



# ETHIOPIA RESILIENT RECOVERY AND RECONSTRUCTION PLANNING FRAMEWORK (2023–28) – Volume B

March 2023





# Ethiopia Resilient Recovery and Reconstruction Planning Framework (2023–28) - Volume B

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# FOREWORD

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Recovery and reconstruction following the devastating conflict of November 2020 to November 2022 will be an arduous task. *The Ethiopia Resilient Recovery and Reconstruction Planning Framework (2023–28)* is the Government of Ethiopia’s strategy that reflects on what has been lost and destroyed and presents a structured framework of how to build back better, cleaner, and smarter. The signing of the November 2022 Peace Agreement for Northern Ethiopia paves the way for an inclusive and sustainable recovery.

Complemented by Ethiopia’s *Ten Years Perspective Development Plan and A Homegrown Economic Reform Agenda: A Pathway to Prosperity*, this framework outlines a clear way forward for recovery and reconstruction by providing a common response plan to effectively meet the critical needs of the Ethiopian people. It is a ‘living’ document, to be reviewed, adapted, and updated as circumstances demand and as progress is achieved, priorities are met, and additional resources become available.

Drawing on the *Ethiopia Damage and Needs Assessment (DaNA), December 2022*, the framework aims to address not only the recovery and reconstruction needs in the conflict-affected regions, but also the overall macroeconomic issues facing the country at large. The framework is structured around three mutually reinforcing strategic objectives, which are to strengthen social cohesion and community security; restore critical infrastructure and social services; and promote economic recovery. To achieve each objective, the framework suggests concrete policy, investment, and institutional strengthening priorities sequenced over the immediate, short, and medium term.

We are aware that a good strategy alone is not enough. For this reason, significant emphasis is placed on how the reconstruction process is undertaken. Good governance, monitoring and accountability, and communication will be critical to ensure that reconstruction programs are effective and meet the demands of the people. I am proud to say that the framework lays out clear guiding principles and mechanisms that promote, among other things, transparency, inclusion, citizen engagement, an enhanced fiduciary control mechanism, and a strategic communication plan.

Given the unprecedented levels of damage and destruction inflicted by the conflict, the recovery and reconstruction will come at a significant financial cost. The framework presents our domestic and international partners with a new and innovative financing strategy. While the Government of Ethiopia is strongly committed to using federal and regional budgets as the main source of financing for reconstruction, it aspires to mobilize significant resources from the private sector and also seeks support from the international community to help address recovery and reconstruction needs. To that end, the government is ready to take the necessary steps to create an improved enabling environment for investment and business.

Furthermore, given the adverse macroeconomic impact of the conflict as well as the successive shocks of recent years, the government is working on a comprehensive set of reforms to remove macroeconomic imbalances, accelerate private sector-led growth

and job creation, and create sufficient fiscal space to support an effective recovery and reconstruction process, all of which will help ensure a sustainable and people-centered recovery. The Government of Ethiopia is determined to see our nation forge ahead toward full stability and prosperity.

I extend my sincere thanks to the many partners and individuals who have already worked tirelessly on early recovery and rehabilitation during the last several months and to all those who have supported us in addressing our humanitarian crisis during this challenging period. I want to especially thank the World Bank Group for its support in the development of this document and in coordinating valuable inputs from bilateral and multilateral agencies.

Our common objective now is to put the framework into practice quickly, efficiently, effectively, and sensitively, so that affected communities rapidly bounce back to normalcy and are resilient to future risks. Our shared aspiration is for a peaceful, inclusive, resilient, and prosperous Ethiopia.

**Ahmed Shide**, Minister of Finance of Ethiopia

# ACKNOWLEDGMENTS

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*The Ethiopia Resilient Recovery and Reconstruction Planning Framework (2023–28)* is a product of concerted effort led by the Ethiopian Ministry of Finance in partnership with federal and regional authorities. It was developed with technical support from the World Bank Group and inputs from development partners including the European Union, United Nations (UN), and bilateral agencies.

The 3RF was prepared by a multidisciplinary team steered by Tiguist Fisseha (Senior Advisor, Ministry of Finance) and Yonas Assefa (Director of UN Directorate, Ministry of Finance), under the leadership of the Minister of Finance, Ahmed Shide. The World Bank’s technical assistance was coordinated by a World Bank team led by Ko Takeuchi, Dinkneh Tefera, and Erina Iwami, which also included Benjamin Kushner, Peter Middlebrook, and Shubha Bharadwaj. Ousmane Dione, World Bank Country Director for Ethiopia, provided overall guidance and support to the coordination team.

This document was made possible thanks to the generous support from the Global Facility for Disaster Reduction and Recovery and the State and Peacebuilding Fund 2.0 Umbrella Program (SPF 2.0). SPF 2.0 is a global multidonor fund that works with partners to address the drivers and impacts of fragility, conflict, and violence and to strengthen the resilience of countries and affected populations, communities, and institutions. Administered by the World Bank, SPF 2.0 is kindly supported by Denmark, Germany, the Netherlands, Norway, Sweden, and Switzerland.



# EXECUTIVE SUMMARY

Ethiopia is emerging from one of the most devastating periods of conflict that the country has experienced in modern history.<sup>1</sup> The *Ethiopia Damage and Needs Assessment (DaNA)*, December 2022 estimates that total damages exceed US\$22.6 billion and economic losses stand at US\$6 billion as a result of multiple conflicts in Ethiopia from November 2020 to December 2021.<sup>2</sup> On November 2, 2022, the federal government and the Tigray People’s Liberation Front agreed to a permanent cessation of hostilities and signed a historic peace agreement to peacefully resolve the conflict in Tigray, ushering in new opportunities for resilient recovery and reconstruction.

*The Ethiopia Resilient Recovery and Reconstruction Planning Framework (2023–28)*—abbreviated as the 3RF—is the overarching framework for use by the Government of Ethiopia and national and international partners to plan, coordinate, finance, implement, and monitor Ethiopia’s resilient recovery and reconstruction through efficient, timely, and well-coordinated efforts with the involvement of all stakeholders and support from the international community. The 3RF is proposed for a period of five years, 2023 to 2028, and is based on the findings of the DaNA. The 3RF is intended to align with and support current and evolving national policies and frameworks, including the *Ten Years Perspective Development Plan (2021–30)* and the *2022 Ethiopia Humanitarian Response Plan*, and to aid coordination linked to the Development Partners Group structure.<sup>3</sup>

The 3RF is grounded in five key guiding principles to ensure its effectiveness, which comprise: (1) government ownership and leadership of resilient recovery and reconstruction; (2) planning and prioritization through a conflict-sensitive lens; (3) adoption of a programmatic, flexible, and adaptable process; (4) transparency and accountability through broad consultation and communication; and (5) a focus on building back cleaner, better, and smarter.

The priority needs under the 3RF are estimated at US\$19.7 billion. Of this total, US\$5,139 million (26 percent) is for early recovery (up to one year), US\$9,789 million (50 percent) is for short-term recovery (up to three years), and US\$4,681 million (24 percent) is for medium-term recovery (up to five years).

<sup>1</sup> While Ethiopia’s most destructive conflict broke out in the northern part of the country, there have been significant conflicts in other parts of the country. Although this report focuses on several conflict situations in six conflict-affected regions, the overall situation is referred to as ‘the conflict’.

<sup>2</sup> The DaNA assesses the impacts in six conflict-affected regions (Afar, Amhara, Benishangul-Gumuz, Oromia, and Tigray regions, and the Konso Zone of the Southern Nations, Nationalities, and Peoples’ Region) from November 2020 to December 2021 and covers 18 affected sectors. The damage, losses, and needs are absolute minimums given that some areas have sustained additional damage since December 2021 and owing to the ongoing nature of the conflict in some areas, in particular in the Oromia Region. It is expected that additional assessments will be conducted in specific geographic areas as and when security conditions allow, to complement the findings of the DaNA.

<sup>3</sup> The Development Partners Group (originally the Development Assistance Group) was established in 2001. It includes a high-level forum and heads of cooperation (including an executive committee) and is supported by government sector working groups and donor technical working groups. The Development Partners Group is a multistakeholder platform that brings together 30 bilateral and multilateral members to support the Government of Ethiopia to deliver on national development objectives. The group’s main purpose is to support the effective implementation of Ethiopia’s national development plans through enhanced development cooperation and constructive policy dialogue both among its members and between its members and the government.

A renewed focus on economic reforms is critical to the achievement of the three strategic objectives of the 3RF, which are as follows (with corresponding needs in parentheses):

1. Strengthen social cohesion and community security (US\$3.45 billion)
2. Restore critical infrastructure and social services (US\$6.67 billion)
3. Promote economic recovery (US\$9.48 billion)

Some of the needs contained in the DaNA will be met by current or planned government and partner funding. Any outstanding needs not covered by such funding represent a shortfall, which will be met through a combination of the: realignment of current partner funding; alignment of future partner funding; and mobilization of financing from ‘nontraditional’ sources that seek to invest in Ethiopia’s recovery. This combination constitutes a financing strategy.

Monitoring is to be established incrementally, initially by using a small number of indicators that align with established indicator matrices linked to existing policies and strategies.

Recovery and resilience needs prioritization, the rollout of the financing strategy, and the monitoring, reporting, and evaluation of the 3RF will be accommodated by institutional arrangements that will build the efficiency and coordination of the framework and ensure its strong connection to the humanitarian and national development planning processes. A clear coordination and oversight structure has been designed for the resilient recovery and reconstruction plan and process. This coordination and oversight mechanism comprises: a high-level committee; the Executive Committee for Recovery and Reconstruction; the federal-level Recovery and Reconstruction Office; and regional recovery and reconstruction offices or working groups/task forces.

All these components will be supported through a strategic communication strategy that identifies key messages, communication channels, and feedback loops to guarantee a transparent and accountable approach to the formulation and execution of communications regarding the framework.

# ABBREVIATIONS

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3RF	Ethiopia Resilient Recovery and Reconstruction Planning Framework
DaNA	(Ethiopia) Damage and Needs Assessment
ODA	official development assistance
PPP	public–private partnership
SDGs	Sustainable Development Goals
UN	United Nations





# 1. INTRODUCTION

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**Ethiopia is emerging from one of the most devastating periods of conflict that the country has experienced in modern history.**<sup>4</sup> It is facing a multitude of humanitarian and development challenges resulting from climate and economic shocks as well as multiple conflicts. Ethiopia's population of internally displaced people is one of the largest in the world, with 4.2 million people displaced across the country. The response to the country's growing humanitarian needs is being led by the Government of Ethiopia, with support from the United Nations (UN) and partners, which in January 2022 launched a Humanitarian Response Plan seeking US\$3.3 billion of assistance for 2022.

**To support conflict recovery and build resilience, the Government of Ethiopia—under the stewardship of the Ministry of Finance, and in collaboration with the World Bank, UN agencies, and other development partners—conducted the Conflict Impact Recovery and Reconstruction Planning initiative.** This culminated in two key documents: the *Ethiopia Damage and Needs Assessment (DaNA), December 2022 (Volume A)* and the *Ethiopia Resilient Recovery and Reconstruction Planning Framework (2023–28) (Volume B)*. The DaNA gauged the country's resilient recovery and reconstruction needs, while the framework sets out how to meet these needs. The DaNA involved extensive data collection, dialogue, and stakeholder consultation with nearly 300 national and international experts, and the assessment and quantification of needs across 18 sectors.

**The peace agreement signed in November 2022 is a critical step toward enabling and ensuring the effective implementation of the Ethiopia Resilient Recovery and Reconstruction Planning Framework (abbreviated as the 3RF).** The success of Ethiopia's postconflict recovery and reconstruction hinges on the fulfilment of the commitments outlined in the peace deal. Relatedly, timely and adequate recovery and reconstruction interventions will, in turn, contribute to the consolidation of peace. Following the signing of the peace agreement, humanitarian assistance is being delivered smoothly to populations affected by the conflict; basic social services, utilities, banking, and public administration have been restored in most of the conflict-affected areas; good progress has been made on the disarmament and demobilization of ex-combatants; and the National Rehabilitation Commission has been established to help reintegrate nearly 250,000 ex-combatants through skills training and job creation.

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<sup>4</sup> While Ethiopia's most destructive conflict broke out in the northern part of the country, there have been significant conflicts in other parts of the country. Although this report focuses on several conflict situations in six conflict-affected regions, the overall situation is referred to as 'the conflict'.

