

OVERVIEW

IIED Climate Change Group

Project name:

Building resilience in Ethiopia: climate-resilient development planning and budgeting

Project leader:

Sam Greene, senior researcher in IIED's Climate Change Group

Time frame:

October 2020– November 2022

Budget:

£1,011,494

Objective:

Ethiopia to lead on and deliver more effective and accountable responses to climate and humanitarian shocks

PROJECT SUMMARY

The government of Ethiopia is establishing mechanisms for financial monitoring and reporting of climate change-related investments, and developing guidelines for climate risk-informed local development planning to enhance community resilience to climate change. IIED is providing technical assistance.

KEY LESSONS LEARNT & INNOVATIONS

- Governments and donors must be pragmatic and patient in responding to challenges posed by introducing new methodologies into existing government processes. Adapting existing financial management systems helped to limit the additional administrative burden placed on finance staff.
- For local governments, the project team is piloting practical, accessible guidelines for development planning that draw upon feedback from local government staff about their needs. The guidelines explain how best to incorporate the experiences and needs voiced by local communities.

Building climate resilience in Ethiopia

Ethiopia is establishing improved climate budget tagging and local-level climate resilience planning

Ethiopia has one of Africa's largest populations but remains highly exposed to recurring crises, including escalating climate change impacts, which affect economic development, livelihoods and food security.

The government has demonstrated commitment to addressing the climate crisis and is developing more integrated systems and local institutional capacity to prepare for and manage climate impacts effectively. Ethiopia has called for financial, capacity-building and technical support to achieve its long-term climate and development objectives.

Ethiopia's government has launched the Climate Resilient Green Economy (CRGE), an ambitious strategy to guide the country towards becoming a climate-resilient, middle-income economy by 2025. The CRGE Facility accesses funds for CRGE priorities and channels them to relevant institutions for implementation.

IIED is supporting the CRGE Facility to develop mechanisms to track climate and disaster-related spending and institutionalise local climate-resilient development planning. The project is part of 'Building Resilience in Ethiopia' (BRE), funded by the UK's Foreign, Commonwealth and Development Office (FCDO) and USAID, and implemented by Oxford Policy Management.

Under the instruction of the CRGE Facility and working with our Ethiopian partner, Echnoserve, IIED is supporting work in the following areas:

- Developing guidelines for and introducing climate and disaster budget

tagging. This will enable the Ministry of Finance (MoF) and other ministries to track spending on climate adaptation, disaster preparation and response.

- Working with local governments to develop guidelines for an integrated, multi-sectoral and risk-informed local development planning process to enhance community resilience to climate change.

Tagging climate-related investment

In this part of the project, we are supporting MoF to integrate tracking of climate and disaster-related investments into its annual budgeting processes. Following extensive consultation with key stakeholders, MoF selected the Rio Markers, the methodology used by the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) to track development finance that supports climate action in developing countries.

An important consideration was that this methodology could be implemented without requiring extensive changes to existing charts of accounts. This helped to avoid placing an additional burden on finance directorates and alleviate concerns of ministry officials. The project team trialled the system with two ministries and provided training and mentoring for ministerial staff.

In September 2022, the MoF issued a directive to incorporate codes for climate budget tagging into the financial management system used by Ethiopia's sector ministries.

- Introducing new methodologies into national and local government processes takes time. Guidance needs to be appropriate to existing capacity levels. Building institutional capacity is a long-term and iterative process — not a quick fix.

PARTNERS' VIEW

“Having the locals [governments] identify the need and then implement it will build a sense of ownership, not just in the plan, but in the activities that are being implemented.”

Daniel Fikreyesus, Managing Partner, Echnoserve

“I think whatever system you try to introduce should be owned by the government itself, because unless they own it, and they appreciate how it's going to help them, whatever system you propose might not get implemented [...] Previously, just a one-off analysis has been made, etc. But now, it's about making it part and parcel of the whole system so they know its benefits [...] The setup saves a lot of energy, improves the quality of the report — that is confirmed.”

Asrat Bekele, national public financial management advisor

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Walking to collect water. The Afar region of northern Ethiopia has been suffering from recent drought.

This is a major milestone in Ethiopia's progress toward using in-depth knowledge of climate and disaster expenditure to support planning.

Climate and risk planning at the local level

Local planning and development in Ethiopia are managed by districts — or woredas — tasked with developing area-based plans and budgets in line with national targets and priorities. Woredas are therefore vital for effective implementation of government-led adaptation investments made with international climate finance mobilised by the CRGE Facility.

The CRGE Facility requested technical support to integrate climate risk considerations into development planning and budgeting by woreda authorities. The completed plans will shape woreda development strategies while also informing proposals for funding from international climate finance sources.

The Climate Smart Development Planning Guidelines developed with woredas guide them through the process of developing a comprehensive, five-year, risk-informed development plan. Writeshops with woreda staff shaped the guidelines into an easy-to-use tool accessible in Amharic and English. Drawing on locally-led adaptation principles, the guidelines include advice on low-cost, participatory approaches to integrating local knowledge into planning and on running multi-stakeholder workshops to explore climate risks, their implications and appropriate solutions.

Benefits

Climate and disaster budget tagging and tracking will make related expenditures more transparent within and beyond Ethiopia. By clarifying pre- and post-disaster expenditures, Ethiopia will

be able to articulate the case for improved anticipatory finance and a loss and damage facility. Improved estimates of domestic contribution would also help to make the case for additional funding from external sources (also known as co-financing opportunities).

The new local planning guidelines will support integration of climate risk and resilience into regular development planning. An emphasis on cross-sectoral planning and incorporating local voices will reduce the risk of maladaptation. Such planning improves the long-term value for money of woreda expenditures.

Next steps

We will support the government to further expand budget tagging to new ministries and devolve it to regional governments. Ethiopia's government will review the use of the Rio Markers at a later date.

For local government administrators and communities, partners and government counterparts will explore how to bolster existing local knowledge with climate information services.



Knowledge Products

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