

ONE UN ASSESSMENT

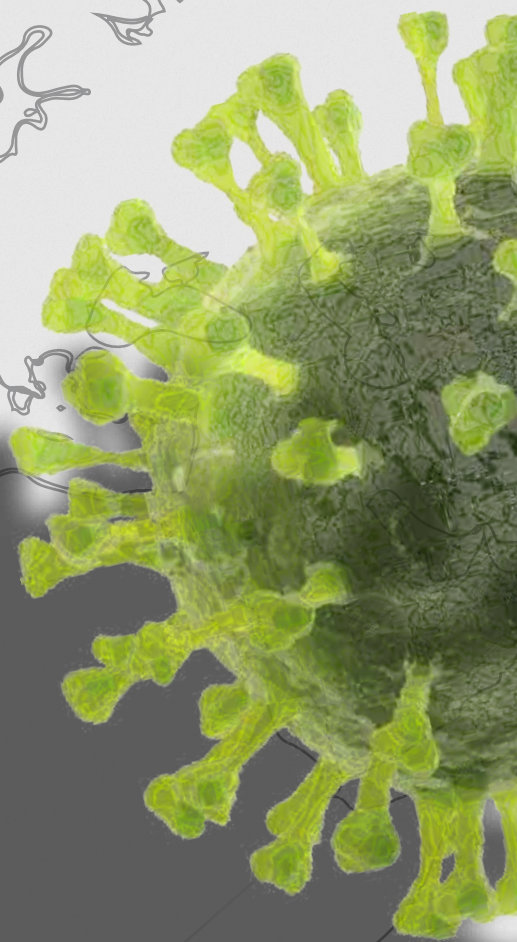


UNITED
NATIONS
ETHIOPIA

ADDIS ABABA

MAY 2020

SOCIO - ECONOMIC IMPACT of COVID-19 in **ETHIOPIA**

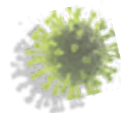




ABOUT

This document is a joint product of the members of the United Nations Country Team in Ethiopia. The report assesses the devastating social and economic dimensions of the COVID-19 crisis and sets out the framework for the United Nations' urgent socio-economic support to Ethiopia in the face of a global pandemic.





FOREWORD

BY THE UN RESIDENT / HUMANITARIAN COORDINATOR

This socio-economic impact assessment has been drafted by the United Nations (UN) in Ethiopia in the spirit of 'One UN'. It reflects our best *collective* assessment, based on the available evidence and our knowledge and expertise, of the scale, nature and depth of socio-economic impacts in the country. We offer this as a contribution to the expanding knowledge base on this critical issue, acknowledging and drawing upon the work of the Government of Ethiopia (GoE), academic experts, development partners and consulting firms, among others.

Given the high level of uncertainty and volatility in conditions, whether in Ethiopia or outside - not least in understanding the trajectory of the virus - as well as gaps in data and analysis, we offer our contribution not as accurate predictions of the future but as an evidence-based projection of possibilities. Our next goal is to develop substantive proposals on socio-economic response and recovery, which are expected to be ready very soon.

This assessment leaves little room for doubt that the impact on Ethiopia is already serious and could, depending on conditions, become severe. It urges a policy response that puts people and their rights at the centre, especially those most impacted and left behind. It calls on Ethiopia to avoid artificial and damaging demarcations, between response and recovery, and between the humanitarian, health and socio-economic dimensions of the crisis. As with many other things in the world today, these are inter-dependent and inseparable.

This assessment aligns fully with the '**UN framework for the immediate socio-economic response to COVID-19**' launched by the Secretary-General in April 2020, even though its design and preparation preceded the publication of this vital reference document. This assessment addresses all aspects of the framework, in terms of the people we must reach; the five pillars of the proposed UN response – health first, protecting people, economic response and recovery, macroeconomic response and multilateral collaboration, community cohesion and community resilience; and the collective spirit deployed to deliver the product and our upcoming socio-economic response.

Finally, a document such as this, produced in record time, is the product of the labour of many. I would like to thank UNDP, the UN's technical lead globally on the socio-economic response to COVID-19 and our lead locally as well, for taking this task forward with energy, skill and enthusiasm. In addition, colleagues from UNDP and the Resident Coordinator's Office (RCO) jointly staffed the technical secretariat for this exercise.

My appreciation goes as well to the sixteen other UN agencies/entities that have worked quickly, with determination and in a true spirit of collaboration to help deliver this assessment: FAO, IFAD, ILO, IOM, OHCHR, UNCTAD, UNECA, UNEP, UNFPA, UN-Habitat, UNICEF, UNIDO, UNHCR, UN Women, WFP and WHO. We hope you will find this assessment was well worth the effort.

Now, to the work ahead!

Dr. Catherine Sozi

United Nations Resident and Humanitarian
Coordinator in Ethiopia

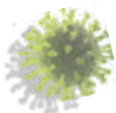


TABLE OF CONTENTS

Foreword by the UN Resident/Humanitarian Coordinator	iii
Summary of Impacts and Policy Proposals for Response and Recovery	vi
1. INTRODUCTION	1
1.1 Baseline for Impact Assessment: An Analytic View of the Situation Pre-COVID	2
1.1.1 Key Development Features and Trends	2
1.1.2 National Policy Objectives (Homegrown Economic Reform)	6
1.2 The Sub-Saharan African Context	6
1.2.1 Regional Scenarios	6
2. POTENTIAL TRANSMISSION CHANNELS	7
2.1 Potential Transmission Channels of the Pandemic in Africa	7
2.2 Potential Transmission Channels in Ethiopia	8
3. REFERENCE SCENARIOS	10
4. ESTIMATING SOCIO-ECONOMIC IMPACTS	15
4.1 Macroeconomic	15
4.1.1 Growth, Inflation, Exchange Rate	15
4.1.2 Fiscal (revenue, deficits, composition of expenditure)	16
4.1.3 Monetary (health of the financial system, liquidity, access to credit)	17
4.1.4 Balance of Payments (trade in goods and services, FDI, remittances, ODA, debt)	17
4.2 Poverty	19
4.2.1 Growth and Income Poverty	19
4.2.2 Non-income Dimensions of Poverty	19
4.2.3 Social Protection and Safety Nets (gaps and risks)	21
4.3 Enterprises and Employment	21
4.3.1 Firm Structure of the Economy and Enterprises Most At-Risk (MSMEs; formal, informal)	21
4.3.2 Employment Structure of the Economy and Vulnerabilities	23
4.4 Economic Sectors	26
4.4.1 Agriculture, Livestock, Pastoralism, Rural Livelihoods and Food Security	26
4.4.2 Construction	31
4.4.3 Manufacturing (e.g. industrial parks)	31
4.4.4 Services (tourism, hospitality, aviation, retail)	34

4.5 Social Sectors	35
4.5.1 Health and Nutrition (e.g. risks to specific conditions and groups, sexual and reproductive health (SRH), systemic vulnerabilities)	35
4.5.2 Water, Sanitation and Hygiene	37
4.5.3 Education	37
4.6 Governance, Peace and Security	39
4.6.1 Continuity of Critical Government Functions and Governance Issues	39
4.6.2 Impact on Human Rights	41
4.7 Spatial Dimensions	42
4.7.1 Regional Impacts	42
4.7.2 Human Settlements and Urban Informality	43
5. PEOPLE MOST AT RISK	45
5.1 Women and Girls + Female-Headed Households	45
5.2 Children and Adolescents	47
5.3 Internally Displaced Persons, Regular and Irregular Migrants, Returnees / Relocatees and Refugees	49
5.4 Persons with Disabilities	52
5.5 Older Persons + Homeless	53
6. POLICY RESPONSE TO THE CRISIS	54
6.1 Policy Implications	54
6.2 Policy Response: Putting People at the Centre	56
6.3 Financing the Policy Response	61
6.4 Public Awareness, Communication and Mobilisation	63
Annex I. Methodology of the Assessment	65
Annex II. Abbreviations and Acronyms	66
Annex III. List of Tables, Figures and Boxes	67



SUMMARY

OF IMPACTS AND POLICY PROPOSALS FOR RESPONSE AND RECOVERY

The global COVID-19 pandemic is an unprecedented crisis unlike any since the end of the Second World War (WW II). It is the most powerful sign to-date of what happens when uncontrolled expansion of human activity collides with the realities and boundaries of the planet. This crisis will certainly not be the last one. As difficult as it might be to imagine today, COVID-19 may not be the most devastating crisis to hit humanity in the first quarter or third of the 21st century. There is much to be learnt from this pandemic – and to be done in response, now and into the future, at an individual, community, societal and global scale.

In the present day, **the immediate implications of the crisis in Sub-Saharan Africa (SSA) are already very serious. Despite the still relatively small caseload, which gives a misleading impression of the scale and depth of the crisis, the sharp deterioration of global conditions and the response measures taken in the region to combat the pandemic have already precipitated a major socio-economic crisis. Ethiopia has not been spared.**

Ethiopia faced the onset of the crisis with clear strengths. It had an excellent long-term track record of economic growth, major improvements in infrastructure, poverty reduction and social development. The country also had an ambitious vision of economic transformation – captured in the Homegrown Economic Reform Programme (HGER) – that builds on the foundation of past successes but also recognises the macroeconomic, structural and sectoral shortfalls that have emerged as a consequence, requiring a different economic approach in the future. Ethiopia was also on the throes of its most important political transition in a generation, with a major opening-up of political and civic space and plans underway for the country's first democratic elections. In several aspects, therefore, Ethiopia was

better positioned developmentally to withstand and overcome the crisis than many others in SSA.

Ethiopia, however, also faced some major vulnerabilities as it was struck by COVID-19. The macroeconomic and development situation was challenging, evident in slowing but still high growth, the risk of debt distress, low levels of domestic resource mobilisation, high inflation, high unemployment, not least among youth trying to find opportunities in an economy with elevated levels of informality, low forex reserves and significant pressure on the exchange rate of the Birr. Social unrest, triggered by longstanding issues that could now be aired in a more open civic and political environment, had led to conflict, the loss of lives and property and, at the last count, 1.7 million internally displaced persons (IDPs). Other crises, albeit of relatively smaller magnitude but serious nevertheless, were knocking at the country's door: a major desert locust (DL) invasion affecting close to one million people, erratic rainfall disrupting the country's dominant rain-fed agricultural sector, and outbreaks of cholera, measles and yellow fever. Moreover, despite improvements, Ethiopia's health system, like most others in SSA and in Least Developed Countries (LDCs), was not ready for a large-scale crisis: its readiness to deliver routine health services was rated at 55% of requirements in 2018.

The socio-economic impacts being felt across Ethiopia already are wide-ranging and serious, with the potential to become severe, depending on the combination of the pandemic's trajectory, the effects of counter-measures and underlying and structural factors. These impacts are summarised in the tables below. They focus on first, second and third order effects triggered by the central event of the outbreak of the pandemic, to try and provide as full a picture of possibilities as feasible analytically (the approach is described in Annex I on methodology).

Box 0.1 MOST IMPACTED GROUPS, SECTORS AND GEOGRAPHIC AREAS

with significant overlap

- Workers employed in micro, small and medium-size enterprises (MSMEs) in the urban, informal, sector (manufacturing, construction, trading, retail, hospitality and tourism).
- Workers in industrial parks who are already laid off or in danger of losing their jobs.
- Farmers/pastoralists and households in areas at-risk of increasing food insecurity (Integrated Food Security Phase Classification (IPC) Phase 3 or 4).
- Frontline health system workers.
- Women in the urban informal sector and employed in industrial parks.
- Children of school-going age who are from poor, food insecure households.
- Particularly vulnerable children and adolescents (e.g. urban street children).
- The vulnerable, especially in urban informal settlements and slums.
- Groups with specific vulnerabilities (persons living with HIV/AIDS (PLWHA), persons with disabilities (PWDs), older persons, the homeless).
- IDPs, refugees, returnees/relocatees and returning migrants.
- Urban informal settlements and slum areas.
- Developing regional states (DRS): Afar, Benishangul-Gumuz, Gambella, Somali.
- MSMEs in supply chains in construction, manufacturing, agro-industry, hospitality, tourism, and retail.
- MSMEs in supply chains for agricultural and horticultural exports as well as production + marketing of critical food crops.

In addition, this assessment offers three references scenarios – of low, intermediate and high intensity, described on pp. 10-14 – that offer ‘thought experiments’ rather than predictions about the possible course of the pandemic in the country and the potential fallout. None of them offers any room for complacency.

Looking ahead, the policy response to COVID-19 needs to distinguish between two distinct but overlapping phases: response (or management of immediate health and economic shocks) and recovery. **Response needs to focus on the obvious and immediate priority to save lives and livelihoods.** The front-line policy measures for response are emergency support for overwhelmed health systems and for the millions of formal and informal sector workers, enterprises and businesses who are being hit hard. Its duration can vary but anywhere between the first 3-6 months from the outbreak of the pandemic is a reasonable assumption. Recovery is essentially about return to trend as quickly as possible but doing so smartly, taking advantage of large-scale policy measures to tackle systemic risks and development shortfalls exposed by the pandemic rather than simply return to business-as-usual. A shift towards recovery can begin 3 months into the pandemic and could last

anywhere between 12-18 months from the outbreak of the pandemic.

In terms of the policy implications of the pandemic, this assessment argues that **response and recovery and the humanitarian, health and socio-economic dimensions of the crisis need to be thought through and addressed integrally, as none can be tackled effectively on their own without taking action on the other(s), recognising the inter-dependencies between them.**

Table 0.1 KEY ISSUES AND IMPACTS

KEY ISSUES	ESTIMATIONS OF IMPACT
Gross Domestic Product (GDP)	<p>A range for real GDP growth in 2020^[1] using evidence from past shocks and adjusting for the anticipated scale of impact of COVID-19:</p> <ul style="list-style-type: none"> • Optimistic: a range between 7% - 4.23%. • Mid-range/moderate: a range between 5.4% - 3.7%. • Pessimistic/worst-case: a range of 5% - 2.23%. <p>Modelling work by United Nations Economic Commission for Africa (UNECA) suggests that, in the best-case scenario, growth will be reduced by 1.2%, in the mid-case scenario by 2.4% and in the worst-case scenario by 4.5%.</p> <p>A rebound expected in 2021 to a modest rate of 6%.</p> <p>For background info, the sectoral composition of Ethiopia's GDP is as follows^[2] : Agriculture: 33.3%; Industry: 28.1%; Services: 39.8%.</p>
Trade, Remittances, Foreign Direct Investment (FDI) and Exchange Rate	<ul style="list-style-type: none"> • A 25-30% drop in exports of goods and services during 2020 is possible. • The fuel import bill could potentially drop from USD 2.6 billion in 2019 to as low as USD 1.3 billion in 2020, in the best-case estimate, generating large savings. • Significant losses at Ethiopian Airlines, partly compensated by increased cargo traffic. • A drop-in of 10-15% in remittances - around USD 570 - 850 million. • Sharp and sustained drop in FDI. • The Birr expected to depreciate by 7.5-16.5% in nominal terms against the USD by the end of 2020 but the depreciation could be sharper depending on global and regional conditions and pressure on external accounts.
Inflation	<ul style="list-style-type: none"> • The Consumer Price Index (CPI) for 2020 could potentially go well above 20%. • Food price inflation could approach 30%+.
Fiscal Revenues	<p>A two-fold fiscal impact, pulling in opposite directions:</p> <ul style="list-style-type: none"> • pressure to spend more to deal with the health and socio-economic impacts of the pandemic; • revenue collection likely to be hit hard as a result of a contraction in economic growth as well as a fall in trade taxes due to decreased exports and imports.
Poverty and Safety Nets	<ul style="list-style-type: none"> • 2 million more people (conservatively) estimated to fall into poverty. • A rise in the scale of the Productive Safety Net Programme (PSNP) + Urban Productive Safety Net Programme (UPSNP) from 9 million to close to 10 million beneficiaries and, in the worst case, 12 million and perhaps as high as 15 million.
MSMEs	<ul style="list-style-type: none"> • 30%+ of Ethiopia's MSMEs could be in jeopardy, mostly in urban areas and those embedded in small-scale manufacturing, export, construction and service industry supply chains.
Jobs	<ul style="list-style-type: none"> • A 10-15% loss of employment/livelihoods leading to a cumulative loss of perhaps 1.6 - 2.4 million jobs/livelihoods depending on the severity and duration of the crisis, mostly in urban areas. • In the worst-case, 3.2 -4 million could lose their jobs/livelihoods.

1 Using both the official estimate of 9% and the IMF's projection in late-2019 of 6.23%.

2 Planning and Development Commission (PDC), *National Income Accounts estimates for 2018/19, 2019*.

KEY ISSUES	Sectoral / Sub-Sectoral Impacts	<p>Agriculture:</p> <ul style="list-style-type: none"> • Production might drop by 30% if producers revert to the extensive production system for cash crops. • Significant income losses in specific sectors e.g. livestock, horticulture. • Supply chain disruptions are an increasing possibility. • Start-up of agro-industrial parks will be delayed. • Broader negative impacts on food availability, access and utilisation. <p>Construction:</p> <ul style="list-style-type: none"> • Under severe pressure, likely to be one of the most impacted sectors. <p>Manufacturing:</p> <ul style="list-style-type: none"> • Total shutdown or sharp drop in production capacity and reduced employment in industrial parks. • Sub-sectors such as textiles and garment (T&G) and leather and leather products will be hit hard. • The flower industry faces catastrophic losses. • Agro-food processing and beverages sub-sector will be relatively less impacted. <p>Services (tourism, hospitality, aviation, trading, retail):</p> <ul style="list-style-type: none"> • One of the most impacted sectors. Unlikely to recover before Q4 at the earliest and possibly later in 2021. • High likelihood of closure of businesses and large-scale loss of jobs/livelihoods, in both the formal and informal sectors, especially in urban areas. Women, who are disproportionately represented in the informal sector, will be impacted seriously. • Significant and prolonged forex losses from tourism are very likely. 	ESTIMATIONS OF IMPACT
	Health and Nutrition	<ul style="list-style-type: none"> • Initial readiness low – 55% of required capacity for routine services. • Diversion of resource to combat COVID-19 will impact other essential services such as antenatal care (ANC) and sexual and reproductive health (SRH) services for women and girls. • Polio and immunisation campaign for up to 17 million children under 5 postponed. • Potential for excess morbidity and mortality as a result of the diversion of resources that limit the availability and utilisation of both preventive and curatives services. • 10-15% rise in severe acute malnutrition (SAM) is expected. • 34% of health facilities have an improved water source and 61% have sanitation facilities, significantly increasing risk to frontline workers and users. 	
	Water, Sanitation and Hygiene (WASH)	<ul style="list-style-type: none"> • Core to combating COVID-19 but poverty – and associated housing conditions – as well as lack of access to adequate facilities are major issues. • Only 11% of Ethiopia's population is using safely managed drinking water. • 22% of the population (23 million people) practice open defecation. • Very low rates of handwashing after the use of a latrine. 	
	Education	<ul style="list-style-type: none"> • Greatest disruption in educational opportunities for Ethiopian children in more than a generation. • 26 million children (77% of whom are primary school pupils) affected by school closures. • Loss of access to vital school feeding programmes: 0.6 million children affected in Addis Ababa alone. • Learning outcomes expected to suffer, especially in the case of children from poor households. • Higher risk of permanent drop-out from schooling by children from poor households. 	

KEY ISSUES	ESTIMATIONS OF IMPACT	
	Gender-Differentiated Impacts	
	<ul style="list-style-type: none"> Broad-based, substantial and systemic risk to women and girls. Disadvantaged in decision-making at household level on the response to the pandemic. Women over-represented in the workforce in industrial parks, thus, most impacted. Women are over-represented in the workforce in the hard hit tourism and hospitality sector (80%) and likely to bear the brunt of job losses. Frontline health workers – many of them women – at significant risk of being infected due to a lack of personal protective equipment (PPE). Additional burden of childcare for women and girls, as school-age children stay at home, with girls suffering disproportionately compared to boys in access to school and learning opportunities. Significant risk of increased violence against women and girls (VALW) and reduced access to essential support services. 	
	Governance and Human Rights	
	<ul style="list-style-type: none"> Postponement of elections and the State of Emergency (SE) triggered by the pandemic have raised important Constitutional issues about the governance of Ethiopia starting in Q4 2020. Continuity of critical government functions can be jeopardised. Combination of the SE and the pandemic could hamper progress towards the realisation of economic, social and cultural (ESC) rights and may affect press freedom and access to information. Risk of unrest and possible rise in crime as socio-economic conditions worsen. 	

Response and recovery will also have a higher likelihood of success if they:

- promote measures that put people at the centre and protect them and their rights whilst also conserving vital economic and financial assets and systems;
- recognise and target those sectors and groups that are most severely impacted and are either already or likely to be left behind;
- avoid distortions in policy and investments that turn temporary measures into permanent 'giveaways' unless deliberately designed as incentives connected to longer-term development objectives; and
- seize the opportunity to boost longer-term goals tied to the SDGs that foster a fairer and more resilient, productive, greener and sustainable future for Ethiopia.

As the matrices that follow below show, this is not an impossible task: Ethiopia already has several of the policy instruments, tools, institutions and programmes needed to act now and act effectively. There is a package of 'first best' and, where this is not possible, 'second best' policy options that can be designed and delivered in Ethiopia as part of its

own home-grown answer to the need for immediate response and accelerated recovery. Funding can also be found, partially if not fully, from some adjustments in budgetary allocations and incentives, regulatory changes, and substantial though still insufficient additional inflows of resources from development partners in the form of budget support that could potentially approach USD 1 billion or more.

As Ethiopia designs and implements its home-grown socio-economic policy response to COVID-19, it may wish to consider some key implications of the crisis that could shape the policy space available to it in the short- to medium-term:

- It will take longer to delivery on the objectives of the HGER, as response and recovery substantially complicate and delay previously planned trajectories and targets across the board. Opportunities will also emerge, however, to accelerate a return to trend, for instance, by using repurposing to boost MSMEs in the manufacturing sector through production of health equipment and supplies or to take a significant step forward in the digitalisation of services in the public and private sectors.

- With widespread socio-economic impacts evident already and likely to increase in scale and intensity, there is a strong argument for bold policy actions, taken quickly, to counter the most adverse effects and avoid a more painful and longer pathway to recovery. This will have positive effects, not least in boosting consumer confidence, avoiding an overshoot in market sentiment and providing a clear signal to domestic and foreign investors.
- There is some scope for a robust fiscal response given prudent budgetary management, but loss of revenues, whether through economic contraction or policy measures, will mean a larger than expected deficit in 2020 and continued pressure into 2021 albeit at a lower level. The question of how this deficit will be financed in non-inflationary ways will be important. Another key aspect is managing the country's debt profile to avoid an unsustainable accumulation of obligations. Relief on debt (reductions in principal or extensions of maturity) and debt service (deferral or elimination for at least 1-2 years) could free up significant fiscal space and help maintain the fiscal stance, particularly if this includes relief from non-Paris Club bilateral donors who are more important for Ethiopia. Relief from the International Financial Institutions (IFIs) would also make a significant difference to the fiscal position although this does not normally extend to the International Monetary Fund (IMF).
- Fiscal measures need to find a balance between economic and social sectors: to focus solely on the economic and financial impacts will cause lasting damage to human development and come at the expense of forgone growth and development in the future.
- A significant benefit may accrue on the revenue side if fuel prices are maintained at current levels at a time of falling global prices. These gains, though, may be reduced somewhat due to the slowing of economic activity caused by the pandemic, hence, reduced demand for fuel products.
- External official non-debt financing – concessional or near-concessional – will become even more important. It will now need to be sustained at a higher volume for longer than envisaged at the time the HGER was launched, potentially for as long as 5 years (to 2024).
- The pressure on external accounts, forex availability and the exchange rate that was beginning to lessen in Q1 2020 will tighten considerably for the rest of 2020 and into 2021.
- Inflation management will become considerably more challenging in 2020-21.
- Not to be lost under the pressures of crisis response and recovery, is the task of closing analytical and data gaps that hamper the design, effective implementation and on-going monitoring and evaluation of policies, investments, programmes and projects. To cite a few examples:
 - Much more needs to be known about the characteristics, impacts and implications of the high level of informality in the Ethiopian economy;
 - While knowledge on MSMEs has improved over the years, there is much still that is not known about the operations of this bedrock of the economy, not least on the basic fact of their number in the country;
 - Work needs to be done to identify tools and methods, especially digital, to better target and manage social protection measures, to improve their incidence on the poor, increase transparency and minimise 'benefits leakage';
 - Risk management as a core practice in government is an unexplored territory in public service in Ethiopia as in many other developing countries and yet of vital importance in a risk-pervasive environment; and
 - The issue of women and girls in the economy, both the obstacles to their full participation and the means to overcome them, deserve much greater attention, given significant current shortfalls on gender equality and the empowerment of women and girls in Ethiopia, despite recent progress.

OPTIONS FOR THE RESPONSE PHASE:

The suggestions in the policy matrix below **target the response phase of addressing socio-economic impacts although their intent is not just to mitigate but also to lay the groundwork for rapid recovery**. Furthermore, the suggestion is not that every option proposed below ought to be selected but, rather, to offer a range of possibilities that represent a set of either ‘first best’ or ‘second best’

policy and intervention choices to deal with the identified problem. Using criteria such as feasibility, speed of start-up, time to impact, cost and financing as well as the principle of leaving no one behind, it should be possible to identify a package of measures that are well-suited to tackle the problem, at-scale, quickly and effectively. **It is worth emphasising that almost all of the options below are well-tailored to benefit from budget support.**

Table 0.2 RESPONSE PHASE POLICY MEASURES

POLICY OBJECTIVES	POLICY MEASURES
A. Support and protect individuals and households hit hardest by the crisis.	<ul style="list-style-type: none"> Cash transfers to vulnerable and impacted populations in urban and rural areas (self-employed, day laborers, temporary workers, PWDs), using a scaled-up PSNP and UPSNP to cover between 10-12 million people with the possibility of an upper bound of 15 million people in the worst case. <p>Depending on market conditions and the level and form of available resources, and informed by analysis of those at risk, cash-based transfers may offer an efficient and effective means of relieving the pressure on the vulnerable, enhancing flexibility and choice, and boosting local markets, especially where these are still functioning properly. Cash-based transfers may also offer advantages where there are access constraints for in-kind assistance.</p> <ul style="list-style-type: none"> Cash transfers, targeted specifically to reducing the age eligibility criteria for (non-contributory) pensions, extending coverage from 30 to 60% percent and ensuring health access, using mobile banking for quick disbursements. The additional estimated cost is Birr 4 billion. Job retention programmes^[3] to help sustain employment levels in MSMEs in the most impacted sectors such as construction, hospitality and tourism. [The Entrepreneurship Development Centre (EDC) could be used as an institutional channel for this]. Unemployment benefits backed by emergency disbursement measures e.g. for workers in industrial parks and highly impacted sectors of the urban economy. Waiver of a value-added tax (VAT) on a list of essential food and non-food items for a period of 3 months. Assuming that the average domestic indirect tax revenue over three quarters is Birr 14.5 billion and that 80% of this is VAT, and further assuming that essential food and non-items account for 15% of the total, then a loss of revenues of Birr 1.7 billion would be the approximate fiscal impact. Temporary ‘top-up’ of block grants to regional states based on their socio-economic exposure to the pandemic, especially the Developing regional states (DRS), to be spent on designated, high-priority, social and economic areas.
B. Support and protect MSMEs in sectors	<ul style="list-style-type: none"> Rapid repurposing^[4] of MSMEs to meet immediate requirements (e.g. for public health equipment and supplies) using guaranteed public contracts over a specified period and securing adherence to quality standards. Use of capitalised sectoral funds for business cash-flow funding.^[5]

3 Even in the US and the UK, policies are/have been put in place to prevent massive economy-wide lay-offs followed by post-crisis rehires, on account of their social and economic costs. Worker retention programmes should be negotiated with workers’ and employers’ representatives. They typically entail that: a) businesses retain workers, who agree to temporary wage/benefit reductions, the public budget paying part of the cost; and b) workers are “furloughed”, keeping at least their medical insurance coverage.

4 This needs to be handled with care as the experience shows repurposing is risky, difficult and may not guarantee results, particularly for health-related products that need to comply with stringent safety standards. See Carlos López-Gómez, Lucia Corsini, David Leal-Ayala, and Smeeta Fokeer, *COVID-19 critical supplies: the manufacturing repurposing challenge*, 2020. Available at: <https://www.unido.org/news/covid-19-critical-supplies-manufacturing-repurposing-challenge>.

5 These may be structured as forgivable loans on condition of workers retention.

POLICY OBJECTIVES	POLICY MEASURES
hit hardest by the crisis.	<ul style="list-style-type: none"> • Interest free loans, low-cost credit and/or credit guarantees for MSMEs to improve liquidity and refinance debts [through the DBE, using quality-assured microfinance institutions, and through the EDC]. • Using all or some of the tools mentioned above, tailored ‘rescue’ packages for the hardest hit (non-agricultural) sectors or sub-sectors such as textiles, leather and leather goods, horticulture, construction and tourism. • Continuity of input and output distribution channels servicing the agricultural sector backed by support to maintenance of occupational safety across all key parts of supply chains supporting the rural economy and connecting it to the urban economy. • Priority allocation of forex combined with partial subsidy, outright grants or low interest, long-terms, loans to ensure a consistent, uninterrupted and timely supply of inputs for ‘critical’ supply chains (especially for food and agro-industrial products). • Sufficient liquidity in the financial sector, to prevent financial stress and to ensure credit to impacted sectors. Temporarily lower risk-weighted capital requirements could be another way of injecting funding to the private sector provided this is handled carefully. • Temporary (2-3 month) suspension of taxes and social security contributions for businesses and workers (temporary tax holidays). • Temporary waiver of a range of fees and regulations imposed on enterprises by Federal and Regional Governments as well as cities and local governments, especially for micro and small enterprises.
C. Ensure vital social services and critical government functions continue to be delivered with minimal disruption.	<ul style="list-style-type: none"> • ‘Ring fencing’ of expenditure on critical components of social service delivery (e.g. immunization, reproductive, maternal, neonatal, adolescent and child health (RHMNAC), WASH). • Targeted expansion of access to water and sanitation e.g. in health facilities and urban informal settlements. • Re-start of the measles and polio immunisation campaigns and school feeding programmes (even without school attendance) at the earliest feasible date. • Occupational health and safety for frontline workers in the health system. • Innovative programmes to target specific at-risk groups such as women at risk of violence, street children, PLWHA and the homeless, channelling resources through non-governmental organizations (NGOs) to relieve pressure on public institutions and services. • Expanded emergency support to help meet the needs of IDPs, refugees and returnees/relocates, returned migrants combined with a temporary ‘policy moratorium’ on the status of these groups till the pandemic is over. • Risk analysis and business continuity planning in all critical federal and regional institutions.
D. Protect the rights of the most vulnerable and human rights generally under the SE.	<ul style="list-style-type: none"> • Transparent and effective functioning of the Inquiry Board. • Strengthened role and capacity of the Ethiopian Human Rights Commission (EHRC) as well as relevant civil society organizations (CSOs) in monitoring the human rights situation under the SE. • Appropriate training, monitoring and oversight of security forces to ensure adherence to national and international human rights legislation under the SE. • Social dialogue on response measures as well as recovery phases grounded on fundamental human rights. • Publicly accessible tools to track financial allocations and expenditures from economic stimulus packages, grants from donors, loans from IFIs, and funds re-allocated from debt service payments due to debt service relief, including to the communities most left behind.

RECOVERY PHASE: SECTORS + PROPOSED POLICY MEASURES

Table 0.3 RECOVERY PHASE POLICY MEASURES

POLICY OBJECTIVES	POLICY MEASURES
A. Support economic and financial recovery.	<ul style="list-style-type: none"> Maintain a flexible policy stance that permits a more gradual path to the achievement of fiscal targets. Depending on context, consider tax cuts, continued cash transfers and subsidies, and higher spending in specific sectors or projects. Secure a significant expansion of the domestic tax base and consider adoption of fiscal 'buffers' that provide space for rapid response during crises. Secure debt reduction and relief on debt service that delivers benefits over a 3-5 year period. Encourage development of innovative financing instruments to expand Ethiopia's access to the global pool of capital e.g. through impact financing and green bonds.
B. Develop home-grown solutions that boost productivity and resilience. ^[6]	<ul style="list-style-type: none"> Re-set national and negotiate regional trade and industrial priorities, taking full advantage of the African Continental Free Trade Area (AfCFTA). Support medium- and long-term business investments that lead to resilient supply chains for critical goods and services. Drive development of national and regional value chains. Linked with the above, actively encourage Ethiopia's development as a biomedical and pharmaceutical manufacturing hub for East Africa and, potentially, SSA. Explore opportunities for cross-border digital trade. Institutionalise risk management principles, practices and institutional arrangements at federal and regional levels.
C. Scale-up digital transformation in the private and public sectors.	<ul style="list-style-type: none"> Accelerate development of digital connectivity (coverage, access, quality, reliability) to support competitive industries and link these to regional value chains and markets. Accelerate development of e-commerce and e-governance including digital banking, digital payments platforms, e-financial services (e.g. microcredit and micro insurance), a national ID system, and robust digital communications systems within government.
D. Support social recovery.	<ul style="list-style-type: none"> Ramp-up testing on a large-scale to contain the pandemic sufficiently to enable a sustainable recovery and minimise the possibility of a 'second wave' of infections. Prioritise hardest hit social sectors for additional public support, to recover losses and increase investments to prevent permanent reversals in health, nutrition, education, social protection, social services and WASH. Build better targeted, more efficient, social safety nets using the lessons learnt from the pandemic, including through much greater use of digital technology.
E. Ensure sustainable recovery. ^{[7][8]}	<ul style="list-style-type: none"> Leverage investments towards a more sustainable trajectory in energy production, transportation services and natural resource management and biodiversity. Set tax rates for fuel, energy or carbon as well as identify incentives to reduce carbon emissions as a component of stimulus packages and accelerate the transition to a green economy.

