

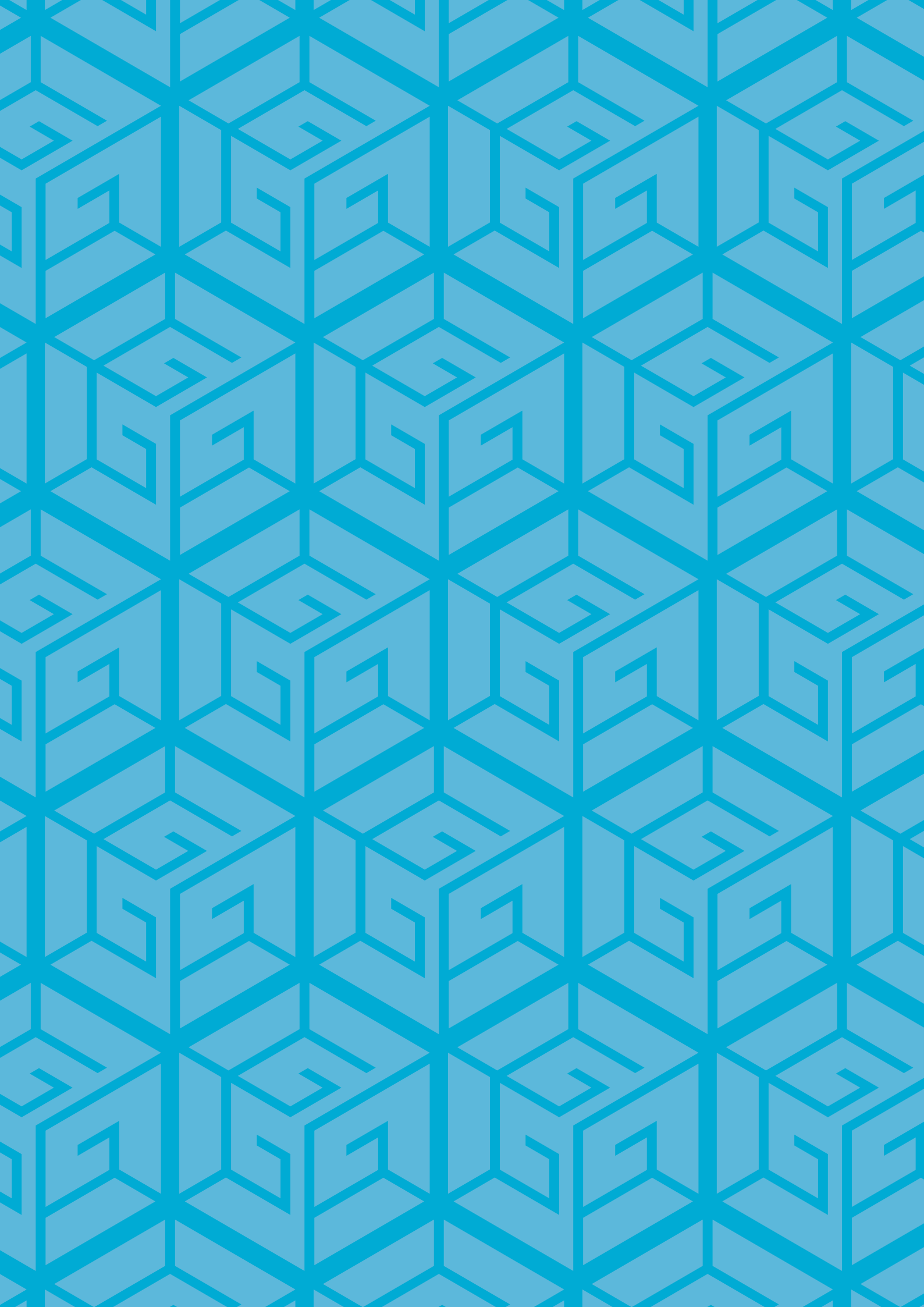


Global
Green Growth
Institute

GGGI

Ethiopia Country Planning Framework 2016-2020





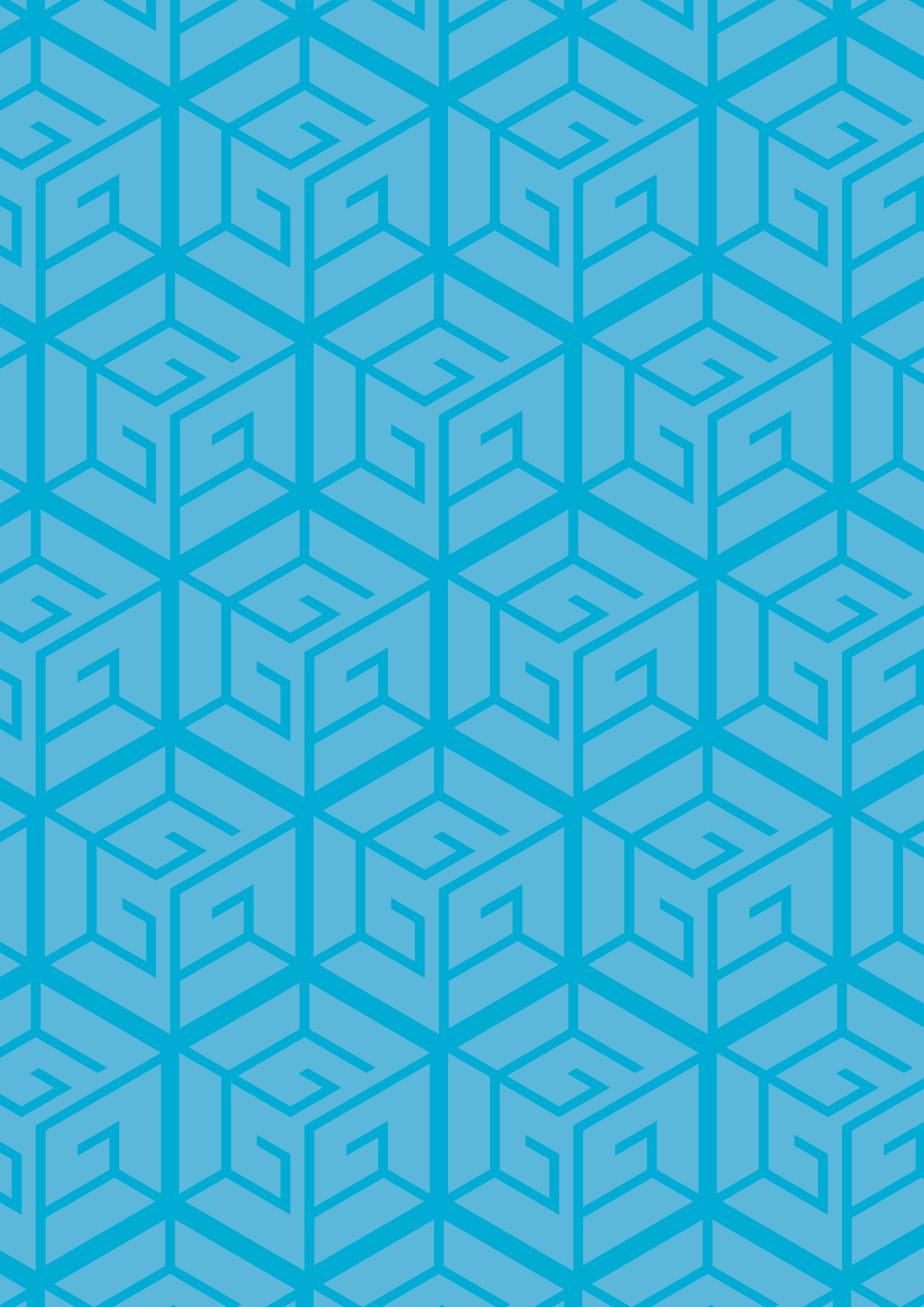


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Foreword

The economic growth of the Federal Democratic Republic of Ethiopia (FDRE), coupled with its large population and significant land mass, has attracted the attention of the international community. Over the last twelve years, the country has achieved double-digit economic growth in real terms (averaging 10.8% per year)—one of the fastest growth rates in non-oil producing countries. Growth is expected to continue at a rapid rate of 11% on average. Such impressive growth is the result of years of investment and reform, which has seen the country entrench economic, social and political stability.

The FDRE has made significant strides forward over the past decade in developing its economy, eradicating poverty and improving livelihoods, investing heavily in infrastructure in order to support broad, inclusive growth and power its economic aspirations. It has developed a five-year Growth and Transformation Plan (GTP II, covering 2015/16-2020), targeting a growth rate of 11% per year in real terms and a shift in the structure of the economy, with greater diversification in agricultural value-addition, industrial outputs and exports. According to the United Nations Development Programme's National Human Development Report 2014, the incidence of recorded poverty has fallen sharply and average living standards are now more than three times higher than they were 15 years ago. Since 2005, estimates suggest that 2.5 million people have been lifted out of poverty, while the share of the population below the poverty line has fallen from 38.7% in 2004/05 to 26% in 2012/13 (using a national poverty line of USD 0.60/day).

