Ethiopia

Risk Sensitive Budget Review
Public-investment planning for disaster risk reduction and climate change adaptation
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<tr>
<td>BRE</td>
<td>Building Resilience in Ethiopia</td>
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<tr>
<td>CCA</td>
<td>Climate change adaptation</td>
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<td>CRGE</td>
<td>Climate-Resilient Green Economy</td>
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<td>CRS</td>
<td>Credit reporting system</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>DRM</td>
<td>Disaster risk management</td>
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<td>DRR</td>
<td>Disaster risk reduction</td>
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<td>EM-DAT</td>
<td>Emergency Events Database</td>
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<td>FDRE</td>
<td>Federal Democratic Republic of Ethiopia</td>
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<tr>
<td>FY</td>
<td>Fiscal Year</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>GTP-II</td>
<td>Second Growth and Transformation Plan</td>
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<td>IAHE</td>
<td>The Inter-Agency Humanitarian Evaluation</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>KII</td>
<td>Key informant interview</td>
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<td>M&amp;E</td>
<td>Monitoring and evaluation</td>
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<td>MoF</td>
<td>Ministry of Finance</td>
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<td>MoFEC</td>
<td>Ministry of Finance and Economic Cooperation</td>
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<td>NAP-ETH</td>
<td>Ethiopia’s National Adaptation Plan</td>
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<td>NBE</td>
<td>National Bank of Ethiopia</td>
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<td>NDRMC</td>
<td>National Disaster Risk Management Commission</td>
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<td>NPDC</td>
<td>National Planning and Development Commission</td>
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<td>NPSDRM</td>
<td>National Policy and Strategy on Disaster Risk Management</td>
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<td>ODA</td>
<td>Official development assistance</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>PSNP</td>
<td>Productive Safety Net Programme</td>
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<td>RSBR</td>
<td>Risk-sensitive budget review</td>
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<td>SFDRR</td>
<td>Sendai Framework for Disaster Risk Reduction</td>
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<td>SFRA</td>
<td>Strategic Food Reserve Agency</td>
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<td>SPIF</td>
<td>Strategic Programme and Investment Framework</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNDRR</td>
<td>United Nations Office for Disaster Risk Reduction</td>
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Glossary of key terms and concept

Channel 1
Funds transferred directly by donors and aid agencies to Treasury under the Ministry of Finance. The funds are ‘on-budget’, meaning they are within the control of Government and included in the national annual budget.

Channel 2
Funds transferred directly by donors and aid agencies made available directly to sector ministries and funds are ‘on-budget’; hence reflected in the national budget documents.

Channel 3
Funds transferred directly by donors and aid agencies to service providers. In this case donors and aid agencies have financial control. Being ‘off-budget’, the funds flow outside the Government’s financial system and are not reflected in the national annual budget.

Creditor reporting system (CRS)
In the OECD-DAC database, the CRS contains data on aid activities. Similar to a typical budget document, the aid database provides data on aid sources, destinations, purposes for all DAC members.

Direct disaster risk reduction (DRR) investment
Also known as Principal under the Rio marker; these refer to budget activities with the direct objective of reducing disaster risk.

Domestic public resources
Funds raised from tax and other revenue collection by a country.

Eligibility criteria
The decision to identify whether an activity contributes to the prevention of new disaster risk and or reduce existing disaster risk or strengthen resilience.

External finances/ resources
Non-governmental financial sources either through loans, grants or private financing.

Grants
Transfers made in cash, goods or services for which no repayment is required.

Humanitarian aid
Assistances that are intended to “save lives, alleviate suffering and maintain dignity during and after human-made crises and disasters from natural hazards”. The assistance could also aim to prevent or prepare for such events in the future.

Indirect DRR investment
Also known as Significant under the marker, refer to budget activities that are relevant to DRR but would have been carried out without primary DRR objectives. Examples from Ethiopia’s budget document include Participatory Small-Scale Irrigation Development Project; Tigray Productive Safety net Project; Chelchel Irrigation Project; and Strengthen Integrated Childhood Illness Prevention and Control.

Loan
Transfers for which repayment is required.

Non-humanitarian aid
Any type of development assistance that is not humanitarian.
OECD-DAC marker

The policy marker for DRR in the OECD-DAC CRS is designed initially to track DRR mainstreaming in development assistance. While the marker serves as a guidance for tracking DRR mainstreaming in development cooperation in this report, it used on national budgets as well as external finances.

Principal DRR

Also referred as direct investment in this report, these budget activities with explicit DRR objective. The activity must meet one of the eligibility criteria and must answer in the affirmative to the question “would the activity have been undertaken (or designed) without a DRR objective?”

Private flows

Consist of flows at market terms financed out of private-sector resources (i.e. changes in holdings of private long-term assets held by residents of the reporting country) and private grants (i.e. grants by non-governmental organizations and other private bodies, net of subsidies received from the official sector).

Rio marker for climate change

Policy objective marker of official development assistance designed to capture flows towards climate change (of 2009).

Significant DRR

Also referred as indirect investment in this report, the budget activities that do not have DRR as their principal objective but nevertheless important and relevant to DRR.
Acknowledgements

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UNDRR would like to acknowledge Development Initiatives for drafting this report.
CHAPTER 1: INTRODUCTION
This chapter introduces the project and outlines the policies and frameworks for supporting the National Disaster Risk Management Commission (NDRMC) in tracking and promoting investments that contribute to reduction of disaster risk in Ethiopia. Overall, the report is aligned to the Sendai Framework for DRR priority 3 and Target F, as well as the African Programme of Action on the implementation of the Sendai Framework Additional Target 2, and Additional Target 3.

CHAPTER 2: COUNTRY PROFILE
This chapter presents key economic, human development and poverty indicators, and composition of Ethiopia’s economy. To understand and contextualize domestic financing in Ethiopia for disaster risk reduction (DRR) and climate change adaptation (CCA), this chapter presents also the overall fiscal performance of the country as well as its dependency on aid. The second section of the chapter, based on historical data on natural hazards, serves as the background to characterize disaster impacts in Ethiopia.

KEY FINDINGS:
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.

CHAPTER 3: DISASTER RISK MANAGEMENT AND CLIMATE CHANGE ADAPTATION STRATEGIES AND INVESTMENT POLICIES
The chapter reviews the policy and institutional frameworks on DRM and CCA. This chapter provides an overview of the implementation status of the National Policy and Strategy on Disaster Risk Management (NPSDRM). It focuses on select thematic areas for the investment-relevant strategies in the NPSDRM and the status of their operationalization.

KEY FINDINGS:
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.

CHAPTER 4: RISK-SENSITIVE BUDGET REVIEW

The chapter presents findings from external and domestic public expenditures relevant to DRM and CCA. The analysis was carried out on budgets between 2015/16 and 2019/20. Fiscal year 2020/21 budget was analysed separately to avoid the bias towards the management of the Covid-19 pandemic. For the analysis of external DRM and CCA investments, the analysis covers the period 2015 - 2019 and takes into account Official Development Assistance (ODA), Other Official Flows and Private Flows.

KEY FINDINGS:

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.

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.

CHAPTER 5: SUMMARY OF FINDINGS AND RECOMMENDATIONS

The chapter summarizes the key findings from the domestic and external analyses and presents its implications in light of the policy documents analysed in the previous chapters. It then presents policy recommendations drafted in consultations with NDRMC.

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.
Chapter 1: INTRODUCTION
1. Introduction and project objectives

Investment in disaster risk reduction (DRR) is indispensable for enhancing resilience and for achieving sustainable development. In the frameworks for implementing the 2030 Development Agenda, the Paris Agreement and the Addis Ababa Action Agenda on financing for development (2015), parties agreed to invest in disaster-risk management efforts of national and local actors as part of the sustainable strategies. Article 2.1(c) of the Paris Agreement indicates the need for countries to develop the policy and investment frameworks to support the ‘consistency’ or ‘alignment’ of all domestic and international financial flows with climate-resilient development. Furthermore, Target F of the Sendai Framework for Disaster Risk Reduction (SFDRR) 2015–2030, advocates for improved and better-targeted international support, including official development assistance (ODA) and other official flows for DRR actions.

Consistent with the SFDRR and in line with the Africa Regional Strategy for Disaster Risk Reduction, Member States of the African Union developed the Programme of Action for the implementation of the SFDRR 2015–2030 in Africa. To promote the implementation of the SFDRR, the Programme of Action recommends that Member States develop data by 2020 to measure progress by 2030, including Additional Target 3 to substantially expand the scope and increase the number of sources for domestic financing in DRR. Furthermore, Additional Target 2 calls for the integration of DRR and CCA frameworks and processes.

As outlined in the African Union 2011 Ministerial declaration, African countries and donors agreed to a disaster risk reduction investment target of 10 per cent for all humanitarian aid, 1 per cent of all development assistance, and 30 per cent of climate change adaptation funding going to disaster risk reduction. However, in developing counties, as outlined in the GAR 2019 report, only a total of USD5.2 billion was spent on DRR, which represents 3.8 per cent of the total humanitarian financing between 2005 and 2017 – less than USD 4 for every USD 100 spent.

Ethiopia’s development gains are under constant threat from climate shocks and disaster risks. For a country whose export basket is based predominantly on rain-fed agriculture, the urgency to reduce existing risks and prevent emerging new ones is of utmost importance. The country’s low-coping capacity, vulnerability and high exposure to natural hazards can be taken as indicators for the need to increase investment and, equally, have higher political commitment towards DRR. The situation is made even more dire by the Covid-19 pandemic with serious repercussions on humanitarian, health and socioeconomic impacts (UNDP, 2020b; World Bank, 2020c).

While strengthening investment in DRR and CCA is critical for reducing losses from disasters and climate change (Ishiwatari and Surjan, 2019), there is limited availability of evidence and access to data. This often makes it difficult for policymakers to determine the optimal level of investments in DRR, and how to best prioritize resources to reduce disaster risk (Watson et al., 2015). Currently, there is no information on Ethiopia’s domestic expenditures on DRR activities alone or together with CCA. Available studies for the country are exclusively on climate expenditures, coming mainly from the climate funds of multilateral and bilateral external sources (see for example Caravani et al., 2017; and Climate Finance Pathfinder, 2020). One study by the Overseas Development Institute established that

3 More than three quarters of the country’s exports are agriculture based. NBE (2019) notes the largest exporter earner is coffee, which contributed 28.7% to total exports, followed by oilseeds (14.5%), khat (11.4%), pulses (10.2%), flowers (9.6%) and fruit and vegetables (2.3%).
budgetary resources for climate change-relevant actions supported USD 440 million worth of climate change-relevant activities per year, and international sources adding several tens of millions of USD dollars per year (ODI, 2014).

Preliminary discussions with government and non-state actors in Ethiopia showed that there is no information on the amount of investment towards DRR alone or together with CCA. This means, before the current study, there was no available information on consolidated sectoral planned or actual spending by NDRMC itself and DRR sector leads. Hence, this project aims at supporting the National Disaster Risk Management Commission (NDRMC) in tracking and promoting investments that contribute to reduction of disaster risk in Ethiopia.

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. The RSBR for Ethiopia is a continuation of UNDRR’s efforts to track DRR investments in sub-Saharan Africa.4

UNDRR will use the key findings of this study and recommendations to support NDRMC to track and advocate for better-targeted investments towards DRR in Ethiopia. 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. Furthermore, this report will serve as a baseline to monitor future national investments in DRR and CCA.

Finally, the project developed synergies and continuous consultations with the Building Resilience in Ethiopia5 project (BRE)6 on the component which supports the CRGE Facility to develop a system for tagging and tracking climate and disaster-related expenditure within the Government of Ethiopia’s budget system. The synergies built with the BRE project ensures continued collaboration between

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4 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).

5 Building Resilience in Ethiopia (BRE) (more information is online here: https://devtracker.fco.gov.uk/projects/GB-GOV-1-300363).

6 Namely the International Institute for Environment and Development (IIED), Oxford Policy Management (OPM) and Echnoserve.
NDRMC and the CRGE Facility beyond the lifecycle of the current project. This report also comes at a time when Ethiopia is undergoing a reform process of the NDRMC and the modernization efforts of the current system for financial information from the Integrated Budget Expenditure System (IBEX) to the Financial Management Information System (IFMIS). Once a climate and disaster-related marker is introduced into the system, it will enable the Government to report on climate and disaster-related investments, as well as to improve the effectiveness and efficiency of those investments.

The key findings and recommendations from this assignment will guide the NDRMC’ reform process and support the Commission to advocate and promote investments that contribute to the reduction of disaster risk in Ethiopia. Further, the findings form the basis to mobilize and align resources for the implementation of the country’s DRR policy and strategy.
Chapter 2 : COUNTRY PROFILE
2. ETHIOPIA AT A GLANCE

This chapter gives background on Ethiopia’s key economic, human development and poverty indicators. For better understanding of domestic and external financing for DRM, the chapter presents background information on the country’s fiscal and budget performance. The third section of the chapter provides an overview of disaster loss and risk in Ethiopia.

2.1 ABOUT THE ECONOMY

Prior to the onset of Covid-19, Ethiopia was one of the sub-Saharan African countries registering the strongest economic growth, with an annual average growth rate of 9.8 per cent (World Bank, 2020a). In 2019, although the economic prospect was also projected to be stable (ibid.), real GDP slowed down to 7.4 per cent due to social unrest and fiscal consolidation in response to rising public debt (African Development Bank, 2020). The country has been witnessing high investment (both domestic and foreign direct investment), rising tax revenue, and a reduction in poverty incidence by extending safety-net programmes to support chronically food-insecure people (FDRE MoF, 2020).

### Land Area: 1.1 million km²


### Urbanisation: Only 21.7%


### Population Density: Estimated to be 115 people per square kilometre, which makes the 15th mostly densely populated country in the sub-Saharan Africa region.

*This figure refers to the southern part of the country (Southern Nations and Nationalities Region), which is the most densely populated region. See this UNICEF (2019) report for instance.*

### Human Development Index: 0.485

*(UNDP 2020)*

### Poverty headcount ratio at national poverty lines 2015 est. 23.5% of the population

*estimation 2015 (World Bank database)*

### Economic composition in GDP:

- 2019/20, industry 29.0%; services 39.5%; agriculture contributes 32.7% *(National Bank of Ethiopia)*

### Top three items in the export basket for 2019/20:

- Coffee 28.6%; oilseeds 11.5%; khat 10.9% *(Footnote: NBE 2019)*

### Budget deficit (incl. grants): 2.5% of GDP (2019/20)

*(IMF 2020 - see reference)*

### POPULATION

- **2020**
  - 115 million people
- **2050**
  - 205 million people

### Nominal GDP

- **2018 (IMF 2020)**
  - 84.3 billion $  
- **2018 (IMF 2020)**
  - 790 GNI per capita in $
Although the country has been registering strong and sustained economic growth, poverty assessment shows that, despite the share of the population below the national poverty line declining from 30 per cent in 2010/11 to 24 per cent in 2015/16, there has been little evidence of progress for the poorest 10 per cent of the population (World Bank, 2020b). Furthermore, concerns over inclusive growth extend to access to public services where the report finds extremely poor children with limited access to basic vaccinations, improved water sources and health facilities. This indicates the large divide between urban and rural areas, as the poverty profile of the country shows that the extreme poor tend to live in rural areas (ibid.).