## 1.1 Summary of the Damage and Needs Assessment

The DaNA estimates that total damages exceed US\$22.6 billion and economic losses stand at US\$6 billion as a result of multiple conflicts in Ethiopia from November 2020 to December 2021.<sup>5</sup> Estimated needs for recovery and reconstruction total about US\$19.7 billion. Agriculture, housing, and education are the sectors with the greatest needs (table 1.1).<sup>6</sup> Conflict has also increased poverty, mainly through widespread crop and livelihood losses, the destruction of local economies, and impairment of market activities and access to services.

**TABLE 1.1. Damages, Losses, and Needs (US\$, millions), by Sector**

SECTOR	Damages (US\$, millions)	Losses (US\$, millions)	Damages and losses combined (US\$, millions)	Needs (US\$, millions)
<b>Social sectors</b>	<b>5,838.5</b>	<b>458.5</b>	<b>6,297.0</b>	<b>6,889.4</b>
Housing	2,555.2	–	2,555.2	2,671.8
Health	1,420.0	–	1,420.0	1,716.3
Education	1,736.7	4.4	1,741.1	1,951.4
Social protection and jobs	117.9	–	117.9	496.2
Cultural heritage and tourism	8.7	454.1	462.8	53.7
<b>Infrastructure sectors</b>	<b>1,873.0</b>	<b>605.5</b>	<b>2,478.4</b>	<b>2,249.4</b>
Energy	73.4	61.3	134.6	182.0
Information and communication technology	577.7	150.0	727.7	618.7
Transport	981.1	144.3	1,125.4	1,125.4
Water, sanitation, and hygiene	95.0	–	95.0	129.9
Municipal services	145.8	249.9	395.7	193.4
<b>Productive sectors</b>	<b>14,365.2</b>	<b>4,722.2</b>	<b>19,087.6</b>	<b>9,551.5</b>
Agriculture	13,010.0	3,778.8	16,788.9	8,285.3
Trade	274.1	157.3	431.4	383.6
Industrial	1,002.6	171.3	1,173.9	679.4
Financial	78.5	614.8	693.4	203.2
<b>Cross-cutting sectors</b>	<b>616.6</b>	<b>286.1</b>	<b>902.7</b>	<b>1,038.1</b>
Governance	142.6	13.1	155.7	183.1
Environment	442.2	273.0	715.2	756.7
Disaster risk management	31.8	–	31.8	39.7
Gender	–	–	–	58.6
<b>Total</b>	<b>22,693.3</b>	<b>6,072.3</b>	<b>28,765.7</b>	<b>\$ 19,728.4</b>

<sup>5</sup> The DaNA assesses the impacts in six conflict-affected regions (Afar, Amhara, Benishangul-Gumuz, Oromia, and Tigray regions, and the Konso Zone of the Southern Nations, Nationalities, and Peoples' Region) from November 2020 to December 2021. The damage, losses, and needs are absolute minimums given that some areas have sustained additional damage since December 2021 and owing to the ongoing nature of the conflict in some areas, in particular in the Oromia Region. It is expected that additional assessments will be conducted in specific geographic areas as and when security conditions allow, to complement the findings of the DaNA.

<sup>6</sup> Representing 42 percent, 14 percent, and 10 percent of the total recovery needs respectively.

**The DaNA also indicates that the conflict in northern Ethiopia has increased poverty and caused high levels of food insecurity.** Conservative simulation model-based estimates suggest that due to disruption to livelihoods, widespread crop destruction, the destruction of local economies, and impairment of market activities, as well as lack of access to services and humanitarian assistance, households in conflict-affected areas lost 23 percent and 26 percent of their incomes on average in 2020 and 2021 respectively, amounting to 53 billion Ethiopian birr in total over the two-year period. The magnitude of the estimated household income losses in conflict-affected woredas (districts) suggests that the conflict may have pushed as many as 3 million people into poverty.<sup>7</sup> The DaNA, however, provides only a snapshot in time to enable recovery investments where feasible, and recognizes that the conflict situation in Ethiopia is dynamic.

**Translating the conflict assessment analysis into action, the Government of Ethiopia has developed the present *Ethiopia Resilient Recovery and Reconstruction Planning Framework (2023–28)*,** which is intended to support Ethiopia’s progress from early recovery to longer-term resilience and disaster preparedness over the next three to five years (March 2023 to March 2028), and to enable the country to break the cycle of vulnerability and humanitarian crisis to which it has been subject in the past.

## 1.2 Alignment with Existing Policies and Strategies in Ethiopia

**The 3RF is intended to align with and support current and evolving national policies and frameworks,** including the *Ten Years Perspective Development Plan (2021–30)* and the *2022 Ethiopia Humanitarian Response Plan*, and to aid coordination linked to the Development Partners Group structure.<sup>8</sup> The 3RF will contribute to Ethiopia’s progress toward achieving the Sustainable Development Goals. Notably, the framework aligns with the *Ten Years Perspective Development Plan* policy priority to build resilience. The 3RF complements the *2022 Ethiopia Humanitarian Response Plan*, produced by the United Nations Office for the Coordination of Humanitarian Affairs, by highlighting strategies for the country to transition from its dependence on humanitarian aid.

## 1.3 Complementarity and Synergies with Ongoing Postconflict Initiatives in Ethiopia

The 3RF will build synergies with relevant initiatives that directly or indirectly complement the country’s recovery and reconstruction efforts and foster sustainable peace and stability in Ethiopia. Such initiatives include the ongoing program for the reintegration of ex-combatants led by the newly established National Rehabilitation Commission under

<sup>7</sup> Poverty is defined based on the international poverty line of US\$2.15 per person per day in purchasing power parity terms.

<sup>8</sup> The Development Partners Group (originally the Development Assistance Group) was established in 2001. It includes a high-level forum and heads of cooperation (including an executive committee) and is supported by government sector working groups and donor technical working groups. The Development Partners Group is a multistakeholder platform that brings together 30 bilateral and multilateral members to support the Government of Ethiopia to deliver on national development objectives. The group’s main purpose is to support the effective implementation of Ethiopia’s national development plans through enhanced development cooperation and constructive policy dialogue both among its members and between its members and the government.



the Ministry of Peace; the inclusive national dialogue led by the independent National Dialogue Commission to address grievances and underlying drivers of fragility to build a national consensus on a broad ranges of issues; and the ongoing work on transitional justice to ensure justice and accountability to end perpetual cycles of violence and avert impunity in Ethiopia.

## 1.4 Outline of this Document

This document leads with a **context analysis** of the multiple conflicts and displacement in Ethiopia. It then presents the 3RF, which is based on three strategic objectives and draws on the needs contained in the DaNA.

Some of these needs will be met by current or planned government and partner funding. Any outstanding needs not covered by such funding represent a shortfall, which will be met through a combination of the: (1) realignment of current partner funding; (2) alignment of future partner funding; and (3) mobilization of financing from ‘nontraditional’ sources that seek to invest in Ethiopia’s recovery. This combination constitutes a **financing strategy**.



The monitoring and reporting of results is also covered in this document. **Monitoring** is to be established incrementally, initially by using a small number of indicators that align with established indicator matrices linked to existing policies and strategies.

Recovery and resilience needs prioritization, the rollout of the financing strategy, and the monitoring, reporting, and evaluation of the 3RF will be accommodated by **institutional arrangements** that will build the efficiency and coordination of the framework and ensure its strong connection to the humanitarian and national development planning processes. All these components will be supported through a **strategic communication strategy** that identifies key messages, communication channels, and feedback loops to guarantee a transparent and accountable approach to the formulation and execution of communications regarding the framework.





## 2. CONTEXT

### 2.1 Background

**The conflict in northern Ethiopia has resulted in significant loss of life and the destruction of infrastructure and has contributed to an acute humanitarian crisis in the country.** Simmering tensions between the federal government and the regional government in Tigray (controlled by the Tigray People's Liberation Front) culminated in a military confrontation between the Tigray People's Liberation Front forces and the Ethiopian National Defense Forces in November 2020, resulting in the outbreak of conflict on an unprecedented scale. In June 2021, the conflict expanded to the neighboring Afar and Amhara regions, drawing in various other armed actors and further exacerbating the humanitarian crisis in Tigray and parts of Afar and Amhara.

The conflict has significantly increased humanitarian needs in the northern parts of the country, including by causing high levels of food insecurity.<sup>9</sup> High levels of sexual and gender-based violence have also been reported.<sup>10</sup> The conflict has also triggered the widespread forced displacement of civilians across northern Ethiopia, with more than 2.1 million people estimated to be displaced because of conflict across the three regions as at October 2021 (USAID 2022).

**The conflict situation in northern Ethiopia has been exacerbated by a proliferation of local and regional armed actors in recent years.** Other parts of the country have been affected by pockets of conflict, including the reemergence of some long-standing conflicts following the outbreak of the conflict in Tigray. Although the fighting has been concentrated in the north, violence has reemerged in Benishangul-Gumuz and western Oromia and in the Konso Zone of the Southern Nations, Nationalities, and Peoples' Region, with a spate of violent attacks causing significant civilian casualties; insecurity; destruction of critical assets, facilities, and infrastructure; and displacement.

**On November 2, 2022, the federal government and the Tigray People's Liberation Front agreed to a permanent cessation of hostilities and signed a historic peace agreement to peacefully resolve the conflict in Tigray.** Among other things, the two parties agreed to permanently cease hostilities, disarm the Tigray People's Liberation Front forces, restore federal government authority in Tigray, establish an 'inclusive' interim transitional government until a regional election can be held, restore basic services, and expedite humanitarian aid in the region.<sup>11</sup>

<sup>9</sup>An estimated 9.4 million people required humanitarian assistance in northern Ethiopia (UN 2021).

<sup>10</sup>While there is a paucity of data on sexual and gender-based violence as many instances remain unreported, according to Tigray Regional Health Bureau, 1,324 visits to hospitals across Tigray were made from November 2020 to May 22, 2021, by survivors of sexual and gender-based violence.

<sup>11</sup> To view the peace agreement, visit the Addis Standard website at <https://addisstandard.com/wp-content/uploads/2022/11/AU-led-Ethiopia-Peace-Agreement.pdf>.

## 2.2 Internal Displacement Trends

**The Displacement Tracking Matrix set up by the International Organization for Migration indicates that, as at February 2022, there were 4.51 million internally displaced people in Ethiopia, the majority of whom (over 85 percent) had been displaced by conflict.**<sup>12</sup> Drought is the second most common driver of displacement and was cited by about 9 percent of site assessment respondents. An emergency assessment conducted in June 2021 identified just over 2 million internally displaced people in Tigray alone—the vast majority of the 2.1 million people displaced by the conflict overall across the six affected regions (IOM 2021). Tigray remains the region with the most people displaced by the conflict in northern Ethiopia. Shortages in the region—particularly of fuel and cash—have made it difficult, however, for the International Organization for Migration and other actors to adequately track and respond to internal displacement trends in Tigray. Other areas beyond Tigray had to be omitted from the June 2021 assessment as they remained inaccessible, which means that aggregate figures on displacement are likely to be underestimated.

**Access restrictions, inadequate funding, and partners' limited presence have affected the humanitarian response in Benishangul-Gumuz, western Oromia, and the Konso Zone.** In 2021, many parts of the Benishangul-Gumuz Region remained out of reach for relief partners. By April 2022, thousands of people were yet to be reached with humanitarian assistance, and there is still a very high level of need in the region (OCHA 2022). Thousands of internally displaced people, mainly Gumuz people, have received no food aid, emergency health and nutrition services, shelter, or nonfood items. The situation is particularly complex in the Metekel Zone and an urgent scale-up is required to respond to the dire situation. Partners are facing major challenges in scaling up the response, however, because of a shortage of resources and limited funding.

In western Oromia, the humanitarian response has been affected by access restrictions, inadequate funding, and partners' limited presence. Owing to insecurity in the area, partners have had to restrict the humanitarian response to main roads only, away from rural areas, leaving thousands of people without assistance.

Following intercommunal violence in Konso, which displaced thousands of people in April 2022, a volatile security situation has hindered humanitarian access to the zone and prevented the delivery of critical assistance such as health services, nonfood items, shelter, and water, sanitation, and hygiene facilities. (See appendix A for a summary of drivers of fragility and sources of resilience relevant to the conflict in northern Ethiopia.)

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<sup>12</sup> The Displacement Tracking Matrix constitutes the main source of information on internal displacement trends. The matrix is informed by several data collection tools including site assessment, village assessment surveys, and event tracking systems.

**To address urgent humanitarian needs, the Government of Ethiopia has deployed resources in the conflict-affected regions with the support of the international community.** The *2022 Ethiopia Humanitarian Response Plan* identifies a total requirement of US\$3.3 billion for 2022. Since the declaration of a ‘humanitarian truce’ on March 24, 2022, to facilitate humanitarian assistance into Tigray, the humanitarian response has been scaled up to provide much-needed assistance across Tigray and also Afar and Amhara.

