The Scope of Social Protection Schemes in Aiding Ethiopia achieve the MDGs

First Draft

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1. Introduction
During the last two decades, social protection programs in general and safety nets (targeted non-contributory transfers) in particular have gone from the periphery to the mainstream of discourse on poverty reduction (Grosh et al. 2008). Most recent global crises have also heightened the importance of social protection schemes and growing focus began to emerge in the context of exploring their potentials in aiding the MDGs achievement. Indeed, the impact of global economic crises at regional level has revealed the fragility of recent economic growth in many African countries including Ethiopia. Pathways out of poverty have narrowed and vulnerability of falling into poverty has increased. Whereas an abundance of studies exist that assess the effectiveness of safety net programs, missing from this literature is, however, rigorous assessments of social protection programs in Africa (Daniel et al, 2009).

The UNECA has initiated timely and highly relevant country case studies that would explore the experiences of different countries in the region on design and implementation of social protection programs, especially in the context such programs could assist the countries in achieving the MDGs. The 11 country case studies will contribute greatly therefore in bridging the gap in knowledge about the efficiency and effectiveness of social protection programs in Africa.

Ethiopia is one of the eleven country case studies. The country has a large number of candidates for social protection and ample experiences in implementing social protection/safety net programs. It is estimated that almost half of Ethiopia's population are either under 15 or over 60 years old. This means that there are a large number of potentially vulnerable people in Ethiopia who could qualify for social protection.

Ethiopia has for long struggled against poverty and destitution. The country is also known for the many droughts, floods, famines, and wars that have raged the country for the past 40 years. Significant portion of the population has, therefore, been exposed to various kinds of risks and threats facing vulnerability at one point in time or another. The different governments that were in power together with the international development aid community have in the past implemented, therefore, wide ranging social protection schemes.

Most recently, Ethiopia is showing signs of rapid progress as a result of the government effort and commitment to advance the country to middle income country status by 2025. This Vision builds on the Government commitment to the MDGs and declared resolution that the new Ethiopian Millennium (which began in 2008) constitutes the “renaissance” period for Ethiopia. Indeed, the government has shown resolute commitment which was demonstrated in the recent visible and rapid progress made in economic and social infrastructure expansion.

A major concern is these have not been translated into meaningful poverty reduction. Ethiopia has derailed, for example, in many fronts that could easily reverse gains made so far. Poverty and destitution seem to be spreading, especially in urban areas. Anecdotal evidences indicate unemployment and underemployment levels are increasing in urban and rural areas. The number of street children and youth, unemployed, landless seems to be escalating. This process has been aggravated by the effects of global crises which ignited spiral domestic inflationary trends that have consequently eroded the fragile economic base of households in both urban and rural areas.
To some extent, some of the government successes in development have also resulted into new challenges. The rapid expansion in basic services has at the same time brought serious challenges in terms of quality, adequacy and maintenance of these services. Deteriorating quality of education and lack of basic medical supplies and equipment at different levels of health service provision are poised to erode the benefits of the great accomplishments. Key major challenges that manifested over the recent past include growing inequality, increasing vulnerability, deterioration of quality and lack of sustainability.

Well designed and implemented social protection/safety net programs can minimize the impact of economic shocks and the negative consequences of rapid economic growth. Indeed, Ethiopia continues to implement various social protection measures in areas of food insecurity, youth unemployment, and other natural and human made shocks and risks.

In the Ethiopian context of widespread chronic and acute food insecurity, the primary aim of social protection interventions should be to ensure food security for vulnerable citizens. Ethiopia is currently implementing a single large scale social protection program in rural part of the country with an approximate annual budget of 500 million USD and covering about 7.5 million people. This program, called the Productive Safety Net Program (PSNP) is of special interest because unlike many social protection programs in Africa, the program was implemented at scale. Hence, reviewing Ethiopia’s experience would most definitely bring useful lessons that can be drawn to use at regional level.

Ethiopia as one of Africa’s poorest countries, for example, has only limited physical and communications infrastructure, and scarce administrative resources. Hence, how Ethiopia managed its social protection programs including specific unique features of the PSNP such as its explicit link to interventions designed to increase agricultural productivity would enable to assess the efficiency and effectiveness of different design options. It is possible, for example, to assess whether the joint effect of such interventions is greater than just providing transfers. This is in line with the UNECA objectives for initiating the country case studies which aims to bring useful lessons and propose policies for consideration and adoption by member states. It is also imperative for Ethiopia to study the efficiency and effectiveness of these schemes in reducing poverty and inequality and how they help low income groups from further sliding into abject poverty during economic crises and generally advance the country in the plan to achieve the MDGs.

This Case Study analyzes, therefore, the salient features of social protection schemes in Ethiopia, assesses their impact on poverty and inequality in particular and the MDGs in general and reviews general implementation problems and challenges. The study finally provides recommendations on possible factors and features that need to be considered in design and implementation of social protection programs that would enhance the achievement of the MDGs.

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1 To paraphrase Frank Sinatra, if social protection can make it here, it can make it (almost) anywhere (Daniel et al, 2009).
2. Background of the Study

The global financial and economic crises have impacted negatively on African countries as their economic growth rates decelerated, peoples’ degree of vulnerability was exacerbated and pathway out of poverty narrowed. The crises have also threatened to reverse gains made towards achieving the MDGs. The UNECA has been following closely these developments elaborating the risks posed by the crises, how these will also attenuate the impact of growth on poverty reduction and complicate the environment for emplacing interventions to reduce poverty in the continent.

At the same time, the benefits of well designed social protection programs not only became clear but also the necessity for continuing implementing such programs in the coming period is recognized for minimizing the impact of crises in addition to them serving as a pathway out of poverty for many poor households. A number of African countries have already put in place, albeit varying degrees, social protection/ safety net programs including Nigeria, South Africa, Lesotho, Tunisia, Ethiopia and Egypt. Evidence suggests that these schemes are playing a positive role in reducing poverty.

The UNECA set out to investigate the scope, efficiency and effectiveness of social protection measures in reducing poverty, vulnerability and accelerating progress towards the achievement of the MDGs in Africa. For this purpose, ECA has commissioned eleven country case studies which are being undertaken in Namibia, Mauritius, Kenya, Ethiopia, Nigeria, Malawi, Tunisia, Algeria, Mali, South Africa and Angola.

At first, only ten countries were selected for case studies. However, because of Ethiopia’s experience in implementing safety net programs including one supposedly the largest single safety net program in the region, the country was added at a later stage. In fact, poverty and vulnerability have always been the key major problems facing the country. Accordingly, wide ranging poverty reducing and vulnerability protection programs have been implemented; with significant portion having social protection goals. Hence, Ethiopia has ample experience and lessons to share given its long experience in addressing vulnerability associated with human and natural related disasters and risks.

In addition to generating broad lessons on design and implementation of social protection programs, the UNECA also aims to explore countries’ experiences with regard to the impacts of global crises and their implications to sustainable financing of such programs.

Macroeconomic shocks can affect the welfare of poor households and communities through changes in relative prices, changes in aggregate labor demand (that can reduce employment levels and/or wage rates), changes in the rates of returns on assets (including the inflation tax), changes in public transfers (in cash and in kind); and changes in the community environment (be it in terms of public health or public safety). A number of these are painful short-term effects, which are serious enough in their own right. But some are also associated with undesirable long-term effects on poor people.

Ethiopia is a country that faces formidable challenges to become self sufficient and achieve the minimum decent standard of living for its people. The country has also been affected by the global financial and food crises through rising import prices and declining external resources inflow. Ethiopia would also share this experience and contribute to the ECA aim of bridging knowledge gap and proposing policy consideration for use and adoption by member states.
2.1 Purpose, Scope, Objectives of this Case Study

The purpose of the Ethiopia Case Study is to contribute to the UNECA attempt to compile experiences and lessons in design and implementation of social protection programs at Africa region level. The study contributes, therefore, to the bridging of the knowledge gap at regional level and aims to share policy ideas for consideration and adoption by all countries concerned on the design of social safety nets/social protection schemes.

The study will also address issues such as financial source and sustainability of social protection schemes. A key aim of the study is to explore the potentials of social protection programs as an instrument for accelerating progress towards the MDGs in the country. Hence, the study will also attempt to identify policies and strategies that help incorporate and integrate social protection schemes as part of MDGs -consistent/ MDGs-based national development plans. The study will finally comprise as one of the working papers for the ECA-initiated African Learning Group on Poverty Reduction Strategies and the Millennium Development Goals (PRS/MDGs -LG).

The study is based on desk review of existing social protection schemes in Ethiopia and syntheses of studies already available on such schemes. The study will cover important areas such as design, implementation, and efficiency of these schemes and their relations with the country’s medium term development frameworks. The study aims to explore the role of social protection measures in accelerating progress towards the achievement of the MDGs. The aim is to provide a strong analytical basis for knowledge sharing and capacity building activities that take place under the auspices of the African Learning Group on Poverty Reduction Strategies and the Millennium Development Goals (PRSP/MDG Learning Group) at ECA and the Enhanced Knowledge Network Sharing Project, the supportive and relay instrument in-between meetings of the Learning Group.

The specific objectives of the study are the following:

1. Describe and examine the salient features of social protection schemes in Ethiopia
2. Examine the impact of economic crises on social protection programs and fiscal sustainability of financing such schemes.
3. Examine the extent social protection schemes are placed within the national medium term plan (PASDEP and GTP) and their contributions to accelerating progress towards the achievement of the MDGs in the country.

2.2 Methodology of the study and Structure of the Report

The Ethiopia case study is mainly based on desk review of available documents that describe and analyze the design, implementation and impact of social protection programs. The study focuses on two main areas. First, the study describes the salient features of the social protection schemes instruments and their magnitude. Then the study examines the extent to which social protection/ safety nets are embedded in national development plans, especially with the country’s medium-term development plans and expenditure frameworks (MTEF) and the mechanisms by which they are financed. The study also provides a detailed description of the institutional and regulatory regimes that govern the implementation of these schemes. Second, the study analyzes the concrete outcomes of the social protection programs on poverty and inequality and on that basis assesses the possible contribution of the schemes to the achievement of the MDGs. Attempt is made to undertake some counter-factual analysis. The study also discusses some of the key disincentive effects of the schemes and governance problems.
The study is hoped to provide a strong analytical basis for knowledge sharing and capacity building activities that take place under the auspices of the African Learning Group on Poverty Reduction Strategies and the Millennium Development Goals (PRSP/MDG Learning Group) at ECA and the Enhanced Knowledge Network Sharing Project, the supportive and relay instrument in-between meetings of the Learning Group. The study is undertaken under the general guidance of the Director of the Economic Development and NEPAD Division (EDND) and the direct supervision of the Chief of MDGs & LDCs Section.

The report is structured in line with the objectives of generating and sharing information on Ethiopia’s experience in design and implementation of social protection measures and how these are translated into national medium term development plans within the context of the MDGs. To the extent possible, UNECA has made effort to ensure similar structure is used across the different country case studies for cross fertilization, mutual learning and experience sharing. Hence, this report closely follows same structure proposed by UNECA.

Accordingly, the report first provides background on the country situation. In the second chapter, the policy and regulatory frameworks for social protection programs are discussed followed by discussion of the salient features of SP in Ethiopia in the third chapter. The fourth chapter focuses on analyzing the impacts of SP measures on poverty and inequality in particular and on the MDGs in general. In the fifth chapter, challenges with respect to the design and implementation of social protection measures are discussed followed by the sixth chapter which summarizes the conclusions and recommendations that have come out from this case study.
3. Historical Context and Vulnerability Profiles

Ethiopia is a country with extreme poverty, where both lives and livelihoods are often at risk. The country is known for the many droughts, floods, famines, and wars that have raged for the past 40 years. Since 1965 there have been 15 major droughts in Ethiopia, with most people affected in 1973, 1984 and most recently within the past 10 years, four consecutive years of drought beginning in 1999. Up to 15 million people were highly affected in the agricultural year 2002-2003 alone. Ethiopia is also hit by floods from time to time the worst in recent period being the flash floods that hit the country in August 2006, which rendered 140,000 people homeless.

