18. Country profile: Ethiopia

1. Development profile

Ethiopia is a unique African nation in that it was able to remain largely independent of colonial rule. Despite this achievement, Ethiopia remains one of the world's poorest countries. Agriculture accounts for 45 percent of GDP and 85 percent of total employment. Coffee is the nation's most valuable export, but international prices have been decreasing in recent years. The war with Eritrea, which occurred from 1998-2000, combined with recurrent droughts, has hurt the vital agricultural sector tremendously. Ethiopia qualified for debt relief under the Highly Indebted Poor Countries initiative in 2001 and the IMF forgave Ethiopia's debt in 2005. According to the Constitution, "the state owns all land and provides long-term leases to the tenants; the system continues to hamper growth in the industrial sector as entrepreneurs are unable to use land as collateral for loans".[1]

Ethiopia has enjoyed improvements in its macroeconomic performance in the past decade. In spite of being the second-most most populous country in sub-Saharan Africa, gross national income per capita has been steadily increasing in recent years. According to 2008 World Bank estimates, GNI per capita has increased from $490 USD in 2003 to $870 USD. GDP growth rates reflect this improvement, with average rates consistently exceeding 10 percent from 2004 to 2008.

Macroeconomic gains have resulted in improvements in living conditions for Ethiopia's vulnerable population. Since 1999, poverty rates have fallen from 56 percent to 44.2 percent. Since the beginning of the 1990s, enrolment in primary school has quadrupled and child mortality has nearly been halved".[2] The Ethiopian People's Revolutionary Democratic Front (EPRDF), the ruling party since 1991, has made a commitment to improve the government's notoriously inept service delivery efforts, and EPRDF policies have doubled the number of individuals with access to clean water.

However, the country still has a long way to go in the development process and continues to face considerable hurdles. As of 2000, Ethiopia was one of the most food-aid dependent countries in the world. More recently, the government has had to face a rising inflation problem. In 2008, inflation stood at 29.1 percent and rose to 36.4 percent in 2009. This threatens to reverse some of the progress

[1] CIA World Factbook. (2010, November 3). *Ethiopia.* Retrieved from United States Central Intelligence Agency: https://www.cia.gov/library/publications/the-world-factbook/geos/et.html

[2] World Bank. (2010, September). *Ethiopia: Country Brief.* Retrieved from World Bank: http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/ETHIOPIAEXTN/0,,menuPK:295939~pagePK:141132~piPK:141107~theSitePK:295930,00.html

Ethiopia has made in bringing millions of people above the poverty line. While food inflation has come under control since the food price crisis of 2008, the problem is not completely mitigated and food insecurity still plagues vulnerable households.

Government support of cash transfers has been inconsistent, and there is little reference to cash transfers in the *Ethiopia Rapid Assessment, Analysis and Action Plan* or in the *2005 National Action Plan for OVC*. International aid has largely been concentrated in food transfers. However, a renewed interest in cash transfers has arisen within the country. UNICEF has been focusing on supporting and strengthening the role of informal social protection mechanisms, such as *idirs* (burial societies) and district *kebele* orphan committees, and targeting these social support mechanisms to administer HIV/AIDS support to OVCs. Other international organisations, such as Family Health International and SOS Sahel, are also working through *idirs* to facilitate social support through mechanisms such as home-based care. As such, "the role of burial societies is expanding, as they provide counselling, home-based care, and support for income generating activities".[3]

Socioeconomic indicators[4]	
Population (millions)	80.7
GNI per capita, PPP (current USD)	$870
GDP (current USD) (billions)	$26.5
GDP composition by sector (%)	Agriculture - 43 Industry- 13 Services- 45
GDP growth rate (%)	11.3
% Below poverty line (%)	44.2
Inflation (%)	29.1
GINI index	29.8
Adult literacy rate (%)	35.9
Life expectancy (years)	55
Child dependency ratio	80.5
Elderly dependency ratio	6
HIV prevalence (%)	2.1
Overseas development aid per capita (current USD)	$29
Net official development assistance 2005 (USD Millions)	$1,937
Remittances as % of GDP	2
2009 Human Development Index (HDI) ranking	171/182

[3] Devereux, S., J. Marshall, J. MacAskill and L. Pelham. (2005). *Making Cash Count: Lessons from Cash Transfer Schemes*. Save the Children UK, HelpAge International and Institute of Development Studies. Retrieved from the International Policy Centre for Inclusive Growth, United Nations Development Programme: www.ipc-undp.org/publications/cct/africa/MakingCashCountfinal.pdf

[4] *Indicators*. (2010). Retrieved from World Bank: http://data.worldbank.org/indicator.