Despite the barriers to the humanitarian response in Benishangul-Gumuz, western Oromia, and Konso, the Government of Ethiopia is deploying all possible efforts—alongside international partners and local nongovernmental organizations—to restore essential services and provide humanitarian assistance, including food assistance, health services, water and sanitation, communications, and sexual and gender-based violence support services.





## 3. 3RF PURPOSE, SCOPE, AND GUIDING PRINCIPLES

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### 3.1 Purpose

**The purpose of the Ethiopia Resilient Recovery and Reconstruction Planning Framework (3RF)** is to enable and inform programming and financing responses by the Government of Ethiopia and international partners to the needs identified in the Ethiopia Damage and Needs Assessment (DaNA). The 3RF is the overarching framework for use by the government and national and international partners to plan, coordinate, finance, implement, and monitor Ethiopia's resilient recovery and reconstruction through efficient, timely, and well-coordinated efforts with the involvement of all stakeholders and support from the international community. The framework also outlines the overall options for implementation, financing, and strategic communication to enable these investments. All are underpinned by an institutional proposal for effective coordination and implementation oversight as the recovery and reconstruction efforts are rolled out. The 3RF is proposed for a period of five years, 2023 to 2028.

**Drawing on the findings of the comprehensive DaNA and other assessments and studies, the 3RF presents a strategic prioritization of interventions across all sectors in each of the affected regions, as well as at the federal level,** for an integrated, multisectoral recovery and reconstruction process, including broader national reforms to benefit the entire country. In doing so, the framework—which covers a time frame of three to five years—will build on ongoing humanitarian efforts and align with the national development planning process, thereby helping set Ethiopia on a trajectory toward the achievement of the Sustainable Development Goals.

The 3RF outlines three strategic imperatives that it aims to achieve: (1) a renewed social contract; (2) strengthened economic, social, and climate resilience; and (3) building back cleaner, better, and smarter. Key enablers identified for the successful implementation of the recovery and reconstruction efforts are macro-financial stability, an enabling business environment, and national security.

The 3RF aims to assist Ethiopia in achieving three central goals in response to the recent conflict:

- *People-centered recovery* that returns sustainable livelihoods to the affected populations; provides sustainable solutions for internally displaced people; improves social justice for all, including women, the poor, and other vulnerable groups; and helps restore people’s trust, improve governance, and harness the necessary conditions for reconstruction based on an inclusive approach.
- *Reconstruction of critical assets, infrastructure, and social services* to provide equal access for all to quality basic services.
- *Economic stabilization measures and interventions for boosting the investment environment* to enable sustainable economic recovery.

**The 3RF is an evolving process rather than solely a published document.** The framework presented herein reflects feedback from stakeholder consultations, which will continue as the 3RF is rolled out. Based on these consultations, the substance of the framework and its linkages with other national planning processes will be refined over time.

## 3.2 Scope

**Geographic scope:** The 3RF covers the six conflict-affected regions assessed in the DaNA, namely Afar, Amhara, and Tigray, as well as parts of Benishangul-Gumuz, Oromia, and the Southern Nations, Nationalities, and Peoples’ Region (Konso Zone). The framework also includes recovery interventions at the national/federal level.

**Temporal scope:** The framework covers the recovery and reconstruction needs identified in the DaNA for an initial five-year period, divided into three phases: (1) early recovery (up to one year); (2) short term (up to three years); and (3) medium term (up to five years).

**Sectoral scope:** The 3RF encompasses the needs of the 18 affected sectors assessed under the DaNA, namely:

- **Social sectors:** Housing; health; education; social protection and jobs; and cultural heritage and tourism
- **Infrastructure sectors:** Energy; information and communication technology; transport; water, sanitation, and hygiene; and municipal services
- **Productive sectors:** Agriculture; trade; industrial; and financial
- **Cross-cutting sectors:** Governance; environment; disaster risk management; and gender.

## 3.3 Guiding Principles

The 3RF is grounded in five key guiding principles to ensure its effectiveness, which comprise: (1) government ownership and leadership of resilient recovery and reconstruction; (2) planning and prioritization through a conflict-sensitive lens; (3) adoption of a programmatic, flexible, and adaptable process; (4) transparency and accountability through broad consultation and communication; and (5) a focus on building back cleaner, better, and smarter.



**Government ownership and leadership at all levels.** The resilient recovery and reconstruction plan and process must have the strong leadership of the federal, regional, and local governments. Government ownership and leadership at all levels are basic prerequisites for an effective recovery process. The government has ultimate responsibility in operationalizing and allocating adequate resources for the planned recovery in Ethiopia. Clearly delineating the role and responsibilities of the federal and regional governments in this process can help broaden coordination and collaboration across different levels of government. In addition, the process will also need the strong endorsement and cooperation of civil society organizations and the private sector.

**Planning and prioritization through a conflict-sensitive lens.** The resilient recovery and reconstruction plan must—under the leadership of not only the federal but also the regional level of government—recognize and address some of the underlying drivers of fragility, conflict, and violence. Building resilience into the recovery process means reconciling grievances by understanding the drivers and stressors of conflict and devising solutions to respond to other shocks, including those related to climate change, natural disasters, and health crises. This approach will help mitigate these shocks from further fueling violence or conflicts and will contribute to a more sustainable recovery process. Moreover, human rights and humanitarian principles must be upheld throughout the recovery process, in line with international, regional, and national standards. All actors involved must refrain from imposing reforms or interventions on conflict-affected communities.

**Programmatic, flexible, and adaptable process.** While noting the limited access to some conflict-affected areas owing to security concerns and the changing operating environment, continuous monitoring of conflict impacts, and periodic assessments (including by leveraging digital solutions) are required to ensure that data and analysis are regularly updated. Accordingly, the recovery approach has built-in flexibility and adaptability for the ongoing identification, prioritization, and implementation of feasible priority recovery interventions based on regular impact assessments, conducted as and when practicable. The framework will apply a responsive process that can ensure flexible and rapid financing and disbursement to accommodate changes in needs and priorities, as well as an approach that allows for scalability to accommodate future financing needs as and when they emerge.

**Transparency and accountability through broad consultation and communication.** The recovery process will aim to achieve accountability and transparency through open processes, broad-based consultations, participatory approaches, and wide dissemination of information on all aspects of the recovery process. In this regard, it is critical to develop a strategic communication strategy that promotes both citizen engagement in the recovery process and also transparency and accountability.

**Building back cleaner, better, and smarter.** The 3RF will apply to all relevant recovery and reconstruction interventions the principles of building back cleaner, better, and smarter, which refer to a range of improvements on the precrisis situation. These include: (1) the ‘right-sizing’ and ‘right-siting’ of precrisis assets and infrastructure based on current demographic needs; (2) structural improvements to infrastructure as per current sector development norms; (3) the application of improved service delivery standards as per current sector development norms; (4) investing in the human resources and skills development required to manage such improvements in infrastructure and service standards; (5) the sustainable rebuilding of lives and livelihoods, including short-term

employment generation programs complemented by skills development and incentives for small enterprise development and entrepreneurship; (6) diversification of the regional and local economies; (7) improved macroeconomic and fiscal management; and (8) climate change adaptation, climate-smart practices, and greening initiatives.

### 3.4 Structure

The 3RF structure comprises: (1) the definition of three strategic objectives for recovery and reconstruction; (2) the identification of needs, including policy, investment, and institutional strengthening priorities, drawing on the findings of the DaNA; (3) institutional and implementation arrangements; (4) a financing strategy; (5) an approach for effective and efficient monitoring and accountability; and (6) a robust communication strategy.

### 3.5 Limitations and Assumptions

#### *Limitations*

**Limited time frame:** The 3RF was prepared in an extremely tight time frame. As a ‘living’ document, however, it will continue to be refined and revised as priorities and resource needs change.

**Specificity to the northern conflict that began in November 2020:** The 3RF is limited to needs as defined in the DaNA conducted following the outbreak of the conflict in northern Ethiopia in November 2020 and spillover conflicts in other regions. As such, it does not cover recovery from other events.

**Data availability:** The 3RF is informed by the DaNA of December 2022, prioritizing the needs that the assessment identified at that time. Therefore, limitations on data availability affecting the DaNA also affect the 3RF. The DaNA addressed these limitations through the design of the assessment methodology and close cooperation among government authorities, international organizations, civil society organizations, and private sector institutions. Within the context of the 3RF, this inherent challenge will be mitigated by maintaining the framework as a living document and by updating it at critical milestones.

#### *Assumptions*

The framework is based on the following specific assumptions:

- Damages, losses, and financing needs are presented in the 3RF based on the findings of the DaNA; the National Bank of Ethiopia’s exchange rate of 49.19 Ethiopian birr per US dollar (as at December 31, 2021) is used throughout both volumes to provide sums in US dollars.
- Since the 3RF is informed by the DaNA, it is pertinent to note that the DaNA methodology was time-bound and damages, losses, and needs may be higher than reported in the DaNA. Certain areas were inaccessible during the DaNA exercise due to security concerns, while other areas experiencing prolonged clashes will have sustained additional damages since the December 2021 cutoff date of the assessment. The full extent of the damage in such areas is therefore yet to be determined.

- The geographic and sectoral scopes of the 3RF were selected based on the areas and sectors that were the focus of the DaNA—that is, those directly and most badly affected by the conflicts that occurred in Ethiopia from November 2020 to December 2021.
- The 3RF covers a time frame of five years only and therefore excludes priorities, actions, or investments for long-term resilient recovery and reconstruction in Ethiopia.





## 4. MACROECONOMIC STABILIZATION AS A FOUNDATION FOR RESILIENT RECOVERY AND RECONSTRUCTION

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Since 2020, Ethiopia has faced a perfect storm of multiple overlapping shocks that have resulted in the country's deteriorating macroeconomic situation. Shocks include the costs of the COVID-19 pandemic and response; consecutive droughts and locust invasions; domestic conflicts; the impacts of external geopolitical and economic events; and a sharp decline in external financing.

As a result of the shocks, economic growth and exports have slowed in recent years and Ethiopia's macroeconomic buffers are gradually eroding. With reduced international reserves, and as external financing needs continue to rise because of the higher cost of imported goods (especially essential commodities such as food and fuel), the need for ambitious reforms is critical to avert the risk of an external financing crisis. Ethiopia also faces the significant challenge of reversing its ongoing decline in productivity and increasing its long-term growth prospects.

Although the conflict and other successive shocks have slowed the pace of reform implementation under *A Homegrown Economic Reform Agenda: A Pathway to Prosperity and the Ten Years Perspective Development Plan*, the emergence of peace represents a significant opportunity to reinvigorate the reform agenda, restore macroeconomic stability in the short term, and accelerate reforms to support greater and more inclusive economic growth over the long term.

Achieving these objectives will be critical to the implementation of the Ethiopia Resilient Recovery and Reconstruction Planning Framework (3RF) and will require policy reforms in three priority areas: (1) the removal of macroeconomic imbalances; (2) the acceleration of private sector-led growth and job creation; and (3) the creation of sufficient fiscal space to support an effective recovery and reconstruction process, all of which will help ensure a sustainable and people-centered recovery. These reforms will require significant external support to bring about economic stabilization and could benefit from the strong support of the International Monetary Fund and other international financial institutions as well as bilateral agencies.

**Priority 1: Restoration of macroeconomic balance**

Multiple and persistent shocks have taken an immense toll on the economy. Over the last decade, large spending increases to address infrastructure gaps and stimulate growth have sharply lowered Ethiopia's fiscal and external buffers but are yet to translate into long-term economic growth and productivity gains.

These factors have slowed the pace of A Homegrown Economic Reform Agenda, an ambitious plan launched in 2019 to transform Ethiopia's economy by turning away from state-led growth and investment toward a more vibrant and private sector-driven economy. The abatement of these multiple shocks, together with the resumption of peace, provides a critical opportunity to address these macroeconomic challenges.

Restoring macroeconomic balance will require sustained efforts to remove exchange rate and other price distortions; contain inflation through fiscal and monetary restraint; and stabilize Ethiopia's external debt.

**Priority 2: Acceleration of private sector-led growth and job creation**

Reforms to restore macroeconomic balance and remove market distortions are necessary but not sufficient conditions to revive Ethiopia's long-term economic growth prospects. Ethiopia's regulatory and business environment requires significant revision and reorientation—away from policies that support state-led growth and toward a level playing field for private investment and competition. It also requires, within the economy, more openness to competition from both within and outside the country.

