Social protection in Ethiopia: making the case for a more comprehensive and equitable intervention in the digital economy

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Abstract

Ethiopia implements a range of contributory and non-contributory social protection programmes that jointly cover about 21% of the population. Using document review and secondary data, this paper analyses coverage, adequacy, and options for the vertical and horizontal expansion of social protection in Ethiopia, including cost estimates. It argues that the major challenges for the expansion of social protection in the country are political and financial. Politically, the government's use of social protection as an instrument to promoting political stability made social protection subscribe to productive objectives and caused it to be tied to public works and conditional on labour contribution. Moreover, food security strategy and institutions dominated social protection for decades, making it essentially a rural programme rather than being all-inclusive. Financially, the high cost of implementing large-scale programmes made donor financing a constant feature of social protection in Ethiopia, having implications for sustainability of programmes. This paper provides a cost estimate scenario analysis of three social protection options: social pensions, child benefits, and disability grants. The cost estimate results indicate that implementing these programmes would be fairly affordable, particularly if accompanied by domestic resource mobilization, and suggests restructuring social protection institutions to make them more inclusive.

Introduction

There is a growing recognition of the role of social protection programs in addressing various livelihood shocks and vulnerabilities, as many social protection schemes have targeted and contributed to efforts to reduce vulnerabilities and create more inclusive and sustainable development pathways (Macours, Premand and Vakis, 2012; Davies, Bene, Arnall, Tanner, Newsham and Coirolo 2013; Mesquita and Bursztyn, 2016). Thus, in recent decades, the number of developing countries that developed or strengthened their social protection systems increased following the success of conditional cash transfers in Latin American countries (Cirillo and Tebaldi, 2016).

Comprehensive social protection constitutes one of the efforts put in place to deal with the multi-faceted nature of poverty and vulnerability, which directly affects one of the main priorities of the Sustainable Development Goals (SDGs) framework, namely eradicating poverty and hunger by reducing by half the proportion of people living in extreme poverty in 2030.[1] In recent decades, social protection schemes of various types have been implemented with impressive outcomes in addressing poverty (Fiszbein, Kanbur and Yemtsov, 2014; Barrientos and Hulme, 2016; Cirillo and

Tebaldi, 2016). Globally, around one billion people are the beneficiaries of some or other social protection scheme and in the absence of social protection, the most vulnerable are subjected to increased risks of sinking below the poverty line or remaining in a poverty trap for generations (Hoddinott and Mekasha, 2020).

Given massive unemployment, rampant poverty and inequality in the global South, social protection schemes that partially substitute lost incomes have the potential to promote inclusive development. Social protection can also play a crucial role in helping the inclusion of people, improving their well-being, providing income security, and promoting access to education and health services (UN, 2018). Cognizant of these facts, the United Nations identified social protection as a human right in 2009 and established the Social Protection Imitative. Similarly, the African Union (AU) on its part endorsed its Social Policy Framework the same year, with social protection at the centre of the framework.

Ethiopia has been implementing various social protection programs since the 1960s. However, the country being a signatory of the African Union's Social Policy Framework, which requires member states to improve their social protection plans of action, made social protection an essential instrument in its poverty reduction agenda in recent decades, especially following the promulgation of a comprehensive social protection policy in 2012. The policy envisaged the implementation of social protection with four broad areas of intervention, namely safety nets, social security and health insurance, livelihood and employment schemes, and addressing inequality of access to basic services (MoLSA, 2012). This enabled social protection to reach pastoral and agro-pastoral communities. Despite the expansion of social protection initiatives in the country, the main mechanism for delivering social protection remains the Productive Safety Net Program (PSNP) which is essentially focused on rural and agricultural communities, making social protection intimately linked to agriculture (Devereux and Guenther, 2009). Moreover, Ethiopia does not yet have statutory non-contributory social grants such as old-age pensions, child grants and disability grants, causing accessibility of social protection to be limited and a cause for concern as poverty and inequality remain persistent among children, youth, women, elderly people and persons with disabilities (Lemma and Cochrane, 2019). For instance, the youth are still struggling with the problems of unemployment and other forms of social exclusion, but remain outside the targeting criteria applied in various social protection programs. Thus, informal social protection already in place in rural and urban communities, but largely overlooked in the social protection discourse in Ethiopia and elsewhere in Sub Saharan Africa (SSA), serves as a vital lifeline for the majority of people who are not covered by formal social protection schemes (Devereux and Getu, 2013).

Moreover, employment in the informal sector remains dominant, reflecting serious shortcomings of the labour market in providing formal employment (FDRE, 2019). Despite the vital role played by micro and small enterprises in reducing unemployment, it is very high in the country, with the latest figures for the unemployment rate being 19.1 % in 2018 (FDRE, 2019), and is likely to increase, given the political instability in 2019 and the current Covid -19 (coronavirus) outbreak.[2] With the inevitability that, and rapidity at which, digital technologies are transforming societies and economies worldwide, traditional jobs are being replaced by non-standard and transnational forms of work. This, coupled with automation, robotics and artificial intelligence is expected to radically alter skill requirements, labour markets and the future of work as we know it, putting pressure on the current social protection systems. Thus, this paper is motivated by the need to investigate current forms of formal and informal modes of social protection in relation to the burgeoning digital economy and the role of social protection in Ethiopia.

Social protection in Ethiopia: genesis, types and modes of implementation

Background

Ethiopia is Africa's second most populous country, with an estimated population of 110.1 million in 2019 (World Bank, 2020). Being one of the least developed countries in the world, Ethiopia has faced huge resource exhaustion and human distress due to both man-made and natural calamities. Agriculture is the mainstay of its economy, contributing 31% of its GDP and employing close to 75% of its population (FDRE, 2016). The majority of farmers are smallholders who depend on rain-fed agriculture for subsistence production, which makes them severely exposed to climate variability and consequently to both transient and chronic food insecurity (Conway and Schipper, 2011). Thus, agricultural development and social protection interventions are highly correlated in the Ethiopian context, so much so that the political discourse on social protection, for decades, explicitly reflected real-world policy interventions in the agricultural sector that originated from the revolutionary-democracy ideological rhetoric of the ruling party, the Ethiopian People's Revolutionary Democratic Front (EPRDF) – a coalition of four ethnic-based political groups, which was largely dominated by the Tigrayan People's Liberation Front (TPLF) until 2018. This policy intervention is largely found in the government's food security programme that seeks to both protect and promote rural livelihoods in a high-risk environment (Devereux and Guenther, 2009). Thus, over the past 15 years, social protection has been an integral part of poverty-reduction and development strategies in Ethiopia. In the following paragraphs, a review of formal and informal protection systems is discussed in relation to the role of contentious politics in shaping these systems.

Formal and informal social protection in Ethiopia

The genesis of formal social protection in Ethiopia goes back to 1963 with the establishment of a civil service pension scheme by the imperial regime. This makes Ethiopia one of the first countries in Africa to institutionalise contributory social security for its citizens (Teshome, 2013). The 1963 scheme covered both civil and military personnel, who were a very small portion of the total labour force (MoLSA, 2012).[3] This scheme, along with the private-organization employees' pension scheme, formed the formal social protection or security system in Ethiopia, which is largely for urban public sector employees; the rural population has not been part of any formal social protection systems until 2005 (Teshome, 2013).

Following the major droughts and subsequent famines in the 1960s and 1970s in the northern part of the country, the first attempt to institutionalize emergency relief was made with the establishment of the Relief and Rehabilitation Commission (Lemma and Cochrane, 2019). However, the problem of food insecurity became a concern in public policy discourse after the fall of the imperial regime in 1974 (Pankhurst, Rahmato and van Uffelen, 2013). The military regime (1974-1991) used the politics of famine to justify its seizure of power and began implementing food-for-work schemes, representing a major shift from the previous humanitarian food hand-outs. Aside from food-for-work schemes, the regime implemented resettlement and villagisation in its disaster response strategy and institutionalized these interventions though the codification of the interventions in the 1987 constitution (Pankhurst, 1990). Historically, this can be considered as an important milestone in social protection system in Ethiopia, and politically, it indicated 'an evolution in government-citizen relations with regard to social protection services' (Lemma and Cochrane, 2019:6).

Following a regime change in 1991, the ruling EPRDF coalition formulated a series of disaster response strategies as recurrent droughts left millions food insecure and in need of food aid. As part of its first initiatives, the then transitional government introduced the National Policy on Disaster Prevention and Management in 1993 that made relief provision to able-bodied persons conditional on labour contributions by participation in Employment Generation Schemes (Maxwell and Lirenso, 1994). This policy became the first determined attempt made by the government to link emergency relief to developmental objectives and influenced the whole social protection architecture of the country until the present day by installing a productivist paradigmatic commitment (Lavers, 2016).

In 1996, the government introduced the Developmental Social Welfare Policy (DSWP), which can be considered as its first formal social protection policy that involved preventive, rehabilitative, and developmental programmes (MoLSA, 1996). On the basis of this policy, the National Plan of Action on Older Persons (2006-2015), the National Plan of Action for Persons with Disabilities (2012-2021), and the Private Organization Employees' Pension (Social Security) Scheme were established. The 1996 DSWP followed a minimalist approach to social protection and took social interventions as productive rather than purely protective, demanding that those who receive support should contribute their labour to development projects (MoLSA, 1996). The government asserted that the main mode of formal social protection for the rural population was state land ownership and the provision of usufruct rights to state-owned land that encouraged farmers to remain on their land as it is presumed to protect them from displacement by market forces (Lavers, 2016).

Meanwhile, addressing food insecurity remains a major policy challenge in Ethiopia and the country has to rely on emergency interventions to meet national food deficits. Hence, there was a need to introduce proactive food-security enhancing measures to try to break the cycle of hunger and food-based emergency assistance. The severe drought in 2002 and resulting food crisis in 2003, which affected 13 to 14 million people, became an immediate trigger for developing a proactive social protection intervention. This led to the establishment of the New Coalition for Food Security, which initiated discussions between the government and donors to replace the existing emergency response of using food aid to fill consumption gaps, which later led to the launch of the Productive Safety Net Programme (PSNP) in 2005 (Lemma and Cochrane, 2019). The programme is designed to address the needs of food insecure households through 'multi-year predictable resource transfers' rather than emergency humanitarian aid. It aims to provide transfers to the food-insecure population in chronically food-insecure districts in a way that prevents asset depletion at the household level and creates assets at the community level (Andersson, Mekonnen and Stage, 2011).

The PSNP is at the centre of the social protection system in Ethiopia, and is financed by government and a consortium of donors.[4] It became part of the government's *Food Security Strategy* (2002) that came into effect in 2002. The PSNP gradually expanded from an initial 5.5 million beneficiaries to an estimated 8 million participants, becoming the second largest social protection scheme in sub-Saharan Africa. This accounts for roughly 10% of Ethiopia's population and covers 290 chronically food insecure districts in the country (Devereux and Guenther, 2009; Desalegn and Ali, 2018). It has two components: labour-intensive public works and direct support, with 80% of the beneficiaries participating in public works. Households with able-bodied adults participate in public works to enhance community assets, such as building schools, health posts, and roads before receiving the transfers. From early 2008, the public works programme paid individuals from targeted households 10 Birr per day or food of equivalent value, equivalent to roughly US$1, for a maximum of six months a year (see Weldegebriel and Prowse, 2013). Households with little labour (the aged, disabled, chronically ill) are exempted from public works and receive direct transfers either in the form of food or cash (Hoddinott, 2019) .

