

Poverty & Equity Brief

Africa Eastern & Southern

Ethiopia

April 2024

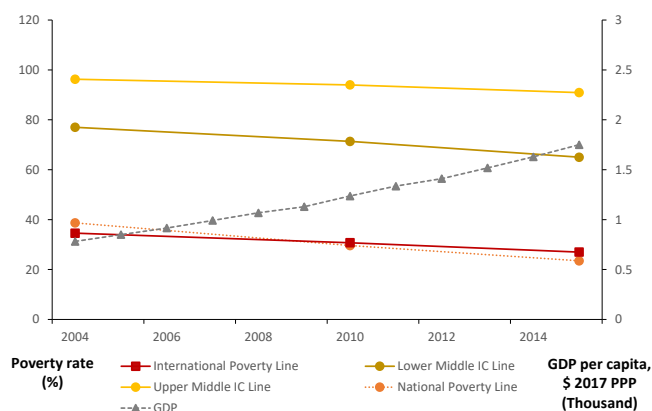
The latest available official poverty estimate is from 2015/16 and shows that Ethiopia continued the trend of poverty reduction that started in the mid-1990s, with the share of the population below the national poverty line dropping from 29.6 percent in 2010/11 to 23.5 percent in 2015/16. During these years, poverty reduction was especially rapid in urban areas, where average consumption per capita grew at a pace three times higher than in rural areas. Although inequality rose due to diverging welfare trends between urban and rural areas, the overall level of inequality remained moderate, as reflected in the Gini index of close to 35 points in 2015/16. Indicators of human capital accumulation remained low in the mid- to late-2010s, especially in rural areas, where half of the adults had never attended any form of formal education and about 37 percent of children under five years at the national level were stunted (2019). The pastoral and drought-prone lowland areas of the country, the Somali and Afar regions, the lowland areas of Oromiya, and the Southern Nations, Nationalities and Peoples (SNNP) regions displayed high monetary poverty rates and lagged on virtually all non-monetary dimensions.

Recently, the pace of poverty reduction is projected to have slowed down significantly on account of the multiple shocks affecting the economy (drought, conflict, the fallout from the war in Ukraine, and rising food prices), which have likely affected the transmission of GDP growth to poverty reduction. In fact, modeled estimations show that in 2023 the extreme poverty rate was 25 percent (\$2.15/day), not too far below the estimated extreme poverty rate of 27 percent in 2015, despite an average growth of 8.7 percent per year during **2015–19**, and 6.5 percent between 2020 and 2022. The agricultural sector, which employs nearly two-thirds of workers, grew slower than other sectors, while overall labor market conditions also worsened (unemployment rose from 5 to 9 percent). Conflict and drought in pastoral areas were also associated with a reduction in consumption expenditure. The drought situation is worsening in some parts of northern, southern, and southeastern Ethiopia, negatively affecting agricultural production and income, especially for rainfed agriculture-dependent households. A lower agricultural output level could drive up food prices, particularly in urban areas, eroding urban households' purchasing power.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	23.5	23.5	2015
International Poverty Line 15.8 in Ethiopian birr (2015) or US\$2.15 (2017 PPP) per day per capita	27.7	27.0	2015
Lower Middle Income Class Poverty Line 26.8 in Ethiopian birr (2015) or US\$3.65 (2017 PPP) per day per capita	66.6	65.0	2015
Upper Middle Income Class Poverty Line 50.2 in Ethiopian birr (2015) or US\$6.85 (2017 PPP) per day per capita	93.2	90.9	2015
Multidimensional Poverty Measure		72.7	2015
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		0.80	2010-2015
INEQUALITY			
Gini Index		35.0	2015
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-1.22	2010-2015
GROWTH			
Annualized GDP per capita growth		7.20	2010-2015
Annualized Consumption Growth per capita from Household Survey		2.02	2010-2015
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		2.09	2010-2015

Sources: WDI for GDP, National Statistical Offices for national poverty rates, PIP as of October 2023, and Global Monitoring Database for the rest.

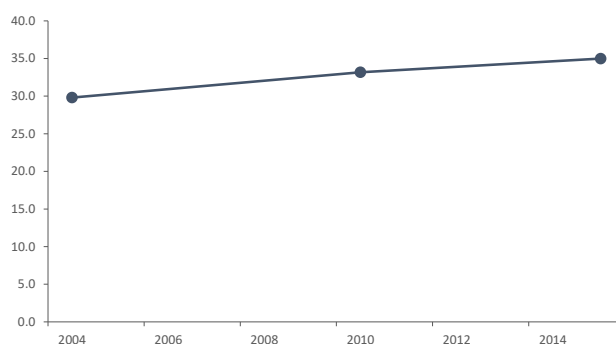
POVERTY HEADCOUNT RATE, 2004-2015



Source: World Bank using HICES/SSAPOV/GMD

INEQUALITY TRENDS, 2004-2015

Gini Index



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	89	11	18	82	Monetary poverty (Consumption) Daily consumption less than US\$2.15 per person 26.9
Rural population	69	31	45	55	
Males	72	28	41	59	Education At least one school-aged child is not enrolled in school 31.2 No adult has completed primary education 66.7
Females	74	26	39	61	
0 to 14 years old	69	31	46	54	Access to basic infrastructure No access to limited-standard drinking water 42.7 No access to limited-standard sanitation 95.9 No access to electricity 64.1
15 to 64 years old	76	24	36	64	
65 and older	79	21	31	69	
Without education (16+)	71	29	42	58	
Primary education (16+)	79	21	34	66	
Secondary education (16+)	90	10	18	82	
Tertiary/post-secondary education (16+)	97	3	7	93	

Source: World Bank using HICES/SSAPOV/GMD

Source: World Bank using HICES/SSAPOV/GMD

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

POVERTY DATA AND METHODOLOGY

Ethiopia's statistical capacity is comparable to countries with similar levels of development. However, Ethiopia's score on the World Bank's Statistical Capacity Indicators declined in 2020, falling below the IDA average for the first time. Household budget surveys have been implemented about every five years since 1996, with the latest one in 2021 which excludes a conflict affected region (Tigray). However, the Ethiopia Statistics Services (ESS) has not released the official estimates of poverty from the 2021 survey. Ethiopia plans to increase the frequency of the household survey used to estimate monetary poverty to every three years, with the next round planned to be conducted from July 2024 to June 2025. The planned survey will combine the household consumption and welfare modules with the national labor force survey. The Population and Housing Census, planned for 2017, is postponed indefinitely due to the volatile security situation in the country.

There are challenges in survey methodology and transparency. The poverty team based in Ethiopia is working closely with the ESS and the Ministry of Planning and Development (MoPD) to strengthen technical capacity. The development of statistics was supported by the Bank through the Statistics for Results (SRF) project (\$15.5 million) that has mainly focused on infrastructural upgrading. The ESS does not provide public access to micro-data.

Note on new global poverty lines: Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of \$2.15, \$3.65, and \$6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See pip.worldbank.org.

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.