Ethiopia also passed through a 30-year civil war with Eritrea, which became independent in 1991. Due to the prolonged civil war in 1970's and 80's, when the current government came to power in 1991, there were, therefore, masses of displaced people, demobilized soldiers, etc. A border conflict also broke out from 1998 to 2000, leading to massive internal displacement in both countries as civilians fled the war zone.

The fluctuations in the global economy constitute another risk factor for Ethiopia. The country depends on few export commodities, the major one of which is coffee. According to Annick (2007), recent expansions in global coffee production have caused a price shock for Ethiopian farmers. In 2001 coffee prices plummeted, and coffee on the international market was worth an inflation-adjusted 16 percent of what it was in 1980. Local farmers and traders as well as the government have experienced a crippling decrease in foreign exchange earnings, severely decreasing the country's ability to buy food imports.

Design of social protection programs came into focus, however, with the new economic policies and structural reform measures that Ethiopia began to implement in the early 1990s. These measures have resulted into significant layoffs and retrenchment. By then, the term Safety Net was already prominent globally with the Social Dimensions of Adjustment. Safety net in this context referred to intervention measures that address policy induced problems. The title of a general policy paper that the transitional government of Ethiopia issued in 1993 was “Safety Net Programs to Mitigate Transitory Problems arising from Economic Reform”.

Safety net was clearly articulated in the 1990 World Development Report, which outlined a poverty reduction strategy as follows:

- broad-based economic growth - the pursuit of a pattern of growth that ensures productive use of the poor’s most abundant asset - labour
- developing human capital - the widespread provision to the poor of basic social services, so that, they utilize the opportunity created in the above strategy; and
- social safety nets for vulnerable groups.

The strategy aims to create opportunities and capacities for those that can be made active participants in economic growth process and a Safety net for those left out and/or could suffer from the process.

New pools of vulnerable people were created in early 1990s following Ethiopia’s introduction of new policies and reform programs. Poverty situation was getting widespread and worsening in both urban and rural areas due to both natural and man-made events. First, there were large number of returnees following the change of government. The country had
also to resettle hundreds thousands of people who had been displaced through ethnic conflict as well as people that left resettlement areas and others that were displaced from Eritrea. On top of these, the government began implementing reform measures that created new (‘transitory’) groups of vulnerable people. These groups included the following:

- Demobilization of former soldiers
- Civil service reform that led to retrenchment of workers
- Privatization of public enterprises which resulted mostly to lay off of employees
- Removal of Ration and Subsidy to basic commodities
- Abolition of peasant cooperatives

As a result, millions of people were found to be in extreme poverty and vulnerable situation needing rehabilitation support. The Government then requested the WB and IMF to assist in designing action to address chronic and transitory poverty. At the same time a government Task Force was commissioned to address the same issue and recommend policy options to alleviate the social dimensions of adjustment. Findings and recommendations of the Bank/Fund study\(^2\) and the Task Force study provided the basis to formulate the Safety Net Program.

Different Safety Net Programs that were identified and studied at the time included: Urban Food/Kerosene Voucher Program; Rural Food Voucher Program; Input Voucher Program and Public Works Program. What eventually implemented was a combined Safety Net Program that drew some elements from all. The targets of the Safety Net program included: Retrenched workers; Displaced people; Returning refugees; Demobilized soldiers; Female headed households; The unemployed (urban poor); The elderly; The handicapped; Orphans and Poor farmers facing food insecurity.

### Types of Support Schemes

<table>
<thead>
<tr>
<th>Poor farmers</th>
<th>Cash or in kind transfer worth Birr 187.5 / hh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returnees &amp; the Displaced</td>
<td>Consumption support</td>
</tr>
<tr>
<td></td>
<td>Revolving Credit Fund (in cash or in kind)</td>
</tr>
<tr>
<td>Demobilized soldiers</td>
<td>Revolving Credit Fund (up to 200 Birr per person)</td>
</tr>
<tr>
<td>The Aged, the Disabled and Orphans</td>
<td>Food Ration for a limited period</td>
</tr>
<tr>
<td></td>
<td>Cash transfer (50 birr/month)</td>
</tr>
<tr>
<td>Retrenched workers</td>
<td>Severance payment</td>
</tr>
<tr>
<td></td>
<td>Revolving Credit Fund</td>
</tr>
<tr>
<td>The Unemployed (Urban Poor)</td>
<td>Cash for work/ Urban public works scheme</td>
</tr>
</tbody>
</table>

Getahun, 2004: Lessons from the Safety Net Program in the 1990s in Ethiopia

\(^2\) The World Bank study concluded that about half the population or about 27 million persons were in chronic and 'transitory' poverty – 20 million poor rural dwellers, 4 million urban residents and 3 million poor from a special category that includes refugees, the displaced, returnees, ex-soldiers and retrenched civil servants. The Task-force produced a report titled “The Social Dimension of Adjustment in Ethiopia: A Study on Poverty Alleviation”, which identified the number of the poor and vulnerable in urban and rural areas including those recently impoverished, returnees and ex-soldiers.
Ethiopia also faces other vulnerabilities in terms of flooding, land slides, pests such as locusts, diseases such as Acute Watery Diahrea, Cholera, etc. Most recently vulnerability in Ethiopia is increasing from the effects of global crises and rapidly changing local economic environment. Spiral inflation levels, surging unemployment level that is increasingly plaguing graduates, significant lay-offs owing to institutional restructuring and business process reengineering measures, displacement resulting from demolition of shanty areas in major urban centers are some of the key causes for spreading new forms of vulnerability in the country. These at the same time are eroding the traditional extended family system.

However, the most common form of vulnerability in Ethiopia has for long been associated with drought and food insecurity. With a high annual population growth rate of around 2.7%, pre-transitional fertility in rural areas (6.4 TFR; DHS, 2000) and low modern contraceptive prevalence rates in rural areas (under 3% CPR; DHS, 2000), increasingly smaller farm plots (under ½ hectare average) and rampant environmental degradation, population factors may continue to aggravate vulnerability to famine and food insecurity. Moreover, climate change is expected to impact Ethiopia enormously over the coming years by increasing the frequency and severity of weather-related shocks.

Significant proportion of the population in Ethiopia lead a life, therefore, that is easily vulnerable to wide ranging potential shocks. As such, the livelihood benefits of a carefully designed development programmes can be quickly wiped out by risks such as severe drought, a flood, an economic downturn or an upsurge in conflict. By the time an emergency response can be mounted, livelihoods may be severely damaged and may take years to rebuild. In most cases, however, it is not a single dramatic event, but rather the cumulative effects of crises over time that undermine the livelihoods of specific groups who suffer an ongoing “silent emergency” of malnutrition and ill health. Safety nets have the potentials to ensure that livelihoods are not lost, but rather built upon while assisting those in need. A properly designed safety net can provide a predictable set of institutionalized mechanisms to help households in distress cope with shocks and meet their minimum consumption requirements.

In the 1990’s early 2000’s, the Government of Ethiopia used to launch annual emergency appeals for food aid and other forms of emergency assistance. While these succeeded in averting mass starvation, especially among the asset-less, they did not banish the threat of further famine and they did not prevent asset depletion by marginally poor households affected by adverse rainfall shocks. Further, the ad hoc nature of these responses meant that the provision of emergency assistance—often in the form of food-for-work programs—was not integrated into ongoing economic development activities.

By early 1990s, when the new government came to power in Ethiopia, there was already a global level recognition that economic growth is necessary but not a sufficient condition for reducing poverty. Prior to that in many developing countries poverty eradication was mainly pursued through programmes and policies that focused primarily on promoting economic growth. While this strategy continued to be important, it was then widely accepted that growth is not sufficient on its own. Economic growth takes time to materialize and even when it does occur, its effects may be unevenly distributed, leaving many poor people unable to take advantage of the opportunities it provided. Insights into vulnerability and risk have demonstrated the importance of combining economic growth strategies with social protection measures such as safety nets.
Safety nets have important potential benefits. In shock-prone areas, they facilitate timely responses and should reduce the need for repetitive emergency appeals for recurrent crises. Starting in 2005, the Government of Ethiopia and a consortium of donors implemented a new response to chronic food insecurity in rural Ethiopia. Rather than annual appeals for assistance and ad hoc distributions, a new program called the Productive Safety Nets Programme (PSNP) was established. This program constitutes the main subject of analysis of this case study.

Currently, 7.56 million (2009) chronically food insecure people (approximately 10 percent of the total population) are covered by the Safety Net program, in eight regions and 290 woredas. Additional 18 woredas are covered by the pastoral pilot programme, which aims to tailor the PSNP to meet the needs of pastoral livelihoods.

Other recent social protection programs include a public work - coble stone pedestrian road construction – scheme for the unemployed youth; subsidized condominium houses for low income groups, micro-credit scheme for urban and rural poor constituting the youth, women and farmers. The Government of Ethiopia has also most recently instituted a new law that aims to establish one common national pension fund for all employees including public and private.

4. Socio-economic Background and Ethiopia’s Development Vision

Ethiopia is a large country with a large number of candidates for social protection. Almost half of Ethiopia’s population (48%) are either under 15 or over 60 years old. By 2009 this meant, there were a large number of potentially vulnerable people in Ethiopia – 3.5 million older persons, 33.9 million children, up to 7.8 million people with disabilities (estimated at 10% of the population) – who could qualify for social protection.

<table>
<thead>
<tr>
<th>Age cohort</th>
<th>Population</th>
<th>%</th>
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<tbody>
<tr>
<td>0–14</td>
<td>33,930,000</td>
<td>43.50%</td>
</tr>
<tr>
<td>15–59</td>
<td>40,560,000</td>
<td>52.00%</td>
</tr>
<tr>
<td>60+</td>
<td>3,510,000</td>
<td>4.50%</td>
</tr>
<tr>
<td>Total</td>
<td>78,000,000</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Ethiopia’s population size reached 80.7 million in 2010 with an annual growth rate of 2%. Ethiopia's population face a high rate of morbidity and mortality and its health status is very poor. Available latest figures (2007/08) show IMR of 77/1000 while the under-five mortality rate is 123/10006 (HSDP IV draft). These are very high levels, though there has been a gradual decline in these rates during the past decade or so. MMR remains at the high level of 673/100,000 (DHS 2005).

Ethiopia has not also managed to solve the problem of food insecurity and, therefore, continues to receive substantial quantities of food aid. Such humanitarian relief has averaged about $265 million p.a. in the recent past, and accounts for almost a third of all donor inflows. The number
of people in need of emergency food assistance from January to June 2010 is officially estimated at 4.8 million\(^3\), which is on top of about 7.5 million chronically food insecure people.

Significant parts of Ethiopia are characterized, therefore, by persistent food insecurity. While droughts and other disasters (such as floods) are significant triggers, more important are the factors which create and/or increase vulnerability to these shocks and which have undermined livelihoods. These factors include land degradation, limited household assets, low levels of farm technology, lack of employment opportunities and population pressure.

Rapid population growth, declining land holding size, soil erosion, deforestation, poor technical know-how and rainfall dependent agriculture are, therefore, some of the root causes of poverty and destitution in Ethiopia. Increased fragmentation and marginality of land with growing global climate change challenges make the fight against poverty more challenging in the coming period.

