

Systematic Review on Poverty Status and Its Determinants in Ethiopia

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Abstract

Poverty is one of the most serious problems of human deprivation and a complex phenomenon and it remains to be a worldwide social evil still now in the 21st century. Eradicating poverty remains the world's most important and urgent task. In all contemporary developing nations across the globe, fighting poverty is one of the critical concerns and top priority of policy agenda. With regard to Africa, the problem of poverty is much deeper and far more widespread than in other major regions. Poverty reduction is the primary goal of the governments, non-governmental organizations and donors operating in Ethiopia; having clear picture on the true extent and severity of poverty and its determinants helps policy makers to devise appropriate policies that reduce poverty. Hence, this systematic review aims to analyze the extent of poverty, its underlying determinants, and the key poverty reduction strategies implemented in Ethiopia. Ethiopia is among the world's poorest countries in terms of Human Development Index (HDI). The country's HDI value for 2019 is 0.485 which put the country in the low human development category positioning it at 173 out of 189 countries and territories. Ethiopia is a low-income country with GDP per capita around USD 850 having high yet declining rates of poverty. The proportion of the population living under \$1.90 a day (in 2011 purchasing power parity) is 27.7% in 2019/20. Moreover, around 88.2% of the populations of Ethiopia are multi-dimensionally poor measured in Multidimensional Poverty Index (MPI) while an additional 6.7% are near to multidimensional poverty. The Ethiopian government have been implementing different poverty reduction programs and strategies to fight extreme hunger and poverty, including Plan for Accelerated and Sustained Development to End Poverty (PASDEP), Productive Safety Net Program (PSNP), the First Growth and Transformation Plan (GTP I), and the Second Growth and Transformation Plan-II (GTP II). However, the struggle to reduce poverty is a continuing challenge. Based on the review, it is recommended that improvement of the educational level, more emphasis on family planning, improving the livestock sector, building basic livelihood assets, developing saving culture, improving agricultural productivity, improving access and availability of credit as useful policy instruments in order to reduce poverty in Ethiopia.

Key words: Determinants, Dimension, Poverty, Ethiopia

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1. INTRODUCTION

World's primary challenge is still prevalence of poverty. The preamble to the 2030 agenda for Sustainable Development which defined the SDGs states that "eradicating poverty in all its forms and dimensions..." It is the greatest global challenge and an indispensable requirement for sustainable development. End poverty in all its forms everywhere is the first goal from the seventeen and also poverty has registered as one of the most intractable economic and social problems in the twenty-first century. The global Multidimensional Poverty Index (MPI) addresses multidimensional poverty, focusing on the critical dimensions of health, education, and living standards (OPHI, 2018; UN, 2015).

In 2015, an estimated 736 million people were living below the International Poverty Line (IPL), currently set at US\$1.90 in 2011 Purchasing Power Parity (PPP) dollars. This count of people living in extreme poverty is down from 1.9 billion people in 1990. Not only are there now fewer poor people but, on average, the poor are also now less poor. In 1990, the average shortfall between what the poor consumed and the IPL was 35 percent (of the IPL). This shortfall shrank to an average of 31 percent in 2015. Despite this impressive progress in terms of the declining poverty rate, the number of poor, and the consumption shortfall of the poor, the number of people living in extreme poverty globally remains unacceptably high (World Bank, 2018).

The problem of poverty in Africa is much deeper and far more widespread than in other major regions. As extreme poverty declines globally, the regional poverty profile has been changing. This is a direct result of uneven progress, mainly at the expense of Sub-Saharan Africa which has the world's largest headcount ratio (41

percent) and home to the largest number of the poor (389 million), more than all other regions combined. This is a notable shift with respect to 1990, when half of the poor were living in East Asia and Pacific, which is the home to only 9.3 percent of the global poor (Kathleen *et al.*, 2016; Atkinson, 2016).

Ethiopia still ranks among the least developed countries in the world. Ethiopia is home to over 23 million of Ethiopians live in condition substantially below the basic poverty line and food security remains a major challenge. Poverty is relatively a rural phenomenon, as the share of the population below the poverty line in rural areas stood at 30.4 percent, while it was 25.7 percent in urban (Kahsu and Nagaraj, 2017). Ethiopia is among the world's poorest nations in terms of Human Development Index (HDI). The country's HDI value for 2019 is 0.485 which put the country in the low human development category positioning it at 173 out of 189 countries and territories. Between 2000 and 2019, Ethiopia's HDI value increased from 0.292 to 0.485, an increase of 66.1 percent. Between 1990 and 2019, Ethiopia's life expectancy at birth increased by 19.5 years, mean years of schooling increased by 1.4 years and expected years of schooling increased by 5.7 years. Ethiopia's GNI per capita increased by about 189.3 percent between 1990 and 2019 (UNDP, 2020).

