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“Development on the margin”

Ultra Poverty and Vulnerability in Northern Highlands of Ethiopia: A Panel Data Evidence

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Abstract

Access to longitudinal data sets in Ethiopia has given momentum to the study of poverty dynamics in the last couple of decades. A preliminary assessment of smallholders' consumption expenditure reveals that ultra poverty is paramount in northern highlands of Ethiopia. Also, a thorough analysis on the dynamics of rural household poverty requires income group analysis approach than a mere poor and non-poor categorical analysis. This study is therefore primarily intended to examine the dynamics and determinants of rural household poverty and vulnerability in Northern Highlands of Ethiopia. The data for this research is based on the Ethiopian Household Survey conducted by the Department of Economics, Addis Ababa University for six rounds starting from 1994. In addition to this, primary data was collected from a sample of rural households in the selected villages for the year 2010.

The paper attempts to show the dynamics of rural household poverty in Northern highlands of Ethiopia by mainly using transition matrices and Foster-Greer-Thorbecke (FGT) indices. It also tries to scrutinize the likelihood of rural households of moving up, down or remain in the same income deciles across the panel years. Moreover, the study goes further to investigate the basic determining factors for rural household poverty using both Fixed Effects Instrumental Variable Regression and Generalized Multinomial Logit Model. Analyzing the vulnerability of households to poverty in the selected villages will be given sufficient treatment in this study. Finally, the research will draw policy implications that will be used by both policy makers and other researchers targeting on poverty reduction of rural households in northern highlands of Ethiopia.

Keywords: Rural Ethiopia, ultra poverty, vulnerability