Despite strong economic growth for a decade, the country has a low human development, 0.485 according to the Human Development Report 2020 (UNDP, 2020), ahead of only Eritrea and South Sudan in the Intergovernmental Authority on Development (IGAD) region.7

According to the 2018/19 National Bank of Ethiopia (NBE) report, the industry and services sectors contribute 28.1 per cent and 39.8 per cent of GDP respectively, while agriculture contributes 33.3 per cent to the overall economic performance. More than three quarters of the country’s exports are agriculture based. NBE (2019) notes that in 2019 the largest exporter earner was coffee, which contributed 28.7 per cent to total exports, followed by oilseeds (14.5 per cent), khat (11.4 per cent), pulses (10.2 per cent), flowers (9.6 per cent) and fruit and vegetables (2.3 per cent).

2.2 OVERALL FISCAL PERFORMANCE AND AID DEPENDENCY

To understand and contextualize DRR and CCA domestic financing in Ethiopia, this section presents the overall fiscal performance of the country.

GTP-II (2015/16 to 2019/20), which is the launch pad for realizing the country’s vision of becoming a low-middle-income country by 2025, anticipates expenditures to be mainly from tax revenues and urges for a tight fiscal policy by maintaining a deficit below 3 per cent of GDP (see table 1). Following the recommendation in GTP-II (2015/16–201920), the overall balance shows a fiscal deficit just under 3 per cent of GDP including grants (2.7 per cent). When grants are excluded from the balance sheet, the country’s average fiscal balance is 3.5 per cent of GDP.

The country has managed to keep the deficit level in two consecutive fiscal years from 2017/18 to the GTP-II-recommended level, while the ratio of debt to GDP has also been declining. The International Monetary Fund (IMF, 2020) notes that external debt accumulation has been slowing down because of active measures in recent years to contain state-owned enterprises’ external borrowing.

Ethiopia follows prudent fiscal management, particularly before the Covid-19 pandemic.9 The country relies mainly on tax revenues as a source of domestic finance. On average over the period under review, 85 per cent of all revenue, was from taxes and the rest from non-tax sources (see table 1).

In spending, while the trend has been declining (similar to the total revenue of grants), recurrent expenditure, which can be considered as consumption, has been consistently higher than capital expenditure since 2016/17, with an average share of 55 per cent in total expenditure.

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7 Data for Somalia is not available.
8 At the time of preparing this report, the country is drafting a 10-year plan, which will succeed GTP-II. However, since this report is confined to the GTP-II period (2015/16 to 2019/20), we continue to make reference to it.
9 See IMF country report No 20/150 for the country’s commitment to resume prudence once the pandemic is under control.
<table>
<thead>
<tr>
<th></th>
<th>2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
<th>Average share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>15.9</td>
<td>14.7</td>
<td>13.1</td>
<td>12.8</td>
<td>12.5</td>
<td>13.8</td>
</tr>
<tr>
<td>Revenue</td>
<td>15</td>
<td>14.1</td>
<td>12.3</td>
<td>11.5</td>
<td>11.7</td>
<td>12.9</td>
</tr>
<tr>
<td>Tax revenue</td>
<td>12.4</td>
<td>11.5</td>
<td>10.7</td>
<td>10</td>
<td>10.1</td>
<td>10.9</td>
</tr>
<tr>
<td>Non-tax revenue</td>
<td>2.7</td>
<td>2.6</td>
<td>1.6</td>
<td>1.6</td>
<td>1.5</td>
<td>2.0</td>
</tr>
<tr>
<td>Grants</td>
<td>0.8</td>
<td>0.7</td>
<td>0.8</td>
<td>1.2</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>18.2</td>
<td>18.0</td>
<td>16.1</td>
<td>15.3</td>
<td>15</td>
<td>16.5</td>
</tr>
<tr>
<td>Recurrent expenditure</td>
<td>8.9</td>
<td>9.6</td>
<td>9.6</td>
<td>8.8</td>
<td>8.6</td>
<td>9.1</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>9.4</td>
<td>8.3</td>
<td>6.5</td>
<td>6.5</td>
<td>6.5</td>
<td>7.4</td>
</tr>
<tr>
<td>Overall balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Including grants</td>
<td>-2.3</td>
<td>-3.2</td>
<td>-3</td>
<td>-2.5</td>
<td>-2.5</td>
<td>-2.7</td>
</tr>
<tr>
<td>Excluding grants</td>
<td>-3.2</td>
<td>-3.9</td>
<td>-3.8</td>
<td>-3.4</td>
<td>-3</td>
<td>-3.5</td>
</tr>
</tbody>
</table>

Source: IMF, 2020, and average share is author’s own calculation

Note: Recurrent expenditure excludes special programmes (demobilisation and reconstruction)

In development assistance, grants have a share of 0.9 per cent of the country’s GDP on average between 2015/16 and 2019/20 (see table 1). The aid dependency of the country is reflected in the budget support where development assistance formed 52 per cent of Central Government expenses in 2019/20 (figure 1).

**Figure 1** Net ODA received (% of central government expense)

*Note: Net official development assistance (ODA) consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in the DAC list of ODA recipients. It includes loans with a grant element of at least 25% (calculated at a rate of discount of 10%).*  
*Data source: World Bank database*
DISASTER LOSS AND RISK IN ETHIOPIA

Located in the Horn of Africa, Ethiopia is a landlocked developing country with an estimated total population of 115 million people\(^\text{10}\) on a land area of 1.1 million square kilometres.\(^\text{11}\) It has the second largest population in the continent, after Nigeria. Ethiopia's population density is estimated to be 115\(^\text{12}\) people per square kilometre, which is the fifteenth mostly densely populated country in the sub-Saharan Africa region. In Ethiopia, only 21.7 per cent\(^\text{13}\) of the population lives in urban areas; with the highest proportion of the population living in lowland regions. Rural populations rely on rain-fed agriculture and are exposed to frequently recurring droughts due to arid and semi-arid climate. By contrast, those living in the highlands and urban areas are mainly exposed to flooding and landslides, as well as wild and urban fires.

Ethiopia has a long history of devastating disaster impacts. The 1983–85 drought combined with the civil war killed 400,000 and 500,000 Ethiopians (Sasson, 2015 as cited in IAHE, 2019) Impacts of such huge magnitude are no longer common, but there are recent examples demonstrating the extent of the country's vulnerability to recurrent natural hazards, exposing a large number of people to disasters. For example, in August 2016, a total of 9.7 million Ethiopians were in need of food support (Disaster Risk Management Technical Working Group, 2016). This was as a result of the 2015–2016 El Niño drought, which was immediately followed by flooding and disease outbreaks.

Over the last 40 years, as recorded in EM-DAT\(^\text{14}\), the majority natural hazards were floods (49 per cent per cent) epidemics (25 per cent) and droughts (12 per cent). During the period under study (from 2015 to 2020) EM-DAT\(^\text{15}\) recorded 1616\(^\text{16}\) large-scale disasters resulting from natural hazards. Of those events, hydrological hazards are the most frequent (69 per cent), of which specifically floods formed 55 per cent and the rest from landslides. Although floods are the main causes of disaster deaths, droughts affected a larger number of people; according to the EM-DAT, in 2015, droughts caused USD 1.4 billion worth of damage. When accounting for small scale disaster as per DesInventar database, most deaths were caused by wild or urban fires followed by landslides and floods.\(^\text{17}\)

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\(^{10}\) While the UN Department of Economic and Social Affairs Population Dynamics estimates the population of Ethiopia to be 114,964 by 2020, the country had its last Census in 2007. Data from United Nations, Department of Economic and Social Affairs, Population Dynamics. Available at: https://population.un.org/wpp/DataQuery/ (accessed 15 January 2021).


\(^{12}\) This figure refers to the southern part of the country (Southern Nations and Nationalities Region), which is the most densely populated region. See this UNICEF (2019) report for instance.

\(^{13}\) Djibouti (78.1%), Eritrea (41.3%), Kenya (28%), Somalia (46.1%) and South Sudan (20.2%). Data from United Nations, Department of Economic and Social Affairs, Population Dynamics. Available at: https://population.un.org/wpp/DataQuery/ (accessed 15 January 2021).

\(^{14}\) For a disaster event to be entered in EM-DAT, the event must result in 10 or more deaths, 100 or more people affected, injured or rendered homeless, or the country declared a state of emergency and/or appeal for international assistance.

\(^{15}\) The international disasters database.

\(^{16}\) EM DAT recorded a total of 21 disasters between 2015 and 2020, of which 76% were from natural hazards and the rest technological.

\(^{17}\) DesInventar data cover the period 2015-2019.
According to the World Bank (2019a), in Ethiopia, an average 1.5 million people are affected by drought annually and another 250,000 people are affected by floods. It is projected that population growth, changes to the economy and climate-related hazards are going to exacerbate the impacts of droughts and floods. Furthermore, the INFORM Risk Index (INFORM, 2020) – which assesses the components of risk: hazards, exposure, vulnerability, and lack of coping capacity – of the 191 countries, Ethiopia’s risk index ranks eighteenth in the world.

Despite making progress in economic growth and poverty reduction, chronic food insecurity is still a major concern in Ethiopia. In 2019, the World Food Programme estimated that 25.5 per cent of Ethiopians were food insecure. By January 2020, the Government of Ethiopia had declared 7 million people were in need of food aid; the previous year it reported 8 million (Ethiopian News Agency, 2020). Typically, crop losses as a result of below average rainfall, immediately followed by another extreme weather event resulting in flooding and recently the desert locust infestation, are expected to continue to put pressure on the already food-insecure population and therefore on humanitarian aid responses. In addition, the risk of climate shocks continues to undermine the country’s efforts to achieve a resilient economy, undermining growth, agricultural exports, and inflation by affecting agriculture and hydropower generation (IMF, 2020).
Chapter 3: FRAMEWORKS FOR DISASTER-RISK MANAGEMENT AND CLIMATE CHANGE ADAPTATION
This chapter reviews the policy and institutional frameworks of disaster-risk management (DRM)\(^{18}\) and climate change adaptation (CCA). Beyond reviewing the existing policy document, the section also presents assessment of the implementation status of investment-relevant provisions under select thematic areas. This analytical component is enriched by discussions with key informants in the DRM community (see annex III for list of consulted stakeholders).

The chapter starts with broad development strategy documents – the Growth and Transformation Plan II (2015/16–2019/20) and the United Nations Development Assistance Framework (UNDAF) (2016–2020) – to identify CCA and DRR planning and investment priorities. It then takes a deep-dive on domestic policies and strategy documents on DRM, assesses their implementation and identifies challenges.\(^{19}\)

The Growth and Transformation Plan II (GTP-II) (2015/16–2019/20), the country’s blueprint for development, envisaged building a climate-resilient green economy as one of the pillar strategies. For food security, disaster preparedness and prevention, the plan proposes: increasing the capacity of contingent food stock; improving the early-warning system; holding sufficient stocks of non-food items for emergency; building a contingency budget; and preparing a Woreda risk-vulnerability profile.

UNDAF (2016–2020) is the strategic response framework of the United Nations country team to support the Government of Ethiopia in meeting sustainable development prioritized in GTP-II and affirms its assistance towards a green economy. According to the Framework, an estimated total of USD 1.9 billion is required to meet Pillar 2: ‘Resilience and green economy over the Framework period’. This entails increasing the capacity and efficiency of the economy through the quality and competitiveness of particularly the agriculture and manufacturing sectors.

### 3.1 DISASTER RISK MANAGEMENT INVESTMENT FRAMEWORK

#### 3.1.1 NATIONAL POLICY AND STRATEGY ON DISASTER RISK MANAGEMENT (NPSDRM) AND ITS IMPLEMENTATION

The NPSDRM (FDRE, 2013b) is designed to establish a comprehensive and coordinated DRM system within the context of sustainable development. The overall framework aims to establish an **effective, people-centred, integrated, coordinated, accountable and decentralized** DRM system through multi-sectoral and multi-hazard approaches. Unlike the 1993 National Policy on Disaster Prevention and Management, the amended NPSDRM focuses not only on response and relief during disaster, but also on comprehensive measures pre- and post-disaster.

The NPSDRM also sets the lead institutions and hazards and related disasters each agency is responsible for (see table 2 below and annex 1 for a list of lead sector institutions by disaster group).

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\(^{18}\) Disaster-risk management (DRM) is used in this chapter rather than disaster risk reduction (DRR) in the previous section since DRM is better aligned with the terminology used in relevant policy documents.

\(^{19}\) Other relevant policy documents to consider include the Humanitarian requirements documents, through which the Government of Ethiopia appeals for international humanitarian assistance; Productive Safety Nets Programme (PSNP); PSNP Federal Contingency Budget (FCB); the National Social Protection Policy of Ethiopia (2012).
Table 2  **List of select lead sector institution assigned for every hazard and related disasters in the NPSDRM**

<table>
<thead>
<tr>
<th>No.</th>
<th>Lead Institution</th>
<th>Hazards covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ministry of Agriculture</td>
<td>Agriculture related hazards and associated disasters such as livestock diseases and crop pests and diseases as well as regarding addressing disaster induced shortages of animal feed and crop seed supply.</td>
</tr>
<tr>
<td>2</td>
<td>The Environment, Forest and Climate Change Commission</td>
<td>Forest and bush fire as well as climate change and environmental pollution related hazards and associated disasters.</td>
</tr>
<tr>
<td>3</td>
<td>Ministry of Health</td>
<td>Food shortage induced malnutrition affecting children and mothers and also other human epidemics associated with disasters.</td>
</tr>
<tr>
<td>4</td>
<td>Ministry of Water, Irrigation and Energy</td>
<td>Floods and other water supply, and water dams related hazards and associated disasters.</td>
</tr>
<tr>
<td>5</td>
<td>Ministry of Federal Affairs</td>
<td>Conflict related hazards and associated disasters.</td>
</tr>
<tr>
<td>6</td>
<td>Ministry of Transport</td>
<td>Transport service-related hazards and associated disasters.</td>
</tr>
<tr>
<td>7</td>
<td>Ministry of Mines</td>
<td>Geological hazards and related disasters such as seismic and volcanism (earthquakes and volcanoes), landslides and slope failure.</td>
</tr>
<tr>
<td>8</td>
<td>Ministry of National Defense</td>
<td>Rescue, maintain order, and provide support to emergency, recovery, and rehabilitation interventions in times of disasters as required.</td>
</tr>
<tr>
<td>9</td>
<td>Ministry of Urban Development, Housing and Construction</td>
<td>Urban infrastructure and building and other constructions related hazards and associated disasters and other urban disasters, including fire.</td>
</tr>
<tr>
<td>10</td>
<td>Ministry of Education</td>
<td>School curricula and research and higher learning institutions levels for measures before, during and after the disaster.</td>
</tr>
<tr>
<td>11</td>
<td>Region, zone, woreda, Addis Ababa and Dire Dawa City Administration</td>
<td>Undertake activities ranging from monitoring to response with respect to hazards and related disasters that are not under the responsibility of the Federal government</td>
</tr>
</tbody>
</table>

**Source:** Adapted from NPSDRM  
**Note:** some of the names of the Ministries names

In 2018, the Government of Ethiopia developed a Programme of Action to better align its National Disaster Risk Management Policy and Strategy with the SFDRR 2015–2030 and the Africa Programme of Action. This brought increased awareness that detailed forward planning is required. The Programme of Action brings improvements in the governance of DRM by providing guidance for multi-hazard and multi-risk management approaches including mainstreaming DRM and multi-risk approaches into development processes. Furthermore, it reinforces a commitment for Sendai Framework Priority 3 “Investing in disaster risk reduction for resilience”. However, this is supported only partially by practical actions to be taken – with limitations in identification and allocation of funding.
IMPLEMENTATION OF THE NPSDRM

This section presents the content of policy direction and investment-relevant strategies in the NPSDRM and the status of their operationalization. The contents are organized under five thematic areas: a comprehensive DRM system; response based on early-warning and disaster assessments; decentralized DRM system; mainstreaming DRM into sectoral institutions; and resource mobilization. Information from KIIs and literature review was used to assess the operationalization of NPSDRM in the practice of the select policy and strategy, as presented in column three of table 3.