Ethiopia’s root causes of underdevelopment are of structural nature. However, there are also key policy and other problems that aggravate the situation on the ground. Ethiopia, for example, experienced spiral inflation which likely has exacerbated open and hidden hunger in both urban and rural areas. There are visible signs that destitution is a growing problem in urban areas and rising hunger in such areas could be a hidden problem not yet recognized and addressed both by the government and donors.

The highest unexpected upturn in the price of food items witnessed recently has resulted into food shortage. Consequently, households purchase of food items and the amount consumed terribly plummeted. Things have also continued to worsen steadily. With the recently introduced devaluation, prices have climbed onto yet another rung up the ladder again. The devaluation was believed to result in the escalation of the price of imported goods and products only. However, price escalation seems to get worse also for domestically supplied items. Fuel prices are also steadily rising which is another source of spiral inflation.

The Social Research Forum, succinct policy issues report # 23 of July 2008 indicated that the price hike of food items benefited a very limited number of producers but those areas in the countryside, which were already suffering from food shortage, went downhill. According to the same study, in 2005, 32% of the residents of the capital, Addis Ababa, remained below the line of food shortage and poverty. The price of food items and other products continue to be more and more unapproachable as general inflation seems to have tripled over the past five year so; despite much lower official inflation level statistics. The unemployment level is quite high and probably growing. Labour is, therefore, plentiful and inexpensive. However, the labour force is relatively unskilled and on-the-job training is essential. The country still faces, therefore, formidable challenges to become self sufficient and achieve the minimum decent standard of living for its people.

Ethiopia can no longer continue to depend on nature or rain fed agriculture given the ever growing population size, on one hand and limited land and environmental degradation that took place over centuries. The government development strategy still hinges however on the small scale rain fed subsistence farm household which threatens to erode any achievements and progresses made in infrastructure and services over the longer term.

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\(^3\) The FAO, for example, assessed that 46% of the population was undernourished in 2005.
Ethiopia's Development Vision

Ethiopia's long-term vision is “to become a country where democratic rule, good-governance and social justice reigns, upon the involvement and free will of its peoples; and once extricating itself from poverty becomes a middle-income economy” (GoE, MDGR, 2008). In 2009, the GoE reaffirmed its national vision as “putting Ethiopia in the middle income category by 2025” in a new Development Perspective Plan (2010-1015) approved by the Parliament. This Vision builds on the Government commitment to accelerate progress towards the country’s achievement of the MDGs and declared resolution that the new Ethiopian Millennium, which began in 2008, constitutes the “renaissance” period for Ethiopia.

Indeed, the government has shown resolute commitment to advance the country to middle income country status during the last few years, which was demonstrated, for example, in visible and rapid progress in economic and social infrastructure expansion. The Road network has expanded in amazing speed and hydro power capacity has significantly improved over the past decade. Similarly, rapid expansion has been made in basic education and health facilities and housing infrastructure. Poverty Head Count Index has declined from 45.5% in 1996 to 32.7% in 2007/085. The reduction in poverty has been more pronounced in rural areas than in urban areas.

The government has also made major structural and institutional changes which together with business process reengineering have brought fundamental improvements in public service provision. All these positive developments are bound to have positive long-term impact for the development of this country.

Generally, “infrastructure” is a sector that the government has clearly and visibly been very successful and no doubt this will contribute for ensuring sustainable development in Ethiopia. On the other hand, the facts on the ground dictate spreading poverty and destitution, especially in urban areas. Unemployment and underemployment levels are getting quite high levels in both urban and rural areas. The number of street children and youth, unemployed, landless seems to be escalating. Spiral inflation levels have also undermined the economic base of households and businesses.

Hence, what is seen on the ground is actually mixed signals of progress and regress that transpire in feelings of optimism and despair reflected differently across different sections of the society. It is not clear whether Ethiopia has the right policy framework and that the country is in irreversible trajectory of sustainable development and poverty reduction. What is clear is Ethiopia still remains to be among the poorest countries in the world with GNI per capita of 280 USD and 870 USD in purchasing power parity; whereas the average for Sub Sahara Africa is 2000). Poverty fight is described in the government own words (in PASDEP) as an up hill struggle that an athlete fights for challenges are complex and most have structural in nature.
5. Policy and Legal Frameworks for Social Protection in Ethiopia

Social Protection broadly encompasses reducing risk of social and/or economic shock, mitigating impact of risk, if it were to occur and reducing welfare loss after shocks. SP aims to limit fluctuations in welfare and could include social compensation and income distribution.

According to the World Bank, Social Protection interventions are actions to assist individuals, households, and communities to better manage risk and provide support to the critical poor. Social Protection measures have a role to play in reducing the vulnerability, and protecting the welfare of the poor. A country's policy framework on social protection will include a set of laws and regulations and a set of expenditure programs.

Although there is no social protection policy in Ethiopia, there are a number of policies, strategies and action plans that commit the government to look after the welfare of its citizens. These include: The Constitution of the Federal Democratic Republic of Ethiopia (1995); Developmental Social Welfare Policy (1996); Social Security Policy; Child Rights Convention; HIV/AIDS Policy and Strategy; Population Policy; Family Law; National Women’s Policy and the National Youth Policy (2004). Ethiopia has also sectoral policies like health and education policies which have social protection elements as they incorporate safeguards for access to certain basic services by all sections of the society.

The policy frameworks are translated into action through relevant national action plans. These include: National Programme of Action for Rehabilitation of Persons with Disabilities (1990); National Plan of Action for Children (2004); National Plan of Action for Older Persons (2006); Orphans and Vulnerable Children National Action Plan (2004-2006); The Productive Safety Net Programme (2005-2009); Health Sector Development Programme; Education Sector Development Program and National Plan of Action for Women promotion.

The Constitution of Ethiopia

The Constitution of the Federal Democratic Republic of Ethiopia, enacted in 1995, defines the economic, social and political rights of Ethiopian citizens, with particular attention to disadvantaged groups. Article 41.5 establishes a right to social protection for people with disabilities, older persons and vulnerable children: “The State shall, with available means, allocate resources to provide rehabilitation and assistance to the physically and mentally disabled, the aged, and to children who are left without parents or guardian”. Article 41.6 of the Constitution focuses on job creation and identifies a social protection instrument as one government response to unemployment: “The State shall pursue policies which aim to expand job opportunities for the unemployed and the poor and shall accordingly undertake programmes and public works projects”). Article 41.5 establishes a right to social protection for people with disabilities, older persons and vulnerable children: “The State shall, with available means,
allocate resources to provide rehabilitation and assistance to the physically and mentally disabled, the aged, and to children who are left without parents or guardian”.

Article 41.6 of the Constitution focuses on job creation and identifies a social protection instrument as one government response to unemployment: “The State shall pursue policies which aim to expand job opportunities for the unemployed and the poor and shall accordingly undertake programmes and public works projects”.

Developmental Social Welfare Policy
The government defines “Social welfare” as all the activities being undertaken by a community with a view to facilitating the economic and social conditions that are conducive to a healthy life and a sustainable development as well as to activities designed to meet the common needs (MoLSA, 1996:51). The Government developmental social welfare policy aims, therefore, to ensure access to basic services by vulnerable people. Support for older persons includes ensuring they receive “receive appropriate social security services and assistance in the communities where they live”. The welfare of persons with disabilities will be enhanced by making “residential areas, work and other public places more physically accessible to persons with disability”. Formally employed persons are generally covered by social security rather than social assistance, the difference being that social security is based on employee and employer contributions, whereas social assistance is non-contributory.

Ethiopia has operated a Social Security and Pension Scheme since 1963, which is administered by the Social Security Agency (SSA). Social Security coverage is limited to civil service employees, the police and the military. Provisions include sickness, maternity and work injury benefits, but the main component is the old age pension, which currently extends to about half a million people. The Scheme is funded by employee contributions (at 4% of basic salary) and employer contributions (6% of civilian and 16% of military payrolls). Self-employed persons are not eligible in the present system, but in 2002 a project was initiated to extend social security coverage to the formal private sector, and to promote micro-health insurance schemes in the informal sector.

The National Women Policy: The National Women’s Policy of 1993 prohibits any discrimination on grounds of gender, while Article 35 establishes the principles of equality of access to economic opportunities, employment and land ownership. The Ministry of Women Affairs has developed a package of programmes to address the needs of vulnerable women and ensure equitable development for all Ethiopian women.

The National Youth Policy: The National Youth Policy of 2004 defines its target group as all Ethiopians aged 15-29 years. The Policy includes a Rural Youth Development Package that gives preferential treatment to the youth in distribution of unutilised land, in resettlement schemes, designing rural credit schemes, meeting education and training needs and promoting prevention-based health care.

The Family Law: In the revised family law family (nuclear and extended) is seen as the main provider of support to vulnerable members of society – children, older persons, persons with disabilities. The Law also intends to protect the wellbeing of children in the event of their parents’ divorce or separation. The Law highlights the fact that 'legal protection’ is an important part of (or complement to) ‘social protection’.

A comprehensive national social protection strategic framework is important for developing a holistic social protection strategy for the country. It is important for pulling together fragmented policies and for developing a costed implementation plan that can be used for resource mobilization. Ethiopia is in the process of developing such a strategy.
6. Salient Features of Social Protection Schemes in Ethiopia

Social Protection schemes include labor market interventions (labor market regulations, programs and wage setting rules), social insurance programs (such as pensions, unemployment and family benefits, sick pay), and social funds/assistance (transfers in cash or kind, subsidies and workfare), and programs to assist especially vulnerable groups (disabled people, orphans and vulnerable children, etc.). In Ethiopia, social protection measures address vulnerability prevention, mitigation and coping strategies. Globally, such measures generally aim to protect livelihood and promote risk taking.

According to the International Labour Organization (ILO), social protection is conceived as having four components, namely, social security systems (statutory employer-related benefits), universal social benefit systems (benefits for all), social assistance systems (poverty alleviation in cash and in kind for all in special need) and private benefit systems (employee related or individual benefits) (ILO 1997: 5-6). Social security protects members of society through public measures against economic and social distress, the provision of medical care and the provision of subsidies to families with children (ILO 1998a: 8).

The idea of social protection is more recent and emphasizes state involvement in long term development through social assistance and social insurance (Adato et al. 2004 in Annick, 2007). The World Bank categorizes social protection as encompassing both social assistance and social insurance programs and emphasizes the coordination between the different programs. In this case study, social protection is defined widely and includes short-term safety net programs.

Social security is primarily a social insurance program providing social protection, or protection against socially recognized conditions, including poverty, old age, disability, unemployment and others (Wikipedia). Unlike welfare which is financial assistance given to persons who qualify on the basis of need Social Security benefits are paid to an individual or his family on the basis of that person’s employment record and prior contributions to the system.

Safety nets are primarily about transfers, whether conditional or unconditional, to protect households against on-going destitutions and smooth out consumption shortfalls. Thus the primary target is the household. However, beyond meeting the immediate consumption needs, individual and social productivity can also be enhanced from the safety net resources through labour-intensive public works, via better education and child health outcomes, and via the multiplier effects in the wider economy when the transfer is in cash. To minimize the harmful
impact on poor people of macroeconomic shocks, sound policies for dealing with crises - and an adequate public safety net - should also be in place before a crisis starts.

Social protection has several functions which include (a) protective – measures designed to save lives and reduce deprivation levels; (b) preventive – reducing people’s exposure to risks through social insurance programmes such as pensions and health insurance; (c) promotive - enhance the capability of the vulnerable to protect themselves against hazards and loss of income; and (d) social justice – to reduce inequities and improve social integration through changes in laws, budgetary allocations and redistributive measures (Taylor, 2008; UN, 2001).

