

# Disaster Risk Financing Strategy Diagnostic

## Workshop report

### 1. Background

This report provides a summary of discussions and outcomes from the ‘Disaster Risk Financing (DRF) Diagnostic Workshop’, which was held from 2<sup>nd</sup>-3<sup>rd</sup> September 2022, in Adama, Ethiopia.

The DRF Diagnostic Workshop was facilitated by the Building Resilience in Ethiopia Technical Assistance programme (BRE-TA) in conjunction with the World Bank and was financed by FCDO and USAID. Its primary objective was to present findings from the Disaster Risk Financing Diagnostic, a key document which will inform development of the national DRF strategy (DRFS). When implemented, the DRFS is intended to ensure that the Government and its partners are better prepared to meet the financial obligations arising from disasters in a cost-effective and timely manner. A second objective of the workshop was to explore the scope and purpose of the DRFS and to present next steps for its development.

This report provides an overview of the proceedings and discussions, including outcomes and next steps. It also presents participant feedback and learning which may be useful for follow-up workshops.

### 2. Overview of proceedings and participation

A full agenda of the two-day workshop is presented Annex A. In summary:

- Following opening remarks from the State Minister of Finance for Economic Cooperation, **Day 1** concentrated on sharing draft findings from the Disaster Risk Financing Diagnostic report. Five presentations were delivered – with time for discussion and correction/validation on the findings by participants. Session 1 focused on Ethiopia’s exposure to shocks; Session 2 looked at the legal and institutional structures currently in place to support DRF initiatives. Session 3 concentrated on current risk finance instruments; Session 4 considered the role of the financial and private sector in DRF. Session 5 concluded with a summary of key findings from the diagnostic report.
- **Day 2** built on discussions from Day 1 and focused on development of the DRFS. After a recap of discussions held on Day 1, it opened with a session on the steps that will be taken to develop the DRFS. The following sessions were discussion based and focused on exploring what the purpose and scope of the DRFS could be and who needs to be involved in drafting, implementing and monitoring the DRFS.

In total, 63 people participated in the workshop (see Annex B), of which 54 joined in person and 9 virtually via zoom. This included broad-based participation from the Government of Ethiopia, representing ten institutions (Ministries of Finance; Agriculture; Planning; Urban Development and Infrastructure; Transport and Logistics; Water and Energy; Ethiopian Meteorology Institute; Addis

Ababa City Administration; Ethiopia Disaster Risk Management Commission and Agricultural Transformation Institute) and private sector (Nyala Insurance, Kifiya financial, Oromia finance, PTA Reinsurance Company, Ethiopia Insurance Corporation). In addition, there was some participation from development partners and technical assistance providers, although this was mostly limited to facilitators and presenters. At the time of writing a separate development partner feedback session is being organized for the PSNP donor working group and Drought Disaster Risk Financing Strategy design technical working group.

### 3. Discussion highlights

Discussions across the two days were rich; what follows is a presentation of highlights only.

#### *Exposure to shocks*

The first session provided information on Ethiopia's exposure to various hazards risks, noting that the economy, firms and population are extremely vulnerable to various shocks. Varying shock profiles (the frequency and severity of hazards) and impacts (socio-economic and fiscal) means that the government of Ethiopia would benefit from prioritizing its efforts, allocating resources efficiently and establishing systems before shocks take place.

Group discussion after the presentation focused on the priorities of government after a disaster and if this needed to change. Meeting humanitarian needs following disasters was noted to be a key priority, alongside supporting households and firms to be resilient to future shocks. Participants also noted the need to balance immediate needs with future needs and to consider a range of potential shocks including climatic hazards and conflict.

#### *Legal and institutional structure*

Session two focused on the current legal and institutional context for disaster response. It presented information on the current legislative foundation, budgetary processes and ministerial responsibilities after a disaster. Key findings highlighted in this session included noting that the reliability of the budget for disaster-exposed programs could be enhanced, there could be better tracking of disaster events and costs (contingent liabilities need to be explicitly assigned to responsible government agencies) and that more proactive management of budget reallocations following disasters would be prudent.

