

Ethiopia

Design and implementation of a climate resilient green economy strategy

Activity	Comprehensive Green Growth Strategy combining vision for green economy, climate resilience and development goals in a least developed country
Country	Ethiopia
Sector(s) involved	Energy; Agriculture; Forestry; Transport; Buildings & Green Cities; Industry; Health
Time frame	2011–2025

Case summary

The Ethiopia Climate Resilient Green Economy (CRGE) Strategy was published in 2011, based on the vision set by the late Prime Minister Meles Zenawi. The vision is for Ethiopia to develop a climate-resilient green economy and to attain middle-income status by 2025. The country plans to follow a green economy pathway that fosters sustainable development.

The CRGE is based on four pillars: agriculture; forestry; power; and transport, industrial sectors and infrastructure. The CRGE strategy adopts a sectoral approach across six government ministries with more than sixty initiatives to be implemented. An estimated USD 150 billion is required to deliver this over a period of twenty years. The green growth pathway envisages limiting national greenhouse gas emission levels to 150 MtCO₂e instead of 400 MtCO₂e/a in 2030 under business as usual (BAU) scenario.

The CRGE has facilitated the setting of national targets, the creation of a dedicated financing facility, registry and MRV system, the identification of sixty sectoral initiatives and is setting an example to neighbouring African nations and other countries internationally as an early example of a national green growth strategy.



Bale Mountains, Ethiopia

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LOW EMISSION
CAPACITY BUILDING
PROGRAMME

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Background

In 2011, the Government of the Federal Democratic Republic of Ethiopia initiated a bold policy process to accelerate development to attain middle-income status by 2025, while adopting green growth pathways that foster development and sustainability. The CRGE was initiated to protect the country from the adverse impacts of climate change by identifying environmentally sustainable economic opportunities that could accelerate the country's development.

The development of Ethiopia's green economy is based on four pillars: (1) Agriculture: improving crop and livestock productivity to ensure food security and improvement in farmers' livelihoods while mitigating emissions; (2) Forestry: protection and reforestation for economic and ecosystem services; (3) Power: expanding electricity generation to include renewable energy for domestic and regional markets; and (4) Transport, industrial sectors and infrastructure: leapfrogging to energy efficient technologies.

Activities

- » **Development of the strategy:** The CRGE Strategy identified and prioritised more than sixty initiatives to be implemented across seven sectors following comprehensive stakeholder consultative meetings/workshops from sectoral ministries at the federal levels to the regional states to districts.
- » **Development of an institutional structure:** The Prime Minister's office, the Ministry of Environment & Forestry (MEF) and the Ministry of Finance & Economic Development (MoFED) oversee CRGE initiatives. CRGE units have been established in key ministries to coordinate sectoral activities and investment plans at the regional, state and community level.
- » **Creation of CRGE finance facility:** The facility was established to finance the implementation of CRGE initiatives. MoFED is the supreme body for overall administration and operations and MEF chairs the technical committee, which appraises project proposals, implementation and investment plans. The facility was setup to:
 - » mobilise, access, and combine finances required for implementing the CRGE from international, public and private sources in the form of grants, results-based payments etc.;
 - » help improve environmental management for climate-resilient green development;
 - » provide financial support to build capacity of implementing and executing entities.
- » **Identification of fast-track initiatives:** A number of fast-track initiatives have been identified which have the potential to provide immediate economic growth, capture large abatement and attract carbon financing. These initiatives include: exploiting the country's vast hydropower potential; large-scale promotion of advanced rural cooking technologies; efficiency improvements to the livestock value chain; and reducing emissions from deforestation and degradation.
- » **Establishment of a CRGE Registry:** The purpose of the registry is to compile relevant information regarding on-going climate change related activities in Ethiopia and to make available relevant consolidated climate data.
- » **Establishment of a National MRV system:** To monitor results, the registry and MRV system will be aligned and are developed in line with international standards.

Institutions involved

The Prime Minister's Office; Ethiopian Development Research Institute; Environment Protection Authority (now the Ministry of Environment & Forestry (MEF); Ministry of Environment and Forestry (formerly Environmental Protection Authority); Ministry of Finance and Economic Development (MoFED); Ministry of Agriculture; Ministry of Water; Ministry Irrigation & Energy; Ministry of Trade and Industry; Ministry of Transport; Ministry of Science & Technology; Ministry of Urban Development and Construction; Regional States.