Ethiopia has a traditional poverty profile. The poor tend to live in rural areas, in large households with high dependency rates, headed by an older and little-educated household head. They mainly engage in agriculture and casual labor for their livelihood. The poor are relatively isolated from key infrastructure and have worse access to services. In 2016, close to 90 percent of the poor lived in rural areas, compared to a rural population share of 80 percent, a huge number of people are suffering by poverty. Future poverty reduction will need to happen mainly through improvements in rural areas. The share of the population below the poverty line decreased from 30 percent in 2011 to 24 percent in 2016. The reduction in poverty was particularly strong in urban areas, where the poverty headcount decreased from 26 percent to 15 percent. Poverty severity in rural areas was higher in 2016 than in 2005 (World Bank, 2020a).

Most of the extreme poor – about 80 percent – live in rural areas. The rural extreme poor are different from the urban extreme poor and the non-poor. Their incomes depend greatly on agricultural activities, either from work on their farms, or agricultural wage employment. It is this reliance on agriculture that makes the rural extreme poor highly vulnerable to climatic shocks and weather events (De La O Camps *et al.*, 2018). The recent empirical studies conducted in Ethiopia have indicated that poverty among the poor remains a challenge in the country that rural areas harbor the bulk of the poor; poverty has been unambiguously a rural phenomenon; and it remains part of lives of the rural Ethiopian. The poor tend to live in rural areas; the poor are relatively isolated from key infrastructure and have worse access to services (MOFED, 2018).

Trivelli (2019) emphasized the need to consider various ways of measuring poverty to better understand it and address the challenge of eliminating extreme poverty by 2030, ensuring sustained pathways towards improving the well-being of populations living in poverty. More urgent initiatives should be undertaken, in order to achieve the goal. Eradicating poverty remains the world's most important and urgent task. Accordingly, Ethiopian government has started the fight against poverty and demonstrated a strong commitment to poverty reduction by adopting its implementation of the integrated development plans including the Growth and Transformation Plan-II (GTP II) launched in 2015 (MOFED, 2019).

The goal of this systematic review is to compile, summarize, and assess the existing evidences on the magnitude of poverty status, identify determinants, and the major poverty reduction strategies practiced in Ethiopia.

2. LITERATURE REVIEW

The concept of poverty seems simple which doesn't worth to discuss it in detail. Nevertheless, it is not as simple as we think of it if we go deep into it. This is due to its multifaceted nature and dimension. A lot of scholars have been finding the tangible concept of poverty and agreed that it has various angles in different professionals. It has also various interpretations in economic, social, political, institutional, environmental and cultural contexts. Because of its variation in different scholars, disciplines and interpretation various approaches have been employed to understand the concept of poverty. Therefore, this chapter is focused on assessing the most relevant and scientific literatures regarding concepts and theories of poverty, dimensions and determinants of poverty in Ethiopia and poverty reduction strategies in Ethiopia.

2.1. Definitions and Concepts of Poverty

Different scholars define poverty in different ways. For many decades, the concept of poverty has been mostly identified with economic deprivation. The World Bank (1992) states that people are considered as poor if their standard of living falls below the poverty line, that is, the amount of income (or consumption) associated with a minimum acceptable level of nutrition and other necessities of everyday life. These definitions are primarily concerned with income and consumption and generally, presume that poor people only suffer from limited incomes to meet their daily needs.

The commonly referred and comprehensive definition of poverty by the World Bank (2001) characterizes it as: "...a pronounced deprivation of wellbeing related to lack of material income or consumption,

low levels of education and health, vulnerability and exposure to risk, voicelessness and powerlessness". From this definition, one can understand that poverty is a multi-dimensional phenomenon. One of the dimensions is the material deprivation, lack of access to goods and services, which is measured in terms of income or consumption as indicators. The second dimension refers to low capabilities as manifested by low level of educational achievement and poor nutritional and health conditions. Vulnerability and exposure to risk, and voicelessness, and powerlessness are considered, respectively as the third and fourth dimensions of being poor. These, the four, dimensions of poverty are interrelated and reinforce each other.

People are considered as poor when they lack sufficient purchasing power. Economic well-being relates to the ability of individuals to acquire a basic level of consumption or human welfare. Poverty as deprivation of economic resources that are required to meet the food, shelter and clothing needs necessary for physical well-being (Akindola, 2010). More generally, poverty means the inability to meet basic needs, including food, shelter, clothing, water and sanitation, education, and healthcare. In this sense, poverty generally reflects a combination of income poverty at the household level and poverty at the community level in the provision of basic infrastructure and public services. It is thus a household or a group of society lacking to achieve reasonably minimum standard of living (SDSN, 2012).

Clearly, there is something absolute about the notion of poverty. Regardless of the society we live in, people need adequate levels of food, clothing, and shelter. Whereas it is certainly the case that there are variations in what might be considered "adequate" (shelter, in particular, might be subject to varying society-specific interpretations), nobody would deny the biological imperative of nutrition, for instance, or the near-universal norms of adequate clothing. At the same time, it is unclear that the phrase "acceptable levels of participation in society" can be given absolute meaning, independent of the contours of the society under consideration (Ray, 1998).