Participants noted that institutional structures and laws are in place to support any disaster response and recent changes have taken place (which should be reflected in an updated version of the Diagnostic report). Discussion after the presentation highlighted that tracking disaster expenditure (Channel 1 and 2) is not the key challenge; the major challenge is tracking and coordinating Channel 3 funds (donors, NGOs and public contributions). In relation to data, it was also noted that it is important to strengthen EDRMC's data system including incorporating information on the cost of disasters. Lastly, there was a group discussion on the contingency budget line with participants noting the value in having funds set aside annually for recurrent shocks such as droughts, but for the MoF to also have flexibility in where and how to use reserves.

#### *Risk finance instruments*

The third session of the day focused on what pre-arranged financing arrangements Ethiopia currently has access to. At present there are currently limited ex-ante instruments in use in Ethiopia. Disasters are currently financed through the contingency reserve (not ring-fenced), budget reallocations and ex-post instruments such as aid request and emergency borrowing. Moving forward it was discussed that low-medium shocks are so frequent that they are almost predictable and could be financed from the budget. Severe events currently require aid appeals but consideration of pre-arranged insurance and credit lines could reduce aid dependency. Lastly it was discussed that the chronic needs of vulnerable population could be considered more explicitly in the budget and that safety net scale-ups can be financed through DRF instruments. In designing the DRFS it was highlighted that there is a need to balance advantages and disadvantages of every DRF instrument and to include a range of instruments to meet different needs.

The discussion after the presentation focused on the strengths and weaknesses of the PSNP, the need to select finance instruments based on a sound understanding of risk and that development partners are increasingly looking to support ex-ante disaster preparations (rather than after a disaster).

### *Role of the financial and private sector*

The final technical session of Day 1 explored the role of the financial and private sector as part of the overall DRF architecture. At present Ethiopia's financial services are concentrated in urban areas leaving rural people underserved, financial institutions play a limited role in DRF and there is a low level of insurance penetration. It was however noted that there have been promising insurance initiatives for farmers and pastoralists, but schemes have to date been small-scale and inconsistent. Development of a policy on agricultural insurance would be helpful.

### *Summary of findings*

The final session of Day 1 provided an opportunity to reflect on key findings from the Diagnostic, grouped into three key areas (see Table 1 below).

Disaster-resilient PFM	Prearranged Financing	Financial Systems
<ol style="list-style-type: none"> <li>1. The reliability of the budget for disaster-exposed programs of the government could be enhanced.</li> <li>2. Contingent liabilities should be assessed alongside the responsible government agencies.</li> <li>3. Proactive management of budget reallocations would strengthen budget reprioritization. This could include investing in databases of development projects as well as shock expenses to anticipate the scale of financial needs.</li> <li>4. Strengthen tagging and tracking of post-disaster spending. At the sub-national level, the ability to track response-related spending is very low.</li> </ol>	<ol style="list-style-type: none"> <li>1. Formalize risk finance priorities and plans by formulating and adopting a Disaster Risk Finance Strategy.</li> <li>2. Continue pursuing efforts to make public programs shock-responsive, this could include the use of DRF for social protection but also other government programs that support disaster response.</li> <li>3. In preparation of a comprehensive DRF strategy, incentives created by the international community need to be recognized.</li> </ol>	<ol style="list-style-type: none"> <li>1. Assess the appropriateness of transferring disaster related contingent liabilities from the public to the private sector.</li> <li>2. Provide a clear policy on supporting agricultural insurance, clarify the regulatory and policy framework and invest more in the insurance market, and pursuing the development of an agriculture insurance program that builds on existing initiatives.</li> <li>3. Increase opportunities for households and MSMEs to access emergency finance. At the moment options to prepare and respond to shocks leveraging financial institutions are very limited. This could be mitigated by leveraging digital technologies.</li> </ol>

Source: World Bank

### *Developing Ethiopia's DRFS and defining its purpose and scope*

Following a recap of discussions from Day 1, the first session of Day 2 contained information on what a good DRFS looks like and presented ideas on how the DRFS will be developed. It is hoped that a draft strategy will be produced by early 2023 drawing upon the DRF Diagnostic findings and recommendations, consultation with other analytics/assessments where needed, and a series of meetings with stakeholder to fill gaps in knowledge/understanding and to validate sections of the strategy.