So far, the programme has evolved through four phases. The latest phase (PNSP IV, a five year programme like its predecessors), was launched in 2015 and is expected to phase out this year. PSNP IV has integrated a livelihood transfer component that involves the provision of conditional credit services to enable beneficiaries to invest in income generating activities. Following the development of the Urban Food Security Strategy in 2015, the ten-year Urban Productive Safety Net Programme (UPSNP) was launched in 2016, to be implemented by the Ministry of Urban Development and Housing (MoUDH). The first phase of the programme runs from 2016/17 to 2020/21 in eleven cities, with the majority of the beneficiaries being from the capital (Endale, Pick and Woldehanna, 2019; UNICEF, 2019).

Community-based health insurance (CBHI) is another social protection measure introduced by the government in 2015/16 after the programme was successfully piloted in 13 districts from 2011 onwards. The scheme is government-driven but with community engagement, aiming to achieve the provision of universal and equitable access to health care services for the rural population and informal employees in urban areas through prepayment and risk pooling arrangements (Endale, Pick and Woldehanna, 2019,).

As part its *National School Health and Nutrition Strategy* (Ministry of Education, 2012), Ethiopia implements a national school feeding programme. The programme was initiated following the 2015/16 severe drought with the purpose of increasing school attendance, improving performance and reducing the school dropout rate by supplying food and school supplies (UNICEF, 2019).

Ethiopia formulated the comprehensive *National Social Protection Policy* (NSPP) in 2014 (MoLSA, 2014). The policy identified four interrelated priority focus areas for its strategic directions: promotion of productive safety nets, promotion of employment opportunities and livelihoods, promotion of social insurance, and enhancement of equitable access to and use of basic services (MoLSA, 2014). In 2016, the National Social Protection Strategy (NSPS) was launched, which added a fifth area of focus that deals with the provision of legal protection and support services for those vulnerable to violence and abuse (MoLSA, 2016).

Initiation of the policy involved various stakeholders ranging from key government sectors to non-state actors who included donors and international organizations. Similarly to previous strategies and interventions, the new policy and strategy view social protection as having a close link to the issue of food security, and devoted 50% of its objectives – two out of four – towards ensuring food security. However, unlike the previous strategies that focus on rehabilitative and developmental roles for social protection systems, the latest policy involves wide areas of intervention that traverse preventive, protective, promotive, and transformative activities requiring cross-cutting inter- and trans-sectoral commitments and interventions (MoLSA, 2016; Lemma and Cochrane, 2019). A summary of formal social protection programmes is provided in **Table B** in the annexures.

The rise of formal social protection (delivered by governments or donor agencies) has generally overlooked a range of informal social protection (ISP) mechanisms that are delivered by extended families and communities, which were already in place in rural and urban communities throughout sub-Saharan Africa. In this regard, social protection in Ethiopia can be thought to be primarily the realm of the informal sector and community institutions, as the great majority of social protection services to persons with disabilities, vulnerable children and the elderly are provided through informal channels (Teshome, 2013).

Informal social protection mechanisms are widespread both in rural and urban settings, and act as the first line of response to shocks in Ethiopia. Moreover, these mechanisms have a longer history and their contribution remains significant, especially given the limited reach of formal social protection schemes. Some estimates indicate that up to 90 % of Ethiopians belong to at least one informal group or support system (Teshome, Adanech, Kassa and Teferi 2015). In recognition of this fact, the government in its new *National Social Protection Strategy* provides a comprehensive definition of social protection as 'a set of formal and informal interventions that aim to reduce social and economic risks, vulnerabilities and deprivations from all people and facilitates equitable growth' (MoLSA, 2016).

According to Mpedi (2008), informal social protection is guided mainly by religious and cultural principles, as well as family and societal values. Consequently, the principles of reciprocity and exchange feature strongly in informal social protection and may be triggered during normal times or in a time of shock. Teshome (2013) considers informal social protection mechanisms to have five components in Ethiopia: the extended family, burial societies, traditional savings and credit, asset transfers and child support. These mechanisms differ by agro-ecology or the livelihood, operational principles and social protection roles fulfilled. In the following paragraphs, a brief overview of burial societies and traditional savings and credit associations, as the most pervasive informal social protection mechanisms in Ethiopia, is provided.

Burial societies (*iddirs)*: *iddirs* are informal, traditional, community institutions that are established primarily to address death related shocks. *Iddirs* are the most pervasive community institutions that act as an ISP mechanism in Ethiopia. These funeral associations first emerged in an urban context, as they were formed by migrants to Addis Ababa in the early 20th century to assist in burial services, and have rapidly spread to rural areas (Pankhurst et al., 2013). Teshome et al. (2015) cite government estimates from 2005 which put the number of people who participate in *iddirs* at 39 million. This accounts for roughly 51% of the population, and given the current population size, may reach around 55 million people, regardless of the rapid rate of urbanization and the associated proliferation of *iddirs*.[5]

In recent years, *iddirs* have been frequently noted to be involved in social protection of orphans and people living with HIV/AIDS, and are increasingly being used by both state and non-state actors as a point of entry for their community-targeted development interventions. In this regard, many studies show that *iddirs* are beginning to take formalized shapes, and often operate with semi-formal status as they become involved in diversified service provision (Pankhurst, 2008; Teshome *et al.*, 2015). This transformation can be taken as an opportunity to forge a greater integration between the formal and informal social protection systems, thereby using available resources efficiently. It can also be a threat to the viability and identity of the institution as it will be forced to take multiple roles as prescribed by external actors.

Traditional savings and credit associations (*iqqiub*): *iqqiub* are community-based traditional savings mechanisms where individuals in a neighbourhood contribute money regularly for allocation on a lottery basis or according to need. *Iqqiub* are informal saving schemes that provide members with semi-formal insurance against unexpected risks (Teshome, 2013). These associations are not only established to address short-term financial problems of their members, but also to help members to start or expand businesses, serving as a resource mobilisation instrument (Teshome, 2013). It is estimated that 21 million people in Ethiopia participated in *iqquibs* in 2005 (Ministry of Capacity Building, 2005 as cited in Teshome et al., 2015). A rough extrapolation of this estimate would be around 30 million people.

Like *iddirs, iqqubs* are being transformed and have begun increasingly to take semi-formal shapes. In this regard, previously the *iqqub* used to be chiefly based on pre-established social ties that consisted of homogeneous groups with mutual trust. Nowadays, however, this is changing, with more formal structures and formal and contractual agreements replacing mutual trust as a binding principle. Moreover, *iqqubs* have recently been the focus of attention from most development agencies (both state and non-state actors) as partners in interventions that involve the provision of financial resources to communities. For instance, many *iqqubs* turn into formal village saving and loan associations that are frequently moulded by NGOs (see Hendricks and Chidiac, 2011).

The role of contentious politics in shaping social protection in Ethiopia

The historical role of contentious politics in shaping social protection in Ethiopia can be discussed by looking into how the largest social protection programme, the PSNP, came into being and expanded in the past 15 years. The programme was a result of the decades-old negotiations between donors and the government. While the former sought to reform the emergency relief system, the latter resisted this move over the years, and only changed its position and launched the PSNP when a political crisis following the 2005 election threatened its legitimacy (Lavers, 2016). Thus, the overwhelming desire to promote political stability, *inter alia,* greatly influenced the choice of the programme's instruments even though promoting productivity and achieving growth have long been part of the government's social welfare policy objectives. Thus, growth concerns and self-reliance made for promotion of more ambitious social protection programmes that go beyond welfare smoothing objectives (Mccord, 2012).

As Lavers (2016) notes, the split in the core ruling party, the TPLF, in 2001, led to the advent of a 'developmental state' and strengthened the one-party hegemony in the loosely formed ruling coalition, EPRDF, that followed a top-down hierarchical system of governance having strong Marxist–Leninist roots. Following this split, the EPRDF moved to shift its minimalist approach to social protection through a developmental orientation. This developmental orientation sought to 'build regime legitimacy through the delivery of rapid and broad-based socioeconomic development, alongside the suppression of political voice outside the ruling party', and deliberately left out social assistance and stressed self-reliance more, as well as the need to achieve economic development (Hickey, Lavers, Nino-Zarazua and Seekings2018:12). It was only after a major drought and food crisis in 2002 and 2003 and a series of political crises following the contested 2005 election that the government of Ethiopia made social assistance programmes part of its development strategy and used these programmes as a means to regain legitimacy and to defuse impending political pressures (Lavers, 2016). Consequently, the PSNP has been hurriedly implemented, with a focus on the labour-intensive public work component with livelihood supporting and credit schemes to help expedite graduation to self-reliance. The adoption of the urban PSNP was also shaped by the 2005 election, which resulted in the loss of votes for the ruling party in major urban centres and related political crises, to which the party responded with a populist political strategy to win the hearts of the disgruntled urban poor (Lavers, 2016). Thus one can argue that social protection is largely perceived as a means to an end or as an instrument to achieve growth and promote productivity and self-reliance and not treated as a human right in and of itself in Ethiopia. A simple and cursory content analysis of the National Social Protection Policy reveals that the word 'human rights' is only mentioned twice, and only once directly mentioned in relation to social protection, while the word 'growth' is mentioned nine times and the words 'productivity' and 'productive' 10 times each. Similarly, the country's main development plan, the Growth and Transformation Plan II (GTP II) 2015/16-2019/20, mentions 'safety net' 16 times and 'food security' 21 times, while the comprehensive term 'social protection' is only mentioned twice.

The structure of the ruling political party, being a collation of four ethnic-based parties that operate under the vanguard rule of the TPLF, means that the PSNP was slow to reach out to the most vulnerable areas such as the mainly pastoral and agro-pastoral regions of Afar and Somali. These regions, until this year, were administered by parties that are not part of the EPRDF coalition and therefore have no voice or influence over policy matters that affect their constituencies. And when the PSNP was extended to these regions, access to the programme for the most vulnerable and needy was largely hampered by the involvement of clan leaders who acted as gate-keepers in selecting participants (Lavers, 2016; Lavers, Mohammed and Wolde Selassie, 2020). A comparison of targeting efficiency in the highland and the pastoral regions respectively (Afar and Somali) also reveals this situation (see Figure A, Annexures).

Scale, adequacy of benefits, and implementation of social protection

As discussed before, the most developed aspect of formal social protection in Ethiopia is tied to food security policies, strategies and institutions (van Uffelen, 2013). Thus, the rural PSNP remains the largest social protection scheme, benefitting close to 8 million people in the country. The programme has grown from 4.8 million beneficiaries in 2005 to around 7.6 million beneficiaries in 2012, and reached 7.9 million by 2017/18 (see **Table 1**). Under the safety net and livelihood-strengthening support component, the rural PSNP (RPSNP) provides monthly cash or food transfers to chronically food-insecure households in rural *woredas* (districts) located in seven regions and one city administration, mainly through public works in exchange for labour in community projects during the lean season of six months. **Table 1** gives the numbers of RPSNP beneficiaries from 2004/05 to 2017/18. The public work component of the programme accounted for the largest share of beneficiaries – that is, almost 86% of the total beneficiaries in 2017/18.