6 Beatrice Chaytor and Ify Ogo, 'Recovery from the Economic Impacts of the COVID-19 Pandemic in Africa: What Role for Trade?', *Tralac Blog*, 7 April 2020. Available at: <https://www.tralac.org/blog/article/14491-recovery-from-the-economic-impacts-of-the-covid-19-pandemic-in-africa-what-role-for-trade.html>.

7 Stéphane Hallegatte and Stephen Hammer, 'Thinking ahead: For a sustainable recovery from COVID-19 (Coronavirus)', *World Bank Blogs*, 30 March 2020. Available at: <https://blogs.worldbank.org/climatechange/thinking-ahead-sustainable-recovery-covid-19-coronavirus>.

8 Additionally see World Bank, *Planning for the economic recovery from COVID-19: A sustainability checklist for policymakers*, 2020. Available at: <https://blogs.worldbank.org/climatechange/planning-economic-recovery-covid-19-coronavirus-sustainability-checklist-policymakers>.

FINANCING THE POLICY RESPONSE

It is worth noting that stimulus packages being considered in developing countries vary widely in scale, ranging from, at the upper end, 17% of GDP in Malaysia to close to 8% (potentially) and 7% in Cambodia and Brazil, respectively, to a mid-range of 2-3% of GDP in countries such as China, Bangladesh, Indonesia, Pakistan and Vietnam, to around 1% at the lower end in India. Using these figures for Ethiopia, would yield the following numbers at the top, mid and lower levels using estimated nominal 2019 GDP value of USD 96 billion:

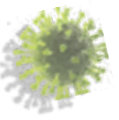
- top: USD 9.6 billion (10% of GDP) or Birr 307 billion.
- mid: USD 2.88 billion (3% of GDP) or Birr 92 billion.
- low: USD 960 million (1% of GDP) or Birr 30.7 billion.

Short-Term Options for Mobilising Financing:

- Swiftly tap funding available from IFIs while managing the debt profile of the country - World Bank, IMF, African Development Bank (AfDB) and Islamic Development Bank (IsDB) – and any possibility of grant financing and debt relief from China and the Gulf States (although the latter are facing very serious fiscal pressures).
- Request development partners to quickly repurpose their resources for 2020-21 - even a 20-30% repurposing of inflows of USD 4 billion estimated in 2020 could make USD 800–1,250 million available. In this regard, though, it will be important to avoid a situation where repurposing of humanitarian funding to deal with the impact of COVID-19 reduces resources available to combat other emergencies unfolding in Ethiopia at the same time.
- Request development partners to accelerate disbursement, especially front loading of budget support, during Q2-3 2020 and project spending later in 2020 and heading into 2021.
- Start the process of receiving some form of debt reduction and relief on debt service, looking at a moratorium on all payments due in 2020-21 and a reduction in principal and extension of maturities from *all* official creditors, whether such debt was

contracted through government-to-government arrangements or through government-run export credit or commercial financial institutions.

- Request Mastercard Foundation to accelerate its USD 300 million, 10-year commitment to Ethiopia, perhaps bringing forward as much as 20-30% of this amount to 2020-21, if this is feasible.
- Swiftly assess possibilities for reallocation of unused/unusable resources from various budget lines at federal, regional and local government levels.



INTRODUCTION

CHAPTER 1

COVID-19 is a pandemic creating enormous disruption to lives and livelihoods as well as social and economic systems worldwide. It is the worst global crisis since WW II. The virus is highly contagious and has spread with geometric progression and to every corner of the world. Young people are far more likely to be infected (as carriers) but older persons are more likely to die. It took 67 days to reach the first 100,000 cases but it only took 11, 4, 2 and 1 day(s) and then hours to reach the subsequent 100,000 cases globally.

COVID-19 is a massive health crisis BUT also much more. It is a systemic shock with profound implications, both in the short- and medium- to long-term. It is already leading to a rethink about the position of the state in society and revealed – starkly - how the often deep inequalities and deprivations in many societies are reproducing themselves in inequality of exposure to risks and impacts. The pandemic has precipitated massive short-term economic contraction, shuttered many firms whether big or small, thrown tens of millions out of work, disrupted global supply chains, severely strained health services, fiscal capacity and safety nets, and eroded global solidarity and multilateralism just when they are needed the most. COVID-19 has also triggered some social unrest, albeit contained at present, but the future in this regard is hard to predict. Its effects are already wide-ranging, and its longer-term repercussions will be profound.

Sub-Saharan Africa (SSA), including Ethiopia, are unlikely to escape the direct and indirect effects of the pandemic and attendant global crisis. While the trajectory of COVID-19 is still at its initial stages in the region, the repercussions of developments elsewhere are already being felt strongly. By 4 May 2020, Ethiopia had 135 confirmed cases and had conducted 18,754 lab tests representing around 0.019%^[9] of the total population. This strongly suggests that the number

of confirmed cases may not be an indication of the true state of affairs, not least in gauging the extent of community transmission (if any, at the time of writing this assessment). The outlook is substantially complicated and worsened by the large numbers of Ethiopians returning from Djibouti, Kenya and Sudan, often crossing the border on foot, making it difficult to monitor, track and assist anyone with an infection. To this condition must be added the high number of returnees from Saudi Arabia and United Arab Emirates.

In these circumstances, it is vital to understand the scale, nature and depth of social and economic impacts in order to design an appropriate and effective policy and programmatic response, whether at country, regional or global levels.

This impact assessment is, therefore, a contribution from the United Nations (UN) system in Ethiopia to the growing body of work being undertaken in and on the country by Government, academia, development partners and others. It seeks to understand what these impacts might be and how best they might be addressed, immediately and into the medium-term, with an eye not just on response but also on finding pathways to rapid recovery that build resilience, reduce inequality and embed sustainability.

9 Ministry of Health (MoH), Ethiopian Public Health Institute (EPHI), *PHEOC COVID-19 SITREP* – 97, 2020.

1.1

BASELINE FOR IMPACT ASSESSMENT: AN ANALYTIC VIEW OF THE SITUATION PRE-COVID

1.1.1 Key Development Features and Trends

It is important to bear in mind Ethiopia's macro and development situation pre-COVID-19 as the baseline against which to assess impacts.

Macro + Development Performance in Ethiopia Pre-COVID:

- Strong but slowing real gross domestic product (GDP) growth, 10.4% per annum on average in the past 15 years but decelerating from 9% in 2018/19 to 6.2% in 2019/20.^[10]
- Relatively rates of savings and investment, estimated at 30.7% and 35.2% of GDP, respectively.^[11]
- Persistently high food and non-food inflation of 19.8% and 10.2%, respectively, in 2018/19, mostly reflecting supply side constraints and forex issues, with data for February 2020 showing an acceleration to 25.1% and 17.9%. This trend has not abated: data just released show headline inflation in March of 22.5%, food inflation at 26.9% and non-food inflation at 17.3%.
- Prudent fiscal management with the budget deficit kept at 2.5% of GDP in 2018/19 and 3.2% and 2.3% in the preceding two years.
- A trade balance in structural deficit, amounting to 12.5% of GDP in 2018/19 primarily reflecting a low level of exports from a mostly undiversified basket of commodities (USD 2.67 billion in 2018/19) and a high level of dependence on imported intermediate inputs, capital goods, fuel and food (wheat).
- A high level of investor interest in Ethiopia but declining FDI inflows, from USD 4.1 billion in 2016/17 to USD 3 billion in 2018/19. A bright spot, however, was remittances which rose from USD 4.4 billion in 2016/17 to USD 5.7 billion in 2018/19. The same can be said for official development assistance (ODA) disbursements which rose by about 17.6% in 2018/19 to USD 4.24 billion from USD 3.4 billion in 2017/18 with per capita ODA increasing from USD 32.2 in 2017 to USD 41 in 2019. In the fiscal year 2018/19, 37 development partners provided direct support to the budget and financed 332 projects, with 55% of this inflow provided on grant terms, 36% as loans and 6% as technical assistance.
- A high debt burden, with the country's external debt stock at USD 27 billion or 28.1% of GDP and total debt at USD 54 billion or 56% of GDP in 2018/19. The Ethiopia's Debt Sustainability Analysis (DSA) carried out by the World Bank and the IMF placed the country at a high risk of debt distress although recent efforts by the Government to restructure external debt (reduced stock, longer maturities) has brought the country some breathing space.^[12]
- Reflecting challenging external accounts, forex reserves that stand at less than 2.4 months of import coverage^[13] which is below the minimum threshold of 3 months that is considered necessary to avoid any disruption to trade and investment. The effects are evident in an acute shortage of forex which has negatively impacted economic activity and investment as well as put considerable pressure on the Birr which is subject to a managed float. In the context of double-digit inflation, the managed float has led to an overvaluation of the real effective exchange rate which undermines the competitiveness of exports.
- Relatively high levels of un- and under-employment. In 2018, urban unemployment was estimated at 19.1% with youth unemployment

10 International Monetary Fund (IMF), *Presentation on the Article IV Consultations*, November 2019.

11 Planning and Development Commission (PDC), 2002.

12 Ibid.

13 Ibid.

at 25.3%^[14], both very high numbers. Due to the seasonality of agriculture, there continues to be chronic under-employment in rural areas.

- Encouraging trends in income and multi-dimensional poverty. Income poverty declined from 29.6% in 2010/11 to 23.5% in 2015/16 and overall multidimensional poverty fell from 88.4% to 83.5% over the same period. For specific groups such as children, data indicate that 88% (or 36.2 million children) suffer from multidimensional poverty with significant disparities between rural and urban areas.^[15]
- Major challenges with gender equality and the empowerment of women and girls. Ethiopia is among countries with a low Gender Development Index value (ratio of female to male Human Development Index (HDI) values) scoring 0.846^[16] and stands at 117 out of 129 countries in the Sustainable Development Goals (SDGs) Gender Index.^[17] With strong socio-cultural norms and practices that work against the best interests of women and girls, Ethiopia's Gender Inequality Index (GNI)^[18] score (0.502) is also one of the lowest in the world - Ethiopia ranked 121st out of 160 countries on GNI scoring.^[19] Data from 2016 shows that nearly half of married women (48%) were employed at any time in the past 12 months compared to 99% of married men. Unemployment in the urban population is higher among women compared to men and the employment-to-population ratio was 43% for females compared to 64% for males in 2016.^[20] The labour force participation (LFP) ratio (female-to-male) in Ethiopia was 88%^[21] in the same year. Women, however, dominate the workforce in the services sector. For example, in the tourism and hospitality sector, women account for 80% of all jobs.^[22] Beyond the economic, violence against

women and girls (VAWG) is high with more than 1 out of 4 (25%) of women aged 15-49 years having experienced physical and/or sexual violence since the age of 15 years.^[23]

- Generally improving health condition of the population, with life expectancy increasing from 56.8 years in 2005 to 65.5 years in 2016.^[24] Maternal mortality has been reduced by 39%, from 676 in 2011 to 420 in 2016 per 100,000 live births. Additionally, the routine health information shows that in FY 2010, the national pentavalent-3, measles and full vaccination coverages were 94%, 88% and 86%, respectively. Communicable diseases such as human immunodeficiency virus (HIV), tuberculosis (TB) have also shown a decline with HIV prevalence among women and men aged 15-49 years decreasing from 1.5% in 2011 to 0.9% in 2016.^[25] Furthermore, age-standardised death rate owing to TB declined from 191 per 100,000 in 2005 to 76 per 100,000 in 2017.

Underlying Issues:

- Non-economic vulnerabilities at an elevated level: uncertainties leading up to postponed elections, a major desert locust (DL) invasion and erratic rains (and, in the recent past, droughts and floods).
- Low domestic resource mobilisation: 10% of GDP in 2018/19^[26], considerably below the Sub-Saharan African average of 19%. This creates significant vulnerability to shocks as it limits fiscal space to mount an effective response.
- A structure of growth heavily reliant on private consumption on the demand side (66.8% GDP, three-year average, 2016/17 – 2018/19) and public investment in infrastructure on the supply side: in terms of sectors, the contributions of industry, services and agriculture to three year

14 Jobs Creation Commission (JCC), *Plan of Action for Job Creation*, 2020.

15 Central Statistical Agency (CSA) and UNICEF Ethiopia, *Multidimensional Child Deprivation in Ethiopia. First National Estimates*, 2018. Available at: <https://www.unicef.org/ethiopia/media/806/file/Multi-dimensional%20Child%20Deprivation%20in%20Ethiopia%20-%20First%20National%20Estimates.pdf>.

16 UNDP, *Human Development Indices and Indicators*, 2018 Statistical Update.

17 <https://data.em2030.org/em2030-sdg-gender-index/>

18 A composite measure reflecting inequality in achievement between women and men in three dimensions: reproductive health, empowerment and the labour market.

19 See footnote 16.

20 UN Women, *Ethiopia Gender Statistics Report*, 2017.

21 IMF, *Country Report No. 18/355*, December 2018.

22 World Tourism Organization, *Annual Report 2010*, 2011.

23 CSA, *Ethiopian Demographic and Health Survey*, 2016.

24 Global Health Observatory Data Repository/World Health Statistics.

25 See footnote 23.

26 Ministry of Finance, (MoF), *General Government Fiscal Performance Statistics for 2018/19, 2020*.

average growth were 41.6% (mainly driven by a construction boom), 39.3% and 19.1%, respectively.^[27]

- An import dependant and supply constrained economy, sensitive to shortages and delays in primary and intermediate inputs provision, increasing logistics costs and more stringent import/export protocols and certification requirements.
- Employment status dependent on location, with a high reliance on self-employment or unpaid work: much of employment in rural areas is either self-employment or unpaid work whereas self-employment (mostly in the informal sector) and wage employment are dominant in urban areas. In terms of numbers, total employed in agriculture, industry and services stand at 35.8 million, 7.4 million and 8.7 million, respectively.^[28] Across all employment categories but especially in the case of unpaid work and self-employment, concentrated in rural areas and the urban informal sector, there is little or no social protection associated with jobs, substantially increasing vulnerability to shocks.
- A firm structure of the economy heavily tilted towards MSMEs, both formal and informal, that are the largest employers, especially in urban areas.
- A double burden of disease affecting the population. According to the 2017 Global Burden of Disease (GBD) study estimates, communicable, maternal, neonatal and nutritional diseases (CMNNDs), non-communicable diseases (NCDs) and injuries account for 60%, 33% and 8%, respectively, of the total disability-adjusted life years (DALYs) in the country. Mental and substance-use disorders are among the leading NCD disorders in terms of disease burden with an estimated prevalence of common mental illness at 22% in the general population. Malnutrition remains a significant concern as nearly four in ten

(38%) of under-five children in Ethiopia are stunted, 10% of the children are wasted and 24% of the children are underweight. Furthermore, existing staff in human resource (HR) management and leadership has limited technical skills and experience, the HR structure and staffing at all levels is inadequate and the capacity and practices in strategic and operational HR planning and budgeting are limited.^[29]

- Acute and chronic situations of food security and malnutrition compounded by recurrent shocks of desert locust (DL), erratic rains, conflict and high food prices. Ethiopia has faced recurrent catastrophic shocks prior to COVID-19 since at least 2014: floods in Afar, Gambella, SNNPR and Somali Regions in 2014 affecting 3 million people^[30]; the worst El Niño impacts in fifty years in 2015/16 affecting the livelihoods of 10 million people^[31]; drought caused by the Indian Ocean dipole in 2017 affecting the livelihoods of 8.5 million people^[32]; inter-communal violence in 2018 displacing 2.7 million people; and the DL invasion in 2019/20 affecting the livelihoods of more than 800,000 farming households.^[33]
- An extensive but minimal safety net: Ethiopia has one of the largest safety net programmes in Sub-Saharan Africa – the 5-year Productive Safety Net Programme (PSNP), established in 2005 by the Government with support from development partners, with a budget of USD 500 million. The PSNP is designed to support chronically food insecure people and build their livelihoods with the aim of graduation but the latter has been very limited, leading to concerns about dependency, although the Programme is generally well-targeted^[34], seen against comparators in other developing countries, and has served to alleviate poverty. The PSNP supports 8.4 million people at present with the system able to accommodate the needs of people impacted by additional shocks when funds are available. In addition, the Urban Production Safety Net Programme

27 PDC, *National Income Accounts Statistics Estimate for 2018/19*, 2019.

28 JCC Data.

29 Essential Health Services Package of Ethiopia.

30 2015 Humanitarian Requirements Document, Joint Government and Humanitarian Partners' Document, Jan 2015.

31 2016 Humanitarian Requirements Document, Joint Government and Humanitarian Partners' Document, Jan 2016.

32 2018 Ethiopia Humanitarian and Resilience Plan, Joint Government and Humanitarian Partners' Document, 2018.

33 Government of Ethiopia and partners, *Impact of desert locust infestation on household livelihoods and food security in Ethiopia: Joint assessment findings*, April 2020. Available at: <https://reliefweb.int/report/ethiopia/impact-desert-locust-infestation-household-livelihoods-and-food-security-ethiopia>.

34 World Bank, *Ethiopia Poverty Assessment: Harnessing Continued Growth for Accelerated Poverty Reduction*, 2020.

(UPSNP), which started in 2019, reaches about 600,000 people and the community-based health insurance programme covers about 22 million people throughout the country.

- Likely underestimation of poverty: Ethiopia's poverty line is Birr 7,184 per annum or Birr 19.628 per day based on 2015 prices and 2015/16 household survey data. While basic needs have not changed dramatically since then, purchasing power has been eroded significantly due to relatively high inflation.
- A significant proportion of the population that is unbanked: only 35% of adults are estimated to have an account at a formal financial institution.^[35]

- Addis Ababa (+ selected other urban locations) account for a disproportionate share of growth, wage employment and tax revenues. Some academic estimates^[36] put the share of Addis in Ethiopian GDP as high as 35% and that all of all urban areas at 54% and possibly higher.

Capturing several of the elements discussed above, UNDP's Human Development Report Office^[37] has gauged both the level of a country's preparedness to deal with COVID-19 and its level of vulnerability. These are represented visually in the graphics below.

Table 1.1 ETHIOPIA_PREPAREDNESS TO RESPOND TO COVID-19

Level of preparedness:

High Medium Low								
Human Development			Health system			Connectivity		
Human development index (HDI) (value), 2018	Inequality-adjusted HDI (IHDI) (value), 2018	Inequality in HDI (percent), 2018	Physicians (per 10,000 people), 2010-18	Nurses and midwives (per 10,000 people), 2010-18	Hospital beds (per 10,000 people), 2010-18	Current health expenditure (% of GDP), 2016	Mobile phone subscription (per 100 people), 2017-18	Fixed broadband subscriptions (per 100 people), 2017-18
0,470	0,337	28,4	1	8	3	4,0	37,2	0,1

Data source: available at http://hdr.undp.org/sites/default/files/preparedness_vulnerability_dashboards_12.xlsx.

Table 1.2 ETHIOPIA_VULNERABILITY TO PANDEMICS

HDI Rank: 173

Level of vulnerability:

Low Medium High								
		Population living below income poverty line					Immediate economic vulnerability	
Population in multi dimensional poverty (%), 2009-18	Population vulnerable to multi dimensional poverty	PPP \$1.90 a day (%), 2010-18	National poverty line (%), 2010-18	Working poor at PPP \$3.20 a day (% of total employment), 2018	Social protection and labour programs (% of population without any), 2007-16	Remittances, inflows (% of GDP), 2018	Net official development assistance received (% of GNI), 2017	Inbound tourism expenditure (% of GDP), 2016-18
83,5	8,9	30,8	23,5	56,1	86,8	0,5	5,1	4,4

Data source: available at http://hdr.undp.org/sites/default/files/preparedness_vulnerability_dashboards_12.xlsx.

35 World Bank, *Ethiopia: The Path to an Efficient and Stable Financial Sector*, 2019.

36 Alemayehu Geda, *The Macroeconomic and Social Impact of COVID-19 in Ethiopia and Suggested Direction for Policy Response*, April 2020.
















37 <http://www.hdr.undp.org/>

1.1.2 NATIONAL POLICY OBJECTIVES (HOMEGROWN ECONOMIC REFORM)

The three-year Homegrown Economic Reform Programme (HGER, 2019-22) is the principal point of reference for macroeconomic and development policy. It calls for building a resilient and diversified middle-income economy, driven by the private sector; eradicating extreme poverty and hunger; building human capabilities; creating a modern policy and

institutional framework; and creating an efficient, resilient and well-functioning financial market. It builds on past achievements but also aims to correct macroeconomic imbalances that have emerged over time, address sector-level constraints and ease structural bottlenecks to expanded public and private investments. The HGER, in its totality, represents a major evolution in policy towards a more market-based, private sector-driven and open economy, closely integrated with regional and global markets.

Table 1.3 HOMEGROWN ECONOMIC REFORM PROGRAMME (HGER, 2019-2022)

Macro - Economic	Public Sector Finances 	Foreign Exchange 	Inflation 	Financial Sector 	Financial Inclusion 
Structural	Regulatory Procedures and Good Governance 	Domestic Productive Capacity 	Market and Value Chain 	Logistics 	Access to Power 
Sectoral	Agriculture 	Manufacturing 	Mining 	Tourism 	ICT 

In response to the COVID-19, the Government has prepared a three-month National Emergency Response Plan (NERP, March 2020), focused primarily on the health emergency; published a socio-economic

impact assessment (April 2020); and, at the time of writing this assessment, formulating a response plan on socio-economic impact.

1.2 THE SUB-SAHARAN AFRICAN CONTEXT

1.2.1 REGIONAL SCENARIOS

Macro Scenarios for Africa Post-COVID-19:

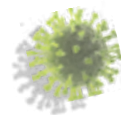
Estimates recently released by the UN Economic Commission for Africa (UNECA)^[38] indicate that regional GDP growth may, in a best-case scenario, fall 1.4%, from 3.2% to 1.8% in 2020, while in the worst-case scenario, Africa's economy could contract by up to 2.6%, mainly as a result of the pandemic. Growth will fall below the rate of population increase, exacerbating income poverty and resulting in a loss of nominal gross domestic product of about USD 29 billion. Adverse effects are likely to be broad-based and significant: on trade and tourism, investment,

remittances, domestic demand, and employment. The collateral effects on progress towards the SDGs will be significant as well. The IMF^[39] has projected that Africa's economic 'growth' will be at a record low of -1.6% in 2020, described as 'the lowest level on record' for the region. McKinsey and Company has estimated growth impacts in Africa based on four different scenarios.^[40] Based on these scenarios, it projects that African economies may contract by -3.9% during 2020 in the worst case scenario or, in the best case, barely grow by 0.4% but avoid a contraction.

38 UNECA, *Economic Effects of the COVID-19 on Africa*, Presentation, 19 March 2020.

39 IMF, *Regional Economic Outlook for SSA*, April 2020.

40 McKinsey and Company, *Tackling COVID-19 in Africa*, 2 April 2020.



POTENTIAL TRANSMISSION CHANNELS

CHAPTER 2

2.1

POTENTIAL TRANSMISSION CHANNELS OF THE PANDEMIC IN AFRICA

The UNECA^[41] proposes the following transmission channels for both macro and broader development impact in Africa.

Africa is increasingly interconnected with the rest of the world.

Table 2.1 COVID-19: CHANNELS OF TRANSMISSION

Social	1. Human movement 2. Trade (China, USA, EU, etc.)
Price	1. Inflationary pressures 2. Exchange rate Instability
Fiscal	1. Increase in health expenditures 2. Decline in revenue linked to economic slump
Trade	1. Directly through links with China, USA, and EU 2. Indirectly through trade links between China, Europe and etc. 3. Remittances and tourism
Investments / Financial Markets	1. Decline if FDI flows 2. Capital flight 3. Domestic financial market tightening

Impact of COVID-19 on Africa:

- **Health-related disruptions in output**
- **Disruption in supply chains**
- **Inflationary pressures**
- **Compression in demand (economic slowdown)**
 - decline in trade in goods (primary commodities) and services (transport and tourism)
 - deterioration of current account balance
- **Decline in investments (uncertainty)**
- **Job losses**
- **Drop in remittances**
- **Deterioration in fiscal position**
 - lower tax revenues
 - higher social protection spending
- **Increased debt**
- **Banking sector fragility (NPLs)**
 - drop in liquidity/trade credit
- **Social impacts - poverty, gender, inequality, access to social services.**

41 UNECA, *Economic Effects of the COVID-19 on Africa*, presentation, 19 March 2020.

2.2

POTENTIAL TRANSMISSION CHANNELS IN ETHIOPIA

Potential transmission channels in Ethiopia could include the following:

Consumption, Investment, Productivity, Output (+ Employment)

- A further slowdown in private consumption, fuelled by a drop in consumer demand as economic activity is disrupted and consumers 'save' in an uncertain environment.
- A slowdown in private and public sector investment.
- A reduction in output – especially manufacturing and services - triggered by loss of demand as well as disruption of supply chains, whether domestic or global, that will constrain even larger, better-financed, formal sector firms that are highly dependent on imported intermediate inputs or raw materials sourced from rural areas.
- Broader supply and production disruptions, for both food and non-food items (domestic and imported). Any disruption in food production supply chains will exacerbate crop losses already occurring due to the invasion of the desert locust in six regions across different agro-ecologies.
- Possible disruption of the logistics systems – especially for vital imported inputs and supplies - as the pandemic case-load rises rapidly in Djibouti.
- Slowing of construction which accounts for the lion's share of 'industry' in sectoral GDP and is a substantial source of jobs, in urban areas and through work on large national infrastructure projects.
- Knock-on effects on small businesses/enterprises and self- as well as wage employment in both the formal and informal sectors, especially in the services sector, affecting larger urban centres most sharply, with business closures and rising unemployment or loss of livelihoods.
- Loss of productivity in the case of widespread illness in the workforce.

Trade, Remittances, FDI and the Exchange Rate (+ Employment)

- Loss of export orders, especially from industrial parks, horticulture and livestock, as well as a slowdown in shipment of traditional export commodities, which will have wide-ranging negative multiplier effects on employment as well as incomes in both rural and urban areas, and on forex availability and fiscal space.
- A complete loss of tourism revenues for at least 9 months.
- Revenue losses – and possibly lower net income or even losses - at Ethiopian Airlines, a major exporter of services, with collateral effects if it triggers cost-cutting and lower investment and/or requires some form of transitional financial support such as bailout from the Government.
- A reduction in remittances from abroad, a major source of forex accounting for 6% of GDP, negatively impacting on external balances but also directly diminishing consumption levels of affected households.
- A further reduction of FDI, potentially lasting well into 2021, factoring-in the additional variable of upcoming elections.
- Pressure on the exchange rate of the Birr.
- Rising inflation (food and non-food), especially in urban areas, hitting the self-employed and casual labour (e.g. in construction) the hardest.

Fiscal Space, Debt and the Financial System

- Pressure on fiscal space, as the possibility of rising expenditures to counter the pandemic – whether for prevention, testing, isolation, or care - run up against the limitations of a small domestic tax base.
- Contraction of domestic revenues arising from the broader economic contraction.
- Uncertain effects on ODA from donors that now face major fiscal demands at home with financing from IFIs constrained by debt considerations.
- Worsening of external debt sustainability due to reduced debt servicing capacity and additional external debt contracted to respond to the pandemic and its impacts.

- Stress on an already fragile financial sector, with risks of an increase in non-performing loans (NPL) and liquidity constraints confronting domestic banks, substantially limiting their capacity to inject cash into the real economy and support firms in need of working capital, in the absence of public action.

Institutional Stresses

- Pressure on public systems – e.g. for procurement – as demand for essential drugs, equipment and supplies threatens to overwhelm capacities to source and procure globally and regionally, especially at a time when production and supply chains have been disrupted.
- Potential adverse impact on the continuity of critical government functions – from social services to law and order – that may arise if there is a sharp reduction in operations, in the worst case scenario, due to the virus infecting significant numbers of civil servants, leading to closures or lockdowns.
- Impacts on human rights that remain contingent on how the specific conditions of the State of Emergency (SE) proclaimed on 8 April are applied by the administrative apparatus and security forces, monitored by the Inquiry Board and Ethiopian Human Rights Commission (EHRC), and acted upon quickly when any violations are brought to light, especially at a time when the work of the court system has been halted temporarily due to the pandemic.
- Collateral social effects, possibly manifested in increasing unrest and a rise in crime, especially in urban areas.

Social Stresses and Spatial Dimensions

- Compounding the existing food insecurity and malnutrition situation that is already impacting more than 8 million people across the country, deterioration in the quality of diets and food consumption due to loss of income, rising inflation, and lack of access to diversified nutritious diets.
- Redirection and/or loss of capacity in social service delivery, combined with closures and other restrictions, that reduce access to services, adversely affect treatment of vital but non-

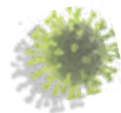
pandemic related health illnesses, impair learning among school age children, and block access to essential school feeding programmes.

- Concentration of vulnerabilities among specific groups that are particularly exposed to a wide variety of risks, including of abuse and exploitation, in conditions of economic uncertainty and loss of livelihoods as well as means of social support. These include women working in the informal sector, children living and working on the street, children in orphanages and remand homes, persons with disabilities (PWD, including the young, YPWD), older persons everywhere, internally displaced persons (IDPs), returnees, those who relocated, and refugees.
- Taking a cue from evidence from around the world, which shows that extended quarantine and other preventive measures lead to an increase in domestic violence as a result of household stress over economic and health shocks combined with forced coexistence in narrow living spaces,^[42] increase in VAWG and interruption of essential services for survivors of violence.
- Spatial concentration of vulnerabilities in DRS that have lower economic, fiscal and institutional capacity to cope as well as in urban informal settlements and slums.

Environmental Stresses

- During and also immediately after the outbreak, many types of additional medical and hazardous wastes are being (or will be) generated, including infected masks, gloves and other protective equipment, together with a higher volume of non-infected items of the same nature. If not carefully handled, unsound management of such waste could cause unforeseen 'knock-on' effects on human health and the environment including a potential second outbreak of COVID-19.
- The management of household waste. At the household level, disposal of medical waste such as contaminated masks, gloves, used or expired medicines and other items could easily become mixed with domestic garbage and handled in the usual manner creating serious health risks and adverse 'knock-on' effects on containment of the pandemic.

42 GBV case management and the COVID-19, AoR, March 2020.



3 REFERENCE SCENARIOS

CHAPTER 3

This impact assessment has tried to construct three scenarios using Scenario 3 in the National Emergency Response Plan (NERP)^[43] as the starting point. In the NERP Scenario 3 called 'Severe impact' Ethiopia confirms an outbreak of COVID-19 and cases are reported in more than two Regions with high morbidity and mortality. The NERP uses this as its primary reference scenario.

According to EPHI, the number of expected cases in Scenario 3 was estimated to be 34,068 per month for the next three months (starting in April). This was based on the following assumptions:

- an urban population estimated at 21% of the total, with all considered at risk;
- 50% of the rural population at risk given dispersed/ spread out population distributions;

- about 20% testing capacity;
- an estimation base of 66.5 million people and assuming herd immunity $(R_0 - 1)/R_0$ would be at 60%, around 39 million expected to be infected with COVID-19.

Guided by the above, the NERP estimates that 10 million people will require emergency assistance as a consequence of COVID-19.

It is important to stress that the reference scenarios presented in this impact assessment are 'thought experiments' for analysis and contingency planning, to enable a better understanding of the range of socio-economic situations that might face Ethiopia, thus, deliberately designed to 'think the unthinkable'. They are NOT predictions about what will happen.

