Policy Brief

In January 2021, the UNDRR produced the Risk Sensitive Budget Review of Ethiopia. This is part of a series of studies on disaster risk reduction investments across sub-Saharan African countries.1

In compliance with target F and Additional Target 2 and Additional Target 3, the report provides information on the estimated amount of national DRR and CCA expenditures from both internal and external sources. Employing a risk-sensitive budget review (RSBR) methodology, the review tags domestic resources, allocated both directly and indirectly, and international finances such as ODA and other official flows towards DRR and CCA. Such a review guides resource-allocation decisions and, where information on investment costs is available, allows to identify financing gaps.

UNDRR will use the key findings of this study and recommendations to support the DRMC of Ethiopia to track and advocate for better-targeted investments towards DRR. Specifically, the key findings and recommendations from the report can be used for the following purposes:

1. **Raise awareness and understanding of DRR/CCA resource allocations in Ethiopia.** In addition to strengthening planning and budgeting in line ministries, this study gives visibility to DRR/CCA actions for improved transparency and accountability.

2. **Provide a baseline for the institutionalisation of a tracking system for DRR and CCA expenditures.** The methodology in the report (see Annex II) can be used by the NDMC, Ministry of Finance and DRR lead sectors to identify, classify, assign weights, and track annual planned and actual spending on disaster risk and climate adaptation.

3. **Mobilise resources for DRR/CCA.** The key findings provide evidence on investments in DRR and CCA, which could serve as the basis for estimating the funding gap. The key findings will inform engagement with the National Planning and Development Commission/Ministry of Finance, development partners to support broader resource mobilisation.

4. **Improve monitoring and reporting of DRR/CCA policy and progress.** The methodology used to produce this report can be used, or even further refined, by the DRR community to monitor progress in DRM resource allocation.

5. **Improve programming by development partners.** The key findings on investment by hazard type, DRM phase focus and mode of aid delivery by channel external In addition, by providing an analysis of major official development assistance for DRR and CCA, it will also help development partners and aid agencies with programming and project designs.

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1 Between 2018 and 2019, UNDRR carried out RSBRs for 16 sub-Saharan African countries. The countries included in the review were Angola, Botswana, Cameroon, Côte d’Ivoire, Equatorial Guinea, Eswatini (the Kingdom of), Gabon, Gambia (The), Ghana, Guinea Bissau, Kenya, Namibia, Rwanda, São Tomé and Príncipe, United Republic of Tanzania, and Zambia (UNDRR, 2020b).
Following the recommendation in GTP-II (2015/16–2019/20), the overall balance shows a fiscal deficit at just under 3 per cent of gross domestic product (GDP).

Slightly more than half of the national budget is supported by development assistance.

Natural hazards are responsible for causing 76 per cent of the country’s disasters. Hydrological hazards (69 per cent), specifically floods (55 per cent), are the most frequent. However, droughts affect the highest number of people.
In operationalization of the NPSDRM, lead sectors are less proactive in planning and implementing major DRM activities in respect of assigned hazards.

There is little decentralization of DRM activities and weak capacity at lower levels. However, the ongoing reform within the NDRMC is expected to improve this performance.

The review of policy and strategic documents reveals a strong link between DRM and CCA. This provides opportunities to synergize on project planning and implementation relevant to both DRR and CCA in Ethiopia.

There is limited joint planning and financing of DRM activities between NDRMC and other sectors, particularly with institutions that deal directly with environment and climate change.