Poverty is the state of not having enough material possessions or income for a person's basic needs. Poverty may include social, economic, and political elements. Absolute poverty is the complete lack of the means necessary to meet basic personal needs, such as food, clothing, and shelter. The floor at which absolute poverty is defined is always about the same, independent of the person's permanent location or era. On the other hand, relative poverty occurs when a person cannot meet a minimum level of living standards, compared to others in the same time and place. Therefore, the floor at which relative poverty is defined varies from one country to another, or from one society to another (Sabates, 2008).

Absolute poverty is defined as the inability of people to meet their basic needs. A measure of absolute poverty is the headcount index rate, which indicates the number of people below the poverty line. Whereas, relative poverty is the condition in which people lack the minimum amount of income needed in order to maintain the average standard of living in the society in which they live (Spaho, 2014).

Poverty line is a critical threshold of income, consumption, or, more generally, access to goods and services below which individuals are declared to be poor. The poverty line, then, represents a minimum level of "acceptable" economic participation in a given society at a given point in time. For instance, we could collect data on minimum nutrient levels that make up an adequate diet, on the prices of foodstuffs that contain such nutrients, and on the costs of shelter and clothing, and then add up the consumption expenditures needed to obtain these basic requirements to obtain an estimate of the poverty line for a particular society (Ray, 1998).

2.2. Theories of Poverty

Once we understood the definition of poverty, the next step is to look deep into different theories of poverty which give us a comprehensive explanation of why people are poor. Since poverty is a multidimensional concept, understanding the root causes of it is important. The following poverty theories summarizes how and in what context poverty exist and arise. The major ones are individualistic, cultural, geographical and structural. Hence, the following sub-sections give a comprehensive review in this regard.

2.2.1. Individualistic theory of poverty

Individualistic theory of poverty perceives the poor as if they are born with it (i.e., born being disabled like crippled, blind, or deformed) and for that reason they cannot do anything to change the situation in which they are living. Furthermore, the individualistic theory perceives that poverty is resulted due to acquired personality traits like character and actions of individuals. The idea here is that some individuals who are born being lazy do not voluntarily participate in tasks that have meaningful effect in their life. Put differently it is an intrinsic to an individual character and it consists of personal ability and intelligence of the person (Rainwater, 1970).

2.2.2. Cultural theory of poverty

This theory suggests that poverty is created by the transmission over generations of a set of beliefs, values, and skills that are socially generated but individually held. Individuals are not necessarily to blame

because they are victims of their dysfunctional subculture or culture. Technically, the culture of poverty is a subculture of poor people in ghettos, poor regions, or social contexts where they develop a shared set of beliefs, values and norms for behavior that are separate from but embedded in the culture of the main society resources (Bradshaw, 2007).

The culture of poverty is a syndrome that develops in some specific situation. It occurs in an economic setting with low wages, high rate of unemployment, and people with low skills. In the absence of deliberate support from the government, the low-income population tend to build up the culture of poverty against the prevailing ideology of expanding the middle class. The poor, who consider themselves negligible in a society, create survival strategy by developing their own subculture and institutions, and finally come to embody a common pattern of behavior, norms and values. The subculture developed by the poor is characterized by pervasive feelings of dependency, helplessness, marginality, and powerlessness (Ryan, 1976).

2.2.3. Geographic theory of poverty

Geographic theory of poverty corresponds to spatial characterization of poverty. Rural poverty, ghetto poverty, urban disinvestment, Southern poverty, third-world poverty, and other forms of the problem represent a spatial characterization of poverty that exists separate from other theories. While these geographically based theories of poverty build on the other theories, this theory calls attention to the fact that people, institutions, and cultures in certain areas lack the objective resources needed to generate well-being and income, and that they lack the power to claim redistribution (Weber and Jensen, 2004).

The geographic theory of poverty traces the flows of capital as well as knowledge. For example, rural areas are most of the time the last stop of technologies, and less competitive pricing and low wages dominate production. Limited infrastructural development inhibits the rural poor economic performance and let them behind the largest competition (Ahmed, 2013).

2.2.4. Structural theory of poverty

Finally, the structural theory is a progressive social theory. This theory advocates that elimination of structural barriers and implementing a wide range of socioeconomic policies generates substantial numbers of successes in reducing poverty. The range of socioeconomic policies that can be adjusted to realize poverty reduction include raising wages, providing jobs, assuring effective access to medical care, expanding the safety net, and coordinating social insurance programs (Leonard, 1988).

2.3. Poverty Profile of Ethiopia

According to African Development Bank (2016), an estimated 23 million of the population continue to live below the poverty line for various reasons. Among these, the major ones are low agricultural sector production and productivity, low domestic resource mobilization, high levels of unemployment, especially among the youth, poor quality and inequitable distribution of basic social services, low access to finance, and a poor private business climate.