The results of the implementation assessment indicate that lead sectors are not carrying out the responsibilities of implementing major DRM activities by assigned hazards. KIIs also reveal little decentralization of DRM activities and weak capacity at lower levels. However, there is an ongoing reform within the NDRMC that is expected to improve the dismal performance of operationalizing the NPSDRM. These include designing a monitoring and evaluation (M&E) framework with the National Planning and Development Commission (NPDC); and having a DRM focal point in every lead sector at the director’s level.

Table 3 Investment-related policy directions and strategies and status of operationalisation

<table>
<thead>
<tr>
<th>Investment-relevant theme in the NPSDRM</th>
<th>Investment-relevant strategies in the NPSDRM</th>
<th>Operationalisation status</th>
</tr>
</thead>
<tbody>
<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>
</tr>
<tr>
<td></td>
<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>
</tr>
<tr>
<td></td>
<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>
</tr>
<tr>
<td><strong>Investment-relevant theme in the NPSDRM</strong></td>
<td><strong>Investment-relevant strategies in the NPSDRM</strong></td>
<td><strong>Operationalisation status</strong></td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<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>
<td></td>
</tr>
<tr>
<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 KII.</td>
</tr>
<tr>
<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>
</tr>
<tr>
<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>
</tr>
<tr>
<td></td>
<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>
</tr>
<tr>
<td>Investment-relevant theme in the NPSDRM</td>
<td>Investment-relevant strategies in the NPSDRM</td>
<td>Operationalisation status</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>---------------------------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<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>
<td></td>
</tr>
<tr>
<td><strong>5. Source of funding and resource mobilisation procedure</strong></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>
</tr>
<tr>
<td></td>
<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>
</tr>
<tr>
<td></td>
<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>
</tr>
<tr>
<td></td>
<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>
</tr>
</tbody>
</table>

*Source: Author based on compilation from NPSDRM and KII*
3.1.2 DRM STRATEGIC PROGRAMME AND INVESTMENT FRAMEWORK (DRM-SPIF)

The DRM policy is operationalized through the DRM-SPIF (FDRE, 2013a). The SPIF is the guiding strategic framework document for planning and prioritizing investments in DRM. Beyond the traditional approach of response and recovery, the SPIF envisages a multi-sectoral and multi-stakeholder approach including other components of DRM – prevention, mitigation and preparedness. SPIF identifies six investment categories as indicative programme areas (see table 4).

Table 4 Investment categories and indicative programme areas

<table>
<thead>
<tr>
<th>DRM Investment Categories</th>
<th>Priority Programmatic Areas</th>
</tr>
</thead>
</table>
| 1. Early Warning, Risk Assessment, and Monitoring* | i. Information-management systems support including early-warning systems  
   ii. Disaster risk profiling  
   iii. Risk assessment, livelihoods analysis  
   iv. Rapid assessment system  
   v. Post-disaster needs assessment  
   vi. DRM research, communication and awareness raising  
   vii. M&E strengthening |
| 2. Prevention and Mitigation | i. DRM programming  
   ii. CCA/DRM/Social protection integration |
| 3. Preparedness | i. Contingency planning  
   ii. Contingency fund  
   iii. Food and non-food management system |
| 4. Response | i. Emergency response coordination  
   ii. Humanitarian response |
| 5. Recovery and Rehabilitation | i. Post-disaster recovery programming  
   ii. Integrated rehabilitation programming |
| 6. Institutional Strengthening | i. DRM coordination  
   ii. International collaboration and engagement  
   iii. Capacity development  
   iv. DRM mainstreaming  
   v. DRM volunteer scheme |

Source: DRM-SPIF 2013, page 33-34  
Note: *This theme captures all information issues including knowledge management, communication strategy, research, Risk Assessment, Early Warning, assessments and M&E.

Three funding mechanisms are identified by the framework:

1. The first mechanism is the national budget, referring to public-resource allocation from the Treasury’s coffers towards DRM priorities identified in the NPSDRM. This refers to the policy’s principle for adequate Government ownership and leadership.
2. The second mechanism is a multi-donor funding facility, which gives options such as the Agriculture Growth Programme, the World Bank trust fund, and the Productive Safety Net Programme (PSNP). The Climate-Resilient Green Economy (CRGE) Facility has also been identified as one financing mechanism (see next section).

3. The third mechanism is a pooled fund, which aims to reduce transaction costs and wastage of resources and allows for jointly designed programmes towards identified DRM priorities.

GUIDANCE FOR MAINSTREAMING DISASTER RISK

NDRMC, with support from Asian Disaster Preparedness Centre (ADPC), developed a guideline to mainstream disaster risks into the development-planning process and future investment decisions in Ethiopia (NDRMC, 2017a). The guideline outlines key programmes on DRM and steps for mainstreaming DRM in sectoral-investment plans in eight sectors – Agriculture and Rural Transformation; Environment and CRGE; Health; Portable Water Supply and Irrigation Development; Integrated Transport and Logistics Services; Urban Development and Housing; Education and Training; and Social Welfare and Security (Safety Net).

The guideline argues that for effective integration of DRM in development processes and execution of policies and plans, there needs to be mainstreaming of DRM activities in budgetary processes and resource allocations. Ideally, mainstreaming should follow the process presented in figure 3.

---

**Figure 3** Mainstreaming DRM into budgetary processes

<table>
<thead>
<tr>
<th>Budget Process</th>
<th>DRM mainstreaming into budgetary process</th>
<th>Expected Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assess Resource Availability</td>
<td>• Revenue forecasting includes analysis of potential hazard events and woreda profiles</td>
<td>• Revenue projects adequately reflect disaster risk</td>
</tr>
<tr>
<td>Initial Resource Allocations</td>
<td>• Advocate for additional resources for lead sectors</td>
<td>• Priority lead sectors have access to adequate funding</td>
</tr>
<tr>
<td>Budget Requests</td>
<td>• Tag specific budget lines for DRR</td>
<td>• Adequate resources for risk reduction, disaster proofing of new investments, and post-disaster financing</td>
</tr>
<tr>
<td>Budget Implementation</td>
<td>• Advocate for DRM-related/indirect budget allocations</td>
<td>• Future investment decisions informed by the benefits of DRR and post-disaster expenditure</td>
</tr>
<tr>
<td>Budget Finalisation and Approval</td>
<td>• Narrow investment gaps by advocating for a larger allocation for disaster resilience needs</td>
<td>• Track public expenditure on DRM</td>
</tr>
</tbody>
</table>


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3.1.3 DRM INVESTMENT NEEDS/COSTING

The Climate Resilience Green Economy strategy of Ethiopia (see section 3.2.2 below) indicates an investment requirement of about USD 7.5 billion per year to make the economy climate-smart and ensure the sustainability of economic growth between 2010 and 2030 (CRGE, 2017). This estimation does not include the climate-change-resilience building requirements of specific sectors of the economy. The climate-change-resilience building resource requirement of the Agriculture and Forest
sector alone has been estimated at USD 1,508 million. Noting the USD 7.5 billion per year need has both climate mitigation and adaptation components.

The estimated total requirement of DRM by the SPIF is USD 1.2 billion. This amount is the estimated need to operationalize the strategy’s several components, from risk assessment and analysis, prevention and mitigation, preparedness, response and the strengthening of institutions (see table 5). The programme identifies preparedness, prevention and mitigation as the major areas requiring funding allocations with almost 65 per cent for the first and 31 per cent for the second.

Table 5 DRM priority programme investment as % share of total requirement

<table>
<thead>
<tr>
<th>DRM Priority Programme</th>
<th>Funding Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year 1</td>
</tr>
<tr>
<td>Risk Assessment and Analysis</td>
<td>2.3%</td>
</tr>
<tr>
<td>Prevention and Mitigation</td>
<td>55.4%</td>
</tr>
<tr>
<td>Preparedness</td>
<td>39.3%</td>
</tr>
<tr>
<td>Response</td>
<td>1.0%</td>
</tr>
<tr>
<td>Institutional Strengthening</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

Source: calculations based on the SPIF

At present, Ethiopia does not have a contingency fund in place at the Federal level. While the National DRM policy of 2013 clearly stipulates the development of such regulation, in practice, when a nationally significant disaster strikes, the cabinet allocates resources on an ad hoc basis. So far, the following regions have regulations in place: Somali, Oromia and Amhara (approved) while Sidama and SNNP (drafts awaiting regional governments approval), with the Regional government being the owners of such funds and provider of annual allocations.

Responsible for re-allocating resources and appealing for humanitarian assistance is a DRM Technical Working Group, chaired by the Prime Minister/Deputy Prime Minister. The DRM Technical Working Group is a multi-stakeholder consortium of key government and non-government actors in the humanitarian and development sectors, which is also meant to coordinate emergency-response efforts and recommend options for implementation. Furthermore, the Humanitarian Resilience Document (formerly Humanitarian Requirement Document or HRD) is used to guide resources-mobilization and response-planning at federal level.

3.1.4 DOMESTIC RESOURCES MOBILISATION STRATEGY

The policy direction of the country, as stated in the National Policy and Strategy (NPSDRM), is to make domestic resources the main source of funding for DRM. The SPIF affirms the Government will continue to allocate national budget to priorities identified in the framework.

According to the SPIF, beside the national budget, options for funding the DRM include:

• A multi-donor funding facility, which could be built with existing funding mechanisms such as the World Bank trust funds. These funds finance the Productive Safety Net Programme (PSNP) and
the CRGE Facility, which includes the need for an effective DRM system.

- A pooled fund for a specific DRM programme, which could bring joint funding approaches to capture priority elements of the DRM-SPIF. Those funding could support the much-needed coordination and linkages across sectors, development programmes and plans.

To achieve comprehensive and sustainable sources of financing for effective implementation of DRM programmes, Ethiopia aims to rely more on domestic-resource mobilization. According to the draft National Domestic Resource Mobilization Strategy for Integrated DRM (NDRMC, 2019), there is the need for the establishment of a sustainable DRM-funding scheme, relying on six broad financing sources:

- The **Federal Government** through direct budget allocation and mainstreaming and sectoral budgeting
- **Banks and insurance**, involving several entities from Government and the private sector
- **Parastatal institutions**
- The **private sector**, excluding banks and insurance
- The **public sector** through mass-based campaign events
- **Direct engagement in income-generation** options.

### 3.2 CLIMATE CHANGE ADAPTATION INVESTMENT FRAMEWORK

Coherence between DRR and CCA policy documents is addressed both conceptually, with climate change as a ‘risk driver’ and linked to increased hazard frequency and intensity; and from a governance or implementation perspective where the NDRMC assumes responsibility for integrating DRR and CCA frameworks. In this section we will explore synergies between the two policy objectives for possible joint financial mechanisms.

#### 3.2.1 NATIONAL ADAPTATION PLAN

The long-term adaptation goal of the country is to improve resilience and reduce vulnerability in three areas – drought, floods and other cross-cutting interventions. As discussed in chapter 2, most disasters in Ethiopia are associated intrinsically with climate change. As a result of limited DRM capacities at national and subnational levels, Ethiopia faces low levels of climate resilience. In addition, the country faces an accelerated environmental degradation leading to fragile ecosystems, and a slow shift to a green economy (UN Ethiopia, 2020).

Ethiopia’s National Adaptation Plan (NAP-ETH), 2019 for the period 2016–2030 is developed to address the adaptive capacity of the country. NAP-ETH has 18 adaptation options and is guided by the country’s CRGE strategy (see the section 3.2.2 below) and GTP-II. The goal of the plan is to reduce the country’s high vulnerability and weak adaptive capacity, and increase resilience. The NAP-ETH has eight priority sectors identified as most vulnerable and where adaptation will be prioritized: agriculture,

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20 According to KIIs, the English version has been finalized and once the Amharic translation is complete, it will be presented to the House of Representatives for adoption.

21 The adaptation options in the NAP include building or improving: 1. food security through climate-smart agriculture; 2. access to potable water; 3. sustainable natural-resource management through safeguarding landscapes and watersheds; 4. soil and water harvesting and water-retention mechanisms; 5. human health systems through an integrated health and environmental surveillance protocol; 6. ecosystem resilience through conserving biodiversity; 7. sustainable forest management; 8. social protection and livelihood options of vulnerable people; 9. alternative and renewable power generation and management; 10. resilience of urban systems; 11. sustainable transport systems; 12. adaptive industry systems; 13. mainstreaming endogenous adaptation practices; 14. efficient value-chain and marketing systems; 15. drought, livestock and crop insurance mechanisms; 16. early-warning systems. 17. development and use of adaptation technologies; and 18. adaptation research and development.
forestry, health, industry, power, transport, urban development and water.

The CRGE mechanism, which is in place at all levels (national, regional and woreda22) is used for financing climate adaptation and mitigation, and as an implementing governance structure for NAP-ETH, while the overall oversight falls under the responsibility of an Inter-ministerial Steering Committee.

In implementation cost, the 15-year framework (2016–2030) requires USD 90 billion (USD 6 billion a year) across the 18 adaptation programmes. Like the SPIF and NPSDRM, finances are expected to be mobilized from both internal and external sources, the latter from global adaptation-related climate finance sources, such as the Green Climate Fund.

### 3.2.2 CLIMATE-RESILIENT GREEN ECONOMY STRATEGY

The CRGE strategy is part of the country’s commitment to pursue a climate-resilient economy. The strategy is applauded for combining climate-change goals (climate resilience) with economic-growth goals (green economy). The CRGE strategy has been mainstreamed into GTP-II (2016/17–2019/20), which was the country’s comprehensive development plan, through distinct pillars – modernization of agriculture, industrialization, transformation (structural change) and foreign-trade development. This mainstreaming is expected to be in the present 10-year Development Plan, which is being finalized while preparing this review document.

In investments, implementing the strategy is expected to cost USD 150 billion over 20 years (2011–2030), of which USD 80 billion is in the form of capital investment and the remaining is operational expenses. The CRGE Facility under the Ministry of Finance (MoF) mobilizes finances from both domestic and international sources. It authorizes fund disbursement from the CRGE Facility Account to ministries and the regional bureaux of finance for priority resilience programmes. The Facility has been identified by SPIF as a financing option under the multi-donor funding facility mechanism for DRM priorities identified by the DRM-SPIF.

### 3.3 COHERENCE OF DRM AND CCA IN POLICY DOCUMENTS

Ethiopia recognizes that climate change causes recurrent droughts and floods through extreme-weather events (NDRMC, 2013b). The need to integrate CCA and DRM to achieve sustainable development is evident in existing policy frameworks.

The study finds a link between CCA and DRR in the cost estimation for the implementation of the National Adaptation Plan, NAP-ETH (USD 90 billion in total or USD 6 billion per annum). The CCA budget estimate in the plan included budgets equally relevant for DRM. These include:

- an urban-poverty-reduction project
- the productive safety nets project
- sustainable land management
- disaster risk reduction (estimating that at least two climate-related disasters will happen during the NAP-ETH period 2016–2030)

These items are directly relevant to DRM activities, which could be considered as a subset of an overall DRM plan mainly under prevention.

NAP-ETH is aligned with ongoing DRM efforts such as the PSNP, which is the country’s flagship programme for socioeconomic rural-safety-net and basic-risk-management programme. It is recognized by the plan as a safety-net programme to develop DRM capacities.