2. Vulnerability analysis

2.1 External shocks

As exports account for 13 percent of its GDP, Ethiopia's economy is extremely vulnerable to external shocks.[5] As of May 2009, export revenues had declined by $800 million USD in the previous nine months; however, this was much better than the government's expectations of a $1.8 billion USD shortfall.[6] This shortfall was driven by decreases in commodity prices for coffee, flower and khat (a stimulus plant). With 46 percent of the population reportedly undernourished, any external shocks that negatively impact food inflation are also hazardous.[7]

Droughts are also a very large problem in Ethiopia; the population is already highly food insecure and very dependent on both subsistence and commercial agriculture.

2.2 HIV/AIDS

National HIV/AIDS prevalence, at 2 percent, is below the regional average; however, there are vast differences between urban and rural prevalence rates. Prevalence is 10.5 percent in urban areas and 1.9 percent in rural areas.[8] Beyond the spatial inequalities, anti-retroviral treatment (ART) accessibility remains low, with only 13 percent of those who need ART having access to it. Despite these unfortunate statistics, it does appear that the epidemic has declined since the early 2000s.[9] As a result of ongoing government and NGO efforts to raise awareness, testing rates doubled from 2007 to 2008 (from 51 tests per 1,000 people to 121 tests per 1,000 people).[10]

2.3 Foreign aid and remittances

Foreign aid represents 13 percent of Ethiopia's GDP and is expected to fall as developed countries struggle to meet their aid commitments. At 2 percent of GDP, remittances are also expected to fall with the recent global recession.[11]

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[5] World Bank (2010). *Indicators.*

[6] ethioPlanet. (2009, May 2). *Ethiopia's Export Revenue is Declining.* Retrieved from ethioPlanet: http://www.ethioplanet.com/news/2009/05/02/ethiopias-export-revenue-is-declining/

[7] WFP. (2010). *Ethiopia.* Retrieved from World Food Programme: http://www.wfp.org/countries/ethiopia

[8] National AIDS Resource Centre. (2005). *AIDS in Ethiopia 6th Report.* Retrieved from National AIDS Resource Center: http://www.etharc.org/aidsineth/publications/aidsineth6th.htm

[9] Ibid.

[10] National AIDS Resource Centre. (2009). *2009 Report on the Global AIDS Epidemic.* Retrieved from National AIDS Resource Center: http://www.etharc.org/resources/download/view.download/31/26

[11] World Bank (2010). *Indicators.*

3. Monitoring and evaluation

The Welfare Monitoring System Programme (WMSP) has conducted M&E since 2006. With the introduction of the *Poverty Reduction Strategy Paper* (PRSP) process, the existing systems have been improved. The Ministry of Finance and Economic Development (MoFED) coordinates the Welfare Monitoring Steering Committee (WMSC) and the Welfare Monitoring Technical Committee (WMTC).

The Central Statistical Authority (CSA), in conjunction with MoFED, prepares the 5-year National Medium-Term Statistical Programme and conducts the government's surveys for labour and socio-economic data.

Since 2004, the CSA and MoFED have implemented the following improvements in M&E:

- "Monitor input and process indicators across levels of government (e.g. public spending, adoption of reforms) as a measure of implementation;
- Monitor output indicators (e.g. education, health, infrastructure) at various levels of aggregation (household, *woreda*, national) as a measure of institutional efficiency;
- Monitor developmental outcomes and final objectives to track overall progress;
- Relate performance to indicators of reform processes for decentralization and capacity building to provide information on the effectiveness of the reform process in improving outcomes; and,
- Evaluate impact to determine the effectiveness of key government policies and programmes in reaching desired objectives".[12]

4. Social assistance programmes overview

*All currency conversions based on:

- ETB = 0.079 USD
- 1 GBP = 1.57 USD
- 1 EUR = 1.36 USD[13]

[12] UNESCO. (2006, September). *Ethiopia: Building on Progress: A Plan for Accelerated and Sustained Development to End Poverty (PASDEP).* Retrieved from United Nations Educational, Scientific and Cultural Organisation: http://planipolic.iiep.unesco.org/upload/Ethiopia/Ethiopia_PASDEP_2005_2010.pdf

[13] *Universal Currency Converter*. Retrieved from XE: http://www.xe.com/ucc/full/