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Cooperation with

United Nations Development Programme (UNDP); UK Department for International Development (DFID); Government of Norway; Government of Austria.

Finance

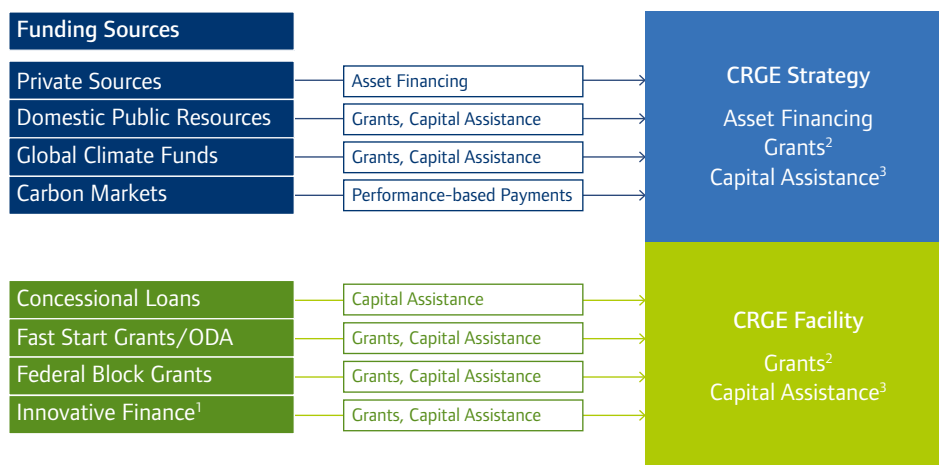
An estimated USD 150 billion (USD 80 billion from capital investments and USD 70 billion operating and programme expenses) is required over the next 20 years, with 2010 as the base year. The CRGE Facility was set up to finance the implementation of CRGE activities by mobilising funds from international, public and private sources. There are two designated accounts for pooling resources:

- » National Account with MOFED: Parliament has allocated 2% of federal budget, with support from the Government of Austria and DFID, among others. Approximately USD 23 million is accrued in this account.
- » International Account with UNDP MPTF-Office: Approximately USD 5million is already pledged to this account. UNDP is the interim trustee for the Ethiopian Government and will hand over the management after a period.

Impact of activities

- » **Defined emissions reduction targets:** To limit national greenhouse gas levels to 150 MtCO₂e instead of 400 MtCO₂e/a in 2030 under BAU scenario. More comprehensive sectoral GHG baselines are being established for each of the sectors. For example, the baseline for transport sector has been estimated at 5MtCO₂eq. In 2010, and expected to grow by eightfold by 2030 under BAU scenario (Meseret 2013).
- » **Identification of sixty sectoral initiatives:** Are planned to achieve net zero GHG emissions by 2025. The fast-track projects are activities that mitigate GHG emissions and could provide sources for carbon financing. The REDD+ projects are one set of identified initiatives to be implemented under fast-track. Under this initiative, Bale REDD+ project over 50,000 ha is being implemented as pilot.
- » **Setting an example to other African nations:** Governments of three African countries (Mali, Nigeria, and South Sudan) have enquired and come to learn from the CRGE process.

Funding and Disbursement Arrangements



¹ PES, Green Diaspora Bonds, Levies, Carbon taxes

² Grants: Grants for activities with high social dividends, Upfront grants for enabling environment, Performance-based payments

