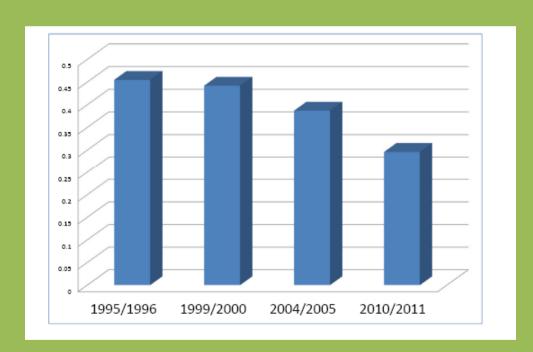




Federal Democratic Republic of Ethiopia

Ethiopia's Progress Towards Eradicating Poverty: An Interim Report on Poverty Analysis Study (2010/11)



Development Planning and Research Directorate Ministry of Finance and Economic Development March 2012 Addis Ababa

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1. Introduction

Addressing poverty has been an important component of the MDGs as declared by the heads of states at the Millennium Summit in September 2000 that set out goals and targets to be met by the year 2015.

The measurement and analysis of poverty and inequality is crucial for understanding peoples' situations of well-being and factors determining their poverty situations. The outcomes of the analysis are often used to inform policy making as well as in designing appropriate interventions and for assessing effectiveness of on-going policies and strategies.

Since the last two decades, as part of the global and national initiatives, the government of Ethiopia together with its development partners has been pushing with a development with aim of achieving a broad based and sustained economic growth. In light of the strategy, objective of reducing the depth and extent of chronic poverty over time, a strong system of Monitoring and Evaluation has been put in place to monitor progress in poverty reduction. Consequently, the issue of Welfare Monitoring in the country arose as part of the Economic Reform Program (ERP). The ERP specifically and strongly underlines to see the effect of the reform program on poverty and building the analytical capacity of the government to monitor and evaluate such effects. To this end, the government of Ethiopia has established a Welfare Monitoring System (WMS) in 1996. Moreover, the government of Ethiopia has made poverty analysis to be an integral part of the overall Monitoring and Evaluation (M&E) System since 1996 as part of its endeavor to address the poverty reduction agenda.

The objective of this interim report is, therefore, to provide key fresh results of the poverty analysis that is currently in progress to governmental and non-governmental organization, development partner and Ethiopian public. There have been two major sources of information on poverty in Ethiopia: a series of WMSs, undertaken every three to five years since 1996, which track household characteristics and the non-income dimensions of poverty; the 5-yearly HICESs, which measures income poverty. CSA has been conducting the HICES every five years since 1996 in order to gather income and consumption expenditure data. So far, the HICES was conducted four times: 1995/96, 1999/2000, 2004/05, and 2010/11. This interim report draws on these four surveys, which are the main official instruments for tracking poverty and welfare in Ethiopia.

2. The 2010/11 HICE survey sampling and data collection

The 2010/11 HICE survey was designed and conducted by the CSA. The core objective of the HICE survey is to provide statistical data that enable to understand the income (consumption-expenditure) dimension of poverty. The major objectives, among others, are the following.

- 2.1 Furnish series of data for assessing poverty situations; for analyzing changes in the households' living standard over time; and for M&E the impacts of socio-economic policies and programs on households' livelihood.
- 2.2 Provide data for compiling household accounts in the System of National Accounts (SNA), and for construction and/or rebasing of Consumer Price Indices.

2.1. Survey methodology

Sample design. The 2010/11 HICE survey covered all rural and urban areas of the country except non sedentary area in Afar and Somali (three and six zones, respectively) National Regional States. For the purpose of representative sample selection, the country was divided in to three broad categories, i.e., rural, major urban centers and other urban areas categories. Therefore, each category of a specific region, in most cases, was considered to be a survey domain (i.e., reporting level) for which the major findings of the survey are reported. However, Hareri and Dire Dawa have rural and urban categories, only; while Addis Ababa has only urban areas divided into 10 subcities considered as survey domain or reporting levels.

In the first two categories, namely the rural and major urban, a two stage stratified sampling technique was implemented whereby the Enumeration Areas (EAs) were considered as a Primary Sampling Unit (PSU) and the households were considered as the Secondary Sampling Unit (SSU). The EAs were selected using the Probability Proportional to Size (PPS), size being the number of households obtained from the 2007 Population and Housing Census while the households were systematically selected from the fresh list of households within the EA made during the survey.

On the other hand, for the other urban category, a three stage stratified sampling technique was utilized. In this case, the urban centers, EAs and households were used as a PSU, SSU and the Tertiary Sampling Unit respectively. Here, the PSUs and SSUs were selected using the PPS while the selection of households follow the same approach as described earlier.