Of the four long-term objectives of the NAP-ETH23, one of them is to create a resilient economy that

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22 Woreda is the second to lowest administration level.
23 The specific long-term adaptation objectives of the NAP-ETH are: 1. Mainstreaming CCA holistically within the long-term development path by integrating disparate sectoral and regional adaptation initiatives; 2. institutionalisation and mainstreaming of the implementation of CCA in the country’s development
prevails over disasters and climate-change-induced risks and vulnerabilities. To achieve this, NAP-ETH urges for collaborative partnerships among stakeholders and across development sectors.

Of the 18 adaptation options identified by the NAP-ETH (see footnote 21), 13 of them are directly DRM relevant and stated explicitly in the Sendai Framework (see table 6).

**Table 6 DRM-related programmes included in the NAP-ETH and mentioned explicitly in the Sendai Framework**

<table>
<thead>
<tr>
<th>Adaptation options in NAP-ETH</th>
<th>Mention in the Sendai Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhancing food security</td>
<td>19(h) and 30(j)</td>
</tr>
<tr>
<td>Improving access to potable water</td>
<td>33(c)</td>
</tr>
<tr>
<td>Strengthening sustainable natural-resources management</td>
<td>30(n)</td>
</tr>
<tr>
<td>Improving human-health systems</td>
<td>30(i) and 31(e)</td>
</tr>
<tr>
<td>Conserving biodiversity</td>
<td>28(b)</td>
</tr>
<tr>
<td>Increasing resilience of urban systems</td>
<td>30(f) and 47(d)</td>
</tr>
<tr>
<td>Building sustainable transport system</td>
<td>33(c)</td>
</tr>
<tr>
<td>Recognizing traditional ecological knowledge</td>
<td>24(i)</td>
</tr>
<tr>
<td>Improving the resilience of value chains</td>
<td>30(o)</td>
</tr>
<tr>
<td>Strengthening drought, livestock, and crop insurance mechanisms</td>
<td>30(b)</td>
</tr>
<tr>
<td>Improving early-warning systems</td>
<td>18(g), 25(a), 33(b) and 34(c)</td>
</tr>
<tr>
<td>Developing and using adaptation technologies</td>
<td>25(c) (d) (e) (i), 47 (a) and 47(c) but not limited to climate change only, rather the wider DRM</td>
</tr>
<tr>
<td>Reinforcing adaptation research and development</td>
<td>25(i) albeit not limited to adaptation to climate change only but on wider, longer term multi-hazard research and development in DRM</td>
</tr>
</tbody>
</table>

Source: Author

In summary, there is this a strong link between the DRM and CCA policy frameworks. This provides opportunities to mobilize joint resources and create synergies in project implementation.

### 3.4 DRM INSTITUTIONAL SETUP

The Relief and Rehabilitation Commission (RRC) (1974) was the first national organization to be tasked with the coordination of domestic as well as international efforts to deal with the devastating effects of drought. In 1995, RRC was restructured and renamed as Disaster Prevention and Preparedness Commission (DPPC) by Proclamation No. 10/1995. The Disaster Management and Food Security
Sector replaced DPPC, which also took away the independence of the Commission and moved under the Ministry of Agriculture and Rural Development in 2008.24

Following the country’s adoption of the Business Process Re-engineering method and in line with the Sendai Framework of a DRM agency accountable to the highest political body, the National Disaster Risk Management Commission was established by the Council of Ministers Regulation No. 363/2015. The Commission is an autonomous Federal Government office established to implement the National Policy and Strategy and to coordinate, monitor and support lead sector institutions (see table 2). Between 2016 and 2019, the Commission was accountable directly to the Prime Minister’s Office but since then has been moved to the Ministry of Peace. In 2019, the NDRMC was merged with the SFRA. During the time of this study NDRMC was undergoing a reform process and returned under the Prime Minister’s Office.

The Commission is asked to facilitate, coordinate, collaborate on and support DRM activities. It is mandated to ensure DRM is mainstreamed in development policies, strategies, development plans and programmes, and in the plans of identified lead sector institutions. Within its duties is also coordination and valuation of DRR, disaster-response and rehabilitation programmes.

The Commission also undertakes DRM operations by implementing, leading, and coordinating responses during disasters that do not fall under the responsibilities of one of the designated lead sectors (see table 2). It also develops and implements comprehensive contingency plans at all levels based on disaster profiles.

3.4.1 ORGANIZATION OF NDRMC

The NDRMC has a DRM Council and is led by a Commissioner and Deputy Commissioners. The Council is chaired by the Prime Minister with members from lead sector institutions and the Commission serving as the Secretary of the Council. The Council, which is the highest policy and oversight body, has the power to declare a disaster officially, make DRM policy decisions, amend the NPSDRM, and oversee the implementation, monitoring and evaluation of the NPSDRM. It has the power to allocate additional resources from government coffers and mobilize domestic and external resources through the NDRMC Coordination Structure for disaster-response purposes.

The NDRMC is headed by a commissioner and two deputy commissioners heading the DRM sector and Strategic Logistic Management Sector. DRM and rehabilitation, early warning and disaster response, knowledge generation and dissemination, and stakeholder coordination all come under the DRM sector, while the Commissioner’s office manages internal operations, and the logistic-management sector handles technical matters (see figure 4).

24 For the history of DRM systems in Ethiopia, see Abebe (2009).
Figure 4 Organogram for NDRMC

Source: Adapted from the Amharic version  | Note: According to KII, this structure is under review/reform
3.4.2 INSTITUTIONAL CHALLENGES FOR DRM IMPLEMENTATION

According to key stakeholders interviewed during this project (see annex III), there is little cooperation and coordination between DRM and CCA-related institutions. Limited information exchange on plans and activities or projects between NDRMC and institutions responsible for the environment and climate change, including budgetary institutions of the Ethiopian Environment and Forest Research Institute (with Forest Resource Protection and Utilization Research Directorate and Environment Research Programme) and the Ministry of Water, Irrigation and Energy (particularly Rural Development and Climate Adaptation). Weak environmental protection and poor CCA approaches are underlying disaster-risk factors and hence need to be treated as part of the management of disaster risk. Separate policies and strategies – and loose linkages between plans relevant to the environment, CCA and DRM – result in duplication of efforts, ineffective and uncoordinated approaches, and waste of scarce financial and human resources.

Lead sector institutions are expected to have a dedicated DRM structure to provide and coordinate disaster-response operations relevant to their sectors (see table 3). The lead sectors identified by the NPSDRM are those responsible for agriculture, environment and forestry, health, water, irrigation and energy, transport, mines, defence, urban development and education (see annex I). However, consultations with stakeholders indicate that there is low appetite for DRM mainstreaming by lead sectors (see list of lead sectors in table 3). According to respondents, there is a need for ministerial level policy dialogue in relation to DRM policy implementations and the role each lead sector should play. Many of the sectors do not consider DRM as a priority. As indicated in table 3, this continues to overwhelm NDRMC in planning and implementation of DRM activities – including managing emergencies, transitory emergencies and food security. NDRMC has no legislated enforcement mechanism to direct and monitor lead sectors over DRM mainstreaming in their annual planning, programming and resource allocation, since such authority lies with the Prime Minister’s Office.

Finally, discussions with key informants indicate that the NDRMC has limited human-resource capacity, particularly in operationalizing set policy and strategies; limited financial resources; high turnover of staff; a lack of disaster-risk knowledge and limited political will to strengthen NDRMC capacities.
Chapter 4: RISK SENSITIVE BUDGET REVIEW
4. RISK-SENSITIVE BUDGET REVIEW

Employing a risk-sensitive budget review (RSBR) methodology (annex III), the analysis aims at tagging domestic resources, allocated both directly and indirectly, and international finances such as ODA and other official flows towards DRR and CCA. It does not consider climate-change-mitigation-related expenditures.

For the domestic resources, the budget years considered are from 2015/16 to 2019/20 and separated the 2020/21 budget to investigate expenditures during Covid-19 pandemic in isolation. For the analysis of external financing, the period under analysis is 2015 – 2019. In this study, domestic budget lines under analysis include all sectors and external sources include official development assistance (ODA) and other official flows and private flows.

The period under analysis was determined in consultation with the NDRMC. The rationale for choosing these fiscal years was threefold:

2. Tracking investment patterns for a period of five consecutive years is reasonable for a budget-tracking exercise, given it is the standard period of cycle for strategies and governments.
3. Considering FY 2020/21 budget together with the other fiscal years may skew the analysis greatly due to the Covid-19 pandemic and other challenges the country faced during this particular fiscal year.

The next section will look at the analyses of domestic resources, followed by the analysis of external resources.

4.1 DOMESTIC RESOURCES

4.1.1 ANALYTICAL APPROACH

The analysis was conducted using data provided by the Ministry of Finance/National Planning and Development Commission. The period under study is equivalent to 2008/09 – 2012/13 in the Ethiopian calendar. Box 1 provides details about the budget formulation process in Ethiopia and the fiscal year periods. The analysis of the budget data is done on:

- **capital budget for all sectors**, which shows investment in development activities rather than administration and support budget lines.
- **capital and recurrent** budgets for NDRMC, being the authority that is responsible for coordinating DRM.
- **government-planned expenditure** as well as **actual expenditures**, which is presented to understand the budget-utilization capacity by DRM phase.

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26 As per the OECD-DAC and CRS codes: https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/dacandcrscodelists.htm
27 GTP-II is the country’s plan to realise Ethiopia as a low-middle-income country by 2025. See chapter 3 for more information.
28 Note Ethiopia follows the Julian calendar and finds itself seven to eight years behind the Gregorian calendar. All years in this document, unless specifically mentioned, are in Gregorian calendar and not the Julian/ Ethiopian calendar. See Annex II on how to convert Ethiopian FY into Gregorian FY.
29 Note Ethiopian FY 2012/13 (or FY2020/21) is presented separately.
30 In this section (DRR) is used rather than disaster risk reduction (DRM) as the OECD-DAC marker is called the DRR marker.
• federal-level budget only because consultation with NDRMC revealed that planning in the country until the end of 2020 has been done at the national level and disbursed to regions from the Centre level.

• only resources coming from the Treasury. This choice ensures that there is no double-counting with the resources in the external-analysis section.

Box 2. Budget Formulation in Ethiopia

A typical fiscal year (FY) in Ethiopia starts first week of July (01 July in Ethiopian calendar or 08 July in Gregorian calendar) and ends the following year at the end of June or beginning of July (30 June in Ethiopian calendar and 07 July in Gregorian calendar). Ethiopia’s federal budget has two phases.

In the first half of the FY, during the planning phase, the Medium-Term Macro Economic and Fiscal Framework is prepared and approved by the Council of Ministers to decide on the budget ceiling. During the second half of the FY, budgetary institutions submit budget plans, based on an announced budget ceiling, and a budget hearing is conducted. An estimate budget is approved by the House of Peoples’ Representatives, which is the lower chamber of the Ethiopian Federal Parliamentary Assembly. The timeline of a typical FY’s budget time formulation is presented in figure 5.

In early January31 (Tahsas 30), the Minister’s Council approves the Medium-Term Macro Economic and Fiscal Framework. By February 8 (Yekatit 01), budget implementors are notified of the budget ceiling for each line ministry and requested to submit budget plans within 45 days. A budget hearing between the Council and implementing institutions is held one month before the budget estimates are tabled at the House of Peoples’ Representatives.

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31 Eighth or ninth depending on the year. Ethiopia has 30 days in each of the 12 months of the year; the five days that are left at the end of the year fall under the 13th month of the year, except every four years, which has six days in a leap year. In this case, 8 January is the date of the Council’s approval, but this falls on 9 January every four years. This applies to all mentioned dates in this section, where every four years the specific date will be the following day.
Figure 5 Ethiopia’s public finance management timeline at federal level

Source: Author based on discussions with the National Planning and Development Commission
In line with categories identified in the Ethiopia’s Disaster Risk Management Strategic Programme and Investment Framework (FDRE, 2013a), budget activities were categorized by DRM phases of pre-disaster (prevention and mitigation, and preparedness), during-disaster (response) and post-disaster (recovery and rehabilitation). The budget review distinguishes spending also by hazard categories, and by sectors or budgetary institutions (figure 6). Furthermore, the analysis identifies expenditures related mainly to DRR with expenditures relating to both DRR or CCA.

Figure 6 Analytical framework for the RSBR-Ethiopia

<table>
<thead>
<tr>
<th>HAZARDS</th>
<th>DRM Phase</th>
<th>Sectors / Minis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre-Disaster</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prevention</td>
<td>Education</td>
</tr>
<tr>
<td></td>
<td>Mitigation</td>
<td>Agriculture</td>
</tr>
<tr>
<td></td>
<td>Preparedness</td>
<td>Rural Development</td>
</tr>
<tr>
<td></td>
<td>During Disaster</td>
<td>Urban Development and construction</td>
</tr>
<tr>
<td></td>
<td>Response</td>
<td>Water Resources</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Energy</td>
</tr>
<tr>
<td></td>
<td>Post-Disaster</td>
<td>NDRMC</td>
</tr>
<tr>
<td></td>
<td>Recovery</td>
<td>Prevention</td>
</tr>
<tr>
<td></td>
<td>Rehabilitation</td>
<td>Rehabilitation</td>
</tr>
</tbody>
</table>

Source: Author

4.1.2 RESULTS

This section describes direct and indirect investment in DRR. It also presents the direct DRR planned expenditures by sector, disaster-risk-management cycle and hazard type. Furthermore, it compares the planned expenditures with actual expenditures.

4.1.3 DIRECT DRR PLANNED EXPENDITURES

**DRR and/or CCA relevant sectors**

A total of 125 activities were marked as direct (principal) planned investment budget lines relevant to DRR/CCA (see table 7). Of the identified lead sectors in the national policy (see table 2), only half the lead sectors earmarked planned spending for DRR. However, it is important to note that a sector may have several budgetary institutions under it (see annex III for the list of budgetary institutions with relevant DRR planned spending and full list of sectors with the number of projects corresponding each fiscal year). The health sector had the highest number of projects followed by NDRMC.
Table 7 List of sectors with direct and indirect DRR and CCA budget lines

<table>
<thead>
<tr>
<th>No</th>
<th>Sectors as per DRM strategy</th>
<th>Number of projects that are direct DRR-relevant (Principal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agricultural and Rural Development</td>
<td>29</td>
</tr>
<tr>
<td>2</td>
<td>Water Resources and Energy</td>
<td>14</td>
</tr>
<tr>
<td>3</td>
<td>Urban Development and Construction</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>Education</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>Health</td>
<td>38</td>
</tr>
<tr>
<td>6</td>
<td>NDRMC/SFRA</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Total identified projects</td>
<td>125</td>
</tr>
</tbody>
</table>

Direct DRR investments include funding to projects that are implemented primarily to reduce disaster risks, that is, DRR is the principal objective of such projects. The total direct DRR-planned investment funded through domestic public resources has been growing steadily (figure 7). **Between FY 2015/16 and FY 2019/20 (Ethiopian calendar 2008/09 – 2012/13)** this amounted to USD 177.5 million (Birr 4.8 billion) and accounted for 0.6 per cent of the federal budget (planned domestic expenditure, that is, excluding assistance or grants and loans).

**Figure 7** Direct DRR planned investment as a percentage of Ethiopia’s federal budget (2015/16-2019-20)

![Figure 7: Direct DRR planned investment as a percentage of Ethiopia’s federal budget (2015/16-2019-20)](chart)

Source: Author based on Ethiopia’s Federal Government Budget data

Note 1: FY = fiscal year.