This ambitious vision of continued growth is severely threatened by the impacts of climate change, weather variations and future climate shocks. Drought and floods can have significant economic and social impacts, affecting economic growth, food security and exports. Without decisive action, the FDRE's growth and development ambitions are at risk. Indeed, under the worst-case scenario, up to 10% of GDP growth could be affected. As a response to this, the FDRE was one of the first least developed countries in the world to submit its Intended Nationally Determined Contribution to reducing greenhouse gas emissions to the United Nations Framework Convention on Climate Change. By 2030, the FDRE intends to reduce emissions by 64% compared to 2010 levels.

The Global Green Growth Institute (GGGI) has been working in the FDRE since 2010, supporting the Government of Ethiopia's efforts in the development and implementation of a Climate Resilient Green Economy (CRGE) Strategy. This involves collaborating toward the delivery of the FDRE's vision of becoming a climate resilient middle-income economy by 2025, with a zero net increase in carbon emissions. Both the FDRE and GGGI recognize that some of the hardest work is yet to be done in order to deliver the impacts that the CRGE vision boldly sets forward.

It is against this background that GGGI presents this Country Planning Framework (CPF) to support the FDRE in overcoming these potential challenges. At the center of the CPF is the view that the FDRE can best build on its considerable successes by ensuring that future development is increasingly equitable, inclusive and sustainable. This will consequently reduce its vulnerability to climate change. Therefore, the FDRE and GGGI have agreed on this five-year CPF to direct support to where it is most needed. The CPF is aligned with the GTP II and is designed to provide strategic support to the FDRE in achieving its CRGE ambitions. The CPF will guide GGGI's activities in the FDRE, in order to maximize the value and impact to the core economic objectives of the country, as outlined in the GTP II.

We are grateful to the sector ministries, development partners and stakeholders for their support of, and engagement with, GGGI in the development of this CPF.

We reaffirm our joint commitment to enhancing the effectiveness of GGGI as a key partner in the FDRE's quest to achieve middle-income country status by 2025, while minimizing emissions and reducing vulnerability to climate change.