Ethiopia with GDP per capita around USD 850 is among the world poorest countries by any standard. According to Human Development Report, 88.2% of the populations of Ethiopia are multi-dimensionally poor measured in MPI 2011 while an additional 6.7% are near to multidimensional poverty (UNDP, 2018a). In line with this, Muhdin *et al.* (2017) stated that poverty in Ethiopia is widespread, deep-rooted, dynamic and complex in nature and constitutes the priority development challenge in the country. It goes beyond the simple fact of too low income to meet basic needs. It is highly correlated with social exclusion, vulnerability, powerlessness, and other economic, political, environmental, social and cultural dimensions of deprivations.

In addition, Ethiopia is a low-income country with high yet declining rates of poverty. The proportion of the population living under \$1.90 a day fell from 32.6 percent in 2014/15 to 27.7 percent in 2019/20. Moreover, Ethiopia poverty headcount ratio was 30%, 29% and 27.8% during 2016/17, 2017/18 and 2018/19, respectively. The majority of the population lives in rural areas, and close to three quarters of the population are employed in agriculture. Relatively, the rural population experiences the highest levels of poverty and hunger in the country (WB, 2020b).

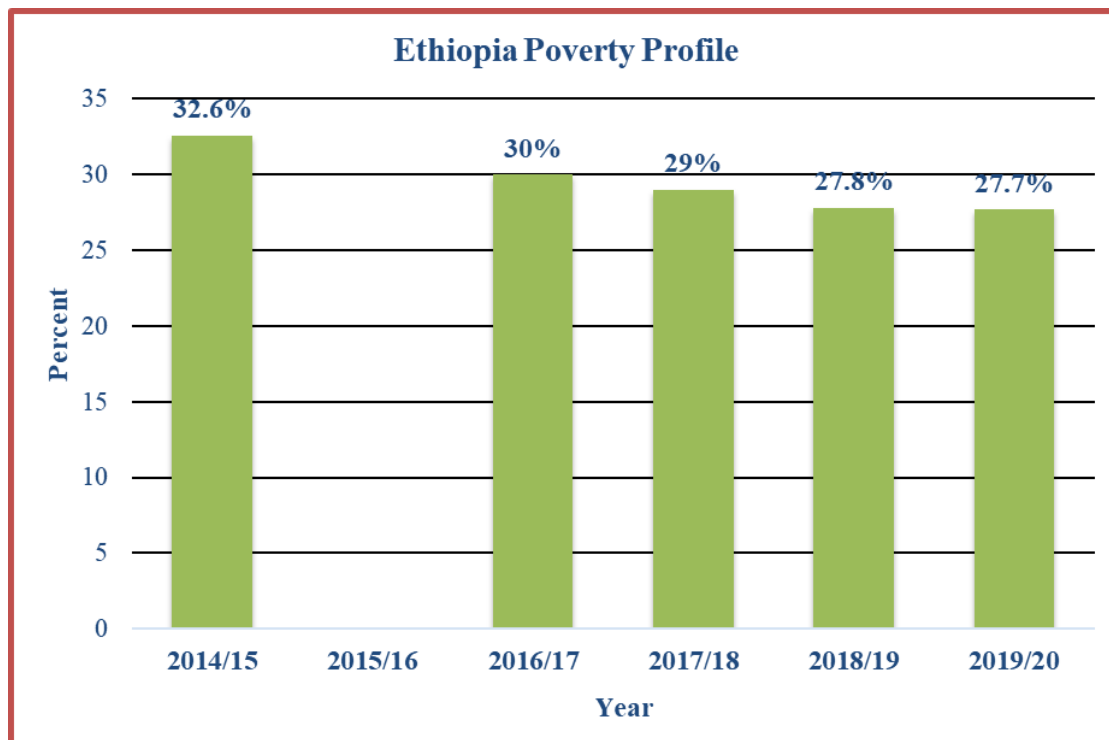


Figure 1: The poverty headcount ratio of Ethiopia (living under \$1.9 per day in 2011 PPP)

Source: World Bank (2020b)

* **Note:** There is no available data for poverty status of Ethiopia during 2015/16 in WB database

In Ethiopia, subsequent fall in poverty has happened over the past twenty years. The proportion of people living in poverty has almost declined by more than half from 42.5% in 1995/96 to 23.5% in 2015/16. In terms of non-monetary indicators of poverty, Ethiopia has achieved improvements in education, health and access to social services. Even though encouraging result made in the past years, about quarter of the population live in poverty (National Planning Commission, 2017).

Based on the 2015/16 HICE survey result, the poverty head count index, which measures the proportion of population below the national poverty line was estimated to be 23.5 percent with marked differences between urban (14.8 percent) and rural (25.6 percent) areas of the country. The poverty gap index that measures the average poverty gap in the population as a proportion of the poverty line is also estimated to be 6.7 percent. At the same time the rural poverty gap was 7.4 percent which was more than twice the urban poverty gap index of 3.6 percent. Moreover, the national poverty severity index is found to be 2.8 percent with rural poverty severity index of 3.1 percent being considerably higher than that of urban areas 1.4 percent.

