Poverty and Inequality in Ethiopia: Depth, Distribution, Sources, and Prospects

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Abstract

Poverty alleviation, welfare and equitable distribution of benefits among citizens are the overriding objectives of developing countries. Ethiopia has been designing and implementing several development policies and interventions to attain such objectives. However poverty alleviations is still the primary development agenda of the country and the distribution of poverty and inequality across regions and areas of residence (urban vs, rural) is becoming worrisome. In order to generate current and relevant empirical evidence on these issues, the third wave (2015) of the Living Standards Measurement Study (LSMS) on Ethiopian was utilized. A sample of 5656 households with 22,296 household members covering all regions and cities were used for rigorous distributive analysis. Absolute and relative poverty indices for food and nonfood (such as FGT, Watts, Sen-Shorocks-Thon, and time taken to exit) were estimated and decomposed by population subgroups and income/expenditure components. The determinants of poverty were identified and meaningful implications were produced. Moreover, income/expenditure inequality in Ethiopia was estimated by using alternative measures and decomposed by predicted components of regression-based decomposition and other measures of inequality. The results clearly indicate the incidence, depth, severity, and distribution of poverty and inequality and the possible sources thereof. They suggest the need to design and implement relevant development interventions for attaining Sustainable Development Goals (SDG) of ending poverty and hunger in all its forms everywhere by 2030 and the country’s desire to reach middle-income level by 2025.