Table 1: *RPSNP beneficiaries 2004/05–2017/18*

Year	Number of beneficiaries	% Pubic work beneficiaries	% Direct support beneficiaries
2004/05	4 838 405	83.3	16.7
2005/06	7 192 072	83.3	16.7
2006/07	7 192 372	83.3	16.7
2007/08	7 515 222	83.6	16.4
2008/09	7 821 580	84.0	16.0
2009/10	7 821 003	83.3	16.7
2010/11	7 733 451	83.8	16.2
2011/12	7 641 158	84.4	15.6
2012/13	6 889 910	82.4	17.6
2013/14	6 003 552	83.3	16.7
2014/15	5 161 696	78.4	21.6
2015/16	7 997 218	82.5	17.5
2016/17	7 997 218	86.3	13.8
2017/18	7 997 218	85.9	14.1

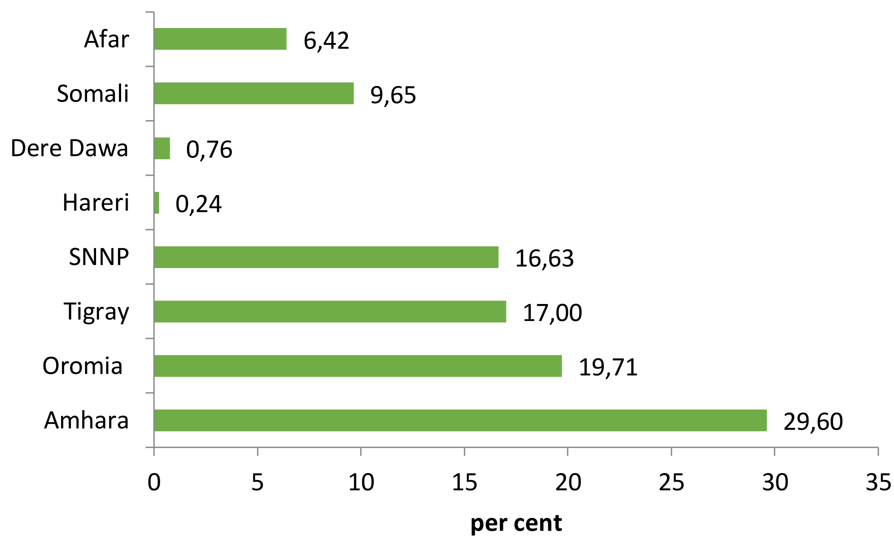
Source: Author's calculations based on UNICEF (2019)

For public work participants, transfers are made to individuals on the basis of the local market wage and thus payments vary according to the purchasing power in different areas. In general, beneficiaries are paid in cash equivalent to 15kg of cereals and 4kg of pulses per month (adjusted for inflation). The public works component of the programme requires that participants voluntarily contribute labour to activities that are geared towards environmental rehabilitation and community asset building. Direct support beneficiaries are those households enrolled in the RPSNP that have no labour capacity, such as children, the elderly and people with disabilities, as well as those who cannot participate in public work programmes for serious health reasons or pregnant or breastfeeding mothers. A household may remain a PSNP beneficiary until it graduates from the programme. Graduation refers to the status in which the household becomes food secure. Over the 14 year period, the proportion of direct support beneficiaries varied between 13.8 % (in 2016/17) and 21.6% (in 2014/15), indicating that the number of direct support beneficiaries is inextricably linked to the occurrence of drought shocks.

In addition to public works and direct support, two programmes akin to PSNP were implemented in parallel to help build and promote household assets deemed crucial for sustained income generation and graduation from the PSNP programme. These were the Other Food Security Programme until 2009 and the Household Asset Building Programme until 2014. These two programmes provided livelihood development packages to PSNP households who were willing, interested, and able to engage in income-generating activities selected from three strategic livelihood pathways—on-farm (for example, poultry, sheep breeding, dairy and so on), off-farm (petty trade, hand craft), and employment activities. The packages include granting access to finance through credit or grant provisions, the provision of training, managerial support to develop business plans, and, in some cases, facilitating support to access input and output markets (Hoddinott, Berhane, Gilligan, Kumar, and Taffesse,2012; Cirillo, Györi and Soares, 2017).

On average, 9% of the rural population of the country is covered by the programme, with the number of PSNP beneficiaries varying significantly across regions (Tadesse, 2018). Taking an overall average of the number of beneficiaries between 2004/05 and 2017/18, the Amhara region had the highest caseload with 29.6 % of the total share of beneficiaries, followed by Oromia, which has 19.7% (**Figure 1**). Harari region is the one having the fewest beneficiaries, understandably, given its small population size.

Figure 1: *Percentage share of RPSNP beneficiaries across regions between 2004/05 and 2017/18)*



__Source:__ Author's calculations based on UNICEF (2019)

In terms of funding, the first three phases of the RPSNP were entirely financed by donors through the Multi-Donor Partnership Trust Fund. Since 2015, however, the government began to financially contribute to the programme from its budget for the implementation of the fourth phase of the RPSNP (2015 to 2020). This contribution steadily increased from ETB[6]282 million in 2015/16 to ETB1.5 billion in 2016/17 and to ETB1.9 billion in 2017/18 (Endale et al., 2019).

The PSNP uses a clustered targeting method, involving both geographic and community-based targeting. Accordingly, chronically food-insecure districts (*woredas*) and *kebeles*[7] are selected out of all *woredas* of the country, and then chronically food-insecure households are selected from *kebele* inhabitants through the *Kebele* Food Security Task Force, which involves community representatives. As stated in the PSNP Programme Implementation Manual[8], the criteria for eligibility largely hinge on the definition of chronically food-insecure households, which are taken to be residing in one of the chronically food-insecure *woredas* and which faced three or more months of food shortage over the past three years, or who are unable to support themselves (Cirillo and Tebaldi, 2016).

The available empirical evidence indicates that household-level targeting is efficient in PSNP (Sharp, Brown and Teshome, 2006). However, the geographic (*woreda* and *kebele*) targeting shows that there are flaws in targeting as some eligible *kebeles* were excluded from the programme, and that political pressure to demonstrate quick results caused initial targeting to prioritize the relatively less poor as they are more likely to achieve graduation (Hoddinott et al., 2012). Moreover, the RPSNP has not yet been implemented in the two regional states of Gambella and Benishangul, despite the existence of food-insecure households in those regions. This may have negative implications for the equity and efficiency of the programme.

The UPSNP aspires to meet the needs of the urban poor through establishing a safety net mechanism that integrates livelihood services. It also involves institutional strengthening and project management as a third component. The safety net component of the programme transfers monthly cash payments to the poorest through both conditional and unconditional cash transfers. Accordingly, those with labour-contributing capacity are given conditional cash transfers in exchange for working in urban community projects that include greenery and environmental cleaning services. Currently, the majority of the beneficiaries – 84% of the total – are in this category, whereas the rest are unconditional cash transfer recipients due to their inability to contribute labour, similar to the direct support beneficiaries of the RPSNP (Endale et al., 2019). In its first five-year phase, the programme targeted 604,000 poor beneficiaries in 11 major cities in the country (Adama, Addis Ababa, Assayita, Asosa, Dessie, Dire Dawa, Gambella, Hawassa, Harari, Jigjiga and Mekele).

In the provision of livelihood services as the second component of the UPSNP, the programme supports one individual per participant household to move out of poverty by promoting employment and improving livelihoods. This includes the provision of counselling and life-skills development, technical skills, entrepreneurship opportunities, and financial support and training. The third component of the UPSNP deals with institutional strengthening and project management for effective implementation of the programme (UNICEF, 2019).

Table 2: *Urban PSNP (UPSNP) caseload 2015/16-2019/20*

Year	No. beneficiaries	Public works	Direct Support
2015/16	190 000	159 600	30 400
2016/17	201 808	169 265	32 543
2017/18	440 885	370 343	70 542
2018/19	422 400	329 280	93 120
2019/20	262 800	169 680	93 120

Source: World Bank (2015) and Ministry of Finance data from UNICEF (2019)

As shown in **Table 2**, the total number of beneficiaries increased between 2015/16 and 2016/17 and reached almost half a million in 2017/18, indicating the expansion of the scheme. However, the number of beneficiaries, according to the initial plan, is expected to decline as many of the beneficiaries will graduate from the programme (World Bank, 2015).

Adequacy of social protection benefits

As discussed earlier, rural and urban safety nets remain the largest area of investment in social protection in Ethiopia. On an economy-wide basis, the benefits of PSNP are found to exceed the total cost. Thus, national agricultural production increased by 1.33% due to PSNPs, and together with the PSNP transfers themselves, household income has increased by nearly 6% in PSNP areas and by nearly 2% in non-PSNP areas. Moreover, productivity increases and income spillovers add the equivalent of 0.99% to Ethiopia's GDP (Filipski, Taylor, Abegaz, Ferede, Taffesse and Diao,2016).

According to Fiszbein et al. (2014), an important criterion for assessing the adequacy of any social protection programme is its ability to alleviate poverty and ensure equity. Judged from this point, the PSNP can be considered efficient. This is because being well targeted at the poorest of the poor, the programme has contributed to a reduction in poverty over time.[9] In this regard, the 2015/16 Household Income Consumption Expenditure Survey (HICES) findings indicate that the RPSNP and humanitarian food relief contributed significantly to reductions in the poverty headcount from 38.7 % in 2004/05 to 23.5% in 2015/16 (Wouterse and Taffesse, 2018). According to Filipski et al (2016:2), 'at national level, PSNP creates more than 1.7 Birr of benefits per Birr transferred to a beneficiary household. Because most of the cost of PSNP currently is covered by foreign donors, there is a 16.9 Birr return per Birr that the Ethiopian government spends on PSNP'. The economic benefits of the public works arising from soil and water conservation activities are also estimated to be high, both for local communities and nationwide.

For instance, PSNP transfers are found to help boost tree planting and thus helped environmental sustainability (Andersson, Mekonnen and Stage, 2011).

In terms of the adequacy of the value of transfers to beneficiaries, the programme is designed to provide recipients with predictable and reliable transfers. Transfers are made to beneficiaries in the form of food or cash, mostly during the non-agricultural season which is approximately mid-January to mid-July. The daily wage rate of the cash transfer is calculated on the basis of the cost of buying 3kg of cereals (wheat or maize) and 0.8kg of pulses per day (15kg of cereal and 4kg of pulses per person per month). According to the Programme Implementation Manual, cash payments are usually made to be equal to the value of food transfers and adjustments are made according to the prevailing market wage rate reaching 14 to 18 Birr per day in nominal terms by 2015 (Berhane *et al.*, 2015). From July 2017 onwards, however, the value of the benefit was tied to the cost of 15kg of wheat per person per month rather than 15kg of wheat and 4kg of pulses (World Bank, 2017). As the number of beneficiaries increased over the years, spending on the programme in real terms has declined, particularly for PSNP IV, as a result of a gap between financing needs and available resources. As a result, the value of benefits is expected to decline further (Endale et al., 2019).

This decline in benefits can be further investigated using the World Bank's measure of adequacy of social safety net programmes, which is measured by the total transfer amount received by the population participating in social safety net programs as a share of their total welfare. Accordingly, if we take the real per capita total consumption expenditure as a proxy welfare indicator for rural Ethiopia, which was ETB7104 in 2016 for the poorest quintile (rural) based on the 2015/16 HICES survey, the amount of transfer by RPSNP would be 27.8 % of total consumption for direct support beneficiaries. For public work beneficiaries, the transfer would be 19.3% of the consumption of the poorest quintile, indicating a reduction in the level of benefits for public work beneficiaries.[10] The lower rate of transfer for public work beneficiaries is also slightly less than the 20% crucial threshold level suggested by Davis and Handa (2015) who argued that 'Programmes that transfer significantly less than this [20%] threshold have small and selective impacts on households, while those that transfer significantly more than this threshold show widespread impacts and tend to have an overall "transformative" effect on households' (Davis and Handa, 2015:2). Nevertheless, compared to other developing countries' cash transfer programmes, the PSNP is currently providing an adequate amount of transfers as it is calculated per household member rather than per household.