Reforms to improve the business and investment environment are integral to the attraction of higher levels of private investment, and especially foreign investment, which will help reinforce macroeconomic stability. These reforms will, in turn, support the private sector's transition to become Ethiopia's engine of growth, job creation, and inclusive prosperity. An inclusive growth and jobs agenda is integral to sustaining enduring peace and stability in Ethiopia.

Achieving these objectives will require greater financial sector liberalization and efforts to increase access to finance; a modern regulatory environment that supports, in all economic sectors, fair and transparent competition and competitive neutrality between state-owned and private enterprises; and the liberalization of domestic and external trade, and an accelerated process to integrate Ethiopia with global and regional trading arrangements.

**Priority 3: Creation of fiscal space for an effective recovery and reconstruction**

Although short-term macroeconomic challenges create additional fiscal constraints, there is significant room to transform the footprint of public spending to support macroeconomic stability and the transformation of Ethiopia's economy.

Significant resources are expended on highly inefficient and socially regressive purposes, with little value generated in return for that spending. Simultaneously, economic shocks alone cannot explain the precipitous decline in tax revenue collections over the last decade—a sustained effort is needed to overhaul Ethiopia’s tax policy and tax administration system to put public finances back on track. Addressing these fiscal priorities is critical to building enduring peace and providing sufficient fiscal space to finance the sizable and much-needed recovery.

Achieving these objectives will require an acceleration of state-owned enterprise and privatization reforms; the continuance of reforms to reduce inefficient subsidies in favor of more targeted social assistance for the poor; and measures to address gaps in tax policy and tax administration to increase the contribution of domestic revenues to the recovery effort.

### **Links to the three strategic objectives of the 3RF**

A renewed focus on economic reforms is critical to the achievement of the three strategic objectives of the 3RF. In the short term, macroeconomic stabilization and the creation of sufficient fiscal space are critical to the economic recovery, the restoration of infrastructure and services, and the expansion of resources to build greater social cohesion and community security. Generating an enduring impact from the 3RF beyond the short term will require a much stronger economy that is built on the expansion of private sector investments; job creation; social resilience; and the economic inclusion of excluded groups.







# 5. STRATEGIC OBJECTIVES AND PRIORITIES FOR RECOVERY AND RECONSTRUCTION

The Ethiopia Resilient Recovery and Reconstruction Planning Framework (3RF) is organized around three strategic objectives, based on input from the 18 sectors of the Ethiopia Damage and Needs Assessment (DaNA) (table 5.1). The first of these strategic objectives is to strengthen social cohesion and community security. The second is centered on restoring critical infrastructure and social services. The final strategic objective covers the promotion of economic recovery. Cross-cutting issues need to be fully integrated across all three strategic objectives.

**TABLE 5.1. Sectors Related to the Strategic Objectives**

Strategic objective	Sector
<b>Strengthen social cohesion and community security</b>	Governance
	Social protection and jobs
	Disaster risk management
	Housing
	Gender
	Water, sanitation, and hygiene
	Health
	Education
	Energy
	Information and communication technology
<b>Restore infrastructure and social services</b>	Transport
	Environment
	Municipal services
	Agriculture
	Trade
<b>Promote economic recovery</b>	Industrial
	Cultural heritage and tourism
	Financial

Source: Assessment team based on data provided by the Government of Ethiopia and partners.

The recovery and reconstruction needs and priorities under each of the three strategic objectives have been identified for each sector over the three phases of the recovery and reconstruction period. These needs and priorities cover three areas of intervention, namely: (1) policy measures; (2) investment needs; and (3) institutional strengthening interventions. Appendix B contains a detailed breakdown of needs and priorities per sector and their costs.

### *Strategic Objective 1: Strengthen social cohesion and community security*

**The recent conflict in Ethiopia has had a direct and highly negative impact on social cohesion, resilience, community security, and the rule of law.** Displacement, fear, and diminishing levels of trust are acute social problems, and conflict-related distress is widespread. While some level of social fragmentation, regional divides, and a weakening social contract between the government and citizens existed prior to the crisis, these have been exacerbated by the conflict. In many ways, Ethiopia’s preconflict fragility has been magnified by the conflict and resulting displacement.

Moreover, under conflict conditions, law enforcement agencies, security services, and justice institutions are ill-equipped to ensure respect of rights and rule of law, mitigate disputes and tensions, and address crime and violence. As the numbers of internally displaced people and their duration of stay in their host communities increase, pressure mounts on local resources, service delivery, livelihoods, governance, and security. Acute grievances, combined with inadequate mechanisms for local dispute resolution, have resulted in a growing mistrust of government and have increasingly been used as a lever of mobilization and unrest. In the absence of reconciliation and peacebuilding, the risk of renewed conflict remains—putting recovery efforts at risk.

**Strengthening the social fabric and restoring stability are critical requirements for effective and sustainable recovery.** The social cohesion, peacebuilding, and community security priorities in this regard include building trust; strengthening the resilience of displaced populations and host communities; better protecting conflict-affected populations by providing gender-based violence mitigation and support, livelihoods support, protection, and adequate social protection programs; and promoting reconciliation, peacebuilding, citizen security, and access to justice.

The government will introduce social protection and cash-for-work schemes that can target the more vulnerable segments of the affected populations, including youth and internally displaced people. Some of the recommendations should be applied at the national level to ensure that local interventions are both effective and sustainable, and to address the national impacts of the conflict.

**The total cost of the proposed social cohesion and community security interventions to meet the recovery needs under Strategic Objective 1 is estimated at almost US\$3.45 billion** (table 5.2).

**TABLE 5.2. Summary of Needs for Strategic Objective 1 (US\$, millions), by Sector and Recovery Phase**

Sector	Early recovery needs (months 0–5)	Short-term needs (months 6–24)	Medium-term needs (years 3–5)	Total costs
Governance	124.29	58.61	0.18	<b>183.08</b>
Social protection and jobs	343.51	151.61	1.10	<b>496.22</b>
Disaster risk management	19.44	11.45	7.63	<b>38.52</b>
Housing	263.44	906.15	1,502.25	<b>2,671.84</b>
Gender	10.29	23.00	25.28	<b>58.54</b>
<b>Total</b>	<b>760.97</b>	<b>1,150.82</b>	<b>1,536.44</b>	<b>3,448.20</b>

Source: Assessment team based on data provided by the Government of Ethiopia and partners.

### *Strategic Objective 2: Restore critical infrastructure and social services*

**The damages caused by the conflict to infrastructure and social services and the related losses have been significant.** The conflict has caused substantial physical damage to critical infrastructure, including for transport, energy, and telecommunications, as well as to education and health facilities. Impacts on physical infrastructure and the associated ability to provide social services include damages caused by intensive fighting and artillery usage around key facilities, the loss of facilities to armed groups, and damages to service provision and supply infrastructure that prevent services from reaching affected populations.

Furthermore, losses incurred in various subsectors include: (1) diminished output capacity due to infrastructure damage affecting revenue; (2) increased production costs and cost hikes resulting from emergency infrastructure repairs; (3) the inability to efficiently transmit and deliver services because of infrastructure damage; and (4) the reduced ability of consumers to pay for services received.

Restoration of critical infrastructure and social services will also contribute to restore and improve the social contract between the conflict-affected populations and the government, mitigating the short- and long-term effects of Ethiopia's fragility and the conflict. The sustainable restoration and improvement of critical infrastructure and social services is key to normalizing and stabilizing society in the crisis-affected areas and to creating suitable conditions for the return and repatriation of internally displaced people. Critical infrastructure and social services encompass a broad swath of public life. As such, this strategic objective has multiple linkages with the other two objectives of the 3RF, which focus on social cohesion and economic recovery.

For example, the rehabilitation and reconstruction of damaged infrastructure will provide opportunities to introduce labor-intensive construction jobs. This links with Strategic Objective 3 priorities for jump-starting local employment, particularly in the case of woreda-level and community infrastructure. Similarly, the equitable, consistent, and harmonious provision of basic services across populations of internally displaced people and their host communities will improve social cohesion. The efficient and effective

recovery of infrastructure and service delivery will not only ameliorate the suffering of affected populations but also help restore citizens' trust in the state.

In addition to 'bricks-and-mortar' damage to infrastructure and facilities, other challenges that need to be addressed include the loss of equipment, the exodus of employees, and a drop in staff skills and capacity in the regions directly affected by the conflict. Ensuring the satisfactory provision of social services in indirectly affected areas is complicated by the influx of displaced populations; in some cases, this influx is quite dramatic, requiring the expansion and adjustment of existing services to meet the additional needs.

**The total cost of the proposed interventions to restore critical infrastructure and social services to meet the recovery needs under Strategic Objective 2 is estimated at about US\$6.67 billion.** Needs are greatest for the education and health sectors (table 5.3).

**TABLE 5.3. Summary of Needs for Strategic Objective 2 (US\$, millions), by Sector and Recovery Phase**

Sector	Early recovery needs (months 0–5)	Short-term needs (months 6–24)	Medium-term needs (years 3–5)	Total costs
Water, sanitation, and hygiene	11.63	82.44	35.81	<b>129.88</b>
Health	633.30	689.86	393.19	<b>1,716.35</b>
Education	406.55	975.54	569.27	<b>1,951.36</b>
Energy	73.38	45.08	59.87	<b>178.33</b>
Information and communication technology	310.25	132.96	175.46	<b>618.67</b>
Transport	15.48	479.24	630.69	<b>1,125.41</b>
Environment	230.87	298.47	227.36	<b>756.70</b>
Municipal services	30.93	89.89	72.55	<b>193.37</b>
<b>Total</b>	<b>1,712.39</b>	<b>2,793.48</b>	<b>2,164.20</b>	<b>6,670.07</b>

Source: Assessment team based on data provided by the Government of Ethiopia and partners.

### Strategic Objective 3: Promote economic recovery

**The recent conflict has had a considerable impact on Ethiopia's economic trajectory.** The conflict has incurred a considerable economic cost for the country, worsening both livelihoods and the population's well-being. Spillover effects of the conflict have been broad-based, affecting all sectors of the economy, including agricultural and industrial activities.

The fighting directly affected businesses and farming, with direct consequences for livelihoods, living standards, and food security. In the areas most affected by the fighting, particularly in the Tigray and Amhara regions, a large share of each harvest during the period of conflict was lost owing to cumulative damages in the agricultural sector, while firms in Tigray, Amhara, and parts of Oromia have had to shut down their operations because of destruction and security issues. Impacts have also been felt by businesses outside of the conflict-affected areas.

Supply chain disruptions and conflict-related uncertainty have resulted in rapid inflation in the cost of a range of staple goods. The conflict in Ukraine has also affected food prices and flows of essential goods such as grains. In regions directly affected by the conflict in Ethiopia, the share of the population dependent on humanitarian aid has risen sharply.

The conflict has also had a substantial effect on Ethiopia's public finances. Weaker economic activity has led to lower public revenues, which, combined with the rise in military spending and the humanitarian response, has constrained public spending and widened the country's fiscal deficit.

**In the context of widespread disruption to economic activity, loss of livelihoods and employment, and a deteriorating macroeconomic environment, the 3RF proposes a multitrack approach to economic recovery.** The recovery prospects in the conflict-affected regions are closely linked to and, in turn, affect Ethiopia's broader economic challenges. Recovery efforts need to be viewed through the prism of the country's economic challenges and opportunities as well as security issues, which, unless adequately addressed, may undermine investor and consumer confidence.

More specifically, it is imperative to implement adequate macroeconomic stabilization reforms, address wider structural challenges by making the overall environment more conducive to investors, and curb widespread corruption so that public services can be delivered to citizens efficiently and cost-effectively.

This approach consists of generating short-term employment opportunities, improving productive capacities and livelihood options, strengthening local economic planning, stimulating small and medium enterprises and the private sector, facilitating the provision of financial services, and improving macroeconomic and fiscal management.

**The total cost of the proposed economic recovery interventions to meet the recovery needs under Strategic Objective 3 is estimated at about US\$9.48 billion.** Needs are greatest for the agriculture, industrial, and trade sectors (table 5.4).

**TABLE 5.4. Summary of Needs for Strategic Objective 3 (US\$, millions), by Sector and Recovery Phase**

Sector	Early recovery needs (months 0–5)	Short-term needs (months 6–24)	Medium-term needs (years 3–5)	Total costs
Agriculture	2,372.80	5,236.06	676.40	<b>8,285.26</b>
Trade	76.77	103.30	81.06	<b>261.13</b>
Industrial	149.45	325.08	204.83	<b>679.36</b>
Cultural heritage and tourism	10.47	30.70	12.53	<b>53.70</b>
Financial	56.60	140.74	5.81	<b>203.15</b>
<b>Total</b>	<b>2,666.09</b>	<b>5,835.88</b>	<b>980.63</b>	<b>9,482.60</b>

Source: Assessment team based on data provided by the Government of Ethiopia and partners.