The headcount poverty rate fell in both rural and urban areas in the past decades. Rural poverty has been declined from 47.5 percent in 1995/96 to 25.6 percent in 2015/16. Over the same period, urban poverty has also declined from 33.2 percent to 14.8 percent. Table 1 showed that significant improvement in rural poverty has registered than urban poverty in the past ten years. Although the declining trend of poverty exists, it is still predominantly rural phenomenon compared to urban areas. According to national interim report of National Planning Commission (2017), the poverty head count index of rural poverty is nearly two times higher than urban poverty in 2015/16. Besides, the poverty gap between rural and urban areas had been narrowing until 2004/05, this gap started diverging after 2004/05 and widened in 2015/16, with 3.7 percent for urban versus 7.4 percent for rural areas.

Table 1: Trends of national, rural and urban poverty in Ethiopia (1995/96-2015/16)

Poverty Indices	Year					
	1995/96	1990/00	2004/05	2010/11	2015/16	2015/16 over 2010/11
National						
Head count	42.5	44.2	38.7	29.6	23.5	-20.5
Poverty gap	12.9	11.9	8.3	7.8	6.7	-13.9
Poverty severity	5.1	4.5	2.7	3.1	2.8	-10.8
Rural						
Head count	47.5	45.4	39.3	30.4	25.6	-15.9
Poverty gap	13.4	12.2	8.5	8	7.4	-7.1
Poverty severity	5.3	4.6	2.7	3.2	3.1	-3.4
Urban						
Head count	33.2	36.9	35.1	25.7	14.8	-42.3
Poverty gap	9.9	10.1	7.7	6.9	3.7	-46.6
Poverty severity	4.1	3.9	2.6	2.7	1.4	-48.4

Source: National Planning Commission (2017)

Based on the results of the 2015/16 HICE survey data regions like Tigray, Benishangul Gumuz and Amhara regions experienced highest poverty incidence with 27 percent, 26.5 percent and 26.1 percent respectively while Harari region, Dire Dawa and Addis Ababa city administration registered lowest poverty incidence of 7 percent, 15.4 percent and 16.8 percent respectively.

Table 2: Regional poverty status from 1999/00 up to 2015/16 disaggregated with rural and urban

Region	1999/00		2004/05		2010/11		2015/16		Total
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	
Tigray	61.6	60.7	36.7	36.5	31.1	14.2	26.8	14.2	27.9
Afar	68	26.8	42.9	27.9	41.1	23.7	26.5	10.6	23.6
Amhara	42.9	31.1	40.4	37.8	30.7	29.2	28.8	11.3	26.1
Oromia	40.4	35.9	37.2	34.6	29.3	24.8	25.7	15.3	23.9
Somalia	44.1	26.1	45.2	35.3	35.1	23.1	22.3	22.9	22.4
Benishangul Gumuz	55.8	28.9	45.8	34.5	30.1	21.3	28.7	17.7	26.5
SNNPR	51.7	40.2	38.2	38.3	30	25.8	21.9	14.4	20.7
Gambela	54.6	38.4	NA	NA	32.5	30.7	26.4	16.6	23
Harari	14.9	35	20.6	32.6	10.5	11.7	8.5	6	7.1
Addis Ababa	27.1	36.2	29.9	32.6	NA	28.1	NA	16.8	16.8
Dire Dawa	33.2	33.1	39.8	32.9	14.2	34.9	23.3	11.1	15.4
Total	45.4	36.9	39.3	35.1	30.4	25.7	25.6	14.8	23.5

Source: National Planning Commission interim report (2017)

*Note: NA stands for not available

2.4. Determinants of Poverty in Ethiopia

Poverty is one of the most serious problems of human deprivation and a complex phenomenon. It is a multidimensional phenomenon which is related not only to the income or consumption which is considered as monetary dimension of poverty, but also to non-monetary dimensions such as education, health, gender equality, water supply and so on (Borko, 2017). Poverty is caused by many factors and brings several effects which influence the lives of people considered to be poor. The influential factors of poverty level are not only economical, but also social, political, cultural, geographical and so on (Spaho, 2014).

In most of Sub-Saharan Africa countries, agriculture is the mainstay of economic growth, overcoming poverty, and enhancing food security. Of the total population of SSA in 2003, 66 percent lived in rural areas and more than 90 percent of the people in these regions dependent on agriculture for their livelihoods (Husmann, 2016). Nearly, 70 percent of the population in the world who are below the poverty line are located in Sub Saharan African countries. Hence, improving rural areas means improving the lives of the most chronically poor people. Thus, the agricultural sector will have paramount importance to lift millions of people out of poverty (Desalegn *et al.*, 2020).