Table 3.1 **REFERENCE SCENARIOS**

SCENARIO 1	SCENARIO 2	SCENARIO 3
Relatively Low-Intensity Epidemic with Limited Economic Lockdown	Intermediate - Intensity Epidemic + Increased Restrictions + Lockdown (at 50% of cap.)	High-Intensity Epidemic + Strong Restrictions + Widespread Lockdown
[confirmed cases contained below < 5,000/month; probability of 30%; being verified by WHO]	[confirmed cases contained below < 10 – 15,000/month; probability of 40%+; being verified by WHO]	[confirmed cases > 30,000/month; probability of 20%+; being verified by WHO]
EPIDEMIC AND CONTAINMENT SCENARIO		
MAIN SOCIO-ECONOMIC EFFECTS		
SECTORAL EFFECTS		

43 National Emergency Response Plan (NERP), 1 April 2020.

SCENARIO 1	SCENARIO 2	SCENARIO 3
EPIDEMIC AND CONTAINMENT SCENARIO		
<p>National</p> <p>Testing is ramped up country-wide by end-April/early-May to 4-5,000/day or more and supplies of essential equipment and materials (PPEs, masks, ventilators, sanitisers) helps the health systems to keep pace with demand. Combined with strengthened surveillance, contact tracing and isolation of positive or suspicious cases, this helps to contain the spread of the virus. The first set of measures put in place through the State of Emergency (SE) prove to be sufficient. Infection is confined primarily to Addis and 3-4 regions (mostly their urban centres) with some localised outbreaks occurring elsewhere but brought swiftly under control. There is no evidence of widespread infection in rural areas.</p> <p>Economic activities are locked down for around two months at the most: culture, sports, entertainment events; restaurants and bars; all education (but educational fees and teacher salaries are unaffected for the most part). The locust invasion does not worsen from current levels.</p> <p>A gradual and phased relaxation of the restriction by the third month from the outbreak of the infection becomes possible.</p>	<p>National</p> <p>Despite increased testing and improved surveillance, contact tracing and isolation of positive or suspicious cases, infection, morbidity and mortality keep increasing in absolute terms, with the rate of infection rising, suggesting a higher gradient curve. The health system is placed under severe pressure, at growing risk of collapse. The strain on essential public services/functions becomes evident and degradation of services becomes a matter of concern.</p> <p>The first set of measures put in place through the SE need to be reinforced and localised lockdowns become necessary in a rising number of hot spots. Infection spreads beyond Addis and 3-4 regions and, worryingly, there is evidence of accelerating infection rates in rural areas, especially those adjacent to large urban centres and along major transport and logistics routes.</p> <p>Non-essential economic activities are shut down for around 3-4 months in key urban centres: culture, sports, entertainment events; restaurants and bars; all education (but educational fees and teacher salaries are unaffected for the most part). The locust invasion spreads.</p> <p>An exit from lockdown does not seem feasible till Q4 2020 at the earliest.</p>	<p>National</p> <p>Ethiopia appears to be firmly on the exponential growth phase of the pandemic curve, with flattening months away. Infection, morbidity and mortality rise steeply, with the health system unable to cope and collapsing under the pressure. Infection is evident in all regions and community transmission is entrenched and spreading in rural areas. The SE is tightened sharply, with localised lockdowns replaced by either large-scale or even a national lockdown. Non-essential economic activities are shut down for 4+ months. The locust invasion either stabilises at a high level of impact or it continues to spread as government capabilities falter.</p> <p>There are clear signs that essential public services/functions are being degraded, particularly outside major urban centres. Social unrest becomes evident in bigger cities and towns. Law and order begins to fray significantly in rural areas.</p> <p>An exit from lockdown does not seem feasible till Q1 2021 at the earliest.</p>
<p>Regional/Global</p> <p>Infection, morbidity and mortality rates in Sub-Saharan Africa remain well below those seen in Asia and the Pacific, US, and Europe. The Horn of Africa (HoA) avoids the worst effects of the pandemic, with Djibouti's port continuing to operate close to normal capacity. Economic recovery takes root in China. North America and Western Europe begin to relax restrictions and signs of gradual economic recovery become evident in Q3 of 2020. There is <u>no</u> second wave of infections to disrupt this process. Oil prices remain 'soft' throughout 2020.</p>	<p>Regional/Global</p> <p>Infection, morbidity and mortality rates in Sub-Saharan Africa begin to rise rapidly while still remaining below those seen in Asia and the Pacific, US and Europe. The situation in the Horn worsens and begins to impact substantially on logistics and supply chains, with operations at Djibouti port impacted significantly. Economic recovery takes root in China. In North America and Western Europe, however, there are signs of a second wave of infections contributing to a slow and tentative pace of economic recovery with positive signs only becoming evident late in Q4 2020. Oil prices strengthen on the back of actions by OPEC+ and strengthening recovery in China.</p>	<p>Regional/Global</p> <p>Infection, morbidity and mortality rates in Sub-Saharan Africa approach those in Asia and the Pacific, US, and Europe. The situation in the Horn mirrors this. Logistics and supply chains are badly affected, with operations at Djibouti port impacted severely. Economic recovery slows in China. In North America and Western Europe, a second wave of infections brings a tentative economic recovery to a halt in Q4. Oil prices, however, soften as global growth and demand drop.</p>

MAIN SOCIO-ECONOMIC EFFECTS

<p>Growth: Using effects from earlier shocks as a reference point but assuming that Ethiopia now has much stronger policy tools at its disposal and benefits from some upside developments as well, real GDP growth in 2020^[44] could be in the range of 7% - 4.23%, but closer to the lower end. Some deferment of consumption and investment by households, businesses and foreign investors will weigh on overall demand and growth. A gradual recovery in Q3 is possible albeit ambitious.</p>	<p>Growth: Using effects from earlier shocks as a yardstick but with much sharper impact, real GDP growth in 2020^[45] could be in the range of 5.4% - 3.7%, more likely to veer towards the lower end. There is a major drop in consumption and investment by households, businesses and foreign investors dragging down overall demand and growth.</p>	<p>Growth: Using effects from earlier shocks as a yardstick but with much sharper impact, real GDP growth in 2020^[46] could be in the range of 5% - 2.23%, much more likely at the lower end of the estimate, with no growth or even a contraction possible. There is a massive drop in consumption and investment by households, businesses and foreign investors.</p>
<p>Inflation: Both food and non-food inflation is likely to spike due to supply side disruptions (including the locust invasion) and pressure on the exchange rate, significantly above the current rate of 25%, mirrored by a jump in non-food inflation as well, again approaching 20%+. The overall CPI for 2020 could potentially approach 20%. Barring further shocks, there could be a significant deceleration towards the end of 2020.</p>	<p>Inflation: Both food and non-food inflation is likely to spike sharply due to prolonged supply side disruptions (including the locust invasion), major losses in output and increased pressure on the exchange rate, significantly above the current rate of 25% - well above 30% - mirrored by a jump in non-food inflation approaching 25%+. The overall CPI for 2020 could potentially approach 20-25%. A significant deceleration would not be possible before Q1 or Q2 2021.</p>	<p>Inflation: Both food and non-food inflation rise to unprecedented levels, reflecting Ethiopia's experience during the 2007-08 oil price shock when there was a record surge in food inflation to 62% in August 2008, the driver then being imported inflation (exogenous). Non-food inflation will accelerate rapidly as well. The overall CPI for 2020 could be around 30%+. A significant deceleration will not be possible before mid-2021.</p>
<p>Exchange Rate: The current managed rate will come under increased pressure during Q2-Q3 2020.</p>	<p>Exchange Rate: The current managed rate will come under sustained pressure throughout 2020 with the possibility of large gap opening up between official and parallel markets. Pressure for accelerated depreciation of the Birr will rise.</p>	<p>Exchange Rate: The current managed rate will come under severe pressure with a sharp sudden devaluation becoming unavoidable.</p>
<p>Trade, Debt and ODA: Given the composition of Ethiopia's exports and their destinations, the impact is likely to worsen considerably over 2 quarters, reflected in a collapse of exports outside agricultural produce and food, including in horticulture, tourism and services. A 20% drop in exports of goods and services during 2020 is entirely possible. On the upside, Ethiopia can expect significant relief from the sharp fall in oil prices which could persist through 2020. Debt payments may fall temporarily as well as the G20 moratorium takes effect in 2020-21. Financing from IFIs and bilateral donors proves adequate to the task.</p>	<p>Trade, Debt and ODA: The impact will be severe and sustained, lasting at least 3 quarters. A 25-30%+ drop in exports of goods and services during 2020 is possible. The benefits of debt relief prove insufficient to help finance the national response to COVID-19. External, concessional, financing becomes crucial.</p>	<p>Trade, Debt and ODA: The impact will be severe and sustained, lasting at least 3 quarters. A 50% drop in exports of goods and services during 2020 is possible. Debt reduction rather than relief becomes necessary to relieve pressure on severely strained public finances and forex. External, concessional, financing needs rise sharply.</p>
<p>Remittances: After an initial sharp drop (upwards of 10-15%), a gradual recovery takes place in Q3-Q4.</p>	<p>Remittances: The initial sharp drop (upwards of 10-15%) continues and worsens during 2020.</p>	<p>Remittances: The initial sharp drop (upwards of 10-15%) continues and worsens dramatically during 2021.</p>

44 Using both the official estimate of 9% and the IMF's projection in late-2019 of 6.23%.

45 Ibid.

46 Ibid.

MAIN SOCIO-ECONOMIC EFFECTS

Employment/Livelihoods: Assuming that the brunt of the impact will be felt in industry (both manufacturing and construction) and services (tourism, hospitality, a wide range of small-scale informal sector activities), an immediate 10-15% loss of employment/livelihoods (self, wage) is possible leading to a cumulative loss of perhaps 1.4-1.6 jobs/livelihoods, mostly in urban areas, during Q2-Q3 2020. The Jobs Creation Commission (JCC) estimates that 1.9 million self-employed in the services sector will lose USD 265 million in income in the first three months of the pandemic. A pick-up towards the end of the year is possible.

Employment/Livelihoods: A 30% loss of employment/livelihoods (self, wage) is possible leading to a cumulative loss of perhaps 2 million+ jobs/livelihoods, mostly in urban areas, during 2020. A pick-up will have to be postponed till Q2 2021.

Employment/Livelihoods: Large-scale loss of employment/livelihoods (self, wage) is possible leading to a cumulative loss of perhaps 4 million jobs/livelihoods, mostly in urban areas, during 2020. A pick-up will have to be postponed till Q2 2021.

MSMEs: A significant proportion of the 820,000 MSMEs in Ethiopia could come under pressure, even with a crisis lasting a single quarter let alone two or more successive quarters. The pressure on micro enterprises will be much greater and so will the likelihood of significant closures.

MSMEs: A significant proportion – 30%+ – of the 820,000 MSMEs in Ethiopia could come under serious pressure, with a high proportion of these not being able to outlast a drop in demand and revenues as well as faltering supply chains beyond Q3 2020.

MSMEs: A very high proportion – approaching two-thirds – of the 820,000 MSMEs in Ethiopia could come under serious pressure, with a large percentage (50%+) unable to outlast a drop in demand and revenues as well as faltering supply chains beyond Q3 2020.

Poverty, Food Security and Nutrition: It is very likely that those hovering just above the poverty line will drop below it but, with recovery in Q3-Q4, this could be minimised and temporary. This will be accompanied by increase in food insecurity and prevalence of acute malnutrition. If projections – and they are just that, not predictions – on employment effects are factored in, then a minimum rise in the scale of the PSNP + UPSNP from 9 million to close to 10 million beneficiaries – as suggested by the NERP – is quite possible. Slight deterioration in terms of reported poor food consumption and diets quality is expected, particularly among the pastoralist population due to their dependence on markets for food during this period. Essential services to survivors of VAWG start to get interrupted.

Poverty, Food Security and Nutrition: It is very likely that those hovering just above the poverty line will drop permanently below it, making recovery much more difficult. This will be accompanied by deterioration in health, household food consumption, food security and nutrition and a potential increase in VAWG. With partial or localised lockdowns in place, women and girls face challenges in reporting cases of violence, compounded by a serious interruption of essential services for survivors. All of this will put pressure on safety nets. A rise in the scale of the PSNP + UPSNP or complementary initiatives from 9 million to close to 12 million beneficiaries is possible.

Poverty, Food security and Nutrition: There will be pressure for a massive rise in the scale of the PSNP + UPSNP or complementary initiatives from 9 million to close to 15 million beneficiaries. There will be clear signs of localised food shortages, growing food insecurity in remote areas, rising (acute) malnutrition and worsening health status among children and the elderly. Health care resources might be diverted fully to responding to the outbreak creating gaps in essential health services for women and girls including maternal and sexual reproductive health, child health, and services for survivors of violence. Police and justice sector may be overwhelmed and shift their priority to enforcing the lockdown leaving survivors of violence without the protection they need.^[47]

SECTORAL EFFECTS

Agriculture: Government expenditure on agriculture that induced 8-10% growth for a decade is sustained. Import of inputs might be delayed but does not substantially disrupt production. The locust invasion is contained at current levels. Supply chains operate with some disruption but are generally functional. About 350 000 MT of food crops have already been lost due to the DL invasion and additional loss of harvest is also anticipated in the coming Meher harvest season. Despite these losses, cereal availability in the country remains adequate. Grain imports into the country would likely decrease by 50% due to restrictions on international shipping and cargo movements as well as forex shortages. In the short term, grain availability in markets would not be affected seriously.

Agriculture: Government expenditure on agriculture is curtailed substantially for 1-2 years and cannot be sustained without significant support from development partners. There are major delays in input supply (mainly fertilizer supply resulting in decreased food production. Supply chains operate with major disruption and lose substantial functionality. Shortages occur in grain and horticulture supply in markets due to DL and decreased production as well as imports despite use of the grain reserve. Livestock and by-products affected due to a shortage of inputs, narrowing marketing channels and a drop in livestock prices.

Agriculture: Production of food and non-food items, for both domestic consumption and exports, drops substantially. Food (grain and horticulture) exports are halted. DL control and management efforts are severely impacted further reducing potential crop harvests and rangeland conditions. Shortages in grain supply in markets increases significantly due to decreased production and lack of grain imports despite the use of the grain reserves. There is panic selling of assets – such as livestock – in rural areas.

Manufacturing: Industrial parks operate at minimum or reduced capacity due to limited supply of inputs and sharply reduced exports. A decline of export orders in key manufacturing sectors is felt (e.g. T&G and leather products) of approx. 20-30% due to shrinking global demand. This contraction and/or stoppage, however, is confined to Q2-Q3 2020 and a significant pick-up in orders towards the end of the year revives production and employment. Short-term liquidity constraints are faced by companies, especially in export-oriented industries, due to declining revenues and increases in operational costs. Lower domestic demand also decreases production of light consumer goods, but this too is temporary with a revival possible in Q4.

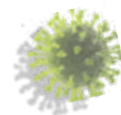
Manufacturing: Industrial parks operate at minimum or very low capacity due to reduced availability and increased costs of manpower and inputs (as a result of containment measures and disruption in domestic and global value chains) and sharply reduced exports right through 2020, with no pick-up in orders till Q1 2021. Domestic demand falls substantially, and this leads to a major drop in production of light consumer goods without any relief possible till Q1 2021. Partial capital flight and contained contraction of FDI in key productive sectors is visible due to increased uncertainty locally as well as globally. More severe working capital constraints and deterioration in cash positions for manufacturing companies leads to a significant uptick in bankruptcy for less resilient and more exposed firms, especially MSMEs.

Manufacturing: Industrial parks are forced to close. Several firms decide to shutter or leave Ethiopia, a process associated with large-scale capital flight and a major contraction of FDI in key productive sectors. Internal and external demand do not see a pick-up in orders till mid-2021 leading to a severe drop in production of light consumer goods. Permanent closure of a very large number of MSMEs becomes unavoidable. In the garment sector, where the majority of employees are young women coming from rural districts, closure of firms and parks poses a major threat to their health and wellbeing.

Services: Travel remains restricted except cargo during Q2-Q3. Revenue losses at Ethiopian Airlines approach USD 1 billion albeit cushioned by expanded cargo traffic. A significant pick-up in passenger traffic in Q4 is possible and may help to contain losses. Hospitality industry operates at dramatically reduced capacity focusing on a shrinking local market, but a relaxation of restrictions in Q3-Q4 helps to revive demand and cushion the adverse impact.

Services: Travel remains restricted except cargo right through 2020. Revenue losses rise significantly, and net income is sharply reduced (or losses incurred) at Ethiopian Airlines, putting pressures on public finances, the trade balance and forex availability. A pick-up in passenger traffic does not occur till Q1 2021. The hospitality industry operates at minimal capacity with stronger restrictions in Q3-Q4 cutting demand dramatically.

Services: Travel remains restricted except cargo right through Q1 2021. Losses at Ethiopian Airlines mount to a worrying level, triggering large-scale cost-cutting and requiring a potential bailout. A pick-up in passenger traffic does not occur till Q2 2021. The hospitality industry is close to collapse. There is no chance for a revival in tourism revenues till mid-2021 and even then, at a very gradual pace.



ESTIMATING SOCIO-ECONOMIC IMPACTS

CHAPTER 4

The analysis that follows below offers the UN's best estimates of potential impacts complemented, where available, by similar work by Government, development partners, financial firms and

academic experts. They provide the basis for constructing the three scenarios described earlier but are not connected specifically to any one of them.

4.1

MACROECONOMIC

4.1.1 Growth, Inflation, Exchange Rate

Analytical Approach to Assessing Macro Effects

The UN has used both historical experiences and modelling exercises to estimate the likely range of impacts on macroeconomic variables. In the former case, it has:

- looked at prior experiences with shocks and their effects (global financial crisis of 2008; social and political unrest in 2016-17);
- focused on where the shock is likely to be most concentrated based on the channels of transmission (sources of growth, macro balances, sectors, sub-sectors, associated employment and enterprises, spatially across the country);
- assessed the severity of COVID-19 in relation to prior shocks to estimate the likely magnitude of effects; and
- put all four of the above together to extrapolate areas and scope of effects, including in quantitative terms.

● Growth

Based on the above, projections can be made using:

- (a) UNECA's estimate of a reduction in African GDP growth of about 40% in 2020.
- (b) Calculations from McKinsey and Company that half of the loss in GDP in Africa will be due to

reduced household and business spending and travel bans^[48] and that their models indicate either a contraction or no growth in the region in 2020.

- (c) The share of private consumption and gross investment in GDP and thus their relative weight in determining the growth rate in 2020.
- (d) Loss of agricultural, manufacturing and services output and a significant reduction in exports – the locust invasion alone has damaged crops in northern Ethiopia with some estimates indicating a 20% loss in output, compounded by a potential threat in the coming harvest season from the end of May onwards affecting the southern and south-eastern parts of the country.
- (e) A baseline expectation that COVID-19 will disrupt economic activity substantially in Q2 and Q3 2020 and potentially beyond.
- (f) Previous experience with shocks e.g. the severe drought caused by El Niño in 2005 which slowed growth by 3% (in absolute terms) noting that COVID-19 is a substantially greater shock.

These suggest a range for real GDP growth in 2020^[49]:

- **Optimistic:** using effects from earlier shocks as a reference point but assuming that Ethiopia now has much stronger policy tools at its disposal and benefits from some upside developments as well – a major fiscal boost, a large drop in the import bill, debt relief, substantially greater ODA -

48 McKinsey and Company, *Tackling COVID-19 in Africa*, 2 April 2020.

49 Using both the official estimate of 9% and the IMF's projection in late-2019 of 6.23%.

suggesting a range of 7% - 4.23%.

- **Mid-range/moderate:** using the UNECA benchmark of a regional drop in growth of 40%, the range is 5.4% - 3.7%.
- **Pessimistic/worst case:** using effects from earlier shocks as a yardstick but with sharper impact, of a reduction in growth of 4% (in absolute terms), the range is 5% - 2.23%.

A rebound in 2021 is likely but could be constrained by uncertainty around the elections so unlikely to return to trend growth rates. A more modest rate of 6% using Government targets and the IMF's estimate for 2020 as reference points seems more reasonable.

Modelling work by UNECA has also recently estimated the impact on Ethiopia's real GDP growth in 2020. This suggests that, in the best-case scenario, growth will be reduced by 1.2%, in the mid-case scenario by 2.4% and in the worst case scenario by 4.5%.

The Government of Ethiopia's (GoE) modelling exercise, completed recently by the Planning and Development Commission (PDC), projected that real GDP growth will deviate from the official target of 9% by 2.81% in a moderate case scenario and by 3.8% in the worst case scenario in 2019/20. The study also projected that the longer-term impact of the pandemic on growth could mean a deviation from the trend of 2.6% in a moderate case up to 3.1% in the worst case scenario over a five-year period.

The IMF^[50] projects Ethiopia's real GDP growth will be 3.2% in 2020 and 4.3% in 2021.

Although estimates vary according to source, they are broadly consistent in their assessment of the absolute fall in the rate of real GDP growth that could be expected as a result of the impact of COVID-19.

● Inflation

Annual inflation, both food and non-food, is likely to accelerate due to supply side disruptions (including the locust invasion) and pressure on the exchange rate. Ethiopia's experience during the 2007-08 oil price shock was a record surge in food inflation to 62% in August 2008, the driver then being imported

inflation (exogenous). Given the magnitude and combination of factors at play right now, **a surge in food inflation well above the current rate of 26.9% - 30%+ - is possible mirrored by a large increase in non-food inflation as well, again approaching 20%+. The overall CPI for 2020 could potentially go well above 20%.** Barring further shocks, there could be a significant deceleration in 2021 although single digits seems highly ambitious.

● Exchange Rate

COVID-19 will reduce Ethiopia's main sources of foreign exchange earning such as exports of goods (e.g. flower, textiles), services (e.g. tourism receipts), remittances and FDI. The reduction in forex flows will put pressure on the managed float of the Birr. **If recent history is any guide, then the Birr is expected to depreciate by 7.5-16.5% in nominal terms against the US dollar by end of 2020 but the depreciation could be sharper depending on global and regional conditions and pressure on external accounts.** The decline in global commodity prices and overall global demand is expected to ameliorate inflationary pressures that could emerge as a result of the depreciation of the exchange rate, softening but not eliminating the impact on the poor and vulnerable.

4.1.2 Fiscal (revenue, deficits, composition of expenditure)

Ethiopia's tax to GDP ratios remain relatively low, averaging 11.3% of GDP between 2013 and 2017, and lower than the African average of 15.8% over the same period. As stated earlier, more recent data for 2018/19 indicate that Ethiopia's tax to GDP ratio is 10%. High dependence on revenues from imports and profit-making State-Owned Enterprises (SoEs) such as Ethiopian Airlines have left Ethiopia vulnerable to the fiscal effects of the pandemic.

Ethiopia's fiscal deficit was broadly below the African average over the 5-year period to 2019 and was set conservatively at 3% of GDP for the current 2019/20 FY. Similarly, public debt was below the African average. Nonetheless, Ethiopia has been listed as being at high risk of debt distress, with overall debt to

50 IMF, *Regional Economic Outlook for SSA*, April 2020.

GDP ratios approaching the 60% threshold and debt servicing capacity, especially from exports of goods and services, remaining constrained.

COVID-19 will have a two-fold fiscal impact, pulling in opposite directions. First, there will be pressure to spend more to deal with the health and socio-economic impacts of the pandemic – and this is happening already with an initial Birr 5 billion in additional expenditure authorized by Parliament. Second, revenue collection is likely to be hit hard as a result of a contraction in economic growth as well as a fall in trade taxes due to decreased exports and imports. This will limit fiscal space, but the constraint could be handled by relaxing targets for the current and next fiscal years as well as finding non-inflationary sources of financing that such as significant new external concessional or near-concessional financing as well as debt reduction (not just temporary relief which would increase repayment obligations in future years). Please see section 6.3 for more details.

4.1.3 Monetary (health of the financial system, liquidity, access to credit)

With regard to the health of the country's financial sector, credit growth to the private sector picked up before the COVID-19 outbreak, from 22.5% in 2018 to 34.7% in 2019. Growth in private sector credit was faster than growth in credit to the government, a remarkable shift, indicating a move towards a more private sector-driven economy. The ratio of Non-Performing Loans (NPLs) remained stable, below 3 per cent in 2019. This is likely to change as both the private sector and SoEs struggle to service their debts. The National Bank of Ethiopia's (NBE's) injection of Birr 15 billion into the financial system should help banks to reschedule loan maturities and payments with their customers. Nevertheless, this liquidity is unlikely to make its way into the large number of MSMEs that operate in the informal sector and account for much of employment and self-employment.

4.1.4 Balance of Payments (trade in goods and services, FDI, remittances, ODA, debt)

● Trade

Given the composition of Ethiopia's exports and their destinations, the impact is already serious and like to worsen considerably over the next 2 quarters. Ethiopia exports mainly to Asia (41%), Europe (25.4%) and Africa (20%). In terms of countries, the list is as follows: Saudi Arabia (16.5%), China (13.1%), UAE (11.9%) and Japan (11%). Within the exception of China, all of these export destinations are either in the middle of the pandemic or just at the early stages, suggesting that access to these markets will remain severely constrained during Q2-Q3 2020 and possibly Q4 as well. **A 25-30% drop in exports of goods and services during 2020 is possible:** flower exports declined by 80% in Q1 and are now stopped – the plan was to generate USD 450 million from these exports, with USD 225 million realised in the first 6 months of the Ethiopia FY; textile exporters obtained USD 100 million over the same period but faced cancellation of orders from the US, Europe and China; tourism contributed about USD 600 million in 2018/19 and this will take a very hard hit with the severe restriction of air travel and its possible continuation into the holiday season and beyond; and Ethiopia Airlines, which has already lost USD 550 million in Q1 2020, could see a doubling or trebling of this figure, reducing net income – with losses becoming a real possibility - depending on the duration of air travel restrictions and speed of pick-up in passenger traffic. It is worth noting that with regard to Ethiopia's trade in services, the country had a negative net balance with exports amounting to USD 5 billion and imports at USD 5.6 billion in 2018/19; transport (mainly Ethiopian Airlines) accounted for 69% of total service exports and 55% of imports.

On the upside, Ethiopia can expect significant relief from the sharp fall in oil prices which could persist through 2020 if not longer. The price of a barrel of Brent crude stood at USD 19 in April 2020 compared to USD 32 in March, a drop of 73%.^[51] **Assuming the average fall in crude oil prices stands at 50% during 2020 and that total demand in Ethiopia remains at the same level (but more likely to drop with economic contraction), then the import bill for oil could potentially drop from USD 2.6 billion in 2019 to USD 1.3 billion, generating a large saving of USD 1.3 billion.**

51 <https://countryeconomy.com/raw-materials/brent>.

● Remittances

If early indications from other remittance-reliant economies is any guide, **a drop of 10-15% - around USD 570-850 million – can be expected** due to job losses in the major Western and Gulf State labour markets and repatriation of workers from these regions.

● Foreign Direct Investment (FDI)

Ethiopia was the largest recipient of FDI in East Africa and ranked fifth on the continent in 2018.^[52] Although estimated FDI inflows in 2018/19 declined to USD 3 billion from USD 4.2 billion in 2016/17^[53], the total stock of FDI reached USD 22.25 billion, just over one-fourth of GDP^[54], mainly concentrated in mining, petroleum refining, real estate, manufacturing, and renewable energy. Most new investments in 2017 went into textiles and garments, real estate, hospitality, and construction.^[55] Before COVID-19, FDI prospects were positive due to continued improvements in investment facilitation measures and the Government's intention to open up key economic sectors to foreign investors.

The COVID-19 outbreak is expected to lead to a sharp fall in FDI inflows to Ethiopia as key FDI sectors such as oil refining, textiles and garments and hospitality are expected to be hit the hardest due to plunging prices and global demand. Furthermore, precarious economic conditions in major investor countries or regions such as the China, the US and Europe suggest that any recovery will be slow. Cepheus Capital estimates that FDI inflows to Ethiopia will fall to approximately USD 2.4 billion per annum in 2019/20 and 2020/21.^[56] It needs to be noted that COVID-19 is not the only variable in this connection: the timing and conduct of general elections as well as the pace of the Government's privatisation programme will also play a large role in determining FDI flows in 2020-21.

● Official Development Assistance (ODA)

An increase in ODA can be expected as IFIs, in particular, begin to provide substantial additional resources as budget support and some multilateral and bilaterals top-up their assistance and/or speed-

up disbursements. The resources currently either disbursed or under discussion amount to around USD 1 billion: AfDB – close to USD 170 million under discussion; Department for International Development (DFID); EU – Euro 140 million in budget support + USD 11 million for the health response; Germany – USD 130 million; WB – USD 82 million disbursed; and the IMF – USD 411 million. Assuming all of these resources materialize, this would still cover only about 25% of the funding gap of approximately USD 4 billion indicated in the Government's impact assessment.

● Debt

There is a risk that increased external financing, unless provided on concessional or near-concessional terms, could add to Ethiopia's debt burden over the medium-term, putting additional strain on low debt servicing capacity and putting off a significant improvement in access to foreign exchange by the private sector.

A net reduction in debt – principal and interest – as well as relief on debt service by all official creditors to Ethiopia will be essential to providing the country with the fiscal space and import capacity required to sustain high rates of (inclusive) growth over the medium-term, as set out in the HGER.

52 UNCTAD, *World Investment Report*, 2019.

53 National Bank of Ethiopia (NBE), *Annual Report 2018/19*, 2019.

54 UNCTAD, UNCTADstat.

55 EY, *FDI Attractiveness Program Africa*, 2018.

56 CEPHEUS Research and Analytics, *Macroeconomic Impacts of the Corona Virus: A Preliminary Assessment for Ethiopia*, 31 March 2020.

4.2

POVERTY

The poverty reduction scenario prior to the impact of COVID-19 on the Ethiopian economy was on the right trajectory. The emergence of COVID-19 in Ethiopia and the likely drop in economic performance is likely to increase poverty levels by 2 million people and lead to a further marginalization of rural communities. This estimate, however, could turn out to be conservative, depending on how the pandemic and associated social and economic impacts evolve over the next 2-3 months and beyond.

Data from other countries indicate that COVID-19 disproportionately affects the poor, who are generally in poorer health to begin with, due to inadequate nutrition, poor hygiene standards, and limited access to health care. This can contribute to a higher likelihood of complications when contracting COVID-19, requiring additional financial resources to address the need for health care. Ultimately, this can lead not only to loss of assets and livelihoods, but also catastrophic health expenditures. This in turn renders the rest of the family even more vulnerable to the disease and its effects.

4.2.1 Growth and Income Poverty

The (income) poverty headcount declined markedly from 42.5% in 2000 to 23.5% in 2016. While the urban headcount poverty declined from 36.9% to 14.8%, poverty in rural areas fell more slowly, from 30.4% to 25.6% over the same period.^[57] Key characteristics of the poor in Ethiopia are shown in the Figure 4.1 on the next page.

The COVID-19 pandemic as a systemic shock to the Ethiopian economy will result in income and employment losses and a likely rise in poverty, especially those that are now positioned just above the income poverty line. This is reinforced by the

possibility that the current national income poverty line may be insufficient to meet basic needs as it dates from 2015/16.

According to UNECA's estimates, the expected drop in GDP growth^[58] which drives income poverty is estimated based on three scenarios as shown in the Figure 4.2 on the next page^[59]. Based on these changes in GDP growth, and assuming a growth-poverty elasticity of -0.22, obtained from the 2015/16 National Household Survey, **a worst case scenario of a 4.5% drop in GDP would lead to an increase in income poverty by nearly 2.2 million people (an additional 10% of those currently living below the poverty line), declining progressively to 1 million in the mid/mild case scenario and with small adverse impacts in the optimistic/best case scenario.** The poverty effects in all three scenarios are a reflection primarily of loss of income, especially in the informal sector.

4.2.2 Non-income Dimensions of Poverty

Vulnerability exposed by COVID-19 is also visible in non-monetary features of poverty. The Ethiopian Multidimensional Poverty Index (MPI) study of 2019^[60] indicated that over half of the population is multidimensionally poor and has a malnourished person in the household, half live in a household where no one has completed six years of schooling and a third live in a household with a child not attending school; most also lack access to electricity and adequate sanitation facilities.

The expected vulnerability increase due to the virus is the further marginalization of the bottom poor and additional costs to the most vulnerable. Furthermore, at sub-national levels, the Somali and Afar regions account for more than 75% of the severely poor yet

57 World Bank, *Ethiopia Poverty Assessment: Harnessing Continued Growth for Accelerated Poverty Reduction*, 2020.

58 Growth figures and reductions based on UNDESA figures.

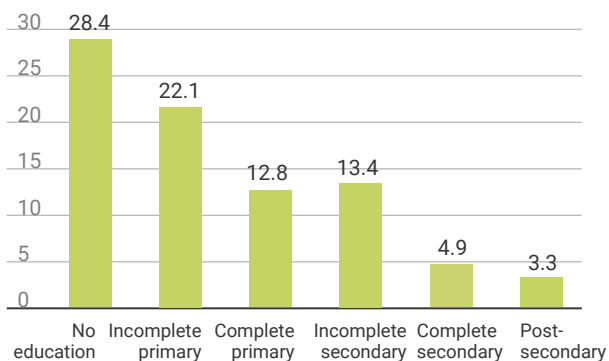
59 The three scenarios are as follows; best scenario a 10 percent infection rate (based on the labour force) and a drop in GDP percentage points of -1.2; a 25 infection rate and a GDP drop of 2.4 percentage points (mild); and a worst case scenario of 50 percent infection rate and a drop of 4.5 percentage points. A historical estimate of the growth-poverty elasticity of 0.22, over the period 2005-15, was applied (World Bank, 2017).