H.E. Dr. Shiferaw Teklemariam
Minister of Environment, Forest and Climate Change
Federal Democratic Republic of Ethiopia



Mr. Robert Mukiza
Ethiopia Country Representative
Global Green Growth Institute

Abbreviations and Acronyms

AIDS	Acquired Immune Deficiency Syndrome	INDC	Intended Nationally Determined Contribution
BAU	Business As Usual	MEFCC	Ministry of Environment, Forest and Climate Change
BMUB	Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (Germany)	MoANR	Ministry of Agriculture and Natural Resources
CO₂	Carbon Dioxide	MOFEC	Ministry of Finance and Economic Corporation
CPF	Country Planning Framework	MoWIE	Ministry of Water, Irrigation and Energy
CRGE	Climate Resilient Green Economy	Mt	Metric Tonnes
°C	Degree Celsius	NCDP	National Capacity Development Program
DfID	Department for International Development (United Kingdom)	NPC	National Planning Commission
ECRC	Environment and Climate Research Center	PSNP	Productive Safety Net Program
EDRI	Ethiopian Development Research Institute	REDD	Reducing Emissions from Deforestation and Forest Degradation
EEFRI	Ethiopian Environment and Forest Research Institute	SDG	Sustainable Development Goal
ETB	Ethiopian Birr	SLMP	Sustainable Land Management Program
FDRE	Federal Democratic Republic of Ethiopia	UNDP	United Nations Development Programme
FTI	Fast Track Investment	USD	United States Dollar
GDP	Gross Domestic Product	WASH	Water, Sanitation and Hygiene
GESI	Gender Equality and Social Inclusion		
GGGI	Global Green Growth Institute		
GHG	Greenhouse Gas		
GTP	Growth and Transformation Plan		
HIV	Human Immunodeficiency Virus		



1. Introduction to the Country Planning Framework

This Country Planning Framework (CPF) sets out the outcomes and deliverables that the Global Green Growth Institute (GGGI) will achieve over five years in the Federal Democratic Republic of Ethiopia (FDRE). It allows for continual evolution, responsiveness and improvement in order to meet the needs and development priorities of the FDRE. It will guide GGGI in the development of its annual work plans and budgets that will identify yearly tasks, activities and priorities in the FDRE.

GGGI has been working with the FDRE in green growth planning and implementation since 2010, with financial support from three major donors—the Government of Norway, the United Kingdom’s Department for International Development (DfID), and Germany’s Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB). GGGI has made some notable successes that include contributing to the development of the Climate Resilient Green Economy (CRGE) Vision, the Green Economy Strategy, and two Climate Resilience Strategies for agriculture and forests, and for water, irrigation and energy. GGGI also supported the establishment of the CRGE Facility and the Environment and Climate Research Center (ECRC).

As the FDRE develops the second phase of the Growth and Transformation Plan (GTP II), GGGI develops its CPF to support the government in its objective of becoming a CRGE.

The purpose of the CPF is to detail how GGGI will support the FDRE in planning and implementing the CRGE vision. It outlines country level outcomes and indicative outputs that will be delivered over a five-year period. The CPF’s outcomes are derived from organizational priorities, reflecting GGGI’s comparative advantage, and from consultations with government institutions and development partners, including representatives from key sectors in the FDRE. This ensures that national goals are aligned with key elements of green growth, which include economic growth, poverty reduction, social inclusion and environmental sustainability.

This CPF targets the delivery of tangible results on the ground. It documents the commitment of GGGI to building a CRGE in the FDRE in close collaboration with the Government of Ethiopia.

Box 1. About GGGI

The Global Green Growth Institute (GGGI) was founded to support and promote a model of economic growth known as “green growth”, which targets key aspects of economic performance such as poverty reduction, job creation, social inclusion and environmental sustainability.

GGGI envisions a resilient world achieved through strong, inclusive and sustainable green growth, and is dedicated to supporting the transition of GGGI member countries toward a green growth model. In pursuit of these goals, GGGI works with developing and emerging countries to design and deliver programs and services that demonstrate new pathways to pro-poor economic growth.

GGGI supports stakeholders through two complementary and integrated work streams—Green Growth Planning & Implementation and Knowledge Solutions—that deliver comprehensive products and services designed to assist in developing, financing and mainstreaming green growth in national economic development plans.

GGGI’s interventions emphasize change in four priority areas considered to be essential to transforming countries’ economies including energy, water, land use and green cities.

Headquartered in Seoul, Republic of Korea, GGGI also has representation in a number of partner countries.



2. Country Overview

The FDRE is developing rapidly. A public investment-led development strategy has generated tangible results, in terms of economic growth and improving social conditions. Economic development has focused on increasing agricultural productivity, industrial output, export revenue and public infrastructure development. This has reduced poverty through broad-based economic growth and pro-poor spending. Economic output increased between 2003/04 and 2012/13, averaging 10.1% annual growth (real GDP). The growth of the economy over the last five years puts it within the top five fastest growing economies in the world, and is double the average for Sub-Saharan Africa.¹ In 2013-2014, the economy grew by 10.3%, with the inflation rate in single digits.² All of the economy's main sectors performed well. Agriculture, industry and services registered annual average growth of 6.6%, 20% and 10.7%, respectively.³

2.1 Poverty Reduced but Progress is Uneven

The FDRE is home to more than 94 million people.⁴ Rapid economic growth over the last decade has been broad-based and has led to significant reductions in rural and urban poverty. Since 2005, best estimates suggest that 2.5 million people have been lifted out of poverty, and the share of the population below the poverty line has fallen from 38.7% in 2004/05 to 26% in 2012/13 (using a national poverty line of USD 0.60/day).⁵ Economic growth is generating employment, improving income and reducing poverty.⁶

However, because of high population growth, the absolute number of poor (about 25 million) remains broadly unchanged. Moreover, growth and development is differentiated across geographical regions and among certain socio-economic groups. Emerging regions, in particular, continue to be relatively disadvantaged.