Numerous constraints however, impede rural people's economic inclusion in various sectors, such as insufficient access to basic infrastructure; water, electricity, sanitation, and roads and inadequate access to public services; health, education, connectivity, and markets. Investments in infrastructure and basic services often do not reach these more isolated areas (De La O Camps *et al.*, 2018). In Ethiopia, poverty has economic, political, demographic, geographic, environmental and policy roots and causes. Ethiopia is one of the poorest countries in the world where low income and productivity, weak capital accumulation and investment, high levels of unemployment and underemployment are the main features of the economy. When an economy finds itself in such a situation, chronic poverty and vulnerability defines life for the majority of the population (ADB, 2016; Muhdin *et al.*, 2017).

Desalegn *et al.* (2020) assessed the intensity and determinants of rural poverty in Banja district of Amhara national regional state, Ethiopia by employing Tobit regression model. The econometric model result showed that livestock ownership in TLU, number of oxen ownership, total family size in AE, educational attainment of the household head, input utilization, value of asset ownership and credit utilization were negatively and significantly influenced poverty. Girma and Temesgen (2018) employed binomial logistic model to identify the main determinants of household poverty in Doyogena district of Southern part of Ethiopia, revealed that number of livestock in tropical livestock unit, participation on off farm income activities, use of improved seeds, total land size holding, family size and access to remittance income are found to be significant determinants of households' poverty and all of them are inversely related to it. Whereas, dependency ratio was significantly and positively correlated to households' poverty

According to Anteneh (2020), the major determinants of rural household poverty in North-Western Ethiopia were total family size, total land ownership, distance to market, non-off-farm income, and bad health status of the household head. It was found that the total family size and bad health status of the household head increase the poverty of the rural household. Similarly, for rural households having additional family size the likelihood of being poor was increased. While the distance to the district market and non/off farm income decreases the poverty of the rural household. In addition, Dereje and Eric (2015) conducted a research on the determinants of poverty in Gebi Rasu Zone of Afar regional state, Ethiopia by employing binary logistic regression model using both the food calorie intake and the cost of basic needs approaches of setting poverty line. The findings showed that the factors behind the persistence of rural poverty is strongly linked to entitlement failures understood as lack of household resource endowments to crucial assets such as land, human capital and oxen. Age of household head, age at first marriage of household head and livestock ownership, family size and income from sale of livestock and livestock products, and remittances were found to be the determining factors of poverty.

Degye (2013) investigated the dynamics, determinants and vulnerability of rural poverty in Ethiopia using panel data taken in two rounds (2004 and 2009). The findings showed that the depth and severity of poverty were reduced from but the incidence of poverty was increased in these periods. The Probit model result showed that household size, livestock holding, farming occupation, life status, social network and other exogenous variables significantly influenced poverty in rural Ethiopia. Besides, he pointed out that the likelihood of households to be poor was about 45.5 percent. Tsegaye (2014) carried out a household level analysis of rural poverty in Gozamen district of Amhara region of Ethiopia using binary logit model. Education, livestock ownership, cultivated land holding, oxen holding, off/non-farm income, credit utilization and frequency of extension contact were found to be statistically significant and have a strong negative association with the poverty status of rural households whereas family size alone was found to have a positive association with poverty status of rural households.

Borko (2017) conducted a research on determinants of rural poverty in Damot Gale district of Wolaita Zone. Accordingly, family size, sex of the household head (female), household age, dependency ratio and marital status were found to have positive association with poverty of the household. Meanwhile, Age square, cultivated land size, oxen ownership, access to credit, off farm activity, household health, remittance, and market access were found out to have strong negative association with the households' poverty status. Muhdin (2016) examined socio-economic determinants of income poverty in rural areas of Dodola district of Oromia regional state, Ethiopia. The result showed that income poverty is determined by household size, number of income sources of the household, livestock holding and farm land ownership. Poverty status is negatively associated with number of income sources of the household, livestock holding and farm land ownership. But probability of being in poverty is positively related to family size.

2.5. Poverty Reduction Strategies in Ethiopia

According to UNDP (2016), in Ethiopia poverty is predominantly rural phenomenon. While urban headcount poverty declined from 36.9 percent in 2000 to 14.8 percent in 2016 rural poverty only declined from 45.4 percent to 25.6 percent in the same period. Ethiopia's human development index (HDI) value was 0.448

putting it in the low human development category and ranked 174th position out of 188 countries. Between 1990 and 2015, life expectancy at birth increased by 17.5 years to 64.6 years, mean years of schooling by 1.1 years to 2.6 years, expected years of schooling by 5.3 years to 8.4 years and national income per capita by 134.7 percent to \$1523 (2011 PPP\$).

The Human Development Report acknowledged Ethiopia as one of the top movers of human development in the world. In recent years, however, progress remains flat mainly due to sluggish performance in education particularly in mean years of schooling. The multidimensional poverty index which identifies multiple overlapping deprivations in three dimensions namely health, education and standard of living computed based on the 2011 household consumption expenditure survey indicated that 88.2 percent of the population is multidimensional poor (WFP, 2016; Sarwar and Nicolai, 2018).