60 Although often defined according to income, poverty can also be defined in terms of the deprivations people face in their daily lives. The Multidimensional Poverty Index (MPI) provides a further tool in identifying for measuring progress against SDG1 and is useful in identifying areas of policy intervention.

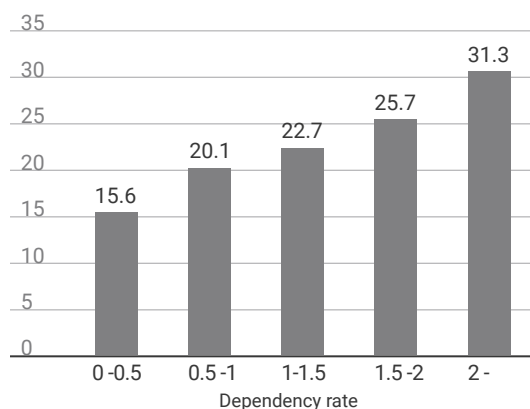
Figure 4.1 CHARACTERISTICS OF THE POOR

A. The poor are largely uneducated

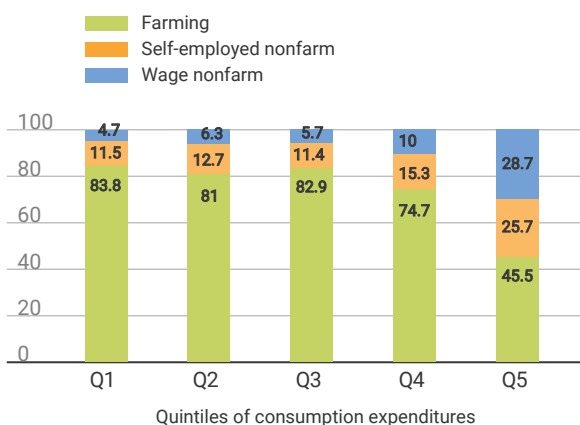
Poverty rate by education of household head

**B. Live in households with high dependency rates**

Poverty rate by household dependency rate

**C. Are mainly engaged in farming**

Occupation of household head by consumption quintile

**B. Are more likely to be headed by a man**

Poverty rate by gender of head of household

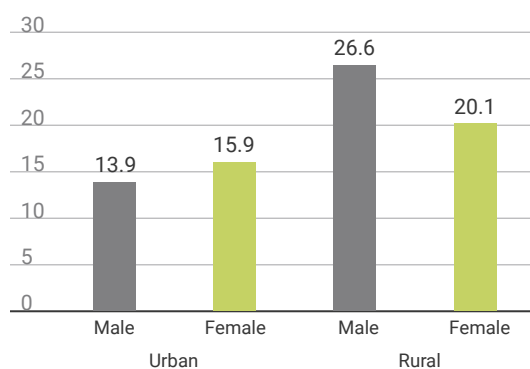
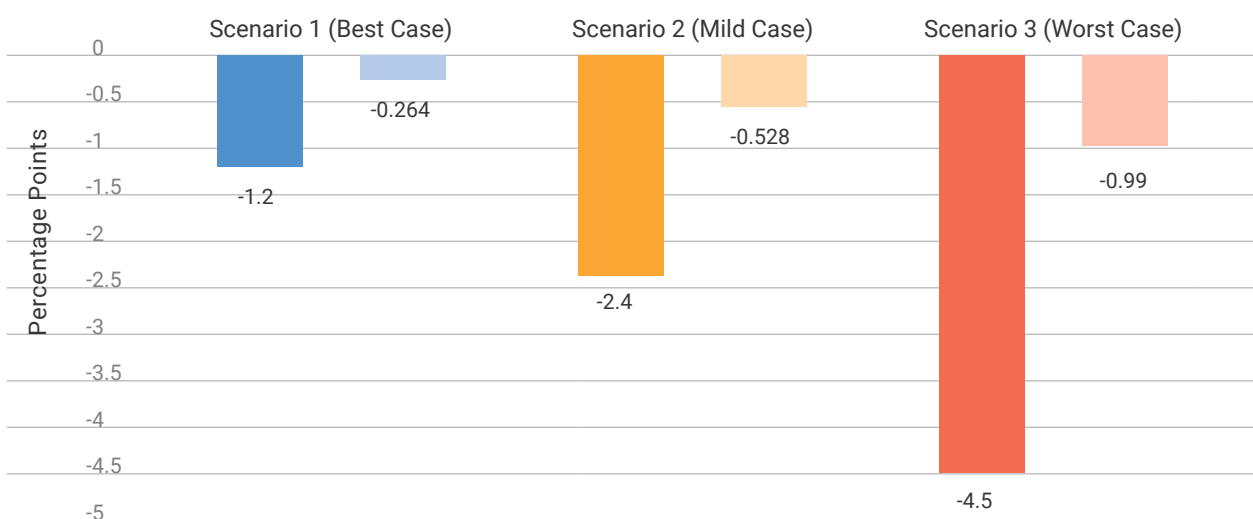
Source: Extracted from World Bank, *Ethiopia Poverty Assessment*, 2020.

Figure 4.2 EXPECTED DROP IN GDP GROWTH AND POVERTY REDUCTION EFFECTS



Source: UNECA estimations, 2020.

represent only 3.3% and 0.3%, respectively, of the total population.^[61]

Furthermore, multidimensional child deprivation in Ethiopia is very high. A recent study conducted by UNICEF and CSA in 2019 shows that 88% of all Ethiopian children – 36.2 million – live in multidimensional poverty defined as deprivation in 3 to 6 dimensions, covering fulfilment of rights or needs for basic goods and services.^[62] As the COVID crisis unfolds, child deprivations can be exacerbated due to delays in immunization, reduced attendance in schools, and increased levels of domestic violence.

4.2.3 Social Protection and Safety Nets (gaps and risks)

The greater Horn of Africa is currently experiencing the worst desert locust upsurge in the last 25 years. The COVID-19 pandemic will likely limit control and surveillance operations (already impacting supply of pesticides), as well as the deployment of experts to the field. This could cause considerable damage to livelihoods and food supply.

In urban areas, it is expected that there will be a sharp rise in the price of key commodities, driven largely by behavioural changes such as food hoarding, exchange rate effects and potential production losses. Food price increases, in particular, will have a considerable

impact on vulnerable and poor urban households.^[63] Moreover, as most women in urban areas are engaged in low wage and informal employment with low protection against dismissal – as domestics, small traders, workers in the tourism and hospitality sector – their livelihood and economic security will be compromised to a large extent.^[64]

There will be widespread loss of income and deeper levels of poverty as social distancing intensifies. This will have a big impact on the service industry and for the sizeable self-employed population. The combination of labour constraints and limited access to markets will drive poverty and exacerbate food insecurity. Loss of income especially for those engaged in informal activities where women are over-represented is likely.^[65]

With the prevalence of COVID-19, the cost of implementing the National Costed Social Protection Action Plan of 2017, originally estimated at more than Birr 298.5 billion over five years (2017–21), will need to go up substantially. The same will be true with the PSNP which covers about 8.4 million vulnerable people. If projections – and they are just that, not predictions – on employment and income effects are factored in, then **a minimum rise in the scale of the PSNP and UPSNP from 9 million to close to 10 million beneficiaries – and, in the worst case, 12 million and perhaps as high as 15 million - is not inconceivable.**

4.3

ENTERPRISES AND EMPLOYMENT

4.3.1 Firm Structure of the Economy and Enterprises Most At-Risk (MSMEs; formal, informal)

The micro, small and medium-sized enterprise (MSME) sector has emerged as a vibrant and dynamic sector of the Ethiopian economy over the last decade.

MSMEs not only play a crucial role in providing employment opportunities but also contribute to the socio-economic development of the country, notably in their role as catalysts for the transition to an industrial society. MSMEs are viewed as seedbeds for the development of large enterprises.

61 Oxford Poverty and Human Development Initiative (OPHI), *Country Briefing*, 2019.

62 CSA and UNICEF Ethiopia, *Multidimensional Child Deprivation in Ethiopia*, 2018.

63 World Bank, *Draft Analysis - COVID-19: Potential Poverty and Social Impacts in Ethiopia and Policy Responses*. This note was prepared by the Ethiopia team of the Poverty and Equity Global Practice, 2019.

64 <https://reliefweb.int/sites/reliefweb.int/files/resources/policy-brief-the-impact-of-covid-19-on-women-en.pdf>

65 See footnote 63.

According to UNIDO, Ethiopia has fewer private enterprises in comparison to its population size and ‘the lowest entrepreneurial activity rates’ in Sub-Saharan Africa (UNIDO, 2019, p. 6). More worryingly, 85% of existing enterprises are micro, thus, especially vulnerable to external shocks. Moreover, rarely, if ever, do these graduates into medium and large businesses (ASTU, 2018, p. 112).^[66] Worse still, MSME attrition^[67] is very high in Ethiopia.

● Implications for Micro + SMEs:

A significant proportion of the 20,000 SMEs in Ethiopia could come under pressure, even with a crisis lasting a single quarter let alone two or more successive quarters. If China’s better capitalized and more profitable SME sector is used as a benchmark – with 14% unable to survive more than a month on a cash flow basis and 50% beyond three months – then the implications for SMEs in Ethiopia could be very serious, again depending on the severity of the pandemic.^[68] Another survey done in China ‘...showed that 30 percent of the companies have seen their income drop by more than 50 percent; another 28 percent reported a 20 percent to 50 percent drop. More than one-third of the companies in the study reported that they could stay open for only one month with their current cash flow, 33 percent could sustain two months, and less than 10 percent could stay open for more than six months. Most of the financial pressure (62.8 percent) is from paying salaries and employee

insurance and social security; rent and loan payments were the second and third causes for stress’.^[69] Since a minimum duration of 4-6 months is to be expected, **anywhere north of 30% of Ethiopia’s SMEs could be in jeopardy, mostly in urban areas and those embedded in manufacturing, export, construction and service industry supply chains.** The pandemic has already exposed one major bottleneck though: the lack of an online business transaction infrastructure means MSME sales could literally grind to zero in a large number of cases, especially if there are either localized or generalised lockdowns with non-essential businesses shut down.

The UNDP-supported Entrepreneurship Development Centre (EDC) has conducted a quick survey to assess the impact MSMEs have sustained as a result of COVID-19, their perception of potential future impacts, and their recommendations for remedial actions. The data gathered from 60 EDC clients in Addis Ababa and in the four regional states where EDC has regional coordination offices (Amhara, Oromia, SNNPS, and Tigray) show that, on average, an enterprise has lost Birr 142,654 (USD 4,755) in monthly sales (80%) and Birr 21,643 (USD 721) in monthly income. Based on these figures, EDC clients alone, totalling 32,250 enterprises, have lost Birr 4.6 billion in monthly sales and Birr 704 million in monthly income during March 2020.

Table 4.1 **SAMPLE OF 10 SMEs IN TIGRAY REGION (PRE-COVID-19)**

EDC clients	Employess			About the Business		Monthly Income		About the Owner	
	At 1 st	Keeping	Laid off	Stop	Working	At 1 st	Now	Self-employed	None self
1 st client	14	2	12		Working	15,000	2,000	Yes	
2 nd client	230	80	150		Working	30,000	15,000	Yes	
3 rd client	4	1	3		Working	18,000	6,000	Yes	
4 th client	16	4	12		Working	21,000	5,000	Yes	
5 th client	3	0	3	Stop		15,000	0		No
6 th client	5	3	2		Working	20,000	5,000	Yes	
7 th client	4	0	4	Stop		40,000	0		No
8 th client	42	42	0		Working	100,000	100,000	Yes	
9 th client	3	1	2		Working	10,000	3,000	Yes	
10 th client	2	0	2	Stop		15,000	0		No

66 This is not limited to Ethiopia and is rather a world-wide phenomenon (Kraaij & Molenaar, 2017, p. 351).

67 High attrition of micro and small enterprises is also not unique to Ethiopia, either (OECD, 2017, p. 9).

68 IFPRI, *COVID-19’s impact on China’s small and medium-sized businesses*, 17 March 2020.

69 RAND Corporation, *Assessment of COVID-19’s Impact on Small and Medium-Sized Enterprises: Implications from China*, 10 March 2020.

4.3.2 Employment structure of the Economy and Vulnerabilities

Ethiopia is a country of young where 70% of its 107 million population is less than 35 years of age and about 30% is classified as youth (15-29 years of age). Urban youth unemployment is estimated at 25.3%.^[70] There is large-scale under-employment as well, in both rural and urban areas. Significant increases in access to higher education over the past decade has also resulted in a large number of educated but unemployed youth. This, in turn, has been a key driver of political unrest in the country in recent years.

It is in this context that the Ethiopian Government set up the Jobs Creation Commission (JCC) which has elaborated a plan to create 14 million jobs in five years (2025). It is in the midst of working towards this target that COVID-19 has struck the country.

To understand the impact on jobs, it is essential to look at the structure of employment in Ethiopia. Government remains by far the largest single employer in the formal sector (representing 48% of total wage employment) with the remaining 52% accounted for by the private sector. According to the Ethiopian Civil Service Commission, there are 1.7 million civil servants in Ethiopia.

According to JCC estimates, there are 51.9 million employed people in the country (formal, informal; wage, non-wage; self-employed, employed in an enterprise): 35.8 million in agriculture, 7.4 million in industry and 8.7 million in services. Almost all agriculture sector employment is assumed to be accounted for by self-employed small-holder farmers. Of the 16.1 million estimated to be employed in industry and services, 1.7 million are civil servants, 1.9 million are self-employed, 4 million work in micro enterprises, 0.36 million in small enterprises, 0.56 million in medium-size enterprises and 1 million in large enterprises.

Women and girls will feel the impacts strongly. According to the 2017 Gender Statistics data^[71], a higher proportion of males were in the labour force compared to women in urban areas. The employment to population ratio was 43% for females compared to

64% for males. The share of females in the informal sector, however, at 65% is higher than for males. Women's relative over-representation in the informal sector could be attributed to a variety of factors such as lack of education, low starting capital, lack of working premises and women's greater commitment for family responsibilities, which prevents them from entering the formal sector. As a result, women's earning and saving are less, and holding insecure jobs in the informal sector keeps them in poverty. The severity of the impact on women, therefore, will be amplified by the sectoral focus and nature of their employment in urban areas, compounded by gender-defined roles that add a large burden of unpaid work at home.

The structure of the Ethiopian economy and labour market bring about specific features of resilience and of vulnerability. On the one hand, the large agricultural workforce in Ethiopia could, under most though not all scenarios, remain relatively less exposed to the economic effects of the pandemic although still suffering significance adverse effects. Even in the most affected countries, agricultural and food production have been considered 'essential' and spared from the full requirements of lockdowns. On the other hand, the largely export-oriented manufacturing sector will suffer major revenue losses. Furthermore, in the largely informal urban economies of Ethiopia, with widespread casual labour, the ability to withstand income losses is severely limited, with potentially devastating effects on utilization and maintenance of productive assets – and, crucially, on poverty, as suggested by data presented in the Figure 4.3.

● Employment/ Livelihoods

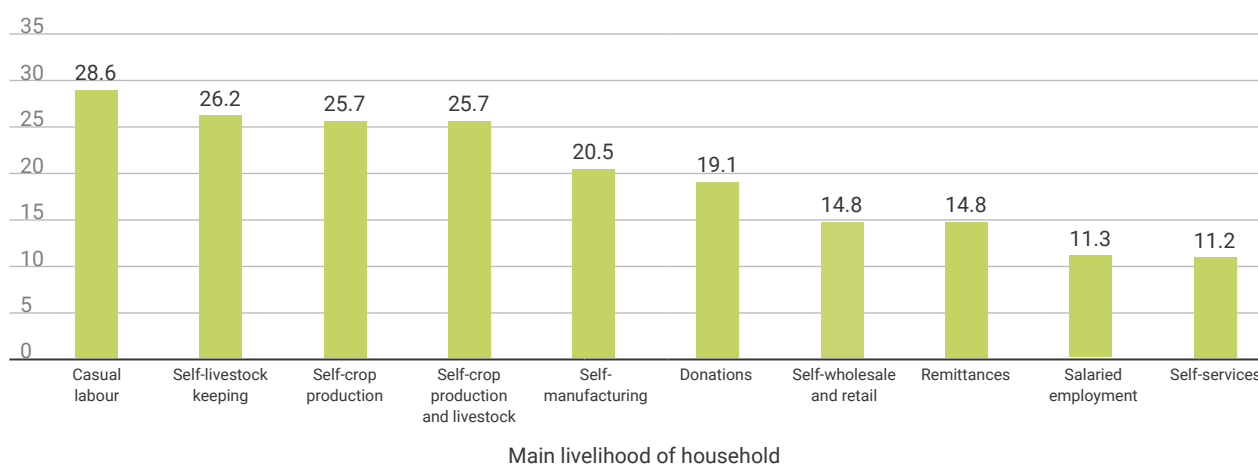
According to the JCC, at the onset of the pandemic, in the manufacturing sector alone, 11% of total employment (mostly involving temporary, low-skilled, workers) was at risk over the next quarter, if no actions were taken. Tourism, which employs more than 1.5 million people, was also expected to be one of the hardest hit sectors. As mentioned above, MSMEs, also the largest employers by far, are already and will be severely impacted. Large-scale job losses are a real and increasingly likely prospect.

70 CSA, *Urban Employment Unemployment Survey Report*, 2018.

71 CSA and UN Women, *Gender Statistics*, 2017.

Figure 4.3 **CASUAL LABOURERS AND CROPS AND LIVESTOCK PRODUCERS HAVE THE HIGHEST POVERTY RATES**

Poverty rates by household's main income source, 2016



Source: Extracted from World Bank, *Ethiopia Poverty Assessment*, 2020.

Assuming that the brunt of the impact will be felt in industry (both manufacturing and construction) and services (tourism, hospitality, a wide range of small-scale informal sector activities), **a 10-15% loss of employment/livelihoods (self, wage) could have major effects leading to a cumulative loss of perhaps 1.6 - 2.4 million jobs/livelihoods depending on the severity and duration of the crisis, mostly in urban areas.** The EDC survey of micro enterprises referred to in section 4.3.1 showed that enterprises have had to lay off on average 2.5 staff which totals 79,714 employees laid off just by EDC clients during a single month. Most of these micro enterprises, however, reported that they have tried to retain most of their staff hoping that the situation will improve. If the situation deteriorates, however, an additional 115,000 employees of EDC clients are likely to lose their jobs. **The scale of job losses could, thus, be substantially higher if the crisis deepens and the loss of jobs/livelihoods doubles to between 20-25% which would mean a cumulative loss of 3.2 – 4 million jobs/livelihoods.** Though agricultural sector is expected to be less impacted in terms of loss of employment, livelihoods could be affected if productivity decreases due to coping mechanisms adopted by farmers that include selling breeding animals and consuming planting seeds.^[72]

● Possible Implications for the Labour Market

Given what has been described above, at this point in time the issue will not be about creating new jobs but maintaining existing ones.

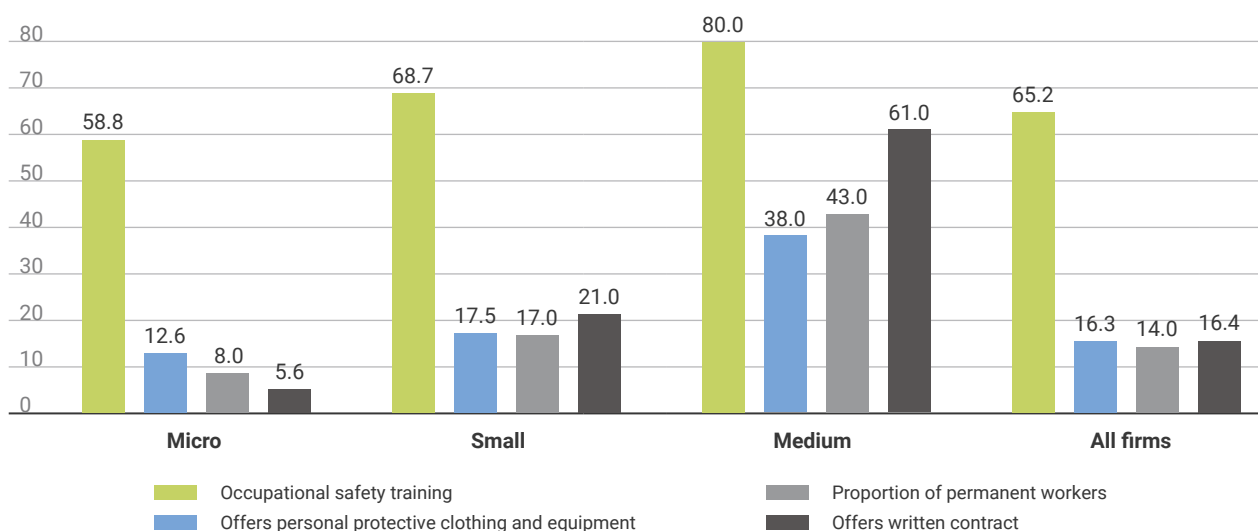
- **Temporary employees and unskilled labour will be the most affected.** The first measure employers are likely to take in response to the impact is reduction in headcounts, focusing mainly on less critical staff such as temporarily hired and unskilled labour. This would lead to a 5-10% increase in unemployment which currently stands at 19.1% in urban areas.
- **The cost of workplace health and safety will rise.** Unlike developed countries, the capacity of the private sector (and even government) is limited in this regard. In such a context, the possibility that the health and safety of workers will be compromised is high. The Figure 4.4 reveals this clearly (the numbers reflect percentages of jobs that benefit from specific features; PPCE refers to protective clothing and equipment).
- **Labour productivity will be compromised.** To begin with, Government, the largest single employer, has a significant proportion of its employees staying at home on fully paid salary. Due to limited technological support, the chances of those staying contributing to productivity is

72 Government of Ethiopia and partners, *Impact of desert locust infestation on household livelihoods and food security in Ethiopia: Joint assessment findings*, April 2020. Available at: <https://reliefweb.int/report/ethiopia/impact-desert-locust-infestation-household-livelihoods-and-food-security-ethiopia>.

very limited. Given that access to information technology is a nationwide issue, the same will be true of the private sector, with a few exceptions.

The Table 4.2 below, drawing on data from the CSA, provides an assessment of likely vulnerability of *urban employed persons* in Ethiopia.^[73]

Figure 4.4 MICRO, SMALL AND MEDIUM ENTERPRISES: QUALITY OF JOBS THEY OFFER, 2016



Source: Extracted from UNDP, *National Human Development Report*, 2018.

Table 4.2 VULNERABILITY ASSESSMENT OF URBAN EMPLOYED PERSONS

Category	Occupations included	Total number	% of Total	Likelihood of impact on jobs (UNDP's estimate)	
Total employed persons in urban areas		7,518,858	100%	Private Sector	Government
Managers	CEOs, senior officials, legislators, managers (production, hospitality, service and commercial)	247,049	3.3%	Very low	Very unlikely
Professionals	Health, science & engineering, teaching, business, ICT, legal, social and cultural	757,700	10.1%	Low	Very unlikely
Technicians and associate professionals	Mostly associates of the above professions	618,679	8.2%	Medium	Very low
Clerical support workers	General and custom service clerk, numerical and material recording clerk, other clerical support workers	281,468	3.7%	High	Low
Service & Sales workers	Personal service sales workers, sales workers, personal care workers, protective workers	2,439,816	32.4%	High	Low
Skilled agriculture workers	Market oriented skilled agricultural, forestry workers	468,224	6.2%	Low	Very unlikely
Craft and related trade workers	Food processing, wood working, garment, building & related trade workers, metal, machinery trade workers, handicraft & printing, electrical & electronic trade workers	1,065,639	14.2%	High	Low
Plant and machine operators/workers	Stationary plant and machinery operators, assemblers, drivers, mobile plant operators	572,061	7.6%	High	Low
Elementary occupations	Cleaners & helpers, agriculture laborers, mining & construction laborers, food preparation assistants, street sales service workers and other basic workers	1,068,222	14.2%	Very High	Medium (outsourced services may be terminated + workers in public enterprises)

73 CSA, *Statistical report on the 2018 urban employment unemployment survey*, October 2018.

4.4

ECONOMIC SECTORS

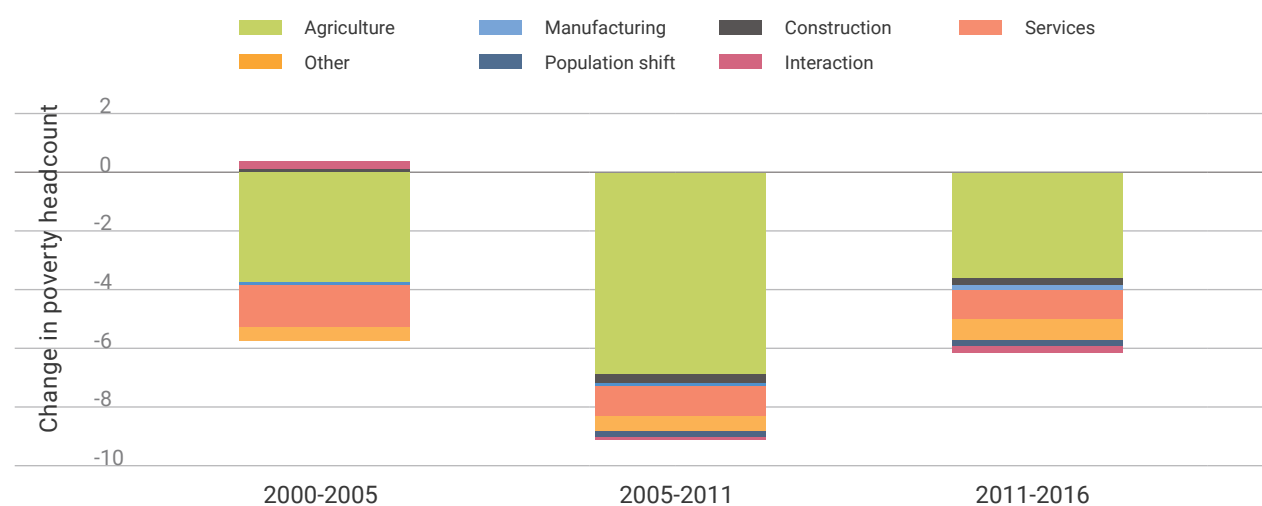
4.4.1 Agriculture, Pastoralism, Rural Livelihoods and Food Security

In Ethiopia, agricultural land is highly fragmented and most agricultural producers are semi-subsistence farmers with 55% of them holding less than a hectare.^[74] This poses a serious hindrance to productivity performance and improvement in overall economic well-being. Low productivity is mostly due to limited access to improved or hybrid seed, lack of quality seeds, low profitability and inefficiency of

fertilizer application. Low productivity goes hand in hand with low incomes for producers, which is exacerbated by inefficient marketing systems. This situation results in the lack of savings and food reserves permanently putting some producers in a state of vulnerability and low resilience to various shocks. Despite these constraints, this sector has been the driver of poverty reduction in Ethiopia in recent years, as shown in the Figure 4.5 below.

Figure 4.5 **THE AGRICULTURE SECTOR REMAINS THE LARGEST CONTRIBUTOR TO POVERTY REDUCTION**

Sectoral decomposition of poverty changes 2000 to 2016



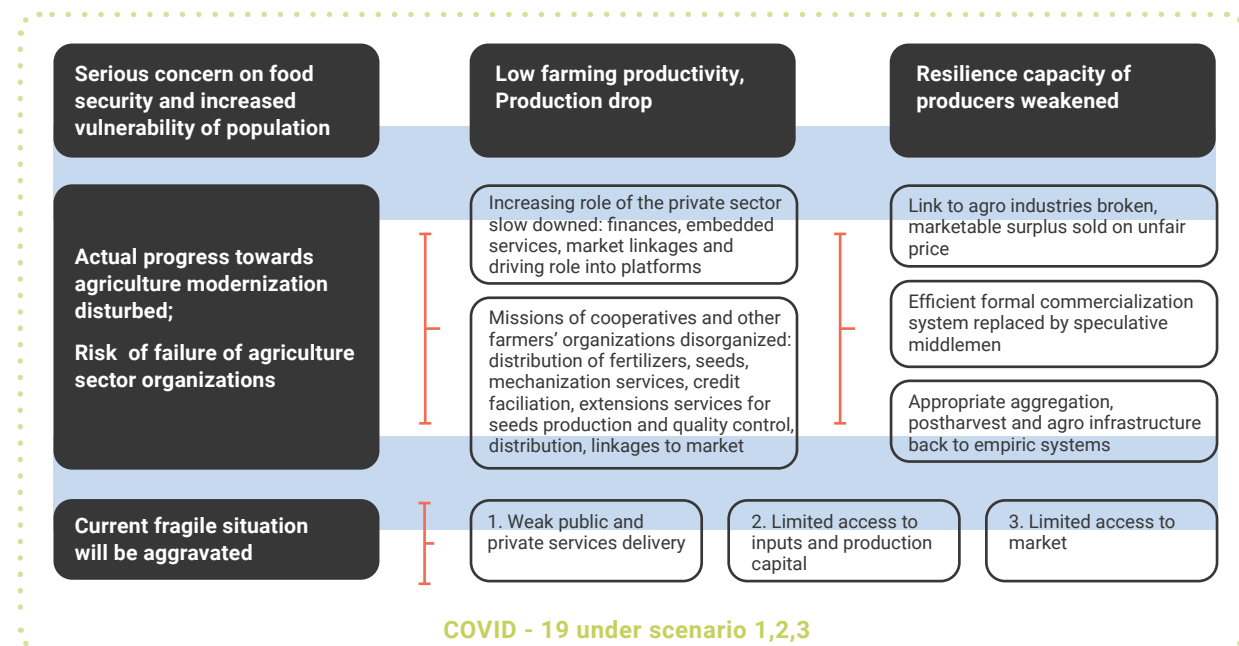
Source: Extracted from World Bank, *Ethiopia Poverty Assessment*, 2020.

Despite the substantial efforts made to modernize agriculture (GTP II and I), COVID-19 in reference scenarios 2 and 3 may wipe out actual progress for a long time. The Figure 4.6 drawn on the next page showing the theory of change for agricultural transformation will be undermined by the pandemic. At the bottom of the figure, the situation will get worse. In the middle of the figure, any intervention package will be hard to implement in a situation of containment, scarcity of resources and disruption of

the entire system of organization of production and marketing including the slowdown of thousands of SMEs related to the agricultural sector. Ultimately, transformation targets will need to be deferred across all reference scenarios.

74 Ministry of Agriculture (MoA), *Area (Ha) and total production (Quintals) from peasant holdings for Meher Season 2018/19 (2011 E.C)*, 2020.

Figure 4.6 THEORY OF CHANGE FOR AGRICULTURAL TRANSFORMATION



● The Existing Situation: Effect of Drought and Food Insecurity

- **Ethiopia has not fully recovered from the devastating effects of the 2015-17 drought on livelihoods.** North and central Ethiopia experienced the worst drought in decades due to the El Niño phenomenon. The drought affected an estimated 10 million people, mainly in rural areas, due to livelihood loss as result of failed crops and loss of livestock assets. More than 8 million drought-affected people required emergency food assistance, according to the United Nations.^[75]
- **There was high food insecurity prior to COVID-19.** According to the first Integrated Food Security and Phase Classification (IPC) report for Ethiopia produced in November 2019, 8.5 million people were projected to face a high level of food insecurity (IPC Phase 3) or in Emergency (IPC Phase 4) situation between February and June 2020. In addition to this, from June 2019, desert locust (DL) infestation began to affect about 170 woredas in Afar, Somali, SNNPR, Tigray, Amhara and Oromia regions, and Dire Dawa. As result,

households reported to suffer from poor food consumption in infected areas has deteriorated to 41% in February 2020 compared to 37% in August 2019.^[76] Similarly, the quality of household diet has worsened. The DL problem will likely continue in 2020 that substantially worsen the impact of COVID-19.

- **The purchasing power of vulnerable households is already low.** A recent assessment of the impacts of DL shows that households in pastoral and agro-pastoral areas were experiencing negative terms of trade due to un-favourable terms of trade. In areas affected by DL in February 2020, there was a 10-30% reduction in quantities of food that could be bought from sales of a sheep/goat compared to the previous year. The same assessment shows that 25% of the DL-affected population was relying on markets for essential food items meaning a large section of the population in those areas would be hurt further by COVID-19 related movement restrictions. Moreover, poor and very poor households rely heavily on food assistance either through government safety nets or emergency interventions. A further cause for

⁷⁵ <https://www.worldweatherattribution.org/ethiopia-drought-2015/>.

