

ETHIOPIA'S URBAN PRODUCTIVE SAFETY NET PROJECT



BACKGROUND

In the first Growth and Transformation Plan (GTP-1) implementation period (2010/11–20013/14), the economy of Ethiopia had registered robust growth with a GDP of 10.1 percent. Agriculture, industry, and service sectors had 6.6 percent, 20.0 percent, and 10.7 percent annual average growth rates, respectively (MOFED, 2014). According to an Ethiopia poverty assessment, Ethiopian households have experienced a remarkable reduction in poverty rates, from 56 percent of the population living below \$1.25 purchasing power parity a day, to 29 percent in 2010 (Rio+20, 2012). Although Ethiopia remains predominantly rural, urbanization is on the rise, and with it, urban poverty. In 2000, 11 percent of Ethiopia's poor lived in cities; by 2011, 14 percent did. The urban population was, at last census in 2007, 11.9 million, and was estimated to reach 16.7 million in 2014, with an average urban population growth rate of 3.8 percent. Urban population growth is expected to increase, with a tripling of the urban population expected by 2034 and 30 percent of the population in urban areas by 2028 (Ethiopia Urbanization Review, World Bank 2015). As more of the urban poor live in large urban centers, expanding development programs to overcome key challenges to urban poverty reduction is imperative.

If managed properly, urban population growth presents an opportunity to shift the structure and location of economic activity from rural agriculture to the larger and more diversified urban industrial and service sectors. If not managed properly, rapid urban population growth may pose a demographic challenge as cities struggle to provide citizens with jobs, infrastructure and services, and housing (Ethiopia Urbanization Review, World Bank 2015). The total national poverty head count in 2011 was 29.6 percent (30.4 percent in rural Ethiopia and 25.7 percent in urban areas). Poverty rates in Addis Ababa and Dire Dawa were as high as 28.1 percent and 28.3 percent, respectively. The poverty gap index is estimated to be 8 percent in rural Ethiopia and 6.9 percent in urban Ethiopia.



Access to the labor market is a key determinant of poverty in urban areas. The poorest are those with inadequate employment or those who cannot engage in labor markets because of age, disability, or ill-health. The most visible faces of urban poverty are the destitute. These are the poor who live on the street and comprise street children, the homeless, and beggars. They need housing, health care, counseling, and often reunification with their families, in addition to financial support. This group is very poor but also relatively small in number (an estimated 3 percent of the poorest 15 percent of urban households).

Another clearly identifiable group of the urban poor are the elderly and disabled living in households with no working-age members (7 percent of poorest 15 percent). Financial and community support is weaker for this group in rural communities and as a result they are poorer and more vulnerable than the elderly and disabled in rural areas. Households headed by an elderly person are 13 percentage points more likely to be poor in urban areas (in rural areas they are no poorer than the average rural household). Households with disabled members have poverty rates 19 percentage points above the urban average. This group needs long-term financial support in addition to home-based care services. However, the largest groups of urban poor are those with little work and those in low-quality employment.

Almost half (48 percent) of the poorest 15 percent of urban households live in households where, at a given point in time, all adults are working, half in marginal self-employment (mostly services) and half in low-wage employment in services, manufacturing, and construction. Often individuals move in and out of employment.

High rates of unemployment are present in large cities, reflecting a number of imperfections in urban labor markets (Urban Labor Market Study, World Bank 2015). The overall unemployment rate in urban areas is 17.1 percent, but this is higher in Addis Ababa (23.6 percent) and among the youth (27.9 percent and 18.3 percent for age groups 20–24 years).

The government has recognized the importance of safety net programs in GTP-I and GTP-II. The national social protection policy has identified social safety nets and livelihood and employment generation programs as important component of its objectives. The Urban Productive Safety Net Project (UPSNP) is fully embedded in the NSPP and GTP-II. The Productive Safety Net Project (PSNP), supported by the World Bank, has been providing transfers to rural beneficiaries since 2005 and in its current phase will reach 10 million beneficiaries. It has delivered labor-intensive public work (PW) programs, mainly cobblestone projects and brick making, in urban areas.