In response to the presentation, participants noted the importance of ensuring that sufficient consultation takes place throughout development of the strategy with a wide range of stakeholders and that a strong clear evidence base is utilized to draft the strategy. It was also noted that the DRF strategy drafting process will benefit from learning from international experiences (something that has been built into the drafting process) and that social and gender dynamics should be considered in the strategy.

Group work then took place to discuss what we want to achieve by having a DRFS, and to define its scope and purpose. A range of different policy priorities were highlighted by participants including a desire for the DRFS to:

- Improve the amount and timeliness of funding after a disaster
- Improve PFM practices to ensure that sufficient funds are available in a cost-effective and timely manner after a disaster
- Reduce the impact of disasters on the economy, firms and households
- Enhance understanding of the economic, fiscal and social risks of disasters
- Improve coordination and management across the country in administering financing mechanisms
- Improve the legal and institutional context for disaster response
- Support private sector financial systems to enhance households and firms' resilience to disasters

In relation to defining the scope of the DRFS, participants discussed who and what we want to protect, and what we want to protect against. All participants highlighted the importance of protecting vulnerable populations as a key priority and then government finances and households. Public assets and firms were also highlighted. At the end of this session, it was agreed that further consultation was required to further refine the purpose and scope of the DRFS.

### *DRFS stakeholders*

The last technical session of the workshop explored who should be involved in drafting the DRFS and what the most appropriate working and governance structure would be. Participants highlighted some stakeholders who should be consulted and included in a list that was presented and a discussion took place on an appropriate governance mechanism. At the end of the session, it was agreed that a Technical Committee and a Steering Committee should be created with the purpose of supporting and overseeing the drafting process. A working paper was requested to be drafted setting out the roles and responsibilities of both committees and a detailed workplan.

## 4. Feedback and learning

Table 1 below provides a summary of feedback received from the participant questionnaire, where participants were asked to grade statements on a scale from 1 (strongly disagree) to 5 (strongly agree):

**Table 1: Participant feedback responses**

Question	Mean
The Workshop over all objectives were stated clearly and met	3.9
The information and/or content were relevant and useful to the objective of the workshop	4.0
The Workshop increased my knowledge and skills on purpose of preparing DRF strategy	4.0
The workshop presentation modality was useful to understand the subject matter	4.0
Adequate time was allocated to the presentations	4.0
Adequate time was allocated to the discussion	4.1
Adequate time was provided to questions and answers	4.0
The presenters were prepared and have sufficient knowledge on the subject matter	4.0
Facilitators were helpful	4.2
Participants of the workshop were from relevant institutions and departments	4.1
Workshop equipment including the virtual communication was successful	4.0
Workshop venue and accommodation were convenient	3.4
The workshop succeeded its objectives	3.7

Overall responses were positive, with the highest marks related to the relevancy of the information, participation from relevant stakeholders and the amount of time allocated for discussion. Regarding stakeholders, facilitators noted the seniority of civil servants who attended the workshop including delivery of the opening remarks by the State Minister of Finance for Economic Cooperation. In relation to the relevance of information almost all respondents noted that all sessions were very important and useful, particularly the second day presentations and discussions which were at a more practical level.

In terms of shortcomings, respondents reported the following points for consideration when developing future workshops:

- Allocate enough time for group discussion and reflections.
- Ensure the workshop venue is convenient to accommodate group discussions, with enough space for all participants.
- Distribute all materials to participants before the workshop.

These points will be considered when developing and delivering future workshops. Respondents also noted the following points for consideration during development of the DRFS:

- Consult and involve all relevant stakeholders; ensure preparation of the DRFS is participatory.
- Share the draft DRF strategy report for an internal review before making it public.
- Review and revise the diagnostic study findings based on feedback from the workshop.
- Continue technical meetings to deepen knowledge on DRF issues.
- Ensure that findings are validated by relevant bodies before sharing it with participants.
- Provide a literature review and benchmarks on DRF strategy from other countries.
- Review existing work that relates to the DRFS and work collaboratively with EDRMC on the EWS establishment.

The DRF Diagnostic Study, presented as a draft at the workshop, will be revised based on feedback received at the workshop. Moreover, as the DRFS is developed, it has been noted that there is a strong desire for the strategy to be developed in a consultative manner, for all findings/recommendations to be thoroughly validated/considered and for time to be built into the process to deepen knowledge on the topic.

