



Development prospects for the Horn of Africa countries to 2040

Poverty and income inequality

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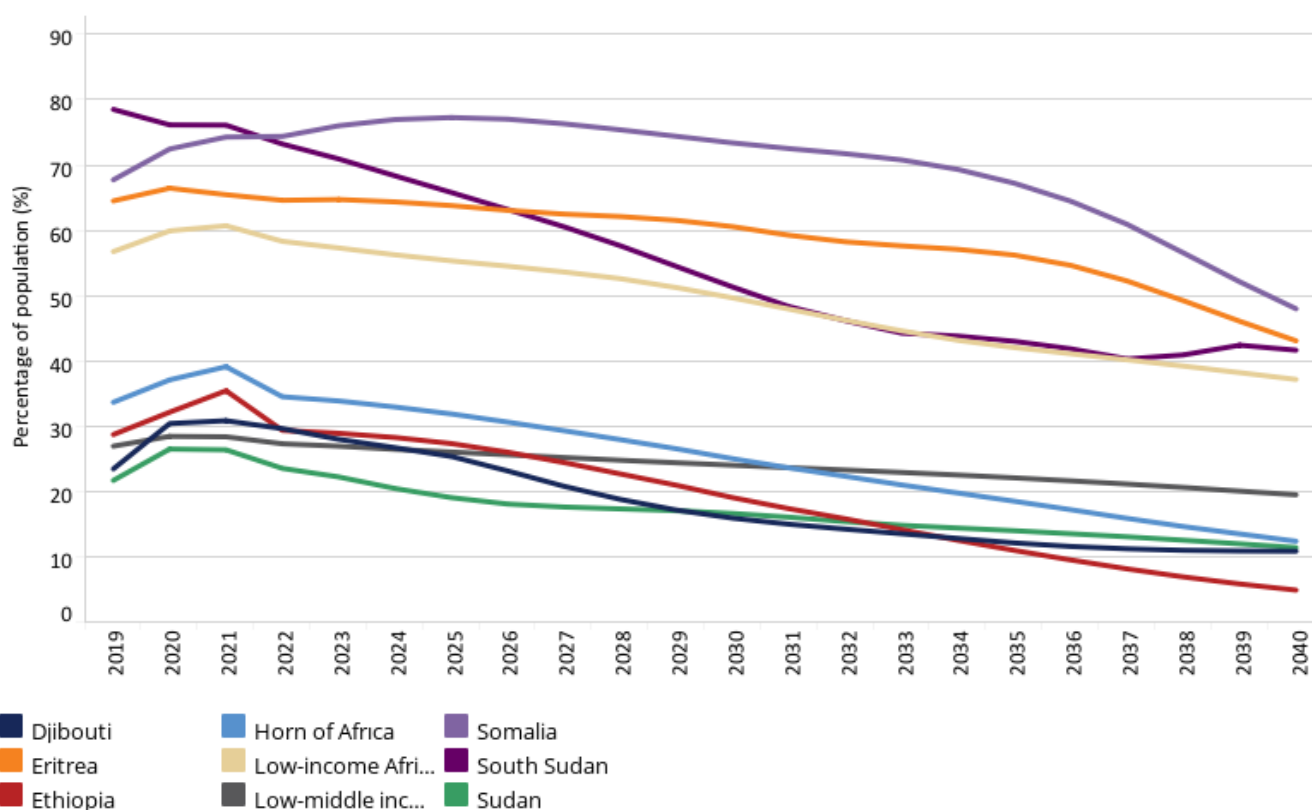
Poverty is a broad concept; it goes beyond income to individuals' access to basic nutrition, health and education, among others. For example, the Multidimensional Poverty Index complements monetary measures of poverty by taking into account the multiple deprivations faced by people in a country.[1]

According to the latest data, about 92% of the South Sudanese population is multidimensionally poor, with 74.3% of them in severe multidimensional poverty—the highest in the Horn of Africa. Djibouti has the lowest multidimensional poverty rate (34.6%) in the region while more than 80% of the population in Ethiopia and Somalia are multidimensionally poor.[2] The high levels of multidimensional poverty in the Horn states reveal the extent to which people in the region do not have basic social services such as healthcare, education and housing, among others.

On the current development trajectory, the Horn of Africa countries will not be able to achieve the headline goal of the 2030 Sustainable Development Goals (SDGs) concerning the eradication of extreme poverty, using the World Bank measure.

IFs forecast the average poverty rate of the region at about 33.6% (about 60 million people) in 2019, below the average poverty rate of 56.7% for other low-income African countries. However, the aggregated picture masks large disparities between countries. The poverty rate is particularly high in South Sudan, Somalia and Eritrea. Chart 12 shows the trends in income poverty in the Horn of Africa.

Chart 12: Trends in income poverty in the Horn of Africa (<US\$ 1.90 per day)



Source: Forecast in IFs version 7.63, historical data for the World Bank

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Using US\$1.90 per day as the poverty line, Sudan and Djibouti have the lowest poverty rates in the Horn region (below 26%) while Somalia, Eritrea and South Sudan, with their poverty rate above 60% in 2019, are the poorest countries in the Horn of Africa. However, as Djibouti has recently become a lower middle-income country, the appropriate poverty line is US\$3.20 per day according to the World Bank. At this poverty line, 42% of Djibouti’s population live in extreme poverty.[3]

The harsh dry climate has exacerbated poverty in Djibouti, especially in rural areas where the majority of the population practise nomadic farming. Long droughts coupled with high unemployment rates keep many people in extreme poverty.[4] Cognisant of this situation, the National Development Plan (Vision Djibouti 2035) adopted in 2014 intends to diversify the economy and speed up job creation to help Djiboutians find gainful employment and reduce extreme poverty.