URBAN PRODUCTIVE SAFETY NET PROGRAM OF ETHIOPIA

The Ministry of Urban Development and Housing (MOUDH) is leading the design of a systematic productive urban safety net and livelihood support intervention that will be implemented through a 10-year program framework. The long-term program framework objective is to reach 4.7 million poor in all urban areas. The first phase of the proposed project will run from 2016 to 2020 and will focus establishing basic safety net building blocks, including productive and predictable transfers through PW, livelihood interventions, and capacity building, in response to the GOE's request for immediate safety net support for the urban poor. In the long run, the proposed UPSNP and the rural PSNP will allow the GOE to operate a safety net at the national level. The UPSNP is grounded in the unique challenges that shape and perpetuate urban poverty.

Objective and approaches: The UPSNP is expected to contribute to the realization of Ethiopia's GTPs- I and II by ensuring that the urban poor and vulnerable receive a dependable safety net and the support they require to experience faster income growth. The government's Social Protection Policy and Strategy and the Urban Safety Net Strategy and long-term program framework provide an important foundational framework for the project. The USNP will support increasing wage and self-employment through: a) investing in the skills of beneficiary households through PW and training; and b) helping households secure the financing required to invest in self-employment opportunities and job searches. The UPSNP will also increase the resilience of vulnerable urban households through timely and predictable transfers and livelihoods interventions. In addition, the system development and capacity-building activities will contribute to improved social service delivery in urban areas. The capacity building and program coordination and management component of the project will promote social accountability and active involvement of urban citizens in planning, targeting, and implementing the safety net and livelihood interventions, thereby contributing to 'good governance and state building.'

This will be achieved through provision of cash transfers, financial and technical support to access livelihood opportunities, building the capacity of institutions to deliver this support, and developing core systems for delivery of safety nets and complementary livelihood services.

Project beneficiaries: The GOE is developing a 10-year UPSNP, as an element of the Urban Food Security and Job Creation Strategy approved on May 8, 2015, to support more than 4.7 million urban poor living in 972 cities and towns across Ethiopia. It is expected that this will be achieved over a long-term period through a gradual roll-out plan of different phases, starting with big cities that have a population of more than 100,000 people. The proposed World Bank support will provide assistance for the first five-year phase of the government program and is targeting 11 major cities, Addis Ababa and one city from each region (Adama, Assayita, Asosa, Dessie, Dire Dawa, Gambella, Hawassa, Harari, Jijiga, and Mekele). In the first phase, 604,000 beneficiaries (the poorest 12 percent and about 55 percent of people living below the poverty line in these 11 cities) will be targeted through a gradual roll-out plan over a five-year period. Given its large size and relatively high poverty rates it records, about three-quarters of the beneficiaries will be from Addis Ababa. The project will use a combination of targeting mechanisms to identify beneficiaries.

PROJECT COMPONENTS OF THE UPSNP:

(a) Interventions that meet the varied needs of urban beneficiaries.

Continuous income support will be provided to elderly and disabled who live in households with no working-age members, street children, the homeless, and beggars. Additional services to meet the specific needs of street children, the homeless, and beggars (access to shelter, health care, counseling, and often reunification with their families) will also be provided. Income support and services to increase employability will be provided to those who have too little or low-quality employment.

(b) Integrated model. The UPSNP will adopt a three-phase integrated support pathway designed to provide income support and increase employability. In the first phase, beneficiaries will receive transfers (conditional on meeting their co-responsibilities) with life-skills training and guidance on the employment pathway (self-employment and wage employment) to follow. In the second phase, conditional transfers will continue and beneficiaries will receive financial support, training, and job-matching services to increase employability. In the third phase, beneficiaries will have the option to continue to receive a small amount of conditional transfers to supplement their employment income. Support will be provided for a maximum of three years, but beneficiaries may choose to graduate earlier. As this is a first project of this nature in urban areas, it is important to acknowledge that the proposed approach (including graduation from the program) particularly the livelihood services interventions, will be piloted, evaluated, course-corrected, and expanded as needed.