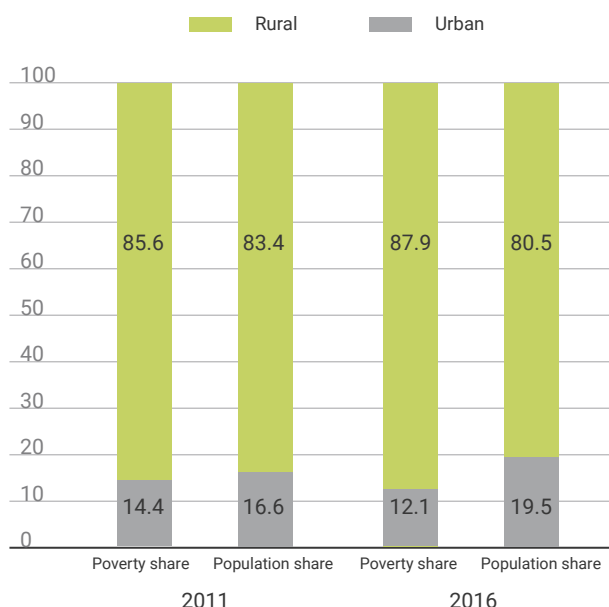
⁷⁶ Government of Ethiopia and partners, *Impact of desert locust infestation on household livelihoods and food security in Ethiopia: Joint assessment findings*, April 2020. Available at: <https://reliefweb.int/report/ethiopia/impact-desert-locust-infestation-household-livelihoods-and-food-security-ethiopia>.

concern comes from the fact that poor and very poor households also experience constraints to accessing health care and in a context of high transmission of COVID-19, illness may further compound their vulnerability in multiple ways, from illness limiting productivity and, thus, income, leading to even greater food insecurity.

- **Poverty has become more concentrated in rural areas over time – and agriculture continues to remain the main occupation of the poor.**^[77]

Figure 4.7 **THE POOR BECAME MORE CONCENTRATED IN RURAL AREAS**

Population versus poverty share in 2011 and 2016: urban and rural



Source: Extracted from World Bank, *Ethiopia Poverty Assessment*, 2020.

● Possible Implications for the Agricultural Sector

COVID-19 has coincided with the beginning of the *Belg* rainfall season. The emergency could be expected to worsen malnutrition with preventive social distancing limiting access to health facilities and markets, coming at a time of deteriorating food security. On-going emergencies will complicate underlying seasonal challenges that vulnerable communities face in accessing adequate food and income. As a

Between 2011 and 2016, poverty became more concentrated in rural areas. While the rural population share decreased by three percentage points, from 83 percent in 2011 to 80 percent in 2016, the rural share of poverty increased by two percentage points. This pattern reflects the stronger poverty reduction in urban as opposed to rural areas. In 2016, close to 90 percent of the poor lived in rural areas, compared to a rural population share of 80 percent.^[78] (see Figures 4.7 and 4.8).

Figure 4.8 **AGRICULTURE REMAINS THE MOST COMMON OCCUPATION, ESPECIALLY FOR THE POOR**

Main occupation of household head, by quintile, 2016



result, the most vulnerable areas could face a longer and more acute hunger season.

- **Productivity in high potential areas may be compromised.** The output of high agricultural production areas in western Ethiopia which depends on inputs and labour could be negatively affected by COVID-19 in several ways: i) travel and movement restrictions will suppress the supply market, thus, negatively impacting access to

77 World Bank, *Harnessing Accelerated Growth for Poverty Reduction*, 2020.

78 Ibid.

required agricultural inputs like seeds, agrochemicals and fertilizers; and ii) the spreading/fear of COVID-19 infection among the population will decrease the supply/availability of the labour force for traditionally labour-intensive farming systems.

- **Disruptions to income earning opportunities during important festivities will have a major impact.** Through demand and supply side shocks, the crisis may disrupt food systems, thus, threatening jobs in each segment of the system. Labour in agriculture is becoming scarce, mainly in labour-intense value chains like horticulture, affecting rural workers and employment of internal seasonal migrants. This could be driven by faltering MSMEs in agriculture and other sectors which lack the capital to overcome a short-term drop in cash flow or disrupted access to markets for their produce, in addition to restrictions on public travel and gatherings. As result, household incomes are likely to be affected negatively by reduced employment in rural areas. In addition, some important religious festivals for orthodox Christian and Muslim faiths will be severely affected, with implications on household occasional incomes and expenditure patterns. This is likely to be exacerbated by a reduction of remittances, due to the global economic effects of the crisis and increased repatriation of Ethiopia workers from some Gulf countries.
- **The functioning of agro-industrial parks (AIP) will be compromised.** The agro-industrial parks are meant to be the backbone of modernization in the agriculture sector by improving production and productivity (quantity and quality) and commercializing and industrializing strategic agro-commodities through improved market linkages. Currently, there are four functional Agro-Commodity Procurement Zones (ACPZ) in Ethiopia, located in Central Eastern Oromia (Bulbula), Western Tigray (Baeker), South West Amhara (Bure) and Eastern SNNPR (Yirgalem). Travel restrictions have already destabilized the flow of agricultural commodities to the parks thereby affecting the entire food value chain including processing, transportation and distribution of food crops.

- **Production, productivity and market access will be impacted by poor availability of inputs** (fertilizers, seeds, animal feed, phytos, veterinary products and services and so on). The large majority of rural Ethiopian producers are operating at very low productivity and are highly vulnerable to shocks. The impact on production and productivity will be limited if imported inputs are delivered for this season and distributed to producers. Impact would be significant if the inputs are not yet distributed or not yet imported. Challenges are wide-ranging: i) ensuring distribution from Addis Ababa to regions, then to zones, and on to cooperatives and farmers (in the best case); ii) shipment of inputs from abroad; iii) the availability of public services, if Regional Bureaux of Agriculture and Cooperatives staff are unable to move within and between regions due to travel restrictions even though this is critical for the upcoming agriculture season; and iv) access to financial services falling outside the reach of farmers.
- Research data^[79] shows that the **production might drop by 30% if producers revert to the extensive production system for cash crops**. Along with the effect of lower productivity, rural incomes could also suffer from limited opportunities to sell goods. This will lead to price increases, aggravating food insecurity, malnutrition and, ultimately, vulnerability of the population to poverty.
- **Access to production capital may drop including, among others, access to finance** to pay for the cost of inputs, labour, mechanization services, transport services, fees related to irrigation systems and so forth. Normally, a part of the cost of such charges is covered through financing from rural micro finance institutions established in different regions, zones and even woredas. In the case of reference scenario 1, the rural financial system will be slightly impacted (if the credits for the last season have been recovered) compromising only the upcoming season. In case of scenario 2, rural financing system could be temporarily closed and in scenario 3, go bankrupt. Informal lending systems will emerge leading to possible exploitation of an already poor population.

79 National Agricultural Extension Intervention Programme and others using a sample focused on maize, wheat, sorghum, teff and barley.

- **Pastoralism and livestock sector may be hit hard:** People in Ethiopia's lowlands are largely characterized as pastoralists and agro-pastoralists. Livestock products represent an important source of food intake for these communities, as well as exports and food sources for urban people. The livestock sector under intensive production system (fattening centres) may be knocked out following feed shortages due to restrictions on movement and reduction in agro-industrial production. For example, sugar industries are producing more alcohol than molasses, unlike in the past. The extensive livestock system will also be affected by the closure of primary and secondary livestock markets for cattle and small ruminants. The main export market during the Ramadan season in May and Hajj season in August will be lost and the subsequent revenues from live animal exports (24.3 million kgs exported for a value of USD 45.8 million). A decrease in live animal commercialization in the country will have severe repercussions on meat and meat products (17.7 million kg valued at USD 88.6 million), and textile industry including leather and leather products (5.6 million kg valued at USD 117.4 million). While reference scenario 1 could bring limited impact on the intensive livestock production system, scenario 3 would be catastrophic for the entire livestock production system, commercialization sector and affiliated industries.
- **Fruits and vegetable production will suffer:** A survey undertaken in April, 2020 by the International Food Policy Research Institute (IFPRI) showed that labour intensive horticulture value chains, based on highly perishable products, have already been impacted by decreased domestic trade and consumption of vegetables despite the Orthodox fasting season, shortage of and increased input prices, increased farm losses, travel ban that impacted the volume and frequency of truck movements, decreased purchases by restaurants and eateries, and misconceptions related to fresh food contamination.^[80] Exports reached 176.5 million kgs valued at USD 60.9 million in 2018/19. This subsector will be severely impacted, in both export and local markets,

due to the perishability of commodities and the disrupted domestic distribution system. Without facilities to export, prices will drop very quickly if the harvesting season arrives before the end of the pandemic. Other key export commodities will also be impacted by the ban of international flights. These commodities include pulse (462.8 million kgs valued at USD 272.3 million), oilseeds (260.9 million kgs valued at USD 387.8 million) and coffee (230.9 million kgs valued at USD 764.1 million).

- **Food availability may be constrained:** Movement of food commodities from surplus producing to deficit areas will be constrained through panic purchase to an extent, transporters' fear of travel and farmers withholding food for their own households. Ethiopia is also approaching the main hunger season, from June to September, during which food prices normally rise as stocks from the main Meher harvest get exhausted. The performance of the *Belg* Season (Feb to May rains) are important for *Belg* crop producers and for livestock production in all pastoral as well as many crop-dependent areas. Despite a later start, *Belg* crop producers are receiving near average rains so far, and rains also started in pastoral areas in April. The DL invasion has already caused an estimated loss in cereal production of 356,286 MT and pasture damage of 50 %. DL continues to threaten the *Belg* season.
- **Food access could be impacted adversely:** The outbreak of COVID-19 will negatively impact physical access to food, especially in areas where households are already facing deficits due to other factors – for example, below normal rains and displacements. Inadequate supplies of food in markets will further reduce dietary diversity and food consumption by households. Incomes for households in the informal sector will be reduced during the COVID-19 period, worsening the food security situation. Reduction in remittances from abroad will also affect both rural and urban households. Food prices are already unseasonably high; therefore, further increases will worsen the food security situation. The latest data show that food price inflation had already reached 26.9% in March 2020, the highest level since 2012.

80 <http://essp.ifpri.info/2020/04/06/the-coronavirus-disease-covid-19-crisis-and-food-value-chains-in-ethiopia-insights-from-vegetable-value-chains/>.

- **Food utilisation could see a deterioration:** In addition to the burden of affordability of nutrient-dense foods (fruits and vegetables and meats), households have additional needs to prepare food commodities for consumption, including the cost of fuel and access to water. Some of the food items in their consumption basket will also require pre-processing, including milling, which will impose additional costs on the poor and vulnerable faced with loss of livelihoods, income and also assets. Added to that, suboptimal knowledge of how to prepare healthy meals while preserving their nutritional value will worsen the situation.

4.4.2 Construction

One of the key drivers of growth over the past decade was the construction boom, contributing 20% to national GDP (2018/19) and providing an important source of employment. Total employment in the sector is estimated to be 2.2 million mainly comprising temporary and unskilled workers. According to a JCC estimate, 60% of construction projects will cease operation due to financial liquidity problems. The medium estimate of this study indicates that due to the pandemic, 34% or 741,000 employees will be laid-off from this sector during April - June 2020.

4.4.3 Manufacturing (e.g. industrial parks)

Ethiopia has a nascent manufacturing sector, with manufacturing value added as a share of GDP standing at 6.8% (2018/19), with little improvement over the past 20 years. There are about 15,000 small and medium sized manufacturing industries in the country, majority of them are engaged in wood and metal works, agro-processing, textile and garment, employing on average of 60-100 people. In terms of regional distribution, Tigray region has over 5,000 firms followed by Amhara with about 3,000 and SNNPR with less than 3,000.

The gender dimension in this sector is revealing and points to where gender-differentiated impacts are likely to be concentrated. Of a total average 2.1 million people employed in the small-scale manufacturing

sector, 44.9% are women (CSA 2016/2017) of whom 39.5% are permanent paid employees, 17.9% paid apprentice workers, 24.6% unpaid apprentices and the remaining 18% unpaid family workers. In addition, Ethiopian women own 22.5% of small-scale manufacturing establishments.^[81]

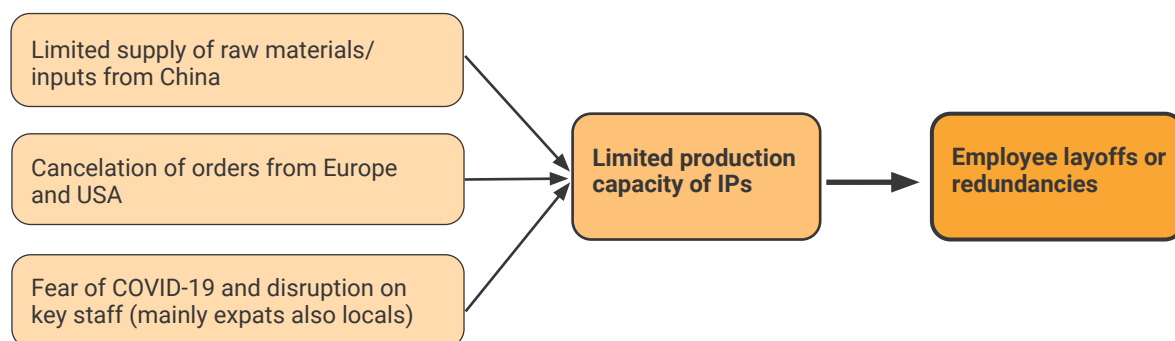
The Government has established industrial parks in different parts of the country with multiple purposes and with the intention of creating specialized economic zones in each region. While the overall purpose is to transform the sector as a driver of growth with private sector engagement, specific objectives include value addition, increased foreign exchange earnings and, ultimately, creation of millions of jobs for a young and growing population. About eight industrial parks are now operational, with more than 59 tenants (manufacturers) creating jobs for about 63,500 people. There are also six privately-owned industrial parks providing services for various manufacturers. Most of the operators in industrial parks are engaged in textile and apparel production and in leather and agro-processing. Five of the government-owned and three private-owned parks started exporting in 2019 and Q1 of 2020, for an estimated value of USD 72.3 million.

The Ethiopian manufacturing sector is already showing serious signs of suffering from COVID-19 even at this initial stage, with the strongest effects felt in sub-sectors exposed to disruptions in global value chains and shrinking demand in export markets. One-third of imports comes from China and approximately two-thirds of exports go to Asia and Europe both heavily affected by COVID-19 and still several months away from a recovery.

The import-dependent and supply-constrained manufacturing sector is starting to experience shortages and delays in primary and intermediate inputs provisioning as well as higher logistics costs and more stringent safety protocols. The already limited share of manufactured exports in total exports (less than 13%) will probably decrease further with important implications for an already strained balance of trade. In addition, the manufacturing (and to a lesser extent, construction) sector is strongly dependent on FDI and is expected to be negatively

81 Ministry of Industry and UNDP, *A study on women in manufacturing in Ethiopia: opportunity challenge and strategic intervention*, 2018.

Figure 4.9 IMPACT ON MANUFACTURING SECTOR



impacted by decreasing global demand. A first estimate by UNCTAD suggests a global contraction in FDI ranging between 5% and 15%, which was then revised to 30%-40% by the end of March, as the global outlook worsened.

● Possible Implications for the Manufacturing Sector

- Total shutdown or sharp drop in production capacity and reduced employment is a growing possibility.** About 8 companies in Hawassa industrial park have shut down production and released their staff on leave as 70+ orders have been cancelled by buyers from the US and Europe. In this Industrial Park alone, about 14,000 employees have been released in different forms (leave with and without pay). As 80-85% of the park's workforce is composed of young women aged 17-25^[82], the impact will be felt disproportionately by them relative to men. With even a 3-4-month crisis and a weak cash flow situation, the impact in the parks and the negative multiplier effects on small businesses (shops, cafes, landlords) around the parks would be immense. In terms of overall impact, early estimates by the JCC indicate that 11% of total employment (mostly in temporary, low-skilled workers) in manufacturing could be seriously threatened during the next quarter, if no actions are taken. The sectors that will be most affected in the short run are expected to be textile and garments, leather & leather products and horticulture.
- Sub-industries such as textiles and garment (T&G) that are dependent on imported raw materials are likely to be impacted significantly.** In T&G, only 40% of the total needed materials are available in Ethiopia while 60% are imported (mainly from China and other Asian countries, including India). These include both raw materials and other productive inputs, including chemicals. Similarly, the US and Europe are the main importers of Ethiopian T&G products and orders have already shrunk by approximately 20-25%. The shutdown of all non-essential activities in sourcing/exporting markets is affecting both productive capacities and earnings for domestic firms. In addition, potential government influence and firms' decision to shut down operations, especially in industrial parks, to prevent the spread of virus as well as insufficient safety measures (e.g. social distancing) to protect workers' safety are exacerbating the problem. The leather and leather products sector is likely to follow a similar pattern to the T&G sector, with production constraints linked to the availability of productive inputs and drop in offline retail sales in import markets (EU and African countries) estimated at around 20%-30%.
- The leather and leather products sector is likely to follow a similar pattern to the T&G sector,** with production constraints linked to the availability of productive inputs and drop in offline retail sales in import markets (EU and African countries) estimated at around 20-30%. More specifically, export of semi-finished and finished leather products is already falling sharply. Prior to the

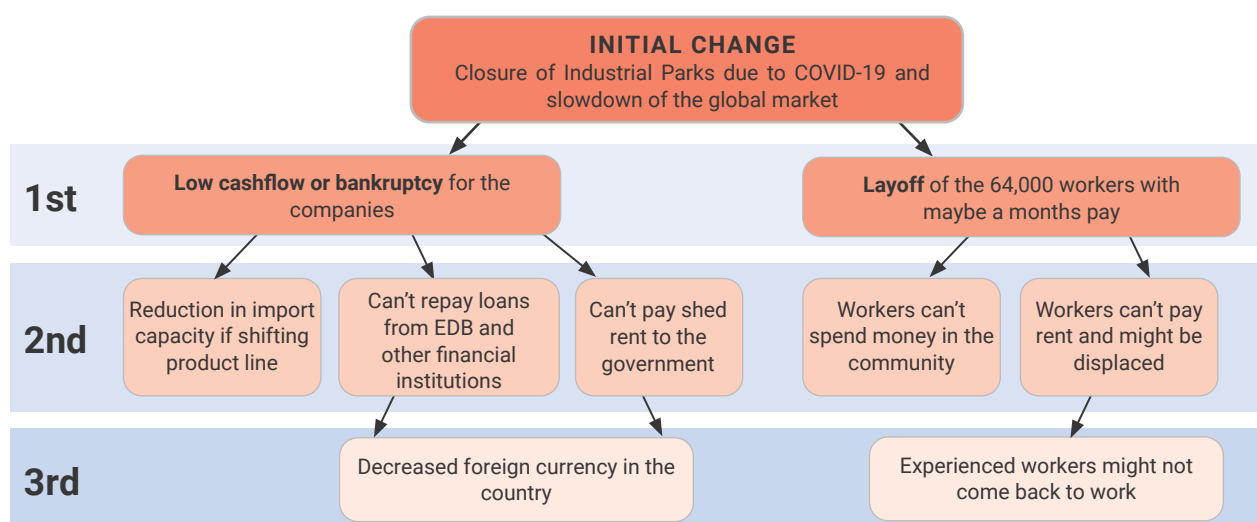
outbreak of the pandemic, the Government had reviewed export regulations for semi-processed leather that had resulted in an increase of orders from India, Pakistan, Italy, Turkey and China. Tanneries invested in stocks to meet this demand but due to the crisis, most of the orders have since been cancelled leaving the factories with idle stocks of material and chemicals. In addition, a number of leather goods manufacturers that supply fashion houses in the US, Canada and Nordic countries have seen their orders cancelled and faced with wait-and-see approach on the part of clients.

- **The agro-food processing sector is likely to be relatively less impacted by the pandemic**, as it is mostly oriented toward the domestic market, which is not expected to be affected significantly in the short-run even though still sensitive to inflation and a drop in consumer demand. But disruptions affecting the agricultural sector will have repercussions in terms of supply of local produce. This may include lower agricultural production, scarcity of inputs (e.g. fertilisers), higher farm gate prices, sluggish supply due to longer collection times, longer transport time, higher loading and unloading mark-ups, higher distribution costs and longer retail filling, as mentioned earlier. Another relevant pain point includes shortages of intermediate inputs, especially packaging material, which the country was already short of; this may imply the halt of

production in some industries (e.g. dairy and beverage). Similarly, the food industry faces an additional challenge when it comes to perishable goods, which cannot be stocked for long time. In addition, internal logistics disruptions may result in consistent food losses. The 4 pilot Integrated Agro– Industrial Parks are still under construction (80% completed) so the impact of the pandemic on their operation will be contained and probably consist mainly in delays in implementation of the necessary measures to set them up – delays in restructuring value chains, commencement of business operations by agro-processors, and establishment of public support services.

- **The beverage sector is expected to face a decrease in global and local demand.** The good news is that the sector was profitable for a long period and is, therefore, relatively more resilient than other sectors.
- **Among other non-traditional manufacturing sectors that are expected to be affected and are particularly relevant for Ethiopia, the flower industry, which has been a resource for the country in terms of export earnings, is experiencing large perhaps catastrophic losses.** Cut flower exports, which contributed 57.8 million kg at a value of USD 256.6 million (in 2018/19) will be severely impact by the suspension of international flights. The situation was already dire in reference scenario 1; scenario 3 will require a special recovery plan for the sector.

Figure 4.10 **IMPACT ON INDUSTRIAL PARKS**



Source: UNDP Ethiopia.

4.4.4 Services (tourism, hospitality, aviation, retail)

The travel industry has been the most impacted sector across the globe. Cross-border travel has been largely shut down in more than 200 countries with full or partial travel bans in place. The air travel industry is the most heavily impacted with an estimated USD 355 billion decline in travel spending in the US alone this year which will translate into a loss of USD 809 billion in economic output (McKinsey and Company, 2020). As there is significant uncertainty around how COVID-19 will evolve, the long-term impact on the industry – and associated ones in tourism and hospitality – are hard to predict except to note that they will be very large and, in many cases, catastrophic for smaller businesses and their employees. The Addis Ababa Hotel Owners Trade Sectoral Association (AHA) reported in April that 88% of its members hotels had either partially or fully closed their operations. Loss of revenues was estimated at USD 35 million per month.^[83] The workforce at risk is 15,000+.

Ethiopian Airlines is Africa's largest airline in terms of passengers carried, destinations served, fleet size, and revenue. Ethiopian is also the world's 4th largest airline by the number of countries served. Its annual revenue (2019) is Birr 114.6 billion (USD 4.1 billion), it has about 13,000 employees and 126 passenger and 48 cargo aircraft. The pandemic has plunged Ethiopian Airlines into financial, operational and commercial crisis. It is operating at only 10% of its capacity and has temporarily closed routes to 91 destinations. In Q1 2020 (January to March) the company had incurred a loss of USD 550 million. A study by Cepheus Capital estimated that the airline will incur a loss of USD 1.5 billion in 2020.^[84] The airline is working aggressively to cut costs and at the same time is focusing on other business lines such as operating cargo flights, aircraft and engine maintenance, and providing hotel services. Cargo revenues are reportedly rising rapidly but it is unlikely that they can compensate fully for a massive and sustained loss of passenger traffic.

At the global level, the tourism sector is currently one of the hardest hit by the outbreak of COVID-19 with impacts on both travel supply and demand. According

to the WTTC, the pandemic is putting up to 50 million jobs at risk globally in this sector. The slowdown in tourism demand would impact all segments in the supply side including stopover and Meetings, Incentives, Conferences and Exhibitions (MICE). Ethiopia is particularly exposed with 50% of its tourists coming from the US and Europe. Recovery will not be easy as it might take months to get back to normal. With a large proportion of demand for passenger traffic through Ethiopian Airlines hit hard, there will be fallout as well on stopover tourism.

- **Effect on the livelihoods of millions of people working in the supply chain.** This covers hotels, event organizers, travel agents and tour operators, with tourism being one of the largest employers of youth, including young women, in the country. The spill-over effect along the chain, such as agricultural suppliers to the hotel industry and providers of transportation services, will amplify the effects and needs to be assessed further.
- **The hotel business has already started to decline** despite the comparative advantage that Ethiopia has as most investors in the hotel industry are locals which prevents capital flight but most of these hotels have debts owed to local commercial banks. Based on a discussion held between the Ministry of Culture and Tourism (MoCT) and hotel owners, the latter agreed to pay workers up to 6 months' salary and retain them with the expectation that the Government will subsidize this commitment.
- **Loss in generation of foreign exchange.** According to Dalberg's estimate, Ethiopia's loss of tourism revenue would amount to USD 110 million at the start. McKinsey & Company has estimated that the recovery period for the hospitality and hotel industry globally will take longer, at the earliest starting in Q4 of 2020. The implication is that Ethiopia would continue to lose revenues from one of its primary foreign exchange earning sources for several more months.

83 Addis Ababa Hotel Owners Trade Sectoral Association (AHA), *The Impact of COVID-19 on the Addis Ababa Hotel Market*, April 2020.

84 CEPHEUS Research and Analytics, *Macroeconomic Impacts of the Corona Virus: A Preliminary Assessment for Ethiopia*, 31 March 2020.

4.5

SOCIAL SECTORS

4.5.1 Health and Nutrition (e.g. risks to specific conditions and groups, sexual and reproductive health (SRH), systemic vulnerabilities)

● HEALTH

COVID-19 is a new virus and not enough is known yet about how it affects children, youth, or pregnant women. The possibility, however, for people of any age to be infected and transmit the virus, although older people and/or those with pre-existing medical conditions seem more likely to develop serious illnesses. Early detection and containment is essential to prevent and/or delay an overwhelming demand for health care services from an already fragile health system. **The Ethiopian Service Availability and Readiness Assessment Survey (SARA, 2018) indicated that the national readiness for routine health services provision in a normal situation is only 55%, pointing to already significant shortfalls in the availability of trained human resources, medicines, equipment, and infrastructure.^[85]** In such a context, it is certain that the Ethiopian health system will not be able to cope with the expected increases in patient loads across the country – currently estimated by the Ministry of Health (MoH) at 100,000 cases over 3 months, but with a possibility for even higher numbers. The capacity of COVID-19 testing has increased gradually with 20 testing centres established across the country and a total of 18,754 people tested for COVID-19 by May 2020. While encouraging, further increases in testing are absolutely critical to assessing the extent of the pandemic in Ethiopia and taking preventive measures to contain transmission. Beyond reducing COVID-induced morbidity and mortality, containing the outbreak will be essential to continue delivering essential health services, provide preventive measures such as immunization, and to address ongoing outbreaks of infectious diseases such as cholera, measles and yellow fever.

If efforts to contain the outbreak of COVID-19 divert resources from routine health services then the access

of women, girls and children, refugees, IDPs, persons with disabilities and older persons to vital support will be curtailed, with serious consequences. One aspect of these impacts will be on access to maternal and sexual and reproductive health (SRH) services. According to the Ethiopian Demographic Health Survey (EDHS, 2016), the proportion of pregnant women who accessed the four rounds of ante natal care (ANC) is 32% and those with skilled delivery is 26%. Modern family planning use is 35% among married women and 58% for unmarried women. At the same time, pregnant women who tend to visit health facilities for routine health follow-ups will be at higher risk of unnecessary contact and exposure to infection, especially where infection control in health facilities is inadequate. Due to school closure, adolescent and young women may not be able to access family planning services which puts them at greater risk of unwanted pregnancy and lack of access to SRH services. Moreover, as health facilities are overburdened with the response, other essential services will be abandoned or scaled-back. Health workers are also at a high risk of infection due to the lack, in many situations, of adequate supplies of the required standard of PPE.

The first tangible evidence that we have of disrupted health services is the postponement of the measles and polio campaigns planned for March-April 2020. The number of children aged 0-59 months targeted for the polio campaign is 17,116,378 and those for measles (among children 9 - 59 months) is 14,699,948. This means that the vaccination of these children has been delayed and they are, thus, vulnerable to vaccine preventable infections.

Considering the significant diversion of resources that can take place, there is **a strong likelihood of excess morbidity and mortality due to non-COVID related illness**, if the experience of Ebola in West Africa is guide, as a result of the combined effects of: (a) decreased availability of essential health services; and (b) decreased utilization of essential preventive and curative health services by the population due to fear of COVID-19 infection, lack of affordable transport,

85 Ethiopian Public Health Institute (EPHI), *Services Availability and Readiness Assessment (SARA)*, 2018.

and/or increasing inability to pay for transport and services due to poverty.

On mental health and psychosocial distress, the restrictions imposed because of the COVID-19 outbreak, have caused significant disruption to individuals, families, and communities. For many people, daily life is changed dramatically, and the 'normal' ways of life as we know them are suspended indefinitely. Imposed quarantine or isolation is an unfamiliar and unpleasant experience that involves separation from friends and family, and a departure from usual, everyday routines. Isolation is known to cause psychosocial problems, especially for those recognized as vulnerable. While all humans are at risk of psychological harm when kept in isolation, the most vulnerable in these situations are children and adolescents, older adults, minority groups, those from lower socio-economic groups, females, and people with preexisting mental health conditions. Social isolation associated with quarantine can be the catalyst for many mental health sequelae; even in people who were previously well. These can include acute stress disorders, irritability, insomnia, emotional distress, mood disorders, including depressive symptoms, fear and panic, anxiety and stress because of financial concerns, frustration and boredom, loneliness, lack of supplies and poor communication.

Currently, returnees face double trauma as many have suffered physical violence and torture, sexual exploitation, abuse and violence en route, in transit and in destination countries. Upon return to the country, they are confined in mandatory quarantine. These result in feelings of hopelessness, and if not dealt with, could lead to Posttraumatic stress disorder (PTSD). Furthermore, there are already existing gaps in the availability and accessibility of Mental Health and Psychosocial Support (MHPSS) specialists and services. Health workers, especially those caring directly for COVID-19 infected patients, are also expected to experience heightened mental health stressors in relation to the increased work burden as well as the fear of contracting the disease and/or passing it on to their families and loved ones. An additional burden could be imposed by their participation in infection-prevention and control measures as part of daily work routines.

● NUTRITION

There are three underlying causes of acute malnutrition namely: (i) household food insecurity due to limited household food access and reduced income particularly, among those in the lower quintile of the income distribution with children under the age of 5, and reduced food availability and diversity; (ii) caring practices for children and women that are likely to deteriorate as livelihoods are affected such as breastfeeding and appropriate complementary feeding practices; and (iii) disrupted access to health services for common childhood illnesses and for treatment of moderate and severe wasting as health workers become overwhelmed by COVID-19 related activities and/or access to health facilities is limited due to movement restrictions.

While stunting (short stature for age with negative impact on cognitive development) fell by over half over the past decade among children under five years, from 58% in 2000 to 38% in 2016, the current rate remains high at 37% in 2019. The negative impact on nutrition of frequent emergencies is currently being compounded by the desert locust invasion and COVID-19 pandemic. The primary and secondary impact of COVID-19 alone is expected to have devastating effects on the nutritional status of children and women if counter measures are not taken. It is estimated that both moderate and severe acute malnutrition (SAM) among children under the age of 5 years will increase. **An estimated increase in SAM cases of 15% (68,935 children) above the annual average of 459,565 children is expected.** Increases in malnutrition will be driven by a decrease in household food security, poor care practices for children and women, and limitations in access to health facilities and health service as they are undermined by the primary and secondary impacts of COVID-19.

Furthermore, it is likely that due to preventive measures that limit movement and accessibility to services/markets, the quality of dietary intake might worsen, with easier access to and relatively greater affordability of staple foods at the expense of a diversified diet of nutrient-dense foods. Should preventive measures continue for a longer period of time and the stability of the food supply chain gets impacted under reference scenarios 2 and 3, accelerated deterioration in diet quality is likely with gains achieved in the fight against chronic malnutrition at risk of reversal.

4.5.2 Water, Sanitation and Hygiene (WASH)

Based on the 2019 Joint Monitoring Programme (JMP) report, **only 11% of Ethiopia's population is using safely managed drinking water**. Rural populations and the poorest households are the most disadvantaged in terms of sanitation. People living in informal settlements, prisons, refugee/IDP camps and facing other overcrowded living conditions with inadequate water and sanitation facilities are particularly at risk of contracting COVID-19. In addition, analysis of health sector capacities in Ethiopia has highlighted a number of challenges including inadequate water and sanitation facilities in health facilities, schools and communities.^[86] With up to 22% (23 million people) practicing open defecation, and very low rates of handwashing after the use of a latrine in Ethiopia, a majority of poor households are at risk of contracting COVID-19 due to poor sanitation practices and hygiene. Women and girls are particularly exposed, as they are usually responsible for water collection in Ethiopian households but without much autonomy of decision-making.^[87] In addition, If not well managed, movement restrictions and lock down enforcements will disproportionately affect poor households in underserved areas, not least women and girls, who depend on daily wages to pay for safe drinking water for their households amongst other daily needs.

