



Climate Finance Readiness Ethiopia



Climate Finance Readiness

FACT SHEET 1.

ETHIOPIA

Greater private sector involvement will enhance Ethiopia's already advanced climate finance readiness (CFR) progress, which is supported by well-established policy and institutional frameworks.

Ethiopia has one of the fastest growing economies in the world, registering remarkable growth and development in the past few years. As a low-income country, Ethiopia's significant development needs are exacerbated by its highly vulnerable exposure to the impacts of climate change and weather variability. With agriculture accounting for nearly 46% of GDP, climate change could potentially have devastating impacts on national development. Ethiopia's vulnerability to climate change is mainly due to its dependence on rain-fed agriculture, especially in the drought prone areas characterised by inadequate road infrastructure, weak institutions and a lack of awareness of climatic impacts. Rain-induced soil erosion alone reduces GDP on average by 1% annually. The effects of climate change on the Ethiopian economy are said to result in 30% less average income in the next fifty years.

UNDP CFR PILLAR	CLIMATE FINANCE READINESS COUNTRY ASSESSMENT
Financial Planning	<ul style="list-style-type: none"> Ethiopia has a clear vision for a green, resilient and self-sufficient economy by 2025 encompassed in the Growth and Transformation Plan (GTP). The Climate Resilient Green Economy (CRGE) provides a framework for managing climate finance and is strategically aligned with the GTP. The governance structures are clearly stipulated in the country's GTP and CRGE Strategy. The CRGE and sectoral plans provide sufficient regulatory guidance and set out the frameworks for managing climate finance at the sectoral level.
Accessing Finance	<ul style="list-style-type: none"> The CRGE Facility is established within the Ministry of Finance and Development (MOFED) and provides a platform for mobilising different sources of funding. The CRGE facility functions as a national climate fund. Having a centralised system is expected to improve the transparency and tracking of climate finance flows in the country. Ethiopia has managed to access a multitude of funds, both bilateral and multilateral. However, existing sources are mainly from bilateral funds. More should be done to access multilateral funds.
Delivering Finance	<ul style="list-style-type: none"> Few examples of participation in climate finance by the Development Bank of Ethiopia exist; however, the AfDB has been involved in some climate change-relevant projects. The CRGE Strategy relies on the role of the private sector to achieve its vision and it is expected to play a significant role as both a source of finance and as an implementer of the CRGE initiatives. However, there is a need to further improve inclusivity of NGO, CSO and private sector actors in planning climate finance and climate-related projects.
Monitor, Report & Verify (MRV)	<ul style="list-style-type: none"> The CRGE provides sufficient regulatory frameworks to guide M&E of climate-related projects. The CRGE Facility is expected to support greater transparency and improve effectiveness in tracking of climate finance flows. One of the CRGE's pipeline activities is the development of a Result Framework and M&E System, which includes a baseline methodology for sectors.

Conclusions and Recommendations:

The CRGE Strategy and Facility represents a significant national achievement and places Ethiopia in good standing in terms of climate finance readiness (CFR), backed by the well-established policy and institutional frameworks. One of the key barriers to accessing funding is due to limited participation of the private sector. The private sector is widely acknowledged as having significant potential in leveraging financial resources and in implementing Ethiopia's development strategy. In order to further increase access to funds, the following is recommended:

- Strengthening cross-sectoral coordination as a means to ensuring a programmatic approach in addressing climate change.
- Revisiting national priorities and reviewing and re-defining sector priorities. This should include private sector consultation, in order to ensure private sector participation as part of the solution to mobilising climate finance.
- Ensure policy alignment between the GTPII Policy document and CRGE Strategy.
- Improving intergovernmental coordination, and improving engagement with the private sector and other non-government actors by establishing policy incentives.
- Strengthening the effectiveness of existing institutional arrangements and working groups in order to facilitate long-term implementation of the CRGE Strategy.
- Improve capacity with government planning and delivery units to increase the availability of local expertise to support local delivery of climate finance.

This supplementary report forms part of research undertaken for UNDP's Regional Bureau of Africa Regional Environment Project on the Management of Environmental Service and Financing for Sustainable Development. The study and project provided support targeted at building the capacity of regional economic communities (RECs), governments, UNDP country offices and other stakeholders on sustainable ways to restore and manage natural ecosystems, while establishing enabling conditions for countries to access environmental finance from emerging carbon/environmental finance markets and mechanisms at the same time. This study was conducted between October 2013 and November 2014. The fieldwork behind the study was concluded in July 2014, and thus every attempt has been made to ensure the data referenced is factual up until this date.