1 International Monetary Fund, *World Economic Outlook* (Washington D.C., 2014).

2 World Bank, "Ethiopia," <http://data.worldbank.org/country/ethiopia>.

3 NPC, FDRE, "The Second Growth and Transformation Plan (GTP II) (2015/16-2019-20), Draft," September 2015.

4 World Bank, "Ethiopia: Overview," <http://www.worldbank.org/en/country/ethiopia/overview>.

5 UNDP, *National Human Development Report 2014: Ethiopia* (Addis Ababa, 2015), <http://hdr.undp.org/sites/default/files/nhdr2015-ethiopia-en.pdf>.

6 NPC, FDRE, "The Second Growth and Transformation Plan (GTP II) (2015/16-2019-20), Draft," September 2015.

Even so, the FDRE made solid progress in achieving the Millennium Development Goals. Over the last five years, there has been progress in increasing access to primary education (currently 85% coverage), reducing child mortality (64 per 1000 live births in 2013/14), controlling HIV/AIDS (1.5% in 2010/11) and stifling malaria (average reduction rates were 3% in 2005 to 33% in 2010/11).⁷ Employment generation, quality infrastructure and poverty eradication remain high on the development agenda.

2.2 Highly Vulnerable to Climate Change Impacts

The FDRE has one of the most complex and varied climates in the world due to its location between several climate systems and its diverse geography. The FDRE is vulnerable to adverse effects from climate change due to the sensitivity of its socio-economic systems.

By 2050, several key shifts in the climate are expected⁸:

- Continued temperature increases of 0.8-2.7°C. Mean temperatures have been increasing and are likely to continue to do so with climate change.
- Year-to-year rainfall variability is the most significant climate variable, and rainfall is likely to be less predictable with more frequent extremes in future.
- Parts of the country could see changes in key seasonal rainfall. The pattern of the *belg* and *gu* rains could change, which would have major implications for rural livelihoods, food and water security, and public health.

7 United Nations, "United Nations in Ethiopia," http://www.et.one.un.org/index.php?option=com_content&view=article&id=14&Itemid=488; and UNDP, "UNDP in Ethiopia," <http://www.et.undp.org/content/ethiopia/en/home/mdgoverview/overview/mdg6.html>.

8 James J. McCarthy et al., *Climate Change 2001: Impacts, Adaptation, and Vulnerability – Contribution of Working Group II to the Third Assessment Report of the Intergovernmental Panel on Climate Change* (Cambridge: Cambridge University Press, 2001).

Climate change could put the economic and social goals of reaching middle-income status by 2025 at risk. In the worst case scenario, the negative impact on gross domestic product (GDP) could be 10% or more by 2050.⁹

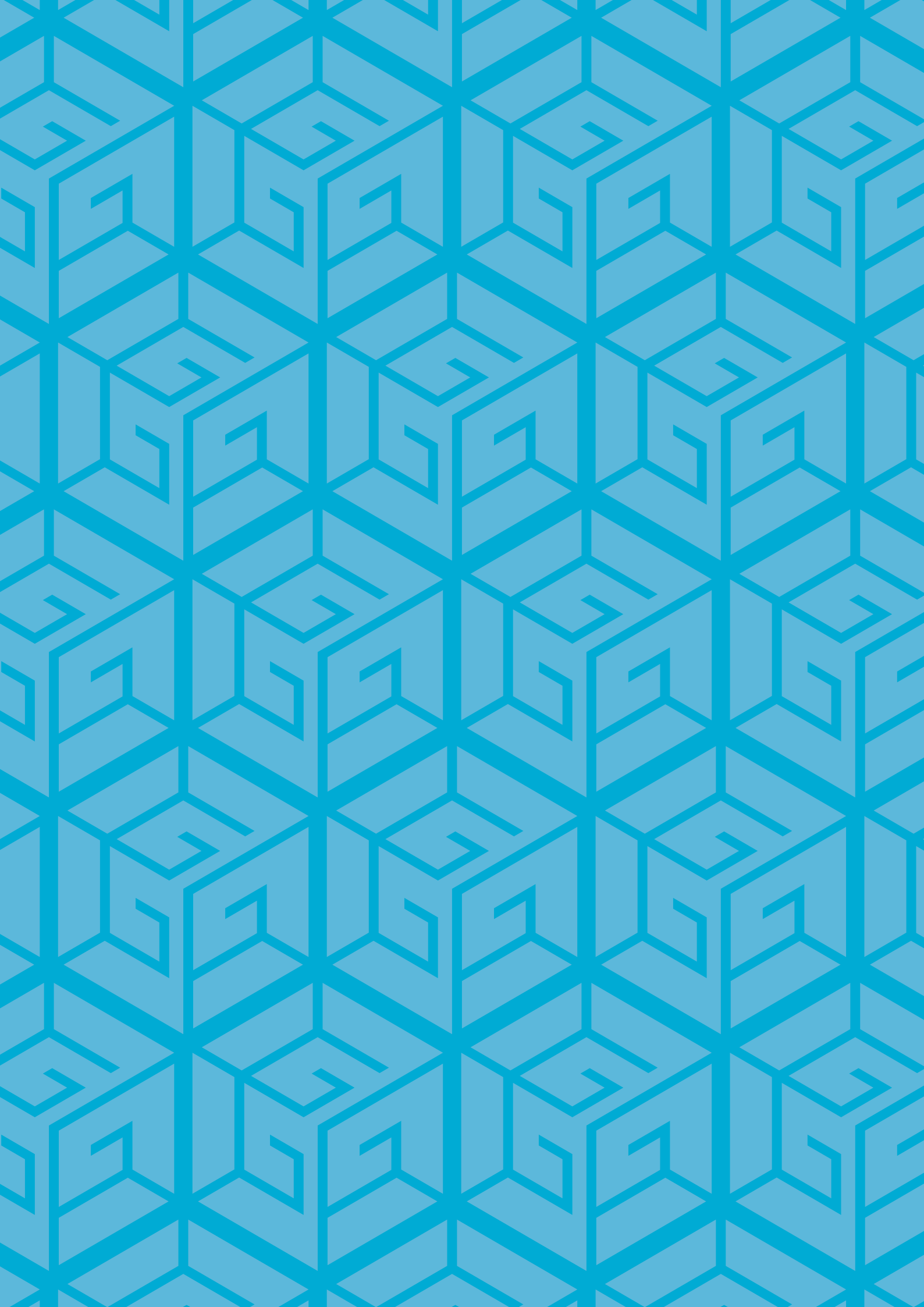
This will disproportionately impact those most vulnerable in society. Moreover, it could strangle key exports, such as Arabica coffee (the FDRE's primary export, worth around 2% of GDP, which can only grow in tight temperature thresholds), sesame, pulses, live animals and oil seeds.