Sample size. At country level, a total of 864 EAs and 10368 households (12 households per EA) were selected to represent rural and a total of 1104 EAs and 17,664 sample households (16 households per EA) were selected for urban domains, specifically, 576 EAs and 9216 households and 528 EAs and 8448 households to represent major urban and other urban areas, respectively.

Sample Coverage. In rural areas out of the 864 EAs 862 EAs and out of the 10368 households, 10320 households were successfully covered by the survey which gives a response rate of 99.7%.

Similarly, in urban areas all EAs were fully covered by the survey. However, with respect to households, only 150 households were not covered by the survey. At the end it was possible to obtain very clean data from 27830 households, which is quite high compared to the sample size of HICE survey in 2004/05 (sample size of 21595) and 1999/00 (sample size of 17332) and 1995/96 (sample size of 12342)¹.

2.2. Data collection

The data collection of the HICE survey has taken place for one full year from 8 July 2010 to 7 July 2011. A total of 82 data collection team, each composed of two enumerators and one supervisor/field editor, were organized in order to execute the field work. Furthermore, these 82 teams were organized in 25 CSA branch offices, each headed by an experienced statistician. Each team was responsible to collect data in at most 24 enumeration areas (EA).

3. Method of measuring and aggregating poverty

Income or consumption is traditionally used to measures material deprivation. Especially consumption rather than income is viewed as the preferred welfare indicator because consumption better captures the long-run welfare level than current income. Consumption may better reflect households' ability to meet basic needs. Income is only one of the elements that allow consumption. Consumption reflects the ability of household's access to credit and saving at times when their income is very low. Hence, consumption reflects the actual standard of living (welfare). Consumption is better measured than income. In most developing countries, income report of households is likely to be understated compared to consumption expenditure report. Income is so erratic and seasonal that it may be very difficult for respondents to recall. Hence, many of the income poverty measures (such as the head count ratio, poverty gap ratio, and the squared poverty gap ratio) use consumption rather than income in the conduct of poverty analysis.

Consumption to be an indicator of household's welfare, it has to be adjusted for difference in the calorie requirement of different household members (for age and gender of adult members). This adjustment could be made by dividing real household consumption expenditure by an adult equivalent scale that depends on the nutritional requirement of each family member. The adult equivalent scale must therefore be different for different age groups and the gender of adult members. Besides, household consumption may have to be adjusted for differences in prices across regions and for different point of time to take care of the difference in the cost of basic needs across space and over time.

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¹ See MoFED (2002, 2008) and CSA (2007) for details of survey design, sampling and sample coverage of the 1995/96, 1999/00 and 2004/05 HICE surveys.

Total poverty here refers to an aggregate measure of poverty that takes into account both the food and non-food requirements. Here it is worth noting how poverty lines are established. The most widely used method of estimating poverty line is the cost of basic needs method because the indicators will be more representative and the threshold will be consistent with real expenditure across time, space and groups. First, the food poverty line is defined by choosing a bundle of food typically consumed by the poor. The quantity of the bundle of food is determined in such a way that the bundle supplies the predetermined level of minimum caloric requirement (2200 kilocalorie). This bundle is valued at local prices or at national average prices if the objective is to get a consistent poverty line across regions and groups. Then a specific allowance for the non-food goods consistent with the spending of the poor is added to the food poverty line. To account for the non-food expenditure, the food poverty line is divided by the food share of the poorest quartile or quintile.

The most widely used poverty indices are the percentage of the poor (headcount index), the aggregate poverty gap (poverty gap index), and the distribution of income among the poor (poverty severity index). The poverty measure itself is a statistical function that translates the comparison of the indicator of household well-being and the chosen poverty line into one aggregate number for the population as a whole or a population subgroup. Many alternative measures exist, but the three measures described below are the ones most commonly used.

Incidence of poverty (headcount index). This is the share of the population whose income or consumption is below the poverty line; that is, the share of the population that cannot afford to buy a basic basket of goods.

Depth of poverty (poverty gap). This provides information regarding how far households are from the poverty line. This measure captures the mean aggregate income or consumption shortfall relative to the poverty line across the whole population. It is obtained by adding up all the shortfalls of the poor (assuming that the non-poor have a shortfall of zero) and dividing the total by the population. In other words, it estimates the total resources needed to bring all the poor to the level of the poverty line (divided by the number of individuals in the population).

Poverty severity (squared poverty gap). This takes into account not only the distance separating the poor; from the poverty line (the poverty gap), but also the inequality among the poor, that is, a higher weight is placed on those households further away from the poverty line.