NET WEIGHT  
GROSS WEIGHT  
TARE WEIGHT  
EXPORTER  
EJO FAMY IMPORT  
IMPORTER  
TAHINI HALBA  
COUNTRY OF ORIGIN

AYVA



## 6. INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

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As Ethiopia faces one of the largest recovery and reconstruction challenges in its modern history, the Government of Ethiopia is committed to establishing an effective, transparent, and accountable mechanism—including appropriate institutional arrangements—for an efficient recovery. In this regard, the government aspires to attract domestic and international assistance that can bolster its own resources to produce results on the ground in terms of restoring basic services and livelihoods and recovering economically from this recent shock. For an effective and efficient recovery, progressing the institutional arrangements will involve a single point of coordination and management at the federal and regional levels.

### 6.1 Goals of the Institutional Arrangements

The institutional arrangements have been guided by the following goals:

**Institutionalization of urgency:** The entire recovery effort should be guided by the ‘need for speed’ and ‘flexibility’. Most government procedures are designed for normal times and for the implementation of normal development and recurrent budgets. Given the urgent need to address the dire circumstances of those affected by the conflict, and given the scale of the impacts, the recovery program requires modified procedures and practices to meet the urgency of the recovery needs.

**Central coordination, local implementation:** Given the magnitude of the recovery effort, it is important that all levels of government build full-time teams of dedicated professionals whose sole mission is to coordinate recovery projects, financing, planning, and monitoring. This capacity will be housed in a dedicated Recovery and Reconstruction Office within the Ministry of Finance at the federal level and in closely linked recovery and reconstruction offices or working groups/task forces at the regional level. These offices/units will draw upon the best expertise in both the public and private sectors while also leveraging international technical assistance and expertise as needed.

**Establishment of a central coordinating mechanism in the form of the Ministry of Finance Recovery and Reconstruction Office:** As the recovery effort spans multiple subnational jurisdictions (that is, regions and woredas/kebeles), the need for central coordination and planning through the federal-level Recovery and Reconstruction Office is even more important. Common standards, guidelines, and policies will be put in place to ensure equitable

treatment of beneficiaries and communities across regions, so that the affected populations receive equitable benefits. With support expected from a variety of funding sources—including national and regional budgets, international financial institution funding, and bilateral funding—steps will be taken to coordinate and prioritize fund flows. Off-budget funding will be coordinated from the outset to ensure that it is channeled in a manner that reflects the larger recovery program. At the same time, the central coordination of donors through the Development Partners Group forum will allow the government to set common standards for the execution of programs in areas such as procurement, auditing, reporting, pay standards, and monitoring and evaluation procedures.

**Establishment of a regional coordination and strategic communication protocol:**

In situations where cooperation across regions is necessary, this will be facilitated by the federal-level Recovery and Reconstruction Office. A coordination and strategic communication protocol will need to be established at the subnational level (among regional offices under the Ministry of Finance and Ministry of Planning and Development) to provide vertical integration between the Recovery and Reconstruction Office and regional government stakeholders, including the new interim regional government in Tigray. A shared services arrangement could also be considered, whereby regional authorities play a lead or supporting role. For example, efficiencies may be lost if regions contract separately for similar services, driving up costs. Interregional mandates would reflect constitutional provisions and regional provisions at the zonal, woreda, and kebele levels.

**Implementation through existing government institutions as the first choice:**

Whenever possible, implementation arrangements need to respect the mandate of existing institutions. Setting up parallel structures should be avoided. Instead, existing institutions should be supported with additional capacity to satisfy the additional requirements and expectations associated with large-scale reconstruction programs.

**Capacity building in regional government:** The conflict hit local governments hardest, calling upon them to meet exceptional challenges well beyond the scope of their usual (preconflict) duties and capacities. As a result of the conflict, local governments are suffering from reduced capacity, and have lost buildings, transport, and basic equipment. On top of this, the recovery effort will require local governments to manage budgets and work programs far more significant than those for which they had responsibility prior to the conflict. Local governments will therefore need substantial additional support to implement the massive reconstruction programs necessary. The federal-level Recovery and Reconstruction Office and regional-level offices/units will provide immediate support for project preparation, implementation, and quality control at the local level.

**Establishment of third-party implementation arrangements in conflict-affected areas:**

Securing the input of the United Nations (UN) as the lead agency in delivering support in conflict-affected areas will be vital. Agreement will be based on an institutional memorandum of understanding between the parties (government and international cooperation partners) regarding individual UN agency mandates, resourcing, implementation, and reporting roles. The United Nations Resident Coordinator Office, United Nations Office for the Coordination of Humanitarian Affairs, and United Nations Development Programme would provide overall leadership. This third-party arrangement will be time-bound, geographically focused, and project-specific.

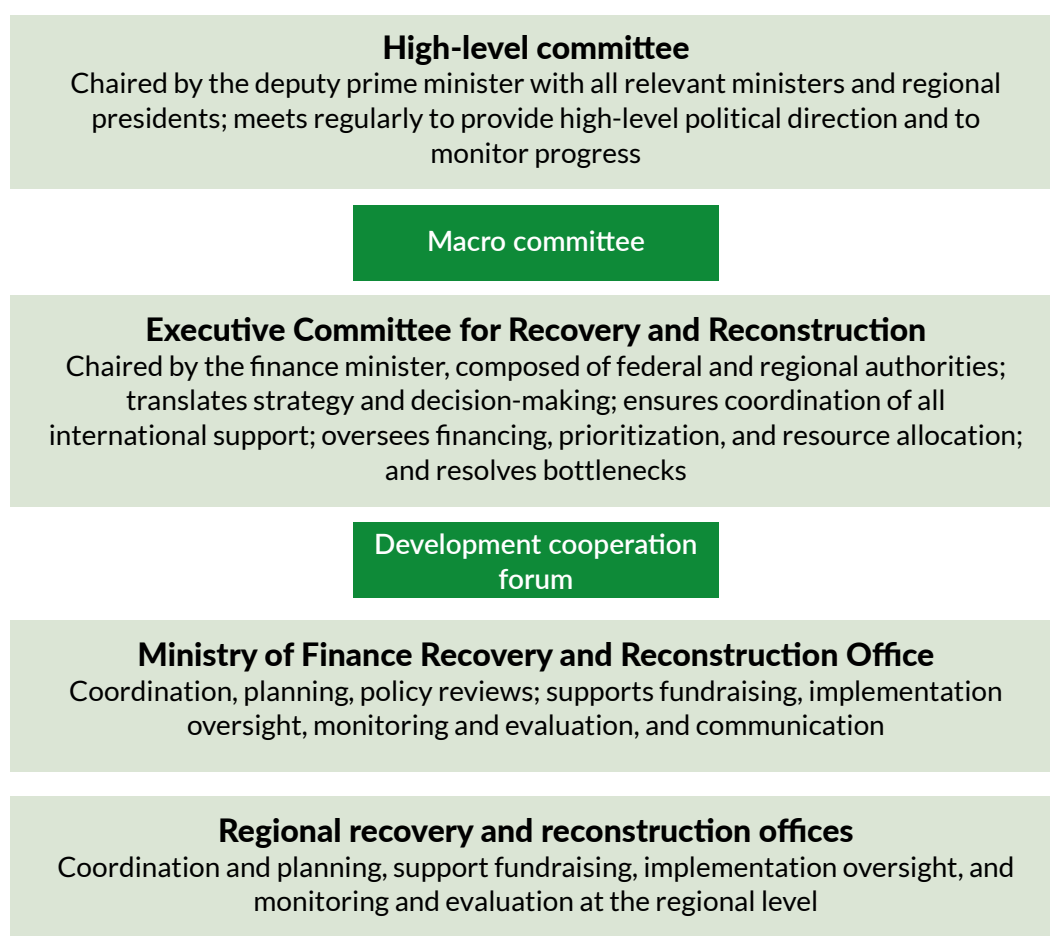


**Optimization of the use of private sector capabilities:** Private sector services and capacities will be tapped where necessary and appropriate. Some capacities required for reconstruction will be outsourced so that government institutions can continue to perform their usual operations. Outsourcing could benefit from innovative options like turnkey (design–build) and public–private partnership (PPP) models. Strict compliance with and efficient use of fast-track procurement and implementation procedures will incentivize the participation of capable and reputable consulting firms, contractors, and suppliers in the reconstruction effort.

## 6.2 Coordination and Oversight Structure

**Based on the above, a clear coordination and oversight structure has been designed for the resilient recovery and reconstruction plan and process.** This coordination and oversight mechanism comprises: (1) a high-level committee; (2) the Executive Committee for Recovery and Reconstruction; (3) the federal-level Recovery and Reconstruction Office; and (4) regional recovery and reconstruction offices or working groups/task forces (figure 6.1).

**FIGURE 6.1. Coordination and Oversight Mechanism**



Source: Original figure for this publication.

**High-level committee:** A committee chaired by the deputy prime minister and comprising all relevant ministers and regional presidents will ensure that momentum around the resilient recovery and reconstruction effort is maintained. The committee meets regularly, provides high-level political direction and guidance for the implementation of the reconstruction effort, and communicates progress to all Ethiopian citizens. A high-level meeting between the committee and representatives of the international community will take place as required to take stock of progress and results achieved.

**Executive Committee for Recovery and Reconstruction:** This executive committee will be chaired by the Minister for Finance and comprise relevant federal and regional government authorities. The executive committee will translate political direction into strategy, consultation, and decision-making. It will ensure the overall coherence of the resilient recovery and reconstruction effort and the coordination and harmonization of all international support. It will also serve as a governance and oversight structure for the financing strategy and discuss financing needs and priorities and the allocation of resources. It will constitute a forum for strategic dialogue on key reforms and help resolve bottlenecks in implementation, for example, bottlenecks related to limited regional capacities and potential access issues.

**Recovery and reconstruction offices at the federal and regional levels:** To maintain a sense of urgency during the postconflict period, dedicated offices—at the federal level, under the Ministry of Finance, and at the regional level—have been or will be established to guide the overall recovery and reconstruction process, coordinate and ensure the timely implementation of the resilient recovery and reconstruction plan, support resource mobilization efforts, communicate about all reconstruction efforts, and monitor implementation progress, while at the same time ensuring the necessary linkages to the broader national reform agenda. The exact composition of the regional-level office/unit—office, working group, or task force—will be determined by the relevant regional authority.

The roles and responsibilities of the Recovery and Reconstruction Office in the Ministry of Finance may include, but are not limited to:

- Ensuring transparency and accountability in recovery and reconstruction, and maintaining credibility among beneficiaries and donors
- Coordinating multisource funding and providing overarching guidelines
- Strategic oversight, coordination, and direction of resilient recovery and reconstruction operations
- Policy coordination and validation
- Project coordination with regions, zones, and woredas
- Support for the uptake and rollout of 3RF by federal ministries and regional authorities
- Prioritization and sequencing of assistance based not only on need, but also on capacity to deliver
- Coordination of intergovernmental and interministerial dialogue on framework priorities and delivery
- Support for resource mobilization efforts (government revenue, official development assistance, borrowing, public and private flows, and so on)

- Injection of capacity at the subnational level
- Coordination between donors/humanitarian partners and the private sector
- Monitoring of results, and reporting on results to the high-level development cooperation forum
- Guidance for the strategic communication of results, and support for the coordination of recovery efforts.

In addition, existing forums—such as the Development Partners Group—will be leveraged to promote coordination with and among development partners across all recovery and reconstruction programs. A regular forum will be convened by the executive committee to promote interaction between the federal government, the regions, and partners on implementation of the resilient recovery and reconstruction plan, performance, financing, and prospects. Local government participation in the forum will be encouraged to strengthen links between national-level oversight of the recovery and reconstruction agenda and its on-the-ground implementation.





## 7. FRAMEWORK FOR MONITORING AND ACCOUNTABILITY

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Planning and implementation of the resilient recovery and reconstruction plan will take place at multiple levels (federal, ministerial, regional, and municipal) and involve multiple government and nongovernment actors, including, among others, line departments, development partners, international nongovernmental organizations, and civil society. Accountability and transparency arrangements will therefore be critical and must be adequately resourced, particularly given the high levels of public concern about management of the resilient recovery and reconstruction process.