The FDRE's ecological and agricultural systems are fragile and vulnerable. This is compounded by population pressure and stretched natural resources, especially the management and utilization of land. The intensive use of the limited arable land by subsistence farmers has led to serious instances of land degradation, soil degradation, deforestation and loss of biodiversity, all of which have important implications on sustainable livelihoods.

The FDRE ranks 174 out of 188 countries on the United Nations Development Programme (UNDP) Human Development Index of 2014.¹⁰ Food insecurity is persistent for roughly two million people that are currently dependent on humanitarian assistance. The Ethiopian Government has put in place one of the largest social protection programs in Africa. The Productive Safety Net Program (PSNP), which began in 2005, provides cash transfers to the chronically food insecure population in a way that prevents asset depletion at the household level and creates productive assets at the community level. This allows the transition away from the present emergency relief system yet still ensure chronic and predictable needs are met. The current phase of the PSNP has a commitment of USD 600 million from various sources, including donors and government contributions.

⁹ World Bank, *Economics of Adaptation to Climate Change* (Washington, D.C., 2010).

¹⁰ UNDP, *Human Development Report 2015 – Work for Human Development* (New York, 2015).





3. National Priorities

The FDRE is committed to green growth and is pursuing a comprehensive set of development objectives through the GTP and the CRGE vision.

3.1 The Growth and Transformation Plan

Over the past decade, the FDRE has made significant progress toward the goal of poverty reduction through successive macroeconomic planning exercises, including the Sustainable Development and Poverty Reduction Program, the Plan for Accelerated and Sustained Development to End Poverty, and the different phases of the GTP (covering 2010-2015, 2015-2020 and 2020-2025).¹¹

The GTP establishes goals and targets for achieving middle-income status by 2025. During the first four years of GTP implementation period (2010/11-2013/14), real GDP growth rate averaged 10.1%, slightly lower than the target. Agriculture, industry and services have registered an annual average growth rate of 6.6%, 20% and 10.7%, respectively. This is double the Sub-Saharan Africa average growth rate of 5%.

The FDRE recently published GTP II as the main government policy instrument. The core pillars are “growth”—that is economic growth; and “transformation”—that is economic, labor market, social indicators and export transformation. This entails double-digit (11%) real terms economic growth and rapid social progress. However, this is not economic growth at any cost, but an inclusive development model that aims to benefit the poor and reinvest growth to drive poverty reduction. In order to achieve the objectives of GTP II, the following pillar strategies are being pursued:

- Sustaining rapid, broad-based and equitable economic growth and development of 11% in real terms;
- Increasing productive capacity and efficiency to reach the productive possibility frontier;
- Transforming the domestic private sector;
- Building the capacity of the domestic industry to bridge critical infrastructure gaps;
- Proactively managing rapid urbanization to unlock its potential;
- Accelerating human development and technological capacity building;
- Ensuring democratic and developmental good governance;
- Promoting women and youth empowerment;
- Building a CRGE.

The GTP II targets structural transformation of the economy—away from agriculture, toward industry and exports—and sets targets for the next five years (see Table 1). At the core of this strategy is continued agricultural growth accompanied by a shift toward industry and manufacturing. GTP II also focuses on export orientation. In 2014/15, the exports as share of GDP is estimated to be only 6.4%. GTP II targets increasing exports as share of GDP to 11.8% by 2019/20.

Table 1: GTP II targets of economic composition changes 2014/15 to 2019/20

Sector	Base Year (2014/15)	Projection (2019/20)
Agriculture and Allied Activities	41.0	35.6
Industry	15.6	22.8
Manufacturing Industry	4.6	8.0
Service	43.4	41.6
Real GDP	100	100

3.2 CRGE and INDC Strategies

The CRGE is the FDRE’s vision for development and is a cross-cutting pillar of the GTP II. The objective of the CRGE is threefold:

1. To grow economically at an average of 11% per annum and improve social conditions to reach middle-income status by 2025;

¹¹ GGGI, “Background paper on Ethiopia Economy,” 2014.

- To protect the country from the adverse effects of climate change and build resilience;
- To limit emissions for this development trajectory.

The Green Economy Strategy was developed in 2011 and sets out how growth can be achieved without increasing emissions.

The *Green Economy Strategy* focuses primarily on emission-intensive sectors—energy and water, forestry, agriculture, urban development, infrastructure and industry—and prioritizes more than 50 initiatives that promote economic development goals and limit emissions under four pillars:

- Improving crop and livestock practices for higher food security and farmer income while reducing emissions;
- Protecting and re-establishing forests;
- Expanding renewable power generation for domestic and regional markets;
- Leapfrogging technology in transport, industrial sectors and construction.

