



Improving synergies between Social Protection and Public Finance Management in Ethiopia

Social protection is a human right defined as the set of policies and programmes designed to mitigate the effects of poverty. Evidence shows that social protection reduces poverty, vulnerability and social exclusion throughout the life cycle. Many countries rely on social protection as a macroeconomic and social stabilizer in preventing and reducing poverty, contributing to inclusive and sustainable economic growth, promoting human development and increasing productivity and employability. A growing number of middle- and low-income countries are engaged in implementing national social protection strategies to address increasing global risks and shocks.

Ethiopia enacted the National Social Protection Policy (NSPP) in 2014 to serve as a framework to harmonize and standardize the implementation of social protection programmes in the country. However, despite having the second largest safety net in Africa, the social protection system in Ethiopia is still quite underdeveloped. The percentage of population covered by at least one social protection benefit is 11.6 per cent compared to the African average of 17.8 per cent indicating low coverage. Ethiopia is still in a transitional stage of establishing a comprehensive and integrated social protection system, which is essential for supplying benefits to those in need in a coordinated, efficient and effective manner.



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Aberash Abebe owns a water kiosk in the center of Sheno town. Her kiosk is also her home. She makes income by selling water and different items. She also supports her family who live in a rural village.



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Sihine Teklu (Left) and Fetiah Hussien (Right) both make a living by selling vegetables in the Saris market, south of Addis Ababa. The coronavirus pandemic hurt people living hand to mouth like Sihine and Fetiah. They make sure that they wear a mask everyday so that they protect themselves and their families from COVID-19.

Why focus on Public Finance Management?

To design and implement a well-functioning, integrated social protection system, long-term financing will be key for sustainability. However, social assistance funding is inadequate to cover people who live below the poverty line and those most in need, while Ethiopia's safety net programmes are currently heavily dependent on external financing. This calls for a sustainable financing strategy and an improved synergy between social protection and public finance management which is the main purpose of this project. To contribute towards a comprehensive, sustainable and well-coordinated social protection system, the European Union has initiated and financed a project on "Improving synergies between Social Protection and Public Finance Management in Ethiopia". Therefore, in Ethiopia, this project will contribute to developing a financing strategy, appropriate governance

structures, and institutional capacity development to deliver a more integrated and efficient social protection system. The need for this is all the more given COVID-19 which is expected to have a significant adverse impact on the Ethiopian economy with the poor and vulnerable segments of the population being hit even harder. The depth of the socio-economic impact is expected to be pronounced for those families that rely on the informal sector. Though not the primary focus of this project, from a public finance point of view the effective and efficient use of public finances and the absorptive capacity of implementing departments and agencies are challenges that social protection faces like other sectors and this is receiving attention from the government and stakeholders with scope for improvement.

Objective of the Project

Ethiopia is one of eight countries taking part in the EU-funded global programme along with Angola, Burkina Faso, Cambodia, Nepal, Paraguay, Senegal, and Uganda with each country framing its national project around its pertinent focus areas. The overarching goal of the global programme is to increase the population's universal social protection coverage in the project countries through improving the design and financing of social protection systems in support of their efforts towards Sustainable Development Goals (SDGs) 1 and 10. In addition, the global programme intends to support governments in implementing and monitoring effective gender-sensitive and disability-inclusive social protection systems and programmes for all while ensuring financial sustainability and macroeconomic stability.

"Improving synergies between Social Protection and Public Finance Management in Ethiopia" is jointly

implemented by ILO and UNICEF. With a country-specific objective of improving the social protection system in Ethiopia through enhanced sustainable financing, this project aims to achieve this goal through three focus areas:

- Producing a financing strategy for social protection with short-term and medium-term options;
- Extending social security to informal economy workers and supporting wage legislation related to social protection; and
- Building the capacity of the Ministry of Labour and Social Affairs (MoLSA) to effectively monitor the social protection system.

The project will be implemented from June 2020 to May 2023.

Specific activities to be conducted under each focus area

Financing strategy for social protection

- Investment case, fiscal space analysis and investment framework for non-contributory social protection schemes
- Actuarial valuation for contributory social protection schemes
- Financing strategy for social protection

Extending social security to informal economy workers and supporting wage legislation

- Study on extending social security to informal sector workers
- Tripartite consultation on minimum wage

Building the capacity of MoLSA to effectively monitor the social protection system.

- Support MoLSA to better implement and track social protection programmes
- Increasing the capacity of MoLSA
- Developing a knowledge management platform for inclusive social protection

Reference Group Members

The project has established a Reference Group, which includes the following members, to advise on strategic directions and the overall scope of the project as well as to jointly review the project's implementation:

United Nations Children's Fund (UNICEF), Co-chair
International Labour Organization (ILO), Co-chair
Delegation of the European Union to Ethiopia (EU)
Ministry of Labour and Social Affairs (MoLSA)
Ministry of Finance (MoF)
Planning and Development Commission (PDC)
Ministry of Agriculture (MoA)
Urban Food Security and Job Creation Agency (UFSJCA)
Public Servants' Social Security Agency (PSSSA)
Private Organisations' Employees Social Security Agency (POESSA)
Confederation of Ethiopian Trade Unions (CETU)
Ethiopian Employers' Confederation (EEC)
One representative from the Donor Coordination Team (DCT), Rural Productive Safety Net Programme
World Bank (WB)
Addis Ababa University (AAU)
HelpAge International Ethiopia, on behalf of the Global Coalition for Social Protection Floors (GCSPF)
Federation of Ethiopian Associations of Persons with Disabilities (FEAPD)

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