Maintaining personal hygiene through frequent handwashing with soap is at the heart of preventing COVID-19. But these efforts risk being undermined by the stark reality for millions of people in Ethiopia: hygiene is often not possible because safe water and soap are simply not readily available or are unaffordable. Limited access to water and poor sanitation leads to a vicious cycle of increased risks to infection, serious health outcomes and poor living conditions.

The infectious nature of COVID also requires increased hygiene standards at health facilities and quarantine facilities, yet the 2018 SARA survey indicated that a mere **34% of health facilities have an improved water**

source available (i.e., water is piped into the facility or onto facility grounds, or else water that is from a public tap or standpipe, a tube well or borehole, a protected dug well, or protected spring, or rain water, or bottle water), and water is available from this source on facility premises. **Only 61% of health facilities had sanitation facilities available, while only 3% of facilities had all of the nine assessed measures for infection prevention in place, with only half having a mechanism in place for the safe disposal of infectious waste, and only 16% with adequate facilities for the storage of infectious waste.**^[88] In order to minimize the risk of transmission of COVID-19 infections in health facilities as well as treatment, isolation and quarantine facilities, a significant investment is needed to improve the existing infrastructure is needed. This includes not only health centres offering primary care, but also the hospitals, hotels and university residence halls in use for isolation and treatment of (suspected) COVID-19 cases. Although the One WASH programme has a small proportion of funds allocated to the improvement of WASH facilities in public institutions such as schools and health facilities, the overall budget is vastly insufficient to meet the needs. If these issues remain unaddressed, however, the containment of COVID-19 will be significantly impaired.

4.5.3 Education

The COVID-19 pandemic has resulted in school closures across the world. It is estimated that learning for 89% of the world's student population has been disrupted.^[89] In Ethiopia, schools have been closed since 16 March 2020 and this is likely to remain the case until the end of the academic calendar. This means that **over 26 million children are currently not in school**^[90] **of which approximately 77% are primary school pupils**. These children are neither learning nor benefitting from other school-based support mechanisms such as protection, health, and school-feeding. In short, children's well-being is at risk. Key education indices which were already dismal before the COVID-19 pandemic, are at risk of worsening in the current crisis which has kept children out of school to

86 <https://phe-ethiopia.org/admin/uploads/attachment-721-HSDP%20IV%20Final%20Draft%2011Octoberr%202010.pdf>

87 https://www.open.edu/openlearncreate/pluginfile.php/172415/mod_resource/content/1/Ethiopia's_One_WASH_National_Programme.pdf

88 EPHI, *Services Availability and Readiness Assessment (SARA)*, 2018.

89 UNICEF, *Mitigating the Social impacts of Covid-19 on the education system*, 2020.

90 UNICEF Ethiopia, *Socio-economic impacts of COVID-19*, 4 April 2020.

avoid infection and spreading the disease. The Table 4.3 below shows the number of children affected by the crisis as a result of school closure:

Level	Male	Female	Total
Pre-primary	1,676,156	1,546,097	3,222,252
Primary	10,654,351	9,392,006	20,046,357
Secondary	1,526,653	1,293,482	2,820,135
GRAND TOTAL			26,088,744

While school closures are an important response to mitigating the spread of COVID-19, prolonged closures present major risks to education and the well-being of children, families, teachers, and communities. All school-aged children who are enrolled in schools are now at home with their in-school education suspended. School closures will affect vulnerable children and their families the most because they are unlikely to benefit from parental home-schooling or supervision or distance education modalities such as paper-based and or radio/TV programmes, thus, widening the gulf between the lowest and highest income quintiles. The main tools for distance learning are radio and television. Radio is available in 28.5% of households in Ethiopia.^[91] Many children, however, do not access radio or television-based distance education and given the potential negative impact on economic activities of the COVID-19 response such as lockdown and social distancing, low income households are likely to be impacted the worst – and many of their children will neither continue their education from a distance nor ever return to school.

School closures also negatively impact children's nutritional status as many cannot access school feeding programmes, especially in settings of humanitarian responses. It is estimated that in Addis Ababa, approximately 560,000 primary school students no longer receive their meals.^[92] The lowered nutritional status will weaken immune systems resulting in more frequent episodes of ill health and their cascaded negative effects on learning and overall well-being.

Ensuring sufficient, diverse and nutritious food contributes to strengthening people's immune system and increases their capacities to cope with diseases. Adequate nutrition is essential for the health and wellbeing of school children. Many school children who used to benefit from school feeding may already be nutrient deficient, vulnerable and at risk. Expected negative economic impacts and the potential disruption of food systems together with household mitigation measures can further restrict children's access to adequate food. The Ministry of Education has estimated that about 4 million school children living in food-deficit parts of the country will be exposed to hunger. Even when the scenario changes and schools reopen, the effect on schools will remain significant as the current condition of school health and nutrition services and WASH facilities is extremely poor. Disinfecting schools and universities used as quarantine centres, improving hygiene facilities and putting measures in place for provision or restoration of school health and nutrition services will place additional pressure, however, on already stretched education sector budgets.

The restrictions caused by social distancing have affected education at all levels and will continue to do so for at least several more months as learners and teachers are not able to physically meet at school. This limitation will likely limit opportunities for students to learn. The learning loss is greater for a low-income country like Ethiopia. The capacity of schools in Ethiopia to support the learning of their students remotely and differences among students in their resilience motivations and skills to learn independently are likely to exacerbate gaps in educational performance. The education sector's limited capacity to design and implement effective education responses due to a lack of technological infrastructure in rural areas and for most poor households in urban areas will amplify the problem. It is estimated that 80% of the country's population live in rural areas which means many children have no opportunity to access learning through technology-based platforms due to low digital technology penetration and inadequate communications infrastructure. These factors have compounded the situation and have put millions of children at the risk of dropping out of school, getting

⁹¹ UNICEF Ethiopia, *Distance education through Radio and TV, National framework to implement distance education through radio & television for COVID-19 response in Ethiopia with data from the Demographic Health Survey 2016, 2020.*

⁹² Ibid.

exposed to various forms of exploitation and abuse including early marriage and child labour.

Children are not the only ones who will feel the brunt of the impact. Women perform the vast majority of unpaid work, more than three times as much as men.^[93] School closure, as a preventive measure in containing the outbreak, exacerbates the burden on parents, particularly women, as additional childcare responsibilities fall on them. Moreover, girls are often obliged to take care of household chores and look after their siblings. This is likely to increase when schools are closed.^[94] While the COVID-19 crisis is unprecedented and its impacts and scope unknown, studies from the Ebola epidemic have noted that girls

are likely to be differentially impacted. During the height of the Ebola epidemic, 5 million children were affected by school closures across Guinea, Liberia and Sierra Leone, and poverty levels rose as education was interrupted. School drop-out was often caused by an increase in domestic and caregiving as well as income generation responsibilities, leading to girls falling behind in home learning.^[95]

Bottom-line, in the absence of an effective education response, COVID-19 is likely to generate the greatest disruption in educational opportunities for Ethiopian children in a generation or more.

4.6

GOVERNANCE, PEACE AND SECURITY

4.6.1 Continuity of Critical Government Functions and Governance Issues

With the spread of COVID-19 pandemic in Ethiopia, the operations of many institutions – both public and private – have been affected adversely. The UN system, foreign missions, and other international organisations have activated business continuity plans to contain the spread of the virus and to ensure staff safety and security, at the same time maintaining continuity of critical functions. Many have discontinued physical meetings. On 25 March, the Government of Ethiopia took the unprecedented step of instituting remote working for federal institutions. The decision on who would continue working from the office and who would work remotely, though, was left to the discretion of each institution. For example, the Prime Minister's Office (PMO) announced that 64% of its staff (out of 289) would be working from home whereas the Ministry of Education (MoE) sent home all but 196 out of its 1,544 staff or 87%, and the Ministry of Health (MoH) set the figure at 42%.

The shift to remote working or telecommuting, in and

of itself, raises a major challenge of ensuring effective Government functioning in a situation where standard operating procedures and protocols do not exist for this scale and type of operation or, even where they do, have never actually been tested. To this must be added the serious complications in many low income and least developed countries such as Ethiopia of frequent power outages and unreliable and low bandwidth internet services, whether optical or mobile, as well as uneven penetration to sub-national levels and outside larger urban areas.

BUT an even bigger issue looms when such a shift in operations takes place in the context of a pandemic such as COVID-19. The text Box 4.1 explains this in greater detail.

Beyond continuity of critical government functions, there is the question of preparations for the next general elections. **On 31 March, the National Electoral Board of Ethiopia (NEBE) announced a postponement of the elections from their scheduled date of 29 August due to the pandemic.** With some 62 million voters spread over 547 constituencies, the involvement of 150,000

93 International Labor Organization (ILO), *Care work and care jobs for the future of decent work*, 2018.

94 UNESCO and International Institute for Educational Planning, *COVID-19 School Closure: why girls are more at risk*, April 2020.

95 <https://plan-international.org/publications/ebola-beyond-health%E2%AC0emergency>.

Box 4.1 BUSINESS CONTINUITY OF CRITICAL GOVERNMENT FUNCTIONS – LOST IN THE RUSH

As the pandemic has struck in developing countries, we have seen at least three immediate reactions: a sharp and understandable focus on public health issues; an international development community, both resident and global, that has quickly updated its risk assessments and activated business continuity plans; and the most advanced parts of the private sector, whether domestic or international, swiftly adjusting their operations in response to escalating risk. Something critical, though, has been lost amid all of this activity. As development partners gear up to support Ministries of Health and the continuity of their own operations, what happens to the rest of government? It's the other elephant in the room that very few people seem to have noticed so far. As the pandemic exacts its toll, how will law and order be maintained? How will food supply chains be kept functioning, especially for those segments of the population that are food insecure, relying on daily income to buy food? What will guarantee the continuity of electricity and water supplies as critical staff fall sick or worse? What will happen to publicly-provided telecoms services, maintenance of the internet backbone and connections to intercontinental submarine cables? What of the resilience of payments and settlements systems managed by central banks? How will revenue/tax collection be ensured to cope with increasing financing demands?

If any or, in the worst case, all of these and other critical institutions and systems start degrading significantly or even falling apart, then the consequences would be severe. The crisis would turn swiftly into catastrophe and in the most fragile contexts, potentially collapse. Yet, many developing countries and many governmental entities do not have the rudiments of risk management in place, including business continuity plans for critical government functions. And the thought of stress testing the resilience of public institutions to systemic shock is unheard of in most places.

voter registration staff and possibly 250,000 polling agents, and the needs and requirements of political campaigning, the trajectory of the pandemic and the scheduling of elections are now linked inextricably.

In addition, COVID-19 and containment measures including the State of Emergency (SE) declared by the Government of Ethiopia^[96] (see below) will affect Ethiopia's ability to hold elections and will impact on, among other things, women's political rights. This adds a considerable element of uncertainty to what is widely seen as the most important political transition that Ethiopia will undergo in decades. This uncertainty will have both political and economic repercussions.

On 8 April, the Ethiopian Government declared a SE. Article 93 of the Constitution authorizes the Council of Ministers to declare a SE when, among other situations, an epidemic occurs in the country. The SE was endorsed by Parliament for a duration of 5 months, albeit renewable, keeping within Constitutional provisions that SEs can be valid for up to six months and renewed by Parliament every four months. The Constitution does not, however, stipulate how many times Parliament can renew a SE.

A critical Constitutional issue triggered by the confluence of a pandemic, the postponement of elections and the promulgation of a SE is about the shape of governance in the country once the term of the current Parliament is completed in early October, a month after the current phase of the SE comes to an end. This raises serious and consequential constitutional questions, not least the status of the SE should the pandemic require one or more extensions. At its session held on 30 April, the Ethiopian parliament endorsed a resolution to reschedule the national election and tasked its legal and justice standing committee to come up with alternative options on the election. Parliament decided in May to seek an interpretation of the Constitution, one among four options tabled by the Government, which will require the engagement of the **Constitutional Commission of Inquiry (CCI)** and a decision by the House of Federation. Related, and important, aspects requiring attention include achieving broad political agreement on how to proceed after the end of the term of the government and the handling of ongoing unrest in some areas.

96 State of Emergency Proclamation Enacted to Counter and Control the Spread of COVID-19 and Mitigate Its Impact, Proclamation no 3/2020.

4.6.2 Impact on Human Rights

Analysis of the pre-COVID- 19 context in Ethiopia reveals that the human rights situation has improved in the last couple of years following reforms implemented by the government including a major restructuring of executive organs; opening-up of the political space for civil society and opposition parties; an increased focus on effective governance; increased representation of women in positions of power; the release of imprisoned opposition politicians and human rights defenders; and major legal and institutional reforms and improvements in the civic space. Nevertheless, inter-communal violence over the same period has led to a diverse range of human rights abuses and violations including the right to life, right to liberty and security of the person, large-scale internal displacement, and destruction and loss of access to property, exacerbated by weaknesses in law enforcement.^[97]

Realization of ESC rights has continued to be a concern despite the gains made by the country in decreasing poverty,^[98] complicated by political unrest and tensions in the recent past.^[99] The right to adequate food has been compromised due to recurrent drought, conflict, and depletion of natural resources and assets and the right to health and healthcare remains inadequately addressed,^[100] disproportionately impacting women.^[101] Recommendations from human rights mechanisms over the years have consistently urged the government to prioritize addressing the reality of women and marginalized or at-risk groups, including persons living with disabilities who are often at greater risk of abuse, neglect, discrimination, exclusion and violence.^[102] At the same time, ensuring gender equality and women's rights during the outbreak and recovery will be essential.

The combination of a SE and a pandemic can hamper progress on a diverse range of economic and social rights resulting from, among others, increased unemployment, loss of access to means of livelihood, health and education, and the diminished affordability of essential commodities driven by scarcities and economic slowdown. If unaddressed, these human rights concerns could translate into potential conflict drivers that could fuel civil unrest as well as escalate criminality triggered by economic difficulties.

Measures taken as part of the response to COVID-19 could result in risks to a diverse range of rights such as the right to freedom of assembly, the right to freedom of movement, and the right to liberty and participation in public affairs, among others. While restrictions on some rights are acceptable during a state of emergency under international human rights law, the latter need to be respected by State Parties. Notably, the International Covenant on Civil and Political Rights (ICCPR) requires that restrictions on rights for reasons of public health or a state of emergency should be lawful, necessary and proportionate to achieve the objective, while the duration should be specified by law and subjected to review.

Related to this are issues around press freedom and access to information. A vibrant press serves not only as an information dissemination system, but also as an unparalleled early warning system for a society in times of emergency, sharpening focus on the severity of a problem and prompting an urgent government response. Increased and responsible media coverage and service play an indispensable role in informing the public and validating government pronouncements, especially in times of crisis.^[103] For these reasons,

97 Including during the Common Country Assessment (CCA) process.

98 The significant economic strides made by Ethiopia over the past decade has not translated into the amount of jobs initially projected nor the raise of human development, with a disproportionate impact on youth.

99 Political unrest since 2015, combined with unfavourable weather and global conditions, has reportedly, and led to a lower than expected GDP registered over the past few years.

100 Although progress has been made over the years, population growth coupled to poverty and a shortage of human, material and financial resources means that the existing health services is unable to adequately meet population needs. Reportedly only 55% of all health facilities, excluding health posts, were ready to provide general health services. The other 45% lacking either equipment, staff, and/or essential medications. See EPHI, *Service Availability and Readiness Assessment (SARA)*, 2018.

101 Approximately 70% of women report having at least one problem in accessing health care such as getting money for advice or treatment (55%), the distance to a health facility (50%), and getting permission to go for treatment (32%). A survey in 2016 indicates that Ethiopia is at only 40% of the UN recommended standards for the availability of Emergency Obstetric Care facilities per 500,000 population, See Ethiopian Public Health Institute (EPHI), Ministry of Health (MoH) and Columbia University, *Ethiopian Emergency Obstetric and Newborn Care (EmONC) Assessment*, 2017.

102 Recommendations by the CEDAW and the UPR (2019), CRPD(2016).

103 Africa Centre for Strategic Studies, *Mapping Risk Factors for the Spread of COVID-19 in Africa*, 3 April 2020. Available at : https://africacenter.org/spotlight/mapping-risk-factors-spread-covid-19-africa/?utm_source=Infographic%3A+Mapping+COVID+Risk+Factors&utm_campaign=Mapping+COVID+Risks&utm_medium=email

it is vital press freedom and access to information are respected despite the emergency precipitated by the pandemic.

With limited civic space due to measures taken to combat the pandemic, there may be also an increase in protests and armed clashes between militias, civilians and security forces, in the absence of an inclusive political process to chart the way forward. This is likely to lead to further displacement among vulnerable communities, making the impact of exposure to an infectious

disease all the more severe. As a result, displaced persons at regional level will be at risk of not just violence and, thus, potentially further displacement, but also of being cut off from assistance if security concerns limit humanitarian access. Women and girls suffer disproportionately during such situations, as existing inequalities are magnified, and social networks break down, making them more vulnerable to sexual violence and exploitation.

4.7

SPATIAL DIMENSIONS

4.7.1 Regional Impacts

The spread of COVID-19 is expected to be concentrated in urban areas which account for 21%^[104] of the population of Ethiopia. Urban areas are more vulnerable to COVID-19 due to exposure to travellers and foreign visitors as well as congested settlement patterns. So far, COVID-19 cases have been detected in two city administrations (Addis Ababa and Dire Dawa) and five regional states (Bahir Dar and Addis Kidamin towns in Amhara region, Adama town in Oromia region, Gewane in Afar region, Jijiga and Moyale in the Somali region, and Hawassa in SNNPR). The agglomeration benefits that cities enjoy, boosting urban productivity, will be diminished in the face of COVID-19. Cities are relatively better places for enhanced productivity because of the benefits they enjoy from sharing, learning and matching in an agglomeration of firms be it a service or a manufacturing sector. With COVID 19, and associated practices such as social or physical distancing, such agglomeration benefits are likely to decrease as learning and resource matching are adversely affected under conditions of reduced interaction and contact among people. Setting aside macroeconomic repercussions such as trade deficits, COVID-19 could directly affect urban productivity through the

imposition of social distancing. Given that cities are engines of economic growth^[105], this means that goals for structural transformation will face another hurdle in developing countries such as Ethiopia.

The pandemic has also affected cities through its effects on production and consumption of goods and services. Weak demand for goods and services in cities means lower revenue for MSMEs, causing massive layoffs, especially of casual workers who live in informal settlements and slums. There has also been a disruption of supply chains in Ethiopia, owing largely to the closure of manufacturing industries and transport bans on services connecting the capital with regions. Daily labourers and informal sector operators (estimated at close to 1.9 million^[106]) have been severely hit by such a disruption as their income relies on their daily income. Such a vicious cycle of production and income losses will damage the urban economy as well as the ability of cities to contain the pandemic.

The spread of the virus in remote areas and pastoralist communities could be minimal. If effective measures are not taken at the early stages of the outbreak, however, the virus could

104 CSA, *Population Projections for Ethiopia, 2007-2037*, 2013.

105 Ethiopian Economics Association, 2020

106 JCC, 2020.

penetrate as far as the most remote areas and dispersed settlements. Poor healthcare facilities, limited availability of testing kits and isolation facilities coupled with low levels of awareness due to lack of information on preventive measures could make it difficult to control the virus in rural areas, once community transmission takes hold. The return of insufficiently screened repatriated migrant workers to rural homes will complicate matters further.

In terms of preparedness, all regional states and city administrations have moved forward in terms of preparing isolation facilities, introducing testing facilities and some have commenced with disinfecting streets in major urban areas (such as Bahir Dar and Hawassa). Tigray region was the first to enforce a regional state of emergency and is also the only region enforcing mandatory quarantine for people entering the region. The level of preparedness in regional states varies considerably and given the challenging development conditions pre-COVID that some of them have experienced, significant support will be required to help them attain at least minimum standards.

4.7.2 Human Settlements and Urban Informality

For people living in informal settlements and slums, the impact of COVID-19 is two-fold: people live on precarious incomes and in housing with little or no connection to running water and with poor sanitation. With over 60%^[107] of urban areas in Ethiopia consisting of informal settlements and slums, these areas will face the brunt of the pandemic. It is not just the lack of access to water and sanitation that is a problem but overcrowding which makes it impractical to adhere to the two-meter separation rule in slums and informal settlements. In many parts of cities in Ethiopia, households in slums share a single room, making physical distancing impossible. In fact, more than 80% of households in Ethiopia live in less than

three bedrooms further complicating the efforts to contain the pandemic in cities.^[108]

Recent analysis by the World Bank which profiles the urban poor, points clearly to how exposure to informality and to specific sectors in urban areas will affect the likely impact of the pandemic.^[109] (See Figure 4.11). The self-employed or unemployed, women, older persons, the poorly educated and those engaged in agriculture, manufacturing, construction and services will be at higher risk.

As a coping strategy, households in informal settlements and slums in Ethiopia strongly rely on social networks and personal ties/connections as part of their livelihood strategies. It is through these social networks that residents get information about jobs, and social security such as group savings and funeral services. With COVID-19 and the attendant restrictions, such institutions will be in jeopardy putting informal settlers in unprecedented social insecurity.

In addition, the impact of COVID-19 in informal settlements has a risk of increasing violence against women and girls and unpaid care due to limited access to critical services, including sanitation and safe housing. Women also carry the burden of water collection in 75% of water deprived households^[110] and this reality increases exposure to sexual violence due to poor WASH access.^[111]

107 CSA, 2014.

108 Ethiopian Economics Association, 2020.

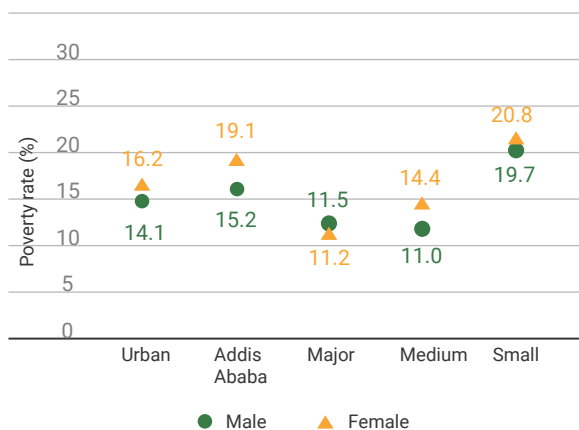
109 World Bank, *Ethiopia Poverty Assessment*, 2020.

110 <https://washdata.org/sites/default/files/documents/reports/2018-07/Drinking-water-quality-ethiopia-ESS-2016.pdf>

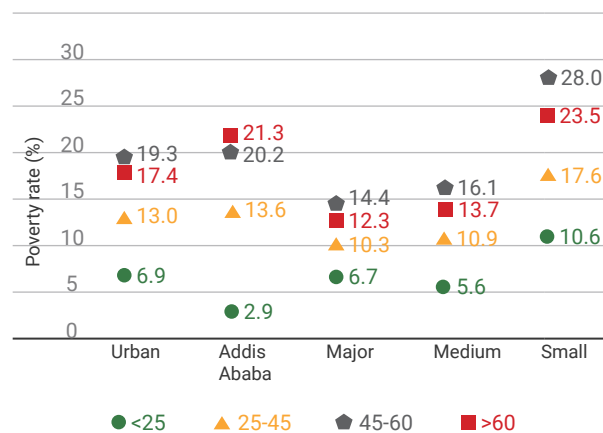
111 https://www.un.org/sites/un2.un.org/files/policy_brief_on_covid_impact_on_women_9_april_2020.pdf.

Figure 4.11 URBAN POVERTY BY HOUSEHOLD CHARACTERISTICS

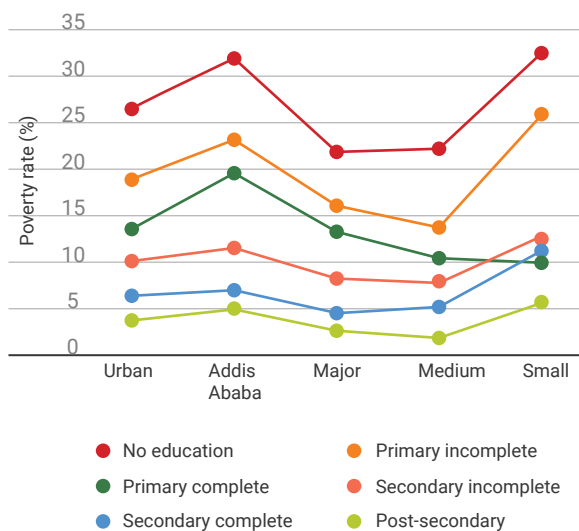
A. By household head's sex



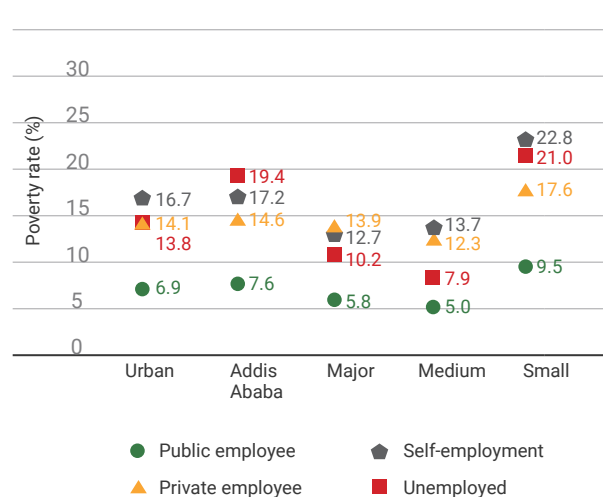
B. By household head's age



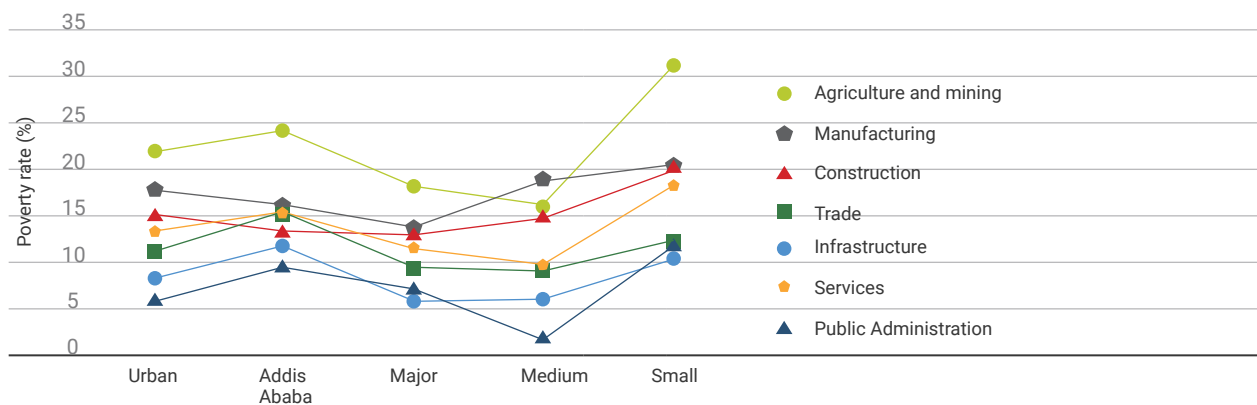
C. By household head's education level



D. By household head's occupation type

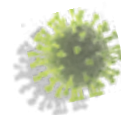


E. By household head's economic sector



Note: Poverty rates are calculated at the household level. Major towns have populations greater than 100,000 (excluding Addis Ababa); medium towns have populations between 20,000 and 100,000; and small towns have populations less than 20,000.

Source: Extracted from World Bank, *Ethiopia Poverty Assessment*, 2020.



PEOPLE MOST AT RISK

CHAPTER 5

There are segments of the population that have not benefitted fully from Ethiopia's development achievements over the past few decades, namely unemployed youth, people living with HIV/AIDS (PLWHA), persons with disabilities (PWD), women and girls, especially those exposed to gender-based violence (GBV), internally displaced persons (IDPs), refugees, urban destitute, children living or working on the streets, persons living and/or working on the streets, and irregular migrants.

With regard to people living with HIV/AIDS, there are about 690,000 persons in this condition at the present time, the majority of whom (59%) are women above 15 years of age. HIV prevalence^[112] is also higher in urban areas compared to rural areas. It is estimated that 17.6% of the population lives with at least one form of disability and, among PWDs, 95% are poor.^[113] Regarding women and girls' exposure to violence, 35% of ever-married women aged 15-49 years report that they have experienced physical, emotional or sexual violence from their husband or partner at least once. In Ethiopia, 58% of women aged 25-49 years married before their 18th birthday and 65% of women in the 15-49 age group are circumcised.^[114]

With regard to displaced persons, there were about 1.7 million internally displaced persons (IDPs) and over 900,000 refugees in Ethiopia in 2019, with women accounting for the majority of the displaced. The number of regular and irregular migrants outside of Ethiopia is estimated by IOM to be over half a million in the Kingdom of Saudi Arabia alone, with hundreds of thousands of others spread out across the globe. Over the past year approximately 10,000 irregular migrants have been returned to Ethiopia per month, and it is estimated that another 200,000 have been earmarked for deportation over the coming months.

In some regions of the country there is likely to be a higher level of vulnerability particularly in the Developing Regional States (DRS) of Afar, Benishangul-Gumuz, Gambella and Somali. Despite having relatively smaller populations, the scattered or dispersed nature of settlements in these regions poses a major challenge to the effective provision of basic services, compounded by their relatively weak economic and institutional base.

5.1

WOMEN AND GIRLS + FEMALE-HEADED HOUSEHOLDS

Women are at the centre of any disease outbreak - and outbreaks affect women and men differently. Health emergencies disproportionately affect women and girls in several ways including access to health care services (e.g. SRH and HIV services), livelihood, food security, and protection. Pandemics, including COVID-19, compound

existing gender inequalities and vulnerabilities, increasing risks of abuse and a regression in development gains for women and girls. In times of crisis such as an outbreak, women and girls may be at higher risk, for example, of intimate partner violence and other forms of domestic violence due to heightened tensions in the household. They also

¹¹² UNAIDS 2017 estimate for Ethiopia, 25 June 2019. Available at: <http://aidsinfo.unaids.org>.

¹¹³ World Bank and World Health Organization, 2017.

¹¹⁴ CSA, *Ethiopian Demographic and Health Survey*, 2016.

face increased risk of other forms of gender-based violence including sexual exploitation and abuse. Women and girls are also at the front lines as health care workers, cleaners, and also tend to be caregivers for those who are sick, increasing their burdens and risk of infection.

Due to the underlying and long-standing disparities between women and men in Ethiopia, women and girls' access to adequate and correct information on COVID-19 is expected to be lower than that of men, particularly women in the informal sector, migrants, women with disabilities and those in hard to reach settings such as refugees and IDPs. Literacy is highly gendered in Ethiopia where only 44% of adult women are literate^[115] which makes it difficult for them to read vital information on COVID-19. In addition, low media access, insufficient internet penetration and language barriers and poorly targeted messages limit communities' access to information. Seventy four percent of women have no access to radio, television or newspapers on a weekly basis.^[116] Having a low level of information could affect precautionary measures taken by women and girls, increasing their vulnerability to the disease as well as their involuntary role in spreading the virus.

As pointed out extensively in this assessment, public health emergencies, such as COVID 19, highly impact livelihoods especially in developing countries such as Ethiopia. This is particularly true for women who are more likely to be engaged in informal or low-wage activities such as petty trading, daily wage labour and domestic work. Disease control measures that do not consider the gender-specific needs and vulnerabilities of women and girls may also increase their protection risks and lead to negative coping mechanisms.

Women in Ethiopia often face different and more basic economic constraints than men, including lower access to credit and markets.^[117] Scarcity of food resulting from low production and high

cost of living has an impact on poor households, especially female headed households, forcing them to engage in negative coping mechanisms, such as consuming less food where women and girls eat last and least. This may lead to health complications including susceptibility to the virus. Moreover, such a situation has a tendency of pushing women to engage in informal, dangerous, jobs or become victims of transactional sex for food.^[118]

There are reports of increases in Violence Against Women and Girls (VAWG) incidents in countries most affected by the COVID-19 outbreak, resulting from extended quarantine and other social distancing measures.^[119] Given the increase in reports of GBV, ensuring that women and girls have access to essential VAWG services remains a critical and lifesaving activity. Due to the nature of the infection, existing service providers in Ethiopia such as shelters for survivors of violence are facing difficulties in accepting new cases. The EDHS (2016) identified that 61.5% of women who experienced physical and/or sexual violence never sought help and only 8% sought help from police.^[120] Survivors of violence may not even have the necessary information on the availability of services in the current situation. In a country where there is high under-reporting of VAWG, the current outbreak could exacerbate the situation as there is limited movement which could leave women in the hands of their abusers. Moreover, the situation might also expose adolescent girls to violence due to school closure. As cities move forward with restrictions on citizens' mobility, women face additional barriers to accessing public spaces/essential services. Overall, based on global experience, an increase in the risk of domestic violence (DV)/intimate partner violence (IPV) due to restrictions on movement can be expected. Moreover, as noted several times earlier, resources for GBV response services may be diverted, leaving women and girls with limited access to life-saving support.