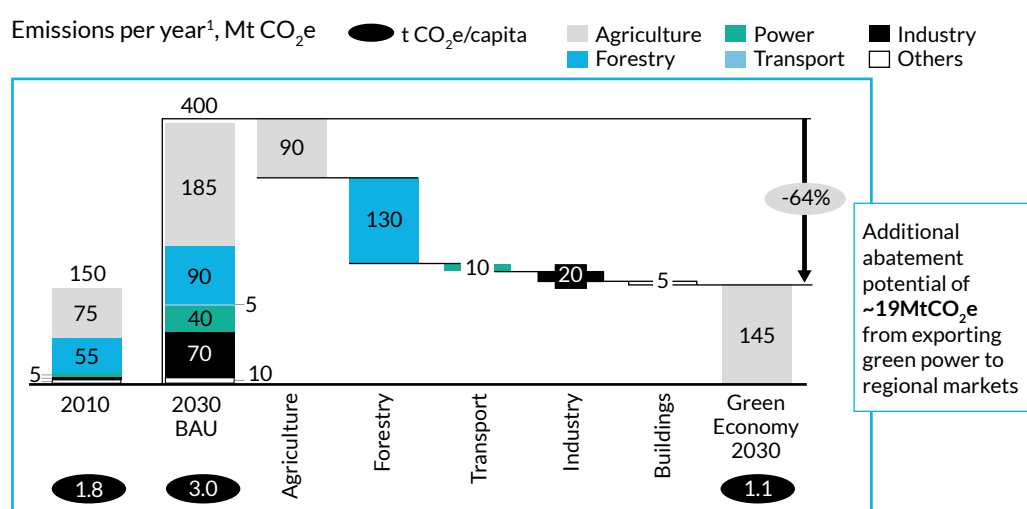
Based on the CRGE vision, the FDRE has submitted its Intended Nationally Determined Contribution (INDC) to the United Nations Framework Convention on Climate Change.¹² The FDRE was one of the first least developed countries to submit an INDC and it has one of the most ambitious targets set by any economy. The INDC limits net

greenhouse gas (GHG) emissions in 2030 to 145 Mt CO₂e or lower, where appropriate finance and incentives are made available. This would constitute a 255 MtCO₂e reduction from the projected “business-as-usual” (BAU) emissions in 2030 or a 64% reduction (see Figure 1). This is an ambitious target for the FDRE and full implementation of the INDC is contingent on an ambitious global agreement being reached.

While a focus on emissions and growth is important from the perspective of a global mitigation agenda, the FDRE has complemented this strategy with adaptation and resilience-focused strategies. The FDRE intends to undertake adaptation initiatives to reduce the vulnerability of its population, environment and economy to the adverse effects of climate change.

Two sectoral Climate Resilience Strategies have been developed, for agriculture and forests, and for water, irrigation and energy. These were supported by GGGI and launched in August 2015. The Climate Resilience Strategies show the potential gains from green growth in the FDRE—in terms of food security, energy security and driving better development outcomes. Many of the proposed actions offer positive returns on investments and thus directly promote economic growth and create additional high value-added jobs. The proposed actions also contribute to improving public health through better air and water quality, and promoting rural economic development by increasing soil fertility and food

Figure 1. GHG emissions BAU baseline and projections, 2010 to 2030



Source: FDRE, “Intended Nationally Determined Contribution (INDC) of the Federal Democratic Republic of Ethiopia,” <http://www4.unfccc.int/submissions/INDC/Published%20Documents/Ethiopia/1/INDC-Ethiopia-100615.pdf>

¹² FDRE, “Intended Nationally Determined Contribution (INDC) of the Federal Democratic Republic of Ethiopia,” <http://www4.unfccc.int/submissions/INDC/Published%20Documents/Ethiopia/1/INDC-Ethiopia-100615.pdf>

security. Importantly, the Climate Resilience Strategies highlight that many existing plans and strategies (that are not explicitly described as CRGE or climate-related) are already contributing to the achievement of the CRGE vision.

Estimates of the investment needed for CRGE implementation are sizable.

The *Green Economy Strategy* estimates that developing the green economy will require an expenditure of USD 150 billion to 170 billion over the coming 20 years—of which about USD 80 billion is estimated for capital investment, and the remaining amount for operating and program expenses (see Figure 2).

Other estimates suggest that the overall cost of the FDRE power system expansion plan alone, which is dominated by renewables, is around USD 156 billion, spread over the next 25 years. In the area of disaster risk management, estimates suggest a need for USD 1.2 billion over 5 years, with less than half of the amount currently funded.

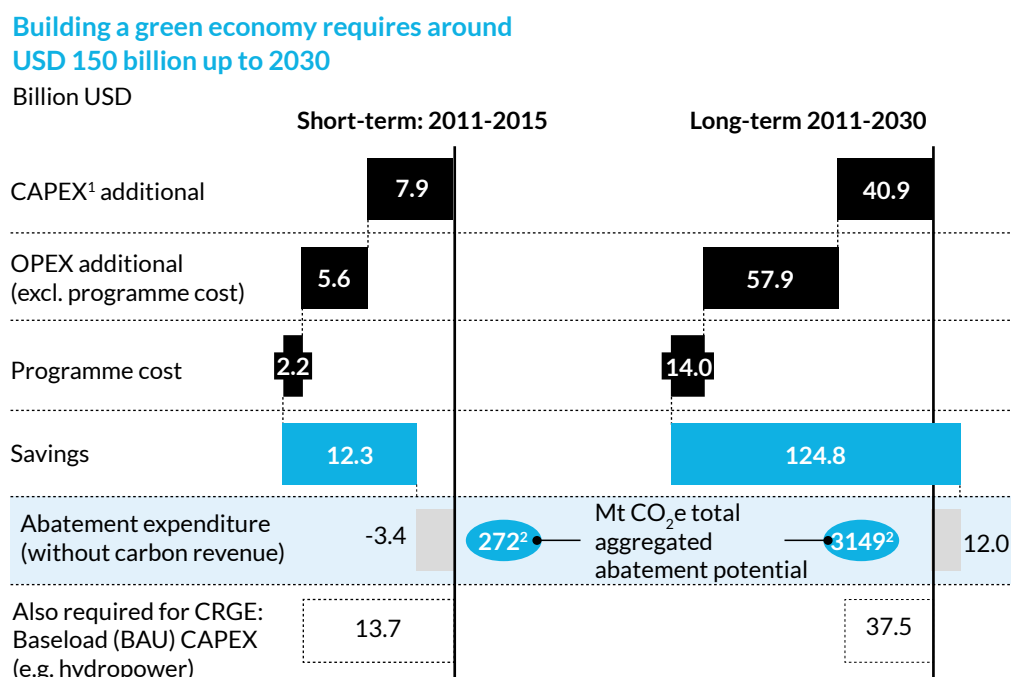
The *Green Economy Strategy* expects additional incremental costs, which will be capital intensive and will require additional domestic and international funding. It estimates that a funding pool of at least USD 20 billion annually should be targeted

from climate finance across all sectors to support unfunded and underfunded initiatives.