Apart to these challenges, Ethiopia has promising economic opportunities and prospects. The country has plentiful natural resources, a low cost and trainable labour force, an emerging middle class, and a developmental state with an ambitious vision, commitment, and strong sense of policy ownership. Moreover, poverty measured by consumption expenditure declined from 38.7% in 2004/05 to 29.6% in 2010/11 and further declined to 23.4% in 2014/15. The government of Ethiopia's pro-poor policies and spending have enabled the country to uplift about 20 million people out of poverty (ADB, 2016).

Despite the fact, agriculture has been the main driver, large-scale public investments in the provision of basic services and the introduction of safety net programmes have also contributed to reducing poverty. However, in spite of the marked reduction, poverty still remains relatively high in rural areas. The main reason for the higher incidence of poverty in rural areas is low agricultural sector productivity. Hence, to significantly reduce the high levels of rural poverty, concerted efforts, including innovative approaches, are needed to address agricultural sector structural problems (Bachewe *et al.*, 2018).

Ethiopia is also among the poorest countries in the world, with very low human development indicators, ranked 174th out of 188 countries. About 23 million Ethiopians live in conditions substantially below the basic poverty line and food insecurity remains a major challenge. In spite of its high poverty levels, Ethiopia remains one of the most equitable countries in the world, with a Gini-coefficient of about 0.30 (UNDP, 2018b). The Ethiopian Ministry of Finance and Economic Development (MoFED) examined that, poverty is a serious challenge confronting Ethiopia, the most prevalent and pervasive social problems of the country (MoFED, 2012). The government clearly acknowledges this in its strategic development plan. Poverty reduction is the core objective of the Ethiopian government (MoFED, 2013).

Ethiopia aims to achieve middle-income status by 2025 and has formulated the GTP II with this in mind. GTP II, a continuation of GTP I, which has nine strategic pillars, which are (1) Sustaining rapid, broad-based and equitable growth (2) Improving the quality, productivity, and competitiveness of productive sectors (3) Transforming domestic private investors into a capable development force (4) Bridging the infrastructure service gap by building capabilities of domestic construction industries (5) Managing urbanization (6) Accelerating human development and technological innovation (7) Enhancing democracy and good governance by building the implementation capacity of the public sector and mobilizing public participation (8) Promoting women and youth empowerment and (9) Building a climate resilient green economy (MoFED, 2019).

Likewise, the main objectives of GTP II are: (i) maintaining an annual average real GDP growth rate of at least 11%; (ii) pursuing aggressive measures towards rapid industrialization and structural transformation; and (iii) ensuring the sustainability of growth by fostering a stable macro-economic framework and climate resilient green economy (ADB, 2016; Udomkun *et al.*, 2017). Agriculture and rural transformation remain a key pillar of GTP II. The major agriculture and rural transformation targets of GTP II are increasing crop and livestock production and productivity, promoting natural resource conservation and utilization, ensuring food security and disaster prevention and preparedness. By solving the problems of input supply and technology adoption, the plan intends to boost agricultural production, focusing on smallholders, and allowing the sector to play its role in stabilizing the economy and supporting the transition to agro-based light manufacturing and agro-allied industrial growth in general (ADB, 2016).

In this context, the Agricultural Transformation Agency (ATA) has identified 31 agricultural commercialization clusters. GoE has also designed an ambitious plan for establishing eco-friendly integrated agro-industrial parks, which will link crop and livestock production to storage and processing facilities to move up the agricultural value chain. Four agro-industrial parks have already been identified around which rural transformation centers will be set up to serve as aggregation points and an agro-industry investment forum is conducted in 2016 to mobilize potential investors (Tosun and Leininger, 2017).

In order to manage and decline the devastating effect of poverty, government has been formulating and implementing ambitious and robust midterm plans since the mid-2000s, Plan for Accelerated and Sustained Development to End Poverty (PASDEP) has been implemented during 2005/06 to 2009/10 followed by the First Growth and Transformation Plan (GTP I) that was implemented from 2010/11 to 2014/15 (Mohamed, 2013).

Currently, the Second Growth and transformation Plan (GTP II) is in its third year of implementation whose major objectives include maintaining the strong growth averaged 11 percent achieved in the past, deepening economic transformation, and aiming to become a lower middle income and carbon neutral status by 2025. Over the past fifteen years, the headcount poverty rate declined by about 93 percent from 45.5 percent in 2000 to 23.5 percent in 2016. According to the recent Household Consumption Expenditure Survey report, between 2010/11 and 2015/16 about 5.3 million people are lifted out of poverty. Poverty gap and poverty severity indices have respectively declined from 10.1 percent and 3.9 percent in 2000 to 3.7 percent and 1.4 percent in 2016. Nonetheless poverty is still a challenge in Ethiopia as over 22 million people are living below the national poverty line (UNDP, 2018a).

In line with its overall development policy goals, Ethiopia is investing heavily to reduce poverty and promote social development. The proportion of public spending on pro-poor sectors has increased from 57 percent in 2004/05 to two-third in 2016/17. Among these sectors education and roads are top - priority sectors, each receiving more than one-fifth of the government total budget. Ethiopia needs to sustain this focus on poverty while ensuring the efficiency of resource utilization and its effectiveness in having the necessary impact. Balance needs to be achieved between spending within a sector, such as between primary education and secondary education, primary health care and hospital care, and rural roads and major highways. An appropriate balance should also be maintained between recurrent and capital spending. Most importantly, the balance between quality and physical expansion should be maintained (MOFED, 2018).