Based on the integrated model, the proposed project will have three major components: a) safety net support; b) livelihood services; and c) institutional strengthening and project management.

Project management and implementation arrangement: The overall coordination and management of the UPSNP will be the responsibility of the Urban Food Security & Job Creation Agency under Ministry of Urban Development and Housing.

CORE PRINCIPLES OF UPSNP:

- Reach the poorest 12% of population (55% of those living beneath the poverty line) in the 11 selected cities for the program.
- Provide social transfers in combination with livelihood support with the long-term aim to get people out of their current situation, (beyond food security). Transfers are conditional for people with labor and unconditional for people without labor in households.
- Transfers are meant to temporarily smooth consumption for living. Livelihood support aims to diversify and improve household income in the long run.
- Public works aim to provide community assets and deliver services.
- Wage rate for PW is set below market wage to avoid disincentives to seek permanent income opportunities or continue existing income activities.
- Participation in PW is not meant to become a full-time or permanent job. It is a way to access social transfers to temporarily increase household income and smooth consumption.
- Attention to people with special needs.

POSSIBLE LABOR INTENSIVE SUB-PROJECTS

Based on community priorities, PW could include urban parks and greenery, watershed management activities, infrastructure to facilitate urban agriculture, solid waste collection/environmental cleaning, social facilities/services sub-projects (child care, home-based care for elderly, etc.), cobblestone and gravel road rehabilitation and construction, sanitation (community soak-away pits and latrines), and skill training to improve employability.

Livelihood grant: Grant to support livelihood options (e.g., cost of training or expansion of enterprise) up to Birr 10,000 or approximately USD 500 per family one-time transfer. Part of the livelihood grant will be obtained as matching grant for savings.

Target groups: Poorest 12 percent of population (55 percent of those living beneath the poverty line) in the 11 cities selected for the program. To be eligible, household members must live in a given kebele for at least six months before the start of the program.

Targeting approaches

- Geographic: people are targeted based on where they live (e.g., everyone in a selected woreda, no one in a woreda that is not selected). It requires poverty to be concentrated geographically.
- Community-based targeting: communities rank households based on their knowledge of who is poor. This requires lots of accurate information and a clear understanding of the type of person who should be a beneficiary.
- Proxy means test: uses data on households (e.g., how educated, what type of fuel is used for cooking, whether the house is rented or owned) to determine who is poor. It requires accurate data and an appropriate model.
- Demographic targeting: households with certain demographic characteristics (e.g., elderly, disabled).
- Mix of four approaches.
- Eligible households will self-select for participation in public works.

PROPOSED INSTITUTIONAL ARRANGEMENT FOR IMPLEMENTATION

Overall management and oversight is the responsibility of the MOUDH (lead) and the Ministry of Labor and Social Affairs (co-lead), supported by a project coordination unit (PCU) reporting to State Minister of Urban Development housed under the Urban Job Creation Food Security Agency.

OPPORTUNITY AND LINKAGE OF ETHIOPIA'S URBAN PRODUCTIVE SAFETY NET PROJECT WITH HEALTH-RELATED CHALLENGES

The **UPSNP** has links to health programs and can have the following benefits:

1. Environmental sanitation and waste management: The project could be used as an opportunity to contribute to the solid and liquid waste management in urban areas. The beneficiaries of the project can be involved in cleaning of the environment, collection of solid wastes, and preparation/ construction of community soak-away pits and latrines. In addition, the beneficiary can be engaged in greenery activities in the urban areas.
2. Maternal and child health: The project can be linked with community-based demand creation and other health services such as family planning through informed choice, improving antenatal care attendance, improving immunization of children and decreasing defaulter rates among the poor, and HIV interventions.
3. Social services that contribute to health outcomes, such as child care, home-based care for elderly or chronically ill people, can be linked with the project.

For more information, please contact Ato Abraham Petros, director of Urban Safety Net Program Directorate in Ministry of Urban Development and Housing