

ETHIOPIA

Income levels low and poverty high



In 1991, the Ethiopian economy had to move out of the ‘socialist’ centralised economic system inherited by the newly formed transitional government. The war between the Ethiopian Peoples Democratic Revolutionary Front and the military government of Colonel Mengistu ended. In early 1992, the economy was in a disastrous condition, economic performance was dismal and widespread poverty was increasing.

The government adopted a reform agenda in line with the IMF and the World Bank. The government's only viable option was to introduce an economic reform program, with or without the involvement of donors.

The initial and subsequent Policy Framework Papers prepared by the Ethiopian government included a pro-poor policy stance. Ethiopia was perhaps allowed to launch its reform program in the manner it did because it was a latecomer to structural adjustment. By the time Ethiopia implemented structural adjustment, the Bretton Woods Institutions had begun to talk about safety nets to absorb the negative consequences of their reform programs.

Government policy documents stress the importance of addressing the needs of the poor, particularly the rural poor. The first program to receive funding through the World Bank, the Ethiopian Relief and Reconstruction Program, had a major social rehabilitation component. All the Policy Framework Papers were adopted with a conscious analysis of their social implications.

Ethiopia introduced a welfare-monitoring program in 1995, two years after the adoption of the first Policy Framework Paper (October 1992). The Ethiopian government launched a poverty monitoring survey in 1995/1996, in collaboration with the World Bank. This was the first of its kind in Ethiopia. The results of the survey contain the only available nationwide information on poverty so far. As a result it has been possible to access data on social conditions in the country in a consistent and organised manner.

The results of the surveys, published by the Central Statistical Authority, give information on health and nutritional status, education and access to other basic facilities. Data in this report is taken from these surveys. Though results were to be published annually, the only data that has been published twice is on access to healthcare services and health and educational status. Therefore, it was not possible to compare different periods for most indicators of poverty. However, the existing data yield information that is useful in analysing poverty conditions in Ethiopia.

Income distribution and poverty

Ethiopia is one of the poorest countries in the world. The *per capita* income of USD 167 is indicative of this condition. Forty-six per cent of the people were classified as poor (47.5% rural and 33.2% urban) as indicated in Table 1.

TABLE 1

Percentage of poor people (urban and rural - 1996)		
	PERCENT OF TOTAL POPULATION	PERCENT POOR
Rural	86	47.5
Urban	14	33.2
Country	100	45.5

Source: MEDAC 1999

Predominantly urban areas had generally higher income levels than rural ones as indicated in Table 2.

TABLE 2

Per capita income in USD and the percentage of poor by region (1996)			
REGION	PREDOMINANTLY	USD	PERCENT POOR
Tigray	Rural	139	57.9
Amhara	Rural	141	56.7
Southern Region	Rural	146	56.5
Benshangul Gumuz	Rural	158	47.6
Afar	Rural	170	51.8
Somali	Rural	179	34.6
Oromiya	Rural	182	34.7
Gambella	Rural	188	41.8
Dire Dawa	Urban	215	24.6
Harari	Urban	225	29.1
Addis Ababa	Urban	241	30
National		167	45.5

Source: MEDAC 1999

Income distribution figures are not available, but the differences among regions and the gap in *per capita* expenditure indicate wide disparity between poor and non-poor. In rural areas, *per capita* expenditures of non-poor are roughly twice those of poor people. In urban areas, they are 2.8 times higher, and nationally, the non-poor spend 2.25 times more than the poor.

Other welfare indicators

The available data show a marginal increase in access to healthcare services, as seen in the reduction in the distance to the nearest healthcare facility (Table 3).

TABLE 3

Distance to the nearest health facility: Cumulative percentage of population						
	LESS THAN 5 KMS		5 TO 9 KMS		10 TO 14 KMS	
	1996	1998	1996	1998	1996	1998
Rural	25.7	27.5	60.6	61.4	76.5	79.2
Urban	95	98.1	99.8	99.8	99.8	99.9

Sources: CSA 1999 and CSA 2000.

As summary indicators, these figures do not tell much unless accompanied by information about the quality of healthcare services provided and the improvements in health they bring about.

Table 4 shows that there has been a marked improvement in net school enrolment ratios for both males and females. The improvement in rural areas is more marked (from 13.74% in 1996 to 22.5% in 1998). There is still a gender difference with a narrowed gap between males and females. This gap is wider in rural than in urban areas. In 1996, only 9.85% of female children in rural areas were enrolled in primary schools as compared with 17.4% of male children. In 1998, this gap had widened (17.8% of girl children and 27% of male children were enrolled).

TABLE 4

School enrolment ratio for primary school-age male and female children				
AREA	YEAR	MALE	FEMALE	TOTAL
URBAN	1996	67.62	70.16	68.86
	1998	76	70.2	72.9
RURAL	1996	17.4	9.85	13.74
	1998	27	17.8	22.5
COUNTRY LEVEL	1996	23.98	17.86	21.01
	1998	32.5	24.6	28.7

Sources: CSA 1999 and CSA 2000.

Conclusion

The Ethiopian reform program has included proactive anti-poverty measures. The government has sought to combat a fall in living standards of the rural poor and preventing increasing urban poverty. The government has consciously injected welfare components into all its policies to mitigate the negative consequences of reform (economic or otherwise). This may be one of the issues on which there is consensus among Ethiopians. The government is sometimes accused of being unnecessarily populist because of this explicit political standpoint.

In the first quarter of 2001, Ethiopia concluded an agreement with the IMF and the World Bank on funding for the Poverty Reduction Strategy Paper (interim). This is the fifth agreement after the First Policy Framework Paper was signed in October 1992. The country did not have an agreement with the IMF and World Bank from the end of 1998 to end of 2000 as a result of the conditionality that the war with Eritrea had to come to an end. The major consequence of this was that the country did not benefit from the Highly Indebted Poor Countries Initiative. It also made implementation of social sector development programs more difficult. It may have additional long-term implications in that other areas of the world may attract funds that would potentially have been available to Ethiopia if no break in the flow of funds had occurred.

The Ethiopian economy has grown in the decade of economic reform. Major developments in the last five years, however, have slowed the economic growth rate. These include: recurring drought that affects millions of people in any one year; the war with neighbouring Eritrea that began in 1998 and kept the economy engaged in war for two years (peace treaty signed end of 2000); the withdrawal of most donor funds as a consequence of the war with Eritrea; the increasing debt burden faced by the country; falling coffee prices (the country's single most important export item); and, increasing oil and other commodity prices. These were superimposed on the endemic structural problems such as the prevalence of low productivity technology and institutional constraints. All these factors together with underlying causes helped to keep income levels low and poverty high. The need for continued monitoring of poverty in the country is clear. ■

References

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