The FDRE's INDC indicates that "full implementation will require significant capital investment and will tap domestic resources to pay for some of its commitments". Analysis of the cost of implementing the CRGE vision (including the INDC commitment) should be carried out, indeed the INDC notes that the FDRE "will undertake analysis to determine what can be accomplished without support and what will require international support". Under Outcome 1, GGGI will directly address this and determine the financing and investment needs for a CRGE transition.

In the FDRE, public investment is high, roughly 19% of GDP in 2013. This is largely financed domestically by commercial banks and the central bank. Government spending is increasing annually, reaching almost USD 9 billion per annum in 2014. In 2015, the FDRE completed its debut dollar bond sale with the 10-year bond priced to yield 6.625% (B/B+) and raised USD 1 billion, with demand for the bond at about USD 2 billion. Government expenditure is weighted toward capital expenditure at the federal level, reflecting government priorities for infrastructure development (see Table 2).

Figure 2. Estimate of investment requirement for the CRGE



¹ Full capital expenditure, not amortized.

² Aggregated abatement potential; expenditure per t CO₂e not equivalent to abatement cost in cost curve, as the CAPEX abatement expenditure is not annualized via amortization (rather: cash-flow perspective).

Source: FDRE, *Green Economy Strategy* (2013)

Table 2. FDRE's federal budget for the Ethiopian fiscal year 2014

Expenditure		
A	Federal Recurrent Expenditure	USD 2.1 billion ETB 45,055,288,445
B	Federal Capital Expenditure	USD 3.19 billion ETB 66,990,216,931
C	Subsidies to Regions	USD 2.45 billion ETB 51,520,401,195
D	Support for Achievement of the Millennium Development Goals	USD 0.7 billion ETB 15,000,000,000
	Federal Government Expenditure Total	USD 8.5 billion ETB 178,565,906,571

Financing		
A	Domestic Revenue	USD 5.8 billion ETB 123,053,070,893
B	External Assistance	USD 0.8 billion ETB 16,802,617,074
C	Loans and Credits	USD 0.83 billion ETB 17,502,255,690
D	Domestic Borrowing	USD 1.01 billion ETB 21,207,962,914
	Total Revenue, Assistance & Borrowing	USD 8.5 billion ETB 178,565,906,571

Estimates of climate relevant public spending in the FDRE reveal that considerable investment is already being made—proportionally, investment is considerable (roughly 2% of GDP or USD 440 million per annum) with the bulk of resources being invested by the government (80%).¹³ In addition, many of the major investment infrastructure programs in the FDRE (multi-billion dollar programs) are relevant to building a CRGE, such as the light railway in Addis Ababa, rail connections between major cities, the Sustainable Land Management Program (SLMP), the PSNP, Climate Smart Agriculture, and the Power Sector Masterplan.

The indicative figures in Table 2 underline three points: (1) significant funding is needed to implement the CRGE vision; (2) there is a need to mobilize capital investment in the early years; and (3) public investment needs to be leveraged.

3.3 Institutional Changes to Support CRGE Implementation: ME FCC, NPC and the CRGE Facility

There have been significant institutional changes in the FDRE to support CRGE implementation.

In 2013, a new Ministry for Environment and Forest was created with coordination responsibility for building a CRGE. In 2015, this has become the Ministry of Environment, Forest and Climate Change (MEFCC). The Prime Minister of the FDRE also has a set of special climate advisors. This provides an entry point to senior decision-making levels, including ministerial and cabinet levels, and shows a strong commitment from the FDRE to the CRGE vision. Moreover, the National Planning Commission (NPC) has included CRGE development as a cross-cutting objective of the GTP planning process.

Federal sector ministries have CRGE units to coordinate the CRGE response within their sector. CRGE units are newly created and are often understaffed or weakly positioned within the federal government structures. In GGGI's view, CRGE units should not be stand-alone but integrated with planning, budget and evaluation functions within the government.

The CRGE Facility was established as a mechanism to attract, aggregate, blend and deploy climate finance resources across the economy. The CRGE Facility is a government-managed fund that provides some funding for the implementation of the CRGE in the FDRE. It is designed to draw on a range of funding sources—public, private, international and domestic. While not all climate finance and international CRGE support to the FDRE will flow through the CRGE Facility, it is one of the financing mechanisms for CRGE implementation. The objectives of the CRGE Facility are: (1) financial mobilization and allocation; (2) stakeholder coordination; and (3) unlocking capital at scale.

The CRGE Facility has a mandate to mobilize additional resources and coordinate climate and development finance around the CRGE. Since 2013, the CRGE Facility has mobilized USD 42 million in climate financing for the FDRE from development partners including Austria, Denmark, Norway and the United Kingdom. It is expected that the CRGE Facility will have mobilized over USD 100 million by 2017.

13 Zewdu Eshetu et al., *Climate finance in Ethiopia* (London: Overseas Development Institute and Addis Ababa: Climate Science Centre, Addis Ababa University, 2014).