More precisely, these measures can be defined in terms of the well-known Foster, Greer, and Thorbecke (1984) P_{α} class of poverty measures. When real per-adult (per capita) household expenditure, Y_i , is ranked as

$$Y_1 \le Y_2 \le \dots Y_q \le Z <_{q+1} \dots \le Y_n,$$

Where Z is poverty line, N is the total population, and q is the number of poor, then P_a is given by

$$P_{\alpha} = \frac{1}{N} \sum_{i=1}^{q} \left(\frac{Z - Y_i}{Z} \right)^{\alpha}; \ \alpha \ge 0, \text{ for } Y < Z.$$

Here the parameter α reflects the policymaker's degree of aversion to inequality among the poor. If $\alpha = 0$, there is no concern about the depth of poverty and the corresponding poverty index is called the *headcount index* (P₀). Hence P₀ corresponds to the fraction of individuals falling below the poverty line. The head-count index is easily understood and communicated, but it is insensitive to differences in the depth of poverty. It fails to capture the extent to which individual income (or expenditure) falls below poverty.

If α =1, the poverty index is called the *poverty gap ind*ex (P₁) and it measures the aggregate poverty deficit of the poor relative to the poverty line; we also call it poverty gap ratio. Poverty gap ratio can also be interpreted as an indicator of potentials for eliminating poverty by targeting transfers to the poor. The minimum cost of eliminating poverty using targeted transfer is the sum of all poverty gaps in a population - (Z- \overline{Y}_0)×q. The drawback of the poverty gap measure is that it does not capture the differences in the severity of poverty among the poor, that is, it does not capture the transfer of income among the poor.If income is transferred from the poor to the least poor, the poverty gap index will be unaffected.When α >1, the P_{α} calculation gives more weight to the average income shortfall of the poorest of the poor. Thus P₂ (where α = 2) measures the squared proportional shortfalls from the poverty line, which is commonly known as an index of the severity of poverty. However, it is not easy to interpret.

This report uses all the three poverty indices above namely headcount poverty, the poverty gap, and the severity of poverty. The measures of depth and severity of poverty are important complements of the incidence of poverty. It might be the case that some groups have a high poverty incidence but low poverty gap (when numerous members are just below the poverty line), while other groups have a low poverty incidence but a high poverty gap for those who are poor (when relatively few members are below the poverty line but with extremely low levels of consumption or income).

Poverty reports in developing countries use all three poverty indices described above namely headcount poverty, the poverty gap, and the severity of poverty. The measures of depth and severity of poverty are important complements of the incidence of poverty. It might be the case that some groups have a high poverty incidence but low poverty gap (when numerous members are just below the poverty line), while other groups have a low poverty incidence but a high poverty gap for those who are poor (when relatively few members are below the poverty line but with extremely low levels of consumption or income).

In Ethiopia, the methods described above were first applied in the context of the 1995/96 Poverty Analysis Report. This was based on the cost of 2,200 kcal per day per adult food consumption with an allowance for essential nonfood items. The food and total poverty lines used since 1995/96 in the country are 648 and 1075 birr at national average prices, respectively (Table 1). To use these poverty lines and compute poverty indices, the per adult consumption expenditure has been updated by deflating all food and nonfood consumption items by spatial price indices (disaggregated at the regional level relative to national average prices) and temporal price indices (relative to 1995/96 constant prices).

To calculate the 1999/00 and 2004/05 poverty indices, first the nominal values of per adult food and non-food consumption items were deflated by the spatial price indices (disaggregated at regional level relative to national average prices) and temporal price indices (relative to 1995/96 constant prices) to arrive at real per adult consumption. Second the 1,075 Birr poverty line is applied to real per adult household consumption expenditure in order to calculate head count, poverty gap and squared poverty gap indices. To compute the 2010/11 poverty indices, the 1995/96 poverty line has to be computed at 2010/11 prices. To do so groups of consumption items defined in 1995/96 that generate 2200 kilo calories are valued at 2010/11 national average prices in order to obtain food poverty line of 2010/11. Then this food poverty line is divided by the food share of the poorest 25 per cent of the population to arrive at the absolute poverty line for year 2010/11. The food and absolute poverty lines for 2010/11 are determined to be Birr 1985 and 3781, respectively (Table 1).