The second largest provider of social protection in Ethiopia after the RPSNP is the social security fund, also known as the pension scheme. The scheme has been in place since 1963 and covers formally employed persons (civil servants, police and army). The fund is administered by the Public Servants' Social Security Agency (PSSSA) and fulfills six of the nine ILO minimum standards of social security, with the exception of medical care, unemployment benefit, and family benefit (Teshome, 2013). The number of pension contributors has reached about 1.89 million in 2019 with an increase in both pension contributions and pension payments (see Table 3). The total contribution for civil servants is 18% (7% from the employee and 11% from government), and for the military and the police it is 32% (7% employee and 25% government) (FDRE, 2011). With the new Private Organization Employees' Pension Proclamation, similar benefits were extended to formal private sector employees, and the Private Organisation Employees' Social Security Agency (POESSA) was established to manage the fund (FDRE, 2011). Currently, the social insurance arrangements managed by the PSSSA and POESSA are the major forms of contributory social insurance in Ethiopia that provide old age, survivors and disability (injury) benefits (Endale et al., 2019).

Table 3: *Public servants' social security/pension scheme*

Year	Contribution (ETB millions)	Contribution growth (%)*	Pension payment (ETB millions)	Pension payment growth (%)*	Number of beneficiaries
2010	2,245	16.20	1,096	3.30	854,316
2011	2,838	26.41	785	-28.38	926,716
2012	4,310	51.87	1,363	73.63	1,078,171
2013	6,331	46.89	1,796	31.77	1,102,316
2014	7,824	23.58	1,661	-7.52	1,256,949
2015	9,779	24.99	3,237	94.88	1,394,763
2016	12,994	32.88	3,286	1.51	1,509,491
2017	14,858	14.35	3,367	2.47	1,640,010
2018	21,422	44.18	5,926	76.00	1,742,404
2019	26,600	24.17	6,358	7.29	1,899,428

*1999 is the base or reference year used to compute the growth rate.

Source: Author's computation based on data from PSSSA (2020)

The membership of the private employees' social security scheme, POESSA, has also grown, with 130,000 organisations and almost one million individuals being part of this scheme from 2011/12 to 2015/16, and the active labour force covered by the scheme was 1.9 million in 2016 (Abels and Guven, 2016).

In terms of adequacy of benefits, the old-age pension is 30% of the worker's average monthly earnings in the last three years before retirement plus 1.25% (civilian) or 1.65% (military) of the insured worker's average monthly wage for each year of service exceeding ten years. The minimum monthly pension is ETB744 (approximately US$26.53) and the maximum monthly pension is 70% of the insured worker's average monthly basic salary (ISSA, 2019). If one judges the minimum monthly pension using the national poverty line, which was ETB510 per month per capita in 2017 prices, it is clear that the minimum pension is adequate as it enables beneficiaries to enjoy 45% more income than those on the poverty line. However, the Ethiopian pension system lacks an indexation measure to maintain the pensioners' purchasing power throughout that retirement period, which requires raising pensions as a response to the growth in wages or cost of living.[11] Indexation post-retirement preserves the relative value of the pension benefit throughout retirement; the lack of it means a decline in the real value of the pension benefit over time (Abels and Guven, 2016). Moreover, as the majority of Ethiopia's workforce is in the informal sector, the reach of social security is highly limited, with most people having no formal labour contract that would guarantee them access to the benefits of public as well as private social transfer schemes (Endale et al., 2019).

According to the ILO (2018:17) 'the level of expenditure on the income security of older persons is a useful measure for understanding the development level of pension systems'. While the level of expenditure is largely determined by multiple factors, including demographic structure, effective coverage, adequacy of benefits, and size relative to GDP, the global average of public social security expenditure on pensions and other non-health benefits allocated for older persons is 6.9% of GDP. For sub-Saharan Africa, the average expenditure is about 1.6% of GDP with the smallest share in the world of persons aged 65 and above in the total population, which is currently standing at 3.1% (ILO, 2018). The latest available figure for Ethiopia is 0.3%, which is significantly below the sub-Saharan African average (see **Table 4**).

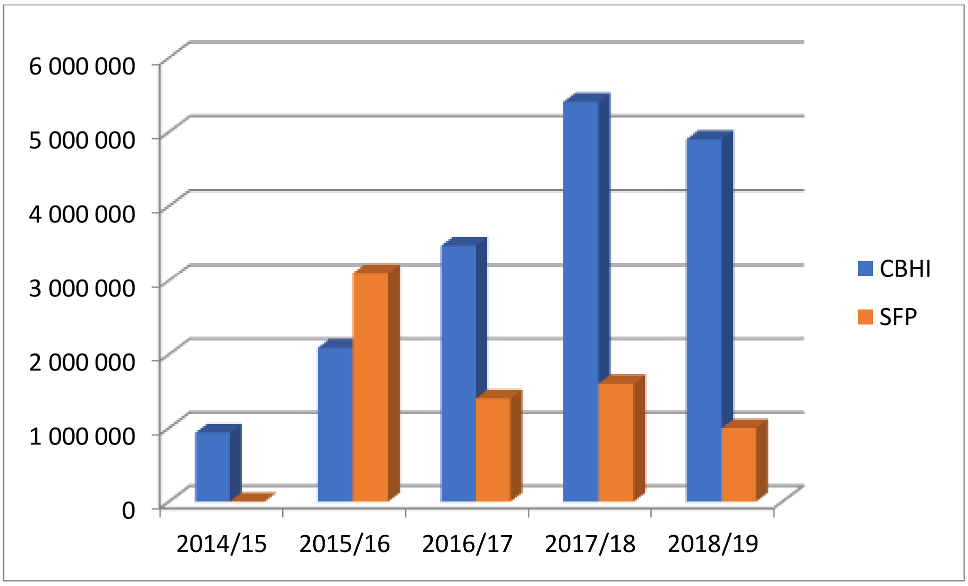
Table 4: *Key indicators of contributory social insurance in Ethiopia*

Key indicator	
Public social protection expenditure for older persons (% of GDP, without health)	0.3 % (2014)
Estimate of legal coverage for old age as a percentage of the working-age population	57.5 (Total) 45.8 (women)
Old-age effective coverage: old-age pension beneficiaries	15.3 %

Note: the proportion of older persons receiving a pension is the ratio of persons above statutory pensionable age (60+) receiving an old-age pension to persons above statutory pensionable age.
Source: ILO, World Social Protection Database, based on the Social Security Inquiry (SSI). Available at: http://www.socialprotection.org/gimi/gess/RessourceDownload.action?ressource.ressourceId=54609 (accessed 16 July 2020)

Other social protection measures such as CBHI and the school feeding programme started relatively recently, in 2012 and 2015 respectively. Despite being recent, however, the programmes have been successful in their coverage and reach. For instance, the number of beneficiaries of CBHI reached 5.4 million in 2017/18 in five regions from 936,169 in 2015. The number of children benefitting from the school feeding programme reached one million in 2018/19 (**Figure 2**).

Figure 2: *Number of CBHI and SFP beneficiaries 2014/15-2018/19*



Source: based on UNICEF (2019) and updated using data from Ministry of Health and Ministry of Education

Assessing the CBHI and school feeding programme shows positive outcomes. The CBHI, for instance, has contributed to improvements in the quality of health care services through increased flow of predictable resources; promoted active engagement of the community, with the likelihoods of CBHI members visiting a health facility being much higher than for non-members; and contributing to the empowerment of women (Mebratie, Sparrow, Yilma, Abebaw, Alemu and

Bedi,2019). Similarly, the school feeding programme has kept children in schools and reduced the dropout rate (Zenebe, Gebremedhin, Henry, Regassa,2018).

In summary, the social protection system in Ethiopia can be analysed in terms of its scope and performance using the World Bank's Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) database, which provides a compilation of indicators that include coverage, benefit incidence and adequacy of transfers, among others. The data for Ethiopia is very limited, with relatively complete data available only for the year 2015 (see **Table 5**). Coverage shows the total number of social protection programme beneficiaries as a percentage of a given population. It helps to indicate the size of the programme 'blanket' in both absolute and relative terms (World Bank, 2018). As can be seen from Table 5, social protection coverage in Ethiopia has shown a significant improvement over the years from a mere 0.59% to 21%, mainly as a result of the launching of the RPSNP that target millions of chronically food-insecure households in rural Ethiopia. In this regard, Ethiopia has performed slightly better than the average coverage for low income countries, which is 18% of the poorest quintile.[12] With regard to transfers as a share of beneficiary welfare, Ethiopia has also shown itself to be above the average figures for low income countries, which stand at 13% of the lowest quintile's consumption in 2018 (see World Bank, 2018). However, given the long history of the formal social protection system in the country, and that there is the need to expand the coverage and increase the beneficiary incidence and adequacy of transfers, these performances are not encouraging.

Table 5: *Key Performance Indicators of Social Protection Programs in Ethiopia*

	Coverage		Beneficiary incidence	Transfer as a share of beneficiary welfare (adequacy)	
Year	**Poorest quintile**	**Total**	**Poorest quintile**	**Poorest quintile**	**Total**
2004	0.59	0.51	23.14		
2010	16.21	13.25	24.46		
2015	21.23	21.10	20.09	14.41	11.63

Source: Author's compilation based on ASPIRE (Atlas of Social Protection: Indicators of Resilience and Equity) 2020.

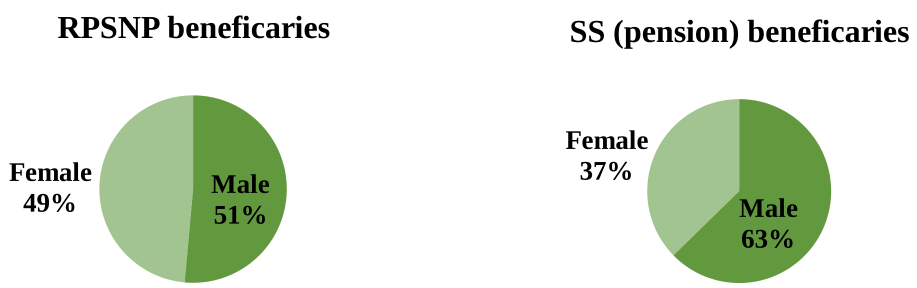
The types and nature of contributory and non-contributory social protection programmes in Ethiopia is summarized in **Table B** (Annexures). The implementation of these programmes largely indicates fragmentation, despite the existence of a National Social Protection Policy (NSPP). One such indicator of fragmentation is the frequent changes of ministries and agencies involved in implementing various social protection programmes in the past two decades. For instance, the PSNP has been implemented by the Ministry of Agriculture (MoA) as it oversees the implementation of public work programmes, whereas the Ministry of Labour and Social Affairs (MoLSA) is responsible for designing and managing transfers to direct support beneficiaries. Similarly, for the UPSNP, the Ministry of Urban Development and Housing (MoUDH) implements the public work component of the programme while the management of transfers to direct support beneficiaries of the RPSNP falls under MoLSA's jurisdiction. When it comes to contributory social security, the public sector employees' social security scheme is managed by the PSSSA, which is overseen by a board of directors chaired by the state minister of MoLSA while POESSA manages the private sector social security scheme overseen by a tripartite board composed of government, the employers' federation, the labour union and other key stakeholders. This spreading of social protection programmes across different implementing institutions may create lack of alignment and coordination of activities, thereby adversely affecting the efficiency and effectiveness of social protection schemes.

Another key issue in the implementation of social protection programmes in Ethiopia is the dominant role of donors in the financing of social protection interventions. For instance, in 2015/16, donor financing accounted for 60% of the total expenditure on social protection (Endale et al., 2019). For the RPSNP, donors' contributions have reached ETB8.7 billion – 82% of financing in 2017/18 (see UNICEF, 2019). This may threaten the sustainability of the programme both in the short and long run. In the short run, the implementation of social protection programmes is increasingly being affected by discrepancies in the budget and expenditure amounts, following the frequent delays in procurement and the unpredictability of donor funding. In the long run, donor funding will affect the economy as the majority of donor support takes the form of loans, whose repayment will be borne by Ethiopian tax payers (UNICEF, 2019). Moreover, given the fact that Ethiopia now belongs to the 15 highest beneficiary countries in terms of Official Development Assistance for social protection as a percent of GDP (currently standing at 0.43 %) (ILO, 2019), it is unlikely that, with the current economic downturn caused by Covid-19 pandemic, a country such as Ethiopia will receive more funding for its social protection programmes.