The significant increase in direct DRM planned investment in FY2017/18 (EC 2010/11) is attributed in part to the increase in capital budget allocation to the Strategic Food Reserve Agency – from USD 770,134 (Birr 17.3 million) in FY2016/17 (EC 2009/10) to USD 19.9 million (Birr 520.2 million) in FY2017/18 (EC 2010/11).

When comparing the relative direct DRM-planned expenditures in Ethiopia with other selected countries in the Greater Horn of Africa, the commitment of national resources is below the regional average (1 per cent) (figure 8).

Figure 8 Share of direct DRR investment in national budget in the Greater Horn of Africa

![Bar chart showing share of direct DRR investment in national budget for selected countries in the Greater Horn of Africa.]

Source: Author based on country RSBR reports

Note: Kenya, Uganda, Tanzania, and Rwanda are produced under the UNDRR while Development Initiatives produced the report on Uganda.

4.1.4 DIRECT DRR INVESTMENTS BY SECTOR

This section begins with an analysis of planned investment by the National Disaster Risk Management Commission (NDRMC) and the Strategic Food Reserve Agency (SFRA). This is followed by analysis of direct DRR-planned investment by sector.

4.1.5 NDRMC AND SFRA EXPENDITURE ON DISASTER-RISK MANAGEMENT

In FY2015/16 (EC 2008/09), the NDRMC had not yet been established. However, there was the Disaster Risk Management and Food Security programme under the Ministry of Agriculture, which was allocated a budget of USD 1.2 million (Birr 26.2 million). This allocation mainly went to the Early Warning and Response Directorate (USD 1.1 million/Birr 23.4 million) and the Food Security
Coordination Directorate (USD 100,000/Birr 2.1 million). There was also the National Disaster Prevention and Preparedness Fund Office in FY2015/16, which was allocated a budget of USD 77,450.2 (Birr 1.6 million). For the analysis of direct DRR-planned investment by sector in the next section, allocation to Disaster Risk Management and Food Security programme has been included in the 2015/16 budget for the Agricultural and Rural Development sector. Allocation to the National Disaster Prevention and Preparedness Fund Office is captured under the SFRA.

Annual budget allocations to the SFRA, were earmarked for stocking and distribution of food aid, while allocations to the National Disaster Risk Management Commission went to coordination of disaster-risk management activities, including disaster prevention and mitigation, disaster preparedness, response, recovery and rehabilitation. However, in FY2019/20, the SFRA was merged with the NDRMC, leading to the significant increase in NDRMC’s budget in FY2019/20 (E.C 2012/13) (figure 9).

**Figure 9** Budget allocations to the NDRMC and SFRA (FY2015/16–FY2019/20)

![Budget allocations to the NDRMC and SFRA (FY2015/16–FY2019/20)](image)

Source: Author based on Ethiopia’s Federal Government Budget data

**Note 1:** FY= fiscal year.


**Note 3:** Allocations to disaster risk management in FY2015/16 includes allocation to the Disaster Risk Management and Food Security programme in the Ministry of Agriculture and allocations to the National Disaster Prevention and Preparedness Fund Office.
4.1.6 LEAD SECTORS

As indicated in table 7, in the period FY2015/16 to FY2019/20, five lead sectors and NDRMC/SFRA had a budget for direct DRR investment (see figure 10). These include the National Disaster Risk Management Commission/Strategic Food Reserve Agency; Water Resources and Energy; Health; Agricultural and Rural Development; Education; and Urban Development and Construction sectors. The line ministries (see annex II for more detail) under the Water Resources and Energy; Health; Agricultural and Rural Development; Education; and Urban Development and Construction sectors are among the 11 lead institutions mandated by the National Policy and Strategy on Disaster Risk Management to facilitate DRR.

The proportion of the direct DRR-planned investment that went to each of the sectors varied significantly over time, with the percentage going to NDRMC/SFRA/DRM increasing from 16.2 per cent in FY2015/16 to 64.9 per cent in FY2017/18, reducing substantially thereafter. The percentage of the annual direct DRR budget earmarked for the Urban Development and Construction sector, reduced consistently from just over a third in FY2015/16 to 17.6 per cent in FY2017/19, gaining back some of the loss in FY2018/19 and FY2019/20.

On average, over the years, NDRMC/SFRA’s DRR planned expenditure accounted for the largest proportion (40.4 per cent) of the total direct DRR-planned investment for the five-year period FY2015/16 to FY2019/20. This was followed by the Urban Development and Construction (28.2 per cent), Water Resources and Energy sectors (14.2 per cent), Agricultural and Rural Development (9.5 per cent) and Health (7.6 per cent) sectors while Education had a negligible share. Allocations to the Urban Development and Construction sector amounted to USD 44.3 million (Birr 1.2 billion), while the Water Resources and Energy sector received USD 24.2 million (Birr 664.5 million) between FY2015/16 and FY2019/20.
Annual direct DRR-planned investments were earmarked mainly for reduction of hydrometeorological hazard risks, that is, floods, and droughts, in the period FY2015/16 to FY2019/20 (see figure 11). The budget to reduce hydrometeorological hazard risks (floods and droughts) in the five fiscal years amounted to USD 52 million (Birr 1.4 billion), which is 55.4 per cent of direct DRR-planned expenditure.

Due to limited disaggregation of budget data, it was not possible to include NDRMC/SFRA in the analysis of DRR investments by hazard type.
For the five years, projects aimed at preventing or responding to floods as well as droughts received a total budget of USD 39.6 million (Birr 1 billion) and USD 12.4 million (Birr 348 million) respectively. Additionally, a total budget of USD 27.5 million (Birr 720 million) was earmarked for projects related to landslides. Table 8 provides examples of key projects aimed at preventing flood risks and building resilience to drought.

Source: Author based on Ethiopia’s Federal Government Budget data

Note 1: FY= fiscal year.


Projects aimed at preventing flood risks and building resilience to droughts received a total budget of USD 39.6 million (Birr 1 billion) and USD12.4 million (Birr 348 million) respectively for the five budget cycles. Additionally, a total budget of USD 27.5 million (Birr 720 million) was earmarked for projects aimed at preventing landslides between FY2015/16 and FY2019/20. Table 10 provides examples of key projects aimed at preventing flood risks and building resilience to drought.
Table 8 Examples of major projects related to hydrometeorological hazards, 2015/16–2019/20

<table>
<thead>
<tr>
<th>No.</th>
<th>Projects</th>
<th>Budget, 2015/16-2019/20 (Ethiopian Birr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Middle Awash Construction and Rehabilitation of Dyke</td>
<td>188,473,150</td>
</tr>
<tr>
<td>2</td>
<td>Dubtii Dyke and Canal Maintenance</td>
<td>167,000,000</td>
</tr>
<tr>
<td>3</td>
<td>Water Supply Project in Drought Susceptible Area</td>
<td>160,000,000</td>
</tr>
<tr>
<td>4</td>
<td>Lower Awash Construction and Rehabilitation of Dyke</td>
<td>100,000,000</td>
</tr>
<tr>
<td>5</td>
<td>Drought Resilience and Improvement of Pastoral Livelihood Program 2</td>
<td>52,193,410</td>
</tr>
<tr>
<td>6</td>
<td>Regional Fund for Strengthening Drought Resilience in Ethiopia</td>
<td>41,939,530</td>
</tr>
<tr>
<td>7</td>
<td>Regional Pastoral Livelihood Resilience Project</td>
<td>36,554,730</td>
</tr>
<tr>
<td>8</td>
<td>Drought Resilience and Sustainable Pastoral Livelihood Project</td>
<td>30,493,300</td>
</tr>
</tbody>
</table>

Data source: Ethiopia’s Federal Government Budget data

Allocations related to biological hazard (epidemics and pests) amounted to USD 14.3 million (Birr 395 million). These funds were earmarked mainly for prevention of diseases including, malaria, HIV/AIDS and tuberculosis. Reduction of pest risks received a budget only in FY2015/16, that is, USD 988 (Birr 20,850) for the Pest Damage Threat Reduction Project.

It is important to note that analysis of the direct DRR investment by hazard types excludes budget allocations to NDRMC and SFRA. This is attributed to the lack of adequately disaggregated data or information to facilitate analysis of the budgets for NDRMC/SFRA by hazard types.

4.1.8 DISASTER RISK REDUCTION AND CLIMATE CHANGE ADAPTATION

Projects can have a principal objective related to either DRR or CCA, but in some cases a strict delineation is impossible and impractical. Determining whether the principal objective of a project is DRR, CCA or both can be difficult in the absence of adequately disaggregated data and a taxonomy of classification of the two. As figure 12 shows, 13 per cent of the direct DRR-planned investments were marked as having DRR or CCA objectives. These included planned expenditures for projects aimed at addressing risks from floods and droughts.
4.1.9 DIRECT DRR INVESTMENTS BY PHASE OF THE DISASTER-RISK-MANAGEMENT CYCLE

Ethiopia’s direct DRR-planned investments generally target disaster-response activities. Between FY2015/16 and FY2019/20, a total of USD 87.8 million (Birr 2.4 billion) was earmarked for response (figure 13). This allocation is equivalent to 49.4 per cent of the total direct DRR-planned investments for the five fiscal years.

Source: Author based on Ethiopia’s Federal Government Budget data
According to the planned expenditure data, investments towards DRR are not following Ethiopia’s DRM-investment framework. As presented in Table 5, the investment-framework matrix showed the country’s requirements for response operations over a five-year period to be only 0.5 per cent. Currently, planned expenditures on response take almost half of total planned expenditures. For preparedness operations and prevention and mitigation, the DRM investment framework establishes that 65 per cent and 31.4 per cent respectively should be invested, while in practice, these two areas are receiving together only half of the planned DRR budget instead of the stipulated 96 per cent of total DRM.

Looking at the annual budgetary allocations, the proportion of the direct DRR budget that went to response increased from 15.8 per cent in FY2015/16 to 63.6 per cent in FY2017/18 (see figure 14). This is attributed to a five-fold increase in funds earmarked for food storage and distribution activities by the Strategic Food Reserve Agency, that is, from USD 5.7 million (Birr 126.9 million) in FY2016/17 to USD 25.6 million (Birr 668.6 million) in FY2017/18. Between FY2015/16 and FY2019/20, direct DRR-planned investment in prevention and preparedness activities amounted to USD 53.1 million and USD 36.2 million respectively.

**Figure 14 Annual direct DRR-planned investment by DRM cycle, FY2015/16 to FY2019/20**

![Bar chart showing annual direct DRR-planned investment by DRM cycle, FY2015/16 to FY2019/20](image)

Source: Author based on Ethiopia’s Federal Government Budget data

**Note 1:** FY= fiscal year.

4.1.10 ACTUAL EXPENDITURES

This section compares direct DRR-planned investments with actual direct DRR investments. As discussed in the methodology (see annex II) it is not possible to have a precise comparison between planned investments funded by domestic public resources with the corresponding actual investments funded by domestic resources because actual expenditure data is not disaggregated by source. However, an approximation is possible, which allows us to determine the level of actual versus planned expenditures across the DRM cycle.

In the period FY2015/16 to FY2019/20, the budget implementation rate stood at 75 per cent. Budget implementation capacity rate improved significantly from 38 per cent in FY2015/16 to 100 per cent in FY2017/18 (Figure 15). However, it reduced to 79 per cent in FY2019/20.

![Figure 15 Comparing planned and actual investments (2015/16–2019/20)](image)

Source: Author based on Ethiopia’s Federal Government Budget data

**Note 1:** FY= fiscal year.

Between FY2015/16 and FY2019/20, spending by phase of the DRM cycle shows that actual expenditures as a proportion of the allocated budget was higher for the post-disaster crisis management phase than for pre-disaster risk reduction. Specifically, only 55.8 per cent and 40.2 per cent of the funds that were earmarked for prevention and preparedness activities respectively were utilized. According to key informants from NDRMC, earmarked budget for preparedness and prevention are often repurposed for emergency response (Figure 16).

**Figure 16 Comparing actual expenditures across the DRM cycle, FY2015/16 to FY2019/20**

- **Relief/Reconstruction:** 0.3%
- **Preparedness:** 12.2%
- **Prevention/Mitigation:** 22.3%
- **Response:** 49.4%

Source: Author based on Ethiopia's Federal Government Budget data

**Note 1:** FY = fiscal year.

4.1.11 INDIRECT DRR-PLANNED INVESTMENTS

Indirect spending comprises projects that are related to DRR but are not necessarily implemented with DRR as their principal objective. In the period FY2015/16 to FY2019/20, indirect planned expenditures amounted to USD 473.5 million (Birr 13.2 billion), equivalent to 1.6 per cent of the Federal Government’s budget\(^3\) (which is 3.2 per cent of capital budget for domestic expenditure, excluding assistance or grants and loans). Indirect DRR planned expenditure increased by 70.3 per cent in FY2019/20 (EC 2012/13) compared with FY2018/19 (EC 2011/12) (figure 17). This increase mainly went to irrigation schemes and the Urban Productive Safety Net Programme.

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**Figure 17** Indirect DRR-planned expenditure as percentage of Ethiopia’s federal capital budget (2015/16–2019/20)

Source: Author based on Ethiopia’s Federal Government Budget data

**Note 1:** FY= fiscal year.


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\(^{33}\) DRR indirect investment objectives are weighted at 40% (Annex III).
4.1.12 INDIRECT DRR-PLANNED INVESTMENTS BY SECTOR

In the period FY2015/16 to FY2019/20, the Water Resources and Energy sector accounted for just over two thirds (68.7 per cent) of the total indirect DRR-planned investments. As a proportion of the annual indirect DRR-planned investments, the percentage going to Water Resources and Energy sector reduced from 91.7 per cent in FY2016/17 to 41.8 per cent in FY2017/18, and increased again in FY2018/19 and FY2019/20 (figure 18). The funds allocated to the Water Resources and Energy sector were earmarked mainly for irrigation projects. Just under a quarter (24.2 per cent) of the indirect DRR planned investments went to the Agricultural and Rural Development sector. Most of the funds went mainly to the Productive Safety Net Programme.

4.1.13 DIRECT AND INDIRECT DRR-PLANNED INVESTMENTS IN FY 2020/21

In FY2020/21, Ethiopia, just like other countries, was affected by the Covid-19 pandemic, leading to loss of lives and livelihoods. Accordingly, allocation of adequate financial resources through the annual national budget was expected to facilitate effective response to the crisis. In FY2020/21, direct DRR-
planned investments amounted to USD 86.7 million (Birr 3.3 billion), equivalent to 1.3 per cent of the federal budget (funded by domestic resources). The allocation to direct DRR-planned investments in FY2020/21 increased by 74.3 per cent compared with FY2019/20.

Direct DRR-planned investment was earmarked, mainly for the Water Resources and Energy sector and NDRMC (see figure 19). The significant proportion of the direct DRR-planned investments that went to the Water Resources and Energy sector is attributed to the increase in allocation of funds to the supply of water to drought-affected areas, that is, from USD 3 million (Birr 95 million) in FY2019/20 to USD 44.9 million (Birr 1.7 billion) in FY 2020/21.

Similar to the previous years, responding to disasters more than managing risks is the focus of planned DRR spending. Three quarters (74.7 per cent) of the direct DRR-planned investments was earmarked for response activities in FY2020/21. Prevention and preparedness accounted for 12.6 per cent and 12.7 per cent of the direct DRR-planned investments respectively. Projects aimed at reducing hydrometeorological hazard risks accounted for 90 per cent of the direct DRR-planned investments in FY2020/21. Finally, indirect DRR-planned investments amounted to USD 203.6 million (Birr 7.7 billion) in FY2020/21. This is an increase of 5.5 per cent compared with FY 2019/20.
4.2 EXTERNAL FINANCES

For external finances, the analysis was conducted on data from CRS (Creditor Reporting System)\(^\text{34}\), which include ODA, other official flows (OOF) and private flows. In 2017, the marker on ‘Disaster Risk Reduction (DRR)’ was introduced, linked to the Sendai Framework. While the marker is mandatory, starting from 2018 donors’ reporting, only few donors report on it (OECD 2020), hence data on financing for DRR is still poor, and quantifying the total amount disbursed on DRR is difficult. Further, the use of a marker by donors improves over time; hence, with only two years in the records for the DRR marker, the reliability of the DRR marker is potentially low.