### Social Protection Programs in Ethiopia

| Protect | Humanitarian emergency programmes. (2.7 million people) |
| Prevent | PSNP (8 million); Cobble stone youth employment scheme |
| Prevent | 30,000 salaried health extension workers providing a package of 20 free services, to people previously not accessed by health sector e.g. targeted supplementary feeding; therapeutic feeding. |
| Prevent | Food subsidies in urban areas. Urban low cost housing. |
| Promote | Micro credit (small). |
| Promote | Resettlement |
| Promote | Fertilizer subsidies |
| Promote | Children into school (school feeding, mobile schools). |
| Promote | Fuel subsidies |
| Promote | Vocational skills training for youth (small / micro projects). |
| Promote | Small scale disability support projects |
| Promote | Social Insurance |
| Transform | Chapter on SP in PASDEP – Link with the National Development Plan |
| Transform | Legislation on pensions and child benefits |

Ethiopia has implemented various types of social protection schemes at different points in time: social assistance programs that increased food security including targeted cash or in-kind, or voucher transfers; cash or in-kind conditional transfers (school feeding, employment guarantee scheme, food for training); price subsidies; and programs for the vulnerable. Social insurance options that were implemented include cash or in-kind reserves, rural credit and microfinance, insurance schemes (weather insurance), livelihood diversification, and public works for the construction of infrastructure programs. The government has also pursued agricultural policies that minimized exposure to shocks, such as providing input subsidies (fertilizer, improved seeds, etc.) toward food self-sufficiency.

Under the current regime, social safety net/protection schemes in Ethiopia trace back to 1993 when the then Transitional Government of Ethiopia established a Poverty Alleviation Task-Force which was mandated to study vulnerable groups by type, number and location; economic reform measures that are likely to produce short-run negative social consequences; and type of programs/projects needed to address these short-run problems. The task-force eventually produced a report titled "The Social Dimension of Adjustment in Ethiopia: A Study on Poverty Alleviation". This report identified the size of the poor and vulnerable in urban and rural areas including those newly impoverished, displaced, returning refugees and demobilized soldiers.

The report also identified potential losers due to the implementation of the Economic Reform Program and indicated the level of budget required to implement programs that address the needs of the identified target groups. Hence, a Safety-net program was designed along with
other programs in order to address the negative impact of the reform program. Ethiopia has designed, therefore, short-term safety nets to protect against structural adjustment in early 1990s. The different social protection measures have had varying levels of domestic and international support and effectiveness in addressing the needs of different groups of vulnerable people in Ethiopia. Social protection programs that are of long-term nature and integrated with mainstream development interventions are of recent phenomena. The major one is the Productive Safety Net Program (PSNP) which was designed in 2004.

### Key Social Protection Programs in Ethiopia

<table>
<thead>
<tr>
<th>No.</th>
<th>Social Protection Schemes</th>
<th>Methods of Transfer/ Modalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Non-contributory tax and/ or grant financed</td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Cash/ food transfer to chronically food insecure people</td>
<td>Direct Support</td>
</tr>
<tr>
<td></td>
<td>Weather Insurance</td>
<td>Public Works</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cash transfers during unexpected weather changes</td>
</tr>
<tr>
<td>1.2</td>
<td>Government subsidy to caution the impact of inflation</td>
<td>Food Subsidy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Kerosene subsidy</td>
</tr>
<tr>
<td>1.3</td>
<td>Targeted Support to Vulnerable Groups</td>
<td>Low cost urban housing scheme</td>
</tr>
<tr>
<td></td>
<td>Food security input packages</td>
<td>Microcredit to youth groups, women groups, small farmers (household packages) etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Subsidized fertilizer, improved seeds</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Microenterprises – licensing</td>
</tr>
<tr>
<td>1.4</td>
<td>Transformational/ promotive – aimed at building capacities</td>
<td>Health services – subsidized fees, provision of free services &amp; medicines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Minimal fee for primary and secondary education; borrowing scheme at tertiary level</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Subsidized public utilities</td>
</tr>
<tr>
<td>1.5</td>
<td>Labour Market Programs</td>
<td>Public works program in rural areas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Coble Stone Pedestrian road construction in urban areas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Neighborhood waste disposal youth groups</td>
</tr>
<tr>
<td>2</td>
<td>Contributions based social protection schemes</td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Old age support</td>
<td>Pension</td>
</tr>
<tr>
<td>2.2</td>
<td>Health Insurance</td>
<td>Health Benefits – free medical care</td>
</tr>
<tr>
<td>2.3</td>
<td>Life Insurance</td>
<td>Compensation to family members/ dependents</td>
</tr>
</tbody>
</table>
The Safety Net Program
Beginning in 1994, the government designed and implemented a Safety-Net Program (SNP). The Safety Net program was targeted at: Retrenched people, Displaced people, Returning refugees, Demobilized soldiers, Female headed households, The unemployed, The old aged, The disabled, and Orphans.

The program was designed to protect those sections of the society who might, at least for a time, be adversely affected by the economic reform measures instituted then, i.e., to protect those who were already poor and were likely to become worse-off and those segment of the population that might slide into poverty due to initial adverse effects of stabilization measures. Note that the urban poor has characteristics that make them more vulnerable to rising prices than their rural counterparts.

Poor farmers facing food insecurity: The government has been subsidizing the sale of fertilizer with the view to easing the impact of devaluation on the peasant sector. The government also took a major step forward to strengthen the capacity of small landholders to finance the purchase of fertilizer through the provision and access to enhanced credit facilities.

Retrenched people: The SNP for the retrenched provided various options in forms of early retirement, alternative employment elsewhere in the public sector, payment of compensation, or joining a share company.

Under the SNP the government also set up a revolving credit fund (in the Development Bank of Ethiopia), which provided concessional loans to cooperatives of x-soldiers and retrenched workers to assist them in entrepreneurial endeavors. Significant portion of the SNP fund was allocated to help protect poor farm households from the short-term negative effects that were expected to result from the economic stabilization and adjustment programs.

The government also passed two regulations in October 1992 and May 1994 respectively providing for the selling of the two major cooking gases: kerosene and liquidified petrol gas (LPG), at controlled prices. A labour intensive public works program was also designed under SNP to alleviate poverty among the poorest of the poor in urban areas. In addition, the government implemented a new credit scheme targeting poor households in selected towns with a monthly income below Birr 50 to create new sources of income the those urban poor that have no such source and enhance the productivity of the urban poor that are engaged in small-income generating activities. The scheme put caveat that female-headed households and unemployed school-drop outs make up at least 50 percent of total beneficiaries.

Safety Net Organizational Structure
A hierarchical institutional structure was created to implement the SNP. This ranged from a SN committee in the Office of the Prime Minister to technical committee in the Ministries for the relevant sectors, the regional councils, regional sector bureaus and community associations like kebelles and PAs.

SN implementation was divided between centrally and regionally managed programs. A National SN coordinating committee was established to follow-up and manage the overall implementation of the SNP. Members of this committee were ministers and commissioners from the respective concerned sectoral ministries and government agencies. In each region, similar SN coordinating committees were established with the same composition of committee members.
At the apex stands the National Safety Net Steering Committee with the then Ministry of Planning and Economic Development as the Chair and other relevant ministries as members. Its major responsibilities included: Overall Management of the SNP; Preparation of program budget, getting approval and allocation of approved budget among regional states & central implementing agencies and Submission of regular reports to the Prime Minister.

The Productive Safety Net Program (PSNP)

The PSNP is designed as a component of the overall government Food Security Program (FSP) to be reflected through and integrated with the Woreda Development Plan. Hence, the PSNP is integrated with the mainstream government food security program and was linked into a coherent investment strategy reflected in Woreda development plans, financed through coordinated co-financing from government and multiple donors, including the Bank.

The aim was to transform the then existing relief-oriented safety net programs to a system of productive safety nets. This was expected not only to sustain lives but enhance growth and the achievement of the MDGs by preventing irreversible losses and by providing incentives to the most vulnerable households to engage in productive behavior.

Initially, the target group for the safety net was 5 million Ethiopians who were estimated to be chronically food insecure in 214 woredas (districts) identified by the Regions. The program has consequently expanded and is currently covering about 8 million people in about 300 districts.
The long-term objective was to consolidate all safety net resources - Government and donor - via the single channel of the Food Security Budget Line within the Government budget. In the mean time, the FS Office was expected to harmonize the financing channels and arrangements for all resources (cash and non-cash) for Safety Nets within a common framework. The PSNP was also expected to replace the Disaster Prevention and Preparedness Commission (DPPC) annual emergency transfers.

The PSNP from early design stage had three core components: labour-intensive public works (that meet the productive objective of the Ethiopian safety net) (to assure a transfer to those who are very poor but have labour that they can contribute to productive activities), conditional transfers (that also meet the productive objective of the Ethiopian safety net (to assure a transfer to those who are very poor and not able to contribute their labour (e.g., pregnant women, nursing mothers, widows, school children) but can engage in other forms of productive behaviour, and unconditional transfers that meets the welfare objective of a safety net (to assure a transfer to those who are destitute (have no assets and no labour, e.g. the elderly, disabled, orphans). The households covered by the SN program will be removed from the DPPC emergency appeal mechanisms. Initially, the DPPC emergency list of chronically food insecure HHs as served as the basis for targeting SN resources.

Furthermore, the different agencies have agreed to work within a common safety net framework, and discussed ways to harmonize the various resourcing—food and cash, government and non-government—channels. The components of the proposed Bank safety net operation to be financed include: labor-intensive public works, conditional transfers for child health and education, unconditional transfers, M&E, and technical assistance.

The transfers provided through the Safety Net was designed in such a way that it will help to protect the asset base of households, build and maintain public infrastructure (e.g. rural roads) and community assets (e.g. watershed management), encourage investment in human capital (e.g. improved child survival via immunization), enable small-holder farmers to take on economic activities with higher-risk but higher-return (e.g. adoption of higher yielding seeds requiring costly inputs), and spur growth of rural markets and production.

### The distinctions between the 1993 Safety Net Program and the 2004 Productive Safety Net Program in Ethiopia

<table>
<thead>
<tr>
<th></th>
<th>1993 Safety Net</th>
<th>2004 Productive Safety Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Short-term measure</td>
<td>Long-term measure</td>
</tr>
<tr>
<td>2</td>
<td>Stand alone program</td>
<td>Integrated with other development programs</td>
</tr>
<tr>
<td>3</td>
<td>Addresses mainly human made/policy induced vulnerabilities</td>
<td>Addresses mainly nature caused vulnerabilities</td>
</tr>
<tr>
<td>4</td>
<td>Aims to keep people out of poverty</td>
<td>Aims to lift people out of poverty</td>
</tr>
<tr>
<td>5</td>
<td>Addresses transitory poverty</td>
<td>Addresses chronic poverty</td>
</tr>
<tr>
<td>6</td>
<td>Separate institutional structure</td>
<td>Integrated with existing structure</td>
</tr>
</tbody>
</table>
6.2 Lessons from the Safety Net Programs in the 1990s and 2000’s

Lessons from the Safety Net Programs in the 1990’s

Positive experiences

Studies indicate that (Getahun (this Case Study author). 2005), most of the safety net programs were well targeted on the poorest in both rural and urban areas. The budgeted funds (in money or kind) were by and large handed over to the intended beneficiaries and the program was administered with low (distribution) cost.

Some of the programs were carried out through existing institutions and voluntary mobilization of the community. The program drew attention of agencies at all levels of government to the need and possibility of involving the poor in productive development programs.

Furthermore, the program was well timed. It provided timely assistance and opportunity for the refugees, the returnees and the ex-soldiers to return to productive employment. The timing of the agricultural program also coincided with favorable conditions: The inputs were supplied in a year in which farmers had received relatively low prices and were therefore particularly valuable.

Another positive feature of the program has been the fact that the highest decision making body was committed & involved in the implementation of the program including bypassing of the bureaucracy. Steering committees at various levels have likely contributed to coordinated & rapid intervention. The full cooperation of kebelles and PAs facilitated the selection of beneficiaries. Generally, in terms of intension, the SNP in the 90s was good but in practice it brought only temporary relief to large size of vulnerable groups without ensuring sustainable improvement in their welfare situation.