³ Capital Assistance: Loans, Micro-finance, Equity, Risk Mitigation Instruments

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Why is it good practice	<ul style="list-style-type: none"> » The Government of Ethiopia has formally merged its aims of developing green economy and its climate resilience agenda under a single policy framework with its national development goals. » The strong political commitment and complete ownership shown by the Ethiopian Government from the Prime Minister's office down to sector ministries and regional states to the grassroots level is a good indicator for successful implementation of the CRGE initiatives. » The CRGE is coordinated and overseen by the Prime Minister's office, the Ministerial Steering Committee (comprising state ministers and senior officials from participating institutions), MEF and MOFED. There is an established CRGE coordination office within each Ministry that coordinates regional activities and implementation. » The identification of fast track projects allows for quicker implementation and learning about the challenges and successes of the CRGE agenda.
Success factors	<ul style="list-style-type: none"> » Political commitment and continuous government support: This is the driving force behind the successful development of the CRGE Strategy and implementation. In particular, the strong commitment from the Prime Minister and his office in setting the CRGE vision. The Prime Minister's office chairs the Environmental Council, the technical committees (chaired by MEF) and Sub-technical committees chaired by experts from the six line ministries and regional states. » Comprehensive stakeholder consultation process: Held at early stages in the planning process has ensured strong ownership of the CRGE by the individual ministries at federal to regional agencies and further down to districts. » Financial Mechanisms (e.g. the CRGE Facility): The successful establishment of this single pool of funds makes it easier for the government to coordinate activities and to disburse funds in a programmatic manner in accordance with the priority areas. » Implementing effective policy instruments: The government has instituted the Sector Reduction Mechanism to translate the high-level goals of the strategies into action. The SRM aims to set green economy and climate resilience targets and indicators for the key sectors to meet. » Identifying fast-track projects for implementation: These are a series of initiatives including: exploiting the country's vast hydropower potential; large-scale promotion of advanced rural cooking technologies; efficiency improvements to the livestock value chain; and reducing emissions from deforestation and degradation. These initiatives have the potential to provide immediate economic growth, capture large abatement and attract carbon financing.
Overcoming barriers/challenges	<p>What were the main barriers/challenges to delivery? How were these barriers/challenges overcome?</p>
Capacity	<p>The sectoral ministries and regional states require ongoing capacity building training in their respective areas. The technical officers from the ministries were initially overwhelmed with the need to set clear targets. This is being dealt with in stages. Initially, external consultants gave some broad training on climate change mitigation and adaptation. More comprehensive gap analysis is now underway at the sectoral ministries from regional down to district levels, in order to identify where the gaps are and how to address them.</p>

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Finance

Initially, finance was not a concern since development partners such as the UK and Norway, among others, pledged funds. However, as the implementation of fast track projects begins, more funds will have to be mobilized.

Successful implementation of fast track projects could attract additional sources of finance from development partners and carbon financing.

Information

There were many gaps due to the inadequate primary data for setting sectoral GHG emission baselines. Broad assumptions had to be made.

Technical consultants assisted with this initially. Moreover, comprehensive data are currently being compiled and analyzed across all sectors.

Institutional

Convincing all parties of the relevance of prioritizing climate change was a challenge. Some stakeholders had preferred to go on with development as usual.

To address these challenges, the EPA (now MEF) organized many discussions and presentations on climate change and the benefits of the green economy agenda (e.g. employment generation) for the various stakeholders.

Lessons learned

- » **Building on existing institutional structures:** MOFED, the finance ministry, has the capability to manage the CRGE Facility, whilst EPA, the environmental agency was identified as the logical institution to oversee technical components.
- » **Comprehensive stakeholder consultation:** At an early stage of the planning process set the stage for ministries and regional agencies to ensure ownership of the CRGE initiative.
- » **Steady and sustainable finance flow:** Is key for successful implementation and further sources of funding will now have to be mobilized to avoid delays in implementation.
- » **Setting clear mitigation targets at the outset:** Provided a key element in the roadmap for effective implementation.

How to replicate this practice

- » **Establish a permanent institutional structure:** To coordinate CRGE activities. In addition, establish coordination offices within all sectoral ministries to coordinate activities at the respective regional agencies to ensure implementation from national to the grassroots.
- » **Develop an effective financial facility for implementation:** The CRGE Facility managed by MOFED mobilises funds from various sources into a single pool. This is easier for the government to manage and to disburse for programmatic activities in line with the strategy. Furthermore, the development of the Operational Manual, a detailed guide to ministries, regional agencies and private sector on assessing funds for projects in line with the CRGE vision.
- » **Fast Track projects implementation:** these are strategically identified activities for immediate implementation, intended to have immediate impacts on economic growth, large emission reductions and carbon financing.
- » **Establish a National MRV and Registry:** to monitor the impacts of mitigation and adaptation strategies at the national and regional levels.

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Contact for enquiries	» Ministry of Environment and Forestry, esid@ethionet.et
Further key resources	» Ethiopia CRGE Facility Terms of Reference » UNDP MPTF: http://mptf.undp.org/factsheet/fund/3ET00
Website(s)	» Website under development
Image description(s)	» Source: Federal Democratic Republic of Ethiopia (2013) available at
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