

## ActionAid Ethiopia's National Policy Brief

### CARE FOR THE FUTURE – FINANCE GENDER RESPONSIVE PUBLIC SERVICES!

This summary briefing for Ethiopia draws on data and analysis from the global report [Who Cares for the Future: Finance Gender-responsive Public Services](#) which was published in April 2020 to coincide with the virtual IMF / World Bank Spring Meetings.

#### SUMMARY

The COVID-19 crisis has revealed the extent to which public services have been under-funded for a generation across Africa, with women and girls in the poorest communities often having to take the strain and fill the gaps through unpaid care and domestic work. This crisis is however an opportunity for some fundamental changes, with governments looking for structural solutions and new ways forward, in short to build back better public services.

#### CONTEXT

In Ethiopia, in the last decade, rapid growth, the fastest in Sub-Saharan Africa, and strong policies to address poverty have yielded a remarkable improvement in living standards. But the debt-financed public investment-led development model has reached its limits, amid a build-up in external vulnerabilities, as illustrated by severe foreign exchange shortages and high premia on the parallel market, as well as debt and likely financial sector vulnerabilities.

Recognizing these vulnerabilities, the Government of Ethiopia have prepared a “Homegrown Economic Reform Plan” as part of the Reform Agenda. The reform agenda is appropriately ambitious and wide-ranging, encompassing macroeconomic reforms, structural reforms to ease institutional and structural bottlenecks to productivity and job growth, and sectoral reforms. ActionAid is also following up the already started advocacy by Prime Minister Abiy to push for debt cancellation, while G20 countries go for debt payment postponement measures. The advocacy action states:

***“At the very least, the suspension of debt payments should last not just until the end of 2020 but rather until well after the pandemic is truly over. It should involve not just debt suspension but debt cancellation. Global creditors need to waive both official bilateral and commercial debt for low-income countries.”***

<sup>1</sup>What the government is trying to achieve in terms of negotiating debt cancellation is highly commendable as it enables a comprehensive response to COVID-19 and increase the spending on public services needed to deliver on the SDGs. Moreover, the government strong policy on rebuilding its public finances helps to rapidly and fairly expand its domestic tax revenue by increasing to at least 5% in 5 years, which would allow a doubling of spending on most public services. It is also advised to be vigilant on IMF policy that usually pressures governments in recent years to squeezing spending on front line public services. This sort of pressure undermines the capacity to employ more teachers, doctors, nurses, care workers and other essential frontline staff. By taking a combination of actions on tax, debt and austerity it is believed that the government of Ethiopia could strongly continue its plan to transform the quality of all public services and continue shaping a sustainable economy that cares for both people and the planet.

#### INTRODUCTION

On average women spend four hours and 25 minutes daily doing **unpaid care and domestic work**, in comparison to men's average of just one hour and 23 minutes. Globally this is changing by less than a minute per year. If properly valued this work would constitute at least 9% of global GDP or US\$11 trillion.<sup>2</sup> In Ethiopia women spend more than 13 hours a day in domestic care work.

#### ***Devaluing Care Work***

The devaluing of care work can be seen for example in relation to the education workforce. The education workforce in most countries is highly gendered, with pay levels closely correlating to the extent to which roles are seen to involve a caring role. Workers in early childhood education are overwhelmingly women, the majority of teachers in primary schools tend to be women but by secondary level there are often more male teachers, becoming even more skewed towards men as lecturers in higher education. Levels of pay closely follow the perceived gendered nature of the roles. Roles in early childcare are often dependent on volunteers or women working for a modest stipend, workers in early childhood education or pre-school are equally underpaid, primary school teachers earn less than secondary *school*

ones, and lecturers with specialist knowledge are most likely to be the best paid in the system. Making the case for properly trained and paid workers in early childhood care and education as investments in the care economy can create opportunities for women to access decent work opportunities. The data from Ethiopia is very striking

- Pre-primary teachers: male = 3,892. Female = 30,103 (10x more female)
- Primary teachers: Male = 296,647 Female = 188,292
- Secondary teachers: Male = 83,663. Female = 19,657 (4 x more male)

When women spend several hours a day caring for children, provision of free public schools and early childcare can be transformative. When women are expected to care for the sick and elderly at home, access to health services can



reduce the burden. When women spend hours collecting water, access to clean water close to home can transform lives. Indeed, the provision of **gender responsive public services** is key both to delivering on human rights and the SDGs, and to transforming women's lives. Quality provision of early childcare, public education, health care, water, and sanitation, are crucial – alongside investments in energy, agriculture, and social protection.

Unfortunately, around the world and particularly in Africa, different public services have been chronically underfunded for decades, leaving countries unable to deliver on people's rights, way off target for achieving the SDGs and unable to respond as effectively as they could to COVID-19.

## BEYOND BUDGET SHARES

The fighting for more funding for public services often fight against each other for a greater share of the budget, for example seeking at least 20% for education or 15% for health, but too often this sets public services against each other. If one public service gains it shouldn't be at the expense of the others. It is time to re-focus attention, encouraging different public services to work together to increase the total budget, addressing the **strategic financing issues** which affect all of them. Our evidence and analysis show that action on debt, austerity and tax could deliver system change for all public services in Ethiopia. Of course, this depends on ensuring that the extra resources are allocated and spent both transparently and effectively, with a strong focus on increasing equity and with clear oversight both from local communities and the national parliament.