115 <http://uis.unesco.org/en/country/et#slideoutmenu>.

116 CSA, *Ethiopian Demographic and Health Survey*, 2016.

117 <https://www.usaid.gov/ethiopia/gender-equality-and-womens-empowerment>.

118 https://www.care-international.org/files/files/Ebola_Gender_Analysis_English_v2.pdf.

119 *GBV case management and the COVID-19, AoR*, March 2020.

120 CSA, *Ethiopian Demographic and Health Survey*, 2016.

As in many other countries, **women in Ethiopia are at the forefront of the health crises as doctors, nurses, social workers as well as cleaners with minimal access to personal protection equipment (PPE).** Women as frontline responders have specific needs including menstrual hygiene materials, and psychosocial support due to the double burden of care at work and home. Female health workers are also at risk of stigmatization due to caring for COVID-19 patients.^[121] There are more than 38,000 female Health Extension Workers (HEW) in Ethiopia^[122] who are at the forefront of disease prevention, promotion and response activities within communities. In Addis Ababa alone, around 1,260 HEW have been trained on COVID-19 and are engaged in surveillance and tracking of active cases in the city and nearby areas.

Moreover, overwhelmed health services may hamper women's access to sexual and reproductive health, especially attended childbirth and other natal services, exacerbating preventable maternal deaths. Overwhelmed health services may also limit access to family planning, potentially leading to a rise in unwanted or unplanned pregnancies.

Women can be less likely than men to have

power in decision-making, within the household and larger society, around the outbreak, and as a consequence, their general and sexual and reproductive health needs may go largely unmet.

There is also often an inadequate level of women's representation in pandemic planning and response, which can already be seen in some of the national and global COVID-19 responses. Within the context of such norms, men may also feel pressure in the face of economic hardship resulting from the outbreak and the inability to work, causing tensions and conflict in the household. Additionally, when women lose their incomes their bargaining power is sometimes reduced, in turn contributing to unequal power relations within the household, and gender inequality.

The closure of schools to control COVID-19 transmission has a differential effect on women economically, given their role in providing most of the informal care within families, with consequences that limit their work and economic opportunities. In general, the outbreak experience means that women's domestic burden becomes exacerbated as well, making their share of household responsibilities even heavier, for many while they also work full time.

5.2

CHILDREN AND ADOLESCENTS

The COVID-19 pandemic has had significant impact on the well-being of children and adolescents thereby preventing them from reaching their full potential. Children are affected by this crisis through infection with the virus itself; the immediate socioeconomic impacts of measures to stop transmission of the virus and end the pandemic; and the potential longer-term effects.^[123]

Although a limited number of children are reported to be affected by COVID-19, numerous cases of affected children have been reported including

deaths. Limited data exists on how COVID-19 plays out in a setting with high rates of acute malnutrition such as in Ethiopia. More importantly, a significant challenge faced by the children is the psychosocial impact from the loss of a parent, sister or brother.

With the declaration of restrictions following the declaration of the state of emergency in Ethiopia, restrictions in movement could affect the ability of caregivers to access health care services. Furthermore, the health systems may be overwhelmed, thus, children are unable to access

121 CARE and International Rescue Committee (IRC), Global rapid gender analysis for COVID-19, March 2020.

122 <http://www.hhpronline.org/articles/2016/12/17/the-health-extension-program-of-ethiopia>.

123 United Nations, *Policy Brief: The Impact of COVID-19 on children*, 2020.

the standard of care as previously received before the pandemic. Physical distancing and isolation/quarantine measures may contribute to increased stress levels among children.

Major additional effects triggered by the pandemic include closure of schools, social and physical distancing paired with restrictions on public gatherings, forcible removals of children living and working on the street and their placement in institutions and children in institutions (such as orphanages, detention/remand homes).

School closures are detrimental to children's and adolescents' learning.

As many come from low income households, their families are neither well-equipped to provide the necessary learning spaces, materials and devices to access education materials nor are they likely to be in a position to supervise this process to successfully bridge this period. It is possible that impairment of learning outcomes, with increased needs for catch-up programmes, will not be the only casualty but also that some children and adolescents may not return to school at all given the additional economic hardship their families have been experiencing. In addition, girls exposed to unwanted pregnancies will be forced to drop out of school to take care of their children.

School closures also impact children's nutritional status negatively as many cannot access school feeding programmes weakening their immune systems. Although COVID-19 as a new virus is not researched well-enough to fully understand its impacts on children,^[124] they may be unusually at risk compared to the average epi-curve, not only due to high incidence of respiratory diseases, malnutrition and acute watery diarrhoea^[125], but also because they live with their low-income families in overcrowded settings where physical distancing measures are hard to follow effectively. The distress caused by the situation, in addition to fear and anxiety, may put some children at risk of substance use and other risky behaviour. Moreover, due to restricted movement, adolescent girls, while staying at home, may be exposed to a wide range of risks such as teenage

pregnancies and pressure to marry early.^[126]

Furthermore, because the health response is now fully focused on COVID-19, other health services may suffer such as the measles and polio campaigns planned for March-April 2020, as noted earlier.^[127] Moreover, it is expected that children's malnutrition will increase due to household food insecurity triggered by measures such as business closures, social distancing protocols, reduced parental caring practices and supervision as well as limited access to health services for common child illnesses and for treatment of moderate and severe wasting.

Social distancing is likely to lead to increased levels of stress, anxiety and discomfort for children and adolescents as they are not able to communicate and engage with their friends and peers during lockdown, especially for low income households that do not have access to ICT and social media for their children. Adolescents may miss out on some of the most important moments in their lives due to social and physical distancing.

The following groups of vulnerable children and adolescents are exceptionally at risk: **(i) sexually exploited adolescent girls and boys, (ii) adolescents living with HIV/AIDS, and (iii) children and adolescents living with disabilities** (See section 5.4 for details on disability).

Sexually exploited girls and young sex workers work in bars and small local beverage houses that have closed. In addition, the risks of having unintended pregnancies, acquiring HIV and other STIs is likely to increase. During additional economic hardship, many may accept any offer despite its risks as a means of simple survival. In addition, the likelihood of negotiating safe sex and the use of condoms will be compromised which may reverse gains made thus far in curbing the impact of HIV/AIDS and the incidence of unplanned pregnancy among these target groups.

Young people living with HIV will be one of the most affected groups. Since most of these young people have pre-existing health concerns, COVID-19 will pose

¹²⁴ As of 13 April 2020, there have been no children among the confirmed cases in Ethiopia.

¹²⁵ UNICEF Ethiopia, *Socio-economic impacts of Covid-19*, 4 April 2020.

¹²⁶ UNICEF, *Technical note on COVID-19 and Harmful Practices*, April 2020.

¹²⁷ Ibid.

a major challenge to their survival. This also leads to extreme stress and anxiety among them out of the fear of being infected by the new virus. Prohibition of meetings among four or more people further compromises the psychosocial support they get from their peers. Furthermore, the priority given to the COVID-19 response could also affect their health to the extent that ART and related counselling services are discontinued or reduced.

Children and adolescents living and working on the street are particularly vulnerable at this time to contracting COVID-19 and secondary effects (e.g. discrimination and violence). They are also at risk of being collected from the streets without informed consent and placed in institutions that may not cater to their specific needs and rights. This may put them at risk of further exploitation, violence and abuse, including sexual abuse. Children in street situations should be included in plans for shelter or isolation and not forcibly put in quarantine. Even in times of a state of emergency, it is important to ensure that they have viable and safe options and that their rights to be in public spaces must be necessary, proportionate, non-discriminatory and time limited. The conduct of police and other personnel must be monitored to prevent and act on human rights violations by officials against such persons. For those for whom shelters, and other alternative accommodation is provided, these need to offer access to water and sanitation, healthcare, food and essential services. Child safeguarding mechanisms and a safety audit need to be in place to prevent/mitigate gender-based violence. Many

of these children and adolescents also face mental health challenges, and a significant proportion suffer from substance abuse disorders, with many sniffing glue. These factors further increase their vulnerability and complicates the delivery of preventive measures and treatment for COVID-19.

Children in institutions (orphanages, detention/remand homes and so on) are at risk of exposure of the direct and indirect effects of COVID-19 because they often have compromised psychosocial, physical and mental health issues, live in crowded or unhygienic conditions, and are more vulnerable to abuse and neglect. There are a number of government orphanages (approximately 5) and many more private institutions across the country. There is a remand home in Addis Ababa with approximately 84 children. In addition, there are children in prison facilities, including mothers imprisoned with their children. While efforts are taking place at federal and regional levels to review/consider release of prisoners with a comprehensive plan to ensure their safety/well-being on release, it will be crucial to prioritise children including those in the remand home. For those who may not be safely released with a comprehensive plan, it is important that those who remain in institutions are provided with the same level of health care and other services. To this end, Ethiopia's alternative care guidelines need to be updated and aligned with the UN-supported Alternative Care Guidelines (2009) and UN General Assembly Resolution (A/74/395) of 2019.

5.3

INTERNALLY DISPLACED PERSONS, REGULAR AND IRREGULAR MIGRANTS, RETURNEES/RELOCATEES AND REFUGEES

- **INTERNALLY DISPLACED PERSONS (IDPs)**

The COVID-19 crisis is expected to disproportionately impact thousands of IDPs in Ethiopia. **The approximately 1.7 million IDPs in the country live in more than 1,200 semi-formal and informal settlements throughout Ethiopia, and there are over two million returnees following a Government return process implemented in mid-2019. These at-risk groups remain in need of significant humanitarian and**

development support toward sustainable solutions but COVID-19 may have a huge impact on efforts to address these needs.

IDPs have specific vulnerabilities:

- **Overcrowded settings:** Many IDPs live in overcrowded settlements, with multiple families sharing shelters, bathrooms and cooking facilities. Apart from various protection challenges, such living conditions make IDPs highly susceptible to spreading the disease.

- **Poor access to healthcare:** IDPs face difficulties accessing critical health services beyond primary health care. Intensive care services – the kind of care that COVID-19 patients need when they develop complications is either scarce or non-existent in IDP hosting locations. Also, IDPs often struggle with underlying health conditions, including malnutrition, psychosocial stress, and infectious diseases like TB that make them more vulnerable to COVID-19.
- **Poor access to information:** IDPs often have limited access to reliable information as a major tool in addressing COVID-19. Misinformation and limited communication avenues can disadvantage IDPs during the outbreak. Without timely and accurate critical information, IDPs risk contracting as well as spreading the infection but also find themselves inadvertently in violation of government-imposed restrictions.
- **Risk of interruption of humanitarian assistance:** As part of mitigation measures to control the outbreak, humanitarian workers may limit contact with IDP communities, or may not have the required capacity to respond. Authorities may also restrict movements of personnel and vital supplies, interrupting the humanitarian supply chain.
- **De-prioritization:** Government and aid actors may redirect their attention to combating the outbreak, downscaling resources for ongoing humanitarian response. The lasting economic impact of the pandemic on the global economy will only aggravate this, with agencies becoming increasingly overwhelmed.
- **Specific risks to women:** Research has shown that gender is one of many variables that contribute to a diversity of experiences for the internally displaced. Internally displaced women tend to suffer in gender-specific ways in addition to the challenges felt by the population as a whole, which is evident in gender protection safeguarding issues such as gender-based violence, sexual exploitation and abuse.
- **Difficult living conditions of returnees and relocatees in host communities:** Following the

Government's return and relocation process of IDPs implemented in mid-2019, the coping mechanism of the concerned population has been challenging. Furthermore, the limited resources enjoyed by host communities have been depleted given the increased number of returnees and relocatees. The situation has been exacerbated by the advent of COVID-19 and its consequences thereby leaving the population in greater need of livelihoods, social cohesion, and the ability to be self-sufficient to avoid a relapse to the humanitarian situation that they chose to leave behind.

● REGULAR AND IRREGULAR MIGRANTS, RETURNEES

Ethiopia has a history of labour migration to the Arabian Peninsula and the wider Middle East since the 1980s, increasing significantly over recent years.^[128] Ethiopia is also the major migrant (mostly children and youths) receiving, transit and destination country in the Horn of Africa.^[129] Of the 744,113 migrants from the East and Horn of Africa region migrating along the Eastern, HoA, Northern, and Southern migratory routes, 76% were Ethiopian nationals. Used by migrants mostly heading to the Kingdom of Saudi Arabia (KSA) and other Gulf Countries, the Eastern route saw the migration of 468,234 Ethiopians in 2019.^[130] A further 7,800 Ethiopians migrated along the Northern (towards Sudan and Europe) and Southern (towards South Africa) routes in 2019. Ethiopian migrants are uniquely vulnerable because of personal, social, situational and structural factors. Their vulnerabilities are exacerbated by crisis situations, such as COVID-19.

On 23 March 2020, the Ethiopian Government issued a 14-day quarantine period for all persons transiting through or traveling to Ethiopia, paid for by the individual. For returnee migrants, they are being housed in quarantine centres set up in Addis Ababa and other ports of entry (for those crossing land borders such as Djibouti, Kenya and others). Ethiopian irregular migrants have returned involuntarily and voluntarily from Gulf and neighbouring countries in the context of COVID-19. Thus far, over 11,000 Ethiopian migrants, including 821 children (223 girls and 598

128 OCHA, *Ethiopia's new migration policy: A positive step but continued scrutiny needed*, 26 June 2019.

129 Tekalign Ayalew Mengiste, Fekadu Adugna and Priya Deshingkar, 'Social Embeddedness of Human Smuggling in East Africa: Brokering Ethiopian Migration to Sudan', *African Human Mobility Review*, 4 (3):1334-1358, 2018.

130 IOM, *A Region on the Move: 2019 Mobility Overview in the East and Horn of Africa and the Arab Peninsula*, April 2020.

boys), have returned. Of these, over 6,000, were deported from KSA, Djibouti and Kenya.

The potential impact of deportation during the pandemic is several-fold. First, migrants awaiting deportation in detention centres face inadequate health care, overcrowding, shared ablutions, and poor hygiene. In the event of an outbreak in detention centres, the difficulty of providing protection and assistance to migrants is a major concern. Second, pushing back or deporting vulnerable migrants, particularly vulnerable groups such as children, victims of trafficking and GBV, and adolescents without due process and access to protection systems is *always* a human rights violation and puts migrants at risk of *refoulement* by being sent back to situations of violence, trafficking, abuse or exploitation that may be life threatening and cause irreparable harm. Third, deportations, particularly in large numbers, pose public health concerns by making it difficult for fragile health systems to quarantine migrants upon return in properly equipped and staffed facilities. In Ethiopia, only 6 of the 30 planned quarantine centres in Addis Ababa are operational.

Furthermore, noting that the authorities in Ethiopia often do not know the profile of those who are being deported, there is very little time to identify and deploy social workers to do registration and vulnerability assessment as well as initiate family tracing and reunification (FTR) processes. Given their placement in quarantine and subsequent restrictions on movement across the country, children may end up spending additional time in quarantine or other facilities which puts them at risk of further human rights violations in addition to causing mental health and psychosocial distress.

Voluntary migrant return assistance regularly provided by organizations such as the International Organization for Migration (IOM) are currently suspended given the operational complexity stemming from lack of funding to meet current large caseloads, widespread travel restrictions, and public health concerns related to human mobility in the context of COVID-19. As a result, Ethiopian migrants who have elected to return voluntarily are faced with prolonged stay and deferred return, which in addition to over-crowding, is having a psychological impact on the migrants.

As noted earlier, remittances are an important source of Ethiopia's foreign exchange earnings and income for many individuals and households. Remittance flows are expected to become even more important for countries such as Ethiopia as FDI falls in reaction to the pandemic and developments. Migrant workers will see their wages fall and jobs lost due to economic contraction caused by the pandemic in migrant hosting countries. Consequently, remittances inflows to Ethiopia are expected to decline significantly in 2020. For families and communities with remittance-supported nutrition, health, education and income, the developmental impact will be significant.

● REFUGEES

Ethiopia hosts over 750,000 refugees most of whom live in 26 camps in five regions. The majority live in peripheral underserved regions of the country, also referred to as the DRS.

Refugees are likely to be at heightened risk to the immediate and secondary impacts of COVID-19.

They often live in cramped conditions with limited access to water, sanitation, and hygiene (WASH), and may need to cope with disabilities. Children who are unaccompanied or separated from their families can be hardest to reach with accurate information in a language they can understand. Refugees can live in the most disadvantaged urban areas, where access to essential services is already limited. Refugees may also be prevented from accessing essential services due to legal, documentation, linguistic or safety barriers. Moreover, the misinformation on the spread of COVID-19 exacerbates the xenophobia and discrimination that refugee families already face.

In refugee camps overcrowding, inadequate housing and lack of sanitation put the population at a high risk of rapid transmission of COVID-19, if the virus is introduced in any of those settings. Prolonged restrictions on movement and transportation could also negatively impact agriculture and livestock crop and livestock production activities, as noted earlier in this assessment, which are the major livelihoods of rural populations. These will also affect the cross-border trade of essential commodities, which sustain some of the regions where refugees are located. Prices of basic and essential items are most likely to increase. This will negatively impact the incomes and

savings of refugees and host communities, as well as their ability to access these items, in addition to affecting their food and nutritional status. Moreover, the general economic downturn could have a negative impact on the GoE's ability to create employment opportunities for both refugees and host populations. Competition for jobs will increase considerably, which could lead to 'protectionist' measures and discrimination against refugees.

The long disruption of education activities and learning is already affecting over 200,000 refugee children in Ethiopia. As in the case of the general child population, COVID-19 prevention/control measures,

particularly the closure of schools, have the potential to adversely affect the development, safety, and well-being of children especially in the camps where schools play an important role in child protection and promoting peaceful coexistence.

Globally, and as discussed with regard to the general population, extended quarantine and stay at home measures risk increasing women's and girls' exposure to GBV and intimate partner violence. Paradoxically, initial analysis shows that reporting among refugees is decreasing, which generally indicates an increased reluctance to report such incidents.

5.4

PERSONS WITH DISABILITIES

The majority of persons with disabilities live in rural areas where access to basic services is limited. Many depend on family support and begging for their livelihoods. ^[131]

Persons with disabilities are particularly vulnerable to COVID-19 and its impacts, not only in terms of the risk of getting infected, but also because some people with disabilities might be at a higher risk of infection or severe illness due to their underlying medical conditions. Persons with disabilities who have mobility problems may not be able to take preventive measures to avoid the risk of COVID-19 infection such as avoiding close contact with others who may be infected. PWDs, particularly those with visual or hearing impairment, also have limited access to information about preventive measures or available support and services. Some PWDs have difficulty understanding information on preventive measures, such as hand washing and social distancing.

These risks are compounded by numerous barriers in preparedness and response including lack of meaningful consultation with PWDs, increased stigma on the basis of disability and other intersecting factors, inadequate accessibility of the WASH and health infrastructure, and lack of inclusive surveillance

mechanisms, contingency plans, preparedness and response plans. If cases increase, PWDs, especially those facing high stigma in Ethiopia, such as persons with psychosocial disability and/or intellectual disabilities, may be at risk of being deprioritised or denied access to treatment based on the wrong assumption that their chances of survival are less compared to those without disabilities. Lack of protection and social support mechanisms for PWDs can lead to increased vulnerability, affect physical and psychosocial wellbeing, reduce autonomy, increase the risk of violence and increase difficulty accessing specific requirements (e.g. dietary requirements, medicines).

Young people living with disability (YPWD) have been identified as among the most vulnerable due to their pre-existing health conditions and lack of access to services and information (for those who are visually impaired and those who have hearing disability) on prevention of COVID-19. In addition, alongside the broader inaccessibility of SRH/HIV and GBV service outlets, COVID-19 prevention measures such as hygiene facilities and risk communication messaging, as well as quarantine, isolation and treatment centres, are less accessible and friendly for YPWD.

5.5

OLDER PERSONS + HOMELESS

Older persons, above the age of 60, are more likely to have serious COVID-19 illness once infected, as older persons have generally lower immune systems compared to other age groups. This is partly because older persons are more likely to have underlying health conditions such as non-communicable diseases compared to young adults which weaken their immunity and make it much more difficult to recover from illness. This is evident from age-specific COVID-19 death rates which are skewed towards older persons – about 95% of people who have reportedly died of COVID-19 in Europe were over 60 years of age (partly reflecting their demographic structure as well).

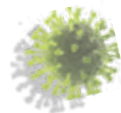
[132]

Limited access to information on the practice of preventive measures such as hand washing, and social distancing makes older persons more vulnerable to COVID-19 infection. Older persons that live under institutional care are at higher risk of COVID-19 infection. Older persons also may face severe social isolation if they remain at home – quarantine measures such as lockdowns may affect older persons' access to supplies and services. In countries with less developed health systems like Ethiopia, access to medical services and other forms of care and support for older persons is challenging, compounding their limited access to the social protection system.

Another category of the vulnerable, defined not by age but by their living status, is the significant population of homeless people in Addis Ababa. Although it is difficult to obtain precise numbers, the city administration estimates the number of homeless individuals to be around 50,000 (Soberland, 2018).^[133] It is a matter of concerns that there are reports indicating that those living and/or working on the street, migrants and those deported from neighbouring countries are being 'picked-up' to reduce the risk of spread and being held in institutions.

¹³² <https://www.hrw.org/news/2020/04/07/rights-risks-older-people-covid-19-response>.

¹³³ Ministry of Labour and Social Affairs (MoSLA), *The State of People with Special Needs (urban destitute) and Capacities of Service Providers- A Study of 11 cities in Ethiopia*, Soberland International Institute of Development Services, 2018.



POLICY RESPONSE TO THE CRISIS

CHAPTER 6

6.1

POLICY IMPLICATIONS

The policy response to COVID-19 needs to distinguish between **two distinct but overlapping phases: response (or management of immediate health and economic shocks) and recovery. Response needs to focus on the obvious and immediate priority to save lives and livelihoods.** The front-line policy measures for response are emergency support for overwhelmed health systems and for the millions of formal and informal sector workers, enterprises and businesses who are being hit hard. Its duration can vary but anywhere between **the first 3-6 months** from the outbreak of the pandemic.

Recovery is essentially about return to trend as quickly as possible but doing so smartly, taking advantage of large-scale policy measures to tackle systemic risks and development shortfalls exposed by the pandemic rather than simply return to business-as-usual. A shift towards recovery can begin **3 months into the pandemic and could last anywhere between 12-18 months from the outbreak of the pandemic.** The scale and speed of recovery will depend critically on policy actions undertaken during the initial stages of the crisis. As the economic downturn has been caused by an exogenous shock, it is possible for recovery to occur reasonably rapidly, provided regional and global conditions turn relatively benign and domestic vulnerabilities have been minimised effectively. But this will happen only if companies avoid bankruptcy and their balance sheets remain healthy, formal and informal sector workers do not lose their incomes

and jobs, rural and urban livelihoods are protected, productive assets, trade networks and supply chains are preserved, and vital social expenditures are protected.

Government also needs to make credible commitments to sustain economic support well beyond the end of the health emergency.^[134] Inevitably, the unprecedented nature and scale of the crisis means that policymakers will have to be fast, willing to experiment and innovative in identifying policy gaps, and respond quickly and proactively as the pandemic progresses, and encourage mobilisation across the 'whole-of-government' and 'whole-of-society'. Looking further ahead, however, recovery also offers a significant opportunity to build a more resilient, inclusive and sustainable future^[135] rather than a return to status quo ante.^[136]

134 Ian Mulheirn et al., 'The Economic Policy Response to Covid-19', *Tony Blair Institute for Global Change*, 6 April 2020. Available at: <https://institute.global/policy/economic-policy-response-covid-19>.

135 Stéphane Hallegatte and Stephen Hammer, 'Thinking ahead: For a sustainable recovery from COVID-19 (Coronavirus)', *World Bank Blogs*, 30 March 2020. Available at: <https://blogs.worldbank.org/climatechange/thinking-ahead-sustainable-recovery-covid-19-coronavirus>.

136 Hartwich, Frank, Fokeer, Smeeta, Isaksson, Anders and Santiago, Fernando 2020. 'Managing COVID-19: How industrial policy can mitigate the impact of the pandemic', *UNIDO Industrial Analytics Platform*, 19 March 2020. Available at: https://iap.unido.org/articles/managing-covid-19-how-industrial-policy-can-mitigate-impact-pandemic?_ga=2.54146600.1039653059.1588153755-295787221.1582751973.

Box 6.1 KEY POLICY MESSAGE

The key policy message of this assessment is unambiguous: response and recovery and the humanitarian, health and socio-economic dimensions of the crisis need to be thought through and addressed integrally, as none can be tackled effectively on their own without taking action on the other(s), recognising the inter-dependencies between them.

Response and recovery will also have a higher likelihood of success if they:

- promote measures that put people at the centre and protect them and their rights whilst also conserving vital economic and financial assets and systems;
- recognise and target those sectors and groups that are most severely impacted and are either already or likely to be left behind;
- avoid distortions in policy and investments that turn temporary measures into permanent 'giveaways' unless deliberately designed as incentives connected to longer-term development objectives; and
- seize the opportunity to boost longer-term goals tied to the SDGs that foster a fairer and more resilient, productive, greener and sustainable future for Ethiopia.

● BROADER POLICY IMPLICATIONS

- It will take longer to delivery on the objectives of the HGER, as response and recovery substantially complicate and delay previously planned trajectories and targets across the board. Opportunities will also emerge, however, to accelerate a return to trend, for instance, by using repurposing to boost MSMEs in the manufacturing sector through production of health equipment and supplies or to take a significant step forward in the digitalisation of services in the public and private sectors.
- With widespread socio-economic impacts evident already and quite likely to increase in scale and intensity, there is a strong argument for bold policy actions, taken quickly, to counter the most adverse effects and avoid a more painful and longer pathway to recovery. This will have positive effects, not least in boosting consumer confidence, avoiding an overshoot in market sentiment and providing a clear signal to domestic and foreign investors.
- There is some scope for a robust fiscal response given prudent budgetary management but loss of revenues, whether through economic contraction or policy measures (see below), will mean a larger than expected deficit in 2020 and continued pressure into 2021 albeit at a lower level. The question of how this deficit will be financed in non-inflationary ways will be important. Another

key aspect is managing the country debt profile to avoid an unsustainable accumulation of obligations. Proceeds from privatisation could be an option for financing, but the market environment in the near-term will not be the most favourable moment for these complex and sensitive operations to be completed in time to provide any relief.

- Fiscal measures need to find a balance between economic and social sectors: to focus solely on the economic and financial impacts will cause lasting damage to human development and come at the expense of forgone growth and development in the future.
- A significant benefit may accrue on the revenue side if fuel prices are maintained at current levels at a time of falling global prices. These gains, though, may be reduced somewhat due to the slowing of economic activity caused by the pandemic, hence, reduced demand for fuel products.
- Relief on debt (reductions in principal or extensions of maturity) and debt service (deferral or elimination for at least 1-2 years) could free up significant fiscal space and help maintain the fiscal stance, particularly if this includes relief from non-Paris Club bilateral donors who are more important for Ethiopia. Relief from the IFIs would also make a significant difference to the fiscal position although this does not normally extend to the IMF.

- External official non-debt financing – concessional or near-concessional – will become even more important. It will now need to be sustained at a higher volume for longer than envisaged at the time the HGER was launched, potentially for as long as 5 years (to 2024).
- The pressure on external accounts, forex availability and the exchange rate that was beginning to lessen in Q1 2020 will tighten

considerably for the rest of 2020 and into 2021.

- Inflation management will become considerably more challenging in 2020-21.
- Continuity of critical functions will be a concern, to ensure that key government agencies have the emergency preparedness, adaptability and business continuity plans and measures in place to mitigate the impacts of COVID-19 and address risks over the medium- to long-term.

6.2

POLICY RESPONSE: PUTTING PEOPLE AT THE CENTRE

The suggestion of this assessment is that the policy response would be best targeted to those population groups, sectors and areas most affected. Given the wide scope and impact of the pandemic, this will embrace an unusually large number of people, sectors or sub-sectors and enterprises. This is, however, both unavoidable and necessary: a systemic shock, with wide-ranging effects across the economy and society, requires an equally ambitious economy- and society-wide policy response, balancing between health, economic, financial and social priorities.

This policy response also needs to ensure that those who are most impacted – overlapping, in most cases, with those that are most marginalized and neglected in the economy and society – are at the centre of the approach even as the productive base and financial health of firms and financial institutions is secured. A key aspect of this will be to understand how these groups – those left behind – are impacted differently and what this implies for the design of policy and choice of approach and instruments. Gender-differentiated impacts will be a major consideration, to ensure that women's needs and priorities get attention and that women and girls benefit fully from assistance.¹³⁷

MAIN PROPOSED OBJECTIVES FOR POLICY

- **Mitigate the impact on growth.** Monetary and fiscal policies need to shift rapidly to an expansionary stance, as they have already begun to do, to compensate for a sharp fall in aggregate demand, prevent a credit crunch and avoid damage to the financial system. Targets set pre-COVID-19 will need to be revisited. While COVID-19 is not a product of the business cycle, it will be advisable to adopt the approach of countercyclical fiscal spending. Fiscal policies should be commensurate to the demand gap witnessed nationally and to support businesses and employment to avoid irreversible loss of productive and human capital and to minimise adverse impacts on poverty and broader social well-being. Fiscal 'bridge funding' will be required and warranted even at the cost of a significant rise in domestic public debt. Fiscal spending, targeted to the productive and social sectors as well as employment retention, will pay for itself over the medium-term by preserving productive capacities and preventing a deep recession.
- **Protect the country's productive base and set the stage for rapid recovery.** Reinforcing the point made above, enterprises and the labour force deserve substantial, large-scale, relief. Targeting

137 As part of this effort, gender age and diversity (including disability) considerations need to be mainstreamed into the formulation and implementation of the national COVID-19 preparedness and response plans and women's groups, older persons groups, persons with disabilities engaged in all phases of crisis management. Attention needs to be paid, among other things, to conducting gender analysis to understand how the pandemic is affecting women, men, girls and boys differently; disseminating gender- and age sensitive messaging and risk communication including in different languages and accessible formats for illiterate persons, persons with hearing or sight impairments and other differing needs; developing mitigation strategies that specifically target the economic impact of the pandemic on women and build their resilience; ensuring sex-disaggregated data is collected to understand the impact on women and girls and inform the response; and establishing and strengthening service provision to deal with violence against women and girls such as hotlines, shelters and one-stop centres, including access to justice.

would benefit substantially from a gender lens noting the high proportion of women in specific sectors and areas such as hospitality and tourism and garment factories in industrial parks.

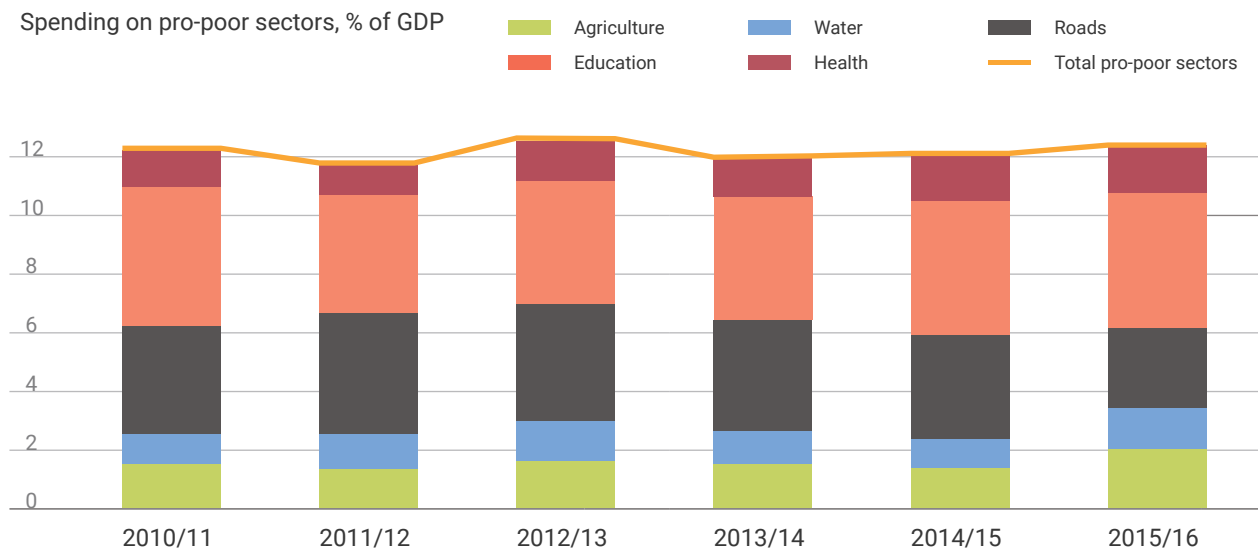
- **Balance additional spending between public health and social-economic priorities as well as across regions.** In the latter case, Federal grants could be used to challenge regions to match or exceed allocated resources through repurposing, given that such grants account for 60% of regional revenues, starting with the upcoming 2020/21 FY. Trend data show that there is scope to significantly increase spending on pro-poor sectors as this has remained relatively stable over the past several years albeit at a reasonably high proportion of GDP (see Figure 6.1 below).
- **Take measures to improve the readiness and resilience of the health system.** One aspect is protecting the health work force, especially frontline health care professionals both providing care for COVID-19 cases and prioritized essential health care activities at health facilities. Ensuring health care workers are adequately trained and have access to recommended PPEs as well as psychosocial support will be critical to preventing high rates of infection among health care workers

and their productivity and wellbeing. Another crucial aspect will be to maintain essential health care services to avoid a damaging rise in other communicable as well as non-communicable diseases and a consequent rise in morbidity and mortality.