4.2.1 ANALYTICAL APPROACH

The CRS data contain aid-disbursement and commitment data from major bilateral donors and multilateral institutions. Aid to Ethiopia consists mostly of official development assistance (ODA) and other official flows, though there is also a small amount of private flows reported to the CRS. ODA can be provided in the form of grants and loans, the latter with some amount of concessionality to the terms.

For this analysis we use disbursements, since it is more reflective of the reality at recipient level; rather than intended expenditure. The analysis considers the organization through which the resource is channelled for the implementation of activities (the ‘channel’) (Box 2), whether the resource is humanitarian in nature (indicating an emergency response) and which donor the resource flow originates from. Disbursements are dated by calendar year in the Gregorian calendar (see annex III for conversion of Ethiopia calendar to Gregorian calendar).

**Box 2. Channels of delivery of development assistance in Ethiopia**

There are three financial channels for grants and loans considered formally by the Ministry of Finance (MoF, 2018):

- Channel One captures external finances that are integrated in the government financial system and reflected in the public budget.

- Channel Two accounts for funds from development partners disbursed directly to sector ministries and reflected in sector ministries’ reports submitted to the Ministry of Finance.

- Channel Three is for external resources that are not reflected in the government’s balance sheet. These are funds from development partners disbursed outside of the government system to projects and programmes of non-state actors.


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\(^{34}\) https://stats.oecd.org/Index.aspx?DataSetCode=crs1
Within the CRS, two separate markers require donors to indicate whether individual projects are targeted for the purposes of DRR or CCA. The CCA marker has been in place since 2010, but the DRR marker only applied to projects from 2018 onwards. In 2018, only 14 per cent of disbursements by volume were judged against the DRR marker by donors, rising to 34 per cent in 2019. Therefore, to quantify external disbursements to DRR more accurately, a list of keywords relevant for DRR activities was developed to better identify DRR projects across the whole time period. Used in conjunction with the markers, searching project details for these keywords allows creation of a more accurate estimate (see annex III for details of methodological approach).

4.2.2 RESULTS

This section describes DRR direct and indirect investments (ODA and OOF disbursements). For direct investments, it assesses the complementarity of DRR and CCA expenditures, describes the expenditures by CRS sectors and on humanitarian vs development aid. Finally it concludes with investments by donors.

4.2.3 DIRECT DRR

**DRR or CCA relevant sectors**

Overall, the review finds 302 projects or activities with DRR as principal objectives over the period under consideration (see table 9). By volume, 10 per cent of projects in 2018 found to have a direct DRR objective were identified by DRR donor’s marker; this increased to 18 per cent in 2019. The remainder were identified by the keyword search. Humanitarian operations is the sector with the greatest number of DRR-relevant projects, followed by health.

**Table 9 List of sectors with direct and indirect DRR and CCA budget lines**

<table>
<thead>
<tr>
<th>No</th>
<th>CRS Sectors</th>
<th>Number of projects that are direct DRR-relevant (Principal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agricultural and Rural Development</td>
<td>28</td>
</tr>
<tr>
<td>2</td>
<td>Water Supply and Sanitation</td>
<td>7</td>
</tr>
<tr>
<td>3</td>
<td>Government and Civil Society</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Education</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>Health</td>
<td>48</td>
</tr>
<tr>
<td>6</td>
<td>General Environment Protection</td>
<td>8</td>
</tr>
<tr>
<td>7</td>
<td>Other Social Infrastructure &amp; Services</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>Other multisector</td>
<td>1</td>
</tr>
<tr>
<td>9</td>
<td>Development Food Assistance</td>
<td>48</td>
</tr>
<tr>
<td>10</td>
<td>Humanitarian aid</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td><strong>Total identified projects</strong></td>
<td><strong>302</strong></td>
</tr>
</tbody>
</table>
In total over the period under study, Ethiopia received 23.5 billion USD in ODA, OOF and private finance. A total of USD 1,191 million was disbursed to projects with a direct DRR objective, an average of USD 238 million a year. In 2016, there was a spike in direct DRR disbursements with USD 314 million disbursed (see figure 20), mainly in response to flooding in the country.  

External aid disbursements were provided in three forms, known as flow types: ODA grants, ODA loans and private flows. Around 82 per cent of DRR disbursements are provided in the form of ODA grants, 17 per cent in the form of ODA loans and the remainder as private flows, mostly provided by the Bill & Melinda Gates Foundation.

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

More information about the April 2016 floods in Ethiopia is available online here: https://reliefweb.int/disaster/fl-2016-000045-eth
There is a strong complementarity between DRR and CCA objectives within direct DRR projects funded by development assistance. About 15 per cent of disbursements identified as having a direct DRR objectives had also been marked by donors as relevant (either direct or indirect) to CCA (figure 21). When looking at what extent direct CCA projects are relevant for DRR purposes (either directly or indirect), the proportion is about 60 per cent of the total direct CCA objectives i.e. USD 1,400 million out of USD 2.300 million marked as direct CCA over the period.

**Figure 21 Proportion of external direct DRR investments relevant to CCA (either principal or significant), 2015–2019**

<table>
<thead>
<tr>
<th>Aid Disbursements [USD, millions]</th>
<th>15% DRR/CCA</th>
<th>85% DRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>25%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: Creditor Reporting System (OECD CRS) database

**Note**: Only projects judged against the CCA marker were considered.

### 4.2.4 HUMANITARIAN FINANCING VS DEVELOPMENT AID

Humanitarian aid is a good proxy to understand whether disbursements for DRR objectives have been made in response to crisis. The cumulative flow of humanitarian aid over the period under study is 3,658 million, mainly targeting the consequences of crisis with emergency food assistance accounting for the highest portion of disbursements, while the category Disaster Prevention & Preparedness under humanitarian aid has received a total of 128,9 million USD. When comparing humanitarian operations that target emergency response and reconstruction versus operations related to prevention, mitigation or preparedness, this is almost two thirds of the total. This provides evidence that development partners are focusing more on response operations rather than prevention, mitigation or preparedness (figure 22).

36 In DAC reporting, humanitarian aid is a sector of ODA that aims specifically to “save lives, alleviate suffering and maintain and protect human dignity during and in the aftermath of emergencies.” It includes: disaster prevention and preparedness, reconstruction relief, relief coordination, protection and support services, emergency food aid and other emergency/distress relief. This strict definition of humanitarian aid, which is governed by the principles of neutrality and impartiality, marks it out from development aid, which can be subject to some conditionality.

37 According to the DRR marker, this category is by definition principal DRR.

38 Food aid and emergency response might also be linked to human induced crisis, disentangling the difference between food aid as a result of disaster events or conflict is not feasible with the data at hand.
4.2.5 DIRECT DRR DISBURSEMENTS BY DONOR

Most of the external development assistance for DRR comes from bilateral donors (figure 23). Across the period, bilateral donors disbursed USD 755 million to projects with direct DRR objectives. Multilateral donors disbursed USD 432 million and private donors disbursed almost USD 4 million.

Source: Creditor Reporting System (OECD CRS) database

Note: OECD markers used: 1,000: All sectors; 740: VIII.3. Disaster Prevention & Preparedness, Total; VIII.2. Reconstruction Relief and Rehabilitation, Total; VIII.1. Emergency Response, Total

39 Excludes humanitarian aid
The relative proportion of disbursements being channelled from bilateral donors reached a peak in 2017 and has since decreased in favour of multilateral 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).**
4.2.6 INDIRECT INVESTMENTS

Between 2015 and 2019, aid indirectly relevant to DRR in Ethiopia reached a total of USD 5.5 billion, an average of USD 1.1 billion a year. This considerable difference in magnitude between direct and indirect disbursements suggests that the vast majority of DRR-relevant aid is delivered in diverse and multipurpose aid packages which cover broad sectors, rather than targeting DRR directly. Larger volumes were disbursed in 2016 (USD 1.4 billion), in line with direct disbursements (figure 24).

Figure 24 External Indirect DRR investments by year

Source: Creditor Reporting System (OECD CRS) database

By volume, 4% of projects in 2018 found to have a direct DRR objective were identified by the marker; this increased to 8% in 2019. The remainder were identified by keyword (figure 22).
4.2.7 DIRECT AND INDIRECT DRR DISBURSEMENTS BY CHANNEL

Considering direct DRR disbursements over the period 2015 – 2019, the majority of DRR aid (60 per cent) was disbursed through development partners outside of the government system (Channel 3) (figure 25). Some 31.5 per cent is disbursed through sector ministries (Channel 2) and the smallest amount through the treasury (8.5 per cent) (Channel 1).

Across the period 2015 to 2019, there was a decrease in DRR disbursements to non-governmental actors and an increase to government channels, most notably to line ministries. Disbursements in the third channel have decreased proportionally from 2015 to 2019. Government, both central and departmental, received more than half of DRR disbursements in 2019.
Chapter 5 : KEY FINDINGS
5. IMPLICATIONS OF KEY FINDINGS AND RECOMMENDATIONS

The National Policy and Strategy on Disaster Risk Management of Ethiopia is based on several principles, inter alia, the principles of government leadership, self-reliant response systems, and mainstreaming into development programmes across all sectors. It emphasizes the need to address all DRR phases and implement activities relevant to before, during and after disaster. Despite having policy and strategy documents in place and even developing more (for instance, a domestic-resource-mobilization strategy) findings from KIs and the risk-sensitive budget review show there is much to be done on their operationalization. Furthermore, lead sectors are not proactive at planning and implementing major DRM activities respective to 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 country’s planned expenditure on direct DRR from its own resources has a share of 0.6 per cent of total federal budget from own resources and slightly more than a quarter (27 per cent) in overall DRR-planned investment. This is lower than the average spending for DRR in selected countries in the IGAD region.

The DRM planned expenditures do not reflect the specifications in the national DRM investment framework. While the DRM investment framework required the country to invest less than 1 per cent of all total investments in response, in practice the country has been planning to invest close to half of all DRR budgets towards emergency management. While the DRM investment requirement envisaged a large proportion, all required investments (96 per cent) for preparedness, and prevention and mitigation, the country has been planning only half of all DRM budgets for these two phases of the DRM cycle.

Breaking down planned domestic investments reveals sectoral planning concentration. The analysis shows that in Ethiopia, 92 per cent of planned DRR activities are undertaken by NDRMC/ SFRA (40.4 per cent) and three lead sector agencies – Urban Development and Construction (28.2 per cent), Water Resources and Energy (14.2 per cent), and Agricultural and Rural Development (9.5 per cent).

The budget absorption capacity of the DRM sector, particularly in direct DRR-relevant budget implementation is 75 per cent. A closer scrutiny of actual spending by DRM phases reveals a more worrying budget implementation practice. The review finds only 56 per cent of what was planned for prevention was spent, with 40 per cent of planned budget for preparedness being utilized. While limited data did not allow tracing of underutilized funds in all the sectors, KIs revealed that NDRMC, the highest recipient of direct DRR funding, repurposes allocations for prevention and preparedness to emergency crisis management.

Development partners are focusing more on response operations rather than prevention, mitigation or preparedness. Humanitarian financing on response operations is three times the size of resources spent on prevention, mitigation or preparedness activities. While receiving resources to address crisis is key, it is an important not-to-miss opportunity in addressing the root causes of vulnerability. As noted by the country’s SPIF (2013), a disproportionate amount of humanitarian aid may come "at the expense of addressing the root causes of vulnerability to disasters".
Bilateral donors are the largest financers of DRR in Ethiopia. On average, slightly more than half (60 per cent) of external finances towards DRR are regularly channelled outside of the government system. NDRMC, as the coordinating body of DRM, is not involved in many of these activities. This has a serious implication in identifying financing and capacity gaps. The nuanced implication could also be that DRM plans are donor-driven rather than DRR priorities of the country.

The policy frameworks analysis on the intersectionality of DRR and CCA was confirmed by results from both the domestic and external resources. Domestically, 13 per cent of Government’s direct DRR project activities from its own resources have CCA objectives, while 15 per cent development partners’ assistance towards direct DRR overlapped with CCA objectives. This finding is similar to that in other risk-sensitive budget reviews carried out by UNDRR in sub-Sahara African countries (UNDRR, 2020), yet again emphasizing the need for coherence in activities and investments between DRR and CCA.
POLICY RECOMMENDATIONS

Increase public domestic resource allocations and domestic resource mobilisation efforts

Ethiopia relies on domestic budget reallocations and mobilization of assistance or loans from the donor community, which are usually slow to come through. Domestic resources devoted in the past have remained on average 0.6 per cent of national budget. According to the Programme of Action, all countries have to dedicate at least 1 per cent of national budget for DRM.

Consider a holistic approach to resource mobilization. This should be anchored in the recognition of the interlinkages among humanitarian-development-peace activities to address the full cycle of DRM. The principle of triple nexus (humanitarian-development-peace) needs to be applied on resource mobilization and budgeting to the full cycle of DRM. It is possible to respond to emergency through development programmes focused on DRR. For example, the design of the PSNP should be in line with the triple nexus and needs to be scaled up to encompass the DRM cycle.

Mandatory planning directive from the National Planning and Development Commission

The National Policy and Strategy documents on disaster risk management (DRM) state DRM activities need to be mainstreamed into development programmes across all sectors. One definite way of actualizing mainstreaming is creating dedicated budget lines across ministries. The National Planning and Development Commission should take the responsibility in declining sector budget plans that do not indicate plans for specific DRM activities. The current M&E framework under formulation will support this.

Adopt the disaster-risk financing strategy and integrated national-financing framework

The country has yet to adopt the draft National Domestic Resource Mobilization Strategy for Integrated DRM. It is necessary to develop a disaster-risk financing strategy in line with an Integrated National Financing Framework so that financing needs can be aligned to the most appropriate sources. The strategy should present opportunities for engaging different sectors and actors, considering the different roles that public and private actors may play in directly and indirectly financing the implementation of DRR and adaptation actions.

Focus financing plans more for pre-disaster than during-disaster activities

The country’s planning for emergency crises management is more than that devoted to pre-disaster and post-disaster activities. As noted in the national policy and verified through our RSBR study, external resources are available once disasters occur. There needs to be deliberate efforts by the Government of Ethiopia and development partners to support the DRM cycle – pre-disaster, during-crisis and post-disaster phases. There should also be continued monitoring and identification of financing gaps from both streams of financing towards each DRM phase. Moreover, there needs to be flexibility and adequacy of external financing for DRR operations.

Strengthen the link between climate adaptation and disaster risk management

The complementarity between CCA and DRR objectives is clear in both policy documents as well as financial resource allocations. However, the weak coordination and interaction between the National Disaster Risk Management Commission (NDRMC) and the Climate-Resilient Green Economy (CRGE) Facility and other agencies undertaking environment activities, is a missed opportunity for joint planning. This can be achieved through one umbrella DRM policy to ensure the integration of CCA
into DRM, while the institutional set up can still be two separate stand-alone entities. This is even crucial to NDRMC as climate financing is increasingly important and relatively well organized. NDRMC should be proactive in guiding disaster risk and CCA planning and programmes designs by sectors and other actors including on CCA. The woreda disaster-risk profile exercises are instrumental for the preparation of plans and programmes including adaptation and contingency plans.