## ! ACTION ON DEBT

There is a new debt crisis that is squeezing public spending in low income countries and it is getting worse. ActionAid's new research shows that those countries which spend more than 12% of their budgets on debt servicing are invariably forced to cut their spending on public services. Ethiopia is just above this – spending 12.7% of its national revenue just on paying back debts<sup>3</sup> – and this has risen significantly in recent years. In 2019 Ethiopia debt servicing added up to being one third of the total national spending on both education and health combined.<sup>4</sup> Even a small reduction of debt servicing down to exactly 12% would release \$83 million to spend on public services.<sup>5</sup>

In the context of COVID, suspension of debt payments is now on the global agenda – but it tends to be too little (not covering all debt) and for too short a time (just to the end of 2020 when it will be needed at least to the end of 2021 leaving time also to establish a restructuring of the debt). The government of Ethiopia has been leading this agenda joining the pan-African call for more sustained debt cancellation. This needs to go hand in hand with a re-negotiation and re-scheduling of longer-term debt payments – and a commitment to reform debt contracting processes so that all future loans are agreed following a transparent and accountable process.<sup>6</sup> This is the moment for the government of Ethiopia to insist on its right to spend the revenue it raises on providing a comprehensive and sustained response to COVID-19 and invest to meet the SDGs, rather than paying old debts.

## ! ACTION ON TAX JUSTICE

Ethiopia has been taking bold action on progressive tax reform. Ethiopia has a tax to GDP ratio of just 10.7%.<sup>7</sup> This can be improved significantly comparatively with the average of low income countries (where tax to GDP ratios average 17%, which compares to 34% in OECD countries and over 40% in Scandinavia) and in line with most developing countries the tax should target more the rich and corporates.

Our research shows that countries like Ethiopia can expand their tax revenue both rapidly and fairly through taking action on ending tax incentives, raising corporate taxes on the biggest companies, improving taxation of the extractive industries, supporting fairer property taxes and targeting luxury consumption. Unfortunately, present IMF advice often includes reducing VAT exemptions, which would hurt the poor. Action is also urgently needed to prevent aggressive tax avoidance and evasion by multinational companies and ultra-rich individuals. Strengthening the national revenue authority is crucial – but equally Ethiopia needs to promote regional cooperation and add its voice to calls for global action on tax havens and the setting of global tax rules.

The IMF suggests that countries like Ethiopia could expand their tax base to GDP ratios **by 5% over 5 years**, i.e. by 2025 and ActionAid believes this can be done through fair and progressive reforms as well as taking the countries context in to account. If applicable for Ethiopia this would raise an extra \$11.6 billion in revenue,<sup>8</sup> enabling the government to double its present spending on education, health, water and sanitation – and still have \$5.8 billion of revenue to spare, for example to invest in social protection programmes or other essential public services. Ethiopia is clearly able to mobilise sufficient resources domestically to guarantee quality universal basic services.

## ! ACTION ON AUSTERITY AND PUBLIC SECTOR WAGES

Our new research in all low-income and many middle-income countries shows that the **IMF holds down public spending** by imposing unnecessarily low inflation targets (in 80% of countries) and deficit targets (in 96% of countries) and by freezing or cutting of public sector wage bills (in 78% of countries) – so most governments cannot employ more teachers, doctors, nurses or care workers. It is hence advisable for the government of Ethiopia to be conscious of **the ideology of austerity** as usually promoted by the IMF, and to invest sufficiently in public sector workers, especially doctors, nurses, teachers, and care workers.



## CONCLUSION

The government of Ethiopia, like most governments across Africa, have been subject to the loan conditions or coercive policy advice of the IMF for too long that potentially limited the opportunity to explore alternative economic models. Action on debt and tax could lead to a doubling of revenue for most essential public services. This is the scale of ambition needed to achieve the SDGs by working with other countries across Africa to promote alternative economic models. The COVID-19 crisis can and must be the turning point – the moment when Ethiopia and Africa as a whole pursue more expansionary economic policies that can truly deliver the financing to achieve all development goals. Of course, all new resources generated must be allocated and spent with a new commitment to transparency and accountability, so they reach the most excluded group and truly transform the country. There are ten years to the SDG deadline of 2030. It is not too late to build a sustainable economy that truly cares for both people and the planet.

<sup>1</sup> See Table 1 [Who Cares for the Future: Finance Gender-responsive Public Services](#)

<sup>2</sup> [https://www.ilo.org/asia/media-centre/news/WCMS\\_633284/lang-en/index.htm](https://www.ilo.org/asia/media-centre/news/WCMS_633284/lang-en/index.htm)

<sup>3</sup> See Table 1 [Who Cares for the Future: Finance Gender-responsive Public Services](#)

<sup>4</sup> See Table 3 in the full report of *Who Cares for the Future*: <https://actionaid.org/publications/2020/who-cares-future-finance-gender-responsive-public-services>

<sup>5</sup> See Table 4 [Who Cares for the Future: Finance Gender-responsive Public Services](#)

<sup>6</sup> For example Eurodad's 10 principle for sovereign debt resolution: <https://eurodad.org/files/pdf/5d91eb4d523cf.pdf>.

<sup>7</sup> See Article IV Consultation – IMF Jan 2020 <https://www.imf.org/en/Publications/CR/Issues/2020/01/28/The-Federal-Democratic-Republic-of-Ethiopia-2019-Article-IV-Consultation-and-Requests-for-48987>

<sup>8</sup> See Table 11 [Who Cares for the Future: Finance Gender-responsive Public Services](#)