Areas of Concern

Overall, the performance of the program, given its scope is so far encouraging but with mixed results in some areas. Some components like the poor farmers and the urban poor were good, while transfers made to the elderly, handicapped & orphans, for example, failed to bring any meaningful changes.

Some of the programs could have been more productive and efficient with more lead time and better planning. The fact that the SNP was planned as a one time activity is definitely its weakest point – impacts are likely to be short-lived and there was no opportunity to capitalize on the good lessons.

The SNP was also constituted as a separate program and as such was not treated as an integral part of regular development programs. Good design should ease budgetary conflict between safety nets and growth-enhancing spending. Public works, for example, could be designed to create growth-enhancing infrastructure, including irrigation. Transfers could have been also conditional and used as insurance mechanisms so that the poor will avoid risks and become entrepreneurial and productive. The SNP obviously targeted limited segments of the poor and many more that could have been selected were not covered.

While the use of a separate and new organizational structure might have facilitated rapid implementation, gains that can be had from organizational continuity were easily lost. There
was no follow-up monitoring and support extended to beneficiaries who were abandoned after initial transfer.

There was also inconsistency in the way transfer levels were determined and mechanisms used among the different regions in the country. There was also delay in disbursement of funds which was aggravated by lack of transport to distribute inputs among beneficiaries. In some cases, the transfer packages were not standard and undervalued. Moreover, a lengthy process was involved in the selection of the most needy beneficiaries.

**Lessons from the Productive Safety Net Program in 2000's**

In the Ethiopian context of widespread chronic and acute food insecurity, the primary aim of social protection interventions should be to ensure food security for vulnerable citizens. Indeed, the main mechanism for delivering social protection in Ethiopia since 2005 has been the Productive Safety Net Programme (PSNP). In fact, apart from the PSNP, few government programmes involve long-term social transfers to individual citizens.

The objectives of the PSNP are to provide transfers to the food insecure population in chronically food insecure woredas in a way that prevents asset depletion at the household level and creates assets at the community level. The PSNP covers about 8 million people (10% of the population) and is implemented in 300 districts.

Key features of the PSNP include the following:

- Incorporates “Productive” element
- Implemented to National Scale
- Linked to other interventions
- Promotes Participation, transparency and accountability
- Emphasizes long-term planning
- Based on multi sector coordination
- Responds to Gender issues

The PSNP was initially designed as a five-year programme which is now extended. The PSNP has two components – Public Works and Direct Support – that target different groups of people with different vulnerabilities and capabilities. The program combines, therefore, different elements of a SP intervention mechanism: cash/food transfers and public works. The two components reflect a basic distinction in social protection programmes, between providing ‘social assistance’ to people who are unable to work and depend entirely on support from others, and providing ‘social insurance’ and ‘livelihood promotion’ to people who are poor (either chronically or transitorily) despite being economically active.

The PSNP is implemented in conjunction with other supplementary programs. These include the “household packages”, “Insurance mechanisms”, Resettlement Program and distribution of agricultural inputs (subsidized).

The PSNP delivers predictable cash and/or food transfers for six months each year, to about 8 million Ethiopians in chronically food insecure rural communities. A mix of administrative (set criteria) and community targeting mechanism is used. Targeting is carried in two stages. The first stage is geographic (district and communities) selection and the second stage is household targeting through participatory process involving community members and local officials.

The PSNP annual budget is roughly US$347 million (2005-2009). Of this, an estimated US$303 million is provided in transfers to clients; the remaining budget is spent on capital inputs for
public works, capacity building and program management costs. The Government allocates in kind about $53 million. PSNP resources comprise up to 60 percent of total district level expenditure in PSNP areas.

Households receive up to $137 in transfers per year, based on 2009 prices. This figure is based on five days of work a month for six months for able bodied individuals, while those who are unable to work receive a direct transfer (these transfers are of an equivalent value). Households receive their PSNP transfers on a monthly basis either in food or cash. The PSNP has initiated in the past roughly 34,000 public works projects that focus on soil and water conservation, social infrastructure and roads.

The PSNP is designed to respond to gender inequality in rural Ethiopia. In recognition of their greater work burden, women who participate in the PSNP are required to work fewer hours than their male counterparts for the same daily wage. Women who are pregnant or breastfeeding are transferred from public works to direct support (effectively maternity leave). Public works can be carried-out on private land only if it is owned by a female-headed household (or integral to rehabilitation the entire watershed).

The PSNP is dominated by the Public Works Programme (over six million beneficiaries in 2007, or 85% of the total), which targets the ‘productive’ poor – mostly smallholder farmers who are able to provide labour for public works activities. These households are expected to graduate into food sufficiency, with the support of complementary food security programmes. A significant number of PSNP beneficiaries (approximately one million in 2007, or 15%) are unable to participate in public works – because they are elderly, disabled, or chronically ill – so they receive gratuitous transfers (‘Direct Support’) with no work requirement.

Graduation from the PSNP is defined as follows: “A household has graduated when, in the absence of receiving PSNP transfers, it can meet its food needs for all 12 months and is able to withstand modest shocks.” This state is described as being food sufficient.

The term “graduation” describes the movement of a household out of the PSNP. However, some people who are receiving Direct Support are able to perform productive activities (e.g. arts workshops, home-based craft-work, administration jobs, or child-care at Public Works project sites) (Stephen and Amdissa, 2008). This is not yet, however, considered in the current program design.
### 6.2 Institutional and Regulatory Regimes

Many social policies, such as the Developmental Social Welfare Policy, are multi-sectoral in nature, and need to be implemented with the collaboration of various government ministries, non-state actors and community-based organisations. In Ethiopia, the Ministry that should play a leading role in coordinating social protection activities that fall outside the PSNP is the Ministry of Labour and Social Affairs.

#### Profile of selected institutions working on social protection related activities

<table>
<thead>
<tr>
<th>Institution</th>
<th>Social protection related operations</th>
<th>Target group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ministry of Agriculture and Rural Development (MoARD)</td>
<td>● Rural safety net programme (PSNP): resource transfers through (i) labour-based public works (ii) Direct transfers to vulnerable groups</td>
<td>● Chronic food insecure rural population&lt;br&gt; ● Transitory food insecure rural population</td>
</tr>
<tr>
<td>Ministry of Labour and Social Affairs (MoLSA)</td>
<td>● Study and document social problems of elders and persons with disabilities&lt;br&gt; ● Facilitate the process by which communities can help elders to spend the rest of their lives happily and peacefully&lt;br&gt; ● Ensure equal participation of persons with disabilities in the struggle to combat disability and rehabilitate these persons</td>
<td>● Elderly persons&lt;br&gt; ● Persons with disability&lt;br&gt; ● Victims of social problems</td>
</tr>
<tr>
<td>Social Security Agency (SSA)</td>
<td>● Determine pensions of government employees&lt;br&gt; ● Collect pension contributions&lt;br&gt; ● Pay pension contributions&lt;br&gt; ● Keep register of active employees</td>
<td>● Pensioners</td>
</tr>
<tr>
<td><strong>Non-government</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Save the Children UK</td>
<td>● Emergency response&lt;br&gt; ● Rural development&lt;br&gt; ● Education and health</td>
<td>Children, persons with disabilities</td>
</tr>
<tr>
<td>Action Aid Ethiopia</td>
<td>● Implement poverty reduction programs&lt;br&gt; ● Advocacy&lt;br&gt; ● Capacity building for poor communities&lt;br&gt; ● Assist efforts to control HIV/AIDS</td>
<td>Women, children and youth with disabilities</td>
</tr>
<tr>
<td>HelpAge International</td>
<td>● Poverty reduction, food security, awareness raising on HIV/AIDS</td>
<td>Organisations working on/with elders</td>
</tr>
<tr>
<td><strong>Civic/informal organization</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patriots Association</td>
<td>● Financial support, clothing, food, health, transportation and shelter</td>
<td>Patriots (male and female)</td>
</tr>
<tr>
<td>National Associations for persons with disabilities</td>
<td>● Awareness raising&lt;br&gt; ● Basic education and training&lt;br&gt; ● Saving and credit scheme</td>
<td>Persons with disabilities (physical and mental)</td>
</tr>
</tbody>
</table>

Source: Stephen and Amdissa, 2008
Non state actors in Social Protection
A Directory of state and non-state actors working on elderly persons, persons with disabilities and other vulnerable groups identifies 187 non-governmental or civil organisations, operating at federal and regional levels (MoLSA 2005). The majority of these are urban-based community organisations, such as associations of persons with disabilities, but the list also includes local and international NGOs such as Save the Children UK and Help Age International.

### Non-gov’t Institutions implementing SP

<table>
<thead>
<tr>
<th>Non-government organizations</th>
<th>Save the Children</th>
<th>Action Aid</th>
<th>HelpAge International</th>
<th>Civic/informal organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Emergency response</td>
<td>Implement poverty reduction programs</td>
<td>Poverty reduction, food security, awareness raising on HIV/AIDS</td>
<td>Financial support, clothing, food, health, transportation and shelter</td>
</tr>
<tr>
<td></td>
<td>Rural development</td>
<td>Advocacy</td>
<td></td>
<td>Awareness raising</td>
</tr>
<tr>
<td></td>
<td>Education and health</td>
<td>Capacity building for poor communities</td>
<td>Basic education and training</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Assist efforts to control HIV/AIDS</td>
<td>Saving and credit scheme</td>
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<td>Patriots (male and female)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Persons with disabilities (physical and mental)</td>
</tr>
</tbody>
</table>

Source: Stephen and Amdissa, 2008

The PSNP is a model of strong donor collaboration and harmonization. Nine development partners have pooled their cash and in-kind financing and developed a unified stream of technical advice to support a single Government-led programme coordinated by the Food Security Coordination Directorate (FSCD) in the Ministry of Agriculture.

Donors also adopted a common M&E framework and follow World Bank financial management and procurement guidelines to minimize transaction costs for Government. A Donor Working Group (DWG), aided by a Donor Coordination Team (DCT), was established during the first phase to harmonize development partner support for the PSNP. Each development partner takes responsibility for being the Chair of the DWG for a period of six months on a rotating basis.

NGOs support PSNP implementation in particular geographic areas and more broadly on some thematic issues. NGOs support the implementation of the PSNP through Government structures and are responsible for the delivery of resources. In doing so, they work with Government structures and abide by the Programme Implementation Manuals.
7. The extent SP schemes are embodied in national development plans

Ethiopia pursues an overall development strategy that can broadly be categorized as having an overarching social protection framework. This is because Ethiopia’s overall development strategy - ADLI - primarily aims to protect and promote the interests and wellbeing of the mass small holder farmers.

The government development policies and strategies are also guided by the fundamental ideologies of Revolutionary Democracy and Developmental State which deviate from liberal democracy and free market ideologies of the western world. Such ideologies presumably are more amenable to promoting social protection programs. Furthermore, the Ethiopian government claims to be a developmental state and aspires to emulate the models of successful East Asian economies and aims to take a mobilizing role in spurring economic growth,

The leader of EPRDF, PM Meles Zenawi, who is the ultimate policy maker, harbours contempt for western style free market system. He has declared in his forthcoming book, “neo liberalism is a dead end and incapable of bringing about the African renaissance, and that a fundamental shift of paradigm is required to bring the African renaissance”. He argues that social development is essential for economic development and that social development cannot be brought about by market mechanisms alone. He further elaborates the state plays a critical role in social capital accumulation through undermining patronage networks and promotion of fairness and equity, through the promotion of participation and democracy, and through appropriate sanctions and efforts at socialization.