With regard to the socioeconomic profile of the beneficiaries, as a crucial component of the implementation of social protection programmes, the available data on social protection performance in Ethiopia indicates that, in terms of total coverage, the rural people are largely targeted by formal social protection schemes, more than their urban counterparts, with 24.48% of them participating in social protection and labour programmes, while 18.41% of the urban population participated in such programmes in 2015 (see **Table C**, Annexures). This is to be expected, as the PSNP dominates the social protection landscape in Ethiopia and it was only recently that the government launched the UPSNP.

In terms of the gender distribution of beneficiaries, the majority of the RPSNP beneficiaries are women, being 51% of the total number of beneficiaries between 2015/16 and 2017/18. Moreover, the RPSNP provides pregnant women with a form of paid maternity leave, with 'cash benefits after six months of pregnancy and during the first ten months after delivery, exempting them from participating in public work' (ILO, 2017:37). In the contributory government employees' social security scheme, however, the majority of beneficiaries were male (63%) in 2019/20 (**Figure 3**). The number of female civil servants who are benefiting from the pension scheme is steadily increasing, with an average growth rate of 11% between 2011/12 and 2019/20.

Figure 3: *Distribution of major social protection programme beneficiaries of by sex*



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Source: Author's calculation based on data from PSSSA(2020) and World Bank (2015)

Despite the expansion of social protection initiatives in the past decades in Ethiopia, the most vulnerable and marginalized segments of the society, namely the youth and people with pastoral livelihoods, have been largely excluded from social protection benefits as they did not fit the targeting criteria. This is in sharp contrast to the fact that Ethiopia has a youthful population (with 41% of its total population being under 15 years of age and about 30% aged between 15 and 29 in 2017) This, coupled with youth unemployment that is estimated at nearly 27% (USAID, 2018), makes the problem all the more pressing. Similarly, pastoralism and agro-pastoralism provide livelihoods for more than 12 million Ethiopians and constitute around 61% of the nation's land area (Eneyew, 2012). Despite this, however, past investments in social protection have been highly unequal and often excluded pastoral areas for years. It was only recently that PSNP began to be implemented in these regions, in earnest in 2013/14.

The regional distribution of the major social protection programmes in Ethiopia indicates that, with the exception of the recently launched school feeding programme, most programmes were implemented in four regions, namely, Tigray, Amhara, Oromia, and SNNP. Certainly, this was the case for PSNP in its previous phases that were implemented from 2005 until 2014. In its current phase, the rural PSNP (PSNP IV) is still not operational in two regional states – Gambella and Beneshangul-Gumuz. Likewise, the urban PSNP is limited in its operations and currently implemented in 11 major cities in the country (Adama, Addis Ababa, Assayita, Asosa, Dessie, Dire Dawa, Gambella, Hawassa, Harari, Jigjiga and Mekele). The CBHI has been operational in the four regions and included Beneshangul-Gumuz and Addis Ababa in 2017/18.

Social protection and role of digital technologies

Digital technologies, mainly in the form of information communication technologies (ICTs), are increasingly becoming accessible and affordable worldwide. This has raised hopes about the potential benefits of such services in providing access to information, markets and financial solutions, and thus revolutionizing the agricultural sector in low income countries such as Ethiopia. Digital technology can also contribute to social protection by facilitating the provision of informational ICT services to farmers pertaining to real-time information about environmental conditions or nearby market prices that would allow people to make better decisions. This would complement the preventive and protective element of social protection service provisions (McKinnon, 2019).

Digital technologies can be directly applied in the provision of social protection services, mainly through availing financial solutions to help in transferring cash benefits, record keeping, credit provision and extending agricultural insurance.

In Ethiopia, technological advancements have made cash transfers increasingly available, and the use of mobile phones in particular has improved accessibility for beneficiaries. E-payment was formally launched in 2011 and established as an alternative payment system for PSNP. In 2013, the PSNP Joint Review and Implementation Support Mission reached an agreement to pilot the use of e-payment for channelling transfers to programme beneficiaries. Mobile phone technology was first used in Ethiopia to transfer cash using a service called M-BIRR. With the launching of PSNP IV, which upholds two important core principles – the cash-first principle and the 'primacy of transfers' to ensure appropriate, timely and accessible transfer of resources to beneficiaries – the e-payment modality began to be fully implemented (World Bank, 2017). The time-consuming nature of physical cash distribution is often liable to delays due to weather, poor infrastructure, and remote location of beneficiaries. The use of e-payments helped to address these problems. As Ethio-telecom, the state-owned operator, cannot legally provide financial services, the e-payment service is provided by M-BIRR and six micro-finance institutions that reach out to most regions of the country with more than 7000 branches and agents (Lynch, 2019).

E-payments under the PSNP employ one of two approaches: point-of-sale devices with biometric readers and mobile phone money transfers. Both approaches involve working with local micro-finance institutions. In 2015, 420 000 beneficiaries received their cash payments through e-payments, and in 2017 the e-payment was scaled up to 66 districts, reaching almost 1.3 million beneficiaries and reducing the average transfer collection time by almost half – from a total time of seven hours to four hours (World Bank, 2017). According to the World Bank, more than 50% of cash-only districts are using e-payment to transfer payments to beneficiaries, having a huge implication for the timely transfer of benefits as well as reducing operational costs. By early 2019, more than 800 000 households, representing more than 3.5 million Ethiopians, received cash support from PSNP via the M-BIRR service (Tirune, 2019).

In addition to the application of digital technology in social protection service provision, digital technology in particular and the digital economy in general are transforming the nature of work by creating and expanding non-standard work, having far-reaching implications for social protection systems. Digitalization can have significant impacts on employment and working conditions, raising questions on the status of workers who provide services through digital platforms, which may include a plethora of emerging services and economic functions performed using the internet. New technologies such as artificial intelligence are likely to bring forth a major shift in the labour market, including the loss of jobs in some sectors and the creation of opportunities in others. The digital economy will necessitate a range of new and different skills, a new generation of social protection policies, and a new relationship between work and leisure. Such changes will present a challenge for social protection schemes as they will have implications for social security (pension schemes), health insurance, employment insurance and so on. As the contribution from standard work declines due to a shift in the labour force to non-standard work, the viability of social security programmes can also be threatened (McKinnon, 2019; Choi, Dutz and Usman, 2020).

In Ethiopia, formal employment is still low compared to the total population size, with self-employment in the informal sector comprising about 73.6 % of the labour force (Choi et al., 2020). Moreover, the number of employees who are engaged in the digital economy is insignificant as internet penetration is very low, at 17.8 % in 2020, which is way below the African average of 39.3% (Africa Internet Users 2020, n.d.), not to mention the lack of ICT skills that hampers the ability to reap the benefits of the internet (Choi et al., 2020). However, as in many developing countries, the share of employment in high-skilled occupations increased in Ethiopia by 8% from

2000 to 2014 (World Bank, 2019), implying that the digital economy is on the rise. According to some estimates, by 2025, the ICT sector, as the major part of digital economy, could employ more than 126 000 workers, an increase of 62% from 2018 (FDRE, 2019). In fact, there is evidence that shows the effect of digital technology on social security in Ethiopia, observed after the introduction of the social insurance law that sought to extend pension and disability benefits to private sector employees. The law pushed private firms to adopt more technology, as the contributory financing model of social insurance makes employing workers more costly, which in turn reduced employment among lower-skilled workers, accentuating the formal-informal divide in the labour market (World Bank, 2019). This suggests making some modifications to the traditional contributory approach to social insurance to cater for the needs of both workers and employers in an economy where formal and stable employment is less common.

In general, as Choi et al. (2020:33) note, 'the adoption of digital technologies is more pro-inclusion in low-income sub-Saharan African countries relative to higher-income countries', with the potential for strong, positive net effects on jobs with a potential to lead to higher productivity and jobs gains in the informal sector. The recently approved *Digital Ethiopia Strategy 2025* also envisages creating an inclusive digital economy that taps the potential gains from digitalization across sectors in improving productivity, efficiency, and accuracy.

Policy options for vertical and horizontal expansion of social protection in Ethiopia

Social protection policies traverse multiple sectors, and require strong coordination and collaboration among different actors and stakeholders in their implementation. In Ethiopia, the main actors involved in social protection are government ministries (Ministry of Labour and Social Affairs (MoLSA), Ministry of Agriculture (MoA), Ministry of Urban Development and Housing (MoUDH)), several non-governmental organizations, the private sector through POESSA, and civic and community-based organisations such as the National Association for Persons with Disabilities. Ethiopia developed a comprehensive social protection policy relatively recently, in 2014, to set a common framework for all SP programmes in the country. This policy, along with the National Social Protection Strategy (NSPS) and the National Social Protection Action Plan, clearly identified its target groups and designed specific programmes that could potentially change the lives of the most vulnerable social groups. The NSPS identifies 12 segments of society as the most vulnerable social groups. These include children under difficult circumstances, pregnant and breastfeeding women, vulnerable people with disabilities, vulnerable people with mental health problems, older people with no care or support, citizens affected by HIV/AIDS and other chronic diseases, people vulnerable to violence and abuse, people vulnerable to natural and human made risks, unemployed citizens of working age, citizens engaged in the informal sector and who have no social insurance coverage, victims of social problems such as beggars, commercial sex workers, drug and medicine addicts, victims of human trafficking and repatriated emigrants (MoLSA, 2014).

The policy classifies social protection initiatives as having four major functions: (1) protective, such as in response to emergency situations; (2) preventative, to reduce asset loss through support; (3) promotive, to build assets and capacity; and (4) transformative, in the form of systemic changes, such as legal change to protect against violence and abuse (MoLSA, 2014). There are five major policy measures set out in the policy which promote a productive safety net: promoting employment and improving livelihoods; increasing social security and health insurance coverage; increasing access to basic services; and providing legal protection and support to segments of society vulnerable to abuse and violence (MoLSA, 2014:6). All of these measures crosscut two of the three forms of SP interventions – social insurance and social assistance – and mostly leave out universal transfers.

One of the recurring themes in the policy document is the expansion of social protection coverage, particularly safety nets to ensure food security for the majority of the vulnerable rural population. Accordingly, the RPSNP has shown a steady horizontal expansion from an initial coverage of five million to a maximum of eight million people in 15 years. However, in terms of vertical expansion, which requires increasing the benefit value of the programme, the RPSNP can be said to have scaled-back as the transfer value has been reduced along with a reduction in the number of people who receive a livelihood grant, as increasing affordability and fiscal sustainability become overriding concerns for the government (World Bank, 2017). For instance, the expenditure on RPSNP has shown a decline from ETB14.5 billion in 2016/17 to ETB 11.1 billion in 2017/18, as the government's budgetary contribution increased from 1.5 billion (10.8%) in 2016/17 to 1.9 billion (18%) in 2017/18 (UNICEF, 2019).

The UPSNP has shown a horizontal expansion as it reached 262,800 beneficiaries in 2019/20 from the initial 190 000 beneficiaries in 2015/16. However, vertical expansion is yet to be achieved as the transfer size is very small compared to the level of urban poverty and the high cost of living. The transfer size for direct support beneficiaries is about ETB2040 per year (approximately US$100 per year) in 2015.