Institutionalise tagging and tracking system for DRR and CCA

Climate and DRR budget tagging and tracking systems provide the evidence base for fiscal frameworks that link policies with planning and budgeting. Such close monitoring could serve as the financial pillar for national efforts to address climate change and reduce disaster risks and losses. Tagging systems and tracking expenditures raise awareness and understanding of DRR/CCA resource allocations in Ethiopia; allow for more resources mobilization for DRR/CCA; improve monitoring and reporting of DRR/CCA policy and progress; and improve the planning and programming of stakeholders, including development partners.

Another recommendation from this study is to use a simple and comprehensive method that considers DRR and CCA together at the programme level, which allows sectors to identify respective ministries’ DRR and CCA expenditures. To achieve this, align the objectives, methodologies, and institutionalization process for DRR and CCA budget tagging and tracking systems with the performance-based budgeting reforms (the transition of government financial system to the International Financial Management System (IFMIS)).

Preserve earmarked pre-disaster planned activities

Diversion of pre-disaster planned budgets to during-disaster activities comes at the expense of reducing disaster risk. Consider the establishment of a contingency fund with set-aside financing to cover unforeseen disaster-response needs. This will lower the repurposing of funds planned from prevention and preparedness to response to crisis.

The proportion of budget utilization rate shows a significant difference between planned budget allocation and actual spending – overall 75 per cent of direct DRR, 56 per cent for prevention activities, and 40 per cent for preparedness. The study recommends improving the utilization of planned pre-disaster activities.

Align on-budget and off-budget DRM financing with strategies and plans

Large sums of international transfers are channelled through Channel 3, that is, outside of government fiscal systems (on average 60 per cent of the total). There needs increased coordination of DRR activities, both on-budget and off-budget, with government and non-government actors for better outcomes, to avoid duplication of efforts, and waste of resources. There is also an urgency to require all parties – ministries, departments and agencies as well as non-state actors and donor agencies – to periodically submit data on disaster-risk and climate-finance flows. This will allow the Ministry of Finance to establish transparent reporting systems to monitor the implementation of strategies and plans.


FDRE (2013a). Disaster Risk Management Strategic Programme and Investment Framework.


ANNEXES
ANNEX I:

Project approach

PROJECT APPROACH

The report complements the quantitative analysis with qualitative analysis. The consultant obtained the insights of key informant interviews (KIIs) and carried out formal and informal consultation with key partners, particularly for the analyses of policy implementation, institutional set-up and to extract insights for actionable recommendations (see annex III for the list of stakeholders consulted).

The report follows three stages of validation:

**Validation stage 1:** present methodology and key findings to NDRMC technical staff (DRR and rehabilitation director, planning unit director and NDRMC’s Commissioner’s adviser). Incorporate feedback and move to validation stage 2.

**Validation stage 2:** Present key findings and recommendations to NDRMC’s Commissioner. Simultaneously, share with key peer reviewers in the Ethiopian DRR community (UNDP, BRE Asian Disaster Preparedness Centre). Incorporate feedback and move to validation stage 3.

**Validation stage 3:** Validate in a multi-sectoral workshop. Incorporate feedback and finalize report.
ANNEX II:

Lead Sector Institutions

Lead sector institutions by disaster group identified in the National Policy and Strategy on Disaster Risk Management

<table>
<thead>
<tr>
<th>HAZARD TYPE</th>
<th>LEAD SECTOR AGENCIES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Climatological</strong></td>
<td><strong>Ministry of Agriculture</strong></td>
</tr>
<tr>
<td>Livestock diseases and crop pests and diseases, and shortages of animal feed and crop seed supply.</td>
<td></td>
</tr>
<tr>
<td><strong>Climatological</strong></td>
<td><strong>The Environment, Forest, and Climate Change Commission</strong></td>
</tr>
<tr>
<td>Forest and bush fire, climate change and environmental pollution</td>
<td></td>
</tr>
<tr>
<td><strong>Biological</strong></td>
<td><strong>Ministry of Health</strong></td>
</tr>
<tr>
<td>Epidemics (and malnutrition because of food shortage)</td>
<td></td>
</tr>
<tr>
<td><strong>Hydrological</strong></td>
<td><strong>Ministry of Water, Irrigation and Energy</strong></td>
</tr>
<tr>
<td>Floods and other water supply, and water-dams-related hazards and associated disasters</td>
<td></td>
</tr>
<tr>
<td><strong>Human-made</strong></td>
<td><strong>Ministry of Federal Affairs</strong></td>
</tr>
<tr>
<td>Conflict-related hazards and associated disasters</td>
<td></td>
</tr>
<tr>
<td><strong>Technological</strong></td>
<td><strong>Ministry of Transport</strong></td>
</tr>
<tr>
<td>Transport-service-related hazards and associated disasters</td>
<td></td>
</tr>
<tr>
<td><strong>Geophysical and hydrological</strong></td>
<td><strong>Ministry of Mines</strong></td>
</tr>
<tr>
<td>Geological hazards and related disasters such as seismic and volcanism (earthquakes and volcanoes), landslides and slope failure</td>
<td></td>
</tr>
<tr>
<td>Search and rescue, maintaining order and providing support to emergency, recovery, and rehabilitation interventions in times of disasters as required</td>
<td><strong>Ministry of National Defence</strong></td>
</tr>
<tr>
<td><strong>Urban infrastructure and building and other construction-related hazards and associated disasters and other urban disasters, including fire</strong></td>
<td><strong>Ministry of Urban Development, Housing and Construction</strong></td>
</tr>
<tr>
<td>For measures before, during and after the disaster, mainstreaming of DRM in school curricula and research and higher learning institutions levels</td>
<td><strong>Ministry of Education</strong></td>
</tr>
<tr>
<td>Undertaking activities ranging from monitoring to response with respect to hazards and related disasters that are not under the responsibility of the federal government</td>
<td><strong>Region, zone, woreda, Addis Ababa and Dire Dawa City Administration</strong></td>
</tr>
</tbody>
</table>
ANNEX III:

Methodological note

To review Ethiopia’s budget, the OECD DRR marker is used. While the OECD has both DRR and Rio markers for DRR and climate, respectively, by using the DRR marker, it is possible to capture CCA because of the strong complementarity DRR and CCA. Therefore, the scope of the OECD DRR marker allows earmarking DRR activities that are integrated with CCA and environmental policies (Box 3).

As noted by UNDRR (2020), there has been complementarity between DRR and CCA. The shift from hazard to vulnerability in DRR, and from mitigation to adaptation, has heightened the close link between these two in theory and practice. Therefore, unlike most budget reviews carried out for other countries, in this documentation we include CCA budgets. Budget lines that were difficult to separate, between DRR and CCA were tagged as ‘DRR/CCA’ as the identifier. Climate-change mitigation is not relevant to DRM and hence omitted from the RSBR.

Box 3. Definitions of disaster risk reduction and climate change adaptation activities

According to the OECD 2011, an activity can be classified as adaptation-related if it intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience. For instance, activities aimed at promoting diversified agricultural production to reduce climate risk can be considered as climate change adaptation.

According to OECD 2017, an activity should be classified as DRR-related if it promotes the goal and global targets of the Sendai Framework to achieve substantial reduction of disaster risk and losses in lives, livelihoods, and health and in the economic, physical, social, cultural, and environmental assets of persons, businesses, communities, and countries. Hence, processes for designing, implementing, and evaluating strategies, policies, and measures to improve the understanding of disaster risk; prevents new or reduces existing disaster risk through the implementation of integrated and inclusive measures that prevent or reduce hazard exposure and vulnerability to disaster; and promotes continuous improvement in disaster preparedness, response, and recovery practices, with the explicit purpose of increasing human security, well-being, quality of life, resilience, and sustainable development.

Applying the DRR marker to the Ethiopian budget, the review finds activities with clear complementarity between DRR and CCA objectives. In other words, in cases where it was not possible to separate the budget activities into DRR or CCA, the review labelled them as DRR/CCA. This is synthetized in the Venn diagram below.
To determine whether an activity targets DRR/CCA concerns, the marker has a three-point scoring system (see figure 26):

1. **Project activities that are designed primarily to meet DRM objectives were given a weight of 100 per cent.**
   
   Examples:
   
   • Water supply for drought-affected areas
   • Protection of earth slides
   • Flood vulnerability digital map
   • Drought resilience and sustainable pastoral-livelihood project

2. **Budget lines that contribute to DRR/CCA but are not designed to meet DRR/CCA as a primary objective were accounted as only 40 per cent.**

   Examples:

   • Participatory small-scale irrigation-development project
   • Tigray productive safety-net project
   • Chelchel irrigation project
   • Strengthen integrated childhood-illness prevention and control
3. Activities that are not relevant to DRR/CCA were given a weight of 0 per cent (that is, removed from the analysis).

A keyword search methodology was also used to systematically identify budget lines that are related to DRR. The identified budget lines were then categorized as direct investments (principal) or indirect investments (significant) based on the OECD-DAC policy marker.

Figure 26 OECD marker approach for marking DRR/CCA budget lines

Do any of the objectives of the budget activity meet any eligibility criteria of the DRM/CCA marker?

- YES
- NO

Would the budget activity have been undertaken without a DRM/CCA objective?

- YES
- NO

DIRECT / 100%  INDIRECT / 40%  NOT MARKED

Source: Author based on OECD, 2017

KEYWORD SEARCH METHODOLOGY

A keyword search methodology was developed to decide what resources are dedicated to DRR and CCA in Ethiopia.

The keyword search is applied on domestic and external resources. Domestic budgets require searching each budget item and deciding to classify it as either relevant to DRR or not and whether directly relevant or indirectly according to the keyword search. For external financing, the OECD-DAC – Creditor Reporting System (CRS) is used to quantify flows relevant to DRR. For these flows, the data source has a marker for tracking of DRR and CCA projects. In addition to this marker, a keyword search is used, the benefits being:

- alignment with domestic analysis
- coverage across the whole period
- consistency in application across different donors.

Following the methodology developed by the OECD 2017, projects and budgets are classified as either ‘direct’ or ‘indirect’. Projects are considered direct if they are designed primarily to meet DRR objectives; and indirect if they contribute to DRR but are not designed to meet DRR as a primary objective. Quantification of these flows for the domestic resources follows a three-point scoring system:
• Direct activities were given a weight of 100 per cent
• Indirect activities were discounted to 40 per cent
• Activities that are not relevant to DRM/CCA were given a weight of 0 per cent (that is, removed from the analysis)

The choice of the OECD Policy marker for DRR rests on its simplicity in minimizing the weighting procedure. The purpose of this tracking exercise is not to arrive at an accurate investment amount but, rather, an approximate documentation of overall investments that address DRR directly or indirectly. Since the marker relies on subjective judgment, a list of keywords was created to minimize bias of budget analysts. Below the development of the DRR keywords is described.

KEYWORDS

To develop the list of key words for the RSBR-Ethiopia analysis, we drew from existing hazard glossaries, terminologies and various literature related to DRR. In our list, we have indicated the sources of the keywords and classified the keywords under DRR, CCA and DRR/CCA. Once the budget lines have been identified using the keywords, their description will be reviewed to determine if they are relevant for DRR in Ethiopia.

The objective of developing the list of search words was to have keywords that maximize the number of true positives they produce with the minimum number of false positives. 1 To ensure that each keyword is as closely relevant to DRR as possible and only DRR (if possible), a manual check was carried out on a small sample of financing flows. This allowed the keyword search return projects that are directly and fully relevant to DRR.

METHODOLOGICAL APPROACH FOR DEVELOPING THE KEYWORD SEARCH

The keyword search list were drawn from the following sources:
• The DesInventar Sendai list of hazards
• The UNDRR glossary
• The Technical Guidance for Monitoring and Reporting on Progress in Achieving the Global Targets of the Sendai Framework for Disaster Risk Reduction.
• The OECD proposal to establish a policy marker for disaster risk reduction (DRR) in the OECD DAC creditor reporting system (CRS)
• Development Initiative’s key search words used for its annual Global Humanitarian Assistance report
• Budget data obtained from the Ministry of Finance/National Planning and Development Commission.

To identify additional keywords that are relevant to DRM in the context of Ethiopia, the team reviewed key policy and strategy documents, including:
• The National Policy and Strategy on Disaster Risk Management, 2013, section 8, that provides a list and definition of keywords and terminologies that are related to DRR.
• We also reviewed the Disaster Risk Management Strategic Programme and Investment Framework, which outlines a number of programmes aimed at reducing disaster risks.

Also, some interventions and projects included in the budget data such as “construction and rehabilitation of dykes” to prevent flooding could be missed if the keyword search is restricted to broad terminologies such as flood control or flood risk. Accordingly, the description of programmes was reviewed in the approved budget data for key ministries and agencies such as NDRMC and Ministry of Agriculture to

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1 A true positive is when a project is classified rightly as relevant to DRR. A false positive is when a project is classified wrongly as relevant to DRR.
identify additional keywords. Compound expressions were also included as sub-categories of the words – for instance the budget lines contain “emergency preparedness”, “resilience to disasters”, “impacts of disasters” and “forest fire prevention”. Another consideration was on spelling variations in the budget data. For instance, the budget data across the years interchangeably use “productive safetynet” and “productive safety net”.

All keyword matches were conducted in lower-case letters and using both keywords that come as compound expressions, such as ‘disaster risk management’ and acronyms or initialisms such as DRR and CBDRM for community-based disaster risk management. The keyword approach uses a method known as ‘regular expressions’ to match partial and dynamic phrases in the keyword list. For example, the keyword string ‘resili’ will match all instances of both resilience and resilient. Special symbols are also used in regular expressions: for example, a period (”.”) is a wild card that matches any single character in its place. Curly brackets, which define the length of a wild card: “.\{0,1\}” matches any one or zero characters in its place.

PRACTICAL APPLICATION IN EXTERNAL RESOURCES ANALYSIS

For external-finance tracking, OECD-DAC CRS data source contains disbursements and commitments made by donor organizations. Disbursements are considered for the analysis for the following reasons:

1. More reflective of reality at a recipient level.
2. Relate to actual expenditure rather than intended expenditure.
3. Reflect the state of affairs at the time they are reported for, rather than intention for future years.

The keyword search was run on three different OECD-DAC fields – project title, short description and long description.

The analyst followed a six-steps approach for tracking investments from external financing. To identify disbursements related to DRR/CCA, the DRR and CCA markers included within the OECD-DAC CRS were used. The CCA marker is long-standing and has been employed by donors since 2010 whereas the DRR marker has only been used since 2018. Therefore, the following procedure was used to estimate DRR disbursements:

1. Using the DAC DRR marker, identify projects from 2018 – 2019 which are considered to have a principal (direct) or significant (indirect) DRR component by donors.
2. Record as DRR-relevant all projects that have been identified as DRR-relevant by donors in either 2018 or 2019 and that have started prior to those years.
3. Apply the DAC DRR marker on sectors code, which are identified as Principal by definitions, i.e. Disaster Risk Reduction (430xx) and Multi-hazard response preparedness (740xx).
4. Run a DRR keyword search on all projects but those marked under DRR. Projects which match a ‘direct’ keyword in the project title or short description are returned as “direct”. Projects which match an ‘indirect’ keyword in the project title, short description or long description or a “direct” keyword in the long description are returned as “indirect”.
5. Manually review all projects identified as direct and projects identified as indirect with disbursements over USD 1 million.
6. Manually review a further 10 per cent of the projects identified by the keyword search and classify these as ‘direct’, ‘indirect’ or ‘not relevant’.