Accordingly, the overarching framework rests in what the government rather openly declared ideology – Revolutionary Democracy. Under this ideology, prominence is given to group as opposed to individuals rights and democracy is qualified as taking place within a context of necessary government control and lead in key socio-economic spheres. EPRDF retained land under public ownership, and maintains suspicion if not totally controlling approach towards the private sector. Decisions are made by the few on top that the EPRDF rule depicts highly centralized decision making machinery, especially in matters of crucial policies and legislations.

The government most recently may be is pondering transition from revolutionary to social democracy. Most recent publication of the Party publication does not mention revolutionary democracy and uses the term “developmental democracy”. Social democracy was crafted by disregarding “white” capitalism which does not take into account the middle-and low-income groups of the society. Therefore, social democracy was derived from the ideology of capitalism thought it emphasizes societal values.

The GoE pursues an economic growth strategy that gives prominence to the primary development of the agricultural sector as a spring board for the growth of industry. The broad outline of the government policy for reducing poverty in Ethiopia as described in the PRSP document comprises the following elements: An agriculture-development led industrialization (ADLI), continuing implementing economic reform programs, civil service and judicial reforms, decentralization and capacity building. The pursuit of policies that emphasize support to the rural population and the agricultural sector by the existing government cannot be underestimated in a country where 85% of the population lives in rural areas and 51% of GNP
is derived from the agricultural sector\textsuperscript{4}. In this respect, both the Rural Development Policies and Strategies (RDPS) issued in 2001, and the Agricultural Development-Led Industrialization (ADLI) policy developed in 1993, are of strategic importance, if not necessarily the most appropriate, for the MDGs and sector policies. Given the agrarian nature of the Ethiopian economy, according to GoE, the Agricultural Development Led Industrialization (ADLI) policy is presumed to be a necessary step that could lead to reducing poverty, enhancing industrial development, and ensuring a dynamic and self-sustaining growth.

7.1 Medium term National Development Plans

a. PASDEP – 2005/06 – 2009/10

The GoE explicitly articulated in PASDEP a major focus on growth with a particular emphasis on greater commercialization of agriculture and enhancing private sector development. Most of the following 8 key pillars of PASDEP have direct linkage or provide a strong rationale for implementing social protection programs:

- Building all-inclusive implementation capacity;
- A massive push to accelerate growth;
- Creating the balance between economic development and population growth;
- Unleashing the potentials of Ethiopia's women;
- Strengthening the infrastructure backbone of the country;
- Strengthening human resource development;
- Managing risk and volatility; and,
- Creating employment opportunities

The first key strategy entails the implementation of social protection programs for those who would be left out of the growth process. Similarly, the focus given to addressing population growth, promoting women, managing risk and volatility and creating employment opportunities would justify the design and implementation of social protection programs.

While the government has been successful in generating high rate of economic growth during the PASDEP period, one can safely conclude that achievement in terms of social protection has not been encouraging. Growing number of people seem to have been exposed to increasing vulnerability and erosion of livelihood due to spiral inflationary trends, severe competition, growing inequality and pressures of day to day life.

b. GTP 2010/11 – 2014/15

PASDEP II or GTP\textsuperscript{5} describes Ethiopia's economic and social policies and programmes over the next five-year period. The GTP requires a huge investment, both public and private, and domestic and foreign. The plan seems to require the concerted efforts of all stakeholders – government, private sector, CSOs, donors and citizens.

\textsuperscript{4} However, accelerating agricultural growth and transforming the lives of the people in rural areas do not necessarily entail confining focus and investment within the sector. It could rather be more expedient to invest in agro-industries and manufacturing which in turn would drive major transformations in the agriculture sector. So, agriculture first policy of the government could in fact materialize through priority focus to processing industry rather than priority focus in agriculture.

\textsuperscript{5} The Next Five-Year Development Program in Ethiopia is called the “Growth and Transformation Plan”.
The key GTP objectives include the following:

1. Maintain at least an average real GDP growth rate of 11% and meet the Millennium Development goals,
2. Expand and ensure the qualities of education and health services thereby achieving the MDGs in the social sectors,
3. Establish favorable conditions for sustainable state building through the creation of stable democratic and developmental state
4. Ensure growth sustainability by realizing all the above objectives within stable macroeconomic framework.

The government has set very ambitious targets for the next medium term period through the newly designed GTP. Important strategic directions under GTP have implications to the design and implementation of social protection programs.

<table>
<thead>
<tr>
<th>Comparing Key Pillars of Growth between PASDEP and GTP</th>
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<tbody>
<tr>
<td><strong>PASDEP</strong></td>
</tr>
<tr>
<td>1. A massive push to accelerate growth;</td>
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<tr>
<td>2. Building all-inclusive implementation capacity</td>
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<tr>
<td>7. Managing risk and volatility</td>
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<td>8. Creating employment opportunities</td>
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</table>

Under GTP, the Government aims to scale up its efforts to implement the Women’s and youth Policy, which is necessary to release the untapped potential of Ethiopian of these population segments, in a holistic and integrated manner. The development packages of women and youth are mostly envisaged in areas of girls’ education, health extension program and agricultural extension.
8. Concrete Outcomes of SP schemes in terms of Poverty and Inequality Reduction

Ethiopia has recently made huge and effective public investments in the basic services to break cycle and transmission of household-level poverty across generations. Ethiopia has accordingly forged ahead in reducing poverty levels and improving poor households’ access to basic services; according to government statistics.

However, Ethiopia's drive to reduce poverty has not always been even and disparities persist across gender, income groups, and Regions, and differential performance exists in different sectors. There are also key underlying structural bottlenecks to making significant headway in addressing poverty in the country.

8.1 General trends in wellbeing in Ethiopia

Poverty Reduction

Whereas the incomes of the poor must grow, their incomes must grow more quickly than the average incomes to realize a pro-poor growth. As already indicated earlier, economic growth is a necessary but not a sufficient condition to reduce poverty. To have a demonstrable impact on poverty, growth has to be pro-poor. This entails undertaking deliberate measures to reduce income inequality as part of the overall policy package.

The spiral inflation has, for example, eroded the economic base of households and businesses. Rising income inequality has resulted into widespread destitution which could eventually threaten the social fabrics and culture of tolerance. The government has been very successful in increasing the public resource share that goes to poverty oriented sectors. However, more direct programming to address chronic poverty and destitution seems to be needed. Addressing the incomes of the poor over the next years is as crucial as raising overall income.

### Trends in Poverty Incidence

<table>
<thead>
<tr>
<th>Poverty Incidence</th>
<th>2004/05</th>
<th>2005/06</th>
<th>2006/07</th>
<th>2007/08</th>
<th>2008/09</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Total Poverty Head Count (%)</td>
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<tr>
<td></td>
<td>39</td>
<td>36.6</td>
<td>34.6</td>
<td>32.7</td>
<td>29</td>
</tr>
<tr>
<td>2 Food Poverty Head Count (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>38</td>
<td>35.6</td>
<td>33.5</td>
<td>31.6</td>
<td>28</td>
</tr>
</tbody>
</table>

Although Ethiopia has been able to reduce the overall poverty level, the decomposition of national poverty by urban and rural indicates that urban poverty remains a formidable challenge. The recent inflation has probably also aggravated poverty situation particularly in urban areas. Moreover, there are significant disparities of performance across the different regional states in the country.

The high economic growth and rapidly expanding infrastructure on one hand and the deteriorating living conditions, especially in urban areas, on the other, point the possibility that income inequality in Ethiopia is likely to be a growing problem. Moreover, there are significant disparities of performance across the different regional states in the country. Notwithstanding, the MoFED report on MDGs put Goal 1 target 1 of reducing poverty by half as likely to be achieved if some changes are made.
Improving Food security situation

A useful way of analysing ‘food sufficiency’ is to relate this concept to a widely accepted definition of food security: “access by all people at all times to sufficient food for an active and healthy life”. This definition provides a set of four criteria for a social protection programme. Social protection should ensure: (1) access to food; (2) sufficient for an active and healthy life; (3) by all people; (4) at all times (Stephen and Amdissa, 2008).

As was indicated earlier, a household has graduated when, in the absence of receiving PSNP transfers, it can meet its food needs for all 12 months and is able to withstand modest shocks. This state is described as being ‘food sufficient’.

Ethiopia has also experienced spiral inflation which likely has exacerbated open and hidden hunger in both urban and rural areas. There are visible signs that destitution is a growing problem in urban areas and rising hunger in urban areas could be a hidden problem not yet recognized and addressed both by the government and donors. Hard-working, professionals are now living on the margin and under huge stress from ever escalating inflationary pressure. Significant ordinary families are going out on the street to earn a living from begging, especially old aged people. More and more people are becoming homeless or living in shelters and struggling for food.

Despite challenges, there have been also some positive developments. According to a PBS document (WB, January 2008) the data in Ethiopia show that access to basic services by the poor has also improved substantially and often more so than for the better-off. This was a result of high public spending on basic services reflected in high proportion of pro-poor spending in the total public expenditure which has reached 64.1% in 2007/08.

An evaluation of the PSNP carried out by IFPRI/ CIGAR (Daniel, John, Neha and Alemayhu, 2009) has concluded the following:

> **PSNP has modest average impacts, improving food security, increasing growth in livestock holdings and improving households’ ability to raise funds in an emergency. Program impacts on asset accumulation are greater when higher levels of transfers are received and when participants have access to the PSNP and complementary agricultural services. Ethiopia’s experience suggests that it is possible to implement large social protection in Africa, but that impacts depend on infrastructure, administrative and design constraints.**

Repeated shocks are causing households to gradually sell off the few assets that they possess with the result that they will become permanently dependent on external transfers. An important program objective, therefore, is to ensure that beneficiary households do not become any poorer than they already are. In the PSNP program documentation, this is referred to as preventing distress asset sales.

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6 For example, the net enrollment rate for grades 1-6 in the poorest quintile (20%) of the income distribution has grown at a faster pace for both girls and boys (16.7% and 15.8% respectively) than in the top quintile (15.8% and 12.6% respectively) between 1995 and 2005. Between 2000 and 2005, under-five mortality fell from 197 to 137 (a fall of 60) for those with no education, and from 89 to 54 (a fall of 35) among those with secondary education or higher.
8.2 Social Protection Linkages with the MDGs

The first seven goals are mutually reinforcing and are directed at reducing poverty in all its forms. Hence, SP linkage with one goal indirectly creates linkage with the rest of the goals. SP schemes are important to reduce the vulnerability of the poor so that they access basic services and move towards the MDGs. However, SP need not necessarily be the major trust of action to the achievement of the MDGs.

In the past, safety nets were often viewed as simple relief transfers that helped poor people to alleviate the worst effects of shocks, but that had limited long-term benefits and involved the danger of creating dependency. However, based on a more empirically grounded understanding of risk and vulnerability, it is now recognized that safety nets, if correctly implemented, have the potential not only to protect, but also significantly promote the livelihoods of poor people.

There is also a sound economic theory base that investing in social protection is good for growth:

- No trade-off between growth/efficiency versus equity/distribution
- Little effect on inflation
- Micro-level credit market failures inhibit growth
- Lack of insurance or credit markets leads to conservative farmers

Economic growth stifled by lack of risk taking and innovation if no safety net or insurance mechanisms are put in place. Moreover, irreversible asset depletion lowers productivity. For example, current productivity could slump down if prime age adults are affected by repeated health shocks. At times of vulnerability, households also take out children out of school and reduce food intake, both of which will reduce productivity in the long term. For example, using household panel data, Dercon (2003) shows that shocks have a persistent negative effect on growth in Ethiopia.

Inequality is also bad for growth. High inequality would lead to greater conflict, more divisive society, less investment in public goods. Crime and violence could also increase and undermine the investment climate. Safety net allows for greater overall risk-taking and business innovation. Governments are also more likely to adopt high risk-high return policies (trade liberalization; elimination of subsidies) if complementary social safeguards are instituted.