## 5. Next steps

In the closing session of the workshop a series of next steps were discussed with participants. These were:

- To update the DRF Diagnostic Report, considering feedback and discussion from the workshop (World Bank). A revised version of the report will then be shared with the Ministry of Finance.
- To continue discussions to refine the desired purpose and scope of the DRFS (BRE, through consultations with GOE)
- Conduct de-briefing with other stakeholders particularly the PSNP donor group and Drought Disaster Risk Financing Strategy Technical Working Group (BRE).
- To draft a 'working paper' outlining who will be involved in drafting the DRFS, and what governance mechanism will be established to oversee the process. (BRE, in consultation with MOF)
- To continue work in drafting the DRFS in line with the process and timeline outlined in the workshop (BRE, in consultation with GOE).



## Annex A: Agenda

### Disaster risk financing diagnostic and strategy development workshop

#### Hillside Hotel, Adama: September 2<sup>nd</sup> and 3<sup>rd</sup> 2022

The Government of Ethiopia, led by the Ministry of Finance, is developing a Disaster Risk Financing Strategy (DRFS). When implemented, the DRFS is intended to ensure that the Government and its partners are better prepared to meet the financial obligations arising from disasters in a cost-effective and timely manner. A workshop, facilitated by the BRE programmes in conjunction with the World Bank, is being held to support development of the DRFS. The objectives of the workshop are to:

- Present findings and recommendations from the Disaster Risk Financing diagnostic, a key document which will inform development of the DRFS.
- Explore the intended purpose of the DRF strategy.
- Present the proposed next steps for development of the DRF strategy.

#### Day 1 (Friday September 2<sup>nd</sup>): DRF diagnostic

Time	Activity	Institution
8:30	Registration	BRE
9:00 – 9:15	Welcome remarks and workshop overview	BRE & WB
9:15 – 9:30	Opening Remarks from government	MoF
9:30 – 10:30	Session 1: Exposure to shocks	WB
10:30 – 11:00	Tea/Coffee break	
11:00 –12:00	Session 2: Legal and Institutional structure	WB
12:00 –13:00	Session 3: Risk finance instruments ( <i>for households, firms, government</i> )	WB
1:00 – 2:30	Lunch	
2:30 – 3:30	Session 4: Role of the financial and private sector	WB & BRE
3:30 – 4:30	Session 5: Recommendations	WB
4:30 – 5:30	Discussion and wrap-up: Feedback on recommendations	WB & BRE

#### Day 2 (Saturday September 3<sup>rd</sup>): DRF strategy

Time	Activity	Institution
8:30	Registration	BRE
9:00 – 9.15	Recap of day 1 and overview of day 2	BRE
9:15 – 10.15	Developing Ethiopia's Disaster Risk Financing Strategy	BRE
10:15 – 10:45	Tea/Coffee break	
10:45 –11:45	Exploring the purpose and scope of the DRF Strategy: what do we want to achieve?	BRE
11:45 -12:30	Who needs to be involved in drafting, implementing and monitoring the DRFS?	BRE
12:30 –13:00	<ul style="list-style-type: none"> <li>• Closing remarks including summary of key messages from workshop</li> <li>• Reflections from participants on their key takeaways</li> <li>• Open discussion on questions participants are leaving with</li> </ul>	BRE