Drawing on the damage and costing assessment provided in the Ethiopia Damage and Needs Assessment (DaNA), the federal-level Recovery and Reconstruction Office will establish an integrated monitoring and results framework that is agile and capable of capturing strategic goals to track the progress of the resilient recovery and reconstruction plan. The monitoring and results framework can also be used to assess results and the wider economic and social impacts of recovery and reconstruction, to inform decision-making, and to communicate results to stakeholders. The monitoring will make active use of technology and engage stakeholders at different levels, involving them through feedback systems and allowing for course correction, enabling the Government of Ethiopia to be held accountable for the recovery and reconstruction. This will not only legitimize the recovery and reconstruction efforts but also increase ownership of the process and link implementation to key reform milestones. While the DaNA will not be updated in full, the government will update aspects of the assessment through subsequent data collection and monitoring.

To that end, the Government of Ethiopia will use and build on existing monitoring and evaluation platforms to track the recovery and reconstruction efforts. The Ministry of Planning and Development has established a digital monitoring and reporting system, a homegrown virtual platform that tracks implementation of the *Ten Years Perspective Development Plan*. The recently launched system, which is increasingly being used as a reporting tool by national institutions, is the backbone of the national monitoring and evaluation framework for the *Ten Years Perspective Development Plan*. The digital monitoring and reporting system is expected to serve as the engine that fosters evidence-based, results-oriented planning, and the Ethiopia Resilient Recovery and Reconstruction Planning Framework (3RF) should be integrated with this system.

**Rolling out the system will allow for the identification of areas of improvement in data accuracy and availability as well as the discovery of disaggregation gaps, and for appropriate action to be taken. It will also help improve dialogue and collaboration between the federal, regional, and woreda levels, both in the data collection, analysis, reporting, and dissemination phases, and in the planning process.** Once fully implemented, the digital monitoring and reporting system is expected to increasingly provide disaggregated data. As a result, the prioritization of needs, costings, and the establishment of the resource envelope and resource gap will be essential in prioritizing recovery and reconstruction actions under the present framework.

Moreover, working with the Ministry of Planning and Development, the reestablishment of the Ministry of Finance Effective Development Cooperation Task Force (which is currently under discussion) will be vital in setting performance baselines across the early recovery needs (up to one year), short-term needs (up to three years, marking the transition from immediate needs), and medium-term needs (up to five years, marking the return to traditional development activities).



The monitoring and reporting system will include information on the following results and activities of ministries, regions, woredas, and other public agencies:

- Financial commitments and fundraising
- Project budgets, and financial and physical progress of resilient recovery and reconstruction activities
- Indicators on the economic and social impacts of the resilient recovery and reconstruction plan, including mechanisms based on direct beneficiary feedback.



Zentop

Camel

Sanpro

Multiple boxes of medicine with labels like "Camel" and "Zentop" visible.

SCOF-DIM

Multiple boxes of medicine, including one labeled "Lipitor".



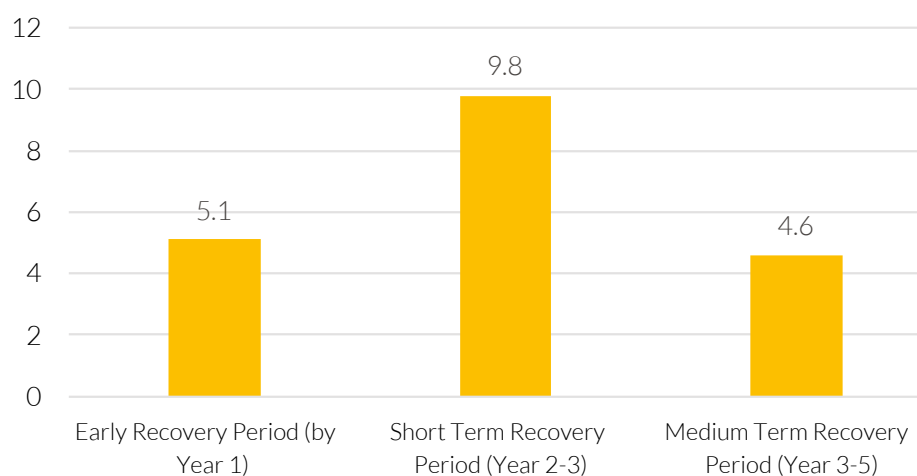


## 8. FINANCING STRATEGY

**The Ethiopia Resilient Recovery and Reconstruction Planning Framework (3RF) financing strategy has been devised to guide the identification, channeling, and management of recovery and reconstruction finances.** It aims to ensure that sufficient financial resources are made available to address clearly identified and costed resilient recovery and reconstruction needs on time, and at a price that makes sense, and it references the 'right-financing' instruments for each action. The financing strategy also gives an overview and options of where the resources will come from, how the various types of financing will complement and leverage one another, and how the use of funds will be monitored. The overall objective of the financing strategy is to ensure the most efficient use of funds over the life span of the resilient recovery and reconstruction plan, against immediate, short-term, and medium-term priorities.

**The priority needs under the 3RF are estimated at US\$19.7 billion.** Of this total, US\$5,139 million (26 percent) is for early recovery, US\$9,789 million (50 percent) is for short-term recovery, and US\$4,681 million (24 percent) is for medium-term recovery (figure 8.1). The financing strategy has been developed based upon the key guiding principles of government commitment; partnership and collaboration; adequate resource mobilization; and transparency and accountability (box 8.1).

**FIGURE 8.1. Recovery and Reconstruction Needs over Five Years (US\$, billions)**



Source: Government of Ethiopia (2022).

**BOX 8.1. Guiding Principles of the 3RF Financing Strategy**

- Demonstrate government commitment to necessary reforms to free up fiscal space and facilitate private investment for recovery needs.
- Enable strategic collaboration and more coherent dialogue on recovery and reconstruction among the government, international community, and affected populations.
- Ensure the appropriate allocation of resources through the right-financing mix and complementarity of the different types of financing.
- Promote transparency and accountability in financing. Increase the coordination of international financial support and reduce transaction costs. Ensure high fiduciary standards and sound financial management.

**8.1 Financing Needs and Sources for Efficient Recovery and Reconstruction**

**Financing the resilient recovery and reconstruction plan over the next five years will require considerable financing support from government, international partners, and the private sector, particularly given the many other priorities and worsening macroeconomic and fiscal outlook.** The compound effect of the recent multiple shocks in Ethiopia—the conflict combined with the COVID-19 pandemic, consecutive droughts and locust invasions, ongoing external geopolitical and economic events, and the decline in external financing—has exacerbated the scale and intensity of the country’s economic issues.

The conflict has affected economic activity in all sectors including the agriculture, industrial, and municipal services sectors. In 2022, losses in tax revenue due to reduced economic activities—an estimated revenue shortfall of 40 billion birr—were made worse by increased public spending for the humanitarian response. The fiscal deficit was estimated to widen in 2021/22 to 4 percent (from 2.3 percent in 2020/21). The net inflow of loans to the public sector (including to state-owned enterprises), which was US\$1.9 billion in 2019/20, significantly declined in the first half of 2020/21 and turned negative as of the second half of that fiscal year.

**Despite the many constraints, Ethiopia mobilized significant domestic resources to fund immediate relief and early recovery activities as well as the restoration of critical utility infrastructure.** The government will remain the anchor investor in recovery and reconstruction, albeit supported by international financial institutions and official development assistance (ODA) partners. Since the beginning of the conflict, the federal and regional governments have been actively reprioritizing spending under existing projects, have repurposed project budgets, and have allocated additional budget to address immediate relief and early recovery.<sup>13</sup>

<sup>13</sup> The Ethiopia national budget for 2021/22 stood at more than US\$10.6 billion, nearly 78 percent of which was financed from domestic sources (65.7 percent from domestic revenue and 11.9 percent from domestic loans), with the balance of just over 22 percent financed by external assistance (12.3 percent) and external loans (10.1 percent). The Government of Ethiopia has allocated 20 million birr in 2022/23 for recovery.

The reallocation of domestic resources is being coupled with measures to enhance revenue generation where possible and to improve efficiency in the use of public resources. Furthermore, multilateral and bilateral development partners have similarly reoriented ongoing projects to finance the humanitarian response. Though net annual ODA to the country has ranged from US\$4.9 billion to US\$5.4 billion in recent years, a large percentage of these flows is not immediately fungible to sector-based investment, particular recovery. While efforts to raise domestic resources and project reprogramming will continue, financing the 3RF will require mobilization of unprecedented resources over the course of the coming years.

**With Ethiopia facing a recovery and reconstruction cost of almost US\$20 billion over five years, and a widening fiscal and budget deficit (-4 percent in 2022, according to the Ministry of Finance), options for implementation of the 3RF will need to link with the framework’s overall financing strategy and involve mobilizing alternatives to government financing.** The total cost of recovery is presently around 17 percent of gross domestic product, which could increase to 20 percent once additional assessments are conducted in geographic areas not previously covered. Table 8.1 provides the sector-by-sector cost breakdown emerging from the Ethiopia Damage and Needs Assessment (DaNA); the needs figures exclude economic losses, which, in many cases, cannot be financed or compensated.

**TABLE 8.1. Consolidated Damages, Losses, and Total Financing Needs (US\$, millions)**

Sectors	Damage costs	Losses	Damages and losses combined	Reconstruction needs
	(US\$, millions)	(US\$, millions)	(US\$, millions)	(US\$, millions)
Social sectors	5,838.5	458.5	6,297.0	6,889.4
Productive sectors	14,365.2	4,722.3	19,087.6	9,551.4
Infrastructure sectors	1,873.0	605.5	2,478.4	2,249.3
Cross-cutting sectors	616.5	286.1	902.6	1,038.0
<b>Total</b>	<b>22,693.2</b>	<b>6,072.4</b>	<b>28,765.6</b>	<b>19,728.1</b>

Source: Assessment team based on data provided by the Government of Ethiopia and partners.

While Ethiopia has already taken major steps to address immediate needs and is committed to continue to mobilize its own resources for medium- and long-term recovery, the recovery needs are of a magnitude that calls for international and bilateral partners to generously contribute toward achieving the 3RF objectives. Resource mobilization will leverage international development assistance, bilateral financing, green financing, and private sector funding to complement the existing committed government financing. In terms of international financing, the emphasis will be on concessional and grant financing, to complement the domestic and private sector resources that will drive the recovery and reconstruction programs under the 3RF. Moreover, in addition to the cost of addressing Ethiopia’s unmet recovery and reconstruction needs, operationalization of the framework through the proposed institutional arrangements will also require funding, to boost installed delivery capacities, particularly at the regional level.

**The widespread damages and large reconstruction needs will require mobilization of a mix of public and private resources, including through public–private partnerships (PPPs).** From a financing point of view, many of the affected sectors will be financed as

public goods and are not particularly amenable to crowding in private finance (for example, social protection and jobs). Other sectors, however, have good prospects for crowding in private capital if ‘right-financing’ instruments and tax and nontax incentives are provided (for example, sectors related to infrastructure, value chain development, livelihoods, and industry). Given that a significant proportion of the damage costs and substantial economic losses have already been borne by the private sector (households, micro and small businesses, and financial markets), with much of this unlikely to be compensated, markets will continue to play their role in financing recovery. Given the potential for using the 3RF to usher in more catalytic financing modalities, including private capital, the private sector will also be mobilized as a critical source of capital where it makes sense to do so (for example, for energy provision through independent power purchase agreements).

**While crowding in and de-risking private capital will face challenges, the reality is that innovative and sustainable financing instruments are now needed to complement public financing.** One of the most resilient areas that the framework can promote is the strengthening and deepening of financial markets through the introduction of new financial instruments and mechanisms. Not only can blended financing assist in de-risking private capital, but it also incentivizes new investments and improves impact and performance, as well as investment leverage.

Blended financing beyond traditional PPPs should consider deploying catalytic first-loss capital, guarantees, and risk transfers, as well as other instruments. Use of many of these instruments will need to be carefully considered given the relative shallowness of financial and capital markets, and, in turn, a range of thematic bonds could be issued against critical infrastructure needs. Climate finance beyond the vertical funds can also be developed alongside carbon markets, which will be needed as offtake and credit tools, as part of the build back better agenda.

**International partners’ ODA flows will be critical to match government funds.** Outside of government-financed expenditure programs, the contribution of international partners (including international financial institutions) will be vital to finance the considerable resource gap. International partners’ flows remain considerable and will be essential to fund the implementation of the framework. Of the total development assistance channeled through the government in 2021 (US\$3 billion), US\$1.14 billion (38 percent) was channeled through the treasury. This represents a 56 percent decline in disbursement through the treasury compared with the previous year—with the decline a result of the conflict in the north of the country. Of the total disbursement channeled through the treasury, US\$328.5 million (10.9 percent) was for the government COVID-19 response, with funds provided by Germany (US\$121.1 million), the African Development Bank (US\$167.4 million), and the Korea International Cooperation Agency (US\$40 million). A further US\$871.3 million (29 percent) was for 19 Channel 1 programs.