Hence, mounting evidence exists that support the case for social protection, especially on economic efficiency grounds. Social protection schemes should not only rest on redistribution or human rights principles but also ought to be part of a national economic development strategy. It should be noted, however, that the MDG impact of SP can be dampened due to official statistics that do not capture the destitute. It is also important to examine the context such as, in considering the impact of the PSNP, it is important to be mindful of the dominant economic event that occurred between 2006 and 2009 - the dramatic rise in food prices.

First, an important part of the PSNP is the construction of community assets. During 2005 – 2008:

- 2.1 million km of stone embankments (small retaining walls) constructed to prevent soil erosion and improve water conservation;
- almost 1 billion trees planted to restore degraded watersheds and improve soil and water conservation;
- 7,000 km of small-scale irrigation canals and 191,600 ponds constructed to provide water for agriculture;
- 4,494 school classrooms constructed to improve education services in rural communities.
How the Productive Safety Net Program (the largest Social Protection Program) is helping the country achieve the MDGs

| How the Program helps the achievement of MDG 1: Poverty and Hunger | Smoothing consumption and income  
Protecting Household assets through preventing distress sales  
Building community assets through public works  
Reducing hunger/ through helping reduce households food gaps  
Empowering the Extreme Poor – participation in decision making and livelihood earning activities  
Providing employment opportunity through public works  
Building Social Infrastructure through public works  
Protecting the disabled, old-aged & female headed households |
|---|---|
| How the Program helps the achievement of MDG 2: Universal Primary Education | Construction and rehabilitation of Schools  
Increasing children school enrollment  
Reducing child labor demand  
Reducing drop-out rates |
| How the Program helps the achievement of MDG 3: Gender Equality & Women Empowerment | Improving Girls education  
Promoting women participation in decision making  
Maternity consideration encouraging women to participate in public works |
| How the Program helps the achievement of MDG-4: Reduce Child Mortality, MDG-5: Improve Maternal Health, MDG-6: Combat HIV/AIDS, Malaria and Other Diseases | Protecting health in times of stress  
Improved nutrition status  
Construction and rehabilitation of health facilities  
Improved access to health services |
| How the Program helps the achievement of MDG 7: Ensuring Environmental Sustainability | Soil and Water conservation activities  
Protection of community assets  
Reduced transient poverty lowers unsustainable resource use |

The PSNP has helped beneficiaries to avoid the past practice of selling their scarce household assets to buy food in times of shortages. Almost half the PSNP households surveyed reported that PSNP has helped them to improve access to health and education facilities. A survey completed in October 2008 was able to attribute significant increases in beneficiary household income to PSNP (55% in real terms). In 2008 alone, the program supported the construction of 30,826 ponds, 1,532 spring development, 1,258 hands dug wells, 219 water harvesting structures and 732 shallow wells.
### Social Protection Outcomes and MDGs in Ethiopia

<table>
<thead>
<tr>
<th>GOE Country MDG Status</th>
<th>MDG1 Poverty (Feasible)</th>
<th>MDG2 Education (Certain)</th>
<th>MDG3 Gender (Unlikely)</th>
<th>MDG4 Child Mortality (Feasible)</th>
<th>MDG5 Maternal Mortality (Feasible)</th>
<th>MDG6 Diseases (Likely)</th>
<th>MDG7 Environment (Likely)</th>
<th>MDG8 Partnerships (Feasible)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Type of SP</th>
<th>Contribution of Social Protection to Achieving MDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cash/ Food Transfer (PSNP)</td>
<td>High</td>
</tr>
</tbody>
</table>

- **How?**
  - Asset creation
  - Reducing food gap
  - Preventing distress sales
  - Ensuring children stay at school
  - Empowering women in decision making and participation in labour force
  - Reducing overall malnutrition, stunting, etc.
  - Improving access to food for pregnant and lactating
  - Pond clearance
  - Health education
  - Soil and water conservation activities
  - Joint steering and technical committees
  - Common pool fund arrangement

| 2. Weather Insurance | High | Medium | Low | Low | Low | Low | Low | Low |
| 3. Food Subsidy | High | Medium | Low | Medium | Low | Low | Low | Low |
| 4. Kerosene Subsidy | Medium | Low | Low | Low | Low | Low | Low | Low |
| 5. Agricultural inputs subsidy | High | Medium | Low | Medium | Low | Low | Low | Low |
| 6. Cobble stone construction | High | Medium | High | Low | Low | Low | Low | Low |
| 7. School Feeding | Medium | High | Medium | High | Low | Medium | Low | Medium |
| 8. Micro-credit health care | High | Medium | High | Medium | Medium | Low | Low | Medium |
| 9. Basic health care | Medium | Medium | Medium | Medium | Low | High | Low | Low |
| 10. Low cost housing | Medium | Low | Medium | Low | Low | Low | Low | Low |
| 11. School fee credit sys | Medium | Medium | Medium | Low | Low | Low | Low | Low |
| 12. Household packages | High | Medium | High | Medium | Low | Low | Low | Low |

Recent independent impact evaluations and a series of qualitative studies, show that the PSNP is having a positive impact on livelihoods:

**Improving Food Security**: PSNP significantly improved household food security, as measured by changes in self-reported household food gap (PSNP 2008 Impact Assessment). - Directly related to the MDG 1 of reducing hunger. The impact of the PSNP on food security was found to be larger when transfers were predictable and of a higher value. Households that received these transfers and inputs from PSNP experienced an improvement in food security by 0.81 months (or 25 days). 75% of the beneficiaries reported eating more and better and 25% reported building up some assets (Devereux et al. 2006:36).

As of 2009, an estimated 104,896 individuals (or just over 1% of the programme caseload) had graduated from the PSNP, i.e., are no longer food insecure and, therefore, eligible for PSNP. The
government aims to graduate all chronically food insecure people within the next 4-5 years period.

**Asset Creation and Protection**

The growth rate in livestock holdings among PSNP clients was 28.1 percent faster than among non-clients. This is supported by evidence from other surveys that shows that PSNP clients are using cash transfers to invest in farming inputs and livestock. These findings also hold true during times of crises, when the PSNP has proven to be effective at helping households avoid distress sales of assets.

**Utilization of Education & Health Services**

In 2006, 46.1 percent of PSNP client households reported that they used health facilities that year to a greater extent as compared with the year before and 76 percent attributed this to the PSNP. In 2008, 26.7 percent of households reported increased use of health facilities over 2007 and 47 percent attributed this increase to the PSNP. This information, together with reports that PSNP clients use some of their cash transfers to invest in health and education, suggests that the Programme is having a positive impact on human capital accumulation.

Access to education in Ethiopia has improved considerably, with primary school enrolment increasing more than 500% between 1994 and 2009.

**Impact at the Community Level**

Various evidences indicate the PSNP is having a significant positive impact at community level. Soil and water conservation activities have significantly increased wood and vegetation cover, reduced surface runoff, increased infiltration and raised groundwater levels, thereby enhancing yields. The community level results include improved livelihoods such as availability of forage for livestock and improved water supply, which in turn would improve health status/

**Improving Agricultural Productivity**

The PSNP is enabling households to take risks that improve household productivity. There is a deliberate synergy made between PSNP and other agricultural interventions (extension & household packages). While the latter had marginal impact when implemented alone, when combined with PSNP, results showed, for example, a 38% increase in maize productivity.

Hence Social Protection can allow Households to focus on Long-term Investments when provided with regular support.

Due to widespread poverty and destitution in Ethiopia, the cost of providing social protection support is quite high. In the past, Ethiopia highly depended on external assistance. This apart from creating dependency is highly unreliable due to fluctuations in the global economy and bilateral relations among countries.

The PSNP, Ethiopia’s flagship social protection program, is, for example, highly dependent on external aid. Accordingly, the program entails high transaction cost in terms of time and resource that would be spent by high level decision makers and experts in negotiation and reporting. Such huge scale coverage could not have been possible without the external assistance with implications that in case of sharp decline in such aid, the negative social consequences would be very great as the program cannot be run through internal capacity.

The effects of global crises are also manifested in different forms. First, the need to expand new or existing programs would be high creating pressure on already scarce resources and stretched local implementation capacities. The government, for example, removed taxes from selected food items, increased the daily wage in the PSNP from 6 Ethiopian birrs (ETB) to 10 ETB, distributed 300 000 tonnes of wheat at a subsidized price to the urban poor, maintained a ban on cereal exports from 2007, and increased the minimum interest rate on saving deposits, and raised the minimum reserve requirement on commercial banks from 10 to 15 percent of the net deposits (FAO/WFP 2009:8). Furthermore, the government reduced the proportion of beneficiaries receiving cash aid in the PSNP from 74% in 2005 to 48% in 2008 and increased the proportion of beneficiaries on food aid during the period of food crisis.

Local macroeconomic conditions such as unemployment and inflation levels also affect social protection programs. Ethiopia has experienced spiral inflationary trends in recent period which undermined the benefits from existing schemes.


The value of transfers under the different existing schemes has sharply gone down. The size of people who are vulnerable also increased stretching the meager resources available to be spent over growing beneficiaries.
Ethiopia does not have yet an overarching social protection strategic framework. Hence, currently existing schemes are poorly coordinated and integrated with mainstream development programming. The monitoring and evaluation of the effectiveness of existing programs (except perhaps the PSNP) is very unsatisfactory. There is very limited data on potential beneficiaries and effectiveness and efficiency of current programs. The available data is also unreliable and inconsistent.

PSNP Implementation Challenges:

- Aims to address what is a Structural Program, which is mainly to be addressed through non SP type of intervention
- Improving synergy between PSNP and other complementary programs
- **Consumption outcomes**: The recipient's food consumption and nutritional well-being would be seriously compromised if social assistance was removed.
- **Behavioural change**: Recipients adjust their behaviour (1) in order to qualify for social assistance (e.g. they avoid accumulating assets in order to remain ‘poor’ and eligible), or (2) because social transfers undermine self-reliance (by allowing beneficiaries to ‘choose leisure’ rather than work). This strategic behaviour is also known as ‘moral hazard’, or ‘dependency syndrome’.
- A major preoccupation of the Ethiopian government is to avoid creating ‘dependency’ on social transfers. The Public Works scheme is incorporated to discourage ‘strategic dependency’ by imposing high access costs (time and energy expenditure) and paying low benefits (below-market wages or subsistence food rations).
Dependency: In spite of the fact that the PSNP payments were lower than the minimum unskilled salary (6 Birr or 3 kg. of grain per working day), acceptance into the program was very competitive due to the high level of unemployment (Sharp et al 2007:37). The lack of job opportunities made unemployed people dependent on the PSNP because it became their only source of income. In some cases PSNP became the only income in a household. Thus, ironically, the very beneficiaries of the program became dependent on state aid.

Affordability: An important concern for any low-income country introducing social protection is the cost of these programmes – whether they are affordable and how they will be financed. The main determinants of the cost of a social protection programme are: (1) the number of beneficiaries; (2) the level of transfers; (3) the frequency of transfers; (4) administration costs (management and delivery). A ‘rule of thumb’ for a cost-efficient intervention is that administration should not exceed 20% of total costs.

The challenge is to design and implement an institutionalised social protection system for Ethiopia that is administratively viable, financially affordable, politically acceptable, and has a sustainable financing strategy.