Currently, South Sudan has the highest poverty rate (78%) in the Horn of Africa, but due to its high population, Ethiopia still has the largest number of poor people. It has however made significant progress in reducing extreme poverty, from 67% in 1995 to about 28% in 2019.

Despite this progress, Ethiopia remains among the poorest countries in the world, where nearly 30 million people live in extreme poverty, and the conflict in the Tigray region is likely to exacerbate this situation. Rapid growth and low levels of inequality should, over time, reduce extreme poverty to 4.8% by 2040 while Somalia will have the highest poverty rate (48%). The average poverty rate in the region is projected to be 25% by 2030 and 12% by 2040, below the projected averages for other low-income and lower middle-income countries in Africa in the same year.

The incidence of poverty is, however, highly uneven. For example, in Sudan, the northern states and the districts of

Khartoum City have the lowest poverty rate while poverty remains severe in the southern and western states. The poverty rate in the Darfur states is more than 60%^[5] while the overall poverty rate in the country is 26%. Rampant government corruption and unemployment are major causes of poverty in Sudan. While individuals living in households with unemployed heads represent only 2.4% of the total population, they account for 50% of the population living in extreme poverty.^[6]

Poverty is not only widespread and deep in Somalia and Eritrea, but is also highly gendered, as female-headed households tend to be the poorest.^[7] In these countries, women are generally excluded from economic participation and have no access to capital. This has led to high levels of unemployment and lower incomes.

Poverty in Somalia is concentrated among nomadic pastoralists and agro-pastoralists. Estimates by the World Bank show that the average poverty gap in Somalia is 29%, which implies that the average income level of a poor Somali household is 71% of the international poverty line.^[8] The leading causes of the persistently high poverty in Somalia are weak governance and insecurity, absence of the rule of law, and conflict and political instability.^[9] Without effective control of its territory, Somalia's Ninth National Development Plan, which seeks to promote inclusive growth and poverty reduction, has limited impact.

Like in Somalia, conflicts and political instability have led to widespread poverty in South Sudan. Economic growth is not inclusive as it is mainly driven by oil rather than agriculture, which provides livelihoods for most of the population. Many people survive on livestock and farms, which are often killed or damaged during the clashes. This is worsening the already dire levels of poverty, with many people having no access to social safety nets, at a time when the economic impact of COVID-19 has devastated livelihoods.

South Sudan invests less in sectors that could have a significant impact on poverty alleviation. Government expenditures emphasise defence and security at the expense of basic service delivery. For example, military expenditure increased from about 6% of GDP in 2011 to nearly 21% in 2018 and the security payroll represents 58% of South Sudan's total government expenditure.^[10] The government of South Sudan should rather invest in its people by allocating its income from oil into schools, hospitals, roads and agriculture to ensure sustainable inclusive growth and poverty reduction.

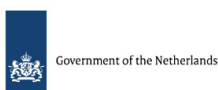
Generally the Horn could benefit from its relatively low levels of average income inequality, which implies that economic growth more rapidly translates into poverty reduction than in a region like Southern Africa, which has much higher levels of inequality. IFs estimated the average score of the region on the Gini index at 0.36 or 36% in 2019 against an average of 41.8% for other low-income countries in Africa in the same year.

At the country level, the Gini index ranges from 33.5% in Sudan to 46.3% in South Sudan. Sudan and Ethiopia have the lowest levels of income inequality in the Horn of Africa.

Endnotes

1. Oxford Poverty & Human Development Initiative, [Global Multidimensional Poverty Index 2020 report](#),
2. Oxford Poverty & Human Development Initiative, [Global Multidimensional Poverty Index 2020 report](#)
3. World Food Programme, [WFP Djibouti Country Brief March 2020](#), March 2020
4. World Food Programme, [WFP Djibouti Country Brief March 2020](#), March 2020
5. African Development Bank, Sudan poverty profile, June 2018.
6. African Development Bank, Sudan poverty profile, June 2018.
7. The Borgen Project, [Eritrean women fight gendered poverty](#), 2020
8. Ninth Somalia National Development Plan.
9. Ninth Somalia National Development Plan.
10. African Development Bank Group, [The Political Economy of South Sudan](#), 2018.

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About the authors

Dr Kouassi Yeboua is a senior researcher in African Futures and Innovation programme in Pretoria. He recently served as lead author on ISS studies on the long-term development prospects of the DR Congo, the Horn of Africa, Nigeria and Malawi. Kouassi has published on various issues relating to foreign direct investment in Africa and is interested in development economics, macroeconomics, international economics, and economic modelling. He has a PhD in Economics.

Dr Jakkie Cilliers is the ISS's founder and former executive director. He currently serves as chair of the ISS Board of Trustees and head of the African Futures and Innovation (AFI) programme at the Pretoria office of the Institute. His 2017 best-seller *Fate of the Nation* addresses South Africa's futures from political, economic and social perspectives. His three most recent books, *Africa First! Igniting a Growth Revolution* (March 2020), *The Future of Africa: Challenges and Opportunities* (April 2021), and *Africa Tomorrow: Pathways to Prosperity* (June 2022) take a rigorous look at the continent as a whole.

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