With regard to contributory social security or pension schemes, there has been both horizontal and vertical expansion to some extent, with the growth of formal employment in both public and private sectors. The adoption of mandatory social insurance in 2011 extended pension benefits to hitherto-excluded private organization employees, and extended employer responsibility in the private sector. However, the size of the elderly population that is currently covered by the mandatory social insurance scheme is only 20 % with a meagre pension amount (the average pension being low at US$30 per month), and with a total of 0.3% of GDP expenditure for older persons, excluding expenditure on health (ILO, 2018; Tadele, 2019). According to the report by the Ethiopian Central Statistical Agency (2015), older people account for close to 4.7 % of the total population in Ethiopia, numbering close to 4.2 million.[13] Given the fact that the population of older people is expected to rise to 6.1% by 2050 (United Nations, 2019), there is an urgent need to expand the contributory social security scheme to cater for the needs of this growing population.

In the following paragraphs, an analysis of alternative ways of expanding social protection coverage in Ethiopia is presented along with cost estimates and affordability of selected social protection programme options.

Social protection expansion and cost estimates for Ethiopia

As stipulated in the National Social Protection Policy, there are 12 vulnerable social groups identified as target groups for social protection coverage. However, extending the current social protection coverage to reach all of these groups is a daunting task as the aggregate size of these groups would make about 62% of the total population, a staggering proportion (CSA, 2016 cited in Tadele, 2019). Thus an alternative, more affordable and comprehensive approach to social protection is the use of 'social minimum' or a social protection floor that would benefit several vulnerable groups (Devereux and Teshome, 2013).[14] The social minimum offers a minimum package of basic social protection services that cover essential health care, benefits for children, benefits for informal workers and the unemployed, benefits for older persons and persons with disabilities, and aims to gradually realise social protection as a human right (Behrendt, 2010; Ortiz Durán-Valverde and Behrendt, 2017). According to the ILO (2017), extending social protection for all citizens is fairly affordable even for the poorest countries. In this paper, three alternative programmes, namely social pensions, child benefits and benefits to persons with disabilities (PwDs), who together account for 48% of the population, are identified as the major ways by which the current social protection system can be extended in Ethiopia to accommodate the most vulnerable and excluded groups. The proposed programme options are all non-contributory, as the contributory approach is not a good fit for low-income countries such as Ethiopia, where formal and stable employment are less common.

Social Pensions

Although the number of people in Ethiopia aged 65 and above is low, it is steadily rising, and poverty among this group is high as they lack means of support in old age. As we have seen earlier in this section, the formal contributory social protection system in the form of pensions caters for only a small proportion of this age category, and most have to rely on the informal social protection system that basically requires close relatives to shoulder the responsibility of taking care of the elderly. However, with rapid social change and economic transformation, the informal social protection system breaks, exposing the elderly to destitution. Thus providing a non-contributory universal social pension is essential and a step forward in promoting and protecting the rights and dignity of older persons. Such universal coverage in old-age pensions has already been achieved by more than 20 countries, out of which seven are in Africa (ILO, 2017).[15] Implementing a universal social pension for the elderly is possible with a steady horizontal and vertical extension of coverage in combination with contributory social insurance schemes.

A universal social pension for all in Ethiopia would cover approximately 3.4 million elderly people, who make up at least 3.5 % of the population (see **Table E**, Annexures, for the age distribution). **Table 6** gives cost estimates for social pensions in Ethiopia as a percent of GDP and in actual costs. Across all given social pension scenarios that alternate universal coverage with targeting schemes for the poor and include benefit levels that equal the poverty line and minimum salary, the cost ranges between 1.34% and 2.28% of GDP, approximately reaching from US$1.16 billion to US$1.97 billion per year. Clearly, social pensions should be universal in their design but for a low-income country such as Ethiopia, the targeted version, with a minimum salary, can be a feasible design option to start a social pension system that would gradually expand to a full-fledged universal scheme.

Table 6: *Cost estimates for social pensions in Ethiopia showing alternative scenarios*

Pension type	Benefit level*	Cost as % of GDP	Cost in US$ billion per annum**
Universal age 65+	100% of the poverty line	2.28%	1.97
Poor only age 65+	100% of the poverty line	1.62%	1.40
Universal age 65+	100% of the minimum salary	1.87%	1.62
Poor only age 65+	100% of the minimum salary	1.34%	1.16

*The benefit level is given as 100 % of the national poverty line in ETB, which is ETB6120.7 Administration costs are included.
**Based on the US$86.6 billion GDP in 2019 (World Bank, 2020).
<u>**Source:**</u> Author's calculations using the ILO's Social Protection Floors Calculator and based on the ILO's World Social Protection Database, 2017

Child benefits

As in the case of any low income country, the Ethiopian population distribution is pyramid-shaped with a huge number of children compared to older persons. The proportion of children in the Ethiopian population was estimated to be 41.4% in 2015. Thus, implementing a child benefit programme is very expensive. For instance, a universal child benefit (UCB) scheme that covers all children under the age of 15 would cost as much as US$23.45 billion per year, which is impossible to afford. Taking into account that the current average spending on child benefits for low income countries is 0.4 % of GDP, and that covering all children requires a minimum of 2% of GDP in low income countries (ODI and UNICEF, 2020), a reasonable cost estimate for a child benefit scheme in Ethiopia would be one that alternates between a UCB with a benefit set at 25% of the poverty line for children under five years, or a targeted variant of the same scheme (see **Table 7**). These two alternatives yield a cost estimate ranging from 1.84% of GDP (US$1.59 billion per year) and 2.40% of GDP (US$2.07 billion per year)[16]. Affordability of UCBs is often presented as the main constraint for implementing such schemes, and no low income or middle income country is currently implementing a full UCB (ODI and UNICEF, 2020).

Table 7: *Cost estimates for child benefit in Ethiopia showing alternative scenarios*

Pension type	Benefit level*	Cost as % of GDP	Cost in US$ billion per annum**
Universal age <15	100% of the poverty line	27.08%	23.45
Poor only age <15	100% of the poverty line	20.80%	18.01
Universal age <5	100% of the poverty line	9.60%	8.31
Poor only age <5	100% of the poverty line	7.37%	6.38
Universal age <5	25% of the poverty line	2.40%	2.07
Poor only age <5	25% of the poverty line	1.84%	1.59

*The benefit level is given as 100% or 25% of the national poverty line in ETB, which is ETB6120.7 Administration costs are included.
**Based on the US$86.6 billion GDP in 2019 (World Bank, 2020).
Source: Author's calculations using the ILO's Social Protection Floors Calculator and based on the ILO's World Social Protection Database, 2017

Disability grants for PwDs

The number of PwDs in Ethiopia is not reliably known or estimated, largely due to lack of proper census and disclosure. As a result, while some official statistics underestimate the number of disabilities in the country at 1.1 million (The Ethiopian Herald, 2018), others put the number at 15 million, representing 17.6 % of the population, in 2011 (World Health Organization, 2011). In his comprehensive study of disability in Ethiopia, Tirusew Teferra estimate that PwDs constitute about 10% of the Ethiopian population (Teferra, 2005). The great majority of PwDs live in rural areas with no or limited access to basic services, and it is estimated that the overwhelming majority of PWDs in Ethiopia – about 95% – live in poverty, with a quarter of them being economically inactive and having to depend on family support and begging for their livelihoods. Moreover, a third of PwDs are estimated to be more than 50 years old, which means that they are the most vulnerable segments of society, needing social protection assistance (Tadele, 2019). As one of the eligibility criteria for being part of the direct support component of the RPSNP is disability, it can be said that many households with PwDs would benefit. However, given the size of PwDs and that direct support is only a small fraction of the programme, there are millions of PwDs who are left with no support and there is a need to extend social protection to these people.[17] One way of extending social protection benefits to PwDs is by establishing specific disability related disability programmes such as disability grants. However, while specific disability programmes are less cost effective than generic social protection programmes, they can guarantee that PwDs get equitable access to social protection benefits based on their needs (Oddsdottir, 2014). Based on the ILO's social protection floors cost calculator, **Table 8** indicates the various cost scenarios for implementing disability grants in Ethiopia using a very modest estimate of a disability rate of 3.15% of the population. A universal disability grant to all persons with severe disabilities that provides a transfer at 100% of the poverty line costs around 1.13% of GDP (US$0.978 billion per year). This cost can be reduced to US$0.805 billion per annum if the benefit is given as 100% of the minimum salary instead of the poverty line. The least costly scenario is the one that provides a transfer of 25% of the poverty line, which costs about US$0.24 billion a year. Given the current low level of expenditure on PwDs, the least costly scenario seems a viable option to implement disability grants that can gradually expand vertically.[18]

Table 8: *Cost estimates for disability grant in Ethiopia with alternative scenarios*

Pension type	Benefit level*	Cost as % of GDP	Cost in US$ billion per annum**
Universal	100% of the poverty line	1.13%	0.978
Universal	100% of the minimum salary (ETB 5,040)	0.93%	0.805
Universal	25% of the poverty line	0.28%	0.242

* The benefit level is given as 100 % or 25% of the national poverty line in ETB, which is 6120.7 Administration costs are included. Benefit consists of a cash transfer to people with disabilities within the active age range (15-64). Administration costs are included.
** Based on the US$86.6 billion GDP in 2019 (World Bank, 2020).
Source: Author's calculations using ILO's Social Protection Floors Calculator and based on the ILO's World Social Protection Database, 2017

In general, expanding social protection to the least minimum cost scenario for implementing the ILO's social protection floors for social pensions, child benefits, disability grants, orphan support and maternity benefits would cost 6.58% of GDP (around US$5.68 billion per year) (see **Table D**, Annexures). In the NSPP, it is stated that 'basic social protection services shall be prioritized and budget will be allocated progressively' (MoLSA, 2014: 11). To achieve the NSPP's objectives, 'it is outlined that the government of Ethiopia would allocate 2%–3% of GDP to social protection' (Lemma and Cochrane, 2019:8), which is half of what it takes to implement the least minimum social protection floor in the country without considering the main social protection programme, the PSNP, to which the government is progressively increasing its budgetary contribution. Moreover, since the government's contribution to social protection as a share of GDP averaged only 1.0% of GDP between 2012/13 and 2015/16 (Endale et al., 2019), there is a huge fiscal limitation to scaling-up social protection in the country. But this does not mean that expanding social protection is unaffordable in Ethiopia. In fact, it is possible to extend social protection floors and expand fiscal space to generate resources by considering all or some of the following eight options proposed by Ortiz et al. (2017:52) which can make social protection affordable even in the poorest countries. The options are: (1) re-allocating public expenditure; (2) increasing tax revenues; (3) expanding social security coverage and contributory revenues; (4) official development assistance; (5) eliminating illicit financial flows; (6) using fiscal and foreign exchange reserves; (7) managing debt, borrowing or restructuring existing debt, and (8) adopting a more accommodative macroeconomic framework. Currently, the Ethiopian government seems to rely more on the fourth option, as its largest social protection programme is mainly funded by donors, but as the NSPP rightly outlines, there is a need to look for alternative sources to financing social protection such as expansion of tax collection as a proportion of GDP and reallocation of budget to make the recurrent costs of providing basic social protection floors affordable.[19]

Conclusion and ways forward

Social protection has been a vital component of poverty reduction strategy and development strategy over the past 15 years in Ethiopia. The country currently implements three contributory social protection schemes – two social insurance or pension schemes and a social health insurance scheme – and three large-scale non-contributory schemes – the RPSNP, UPSNP and school feeding programme. These programmes currently cover about 21% of the country's population, indicating huge progress in expansion of social protection compared to the mere 0.5% coverage in 2004. However, this expansion of formal social protection has not kept pace with the country's growing population as a result of which the overwhelming majority of the country's population has to rely on various informal social protection mechanisms. Besides, with more emphasis on horizontal expansion of social protection initiatives in the recent decade, the vertical expansion of these initiatives has shown a gradual decline, with the real value of benefits being reduced. This implies that the provision of effective and comprehensive social protection has been a challenge in the country. The challenges stem from two sources – political and financial. Politically, the government's interest in using social protection initiatives for promoting political stability and supporting regime legitimacy caused social protection to subscribe to productive objectives laid down in its developmental state ideology. This instrumental view distanced social protection implementation from the rights-based approach, causing the most developed aspect of social protection in Ethiopia to be tied to public works and conditional on labour contribution. Moreover, the food-security strategy and institutions dominated social protection for decades, making it essentially a rural programme rather than being all-inclusive. The second challenge is the high cost of implementing large-scale social protection programmes that made donor financing a constant part of social protection implementation in Ethiopia. The possibilities for expanding the fiscal space in order to extend coverage of social protection using the social minimum, or the ILO's social protection floor, could involve three programmes, namely social pensions, child benefits, and disability grants, that would cost up to 3.5 % of GDP annually to implement using the least costly programme designs. Investing in these programmes can be financially more feasible and affordable by using alternative sources of funding, such as expansion of tax collection and reallocation of budgets. Finally, social protection should be seen as a right that citizens claim rather than as an instrument for achieving political and economic objectives.