These poverty lines and the real per adult consumption expenditure are used to aggregate consumption poverty indices. The real per adult consumption is obtained by first dividing the nominal consumption expenditure by nutritional calorie based adult equivalence family size to arrive at per adult consumption expenditure. The calorie based adult equivalent scale used varies by age and gender (see MOFED 2008, page. 117, Table B.3). Second, per adult consumption expenditure has been updated by deflating all food and nonfood consumption items by spatial price indices (disaggregated at the reporting level relative to national average prices) and temporal price indices to bring them to December 2010 constant prices(see Tables A1 and A2 for Reporting and Regional level spatial price indices). These adjustments result into real per adult food and non-food consumption expenditure measured at December 2010 national average prices (Table 2)². The real per capita consumption expenditure is obtained by dividing consumption expenditure by family size instead of adult equivalent family size. As indicated in Table 2, per capita consumption expenditure is higher in urban areas than in rural areas.

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² See Tables A3, A4 and A5 for regional level real per adult and per capita consumption expenditure.

Table 1. Total (absolute) and food poverty line in Birr (average price)

	1995/96	2010/11
Kilocalorie per adult per day (Kcal)	2,200	2,200
Food poverty line per adult person per year (Birr)	648	1,985
Total poverty line per adult person per year (Birr)	1,075	3,781

Source: HICE survey 1995/96 and 2010/11

Table 2.Real per capita and per adult consumption expenditure in 2010/11 in Birr

	Urban	Rural	Total
Real per capita food consumption expenditure	2758	2031	2151
Real per capita non-food consumption expenditure	3327	2305	2475
Real per capita total consumption expenditure	6085	4336	4626
Real per adult food consumption expenditure	3252	2515	2637
Real per adult non-food consumption expenditure	3910	2845	3022
Real per adult total consumption expenditure	7162	5360	5659

Source: HICE survey 2010/11; Number of observation=27830

4. Status and trends of consumption poverty and inequality

4.1. Status of national, rural and urban poverty

According to the 2010/11 HICES, the proportion of poor people (poverty head count index) in the country is estimated to be 29.6% in 2010/11 (Table 3). In 2010/11, while the proportion of the population below the poverty line stood at 30.4% in rural areas, it is estimated to be 25.7% in urban areas. The poverty gap index is estimated to be7.8% while it is 8.0% for rural areas and 6.9% for urban areas. Similarly, the national level poverty severity index stood at 0.031 with rural poverty severity index (0.032) being slightly higher than that of urban areas (0.027). Between 2004/05 and 2010/11, income (consumption) inequality measured by Gini Coefficient has shown a slight decline from 0.3 in 2004/05 to 0.298 in 2010/11. Inequality as measured by the coefficient has declined in urban areas from 0.44 to 0.37, while rural inequality increased from 0.26 to 0.27 though inequality is still higher in urban than in rural areas.

Table 3.Povertyhead count indices and inequality in 2010/2011

	Total poverty)	Food poverty	Gini-Coefficient. (inequality)
Urban	0.257	0.279	0.371
Rural	0.304	0.347	0.274
Total	0.296	0.336	0.298

Source: HICE survey 2010/11; Number of observation=27830

4.2. Trends in national poverty

Using real per adult consumption expenditure, the levels of total, rural and urban poverty indices for 1995/1996, 1999/00, 2004/2005 and 2010/11 are provided in Table 4. Compared to 2004/05, poverty has declined substantially, but limited to the incidence (head count) and depth of poverty (poverty gap). The 2010/11 poverty head count index (incidence of poverty) is lower than the index for 2004/05 by 24% while the poverty gap is lower by 5.5% indicating a substantial decline in poverty during the five-year period ending in 2010/11 (Table4). Moreover, the decline in poverty is also much higher after 2004/05 (PASDEP period) than after 2004/05 (the SDPRP period).

4.3. Trends in rural and urban poverty

As shown above, Poverty has declined substantially between 2004/05 and 2010/11. In 2010/11, much of the decline in national poverty is attributed to a decline in urban poverty in contrast to the decline in poverty in 2004/05 which was mainly due to a decline in rural poverty. The decline in rural and urban poverty is substantial; and the declines are much higher than during the SDPRP period. The 2010/11 rural poverty head count and poverty gap are lower than that of 2004/05 by 23% and 5.5%, respectively, but poverty severity of 2010/11 is higher than of 2004/05 by 17% indicating that inequality in rural started to rise. The preliminary analysis indicates that there has been a decline in the proportion of rural people who are below the poverty line and the average gap of the poor from the poverty line, but no improvement in the distribution of income among the rural poor. The decline in rural poverty can be attributed to the wide-ranging and multi-faceted pro-poor programs that have been implemented in rural areas such as extension of improved agricultural technologies and farming practices, commercialization of smallholder farming agriculture, rural infrastructural development and a range of food security programs (productive safety net programs, provision of credit etc).

