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## Shocks, Coping Strategies and Vulnerability before and after the Economic Crisis: Evidence from Ethiopia

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### Abstract

Using rich panel data from Ethiopian households before and after the financial and economic crisis, we study the incidence of shocks suffered by households and what their strategies to cope with them are. The results first show the diversity of economic, environmental, health and other shocks suffered by households and how the crisis is likely to affect the joint distribution of these shocks. Second, they show how specific household strategies can be associated with specific types of shocks. In particular, we report how these strategies have evolved with the occurrence of the economic crisis. Third, we estimate the effects of the observed determinants of the joint data generating process of shocks and strategies at household level. This allows us to identify useful instruments on which poverty alleviation policies could be constructed in response to the economic crisis. For instance, from socio-economic characteristics of households, we find that education plays a vital role in the incidence of shocks in general and climatic shocks in particular. Households whose income source is from agriculture are highly vulnerable to shocks while access to services is relevant for health shocks. We find strong evidence that networks are significantly related to households probability of coping against any one shock. In addition, access to income generating schemes increase households' probability of coping. Finally, we propose novel vulnerability indicators and apply them to the Ethiopian context. The estimates imply that Ethiopian households are rarely able to cope with shocks and that active policies are necessary to help them smooth out the impact of these shocks on their living conditions.

**Keywords:** Coping, Economic crisis, Ethiopia , shocks, vulnerability