## Annex B: Participant list

No	Name	Organization	Department	Online/In person
1	H.E Semereta Sewasew	MoF	State Minister of Finance for Economic Cooperation- Ethiopia	Online
2	Hailemeleket T/Giorgis	OPM	DRF Consultant	In person
3	Melaku Kifle	MOF	Channel one Advisor to Channel One Directorate	In person
4	Tilahun Tadesse	MOF	Director General PPP	In person
5	Tadesse Bekele	EDRMC	EDRMC Advisor to the Commssionor	In person
6	Geremew Birhane	MOF	Team leader Budget Preparation and Adminstration Directorate	In person
7	Emebet Shibie	MOF	Program &Project M&E Expert	In person
8	Atalay Dereje	MOF	Fisical Policy Directorate Expert	In person
9	Mulumebet Birhanu	MOF	Advisor to the Economic Cooperation State Minster	In person
10	Bimerew Alemu	MOF	Senoir Expert Channel one Programs Coodination Directorate	In person
11	Daniel Tilahun	MOF	Team leader Public Debt Adminstration Directorate	In person
12	Meseret Abebe	OPM	DRFS Consultant	In person
13	Yonas Getahun	MOF	UN Agencies, CRGE Facility and Regional Cooperation Directorate Director	In person
14	Yared Amde	MUI	UIIDP	In person
15	Sharew Erkehun	OPM	DRF Workstream Project Manager	In person
16	Tarekegn Abera	EMI	ISOMS	In person
17	Yirgalem Eshetu	A.A.C.A.BOF	FPRS Directorate	In person
18	Zekariyas Getachew	MOA,FSCD	FSCD	In person
19	Slomon Zegeye	Nyala INSURANCE	Underwriting	In person
20	Megerssa Miressa	ZEP-RE	DRIVE	In person
21	Fisseha Mebrahtom	MOT&L	Strategic Affairs	In person
22	Giulidno Ettore	Kifiya Financial	Operation	In person
23	Tigist Shiferaw	ZEP-RE	Operation	In person
24	Lijalem Wakgari	Oromia Finance	Oromia Finance	In person
25	Bereket Fisehatsion	Ministry of Planning	Development Project Directorate Director	In person
26	Dawit Shimeles	MOF	Director Expenditure Management and Control Program	In person
27	Jonse Gedefa	MOF	Director Fiscial Policy Directorate	In person
28	Sintayehu Demissie	MOA/FSCD	Director FSCD	In person
29	Mezegebu Amha	MOF	Director, Privatiaztion and Economic Reform Office and Advisor to the State Minster	In person
30	Degu Lakew	MOF	Director Channel One Programs Coordination Directorate	In person
31	Kokeb Misrak	MOF	Director Bilateral Economic Cooperation Directorate	In person

## DRF Strategy Diagnostic: Workshop Report

No	Name	Organization	Department	Online/In person
32	Ejigayehu Belachew	MOF	State Minister Economic .Cop Officer	In person
33	Yonas Fantaye	MOF	Team leader Fiscal Policy Directorate	In person
34	Aschalew Abera	Agricultural Transformation Institute	Finance	In person
35	Sinshaw Damena	Ethiopia. Insurance Corporation	Risk Management	In person
36	Sebhatleab Amanuel	MOF	Senior Expert Channel One Programs Coordination Directorate	In person
37	Berihun W/michael	MOA/FSCD	FSCD	In person
38	Mamusha Hailu	MOWE	Office Head	In person
39	Tigist Fisseha	MOF	Advisor to the Minister	In person
40	Getnet Haile	MOF	MOF	In person
41	Marlon Rawlins	World Bank	FCI	In person
42	Abiy Wogderes	WFP	RAM	In person
43	Bisrat Teshome	World Bank	FCI	In person
44	Kiflu G.Molla	OPM	DRF	In person
45	Akloweg Nigatu	OPM	DRM	In person
46	Girma Kassa	OPM	DRM	In person
47	Fantahun Belew	OPM	DRF	In person
48	Firehiyot Handamo	OPM	DRF	In person
49	Zewdu Hailegebriel	OPM	DRF	In person
50	Teyent Tadesse	OPM	Team lead	In person
51	Alemshet Kifle	OPM	Operation	In person
52	Tsedey Ashebir	OPM	SRSN	In person
53	Bella Roman	OPM	GESI	In person
54	Anteneh Berhanu	OPM	M&E	In person
55	Alemberhan Woldegerima	OPM	SRSN	In person
56	Theodros Hailemariam Nigatu	World Bank	Senior Consultant in Social Dev't, Gender, Social Accountability, Nutrition & Grievance Redress areas	Online
57	Catherine Fitzgibbon	World Bank	Consultant at World Bank	Online
58	Charles Nyuykonge	AfDB		Online
59	Jo Kemp	BRE-TA	Consultant	Online
60	Neteru Wondwosen	MoF	Treasury Directorate	Online
61	Claire Horton	USAID-Ethiopia	Senior Disaster Risk Management Advisor	Online
62	Fred Merten	OPM	Principal Consultant- Poverty and Social protection	Online
63	Ed Barney	FCDO	Social Development Adviser	Online