Similarly, urban poverty declined substantially between 2004/05 and 2010/11, but only limited the incidence and depth of poverty. The 2010/11 urban poverty head count and poverty gap are lower than that of 2004/05 by 27% and 10%, respectively, and poverty severity of 2010/11 is higher than of 2004/05 by 5%. The decline in urban poverty incidence and gap could be attributed to the propoor activities undertaken in urban areas since 2005 including the on-going efforts waged by the government to creating favorable environment for private sector investment, job creations and distribution of subsidized basic food items provided to the urban poor in times of inflation over the last five years.

Despite the substantial decline of poverty incidence and gap in both rural and urban areas, poverty is still more of a rural phenomenon. The gap in poverty between rural and urban areas was narrowing until 2004/05, but it slightly widened after 2004/05.

Through triangulating all available information on poverty and welfare (welfare monitoring survey, demographic and health survey and household income and consumption expenditure surveys as well as data of sector ministries), a full-fledged poverty analysis will be conducted subsequently. The determinants of poverty analysis work (as planned in the full-fledged poverty analysis phase) would help flesh out the factors behind the observed trends in poverty from 2004/05 to 2010/11.

Table 4: Trends of national and rural/urban poverty

	Po	overty indi	ces over tin	Change (%)			
	1007/05	1000/00	2004/07	2010/11	2004/05 over	2010/11 over	
	1995/96	1999/00	2004/05	2010/11	1999/00	2004/05	
National							
Head count index	0.455	0.442	0.387	0.296	-12.4	-23.5	
Poverty gap index	0.129	0.119	0.083	0.078	-30	-5.5	
Poverty severity index	0.051	0.045	0.027	0.031	-39.8	14.4	
Rural							
Head count index	0.475	0.454	0.393	0.304	-13.4	-22.7	
Poverty gap index	0.134	0.122	0.085	0.080	-30.8	-5.5	
Poverty severity index	0.053	0.046	0.027	0.032	-40.6	17.0	
Urban							
Head count index	0.332	0.369	0.351	0.257	-4.7	-26.9	
Poverty gap index	0.099	0.101	0.077	0.069	-23.6	-10.1	
Poverty severity index	0.041	0.039	0.026	0.027	-33.5	5.1	

Source: HICE survey of 1995/96, 1999/00, 2004/05 and 2010/11

4.4. Food poverty status in 2010/11.

The achievement of food self-sufficiency is one of the key objectives of the government as articulated in its GTP and rural development policies and strategies, which is also consistent with the MDG goal of eradicating extreme poverty or hunger. As for total poverty, the various aggregate poverty measures are also computed for food poverty. The food poverty index measures the proportion of food-poor people that fall below the food poverty line.

The proportion of food poor people (food poverty head count index) in the country is estimated to be 33.6% in 2010/11 (Table 3) while it stood at 34.7% in rural areas and 27.9% in urban areas. The food poverty gap index is estimated to be 10.5 % while it is 11.1 % for rural areas and 7.3 % for urban areas. Similarly, the national food poverty severity index stood at 0.046 with rural food poverty severity index (0.05) being slightly higher than that of urban areas (0.029). The overall result indicates that all kinds food poverty indices (incidence, depth and severity) is higher in rural than in urban areas.

4.5. Trend in food poverty

The national food poverty index declined from 38% in 2004/05 to 33.6% in 2010/11 while it declined from 42% in 1999/00 to 38% in 2004/05. This showed that the food poverty index declined by 12% from 2004/05 to 2010/11 while it declined by 9% from 1999/00 to 2004/05 (Table 5).

When food poverty is decomposed in to rural and urban areas, we see more decline of food poverty in urban areas (by 21%) than in rural areas (by8%) between 2004/05 and 2010/11. Despite the huge decline in rural food poverty incidence and gap between 2004/05 and 2010/1, no decline has been observed in the severity of food poverty (squared poverty gap) during the same period in rural areas. Given the food inflation and droughts since 2004/05, it is very encouraging to witness a reduction in food poverty incidence and gap in rural and urban areas of Ethiopia. This resilience of people can be attributed to the broad based economic growth, the ability of the Ethiopian government to manage crisis and protect the vulnerable people from economic shocks.