The following points can be put forward as recommendations

- There is a need to broadening fiscal space in order to extend coverage of social protection to accommodate the needs of vulnerable groups that hitherto were neglected, such as the elderly, children, and persons with disabilities. To accomplish this objective, the government of Ethiopia needs to transit from primary dependence on external donor funding to internal resource mobilization. In the short run, reducing the high administrative costs involved in social protection programmes will provide additional resources to invest in the expansion of social protection. One way of reducing the administrative cost is by using digital technologies for transferring benefits. Given the economic growth achieved in recent years, it is possible to cover the cost of social protection programmes.

- The restructuring of social protection institutions is required, with a focus that transcends the food security issue, which dominates social protection in Ethiopia. This, however, calls for a political commitment, and given the policy inclinations of the new administration towards free market capitalism as opposed to its predecessor, there is room for adopting a social protection approach that integrates the needs of all segments of society and not just the rural, through expanding social insurance, social assistance and universal transfer programmes.

- The current institutional fragmentation needs to be addressed and the various programmes and initiatives need to be either consolidated or coordinated by a single entity. The Ministry of Labour and Social Affairs is given the mandate for playing this role in the National Social Protection Policy but this has not been translated into action, as the ministry lacks the necessary financial and human resources to perform the role.

The possibility of linking the formal and informal social protection mechanisms and the role of informal social protection can be considered for future research, particularly given the fact that many of the informal mechanisms are directly or indirectly being formalized by adopting bureaucratic structures. Moreover, with the advent of digital technology and associated entrepreneurship, people are likely to face more market-related risks, indicating the need for more research in the future to understand the role of social protection.

Notes

[1] SDG 1.3 requires countries to implement nationally appropriate social protection systems for all, including floors, for reducing and preventing poverty (ILO, 2017).
[2] Conservative estimates show that up to two million people could lose their job due to Covid-19 in Ethiopia and in the worst case this could reach up to four million (UN, 2020).
[3] This pension scheme continued until 2003, when it was amended and consolidated by the Public Servants Pension Proclamation No 345/2003, later amended in 2011 by Proclamation No 714/2011 (see Table A. in the Annexures for a summary of major social protection policies and legal provisions in Ethiopia).
[4] The joint donor group includes the Canadian International Development Agency (CIDA), the UK Department for International Development (DFID), Development Co-operation Ireland, the European Commission (EC), the US Agency for International Development (USAID), the World Bank and the World Food Programme (WFP).
[5] The size of the population in 2005 was 76.35 million, and currently it is estimated to be around 110 million. Some estimates put the size of *iddir* membership much higher than this. For instance, Zewge (2004), cited in Teshome et al. (2015), estimates that about 87 % of Ethiopians in urban centres and close to 70 % of those in rural areas belong to an *iddir*.
[6] Ethiopia's currency is the birr (ETB).
[7] The *kebele* is the lowest administrative unit in Ethiopia.
[8] The program implementation manual also makes certain groups of a community, such as the sick and the disabled, pregnant and breastfeeding women and orphaned teenagers free from the obligation to participate in public works and therefore they are eligible for direct support. Moreover, the targeting responsibility is carried out by Food Security Task Forces, or FSTFs, that are organized at all levels from village to district with a bottom-up and participatory approach followed in making decisions about targeting (Sharp et al., 2006; Farrington, Sharp and Sjoblom, 2007).

[9] About one-third of PSNP beneficiaries were in the poorest consumption quintile in 2016, and 60% of beneficiaries were in the bottom 40% (Bundervoet *et al.*, 2020).

[10] In 2016, the annual benefits accrued to RPSNP direct support beneficiaries can be estimated to be around ETB7128 per household based on an estimated per capita monthly benefit of ETB165 (estimated from the 2016 Wage Rate Study) × an average household size of 3.6 (based on the baseline survey) × 12 months. The per capita consumption of the poorest quintile (rural) according to the 2011 HICES survey was ETB7104. The expected household consumption is ETB25,574.4 (calculated by taking into account the average household size of a direct support beneficiary households at to be 3.6). The RPSNP transfer values would yield 27.8% of consumption for the direct beneficiary households. For the public work beneficiaries, the annual benefits can be estimated to be around ETB4950 in 2016 by taking into account a per capita monthly benefit of ETB165 (estimated from the 2016 Wage Rate Study)× an average household size of 5 (based on the baseline survey) × 6 months. Compared to the ETB 25, 574.4 as expected household consumption, this will be 19.3 % of consumption of the household's total consumption.

[11] The government made a one-time 84% readjustment and increment on the pension fee for beneficiaries in early 2011, with no adjustments made thereafter.

[12] These coverage figures are calculated using household surveys and are subject to underestimation.

[13] This can be taken to be an overestimate. The UNFPA estimates the percentage of the population in Ethiopia aged 65 years and above at 3.5% in 2019, and by 2030 it is expected to reach 3.8 % (United Nations, 2019).

[14] Ethiopia is part of the UN-wide Social Protection Floors Initiative and the ILO's Recommendation 202 on National Social Protection Floors.

[15] These countries are Botswana, Cabo Verde, Lesotho, Mauritius, Namibia, South Africa, and Zanzibar (Tanzania)

[16] Ortiz, et al. (2017) estimated the same amount i.e. 2.4 % of GDP for a UCB for children less than 5 years in their costing estimates and affordability assessment in 57 lower income countries.

[17] Like most developing countries, Ethiopia provides disability protection through contributory social insurance schemes. However, these schemes cover a very small proportion of PwDs that are employed in the formal sector.

[18] According to the latest available figures, total expenditure by the federal government on protecting the rights of vulnerable groups such as women, children and people with disabilities was ETB4.2 million in 2015/16 and expenditure on social welfare programmes for the poor and vulnerable averaged ETB3.7 million per year between 2012/13 and 2015/16 (see Endale et al., 2019).

[19] Ortiz et al. (2017) furnish examples from successful experiences such as how Brazil used a financial transaction tax to expand social protection, and that Bolivia, Mongolia and Zambia are financing universal old-age pensions, child benefits and other schemes from taxes on mining and gas.

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ANNEXURES

Table A: *Summary of major social protection policies and legislations in Ethiopia*

Name of Legislation	Provisions	Gaps identified in the legislation
FRDE Constitution (1995)	Contains provisions that underpin actions taken to provide for social security including the duty of the state, within available means, to allocate resources to provide rehabilitation and assistance to the physically and mentally disabled, the aged, and to children left without parents or guardians (Article 41(5)); to pursue policies aimed at expanding job opportunities for the unemployed and the poor and undertake programs and public work projects (Article 41(6)); to undertake measures necessary to increase job opportunities for citizens to find gainful employment (Article 41(7)), and, to the extent the country's resources allow, to create policies aimed at providing all Ethiopians access to public health and education, clean water, housing, food and social security (Article 90) The FDRE constitution includes articles on rights including rights to life, security and liberty (Article 14, 16, 17); rights to equality (Article 25) and marital, personal and family rights (Article 34), equality between men and women in all spheres of life, right of women to be protected from laws, customs and practices that oppress or cause bodily or mental harm to women (Article 35), the right of children not to be subject to exploitative practices and to be free of corporal punishment or cruel and inhumane treatment in schools and other institutions responsible for the care of children (Article 36) The constitution also domesticates all international human rights instruments which Ethiopia has ratified, by stating 'all international agreements ratified by Ethiopia are an integral part of the law of the land'. (Article 9(4)) Ethiopia has adopted several international and regional instruments, including the Convention on the Rights of the Child (ratified by Ethiopia in 1991), the African Charter on the Rights of the Child (1999), and the Convention on the Elimination of Discrimination Against Women (CEDAW) and ILO Convention 182 on the Worst Forms of Child Labour. Provides that all persons are equal before law and there can't be any discrimination on the grounds of race, nation, nationality, or other social origin, colour, sex, language, religion, political or other opinion, property, birth or other status (Art. 25). Mandates equality with men (Article 35(1)), in particular in employment, promotion, pay and the transfer of pension entitlements (Article 35(7), and 42 (1) d)).	
Public Servants' Pension Proclamation No. 714/2011 (As Amended)	Establishes the civil service pension, and the military and police service pension funds. Pension contribution payments are made towards the funds by the government and employees of the government on the basis of the amount of salary of the government employee (Article 8-14); Public Servants' Social Security Agency, established under the Council of Ministers Regulation No. 203/2011, is responsible for administering the fund (Article 13)	
Private Organization Employees' Pension Proclamation No. 715/2011	Until the coming into force of this legislation, only the public sector was covered by the pension scheme. Establishes the Private Organizations' Employees' Pension Fund. Contributions, based on the salary of the employee of the private organization, are made to the fund by the employer and the employee (Article 8-14) Private Organization Employees Social Security Agency established by the Council of Ministers Regulation No. 202/2011 is responsible for administering the fund (Article 12)	

National Social Protection Policy	Rationale for the policy: To ensure fair and sustainable utilization of resources from the economic growth of the country and to reduce poverty significantly and to ensure access and equitable benefit for the poorest of the poor and vulnerable segments of the society from the social and economic development; **Vision**: To see all Ethiopians enjoy social and economic wellbeing, security and social justice; **Main Objectives**: Protect the poor and vulnerable individuals, households, and communities from different natural and manmade adverse effects of shocks; establish social insurance system and increase its scope, increase access to equitable and quality health, education and social welfare services to build human capital; expand and guarantee employment for those vulnerable to unemployment; enhance employment guarantee for the segments of society under social problems through promoting employment opportunities; ensure that the society at all levels plays roles in the implementation of the policy Target groups: children under difficult circumstances; vulnerable pregnant and breastfeeding women; vulnerable people with disabilities and people with mental health problems; elderly with no care and support; labour-constrained citizens unable to get basic social and economic services; victims of social problems such as beggars, commercial sex workers; drug and medicine addicted; citizens affected by HIV and AIDS and other chronic diseases that constrain their ability to work; segments of the society vulnerable to violence and abuse; segments of the society vulnerable to natural and manmade risks; unemployed citizens, citizens engaged in the informal sector and who have not social insurance coverage; cictims of human trafficking and repatriated emigrants Major policy measures: promote productive safety net; promote employment and improve livelihood; increase social security and health insurance coverage; increase access to basic services; provide legal protection and support to segments of the society vulnerable to abuse and violence. Establishing a complete system, allocating the required finance for implementation, developing the social welfare workforce to be engaged in social services, and providing skills development training to create a conducive environment for entrepreneurship are the main strategies of the policy identified as necessary for realizing the above measures. Body responsible for implementation: the Federal Social Protection Council, to be established. Members of the council shall be government organizations and other concerned institutions mainly from Labour and Social Affairs, Women Children and Youth Affairs, Education, Health, Agriculture, Justice, Finance and Economic Development, Urban Development and Housing Construction, Trade and Industry Institutions, Public and Private Social Security Agencies, HIV/AIDS Prevention and Control Coordination Office. In addition, financial institutions, associations of employers, trade unions, civil society organizations and other relevant institutions will also be members of the Council as required.	