**Nongovernmental organizations will need to play a key role in service delivery, particularly in conflict-affected areas, where a more independent delivery arrangement is likely necessary.** Not only do many nongovernmental organizations bring in their own resources, but the most established agencies also have strong local networks that can be used to scale engagement and increase ownership by local communities.

**The Ministry of Finance Recovery and Reconstruction Office, working with the ministry’s Economic Cooperation department, will assume responsibility for resource**

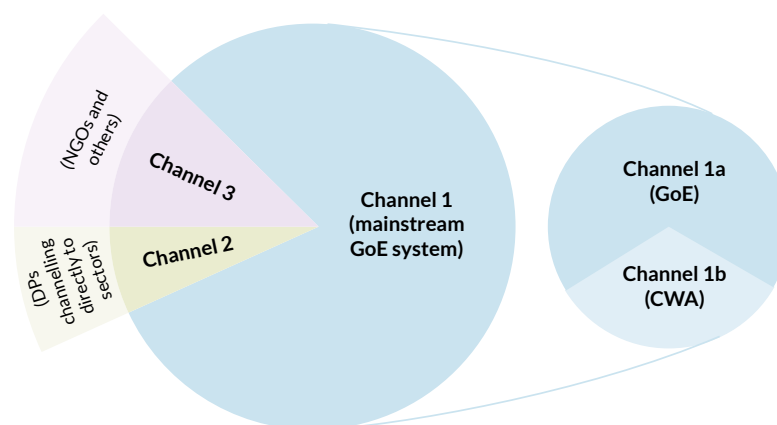
**mobilization against an annual work plan for prioritized investments and annual targets.** This will be based on an assessment of government revenue and budgetary allocations, as well as an assessment of international partner commitments to specific priorities.

## 8.2 Finance Channeling Modalities

**The 3RF financing strategy considers the different characteristics of each financing source and seeks to coordinate all types of financing modalities through on- and off-budget mechanisms.** While several factors will shape and frame the 3RF implementation and finance channeling modalities, the starting point for implementation of the framework is working through the existing three channels according to the optimal approach, and depending on sectoral spending needs, the status of the conflict at the time of making commitments, and the bilateral interests of cooperation partners.<sup>14</sup>

Wherever possible, the use of government processes, systems, and entities is encouraged. On-budget financing should be prioritized, and the cost of implementation should be given due consideration when choosing the implementing agency. Global reconstruction experience demonstrates that finances are better leveraged, and provide better value for money, when coordinated under government leadership and implemented using the principle of subsidiarity—that is, implemented at the lowest logical level of governance. The use of international funds will be decided through forums that bring together federal and provincial governments. Figure 8.2 shows the different channels through which financing can be directed to activities on the ground, including pooled mechanisms for on- and off-budget financing, including from private donors.

**FIGURE 8.2. Fund Flow Arrangements**



Source: Open University, World Vision Ethiopia, and UNICEF (2016).

Note: CWA: Consolidated WASH Account; DPs: development partners; GoE: Government of Ethiopia; NGOs: nongovernmental organizations.

<sup>14</sup> The current public finance management delineation comprises Channel 1—direct budget support to sectors through the treasury system; Channel 2—support channeled directly to sectors by international partners; and Channel 3—support to national and international nongovernmental organizations. The Ministry of Finance will therefore lead on financial flows through Channel 1, while international partners will determine whether to provide budget support through Channel 1, or to provide support to the sectors or partners through Channel 2, based on each individual agency’s engagement policy. Channel 3 would be the channel for any UN agency-led action. The Ministry of Finance will oversee sectoral and regional allocations and provide up-to-date information on ODA flows to resilient recovery priorities.

**A central rationale for the use of Channel 1 and Channel 2 public investment programs is to bolster government capacity using government systems, both to strengthen the social contract and reduce the risk of creating parallel delivery arrangements.**

A financing modality encompassing government disbursement, implementation, and monitoring and evaluation systems will be considered the preferred modality, assuming that transparency and accountability are not compromised.

**In considering the most appropriate new financing instruments to be deployed in support of the framework, it is necessary to identify the right-financing solution for each specific problem** (table 8.2). ‘Right-financing’ is an approach devised by the Organisation for Economic Co-operation and Development for security sector governance, but also used by the United Nations Development Programme in support of implementing the 2030 Agenda for Sustainable Development.<sup>15</sup> This approach focuses on identifying the optimal financing instrument, modality, and partnerships for a given purpose, noting that it is neither necessary nor desirable for the national budget to seek to finance all sustainability solutions in full when public funds can be used to leverage greater resources and reduce risks for private capital investment.

**TABLE 8.2.** Right-Financing Options for the 3RF

Right-financing pillar	Objective	Considerations
Improved Investment Prioritization	Identify the optimal sequence of activities for a given investment over the medium term, linked to the medium-term expenditure planning framework.	Based on fiscal space analysis and government policy priorities, prioritize the Sustainable Development Goals (SDGs) and targets by their level of urgency and their impact on the principles of ‘leaving no one behind’ or ‘building back better’.
Most Optimal Source of Financing	Identify the most strategically advantageous source of financing for the proposed bankable investment, crowding in private capital wherever feasible and desirable.	Consider integrated solutions from domestic public, domestic private, international public, and international private financing to implement a new taxonomy in national investment.
Preferred Modality and Partnerships	Identify the preferred financing modality and strategic partnerships for the intended investment based on a ranking of variants.	Evolve expansive national sustainable financing and public–private partnership taxonomies to lay the foundation for an expansion of existing as well as new and hybrid instruments and partnerships.

<sup>15</sup> For more on the right-financing approach, see the *OECD DAC Handbook on Security System Reform (SSR)*, available at <https://issat.dcaf.ch/download/478/3015/OECD%20DAC%20Handbook%20on%20SSR.pdf>; and *Budgeting for the SDGs: A Modular Handbook*, available at <https://sdgfinance.undp.org/sites/default/files/B4SDGs%20ModularHandbook.pdf>.

Right-financing pillar	Objective	Considerations
A Focus on Sustainability Financing	Consider the sustainability of the proposed investment, including financing costs, associated level of risk, long-term operations and maintained costs, and social, gender, and environmental multipliers.	Consider the long-term sustainability of the investment once project funds are withdrawn. This would include consideration of project governance, operating costs, revenues, social cost-benefit analysis, and net present value analysis as appropriate, as well as a transition to green and brown budgeting.
Monitoring Investment Policy Impact	Establish output, outcome, and impact indicators for the investment, so that its impact can be assessed.	Link goals, outcomes, and outputs to the national budget process, allowing SDG investment impacts to be clearly established and the SDG Dashboard to be updated based on empirical information.

Source: UNDP (2022).

### 8.3 Layered Financing Considerations

**When it comes to layering and sequencing sources of finance, it is important to assess the costs and benefits and disbursement time of any single financing instrument compared to another.** The aim is for the Recovery and Reconstruction Office to consider various financing instruments to address the specific needs of each sector investment. Such an approach would allow the Government of Ethiopia to mobilize national reserves, budget contingencies, budget reallocations, loans, and ODA to meet specific actions. In layering a variety of financing instruments (government funding, grants, and concessional loans, for example) the Recovery and Reconstruction Office will need to consider the cost of capital, cost multipliers, ability to scale, and disbursement periods for each instrument.

**The government will aim to combine different instruments to finance existing costs incurred by the conflict.** Such layering of financing ensures that cheaper sources of money are used first for recovery, with the more expensive instruments retained for reconstruction. In layering a variety of resources to support recovery and reconstruction, the following considerations are made:

- *Rapid liquidity considerations.* The need for rapid disbursement and for scalability is critical, as is the certainty of delivery at a time that makes sense. It is quicker to mobilize government revenue and donor grants than to spend 12 to 18 months developing complex PPPs and blended financing solutions, so this issue of rapid liquidity will be critical to meet financing needs in the immediate, short, and medium term.
- *Cost considerations.* To a government, international humanitarian aid and grant-based ODA are the cheapest sources of financing, yet they may also be unpredictable and are frequently provided far too late, for example, to meet immediate recovery needs. External emergency

loans are slow to disburse and their cost, even if concessionary, affects a government's overall fiscal and debt sustainability. Where market-based solutions can be applied—particularly for traditional and parametric insurance to support social protection—the costs are borne by the private sector, thus saving public funds. Where government insurance schemes can also be scaled, provision can be costly. With borrowing becoming more expensive because of global credit tightening, the cost of borrowing for critical infrastructure investments will need to be carefully negotiated, and ideally include a strong grant component.

- *Opportunity cost considerations.* The use of budget reallocations—as occurred widely during national COVID-19 economic recovery measures and to respond to food and energy price inflation caused by the war in Ukraine—has undermined the fiscal space, thereby limiting the government's capacity to adequately respond to the significant recovery and reconstruction needs. The repurposing of ODA also has an opportunity cost, as do time delays caused by slow sourcing or disbursement.
- *Investment phasing.* Recovery and resilience processes overlap, and it is therefore critical to ensure that careful consideration is given to the entire sequence of financing across any continuum, as well as to the activities that are selected to build back better, cleaner, and smarter. Often, financing for recovery is quickly mobilized whereas funding for reconstruction falls short of needs, implying the opposite of building back better, cleaner, and smarter.
- *From funding to financing.* A shift from funding to financing entails development of the capacity to influence different sources of public, private, domestic, and international finance to achieve collective, transformative, and sustainable development results. The central element of this new approach reflects a move away from domestic public and international spending (ODA/ other official flows) to improve coordination with domestic and international private capital. The shift seeks to increase the role played by private capital investment. In layering different financing instruments—and with the Government of Ethiopia expressing interest in undertaking a development finance assessment—there is potential to rely increasingly on private flows, particularly over the medium term.



## **8.4 Procurement Procedures, and Auditing and Monitoring Oversight**

Implementation modalities of the 3RF will require existing project approval and procurement, reporting, and staffing procedures to be reviewed and simplified to meet the critical response requirements of the recovery process. The lead implementation partners, along with relevant departments at the federal and regional levels, will work together to develop 3RF-specific and simplified procurement procedures and processes across all sectors and entities for more rapid implementation of the 3RF.

Auditing, monitoring, and oversight of the 3RF implementation will take place at multiple levels and will be adapted to the nature of the activities. The recovery effort requires enhanced fiduciary safeguards and risk mitigation measures, including internal controls and external audits. Various existing avenues for internal control will be employed in an integrated and comprehensive manner to ensure that the funds are being allocated, spent, and reported in a judicious manner. The Office of the Federal Auditor General of Ethiopia and regional-level auditing systems will be deployed to audit all 3RF programs and projects that are/will be channeled through the budget systems.





# 9. STRATEGIC COMMUNICATION STRATEGY

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**The objective of communications and outreach efforts linked to the Ethiopia Resilient Recovery and Reconstruction Planning Framework (3RF) will be primarily to support the framework’s implementation.** Efforts will be made to communicate not only internally within the Government of Ethiopia and with international partners, but also—and, indeed, in particular—with the regions, zones, and woredas and the private sector.

Lessons learned from other operational contexts demonstrate the importance of targeting all key stakeholders with strategic communications, using various media channels (including broadcast and social media), employing key messages that: (1) affect information and data availability for decision-making; (2) increase awareness; (3) link to feedback loops to improve the monitoring of outcomes; and (4) contribute toward outreach to assist in the effective monitoring and evaluation of impact.

Applying the strategic communication strategy of the 3RF will therefore:

- Send a strong and consistent signal that integrating the framework (at all levels, from the federal and regional levels to the community level) in all aspects of resilient recovery and reconstruction planning can have a positive impact on engagement objectives, resulting in a framework-informed recovery and reconstruction process and long-term pathways to resilience
- Showcase the unique role of the 3RF in strengthening capacity to support subnational authorities and local communities in implementing sector investments
- Create recognition and awareness of the main aims of the framework as the basis for strengthening strategic partnerships
- Develop and disseminate stories of success, particularly those that can put a human face to the positive impacts of engagement and more resilient policies; that highlight results; and that enhance awareness among stakeholders as to how the 3RF works
- Link to community voices as part of the qualitative and quantitative monitoring process undertaken by the Ministry of Planning and Development
- Create visibility of the framework among donors and partners.

**A strategic communication plan could usefully be developed.** This will guide internal communications to government staff and representatives of the international community and partners; external communications to various stakeholders (including at the national, regional, woreda, and community levels) and the general public; branding and image building; reputational management and crisis communications; public relations and advocacy; partnership development; and the strengthening of networks with various bodies, including Ethiopia’s state media channels, United Nations (UN) outlets, and independent media.