Ethiopia has done better on the latter and needs to focus on the former. The government is also implementing a huge social protection program to help the poor maintaining their livelihood. The Productive Safety Net Program (PSNP) is the largest social protection program in Africa which support close to 8 million chronically food insecure people and it has been implemented since 2005 (ADB, 2016; UNDP, 2016). This has been witnessed by the robust and sustained economic growth recorded over the last 15 years has led to improvements in income inequality and poverty reduction. Accordingly, per capita income has continuously increased and reached USD 985 in 2018/19. Poverty has declined to 22 percent in 2018/19 from 38.7 percent in 2004/05 (NBE, 2019), though it is far lower than the average per capita income for the Sub-Saharan Africa (SSA) which was 1661 USD in 2017 (World Bank, 2017).

3. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

3.1. Summary

This systematic review was designed to the extent of poverty, its key determinants, and the poverty reduction strategies and policies in Ethiopia. Since poverty is one of the hottest socio-economic issues in international phenomena and various studies have been conducted in all directions of the world to identify its determinants. Poverty, as a multidimensional phenomenon, it needs an integrated effort and deep understanding of its various determining factors at each intervention point. As a result, poverty alleviation efforts should start from identifying the demographic, socio-economic and institutional factors that determine poverty status.

Poverty has existed for a very long time, and to different extents it remains to be a worldwide social evil still now in the 21st century. Poverty is one of the most serious problems of human deprivation and a complex phenomenon in the world. The issues of poverty, like countries of Africa mainly Sub Sahara Africa, is a daily issue. In due its pervasiveness particularly in the agricultural fed economies of Sub-Saharan Africa, of which Ethiopia is among them, needs to be given high attention.

Reducing world poverty is arguably the main global challenge of the next decades. The main objective of the Ethiopian government is poverty eradication and improvements in the well-being of the people. Achieving this important goal requires monitoring and evaluation of the implementation of policies and programs which in turn require empirical studies based on nationally representative survey data. In other words, effective policies and interventions must be based on an understanding of how many poor people there in the country, where they are located, what are their characteristics and what the causes are.

Ethiopian government have been implementing different poverty reduction programs and strategies to fight extreme hunger and poverty. The latest poverty assessment for Ethiopia finds that poverty has fallen, but progress has been uneven between urban and rural areas. Therefore, the struggle to reduce poverty at household level is a continuing challenge.

3.2. Conclusion and Recommendations

Based on the findings of many researchers, the determinants of poverty are different in different parts of Ethiopia. But it is concluded that education status, land size, asset ownership, livestock ownership, saving culture, farm size and credit services were identified as the main factors responsible for poverty in Ethiopia. The identified factors are therefore critical in improving the livelihood of the Ethiopian people and call for urgent interventions intended at curbing the fate of the poor.

Hence, in order to reduce poverty status in Ethiopia, education specially ability to write and read as well as attending primary education has played a significant role by enhancing the efficiency and effectiveness of individuals. So that, working on ensuring accessibility of adult centered education needs a special attention.

Though, population is a key factor for development; however, according to many studies showed that households with large family size have greater likelihood of falling in to poverty in Ethiopia. Therefore, family planning through awareness creation and integrated health programs, creating job opportunities for the households may lead to acceptable number of children.

Livestock have great importance for the majority of households, particularly in rural areas and it reduces the poverty level. Hence, the livestock sector should be strengthened through the provision of veterinary services and feed supply. Besides, intervention projects that enhance the livestock sector like dairy cow credit, sheep credit, fattening credit and livestock insurance need to be supported with the necessary husbandry skill and knowledge. According to many researches, another important poverty determinant in Ethiopia is asset ownership. Thus, the responsible government authorities or development actors have to design and implement asset building program which improve their lives.

Based on the review, households having positive saving culture have a great probability of lifting out of poverty. Therefore, financial institutions should provide various trainings and promotions to raise the awareness levels of the people regarding the importance of saving accumulation. Moreover, the government should create different packages related with saving, like USA is practicing SAVE TOMMOROW program to mobilize saving.

Based on the review, land size negatively and significantly determines poverty status of households in Ethiopia although land holding cannot be increased, thus the already existing policies on increasing productivity per unit of farm land area in rural areas and efficient utilization of urban lands need to continue in a more strengthened and sustained way.

The last but not the least important poverty determinant in Ethiopia is credit service. Credit can create an opportunity to be involved in economic activity that generates revenue and also specifically for farmers to purchase necessary farm inputs. Thus, government bodies, non-governmental organizations and other relevant authorities shall focus on enhancing and expanding credit services for poor individuals/households at minimum possible transaction and/or collateral cost.

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