multidimensional Poverty Measure		73.5	2015
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		0.35	2010-2015
INEQUALITY			
Gini Index		35.0	2015
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-1.21	2010-2015
GROWTH			
Annualized GDP per capita growth		7.16	2010-2015
Annualized Consumption Growth per capita from Household Survey		1.56	2010-2015
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		1.64	2010-2015

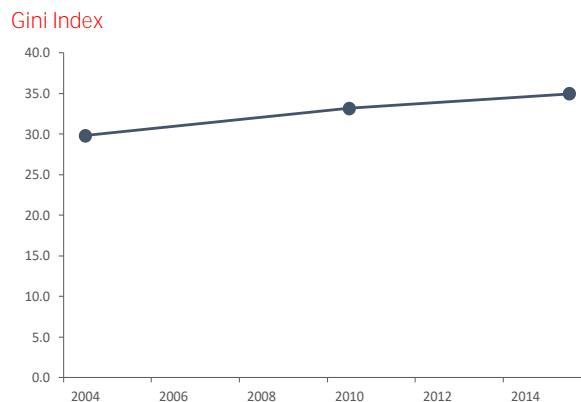
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2021, and Global Monitoring Database for the rest.

POVERTY HEADCOUNT RATE, 2004-2015



Source: World Bank using HICES/SSAPOV/GMD

INEQUALITY TRENDS, 2004-2015



Source: World Bank using HICES/SSAPOV/GMD

KEY INDICATORS

Distribution among groups: 2015	International Poverty Line (%)		Relative group (%)		Multidimensional Poverty Measures: 2015 (% of population)	
	Non-Poor	Poor	Bottom 40	Top 60		
Urban population	87	13	18	82	Monetary poverty (Consumption)	
Rural population	65	35	45	55	Daily consumption less than US\$1.90 per person	30.8
Males	69	31	41	59	Education	
Females	70	30	39	61	At least one school-aged child is not enrolled in school	31.2
0 to 14 years old	64	36	46	54	No adult has completed primary education	66.7
15 to 64 years old	73	27	36	64	Access to basic infrastructure	
65 and older	76	24	31	69	No access to limited-standard drinking water	42.7
Without education (16+)	67	33	42	58	No access to limited-standard sanitation	95.9
Primary education (16+)	76	24	34	66	No access to electricity	64.1
Secondary education (16+)	88	12	18	82		
Tertiary/post-secondary education (16+)	96	4	7	93		

Source: World Bank using HICES/SSAPOV/GMD

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Notes: N/A missing value, N/A* value removed due to less than 30 observations

POVERTY DATA AND METHODOLOGY

Statistical capacity in Ethiopia is respectable, witnessed by a score of 70 on the World Bank's Statistical Capacity Indicators (IDA average of 63). Poverty surveys have been implemented roughly every five years since 1996, with the latest one in 2015–16. Ethiopia plans to increase the frequency of the main poverty survey to every three years. However, the poverty survey planned for July 2020 through June 2021 had to be postponed due to COVID-19. It started being fielded in January 2021 and will continue till December 2021. The Population and Housing Census, planned for 2017, is postponed indefinitely due to the volatile security situation in the country.

Challenges in survey methodology and transparency remain. Moreover, the approach to update the poverty line for inflation has not been consistent through time and the construction of the consumption aggregate is poorly documented. The poverty team based in Ethiopia is working closely with the Central Statistics Agency (CSA) and the National Planning and Development Commission (NPDC) to improve the quality of the next poverty survey and poverty measurement including transparency and consistency in methodology. Development of statistics was supported by the Bank through the Statistics for Results (SRF) Project (\$15.5 million) and is being supported by the additional financing of the Enhancing Shared Prosperity through Equitable Services (ESPES) project. While SRF has mainly focused on infrastructural upgrading, the ESPES support will focus on increasing the frequency of the poverty surveys and improving price and business statistics. Ethiopia has recently requested the World Bank to be included in the East Africa Regional Statistics Project and concept note preparation is started. There is no public access to micro-data in Ethiopia.

HARMONIZATION

The numbers presented in this brief are based on the SSAPOV database. SSAPOV is a database of harmonized nationally representative household surveys managed by Sub-Saharan Team for Statistical Development. It contains more than 100 surveys covering 45 out of the 48 countries in the SSA region. The three countries not covered in the database are Eritrea, Equatorial Guinea, and Somalia. Terms of use of the data adhere to agreements with the original data producers.