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<tr>
<th>Investment-relevant theme in the NPSDRM</th>
<th>Investment-relevant strategies in the NPSDRM</th>
<th>Operationalisation status</th>
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<tr>
<td>1. Comprehensive DRM system</td>
<td>1.a. A DRM Strategic Programme and Investment Framework to be developed on the basis of measures to be taken before, during and after the disaster period and serve as a guiding document for designing and implementing DRM-related plans and programmes in a coordinated manner and with the participation of all actors.</td>
<td>Both the Strategic Programme and Investment Framework (SPIF, see next section) and a guideline for mainstreaming disaster risks into the development-planning process and future investment decisions have been completed and published.</td>
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<td>1.b. A lead sector government institution will be assigned for every hazard and related disasters; the designated lead institution will be responsible for the implementation of major DRM activities ranging from disaster-risk monitoring to response; it will have an appropriate structure and preparedness capacity to enable it to fulfil its leading role.</td>
<td>While lead sector government institutions have been identified and assigned to every hazard (see annex I), the responsibility of implementing major DRM activities still lies with the NDRMC, putting pressure on resources allocated to NDRMC. This has been identified as a major challenge by stakeholders.</td>
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<td>1.c. The lead sector government institution will prepare and implement sector-specific DRM plans and programmes.</td>
<td>Not mainstreamed fully. For example, during floods, the Ministry of Water is expected to manage the disaster but currently, this is left to NDRMC.</td>
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<td>1.d. By establishing a national-level structure for coordinating DRM activity, a national plan will be prepared by compiling sectoral plans for DRM produced by lead institutions, and support will be given towards its implementation.</td>
<td>In a recent discussion between the NPDC and the NDRMC, NPDC agreed to ensure DRM is mainstreamed by each sector and will turn down all budget plans submitted by budgetary institutions relevant to DRM, if DRM is not featured in budget submissions. The new 10-year development plan is also expected to ensure this commitment within the blueprint. NDRMC, under the BRE project, is currently developing an M&amp;E framework with the NPDC.</td>
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<td>2. Early warning and disaster-assessment informed response</td>
<td>DRM to be informed by disaster-risk profile, which in turn informs contingency-plan development. This is to be an integral part of the early-warning system.</td>
<td>The contingency plan is based on basic DRM risk profiles centred on risks (not hazards). The risk profiles are identified through community-based household surveys and KIIs.</td>
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<td>3. Decentralised DRM system</td>
<td>Capacity-development activities will be implemented at all levels to facilitate the establishment and operationalization of the DRM system.</td>
<td>Despite capacity development at all levels being one of the basic DRM principles, in practice, this is not being operationalized. Discussions with key informants revealed weak legal enforcement and resulting penalties, poor attitude towards accountability and limited financial and human-resources capacities are the main challenges for effective decentralization. Currently, all planning and disbursements are done at the central level. NDRMC is currently under a reform and this is one of the crucial areas the reform will pursue.</td>
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<td>4. Mainstreaming DRM into sectoral institutions</td>
<td>4. a. A mechanism will be established for ensuring the mainstreaming of DRM into government development policies, strategies, plans and programmes.</td>
<td>Presently, this is not enforced. However, as mentioned above in 1.d., NPDC has committed to its enforcement.</td>
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<td>4.b. A structure will be put in place in every designated lead sector government institution to facilitate the implementation of sector-specific DRM activities.</td>
<td>This has been largely left to NDRMC, leaving pressure on NDRMC human and financial resources. Under the current reform, all lead sectors of DRM are expected to have a focal point at director level.</td>
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<td>4.c. It will be ensured that DRM is mainstreamed into operational plans of the private sector.</td>
<td>The role of the private sector needs boosting starting with sensitization on the concepts and activities of DRM.</td>
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<td>5. Source of funding and resource mobilisation procedure</td>
<td>5.a. Measures will be taken to establish and strengthen preparedness capacities at national, federal lead sectoral institutions, regional, zonal, woreda, kebele, civil society organizations, community and individual levels.</td>
<td>The risk-sensitive budget review analysis presented in chapter 4 of this report finds, the country's planning is focused more on disaster-response investment (close to half of all planned expenditure) than preparedness. KIIs confirm pre-disaster does not appear to be a priority and much emphasis is placed on the during-disaster phase.</td>
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<td>5.b. Mobilizing resources from the international sources will be the responsibility of the NDRMC. Coordination structure to be created at federal level.</td>
<td>This refers to NDRMC's mandate to appeal for humanitarian assistance. This is happening in the absence of capacity and supposed to focus on domestic-resource mobilization in the long run.</td>
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<td>5.c. An effective system will be established for resource mobilization, management, and utilization.</td>
<td>In human resources, NDRMC has put in place a structure at director level responsible for domestic-resource mobilization. A strategy has been drafted (see section 3.1.3) on the system of disaster-resource-mobilization mechanism and systems.</td>
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<td>5.d. Detailed guidelines will be developed and operationalized with respect to procedures for mobilizing resources from a foreign source and its utilization for disaster-response purposes.</td>
<td>The draft strategy mentioned above also considers resource mobilization from the international community.</td>
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The Ethiopian Government planned to spend on average USD 130.2 million (Birr 3.6 billion) on direct and indirect DRM between 2015/16 and 2019/20 from domestic resources. This accounts for 2.2 per cent of the federal budget.

