This study aims to identify the factors associated with impoverishment and sustained escapes from poverty and how policies and programmes can support these escapes. It uses Ethiopian Socioeconomic Survey (ESS) data collected by the World Bank in collaboration with the Central Statistical Agency of Ethiopia in 2011/12, 2013/14 and 2015/16, in conjunction with key informant interviews, focus group discussions, and 75 life histories in four research sites across Tigray, Amhara, Oromia, and SNNP regions.

The study finds that better human and physical capital helps the poorest households escape poverty sustainably and avoid impoverishment. Expansion of education and skills training are also an important way to keep households out of poverty. Meanwhile, building productive assets can pave the way to household resilience. In the context of climate change, farmland shortage, rural population pressure, we also find that some individuals and households make a better life by moving out of their rural origin and engaging in new occupations. Relatedly, remittances from urban centres as well as from abroad are helping households escape poverty, pointing to the importance of facilitating internal migration and promoting free movement within and across regions. In this context, more needs to be done to widen the scope of non-farm activities, which help households diversify their economic activities. Wide-ranging and efficient agricultural extension services also could help promote rural resilience in Ethiopia in the long run.

This study also found that individual households have remained in poverty or dropped into poverty mainly because of family-related shocks, such as illness of family members, death of the household head, old age, disability, burning of a house and loss of property. In this context, on-time and efficient emergency relief and food aid are vital to prevent households from becoming impoverished. Health insurance is critical to prevent households falling back into poverty in the case of health-related shocks – this would be a new area of policy development for Ethiopia. Policy-makers also need to focus on the macro-economy, especially related to prices, as macroeconomic instability has been found to adversely affect poverty reduction and get in the way of sustainable poverty escapes.