	Programme name	Productive Safety Net Programme (PSNP)[14]
Programme #1: public works and cash transfer	Programme overview	▪ Provides transfers to food-insecure areas of the country.
	Programme objective	▪ To reduce food insecurity. ▪ To help build community assets.
	Programme components	▪ **1. Public works**: ○ Pays able-bodied individuals to work on labour-intensive community asset projects. ○ Wage: 6 Birr ($0.47 USD) per day, with the amount increased to 8 Birr ($0.63 USD) per day in December. ▪ **2. Direct transfer (cash or food)**: ○ People who are unable to provide labour for public works projects receive a direct transfer. ○ Transfer can take the form of cash or food.
	Programme duration	▪ Began in 2005. ▪ Was expanded in 2006 and 2007.
	Programme coverage	▪ Approximately 7 million individuals. ▪ The largest programme of its kind in Africa outside of South Africa.
	Finance	▪ $500 million USD budget.
	Administrative framework	▪ Direct support is administrated by the Food Security Task Force (FSTF). The FSTF contacts the vulnerable community and determines what their needs are. ▪ The Regional Food Security Steering Committee then reconciles the requests with resource availability nationally. ▪ Implemented by Ministry of Agriculture and Rural Development.
	Monitoring and evaluation	▪ Regional Public Works Focal Units (RPWFU) are responsible for M&E of the programme.
	Programme barriers	▪ **Environmental degradation**: Concerns that public works programmes may have led to environmental degradation. ▪ **Slow M&E scale-up**: While a robust national M&E system is in place, the programme M&E was slow to scale up during initial implementation phases. ▪ **Failure to address structural causes of poverty**: Concern that the PSNP does not address the issues and patterns that contribute to chronic poverty (i.e. it treats the symptoms, not the disease).[15]

[14] Unless otherwise specified, table drawn from Gilligan, D.O., J. Hoddinott and A.S. Taffesse. *The Impact of Ethiopia's Productive Safety Net Programme and its Linkages*. Retrieved from the International Food Policy Research Institute: http://ssm.com/abstract=1273877

[15] Gebreselassie, Samuel. *Food Aid and Small-holder Agriculture in Ethiopia: Options and Scenarios*. 20 March 2006. http://www.future-agricultures.org/pdf%20files/SG_paper_1.pdf

Programme #3: Cash transfer (conditional and unconditional)	Programme name	Meket Livelihoods Development Project (MLDP)[16]
	Programme overview	▪ Launched in 2003, the MLDP ran parallel to the PSNP. ▪ It transfers 30 Birr ($2.37 USD) per person, per month to the participants of the programme. ▪ Supported by Save the Children UK. ▪ Expected to phase out non-emergency food aid.
	Programme objective	▪ To provide cash transfers with the expectation that it will help vulnerable households meet their basic food expenditure levels and invest in household assets.
	Programme components	▪ Cash-for-Work for impoverished households with available labour. ▪ Unconditional cash transfer for impoverished households with no available labour.
	Programme coverage	▪ 46,600 beneficiaries. ○ 40,000 during the meher season harvest. ○ 6,600 in belg season. ▪ Approximately 5,000 receive unconditional cash relief. ▪ 11% of recipients were unconditional recipients.
	Beneficiary determination process	▪ Beneficiaries were identified by the community.
	Finance	▪ Financed by the Government of the Netherlands. ▪ The total project budget was ETB 9.8 million ($775,316.46 USD), of which 72 percent was through a monthly cash payment direct to beneficiaries.
	Legal framework	▪ The National Ethiopian Strategy Programme, Ethiopia Strategy Support Programme, includes cash transfers as well as other safety nets for social protection.
	Administrative framework	▪ Implemented by the Ministry of Agriculture and Rural Development.

Programme #4: Public Works Programme	Programme name	Employment Generation Scheme (EGS)[17]
	Programme overview	▪ Based on a similar programme in Maharashtra, India.
	Programme objective	▪ To encourage economic development through employment programmes.
	Programme components	▪ 15 million tons of food per annum in 1990s. ▪ Provide cash and food for work.
	Programme duration	▪ Ran from 1997 to the early 2000s.

[16] Devereux et al. (2005).
[17] Table drawn from Middlebrook, P.J. (2005). *Fighting Hunger and Poverty in Ethiopia: Ethiopia's Experience in Implementing Employment Generation Schemes (EGS) as part of the National Policy for Disaster Prevention and Management (NPDPM).* Retrieved from ELDIS: http://www.eldis.org/id21ext/s2pm1g1.html

	Programme coverage	▪ 20% of farm households received either food aid or participated in food-for-work.
	Finance	▪ $21 USD per year per person (food and cash) for up to 6 people. ▪ Average $108 USD per household).
	Legal framework	▪ The national Ethiopian Strategy Programme, Ethiopia Strategy Support Programme, includes cash transfers as well as other safety nets for social protection.
	Administrative framework	▪ Ministry of Agriculture and Rural Development implemented the programme.
	Monitoring and evaluation	▪ A monitoring and ongoing evaluation strategy was laid out in the government's EGS Guideline Manual. ▪ The M&E process involved work teams, scheme supervisors/managers, communities, and LDs and DPP committees at all levels. ▪ M&E assessed what had been accomplished, effects/impact, and difficulties encountered, so as to improve performance to revise the programme if necessary.
	Programme barriers	▪ Administrative systems rely dependably on community committees. ▪ Weak institutional arrangement led to problems such as inconsistent deliveries and budget mismanagement. ▪ The payment was too low, meaning that despite participation in the programme, people were still undernourished. ▪ Poor governance in districts.