USD 177.5 million (27 per cent of total DRM) was earmarked for projects with primary (direct) DRM objectives. This accounts for 0.6 per cent of the federal budget, less than the average for the Greater Horn of Africa (1 per cent).
More than 90 per cent of direct investments are planned by NDRMC and three other sectors. NDRMC together with the Strategic Food Reserve Agency (SFRA) accounts for 40.4 per cent of total direct DRR investments. The remaining is planned by the Urban Development and Construction (28.2 per cent), Water Resources and Energy (14.2 per cent) and Agriculture and Rural Development (9.5 per cent).

More than half of the planned budget of 55.4 per cent of direct DRR-planned expenditure targeted hydrometeorological disaster risks.

The focus of Ethiopia’s DRM-planned investments is more on managing disasters rather than disaster risks. The budget review finds close to half of direct DRM public expenditure (49.4 per cent) targeted response to disasters, while the remaining is planned for mainly prevention/mitigation (29.9 per cent) and preparedness (20.4 per cent).

In actual expenditures, the distribution of resources is even more skewed towards response operations. Only 56 per cent of resources dedicated to prevention and 40 per cent dedicated to preparedness are implemented, while for response it is 100 per cent.
In the absence of a contingency fund, and according to key informant interviews at the NDRMC, earmarked budget for prevention and preparedness of the Commission is often repurposed for emergency response.

**During the 2020/21 fiscal year (Covid-19 pandemic), planned investments for direct DRM activities were estimated to be 1.3 per cent of the federal budget.** This is a 74 per cent increase in budgeting compared to the previous year.

**Between 2015 and 2019, Ethiopia received 23.5 billion USD in ODA, OOF and private finance. Of this, USD 1.2 billion was aid disbursements towards direct DRR objectives.**

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**Figure 20 Direct DRR investments (2015–2019)**

Development partners in Ethiopia focus mainly on emergency response rather than prevention activities. A cumulative 3.8 billion of humanitarian aid flows reached Ethiopia over the period under study, of this 3.6 was for emergency response.
Most of the external development assistance for DRR comes from bilateral donors. The top three donors, providing almost two thirds of all aid disbursements across the period, are the United States (USD 472 million), the Global Alliance for Vaccines (USD 150 million) and Immunization and the Global Fund (USD 145 million).

The majority of DRR aid was disbursed through development partners outside of the government system (60 per cent) (Channel 3). Only 31.5 per cent is disbursed through sector ministries (Channel 2) and a small amount is disbursed through the central government (8.5 per cent) (Channel 1).

Similar to the complementarity found in DRR and CCA policy frameworks, investments also interconnect. Projects marked as direct DRR with either a direct or indirect relevance for CCA were 13 per cent for domestic and 15 per cent for international resources.
SUMMARY OF FINDINGS AND RECOMMENDATIONS

KEY RECOMMENDATIONS:

Given Ethiopia’s exposure to the risk of disasters, and its low investments in comparison with other IGAD countries, Ethiopia should increase direct DRR domestic planned expenditures to at least 1 per cent of the domestic budget.

While the National Policy on DRM emphasizes the need to address all DRR phases and implement activities relevant to before, during and after disaster, the review finds disproportionate planning towards disaster response.

Ensure lead sector institutions abide by the DRM strategy and plan for DRM activities according to their respective responsibilities. This mainstreaming effort should be led by the National Planning and Development Commission, issuing directives for all lead ministries to earmark budget lines for DRR and CCA activities.

Develop a disaster-risk financing strategy and inform the development of an Integrated National Financing Framework, making the case for investment in disaster risk reduction and resilience building within national budgets. The strategy should present opportunities for engaging different international and domestic actors, taking into account the different roles that various sectors may play in directly and indirectly financing the implementation of DRR and adaptation actions.

Focus investment planning for DRR more for pre-disaster (prevention, mitigation and preparedness) rather than during-disaster (response) activities and ensure resources earmarked for prevention, mitigation and preparedness are not diverted into response and relief operations.

Ensure that development partners funds channelled outside the government system, when implementing DRR activities, follow the DRM policies and plans.

Consider the establishment of a contingency fund with set-aside financing to cover unforeseen disaster-response needs. The National DRM policy of 2013 clearly stipulates the development of such regulation, though it hasn’t been developed to date. A contingency fund will lower the ad-hoc repurposing of funds from prevention and preparedness to response to crisis.

Strengthen the link between climate adaptation and disaster-risk management. There is need for joint planning, resourcing, and implementation of DRR-cum-CCA projects for increasing returns.

Institutionalize budget tracking and ensure lead sectors report on DRR and CCA investments. The Ministry of Finance must take the lead to require mandatory tracking and reporting of investments towards DRR. This would allow NDRMC and the National Planning and Development Commission to capture priority capacity gaps.