Table 5: Trends of national and rural/urban food poverty

	Po	overty indi	ces over tir	Change in %		
					2004/05 over	2010/11 over
	1995/96	1999/00	2004/05	2010/11	1999/00	2004/05
National						
Head count index	0.495	0.419	0.38	0.336	-9.2	-11.6
Poverty gap index	0.146	0.107	0.12	0.105	12.8	-12.5
Poverty severity index	0.06	0.039	0.049	0.046	24.5	-6.1
Rural						
Head count index	0.516	0.411	0.385	0.347	-6.5	-9.9
Poverty gap index	0.152	0.103	0.121	0.111	16.8	-8.3
Poverty severity index	0.062	0.038	0.049	0.05	29.0	2.0
Urban						
Head count index	0.365	0.467	0.353	0.279	-24.5	-21.0
Poverty gap index	0.107	0.127	0.117	0.073	-8.0	-37.6
Poverty severity index	0.044	0.047	0.048	0.029	1.5	-39.6

Source: HICE survey of 1995/96, 1999/00, 2004/05 and 2010/11

4.6. Status and trend in consumption inequality

Trends in consumption inequality as measured by the Gini Coefficient are reported in Table 6. In 2010/11, Gini coefficient for urban areas become 0.37 and rural 0.27. Similar to the previous years, inequality is higher in urban areas than in rural areas. However, rural inequality marginally increased, while urban inequality declined substantially leaving the national Gini coefficient unchanged. Since 1995/96 urban inequality was increasing at an alarming rate reaching 0.44 in 2004/05, but because of the change in urban development policy after 2005 the rising trend of urban inequality reverted. The declining in income inequality in urban areas has resulted into a huge decline in poverty. Such positive developments urban areas is because of the urban focused development activities carried out in the country including urban infrastructural development (road, private and condominium housing construction), promotion of labor intensive activities (use of cobblestone to construct urban roads), promotion of micro and small scale enterprises via the provision of training, credit and business development support, and the distribution of subsidized basic food items to urban poor in times of crisis over the past five years.

Table 6: Trends national, rural and urban Gini coefficients

Year	Rural	Urban	Total
1995/96	0.27	0.34	0.29
1999/00	0.26	0.38	0.28
2004/05	0.26	0.44	0.30
2010/11	0.274	0.371	0.298

Source: HICE survey of 1995/96, 1999/00, 2004/05 and 2010/11

4.7 Status of regional poverty

The regional distribution of total and food poverty in Ethiopia and trends in this distribution are shown in Tables 7 and 8. In 2010/11, poverty head count index is the highest in Afar (36.1%) followed by Somali (32.8%) and Tigray (31.8%), while poverty estimates are lowest in Harari (11 percent) followed by Addis Ababa (28.1 percent) and Dire Dawa (28.3 percent). In terms of food poverty, the highest poverty is observed in Amhara (42.5 percent) followed by Tigray (37.1) and Benehsangul Gumuz (35.1%). The lowest food poverty is found again in Harari (5%) followed by Dire Dawa (21.7%) and SNNP (25.9).

The 2010/11 poverty results indicate that total poverty is much lower than food poverty in all regions and both total and food poverty have decline over the past five years in all regions despite the occurrence of frequent domestic economic shocks such as inflation and drought and worldwide shocks that hit many of the rural and urban population in the country. Registering substantial poverty reduction in times of such domestic and global crisis show the appropriate policies put in place and the capability of the Ethiopian Government to protect its vulnerable people from the economic crises.

Table 7: Trends of regional poverty headcount indices

Region	1995/96			1999/2000			2004/05				2010/11	
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
Tigray	0.579	0.457	0.561	0.616	0.607	0.614	0.510	0.367	0.485	0.365	0.137	0.318
Afar	0.518	-	0.331	0.680	0.268	0.56	0.429	0.279	0.366	0.411	0.237	0.361
Amhara	0.567	0.373	0.543	0.429	0.311	0.418	0.404	0.378	0.401	0.307	0.292	0.305
Oromia	0.347	0.276	0.340	0.404	0.359	0.399	0.372	0.346	0.370	0.293	0.248	0.287
Somale	0.346	-	0.309	0.441	0.261	0.379	0.452	0.353	0.419	0.351	0.231	0.328
B.B.G	0.476	0.345	0.468	0.558	0.289	0.54	0.458	0.345	0.445	0.301	0.213	0.289
SNNP	0.565	0.459	0.558	0.517	0.402	0.509	0.382	0.383	0.382	0.300	0.258	0.296
Gamb.	0.418	0.244	0.343	0.546	0.384	0.505	Na	na	na	0.325	0.307	0.320
Harari	0.133	0.291	0.22	0.149	0.35	0.258	0.206	0.326	0.270	0.105	0.117	0.111
AA	0.404	0.300	0.302	0.271	0.362	0.361	0.299	0.326	0.325		0.281	0.281
DD	0.366	0.246	0.295	0.332	0.331	0.331	0.398	0.329	0.352	0.142	0.349	0.283
Total	0.475	0.332	0.455	0.454	0.369	0.442	0.393	0.351	0.387	0.304	0.257	0.296