Labor Proclamation No. 337/2005 (As Amended)	Sets minimum age for employment and apprenticeships at 14 years (Article 89(2), 185 (1) and 48). For the civil service, the minimum working age is 18 years (Federal Civil Servants Proclamation No.515/2007, Article 14 (a)). The minimum working age is 18 for hazardous work (Article 89(1 &3) and 185 (1)); Prohibition on hiring young workers (between 14 and 18 years) to work in the transport of passengers and goods by all means and warehouses involving heavy work; electric power generation plants, transformers or transmission lines; underground work such as mining, quarries and similar works; and in sewers and digging tunnels (Article 89(4)(a)); Normal working hours for young workers shall not exceed 7 hours (Article 90); Prohibition on employing young workers in night work between 10p.m. and 6a.m., overtime work, weekly rest days or public holidays (Article 90); Organ responsible for implementation: Ministry of Labor and Social Affairs (Proclamation to Provide for the Definition of the Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia Proclamation No. 1097/2008, Article 29)	No minimum wage set by legislation.
Growth and Transformation Plan II (GTP) (2015/16-2019/20)	GTP II recognized remittances as one of the contributing factors for the positive development witnessed in relation to the balance of payments of the country.	No minimum wage set by legislation; The Labour Proclamation applies only to children in a contractual employment relationship, which does not conform to international standards that require all children be protected under the law establishing a minimum age for work; Labour Proclamation allows children ages 14 to 16 to engage in certain forms of hazardous work following the completion of a government-approved and inspected vocational training course. This contradicts ILO Convention 138, which prohibits hazardous work for all children under age 16. The types of hazardous work prohibited for children do not cover traditional weaving.
National Children's Policy (2017)	Aims to promote children's rights and combat child trafficking, commercial sexual exploitation, and child labour. Promotes access to quality primary and secondary education, education in rural areas or for out-of-school youth Body responsible for implementation: all government bodies play a leading role in implementing the policy, spearheading its implementation, coordinating, organizing, integrating, building implementation capacity and allocating budget. Furthermore they play a leading role in gathering, organizing and disseminating child-related information. The Ministry of Women and Children Affairs shall have the duty and responsibility to monitor and coordinate implementation of the policy and collect data from Government organs, as well as organize and report to the concerned bodies. A national council composed of federal and regional representatives that follows up and monitors the implementation of the policy will be established and cascaded to the lowest administrative hierarchy	

Table B: *A summary of contributory and non-contributory social protection programmes in Ethiopia*

Type	Description	Modes operandi	Year of establish-ment	Coverage	Caseload	Source of funds
Social insurance (pension) for public employees	For the last 50 years, the social insurance scheme served the civil servants, the military and the police.	Contributory; compulsory for formal employment in the public sector	1963	Across the country in all regions	700,000 people 15.3% (old age pension beneficiaries in 2015)	Contribution 11% for civilians, 25% (military and police personnel).
PSNP	This is the major component of the food security programme. It provides 8.3 million chronically food-insecure people in 318 *woredas* with predictable food/ cash transfers during lean seasons in order to smooth consumption. PSNP is designed in such a way that it is linked to household asset building facilities so that households eventually graduate from the PSNP.	Noncontributory Targets the chronically food insecure; able bodied (public works); labour poor (direct support)	2005	Initially in four regions (Tigray, Amhara, Oromia, & SNNPR) Since 2015, it included Somali, Afar, Dire Dawa, and Harari	7.99 million (2018) rural PSNP 370,343 (2018) UPSNP 604,000	Donors (82%) Government 18% in 2018
Social insurance (pension) for private employees	A new legal framework has established a private sector social security fund. With this provision, the government has responded to its constitutional obligation of treating citizens equally.	Contributory Initially, voluntary for the private sector employees but later made mandatory	2011	All regions	1.9% of active labour force	Up to 18% from employees
CBHI	The scheme is government-driven but with community engagement aiming at the provision of universal and equitable access to health care services to the rural population and informal employees in urban areas through pre-payment and risk pooling arrangements	Contributory	2012	Tigray, Amhara, Oromia, SNNPR, Benishangul-Gumuz Addis Ababa	5.4 million (2018)	
School feeding programme	Part of the National School Health Nutrition Strategy	Non-contributory	2015	All regions	1.6 million (2018)	GOE 294.8 billion (2017/18) and World Food Programme

Table C: *Performance indicators of social protection and labour programs (post transfer - no adjustments)*

Year	Average per capita transfer		Coverage (Poorest 20%)		Coverage (Total)		Benefit incidence (Poorest 20%)		Gini inequality reduction %		Benefit-cost ratio	
	Urban	***Rural***	***Urban***	***Rural***	***Urban***	***Rural***	***Urban***	***Rural***	***Urban***	***Rural***	***Urban***	***Rural***
2004	n.a.	n.a.	1.121	0.543	0.818	0.465	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2010	n.a.	n.a.	6.751	17.741	4.359	15.01	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2015	0.379	0.133	23.249	20.874	18.419	24.48	13.468	10.673	2.120	1.277	0.09	0.184
			Adequacy				**Poverty Headcount reduction %**		**Poverty Gap reduction %**			
			Poorest 20%		**Total**							
			Urban	**Rural**	**Urban**	**Rural**	***Urban***	***Rural***	***Urban***	***Rural***		
2004			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
2010			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
2015			23.649	16.39	16.70	9.83	17.78	6.35	30.82	10.33		

Definitions:

• Coverage: percentage of population participating in social protection and labour programs (includes direct and indirect beneficiaries). The indicator is reported for the entire population and for the poorest quintile of the post-transfer welfare distribution. Specifically the indicator is computed as (Number of individuals in the quintile who live in a household where at least one member receives the transfer)/(Number of individuals in that quintile).

• Benefit incidence: Percentage of benefits going to the poorest quintile of the post-transfer welfare distribution relative to the total benefits going to the population. Specifically, benefit incidence is (Sum of all transfers received by all individuals in the quintile)/(Sum of all transfers received by all individuals in the population). The indicator includes both direct and indirect beneficiaries.

• Average per capita transfer: Average transfer amount of social protection and labour programs among program beneficiaries (per capita, daily $ppp). The indicator is estimated for the entire population. For each household, per capital average transfer is estimated as total transfers received divided by the household size.

• Adequacy: The total transfer amount received by all beneficiaries in a quintile as a share of the total welfare of beneficiaries in that quintile. The indicator includes both direct and indirect beneficiaries and is reported for the whole population and the poorest quintile.

• Gini inequality reduction: Gini inequality index reduction due to social protection and labour programs as % of pre-transfer Gini index. Gini inequality reduction is estimated as (Inequality pre transfer- inequality post transfer) / inequality pre transfer

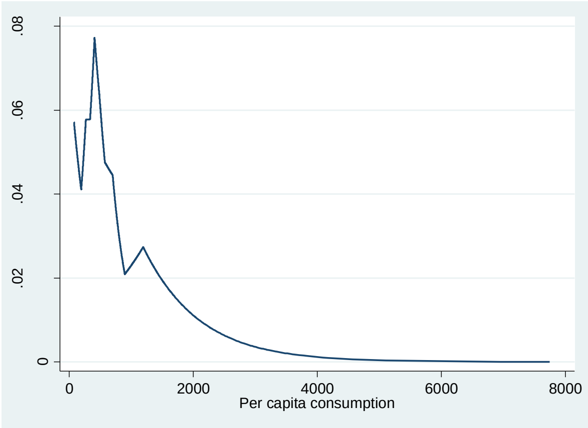
• Poverty Headcount reduction: Poverty headcount reduction due to social protection and labour programs as % of pre-transfer poverty headcount. Poverty headcount reduction is estimated as (poverty headcount pre-transfer- poverty headcount post transfer) / poverty headcount pre-transfer

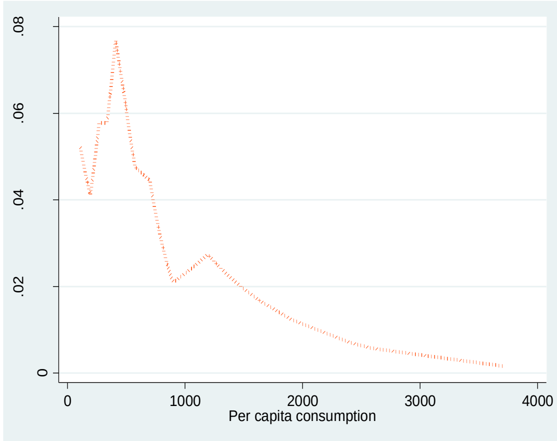
• Poverty gap reduction: Poverty gap reduction due to social protection and labour programs as % of pre-transfer poverty gap. Poverty Gap reduction is estimated as (poverty gap pre-transfer - poverty gap post transfer) / poverty gap pre-transfer

• Benefit-cost ratio: % reduction in poverty gap obtained for each $1 spent in SPL programs.
Benefit-cost ratio is estimated as (poverty gap pre-transfer - poverty gap post-transfer)/ total transfer amount

Source: Author's compilation based on ASPIRE (Atlas of Social Protection: Indicators of Resilience and Equity) 2020

Figure A: *Targeting efficiency of RPSNP (PSNP IV)*





In highland regions **In low land regions (Afar & Somali)**

The spline regression graph on the right shows that PSNP IV is likely to enrol the relatively non-poor in the Afar and Somali regions.

Source: computed from ESS dataset (2015) using spline regression and per capita consumption quintiles

Table D: *Cost scenarios for implementing social protection floors in Ethiopia (US$ Billion per annum)*

Type of SP programme	Cost of benefit as % of GDP	Estimated cost in Cost in US $ billion per annum
Cost of a child benefit of to all children (Less than 5 years old) of 25 % of the poverty line	2.38	2.06
Cost of a benefit of 100 % of the poverty line to all orphans	0.06	0.05
Cost as % of GDP of a benefit of 100 % of the poverty line to all persons aged 65 and over	2.28	1.97
Cost of a benefit of 100 % of the poverty line to all persons with severe disabilities as % of GDP	1.13	0.98
Cost of a benefit during 4 months of 100 % of the poverty line to all mothers with newborns	0.71	0.62
Total cost	**6.56**	**5.68**

- based on the US$ 86.6 billion GDP in 2019 (World Bank, 2020).
- Public works are not included in the cost estimation as Ethiopia already implements the RPSNP and UPSNP with huge public works components.
- Population numbers and other inputs are based on ILO figures given in Table E below
- **Source:** Author's calculations using ILO's Social Protection Floors Calculator and based on the ILO's World Social Protection Database, 2017

Table E: *Social protection floors cost estimate inputs*

Inputs	
Total population	96,506,030
GDP per capita in LCU(local currency unit)	9,649.0
National Poverty Line in LCU	6,120.7
Minimum salary	5,040
% of children in the population	41.4 %
% of orphans among children	0.1 %
% of older persons in the population	3.5 %
Average household size	5.0
Disability rate	3.15 %
Total fertility rate	5.3
% of fertile age women	3.2 %

- All figures are based in 2015.

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