Programme #5: social insurance	**Programme name**	**Old Age, Disability and Survivors**[18]
	Programme components	▪ **Old-age pension**: 30% of the insured's average basic monthly salary during the three years before retirement, plus 1.125% (1.5% for military) of the average basic monthly salary for each year of service above ten years. ▪ **Old-age settlement**: lump sum, equal to the insured's basic salary in the month before retirement multiplied by the number of years of service. ▪ **Disability pension**: 30% of the insured's average monthly basic salary during the 3 years before disability began, plus 1.125% (1.5% for military) of the insured's average monthly basic salary for each year of service above ten years. ▪ **Disability settlement**: lump sum, equal to the insured's basic salary in the month before the disability began multiplied by the number of years of service.

[18] Table drawn from ISSA. (2009, August). *Social Security Programs Throughout the World: Africa 2009*. Retrieved from International Social Security Administration: http://www.socialsecurity.gov/policy/docs/progdesc/ssptw/2008-2009/africa/ssptw09africa.pdf

		▪ **Survivor Pension**: 50% of the deceased's monthly pension is paid to the widow(er). ▪ **Orphan's pension**: Each eligible orphan receives 20% of the deceased's pension; 30% for full orphans. ▪ **Dependent parent and grandparent's pension**: Each eligible parent receives 15% of the deceased's pension (or 20% in the absence of other eligible survivors). ▪ **Survivor settlement**: A lump sum is paid to eligible survivors in the same proportion as the survivor pension and orphan's benefits.
	Programme coverage	▪ Public-sector employees only, including military and police personnel and employees of government-owned enterprises.
	Beneficiary determination process	▪ **Old-age pension**: Age 60 with at least 10 years of service and contributions. ▪ **Old-age settlement**: Age 60, and does not meet the qualifying conditions for the old-age pension. ▪ **Disability pension**: The insured must be assessed to be incapable of normal gainful employment and have at least 10 years of service and contributions. ▪ **Disability settlement**: The insured must be assessed to be incapable of normal gainful employment and have less than 10 years of service and contributions. ▪ **Survivor pension**: The deceased met the contribution conditions for the old-age pension or was a pensioner at the time of death. o Eligible survivors are the widow(er), children younger than age 18, and dependent parents. ▪ **Survivor settlement**: Paid to eligible survivors if the deceased had less than 10 years of service and contributions and was not eligible for a pension.
	Finance	▪ **Insured person**: 4% of basic salary . ▪ **Employer**: 6% of payroll for civilians 16% of military payroll.
	Legal framework	▪ Current law passed in 1963.
	Administrative framework	▪ Managed by a board and a director general, the Social Security Agency administers the programme.

Programme #3: social insurance	Programme name	Sickness and Maternity[19]
	Programme components	▪ **Sick leave**: employers must give paid sick leave for up to 3 months. o 1st month: 100% of earnings. o 2nd and 3rd months: 50% of earnings. ▪ **Maternity leave**: employers must give paid maternity leave for up to 45 days after childbirth. Past 45 days, sick leave can be paid if complications arose during the birth.
	Finance	▪ Employers.
	Legal framework	▪ Public Service Amendment 2002, Labour Proclamation (2003).

Programme #4: Social Insurance	Programme name	Work Injury[20]
	Programme components	▪ **Temporary disability benefits**: A lump sum is paid equal to 45% of the insured's monthly basic salary multiplied by 5 years multiplied by the assessed degree of disability. ▪ **Permanent disability pension**: The pension varies from 45% to 70% of the insured's monthly basic salary, according to the assessed degree of disability. ▪ **Survivor pension**: 50% of the deceased's pension is paid to the widow(er). ▪ **Orphan's pension**: Each eligible orphan receives 20% of the deceased's pension; 30% for full orphans. ▪ **Dependent parent's and grandparent's pension**: Each eligible parent receives 15% of the deceased's pension; 20% is paid in the absence of other eligible survivors.
	Programme coverage	▪ Public-sector employees only, including military and police personnel and employees of government-owned enterprises.
	Beneficiary determination process	▪ There is no minimum qualifying period.
	Finance	▪ Insured person: 4% of basic salary. ▪ Employer: 6% of payroll for civilians 16% of military payroll.
	Legal framework	▪ Current law passed in 2003.
	Administrative framework	▪ Managed by a board and a director general, the Social Security Agency administers the programme.

[19] Ibid.

[20] Table text from ISSA (2009).