Source: HICE survey of 1995/96, 1999/00, 2004/05 and 2010/11

Table 8: Trends of regional food poverty headcount indices

	1995/96	5		1999/20	000		2004/05	5		2010/1	1	
Region	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
Tigray	0.675	0.501	0.649	0.517	0.647	0.537	0.48	0.412	0.468	0.402	0.249	0.371
Afar	0.521	0	0.333	0.635	0.289	0.534	0.436	0.331	0.392	0.339	0.281	0.322
Amhara	0.607	0.343	0.574	0.323	0.354	0.325	0.391	0.361	0.388	0.446	0.280	0.425
Oromiya	0.427	0.345	0.419	0.367	0.491	0.38	0.371	0.352	0.369	0.333	0.317	0.331
Somale	0.432	0	0.384	0.469	0.342	0.425	0.439	0.346	0.409	0.289	0.171	0.267
B.G	0.612	0.271	0.592	0.562	0.409	0.552	0.459	0.334	0.444	0.365	0.261	0.351
SNNP	0.521	0.463	0.517	0.548	0.541	0.547	0.369	0.379	0.37	0.258	0.271	0.259
Gambela	0.329	0.192	0.283	0.618	0.433	0.572	na	na	na	0.240	0.302	0.260
Harari	0.163	0.28	0.227	0.155	0.477	0.328	0.184	0.308	0.251	0.043	0.049	0.046
AA	0.387	0.365	0.366	0.359	0.478	0.475	0.316	0.324	0.324		0.261	0.261
DD	0.308	0.38	0.351	0.253	0.285	0.276	0.384	0.326	0.345	0.137	0.254	0.217
Total	0.516	0.365	0.495	0.411	0.467	0.419	0.385	0.353	0.38	0.347	0.279	0.336

Source: HICE survey of 1995/96, 1999/00, 2004/05 and 2010/11

5. Summary and conclusion

This interim report provides the status and trends of national, rural, urban and regional level poverty incidence, gap and severity as well as income inequality measured by Gini coefficient. Household Income and Consumption Expenditure Surveys (HICES) conducted by Central Statistical Agency (CSA) of Ethiopia in 1995/96, 1999/00, 2004/05 and 2010/11 have been used to analyze poverty. The principal interim findings of the analyses are the following.

- The incidence of poverty declined markedly between 2004/05 and 2010/11. The headcount poverty rate fell from 38.7 % in 2004/05 to 29.6 % in 2010/11. This implies that Ethiopia is on the right track to achieving the MDG target of reducing poverty by half. Over the same period, poverty gap is also reduced, but not the severity of poverty. Headcount poverty fell in all regions of the country.
- The headcount poverty rate fell in rural areas from 39.3 % in 2004/05 to 30.4 % in 2010/11. Over the same period, in urban areas it declined substantially, from 35.1 % in 2004/05 to 25.7 % in 2010/11.
- Nationally, the *Gini* coefficient for per adult equivalent consumption remained constant. In urban areas there was a substantial decline in inequality from 44 % in 2004/05 to 37.8 % in 2010/11 while it was increasing until 2004/05 at an alarming rate.

The significant decline in rural and urban poverty ensures that Ethiopian will reach the MDG goals of eradication extreme poverty. Such achievement in the reduction of poverty can be attributed to the wide-ranging and multi-faceted pro-poor programs that have been implemented in rural and urban areas such as intensification of agriculture, infrastructural development, food security programs, the pro-poor urban development activities (such as development of micro and small scale enterprise development and use of cobblestone in urban road construction, housing construction, etc), the on-going efforts undertaken by the government to create favorable environment for private sector investment and job creations, and the distribution of subsidized food items to the urban poor over the last five years. Despite the substantial declining of poverty over the past five years, poverty remains high at 29.6 percent. Therefore, the past and on-going government efforts resulting into the huge reduction of poverty must be strengthened. Especially the urban focused development activities that have created job opportunities for the urban people and youth with additional means of livelihood must be sustained.