The implementation of social protection schemes faces the following major challenges:

- Low administrative capacity at decentralized level where the action is
- Fragmentation and weak coordination
- Low budgets and weak staffing (social workers, managers)
- Exclusion errors because of widespread poverty
- Improving the timeliness and predictability of transfers to beneficiaries
  (requires performance management system, improved reporting and regular information generation, through, ex., Information Centers)
- Continuing to strengthen the links to productive components of other related interventions
  (requires joint targeting and planning)
- Strengthening fiduciary controls around the payment process at local levels
  (through, for ex., automated payroll and attendance sheet system)
10. Conclusions and Recommendations

Conclusions
Ethiopia is a country with extreme poverty, where both lives and livelihoods are often at risk. The country has suffered from frequent disasters such as droughts, famines, epidemics, floods, landslides, earthquakes, civil wars, and mass displacement, as well as rapid declines in major export commodity prices. The country has not also been immune from the effects of global crises which have filtered through high fuel and other import costs and spiral domestic inflationary trends.

The Government and the international development community have put together and implemented various social protection schemes which have reduced the negative effects of shocks and helped vulnerable population better manage risks through protecting their assets and livelihoods. Ethiopia’s experience suggests that it is possible to implement large social protection in Africa, but that impacts depend on infrastructure, administrative and design constraints.

Ethiopia’s experience with safety net programs in 1990s indicate that the programs have generally failed to meet their objective of preventing further deterioration of living conditions of low income groups. The early social protection measures were implemented in relation to economic reform measures in the 1990s and meant only as a complementary measure to other existing major poverty reduction strategies to address the needs of those who would be left out of the growth process and those that would be worse-off from the implementation of growth enhancing measures. The programs were mostly designed as ‘painkillers’ with little or no integration with the real ‘cure’ or regular development programs. Transfers were made more like handouts and were delivered only once or only for a limited period of time. No parallel or follow-up support was given in terms of technical advice, training, etc. Generally, the premise that economic reform measures induced poverty is ‘transitory’ did not hold true in the case of Ethiopia. So, the conception and design of safety net programs as separate and temporary measure was found to be unrealistic.

This does not mean, however, the whole program was a failure. Most of the safety net programs were well targeted on the poorest in both rural and urban areas. The budgeted funds (in money or kind) were by and large handed over to the intended beneficiaries. The program was also administered with low (distribution) cost.

The program facilitated the peaceful reintegration of hundreds of thousands of displaced people into their communities. The program has also enabled beneficiaries to gain a renewed sense of self-confidence as a result of not retuning empty handed to their communities. The assets created through the public works were for the most part somewhat positive.

Generally, social protection measures/safety net programs that are implemented in relation to vulnerability are likely to address only Mitigation and Coping, i.e., to minimize the negative consequences of disasters or shocks if they were to occur and to strengthen coping capacities once disasters or shocks have occurred. They are unlikely to Reduce Vulnerability itself, i.e., to prevent disaster (shock) from occurring in the first place.

Most recently, the government has generally succeeded in making impressive achievements that are rapid and multi-faceted. A major concern is these have not been translated into meaningful poverty reduction. Ethiopia has derailed, for example, in many fronts that could easily reverse gains made so far. Poverty and destitution seem to be spreading, especially in urban areas.
Anecdotal evidences indicate unemployment and underemployment levels are increasing in both urban and rural areas. The number of street children and youth, unemployed, landless seems to be escalating. To some extent, some of the government successes in development have resulted into new challenges. The rapid expansion in basic services has at the same time brought serious challenges in terms of quality, adequacy and maintenance of these services. Deteriorating quality of education and lack of basic medical supplies and equipment at different levels of health service provision are poised to erode the benefits of the great accomplishments.

A WB report states Ethiopia's Productive Safety Net Program (PRNP) is a flagship for Africa in terms of a permanent safety net. The PSNP supports 8 million rural citizens in eight regions. In response to the crisis, the PSNP supported more than 1.2 million new households. The effectiveness of the PSNP is of interest because the program was implemented at scale in one of Africa's poorest countries, with limited physical and communications infrastructure, and scarce administrative resources.

The core points that have come out from this case study indicate that SP should not be designed as the main trust of development; i.e., should not replace directly poverty reducing economic growth related interventions. SP should be integrated with other complementary mainstream development programs to make them more efficient and enhance their effectiveness. The scope of SP should be more from the point of preventing deceleration of progress in MDGs/ Protection of MDG achievements or maintaining the status quo at times of crises.

For any country to grow it should invest in the human capital, education and health. In Ethiopia, the government development policies and strategies are also guided by the fundamental ideologies of Revolutionary Democracy and Developmental State which deviate from liberal democracy and free market ideologies of the western world. Such ideologies presumably are more amenable to promoting social protection programs.

In the short term, social protection helps provide relief to affected families and prevents them from falling into destitution. In the longer term, the promotive and transformational functions of social protection programmes address some of the underlying causes of inter-generational poverty. Thus in designing a comprehensive social protection package, it is important to come up with a good mix of the short and long term strategies of social protection.

**Recommendations**

Social protection should be an integral part of the strategy to achieve the MDGs given global economic crises (food, price, climate, etc.). In particular, SP should be an integral part of Ethiopia's medium-term development plans. The scope of social protection should focus more however on maintaining the status quo and preventing deceleration rather than as a major thrust or pathway out of poverty. Social protection can only be a necessary condition and not a sufficient condition to guarantee poverty reduction.

The existing social protection service in Ethiopia is fragmented, uncoordinated and the coverage is limited. Therefore, developing Social Protection policies and programmes is required as a solution and as an urgent response to social inequality, crisis and to combat the incidence of poverty”.

The Ministry of Labour and Social Affairs is in the process of developing a Social Protection Strategy that will update the Developmental Social Welfare Policy of 1996. This should be
expedited and linked to the country’s medium term development program, the GTP. MoLSA should also coordinate and participate other sector ministries such as the Ministry of Agriculture and Rural Development in the design of the strategy which would help elaborate some specific design requirements like public works.

The Ethiopian case study demonstrates the benefits of incorporating a Productive element in design and implementation of SP schemes. This would lessen the occurrence of dependency syndrome and enhance the effectiveness of the schemes. The programs need also be designed in such manner that they can be implemented in flexible and decentralized system. This will enhance their relevance and appropriateness and reduce problems related to targeting.

The administrative burdens of programmes need also to be minimized by avoiding complex targeting processes or monitoring of conditionality. Where affordable, universal approaches to targeting are more practical and less prone to corruption. High priority should also be given to capacity building of the responsible government bodies at different levels.

Relying on aid aggravates dependency and is unsustainable. Similarly, dependence on public finance is unreliable and unsustainable. Hence, other innovative mechanisms such as promoting the role of the private sector and NGOs should be encouraged in the design and implementation of SP schemes.

Ethiopia’s social protection programs in recent years have rightly focused in rural areas. However, given growing inequality and destitution in urban areas, some specific social protection schemes for the urban poor need to be designed and implemented in parallel. In designing such schemes, revolving credit schemes should be considered as a possible mechanism of transfer and parallel saving services should also be considered to help poor people preserve their resources.

The review of the PSNP has indicated that providing households with predictable transfers is central to protecting livelihoods. Bottom-up accountability mechanisms work best when households are aware of their entitlements. To improve Program performance, monitoring needs also to be part of a responsive & result based management system.

When PSNP (SP) is implemented together with other development interventions, the combined impact is much greater than when each part is implemented alone. However, implementing a programme with multiple Government ministries requires strong political commitment. Responsive systems are needed to address limited capacity in government departments.

Generally, programs need to be sensitive to macro risks, such as drought and food price inflation. The recent surge in global commodity prices has underlined the risk that the real value of cash transfers will be eroded by inflation.

Ensuring Citizens participation, especially in targeting and planning as well as transparency and accountability in program delivery at local level are crucial for a program’s success(public disclosure of key program information is an example – budgets and plans as well as list of beneficiaries and appeals are posted for public review). There is strong evidence that the community-based targeting system is fair and transparent. A number of studies have concluded that the PSNP is well targeted to the poorest households, which have significantly lower incomes, fewer assets, and farm less land than non-beneficiaries.
In designing social protection schemes that aide the achievement of the MDGs, careful considerations need to be given to the structure and capacities of sector line ministries at every level of Government, especially capacities at wereda (district) level of administrations in terms of human resource, facilities and infrastructure.

The design and implementation of social protection measures should be seen as just one element of a comprehensive poverty reduction strategy. In other words, such programs should not replace measures that aim to promote growth and sustainable development. Moreover, their implementation should be piloted, phased, reviewed and scaled up continuously. More importantly, exit conditions and mechanisms need to be clearly laid out.

Open and general subsidies that are not sustainable should be avoided. Program management costs need to be reduced as much as possible by using existing institutions and community mobilization. It is possible, for example, to use innovative designs and mechanisms such as NGOs. Target groups should not only be provided some transfer but continuously followed-up and supported with technical advice, training, etc.

Given that Poverty and Vulnerability are widespread in Ethiopia due care should be made so that social protection programs do not penalize individual motivations by rewarding those who are less active and do not easily transform beneficiaries into relatively much higher welfare status than the excluded but absolutely poor households. Social protection programs should not also replace traditional support mechanisms.
References

Annick Hiensch, 2007: Surviving Shocks in Ethiopia: The Role of Social Protection for Food Security, Cornell University in collaboration with Copenhagen Univ., Wageningen Univ. and IFPRI.


Annex 1: (Re-) Integration Requirement in Ethiopia, 1993

<table>
<thead>
<tr>
<th>Group to be (Re-) Integrated</th>
<th>Total Number of Individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demobilized soldiers</td>
<td>500,000</td>
</tr>
<tr>
<td>Displaced due to Ethnic conflict</td>
<td>328,000</td>
</tr>
<tr>
<td>Returnees from Resettlement areas</td>
<td>105,297</td>
</tr>
<tr>
<td>Returning Refugees from</td>
<td></td>
</tr>
<tr>
<td>- Somalia</td>
<td>710,904</td>
</tr>
<tr>
<td>- Djibouti</td>
<td>4,000 – 5,000</td>
</tr>
<tr>
<td>- The Sudan</td>
<td>34,452</td>
</tr>
<tr>
<td>Displaced Civilians from Eritrea</td>
<td>200,000</td>
</tr>
<tr>
<td>Total</td>
<td>1,800,000</td>
</tr>
</tbody>
</table>

Source: RRC, 1993/4, in Reintegration of Ethiopian Nationals Displaced from Eritrea

Annex 2: Criteria for Selection of Target Beneficiaries

**Input Support to Poor Farmers**

- Households with < 1 ha and annual per capita produce of < 1 quintal
- HHs that do not possess oxen and agricultural implements
- HHs whose heads have migrated in search of jobs
- HHs with so many dependents
- HHs that cannot afford to send their children to school and lack access to modern inputs
- Female headed households
Selection of Target Weredas

- Frequent exposure to natural disasters
- Small land holding and poor soils
- Relatively low level of use of modern inputs
- High prevalence of crop pests and livestock diseases
- Poor social and economic infrastructure and relatively less developed

Demobilized soldiers

- No criteria set to select eligible beneficiaries
- Groups organized on their own initiative could apply for the revolving credit fund scheme
- All members of the former army and disabled war veterans were entered on the registry of the Commission for the Rehabilitation of Ex-servicemen and Disabled War Veterans

The Unemployed (Urban Public Works Scheme)

- Persons dislocated from their previous jobs and that remained unemployed for a year in a stretch
- Unskilled workers willing to accept a daily wage rate 15% lower than what is paid in a similar job outside the scheme
- Semi-skilled workers ready to work at a daily wage rate 20% lower than what is paid in a similar job outside the scheme
- Major components included infrastructure improvement, rehabilitation of schools, upgrading of slums areas, water pumps and market places
- 75% of total budget for wage payment whereas 25% should be on

The Elderly, the Disabled and Orphans

- Old people aged above 60
- Orphans below the age of 14
- Disabled people possessing a medical certificate testifying to their disability
- Regional technical committees were vested with the task of identifying the most disadvantaged