In strengthening communications, the Ministry of Finance, Ministry of Planning and Development, and Development Partners Group members will actively use media tools and outlets to engage partners, beneficiaries, and stakeholders with a view to seeking their collaboration on the 3RF.

Top-line key messages to be disseminated under the strategic communication strategy:

- The Ethiopia Resilient Recovery and Reconstruction Planning Framework (3RF) is the Government of Ethiopia’s response to multiple overlapping shocks (and resulting crises), which seeks to reduce vulnerability and strengthen the resilience of households, communities, and institutions.
- Drawing on the Ethiopia Damage and Needs Assessment (DaNA) of late 2022, the 3RF—through an evidence-based process involving both the federal and regional governments—has identified US\$19.7 billion in recovery and reconstruction needs. These needs must be further prioritized, and financial support provided to enable Ethiopia’s recovery in the short to medium term, to build resilience in the medium to long term, and to equip the country with the means to better predict, prevent, and respond to future conflict- and climate-related shocks.
- The framework should be used to influence development partner decisions regarding future funding pipelines and to ensure that future development partner programming aligns explicitly with Ethiopia’s recovery and reconstruction needs.
- The government should integrate 3RF priority needs within the context of the *Ten Years Perspective Development Plan*, the *Three-Year Economic Recovery Plan*, and the new structure of the Development Partners Group that guides the sector working groups.
- The government and its development partners must now seek to further accelerate the implementation of the framework priorities through a set of measures that will be operationalized via institutional arrangements that build on existing government and cooperation structures.
- Innovative financing approaches are being devised that will match development partner funding with private capital investment finance and thereby further accelerate economic diversification and progress toward meeting the country’s larger-scale needs.
- Regional- and woreda-level capacities must be built to enable the local programming of smaller-scale 3RF priority interventions, and to match these with available sources of government and development partner funding.
- Starting at the federal level, further capacity development is required to allow government to predict, prevent, and respond to future conflict- and climate-

related shocks.

- The outcomes of these measures will include: (1) greater ease of alignment of Ethiopia’s development resources with the most urgent recovery needs; (2) a reduction in the scale of Ethiopia’s humanitarian needs; and (3) greater national, local, and household capacities to cope with and respond to future conflict- and climate-related shocks to which Ethiopia may be exposed.
- The government is committed to acting quickly to establish the institutional arrangements and partnerships that will allow these measures to be put in place. Doing so will help equip Ethiopia with the means to overcome the challenges of its

# APPENDIX A. FACTORS UNDERLYING THE CRISIS: DRIVERS OF FRAGILITY AND SOURCES OF RESILIENCE

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harsh and unpredictable climate and drivers of fragility, conflict, and violence. Situations of fragility, conflict, and violence in Ethiopia have historically been driven by various structural and nonstructural factors, which were significantly exacerbated during the most recent conflict in the north of the country.

## **Drivers of fragility**

Below is an overview of some of the relevant drivers of fragility. These drivers are interconnected and can often reinforce one another.

**Contestation over the constitutional framework of governance** is a source of grievances and fragility in the country. The ethno-federal system formally adopted in 1995 has been increasingly contested by ethno-regional groups who believe it has curtailed their autonomy, and by other political actors who have contested the legitimacy of ethno-federalism as an organizing principle.

**Disputes over scarce natural resources such as land and water** have been a source of violence and displacement across Ethiopia. Historical competition over natural resources has further intensified with political and ethnic undertones. A lack of clear dispute settlement mechanisms also perpetuates these conflicts.

**Vertical and horizontal imbalances and growing inequality** in parts of Ethiopia are evident despite the country's substantial economic growth and pursuit of its poverty reduction goal. The growth, which has not been entirely pro-poor and equal across the country, may be closely connected with grievances, including political grievances, contributing to the dynamics of fragility and violence.

**The increased prominence of local and regional armed forces** is becoming a destabilizing factor, eroding the state's monopoly on the use of force. In addition, the lack of clear standards for operations has often resulted in arbitrary arrests and detentions. This has had detrimental effects on the relationships between civilians and the military and led to diminishing trust in the state's ability to provide security, feeding into cycles of conflict and violence.

**Sources of resilience**

There exist certain sources of resilience that could be leveraged to address drivers of fragility, conflict, and violence.

**Public sector resilience and the expansion of access to services** have led to substantial improvements in access to health and education services and, if sustained, can further promote the country's economic and social development. Ethiopia has also been spearheading significant investments in its social protection system, which serves as a shock absorber for conflict impacts and can be a key source of resilience for those exposed to conflict and displacement.

**Local capacity for collective action** has helped facilitate the expansion of access to basic services in Ethiopia and solve local problems. Local and community forms of dispute resolution have historically been effective in defusing conflict—especially conflict over land and water use.

**Decentralization reforms** launched by the Government of Ethiopia have helped prevent further fragmentation of the country by reinforcing the autonomy and relevance of demographically defined districts (woredas) over that of the ethnically defined regions (kilils).

**The tradition of the accommodation of diversity** in Ethiopia has historically facilitated the cohabitation of different religious groups and may constitute a basis for a renewed Ethiopian national identity.

# APPENDIX B. DETAILED RECOVERY NEEDS AND PRIORITY MATRIX BY STRATEGIC OBJECTIVE

**TABLE B.1.** Recovery Needs and Priority Matrix for Strategic Objective 1

<b>Strategic Objective 1: Strengthen social cohesion and community security</b>					
<b>Sector</b>	<b>Intervention</b>	<b>Early recovery</b> (US\$, millions)	<b>Short term</b> (US\$, millions)	<b>Medium term</b> (US\$, millions)	<b>Total costs</b> (US\$, millions)
<b>Governance</b>	<b>Policy</b>	<b>0.25</b>	<b>0.20</b>	<b>0.10</b>	<b>0.55</b>
	<b>Investments</b>	<b>124.29</b>	<b>58.61</b>	<b>0.18</b>	<b>183.07</b>
	<b>Institutional strengthening</b> 1. Address capacity gaps 2. Leadership and institutional framework	<b>7.20</b>	<b>2.20</b>	<b>0.05</b>	<b>9.45</b>
<b>Social protection and jobs</b>	<b>Policy</b>	<b>0.18</b>	<b>0.54</b>	<b>0.16</b>	<b>0.88</b>
	<b>Investments</b>	<b>1.18</b>	<b>3.75</b>	<b>0.79</b>	<b>5.72</b>
	<b>Institutional strengthening</b>	<b>342.15</b>	<b>147.32</b>	<b>0.15</b>	<b>489.62</b>
<b>Disaster risk management (DRM)</b>	<b>Policy</b> 1. Develop an operational plan 2. Develop disaster risk financing 3. Assess current hydrometeorological system 4. Consultancy to assess cost of developing a hydrometeorological system	<b>280,000</b>	<b>861,000</b>	<b>–</b>	<b>1,141,000</b>
	<b>Investments</b>	<b>19,086,101</b>	<b>11,451,661</b>	<b>7,634,440</b>	<b>38,172,202</b>
	<b>Institutional strengthening</b> 1. Assess DRM institutional environment and investment planning 2. Assess implementation of existing protocols/guidelines 3. Training/capacity building	<b>77,500</b>	<b>290,000</b>	<b>–</b>	<b>367,500</b>



<b>Housing</b>	<b>Policy</b>	<b>876,257</b>	<b>15,000</b>	<b>0</b>	<b>891,257</b>
	1. Housing sector assessment to determine demand and supply issues 2. Beneficiary targeting (including internally displaced people)				
	<b>Investments</b>	<b>262.32</b>	<b>906.14</b>	<b>1,502.25</b>	<b>2,670.70</b>
	<b>Institutional strengthening</b>	<b>250,667</b>	<b>0</b>	<b>0</b>	<b>250,667</b>
	1. Capacity building to engage private sector in housing repairs/reconstruction				
<b>Gender</b>	<b>Policy</b>	0.00	0.30	0.10	0.40
	<b>Investments</b>	9.75	20.64	22.77	53.16
	<b>Institutional strengthening</b>	0.55	2.05	2.40	5.00

Source: Government of Ethiopia (2022).

**TABLE B.2. Recovery Needs and Priority Matrix for Strategic Objective 2**

<b>Strategic Objective 2: Restore critical infrastructure and social services</b>					
<b>Sector</b>	<b>Intervention</b>	<b>Early recovery (US\$, millions)</b>	<b>Short term (US\$, millions)</b>	<b>Medium term (US\$, millions)</b>	<b>Total costs (US\$, millions)</b>
<b>Water, sanitation, and hygiene</b>	<b>Policy</b>	<b>2.69</b>	<b>16.51</b>	<b>3.61</b>	<b>22.81</b>
	<b>Investments</b>	<b>7.89</b>	<b>60.55</b>	<b>30.62</b>	<b>99.06</b>
	<b>Institutional strengthening</b>	<b>1.05</b>	<b>5.38</b>	<b>1.58</b>	<b>8.01</b>
<b>Health</b>	<b>Policy</b>	<b>0.81</b>	<b>0.74</b>	<b>0.05</b>	<b>1.60</b>
	<b>Investments</b>	<b>625.13</b>	<b>685.81</b>	<b>393.08</b>	<b>1,704.02</b>
	<b>Institutional strengthening</b>	<b>7.36</b>	<b>3.31</b>	<b>0.06</b>	<b>10.72</b>
<b>Education</b>	<b>Policy</b>	<b>27.24</b>	<b>27.12</b>	<b>—</b>	<b>54.36</b>
	<b>Investments</b>	<b>287.48</b>	<b>718.71</b>	<b>431.22</b>	<b>1,437.41</b>
	<b>Institutional strengthening</b>	<b>—</b>	<b>0.15</b>	<b>0.30</b>	<b>0.45</b>
<b>Energy</b>	<b>Investments</b>	<b>73.28</b>	<b>45.08</b>	<b>59.87</b>	<b>181.95</b>
<b>Information and communication technology (ICT)</b>	<b>Policy</b>	<b>0.2</b>	<b>0.2</b>	<b>2</b>	<b>2.4</b>
	1. Licensing a third operator and completing privatization of Ethio Telecom				
	2. Updating infrastructure policy				
	3. Developing a national ICT road map				
	<b>Investments</b>	<b>297.85</b>	<b>124.56</b>	<b>162.26</b>	<b>584.67</b>
	<b>Institutional strengthening</b>	<b>12.2</b>	<b>8.2</b>	<b>11.2</b>	<b>31.6</b>
	1. Release funds for a regulatory authority				
	2. Capacity building 3. Emergency communication facilities				

Transport	Policy	0.25	0.10	–	0.35
	Investments	14.74	476.53	626.77	1,118.04
	Institutional strengthening	0.49	2.62	3.93	7.03
Environment	Policy	7.0	8.0	6.5	21.5
	Investments	216.87	284.47	213.86	715.20
	Institutional strengthening	7.0	6.0	7.9	20.0
Municipal services	Policy	0.01	0.04	0.03	0.09
	Investments	30.72	89.28	72.05	192.06
	Institutional strengthening	0.20	0.57	0.46	1.23

Source: Government of Ethiopia (2022).

**TABLE B.3. Recovery Needs and Priority Matrix for Strategic Objective 3**

Strategic Objective 3: Promote economic recovery					
Sector	Intervention	Early recovery (US\$, millions)	Short term (US\$, millions)	Medium term (US\$, millions)	Total costs (US\$, millions)
Agriculture	Policy	–	–	–	–
	Investments	2,342.65	5,236.06	674.40	8,255.11
	Institutional strengthening	30.14	–	–	30.14
Trade	Policy	13.26	39.77	26.51	79.53
	Investments	113.25	103.75	85.5	302.5
	1. Infrastructure	63.00	63.00	54.00	180.00
	2. Loans	50.00	40.00	30.00	120.00
	3. Retraining of workers	0.25	0.75	1.50	2.50
	Institutional strengthening	0.52	00.53	0.55	1.59
Industrial	Policy	0.17	0.50	0.25	0.91
	Investments	149.13	324.13	204.13	677.39
	Institutional strengthening	0.15	0.45	0.45	1.05
Cultural heritage and tourism	Policy	3.84	11.42	4.58	19.84
	Investments	5.78	17.33	6.0	29.1
	Institutional strengthening	0.85	1.95	1.95	4.75
Financial	Policy	0.38	1.13	–	1.50
	Investments	54.98	135.86	5.82	196.66
	Institutional strengthening	1.25	3.75	–	5.0

Source: Government of Ethiopia (2022).

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