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Appendix

Table A1. Spatial price index by reporting levels (national average=100)

Reporting level	Food	Non-food
Tigray Rural	1.03	0.98
Mekele	1.10	1.55
Other TigrayUrb	1.08	0.97
Afar Rural	1.01	0.90
Asayta Town	1.22	1.35
Other Afar Urban	1.16	0.98
Amhara Rural	0.98	0.77
Bahir Dar	1.05	1.41
Gonder	1.09	1.38
Dessie	1.07	1.47
Other AmharaUrb	1.06	1.56
Oromia Rural	0.98	0.90
DebreZeite	1.05	1.56
Jimma	1.02	1.38
Adama	1.10	1.44
Other Oromia Urb	1.18	1.14
Somali Rural	1.22	0.84
Jijjga	1.26	1.74
Other Somali Urb	1.28	1.19
BenshangulGumuz	0.92	0.95
Assosa	1.11	1.16
Other Benshangul	1.01	1.10
SNNP Rural	0.89	0.85
Awassa	1.09	1.68
Other SNNP Urban	1.02	1.21
Gambella Rural	1.04	0.99
Gambella	1.09	1.26
Other Gambella U	1.10	1.18
Harari Rural	1.16	1.14
Harari Urban	1.16	1.44
Arada	1.19	1.70
Addis Ketema	1.10	2.40
Lideta	1.24	1.86
Kirkos	1.22	1.86
Yeka	1.13	1.93
Bole	1.19	1.60
AkakiKaliti	1.11	1.81
Nefas Silk Lafto	1.18	1.82
KolfeKeranyo	1.12	1.86
Gulele	1.15	1.98
Dire Dawa Rural	1.08	0.95
Dire Dawa Urban	1.15	1.54

Source: HICES 2010/11

Table A2. Regional level spatial price index in 2010/11 (national average = 100)

Region	Food	Non-food	Total
Tigray	1.047	1.021	1.034
Afar	1.069	0.947	1.021
Amhara	0.996	0.900	0.949
Oromia	1.010	0.951	0.981
Somali	1.231	0.962	1.132
B.G	0.941	0.976	0.958
SNNP	0.908	0.904	0.906
Gambella	1.059	1.072	1.065
Harari	1.160	1.308	1.227
A.A	1.158	1.869	1.554
Dire Dawa	1.132	1.388	1.245

Table A3. Regional(rural+urban)consumption expenditure in Birr (at 2010/11 national average price)

Region	Per capital			Per adult		
	Food consump.	Non-food consump.	Total consump.	Food consump.	Non-food consump.	Total consump.
Tigray	2115	2803	4917	2590	3428	6018
Afar	2545	1927	4472	3059	2310	5370
Amhara	2018	2651	4668	2450	3210	5660
Oromia	2135	2436	4570	2636	2989	5625
Somali	2416	1863	4279	3013	2322	5336
B.G	2153	2628	4781	2660	3234	5894
SNNP	2145	2313	4458	2650	2847	5497
Gamb	2419	1907	4326	2935	2288	5222
Harari	2979	2536	5515	3637	3090	6728
A.A	2954	2647	5601	3440	3083	6523
DD	2721	2005	4727	3272	2407	5679
Total	2151	2475	4626	2637	3022	5659

Source: HICE survey 2010/11; Number of observation=27830

Table A4. Regional rural consumption expenditure in Birr (at2010/11 national average price)

Region		Per capital			Per adult	
	Food	Non-food	Total	Food	Non-food	Total
	consump.	consump.	consump.	consump.	consump.	consump.
Tigray	1937	2275	4213	2384	2801	5185
Afar	2388	1464	3852	2884	1765	4650
Amhara	1905	2526	4431	2329	3086	5414
Oromia	2076	2263	4339	2582	2805	5387
Somali	2245	1808	4053	2806	2256	5062
B.G	2082	2403	4485	2591	2978	5569
SNNP	2075	2216	4291	2585	2751	5336
Gamb	2244	1596	3839	2750	1942	4691
Harari	2671	1867	4538	3374	2357	5731
DD	2312	1983	4295	2880	2463	5344
Total	2031	2305	4336	2515	2845	5360

Source: HICE survey 2010/11; Number of observation=27830

Table A5. Regional urban consumption expenditure in Birr (at2010/11 national average price)

Region		Per capital			Per adult	
	Food	Non-food	Food	Non-food	Food	Non-food
	consump.	consump.	consump.	consump.	consump.	consump.
Tigray	2805	4857	7662	3390	5872	9262
Afar	2931	3067	5998	3489	3650	7139
Amhara	2812	3526	6338	3303	4087	7390
Oromia	2528	3580	6108	2992	4215	7207
Somali	3140	2095	5235	3892	2604	6496
B.G	2582	4007	6589	3081	4801	7883
SNNP	2749	3148	5897	3211	3672	6883
Gamb	2791	2567	5358	3327	3021	6349
Harari	3322	3282	6604	3931	3907	7838
A.A	2954	2647	5601	3440	3083	6523
DD	2916	2016	4931	3457	2381	5838
Total	2758	3327	6085	3252	3910	7162

Source: HICE survey 2010/11; Number of observation=27830