- **Protect the most vulnerable and strengthen social protection for those left behind or at-risk.** Issues to consider include gender (as mentioned already), location, sources of vulnerability as well as access to essential services for survival, protection and maintenance of jobs and livelihoods. Those working in MSMEs in the informal sector in urban areas and living in informal urban settlements and slums are one of the most vulnerable to a sharp – and in many cases – irreversible drop in wellbeing.
- **Remain adaptable as well as vigilant to avoid distortions in policy and incentives and maximise effectiveness based on performance,** ready to change targets and tools, considering effects, noting that early stage actions would be focused mostly on response or mitigation, transitioning in 2-3 months maximum to a hybrid between response and recovery, with the latter becoming the main priority within 4-6 months. Avoiding

Figure 6.1 **SPENDING ON PRO-POOR SECTORS STAYED LARGELY UNCHANGED BETWEEN 2011 AND 2016**

Spending on pro-poor sectors, % of GDP



Source: Extracted from World Bank, *Ethiopia Poverty Assessment*, 2020.

‘capture’ by particular interest groups and ensuring that measures remain temporary rather than become permanent – except those designed deliberately to boost medium- to long-term development objectives – will be vital to ensuring the efficiency, effectiveness and sustainability of policy interventions and investments.

- **Ensure minimum core obligations in ESC (economic, social, cultural) rights.**^[138] Under the International Covenant on Economic, Social and Cultural Rights to which the country is a party the minimum core obligations are considered to be of immediate effect to meet the minimum essential levels of each of the rights.

THE RESPONSE PHASE

The suggestions in the policy matrix below **target the response phase of addressing socio-economic impacts although their intent is not just to mitigate but also to lay the groundwork for rapid recovery**. Furthermore, the suggestion is not that every option proposed below ought to be selected but, rather, to offer a range of possibilities that represent a set of either ‘first best’ or ‘second best’ policy and intervention choices to deal with the identified problem.

Using criteria such as feasibility, speed of start-up, time to impact, cost and financing as well as the principle of leaving no one behind, it should be possible to identify a package of measures that are well-suited to tackle the problem, at-scale, quickly and effectively. **It is worth emphasising that almost all of the options below are well-tailored to benefit from budget support.**

Table 6.1 **RESPONSE PHASE POLICY MEASURES**

POLICY OBJECTIVES	POLICY MEASURES
A. Support and protect individuals and households hit hardest by the crisis.	<ul style="list-style-type: none"> • Cash transfers to vulnerable and impacted populations in urban and rural areas (self-employed, day laborers, temporary workers, PWDs), using a scaled-up PSNP and UPSNP to cover between 10-12 million people with the possibility of an upper bound of 15 million people in the worst case. <p>Depending on market conditions and the level and form of available resources, and informed by analysis of those at risk, cash-based transfers may offer an efficient and effective means of relieving the pressure on the vulnerable, enhancing flexibility and choice, and boosting local markets, especially where these are still functioning properly. Cash-based transfers may also offer advantages where there are access constraints for in-kind assistance.</p> <ul style="list-style-type: none"> • Cash transfers, targeted specifically to reducing the age eligibility criteria for (non-contributory) pensions, extending coverage from 30 to 60% percent and ensuring health access, using mobile banking for quick disbursements. The additional cost is estimated due to effects of the coronavirus is estimated at Birr 4 billion. • Job retention programmes^[139] to help sustain employment levels in SMEs in the most impacted sectors such as construction, hospitality and tourism. [The EDC could be used as an institutional channel for this]. • Unemployment benefits backed by emergency disbursement measures e.g. for workers in industrial parks and highly impacted sectors of the urban economy.

138 Examples of minimum core obligations include ensuring access to a social security scheme; ensuring access to the minimum essential food; ensuring access to basic shelter, housing and sanitation, and an adequate supply of safe drinking water; ensuring the right of access to employment; ensuring free and compulsory primary education to all.

139 Even in the US or the UK, historically defiant of public intervention in labour markets, policies are/have been put in place to prevent massive economy-wide lay-offs, and then post-crisis rehires, on account of their social and economic costs. Worker retainment programmes should be negotiated with workers and employers' representatives. They typically entail that: a) businesses retain workers, who agree to temporary wage/benefit reductions (e.g. 50 – 80% of their wage); the public budget pays part of the cost. b) workers are “furloughed”, keeping at least their medical insurance coverage.

RESPONSE PHASE

POLICY OBJECTIVES

B.
Support and protect MSMEs in sectors hit hardest by the crisis.

- Waiver of VAT on a list of essential food and non-food items for a period of 3 months. Assuming that the average domestic indirect tax revenue over three quarters is Birr 14.5 billion and that 80% of this is VAT, and further assuming that essential food and non-items account for 15% of the total, then a loss of revenues of Birr 1.7 billion would be the approximate fiscal impact.
- Temporary 'top-up' of block grants to regional states based on their socio-economic exposure to the pandemic, especially the DRS, to be spent on designated, high-priority, social and economic areas.

C.
Ensure vital social services and critical government functions continue to be delivered with minimal disruption.

- Rapid repurposing^[140] of MSMEs to meet immediate requirements (e.g. for public health equipment and supplies) using guaranteed public contracts over a specified period and securing adherence to quality standards.
- Use of capitalised sectoral funds for business cash-flow funding.^[141]
- Interest free loans, low-cost credit and/or credit guarantees for SMEs to improve liquidity and refinance debts [through the DBE, using quality-assured microfinance institutions, and through the EDC].
- Using all or some of the tools mentioned above, tailored 'rescue' packages for the hardest hit (non-agricultural) sectors or sub-sectors such as textiles, leather and leather goods, horticulture, construction and tourism.
- Using all or some of the tools mentioned above, tailored 'rescue' packages for the hardest hit (non-agricultural) sectors or sub-sectors such as textiles, leather and leather goods, horticulture, construction and tourism.
- Continuity of input and output distribution channels servicing the agricultural sector backed by support to maintenance of occupational safety across all key parts of supply chains supporting the rural economy and connecting it to the urban economy.
- Temporary (2-3 month) suspension of taxes and social security contributions for businesses and workers (temporary tax holidays).
- Temporary waiver of a range of fees and regulations imposed on enterprises by Federal and Regional Governments as well as cities and local governments, especially for micro and small enterprises.
- Priority allocation of forex combined with partial subsidy, outright grants or low interest, long-terms, loans to ensure a consistent, uninterrupted and timely supply of inputs for 'critical' supply chains (especially for food and agro-industrial products).
- Sufficient liquidity in the financial sector, to prevent financial stress and to ensure credit to impacted sectors. Temporarily lower risk-weighted capital requirements could be another way of injecting funding to the private sector provided this is handled carefully.
- 'Ring fencing' of expenditure on critical components of social service delivery (e.g. immunization, reproductive, maternal, neonatal, adolescent and child health (RHMNAC), WASH).
- Targeted expansion of access to water and sanitation e.g. in health facilities and urban informal settlements.
- Re-start of the measles and polio immunisation campaigns and school feeding programmes (even without school attendance) at the earliest feasible date.
- Occupational health and safety for frontline workers in the health system.

¹⁴⁰ This needs to be handled with care as the experience shows repurposing is risky, difficult and may not guarantee results, particularly for health-related products that need to comply with stringent safety standards. See Carlos López-Gómez, Lucia Corsini, David Leal-Ayala, and Smeeta Fokeer, *COVID-19 critical supplies: the manufacturing repurposing challenge*, 2020. Available at: <https://www.unido.org/news/covid-19-critical-supplies-manufacturing-repurposing-challenge>.

¹⁴¹ These may be structured as forgivable loans on condition of workers retention.

RESPONSE PHASE

POLICY OBJECTIVES

	<ul style="list-style-type: none"> Innovative programmes to target specific at-risk groups such as women at risk of violence, street children, PLWHA and the homeless, channelling resources through NGOs to relieve pressure on public institutions and services. Expanded emergency support to help meet the needs of IDPs, refugees and returnees/relocates, returned migrants combined with a temporary 'policy moratorium' on the status of these groups till the pandemic is over. Risk analysis and business continuity planning in all critical Federal and Regional institutions.
D. Protect the rights of the most vulnerable and human rights generally under the SE.	<ul style="list-style-type: none"> Transparent and effective functioning of the Inquiry Board. Strengthened role and capacity of the EHRC as well as relevant CSOs in monitoring the human rights situation under the SE. Appropriate training, monitoring and oversight of security forces to adhere to national and international human rights legislation under the SE. Social dialogue on response measures as well as recovery phases grounded on fundamental human rights. Publicly accessible tools to track financial allocations and expenditures from economic stimulus packages, grants from donors, loans from IFIs, and funds re-allocated from debt service payments due to debt service relief, including to the communities most left behind.

THE RECOVERY PHASE

Table 6.2 RECOVERY PHASE POLICY MEASURES

POLICY OBJECTIVES

A. Support economic and financial recovery.	<ul style="list-style-type: none"> Maintain a flexible policy stance that permits a more gradual path to the achievement of fiscal targets. Depending on context, consider tax cuts, continued cash transfers and subsidies, and higher spending in specific sectors or projects. Secure a significant expansion of the domestic tax base and consider adoption of fiscal 'buffers' that provide space for rapid response during crises. Secure debt reduction and relief on debt service that delivers benefits over a 3-5 year period. Encourage development of innovative financing instruments to expand Ethiopia's access to the global pool of capital e.g. through impact financing and green bonds.
B. Develop home-grown solutions that boost productivity and resilience.^[142]	<ul style="list-style-type: none"> Re-set national and negotiate regional trade and industrial priorities, taking full advantage of the AfCFTA. Support medium- and long-term business investments that lead to resilient supply chains for critical goods and services. Drive development of national and regional value chains. Linked with the above, actively encourage Ethiopia's development as a biomedical and pharmaceutical manufacturing hub for East Africa and, potentially, SSA.

POLICY MEASURES

142 Beatrice Chaytor and Ify Ogo, 'Recovery from the Economic Impacts of the COVID-19 Pandemic in Africa: What Role for Trade?', *Tralac Blog*, 7 April 2020. Available at: <https://www.tralac.org/blog/article/14491-recovery-from-the-economic-impacts-of-the-covid-19-pandemic-in-africa-what-role-for-trade.html>.

RECOVERY PHASE

POLICY OBJECTIVES		
		<ul style="list-style-type: none"> • Explore opportunities for cross-border digital trade. • Institutionalise risk management principles, practices and institutional arrangements at federal and regional levels.
	C. Scale-up digital transformation in the private and public sectors.	<ul style="list-style-type: none"> • Accelerate development of digital connectivity (coverage, access, quality, reliability) to support competitive industries and link these to regional value chains and markets. • Accelerate development of e-commerce and e-governance including digital banking, digital payments platforms, e-financial services (e.g. microcredit and micro insurance), a national ID system, and robust digital communications systems within government.
	D. Support social recovery .	<ul style="list-style-type: none"> • Ramp-up testing on a large-scale to contain the pandemic sufficiently to enable a sustainable recovery and minimise the possibility of a 'second wave' of infections. • Prioritise hardest hit social sectors for additional public support, to recover losses and increase investments to prevent permanent reversals in health, nutrition, education, social protection, social services and WASH. • Build better targeted, more efficient, social safety nets using the lessons learnt from the pandemic, including through much greater use of digital technology.
	E. Ensure sustainable recovery .	<ul style="list-style-type: none"> • Leverage investments towards a more sustainable trajectory in energy production, transportation services and natural resource management and biodiversity • Set tax rates for fuel, energy or carbon as well as identify incentives to reduce carbon emissions as a component of stimulus packages and accelerate the transition to a green economy.

6.3

FINANCING THE POLICY RESPONSE

● KEY GOVERNMENT INITIATIVES TO-DATE

- On 23 March, the Prime Minister announced that public spending would be increased to Birr 5 billion (USD 154 million or 0.15 % of GDP).^[143]
- On 3 April, the Prime Minister's Office announced a COVID-19 Multi-Sectoral Preparedness and Response Plan, with prospective costing of interventions. The plan is to be implemented over the next three months and will require USD 1.6 billion in funding (about 1.6 % of GDP).^[144]
- On 7 April, the Government presented its COVID-19: Economic Impact Responses Assessment and Policy Report. An upcoming Economic Response Plan will include a broader set of measures and will focus on support to enterprises and job

retention strategies in urban areas and agro-industrial parks. The plan will tentatively require an additional USD 3 billion in funding on top of the USD 1.6 billion for multi-sectoral preparedness and response.

● KEY GOVERNMENT INITIATIVES TO-DATE

While the Government has acted already on a range of public health measures, interventions on the social and economic policy front are still in their early stages. A range of fiscal, monetary, and sector-specific policies has been put into effect in past weeks but a broader and deeper set of interventions in these areas are needed to reduce adverse impacts for businesses and employees.

143 IMF Policy Tracker, 'Policy Responses to COVID-19', Ethiopia. Available at: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#E>.

144 Ibid and additionally see COVID-19 National Emergency Response Plan, April 2020.

The mix of economic policy measures taken so far include the following:

- **Fiscal interventions** - extra funding for health facilities, trade tax cuts for COVID-19 related medical imports, and faster VAT refunds to business. On 30 April, the Council of Ministers approved another set of economic measures to support firms and employment. These include forgiveness of all tax debt prior to 2014/2015, a tax amnesty on interest and penalties for tax debt pertaining to 2015/2016-2018/2019, and exemption from personal income tax withholding for 4 months for firms who keep paying employee salaries despite not being able to operate due to COVID-19.^[145]
- **Monetary interventions** - Birr 15 billion (0.45 percent of GDP)^[146] in liquidity support to banks, priority forex allocations to COVID-19 related medical imports, higher limits on mobile money transfers.
- **Sector-specific interventions** - removing a minimum price for flower exports (USD 3.8 per kg, inten to limit transfer pricing); clamping down on 'price gouging' by retailers to protect consumers.^[147]

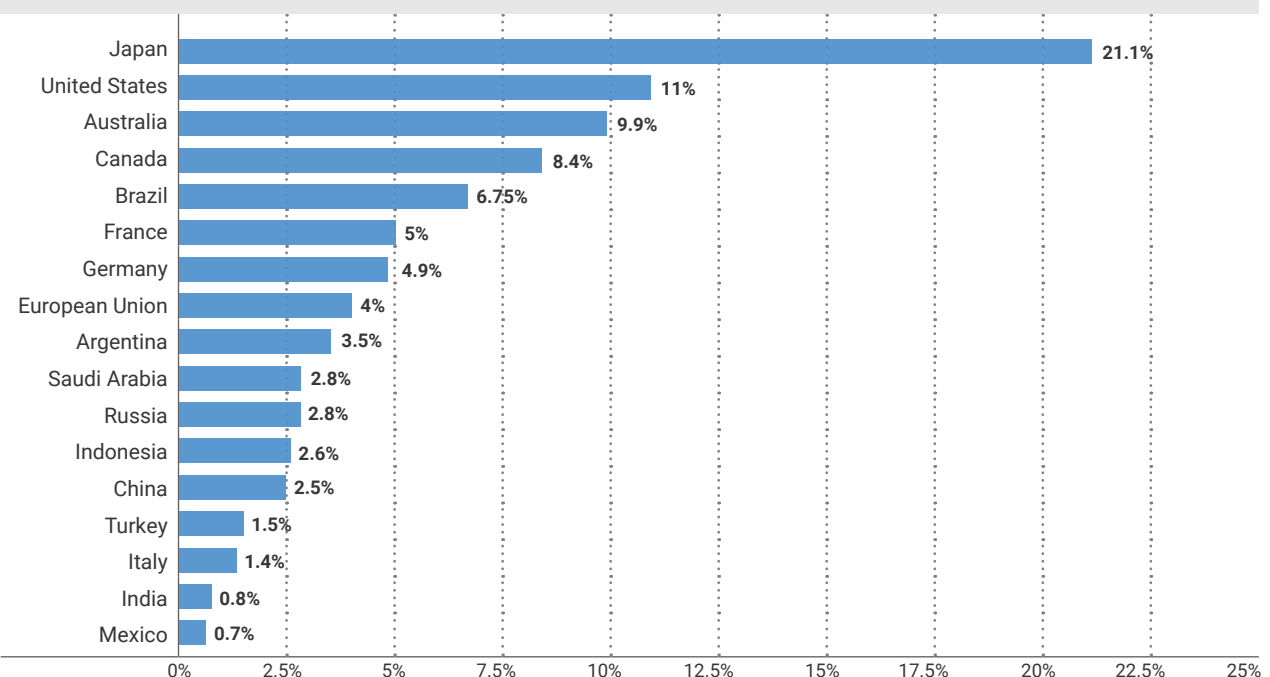
● SHORT-TERM OPTIONS FOR MOBILISING FINANCING

It is worth noting that stimulus packages being considered in developing countries vary widely in scale, ranging from, at the upper end, 17% of GDP in Malaysia to close to 8% (potentially) and 7% in Cambodia and Brazil, respectively, to a mid-range of 2-3% of GDP in countries such as China, Bangladesh, Indonesia, Pakistan and Vietnam, to around 1% at the lower end in India. Using these figures for Ethiopia, would yield the following numbers at the top, mid and lower levels using estimated nominal 2019 (Gregorian) GDP value of USD 96 billion:

- top: USD 9.6 billion (10% of GDP) or Birr 307 billion.
- mid: USD 2.88 billion (3% of GDP) or Birr 92 billion.
- low: USD 960 million (1% of GDP) or Birr 30.7 billion.

For reference, the scale of stimulus packages in the G20 are shown in the Figure 6.2 below.^[148]

Figure 6.2 **STIMULUS PACKAGES IN THE G20 COUNTRIES**



145 Ibid.

146 Ibid.

147 CEPHEUS Research and Analytics, *Macroeconomic Impacts of the Corona Virus: A Preliminary Assessment for Ethiopia*, 31 March 2020.

148 <https://www.statista.com/statistics/1107572/covid-19-value-g20-stimulus-packages-share-gdp/>

Financing options include the following:

- Swiftly tap funding available from IFIs while managing the debt profile of the country - World Bank, IMF, AfDB, IsDB – and any possibility of grant financing and debt relief from China and the Gulf States (although the latter are facing very serious fiscal pressures).
- Request development partners to quickly repurpose their resources for 2020-21 - even a 20-30% repurposing of inflows of USD 4 billion estimated in 2020 could make USD 800–1,250 million available. In this regard, though, it will be important to avoid a situation where repurposing of humanitarian funding to deal with the impact of COVID-19 reduces resources available to combat other emergencies unfolding in Ethiopia at the same time.
- Request development partners to accelerate disbursement, especially front loading of budget support, during Q2-3 2020 and project spending later in 2020 and heading into 2021.
- Start the process of receiving some form of debt reduction and relief on debt service, looking at a minimum to a moratorium on all payments due in 2020-21 and a reduction in principal and extension of maturities from all official creditors, whether such debt was contracted through government-to-government arrangements or through government-run export credit or commercial financial institutions.
- Swiftly assess possibilities for reallocation of unused/unusable resources from various budget lines at federal, regional and local government levels.

6.4

PUBLIC AWARENESS, COMMUNICATION AND MOBILISATION

As the world tries to contain the pandemic, the role of effective communication is becoming increasingly critical. The core of the COVID-19 response is building trust between government and people, including through strong communications, focusing on reaching vulnerable communities with the information they need. The main objective of risk communication is to empower individuals, families and communities to make informed decisions and positive behaviour change, thus, maintaining trust in the response.

Part of building this trust includes taking control of the narrative as the outbreak evolves and recognizing that what is communicated is just as important as how it is communicated. Governments, health authorities, the media and other key institutions need to show empathy and care while communicating balanced and factual information. Moreover, it is crucial to effectively involve communities in the response. The COVID-19 response, however, is hamstrung by social distancing, which limits inter-personal and community engagement processes.

While the threat of COVID-19 has triggered a serious global health and economic crisis, a great deal of the fear surrounding the disease is being fuelled by widespread misinformation. In the era of social media, separating truth from falsehoods is a challenging task. The WHO has announced the world's first infodemic – 'an overabundance of information – some accurate and some not – that makes it hard for people to find trustworthy sources and reliable guidance when they need it.'^[149]

A set of activities and approaches listed in the Table 6.3 below, if implemented in a timely way, could help to fully apply the principles of transparency, accountability and participation to the COVID-19 response.

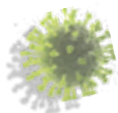
149 Elizabeth Ntonjira, *Effective communication critical to fighting COVID-19*, 27 March 2020. Available at: <https://www.scidev.net/sub-saharan-africa/health/opinion/effective-communication-critical-to-fighting-covid-19.html>

Table 6.3 **SAMPLE COMPONENTS OF A COVID-19 RISK-COMMUNICATION AND COMMUNITY ENGAGEMENT STRATEGY**

Risk Communication	Community Engagement and Social Mobilization	Data Management and Coordination
<p>Accurate, culturally, and gender, and age appropriate messages in multiple languages and formats to make them accessible for illiterate, persons with sight or hearing impediments, diverse groups.</p> <ul style="list-style-type: none"> COVID-19 prevention and control messages; protection (GBV, PSEA, etc.) and safety messages; messages targeting persons with disability in a relevant format; messages on adequate family and childcare practices. <p>Reaching the population in a timely and relevant manner.</p>	<p>Inclusion in COVID-19 policy space and decision-making of:</p> <ul style="list-style-type: none"> women and girls - and their respective women's networks and rights organization; national human rights Institutions, CSOs, private sector, media, etc. youth groups including male and female youth; local NGOs; persons with disabilities (PWD) and associations for PWD; older persons. 	<p>Data Management:</p> <ul style="list-style-type: none"> collect disaggregated outbreak-related data (at a minimum by sex, age, pregnancy status, disability); collect and analyse data to monitor the impact of the crisis across vulnerable groups, economic sectors, regions; rapid mapping of critical infrastructure, community assets, spaces/location and vulnerability profiles; GIS and remote Sensing technology application to identify hot spots; track and mitigate rumours related to COVID-19.
<p>Dissemination channels:</p> <ul style="list-style-type: none"> local media channels (TV stations, telecommunication print, radio) in local languages; local authorities (regional Bureaux); local and international NGOs; campaigns at schools, health facilities, public spaces, churches, mosques; safety net platforms; agriculture extension services/ existing technologies to reach; remote, poorly serviced rural communities. 	<p>Community mobilizers:</p> <ul style="list-style-type: none"> women leaders at the community level; community influencers; trained community/religious leaders to reach informal settlements; youth groups, health workers, extension systems (development agents) and community volunteers; traditional healers; teachers 	<p>Coordination:</p> <ul style="list-style-type: none"> support MoH in development/ adaptation and implementation of the national risk-communication and community engagement COVID-19 strategy and plan; strengthen information systems like the national IPC platform to improve information flows about the situation and scale-up a well-coordinated multisectoral emergency response including food, health, agriculture, WASH and social protection for rural communities.

Target audience:

- urban and rural populations, women, youth, children;
- at risk vulnerable populations, including caregivers, older persons, homeless persons, persons with disabilities, health workers, agriculture development agents, agricultural value chain operators, transporters and community mobilizers, pastoralists and mobile populations, IDPs, returnees/relocated persons, returned migrants, and refugees.



I. METHODOLOGY OF THE ASSESSMENT

Preparation of this socio-economic impact assessment follows a methodology designed to balance speed of analysis with the highest possible degree of robustness in findings and conclusions. As noted earlier, projections made under conditions of heightened uncertainty, a high degree of volatility and significant data gaps, are especially prone to error. Keeping this in mind, the estimates made in this document, and associated findings and conclusions should not be seen as accurate predictions of future pathways but, rather, as an evidence-based and reasoned perspective on the range of possibilities that may confront Ethiopia.

The methodology employed in this assessment applied the following steps:

- setting a baseline, by mapping key features of (primarily) social and economic conditions in Ethiopia at the onset of the COVID-19 pandemic;
- mapping as comprehensively as practical, the major transmission channels for impacts across the whole of the economy and society;
- assessing the possible intensity and scale of the pandemic, essentially using reference scenarios to map the range of possibilities as a 'thought experiment', allowing for a quick qualitative sensitivity analysis;
- utilising historical experience with shocks in Ethiopia and elsewhere (e.g. Ebola in West Africa) to offer a 'rule of thumb' in comparing possible effects, given the nature of the COVID-19 pandemic, relying on expert advice in specific areas ('collective

intelligence');

- assessing first, second and third order effects to capture as fully as possible the range of impacts e.g. loss of income leading to reduced household expenditure on essential food and non-food items contributing to negative welfare effects (income, consumption, health, nutrition, risk of violence or abuse and so on); or lower demand leading to loss of revenues and reduced profitability (or increased losses) in the MSME sector setting off several rounds of lay-offs/job losses, precipitating closure/bankruptcies and reducing output;
- applying quantitative methods - modelling - in a few cases (e.g. poverty, epidemiological trends);
- ensuring as much as granularity as feasible, by covering key sectors, sub-sectors, population groups and geographic areas;
- differentiating the analysis where this is exceptionally important e.g. by gender (see text box below), other population groups at-risk, and regional and spatial dimensions; and
- last but not least, doing informal validation checks by comparing findings and conclusions with those emerging from other sources, including from the Government.

This impact assessment has relied generally on (secondary) country data from multiple sources. In some cases, it has also used international datasets. Data used has been both quantitative and qualitative.

TARGETING GENDER-DIFFERENTIATED IMPACTS

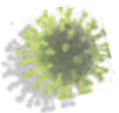
Available global evidence suggests that the COVID-19 pandemic has differentiated impacts on women and men. This assessment methodology, therefore, includes a gendered analysis throughout all thematic areas, drawing on primary and secondary sources as well as quantitative and qualitative data. When quantitative data related to individuals is used in the analysis e.g. employment, income, COVID knowledge and preventative behaviours, data is disaggregated, whenever possible, by sex. The same distinction has been applied to qualitative data.

The gender differentiated analysis throughout the assessment provides necessary evidence to inform the gender differentiated impact analysis in this report. The approach relies on testing two hypotheses:

H1: COVID-19 related shocks affect men's and women's socio-economic well-being differently.

H2: COVID-19 related shocks generally affect women more negatively than men.

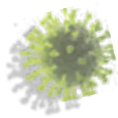
To test these hypotheses, all evidence presented in the preceding sections of the assessment report have been integrated into a comprehensive synthesis of the most salient differences between the two groups. It is worth emphasising that gender analysis cannot be monolithic and has to consider all other dimensions of sub-populations at risk as well (e.g. age, disability status, refugee, migrant and so forth). Typical questions that need to be asked for this analysis include, for example, the following: are women living with and without disabilities experiencing the same COVID-19 risks and impacts? what are the differentials between younger and older women? how do the risks and socio-economic outcomes for young women and men (aged 18-24) compare?



II. ABBREVIATIONS AND ACRONYMS

ANNEX II

ACPZ	Agro-Commodity Procurement Zones	MICE	Meetings, Incentives, Conferences and Exhibitions
AfCFTA	African Continental Free Trade Area	MoE	Ministry of Education
AfDB	African Development Bank	MoF	Ministry of Finance
AIDS	Acquired immunodeficiency syndrome	MoH	Ministry of Health
ANC	Antenatal care	MPI	Multidimensional Poverty Index
COVID-19	Corona Virus Disease 2019	MSME	Micro, Small and Medium Enterprises
CPI	Consumer Price Index	NBE	National Bank of Ethiopia
CSA	Central Statistical Agency	NEBE	National Electoral Board of Ethiopia
CSO	Civil society organization	NERP	National Emergency Response Plan
DBE	Development Bank of Ethiopia	ODA	Official Development Assistance
DHS	Demographic and Health Survey	PDC	Planning and Development Commission
DL	Desert Locust	PLWHA	People Living with HIV/AIDS
DRS	Developing Regional States	PMO	Prime Minister's Office
DSA	Debt Sustainability Assessment	PPE	Personal Protective Equipment
EDC	Entrepreneurship Development Centre	PSEA	Protection from Sexual Exploitation and Abuse
EHRC	Ethiopian Human Rights Commission	PSNP	Productive Safety Net Programme
EPHI	Ethiopian Public Health Institute	PWD	Persons with Disabilities
FDI	Foreign Direct Investment	SAM	Severe Acute Malnutrition
FDRE	Federal Democratic Republic of Ethiopia	SDG	Sustainable Development Goals
FGM	Female Genital Mutilation	SE	State of Emergency
GDP	Gross Domestic Product	SNNPR	Southern Nations, Nationalities, and Peoples' Region
GNI	Gender Inequality Index	SOE	State-Owned Enterprise
GoE	Government of Ethiopia	SRH	Sexual and Reproductive Health
GTP	Growth and Transformation Plan	SSA	Sub-Saharan Africa
HDI	Human Development Index	UN DESA	United Nations Department of Economic and Social Affairs
HEW	Health Extension Workers	UNDP	United Nations Development Programme
HGER	Homegrown Economic Reform	UNECA	United Nations Economic Commission for Africa
HIV	Human Immunodeficiency Virus	UNICEF	United Nations Children's Fund
HoA	Horn of Africa	UNIDO	United Nations Industrial Development Organization
IDP	Internally Displaced Persons	UPSNP	Urban Productive Safety Net Programme
IFI	International Financial Institution	VAWG	Violence against women and girls
ILO	International Labour Organization	WASH	Water, Sanitation, and Hygiene
IMF	International Monetary Fund	WB	World Bank
IPC	Integrated Food Security Phase Classification	WHO	World Health Organization
JCC	Jobs Creation Commission	Woreda	Ethiopian (Amharic) name for a district
LFP	Labour Force Participation	WTTC	World Travel and Tourism Council
MHPSS	Mental Health and Psychosocial Support	YPWD	Young Persons with Disabilities



III. LIST OF TABLES, FIGURES AND BOXES

ANNEX III

TABLES

	page
0.1 Key Issues and Impacts	viii
0.2 Response Phase Policy Measures	xii
0.3 Recovery Phase Policy Measures	xiv
1.1 Ethiopia_Preparedness to Respond to COVID-19	5
1.2 Ethiopia_Vulnerability to Pandemics	5
1.3 Homegrown Economic Reform Programme (HGER 2019-2022)	6
2.1 COVID-19: Channels of Transmission	7
3.1 Reference Scenarios	10
4.1 Sample of 10 SMEs in Tigray Region (Pre-COVID-19)	22
4.2 Vulnerability Assessment of Urban Employed Persons	25
4.3 Number of Children Affected by the COVID-19 Crisis	38
6.1 Response Phase Policy Measures	58
6.2 Recovery Phase Policy Measures	60
6.3 Sample Components of a COVID-19 Risk Communication and Community Engagement Strategy	64

FIGURES

4.1 Characteristics of the Poor	20
4.2 Expected Drop in GDP Growth and Poverty Reduction Effects	20
4.3 Casual Labourers and Crops and Livestock Producers Have the Highest Poverty Rates	24
4.4 Micro, Small and Medium Enterprises: Quality of Jobs They Offer, 2016	25
4.5 The Agriculture Sector Remains the Largest Contributor to Poverty Reduction	26
4.6 Theory of Change for Agricultural Transformation	27
4.7 The Poor Became More Concentrated in Rural Areas	28
4.8 Agriculture Remains The Most Common Occupation, Especially for the Poor	28
4.9 Impact on Manufacturing Sector	32
4.10 Impact on Industrial Parks	33
4.11 Urban Poverty by Household Characteristics	44
6.1 Spending on Pro-Poor Sectors Stayed Largely Unchanged between 2011 and 2016	57
6.2 Stimulus Packages in the G20 Countries	62

BOXES

0.1 Most Impacted Groups, Sectors and Geographic Areas	vii
4.1 Business Continuity of Critical Government Functions - Lost in the Rush	40
6.1 Key Policy Message	55