Poverty Eradication in Ethiopia: The Economic and Social Impacts of the Multiple Crises and Recovery Strategies

- Inter-agency Expert Group Meeting

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“Extreme poverty anywhere is a threat to human security everywhere.”

— Kofi Annan, Seventh Secretary-General of the United Nations
Current State: Monetary Measurement

• Ethiopia has registered one of the highest growth rates in Africa in the past two decades.
• Extreme poverty decreased from 55 percent in 2000 to 24 percent in 2019.
• Headcount poverty in 2023 is estimated at 31%.
• Close to 20 million people are vulnerable to falling into poverty in 2023.
• Close to 7 million people have fallen into poverty in the past three years due to COVID-19 and domestic crises.
• The top 10% and the bottom 10% of the population own 28% and 2.8% of the national income, respectively.
Current State: Non-Monetary- Multidimensional Poverty and Vulnerability Index (MPV) –Andualem (2022, On publication at UNECA)

- The result showed that 25.58 million people are at risk of staying in poverty and 12.65 million are at risk of falling into poverty.
• Natural-Drought and Flood
• Health-COVID
• Social- War and Civil Strife
• Economic- Unemployment, inflation, growth collapse
Multiple crises: Natural-Drought, Flood

<table>
<thead>
<tr>
<th>Event</th>
<th>Details</th>
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<tbody>
<tr>
<td>24 million people currently living in drought affected areas</td>
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<td>17 million people estimated to be food insecure due to drought</td>
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<td>About 6.85 million livestock deaths since late 2021</td>
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<td>In 2023, $US 4 billion needed for the drought response</td>
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<td>Flooding and heavy rain have affected or displaced around 240,000 people in several regions of Ethiopia in 2023. At least 29 people died</td>
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Multiple crises: Health-COVID

Pandemic (Covid-19): 7574 deaths registered to date

Non-communicable disease = 34% of Ethiopian population is dying from non-communicable diseases
- cardiovascular disease prevalence
- stroke,
- cancer
- pulmonary
- Diabetes
- liver

The top Communicable disease =
- Diarrheal diseases
- Lower respiratory infections
- Tuberculosis
- HIV/AIDS.
Multiple crises: Social-War and Civil strife

Tigray War (Two years)
- A million people died with the war
- 2.6 Million people displaced
- Contract the economy growth by more than 2 per cent
- Estimated lose of US 18 Billion
- Schools, health centers and infrastructure damaged

The Ukraine crisis
- Price of imported goods increased

Conflict in Oromia Region and Tension between Amhara Special Force and the government
- public and business activities being halted
Multiple crises: Economic- Unemployment, Inflation, Growth collapse, Financial crisis

Unemployment
72% of the population is below the age of 30
urban unemployment rate is 18% in 2021
Rural unemployment is 5.2% but disguised unemployment accounts 45%
In the urban areas the youth unemployment rate is very high at 23.1% in 2021. This, in turn is very high for females at 29% compared to that of male which is 16%

Inflation
Inflation increased from 20.4% (2020), 26.4% (2021) and 37.5 (2022).

Growth
growth was decreased from 8.36 % (2019) to 3.84 (2022)
Multiple crises: Environmental-Climate change (Pollution, deforestation, weather, landslide ...)

- **Pollution:**
  - indoor air pollution is responsible for more than 50,000 deaths annually and causes nearly 5% of the burden of disease in Ethiopia.

- **Deforestation:**
  - Ethiopia's forests cover about 14.7 per cent of the country's land area
  - From 2001 to 2021, Ethiopia lost 448kha of tree cover, equivalent to a 18% decrease in tree cover since 2000

- **Weather**
  - El Niño: extreme flooding, drought, lack of potable water for livestock and domestic use
  - In 2019, El Niño costs the government US1.4Billion

- **Landslide**
  - Millions of people in Ethiopia live in areas at risk from landslides, with the annual average damage to building stock expected to be US$3 million
The Economic Impact of Crisis

- Loses of Agricultural Product
- Lose of Job and reduced wage
- Food insecurity
- Debt (due to conflict)
- Government deficit increased
- Tax evasion (inflation and conflict)
- A decline in remittance (Ukraine and domestic conflict)
- Balance of payment has been negative (Ukraine crisis)
- Suspension from AGOA
- A decline in grants and loans
- Under Utilization of resources
- Loses of human power (Conflict)
The Social Impact of Crisis

- Widening inequality
- Unemployment increase
- Gender Inequality: crisis impacted men and women differently
- Education Sector hugely affected
- Health Sectors Damaged
- Informality increased (informal settlement, informal employment)
- Movement Restriction
- Displacement (War)
- Migration
- Hostility among ethnic groups
- Deculturation
- Crime and Suicide
Vulnerable

- Women
- Rural people
- Refuges
- Youth
Recovery Strategies

- Social Protection Programs
- Mobilizing resources
- Improving the tax system
- Discriminatory Subsidies
- Opening the political space
- Promote indigenous knowledge
- Renewable Energy
- Digitalizing the economy
- Attracting Investment
- Inclusive policies
Recovery Strategies

- Compulsory Health Insurance
- Mechanization
- PPP: in the housing
- Substitute Cash-Loan with Capital loan
- Compulsory adult education
- Group loan system
- Privatization
- Farm Insurance
- Carbon Trade
- Irrigation
- Property taxation
- Onset of Capital Market
- Providing Competitive salary for public servants
Recovery Strategies

• Afforestation
• Promoting MSE and Inclusive Technical and Vocational Education
• Labor exporting policy
• Building continental Health center
• Fertilizer manufacturing plant
• Rural market in urban towns
• Rural industrialization (diversification)
• Public spending prioritization
• Governance
Crisis and Risk Ranking (CRR)
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The Way Forward

Update data to inform policy makers

Updating the national poverty line??

The need for Regional Poverty Line for African countries ??
Thank You!