The proportion of DRR projects identified through the keyword search that were identified as relevant for DRR also by donors is 14 per cent of projects in 2018 and 29 per cent of projects in 2019. This proportion is similar to the overall proportion of projects judged by donors using the DRR marker, in 2018, 14 per cent of disbursements increasing to 34 per cent in 2019, as explained above. This is
reassuring meaning that the keyword search has been a good proxy of donor selection and can be applied also to years prior to 2018.

CONSTANT VS CURRENT USD PRICES

To give a truer idea of the volume of international flows over time, data can be presented in constant prices and exchange rates, with a reference year specified. In the analysis, the disbursements figures are all reported as constant USD prices (reference 2019). This means that adjustment has been made to cover both inflation in the donor’s currency between the year in question and the reference year, and changes in the exchange rate between that currency and the United States dollar over the same period.

PRACTICAL APPLICATION OF SEARCH WORDS IN DOMESTIC RESOURCES ANALYSIS

In the period 2015/16 to 2019/20, there was merging of ministries, departments and agencies and establishment of new ones. Accordingly, the budgets for some programmes/projects were found in different ministries in different fiscal years. For instance, in 2015/16 (EC 2008/09) under the recurrent expenditure, the budget for the Disaster Risk Management and Food Security was in the Ministry of Agriculture. This was moved to the NDRMC from 2016/17 (EC 2009/10). The budget for the National Food Reserve Programme moved to NDRMC in 2019/20 (2012/13) following the merger of NDRMC with the Strategic Food Reserve Agency.

PRACTICAL APPLICATION OF SEARCH WORDS IN DOMESTIC RESOURCES ANALYSIS

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DESCRIPTION OF THE DOMESTIC BUDGET DATA

The Ethiopian budget document presents a comprehensive classification of capital budgets broken down by public body (budget institution), programme, sub-agency, sub-programme, and project (see table AIII.1). The budget data also indicates the sources of funding. For capital budgets, it breaks down sources by Treasury and revenue, assistance and loan. Sources were considered and not budget support. The analysis took into account budget amounts for projects identified relevant to DRR/CCA from Treasury. The actual expenditures data were not disaggregated by funding sources contrary to the approved budgets. Hence, the main analysis was done on planned expenditures to avoid double counting of external resources channelled through the Government and those presented in the CRS database. Furthermore, the available actual expenditure data lack a clear distinction between capital and recurrent expenditures.

Noting that there are variations between actual expenditure and the approved budget, an analysis of the budget execution was included, by comparing the total approved budget with the total actual expenditure for projects identified in various sectors. This comparison was possible because the project descriptions used in the approved budget data are exactly the same as those used in the actual expenditure data.

42 None of the projects identified relevant to DRM had corresponding funding from revenue, leaving us to consider only sources from the Treasury.
The approved capital budget data is disaggregated by ministry or agency, programme, sub-programme and project while the recurrent budget is disaggregated by ministry or agency, programme and sub-agency.

Table 10 Sample of Ethiopian budget data presentation

<table>
<thead>
<tr>
<th>Description</th>
<th>Source of finance</th>
<th>BIRR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Treasury</td>
<td>Revenue</td>
</tr>
<tr>
<td>200 Economy</td>
<td>43,168,081,628</td>
<td>355,000,000</td>
</tr>
<tr>
<td>210 Agricultural and Rural Development</td>
<td>2,589,770,780</td>
<td>-</td>
</tr>
<tr>
<td>211 Ministry of Agriculture and Livestock Resource</td>
<td>2,500,250,930</td>
<td>-</td>
</tr>
<tr>
<td>02 Agricultural Development</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>01 Providing Agricultural Extension Service</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>01 Agricultural Extension</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>002 Agricultural Growth Project</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>03 Natural Resource Development, Conservation and Utilization</td>
<td>3,900,000</td>
<td>-</td>
</tr>
<tr>
<td>01 Intensifying Natural Resource Development and Utilization</td>
<td>3,900,000</td>
<td>-</td>
</tr>
<tr>
<td>01 Natural Resource Development &amp; Conservation</td>
<td>3,900,000</td>
<td>-</td>
</tr>
<tr>
<td>001 Sustainable Land Use Management Project</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
The actual expenditures data were not disaggregated by funding sources contrary to the approved budgets. Hence, the main analysis was done on planned expenditures to avoid double counting of external resources channelled through the Government and those presented in the CRS database. Furthermore, the available actual expenditure data lack a clear distinction between capital and recurrent expenditures.

Noting that there are variations between actual expenditure and the approved budget, an analysis of the budget execution was included, by comparing the total approved budget with the total actual expenditure for projects identified in various sectors. This comparison was possible because the project descriptions used in the approved budget data are exactly the same as those used in the actual expenditure data.

The approved capital budget data is disaggregated by ministry or agency, programme, sub-programme and project while the recurrent budget is disaggregated by ministry or agency, programme and sub-agency.

**FOREIGN-EXCHANGE-RATE DATA**

The foreign-exchange-rate data used for this analysis were obtained from the National Bank of Ethiopia (NBE). This choice was informed by data from the National Bank, which are provided in both the Ethiopian and Gregorian calendars (fiscal years). The analysis used the annual average exchange rate for the fiscal years covered. Since the data are available up to FY2019/20, the analysis for the FY2020/21 was based on the average exchange rate for the period July 2020 to March 2021, obtained from the National Bank of Ethiopia.

**DOMESTIC-EXPENDITURE ANALYSIS**

The Federal Government’s approved capital and recurrent budget documents present disaggregated data up to the project level. While relevant budgets were identified against projects, identification precision could have been improved had the data come with budget disaggregation up to the activity level.
The capital budget data provided by the National Planning Commission/Ministry of Finance are disaggregated by source. The sources identified in the budget documents are Treasure, Revenue, Assistance and Loan. Thanks to the publicly available categorization projects that are funded through only domestic resources were separated, while for those that are funded externally the OECD-DAC CRS was used.

**CAPITAL AND RECURRENT EXPENDITURES**

The domestic resource analysis mainly focused on the capital budget earmarked for DRR/CCA-related projects in various ministries, departments and agencies. In the period 2016/17 to 2018/19, the analysis considered the recurrent budget for the National Disaster Risk Management Commission (NDRMC) and the Strategic Food Reserve Agency (SFRA). The SFRA ceased to exist in 2019/20, following its merger with NDRMC. Accordingly, for 2019/20, the analysis includes the recurrent budget for NDRMC only. For 2015/16, the analysis considered the recurrent budget for the SFRA. In addition, the analysis included the 2015/16 recurrent budget for NDRMC’s predecessor, that is, the Disaster Risk Management and Food Security programme under the Ministry of Agriculture and the National Disaster Prevention and Preparedness Fund Office. Overall, the recurrent budgets for NDRMC (including the predecessor) and SFRA were considered in the analysis since they directly support DRM activities such as providing early-warning and rapid-response services.

**SECTORAL ANALYSIS FOR DOMESTIC RESOURCES**

The analysis breaks down planned direct DRR investments by sector and key institutions that are involved in disaster risk management. Note that, the analysis considers NDRMC as a budgetary institute not as a sector on its own since a sector consists of a group of Government ministries, departments and agencies that are implementing related functions or programmes.

Ethiopia’s federal government budget is organised into 11 sectors. These are:

- Justice and Security
- General Service
- Agriculture and Rural Development
- Water Resources and Energy
- Trade and Industry
- Mines
- Transport and Communication
- Urban Development and Construction
- Education
- Culture and Sport
- Health
Apart from SFRA/NDRMC, only five of the eleven sectors had a budget earmarked for DRR-related projects. These include:

**Agriculture and Rural Development Sector**
- Ministry of Agriculture (this is the name of the ministry in 2008 and 2012)
- Ministry of Agriculture and Natural Resource - (this the name of the ministry in 2009 and 2010)
- Ministry of Agriculture and Livestock Resource (this is the name of the Ministry in 2011)
- Ministry of Livestock and Fishery Resource (this ministry existed in 2009 and 2010 only)
- Horticulture Development Agency
- The National Institute for Control and Eradication of Tsetse Fly and Trypanosomiasis
- Ethiopian Environment and Forest Research Institute
- National Artificial Insemination Centre

**Water Resources and Energy sector**
- Awash Basin Authority
- National Meteorology Agency
- Ministry of Water, Irrigation and Electricity (this is the name adopted in 2009, 2010, and 2011)
- Ministry of Water, Irrigation and Energy (this is the name adopted in 2008 and 2012)
- Rift Valley Lakes Basin Authority
- Irrigation Development Commission

**Urban Development and Construction sector**
- Ethiopian Roads Authority
- Federal Urban Job Creation and Food Security Agency

**Health**
- Ministry of Health
- Ethiopian Public Health Institute

**Education**
- Semera University

**STRATEGIC FOOD RESERVE AGENCY AND NATIONAL DISASTER RISK MANAGEMENT COMMISSION**

Using the keyword search approach, the domestic resources analysis identified 300 DRR and CCA-related projects implemented by the ministries, departments and agencies under the 11 sectors and NDRMC/SFRA between 2015/16 and 2019/20 (Table 10).
<table>
<thead>
<tr>
<th>NO</th>
<th>SECTOR</th>
<th>EARMARKED CAPITAL BUDGET</th>
<th>Number of projects that are indirect DRR-relevant (Significant)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Number of projects that are direct DRR-relevant (Principal)</td>
<td>FY2015/16  – 14</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>FY2016/17  – 15</td>
</tr>
<tr>
<td>1</td>
<td>Agricultural and Rural</td>
<td>FY2015/16  – 6</td>
<td>FY2017/18  – 12</td>
</tr>
<tr>
<td></td>
<td>Development</td>
<td>FY2016/17  – 6</td>
<td>FY2018/19  – 12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FY2017/18  – 5</td>
<td>FY2018/19  – 12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FY2018/19  – 6</td>
<td>FY2019/20  – 12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FY2019/20  – 6</td>
<td>Total = 29</td>
</tr>
<tr>
<td>2</td>
<td>Water Resources and Energy</td>
<td>FY2015/16  – 1</td>
<td>FY2015/16  – 12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FY2016/17  – 2</td>
<td>FY2016/17  – 12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FY2017/18  – 3</td>
<td>FY2017/18  – 9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FY2018/19  – 4</td>
<td>FY2018/19  – 10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FY2019/20  – 4</td>
<td>FY2019/20  – 22</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total = 14</td>
<td>Total = 66</td>
</tr>
<tr>
<td>3</td>
<td>Urban Development and</td>
<td>FY2015/16  – 2</td>
<td>FY2015/16  – 0</td>
</tr>
<tr>
<td></td>
<td>Construction</td>
<td>FY2016/17  – 2</td>
<td>FY2016/17  – 0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FY2017/18  – 2</td>
<td>FY2017/18  – 12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FY2018/19  – 2</td>
<td>FY2018/19  – 12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FY2019/20  – 2</td>
<td>FY2019/20  – 13</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total = 10</td>
<td>Total = 37</td>
</tr>
<tr>
<td>4</td>
<td>Education</td>
<td>FY2015/16  – 0</td>
<td>FY2015/16  – 0</td>
</tr>
<tr>
<td></td>
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<td>FY2017/18  – 8</td>
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<td>Total = 38</td>
<td>Total = 5</td>
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<td>6</td>
<td>NDRMC/SFRA</td>
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<td>FY2016/17  – 4</td>
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<td>FY2019/20  – 9</td>
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<td>Total = 33</td>
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COMPARING DOMESTIC PLANNED BUDGET WITH ACTUAL EXPENDITURE

In order to determine the extent to which the government invested in the DRR related projects it was necessary to compare planned with actual expenditure. However, the actual expenditure data received from the Ministry of Finance were not disaggregated by source, making it difficult to compare the planned expenditure funded by domestic public resources with the corresponding actual expenditure funded by domestic resources. Accordingly, it was only possible to compare the total planned expenditure with total actual expenditure that include both domestic and external resources.

ETHIOPIAN CALENDAR YEARS

The budget data used for this analysis was available only in Ethiopian Calendar. The Ethiopian Calendar is behind the Gregorian Calendar by seven years for the months September to December and eight years behind from January to August. Also, the country’s fiscal year begins either on July 7th or July 8th every year depending on the leap year. On the other hand, the Ethiopian New Year begins in September (either September 11th or 12th) every year. Because of such complex layers, official government documents were reviewed including annual reports from the National Bank of Ethiopia to convert Ethiopian FY in Ethiopian Calendar to FY in Gregorian Calendar. Throughout the report, the conversion method presented in Table 12 was used.

Table 12 Conversion method of Ethiopian fiscal year to Gregorian fiscal year

<table>
<thead>
<tr>
<th>Ethiopian fiscal year Ethiopian calendar</th>
<th>Fiscal year Gregorian calendar</th>
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<tbody>
<tr>
<td>July – August 2007 September – June 2008</td>
<td>2015/16</td>
</tr>
<tr>
<td>July -August 2008 September – June 2009</td>
<td>2016/17</td>
</tr>
<tr>
<td>July – August 2009 September – June 2010</td>
<td>2017/18</td>
</tr>
<tr>
<td>July -August 2010 September – June 2011</td>
<td>2018/19</td>
</tr>
<tr>
<td>July – August 2011 September – June 2012</td>
<td>2019/20</td>
</tr>
<tr>
<td>July -August 2012 September – June 2013</td>
<td>2020/21</td>
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# ANNEX IV:

## Stakeholders Consulted

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<thead>
<tr>
<th>INSTITUTION</th>
<th>SECOND NAME</th>
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<tbody>
<tr>
<td>National Disaster Risk Management Commission</td>
<td>Bekele</td>
</tr>
<tr>
<td>National Disaster Risk Management Commission</td>
<td>Abebe</td>
</tr>
<tr>
<td>Addis Ababa University</td>
<td>Ferede</td>
</tr>
<tr>
<td>EU- Strengthening Decentralization of DRM in Ethiopia,</td>
<td>Fantahun</td>
</tr>
<tr>
<td>Asian Disaster Preparedness Centre</td>
<td>Fikru</td>
</tr>
<tr>
<td>UNDP/Inclusive Growth and Sustainable Development Unit</td>
<td>Dema</td>
</tr>
<tr>
<td>Ministry of Finance/ Climate Resilient Green Economy Facility</td>
<td>Nemer</td>
</tr>
<tr>
<td>Ministry of Finance</td>
<td>Girma</td>
</tr>
<tr>
<td>Building Resilience in Ethiopia project/Ecnoserve</td>
<td>Bekele</td>
</tr>
<tr>
<td>National Planning and Development Commission</td>
<td>Fanta</td>
</tr>
</tbody>
</table>
ANNEX V

Interview Guide
For Individual Consultations

• Investment gap – Has there been costing done to operationalise the strategy?
• What are the inputs used to do annual planning?
• What informs contingency fund dedicated for DRR?
• Is there a contingency fund policy? If none, how did NPDC arrive at the below 10% of annual budget threshold?
• What is the status of operationalisation of the investment-related policy directions and strategies presented in Table 4?
• Is the draft domestic resources mobilisation for DRM finalised?
• How do we consider PSNP? As part of direct or indirect investment? How is NDRMC involved in PSNP (= only logistics- fuel, wages)
• There is disaster management fund in 2008 but it disappeared in 2009. What happened? Did it become part of the NDRMC?
• Clarification on DRR and CCA complementarity – what is the way forward for institutional coordination and partnerships?
• Budgeting by lead sectors- What is the practice vis-à-vis strategy document?
• How is NDRMC involved at Worda level? (Decentralisation)