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Social protection programs can prevent people from falling into Covid-19-induced poverty in Ethiopia

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Key messages

- Women were disproportionately affected by rising food prices and reduced incomes caused by the pandemic.
- Rising food prices and the decline in remittances are most detrimental to low-income families, while reduced incomes affect communities across all income levels.
- The Productive Safety Net Program (PSNP) prevented more than 800,000 people from falling into poverty.

Lack of information limits understanding of Covid-19's impact on welfare

Economic growth and development challenges in Ethiopia were further exacerbated by reduced household incomes, business closures and decreased demand for goods and services as a result of the Covid-19 crisis.

While several studies confirm the adverse effects of the pandemic on Ethiopia's economy and in other countries, most examinations document the effect of the global health crisis from a macroeconomic perspective using an economy-wide model and simulation analyses. In spite of these projections and some emerging studies based on phone surveys, empirical evidence about the effect of the pandemic on household incomes and welfare is limited, partly because the pandemic is still unfolding and detailed consumption surveys are not widely available in Africa.

In the absence of detailed consumption data, quantitative and model-based projections can provide vital insights into how the pandemic will impact welfare and distributional outcomes.

The study

In 2020-2021, a team of local PEP researchers—the authors of this brief—conducted a study to analyze the effects of the Covid-19 pandemic on the welfare of Ethiopian households.

The research team used microsimulation techniques to estimate the impact of different scenarios (mild and severe) on national welfare using data collected from the 2018/19 Living Standards Measurement Study- Integrated Surveys on Agriculture (LSMS-ISA) household survey.

Additionally, the team assessed whether Ethiopia's Productive Safety Net Program (PSNP) helped mitigate the pandemic's effects. The results are summarized below.



Photo: UNICEF Ethiopia/2020/Mulugeta Ayene

Key findings

Poverty was impacted by the Covid-19 pandemic through changes in income and food prices.

The team's research shows that the pandemic has had an adverse effect on the welfare of various population groups. In the three months following the first Covid-19 outbreak, 2.38-4.12 million people fell into poverty. These findings are consistent with recent predictions based on economy-wide models (e.g., Aragie et al., 2020). The team notes that as restrictions were relaxed and lockdowns ended, the economic impact of the pandemic began to decrease. However, households headed by women and rural areas continued to be disproportionately affected in the second and third quarters of 2020, leading to a setback in efforts to reduce poverty.

Furthermore, falling incomes and rising food prices disproportionately affected women and contributed most to soaring poverty rates. This is

consistent with the evolving evidence showing that the pandemic has worsened existing gender inequalities (Alon et al., 2020; McLaren et al., 2020). Moreover, the impact of these factors varied by household. While rising food prices and the decline in remittances affected low-income families the most, reduced incomes affected communities across all socioeconomic levels.

The Covid-19 pandemic disproportionately affects some groups more than others.

While the pandemic had taken a toll on Ethiopian households, social protection pro-grams were able to help them cope. The PSNP played a vital role in mitigating the impact of the pandemic on vulnerable populations. By providing cash transfers, the PSNP program prevented more than 800,000 individuals from falling into poverty.

To find out more about the research methods and findings, read the full research paper [No. 2023-03](#), published as part of the [PEP working paper series](#).



Photo: UNICEF/Ethiopi/2020/NahomTesfaye

Conclusions and policy implications

The research team's results provide critical insights that can inform post-Covid-19 crisis recovery policy options. The project team recommends that the design of post-Covid-19 pandemic recovery options consider the impact of economic shocks on household welfare. Additionally, when targeting interventions to combat the adverse effects of shocks, such as global health emergencies, it is vital to consider gender and age.

As the Covid-19 pandemic subsides, the following key areas must be explored through further research.

- Future research should develop insight into how to target social protection programs better so that they can most effectively protect people.
- A comparative study of how the pandemic affected various sections of society globally with varying social protection systems is warranted. This study can help design effective safety programs to protect the most vulnerable from economic shocks in the future.
- Further research is needed to understand the relative effectiveness of the various interventions implemented in different countries in response to the pandemic.

To effectively address future pandemics and other global crises, it is crucial to identify and prioritize the most vulnerable populations through an early warning system. This system can guide proactive interventions before shocks spread. In addition to funding health disaster response, the government should also implement policy interventions to assist those most affected. The Ministry of Planning and Development can lead this effort in collaboration with the Central Statistical Agency, the Ministry of Health, the Ministry of Labor and Skills, and relevant agriculture and industry sectors.

References

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