The CRGE Facility is jointly managed by the MEFCC and the Ministry of Finance and Economic Cooperation (MOFEC). The NPC, responsible for coordinating the development of the GTP II, shares responsibility for assessing investments made through the CRGE Facility and ensures alignment of the facility investment with the GTP. The CRGE Facility reports to a management committee consisting of sector ministers, as well as donor partner observers. Ministers from the MOFEC and MEFCC co- chair this committee. An inter-ministerial steering committee, consisting of all sector ministries and chaired by the minister of MEFCC, provides strategic direction to the process. An advisory board, consisting

of contributing development partners (including GGGI), academia and civil society provide inputs.

Seven line ministries coordinate the investments proposed to the CRGE Facility. The CRGE Facility is only in its second year of operation, and has demonstrated capacity to mobilize funds from development partners, as well as manage the funds. The CRGE Facility has disbursed USD 20.8 million to 27 projects across seven sectors. Moreover, the CRGE Facility is now accredited to the Green Climate Fund and the Pilot Countries for Climate Resilience.





4. GGGI's Engagement in Ethiopia

GGGI has been working in the FDRE since 2010, supporting the FDRE in CRGE development and planning. During this period, GGGI received financial support from the Government of Norway, DfID and BMUB. The Government of Norway provided the bulk of support for the GGGI program in earmarked funds.

GGGI began its collaboration in 2010 with the Ethiopian Development Research Institute (EDRI) and the then Environmental Protection Agency. From 2013, GGGI began working with the then Ministry of Environment and Forest, MOFEC, NPC, the Prime Minister's Office, the Ministry of Water, Irrigation and Energy (MoWIE) and the Ministry of Agriculture and Natural Resources (MoANR). It is expected that GGGI's engagement will continue to expand to other sectors, such as industry, urban development, housing and construction, and transport during this CPF period.

GGGI's engagement in the FDRE is driven by its needs and demands, and is structured around four pillars— planning, resources, delivery and institutional development. The preparation of the second phase of the GTP provides an opportunity for GGGI to evaluate its work and align its program with the GTP. This CPF will guide GGGI's support to the FDRE for the duration of the GTP II period.

4.1 Engagement To Date and Key Results

Since 2010, GGGI has evolved both its operating model and coverage in the FDRE. Over time, GGGI has developed a flexible strategy to support the government in its green growth ambitions. GGGI's notable successes include the following:

- **CRGE vision** – GGGI contributed to the development of the CRGE vision under the guidance of the former Prime Minister, Meles Zenawi.
- **Green Economy Strategy** – GGGI partnered with the FDRE to develop the *Green Economy Strategy*, which has an annual GHG reduction target for each sector, and underpins the commitment toward carbon-neutral growth and the FDRE's INDC.
- **Climate Resilience Strategies** – GGGI partnered with the FDRE to develop and launch the Climate Resilience Strategies for agriculture and forests, and for water, irrigation and energy.
- **CRGE Facility** – GGGI worked as part of the government team within the CRGE Facility to develop core systems and processes, for example the Operations Manual of the CRGE Facility, and its monitoring and evaluation system. This unlocked significant investments from development partners.
- **Fast Track Investments** – GGGI worked with the CRGE Facility to develop Fast Track Investments (FTIs). GGGI contributed to the process design of the FTIs, drafted sector ministry FTIs, and reviewed and evaluated FTIs. With the disbursement of USD 20.8 million to 27 projects in seven sectors, it has been proven that the FTI system works. This process has provided significant learning opportunities and unlocked further investments.
- **Integration of CRGE into the GTP II** – GGGI contributed to the development of the GTP II, and also developed sector guidance for integrating the CRGE vision into the GTP II plans. For instance, with the MEFCC, GGGI translated the CRGE targets into regional plans and coordinated the review of draft GTP from sectors plans for coherence with the CRGE vision.
- **Establishing the ECRC** – In a partnership with EDRI and the Environment for Development Initiative, the ECRC was established. GGGI sits on the steering committee. In the medium term the center's work will help to generate evidence in support of policy decisions and enhance the government's capacity. During the process of research design, the center will coordinate and closely align with efforts from a variety of other bodies, such as the Ethiopian Environment and Forest Research Institute (EEFRI).

4.2 GGGI's Comparative Advantage

GGGI is a relatively new organization in the FDRE, operating outside of the traditional donor space but alongside a wide array of bilateral and multilateral agencies. Many existing agencies have a presence and well-established institutional and operational capabilities. GGGI is an intergovernmental organization, with the FDRE being a founding member and sitting council member, and having the largest country program.

GGGI is not a funding organization that can fund activities on the ground, yet it plays a focused and substantive role in catalyzing investment. To operate successfully, GGGI needs to understand and utilize the complementary roles that various government and development partners play.

An independent review of the GGGI program in 2015¹⁴ distinguished development partners as:

- Agencies that provide predominantly technical assistance and policy advice, facilitate knowledge generation and dissemination (e.g., GGGI and Climate and Development Knowledge Network);
- Agencies that provide technical assistance and grant finance (e.g., UNDP);
- Agencies that provide a package of technical assistance, grants and loans (e.g., World Bank/International Finance Corporation and KfW);
- Bilateral donors such as Germany, Norway and the United Kingdom that provide largely development assistance in terms of finance, with some technical assistance being available through secondments (e.g., DfID) or targeted project support (e.g., GIZ).

Across these categories, there are a multitude of agencies involved in CRGE development in the FDRE with large volumes of financial and technical resources available to the FDRE. GGGI estimates that USD 444 million of currently active initiatives from over 50 development partners are broadly related to the CRGE. To put this in perspective, GGGI's budget for the FDRE is around USD 3 million – 4 million per annum. Seen in pure spending terms, GGGI is not a large development partner or technical assistance provider. GGGI's focus is on targeted and tactical interventions that can catalyze its limited investment into wider systemic change.

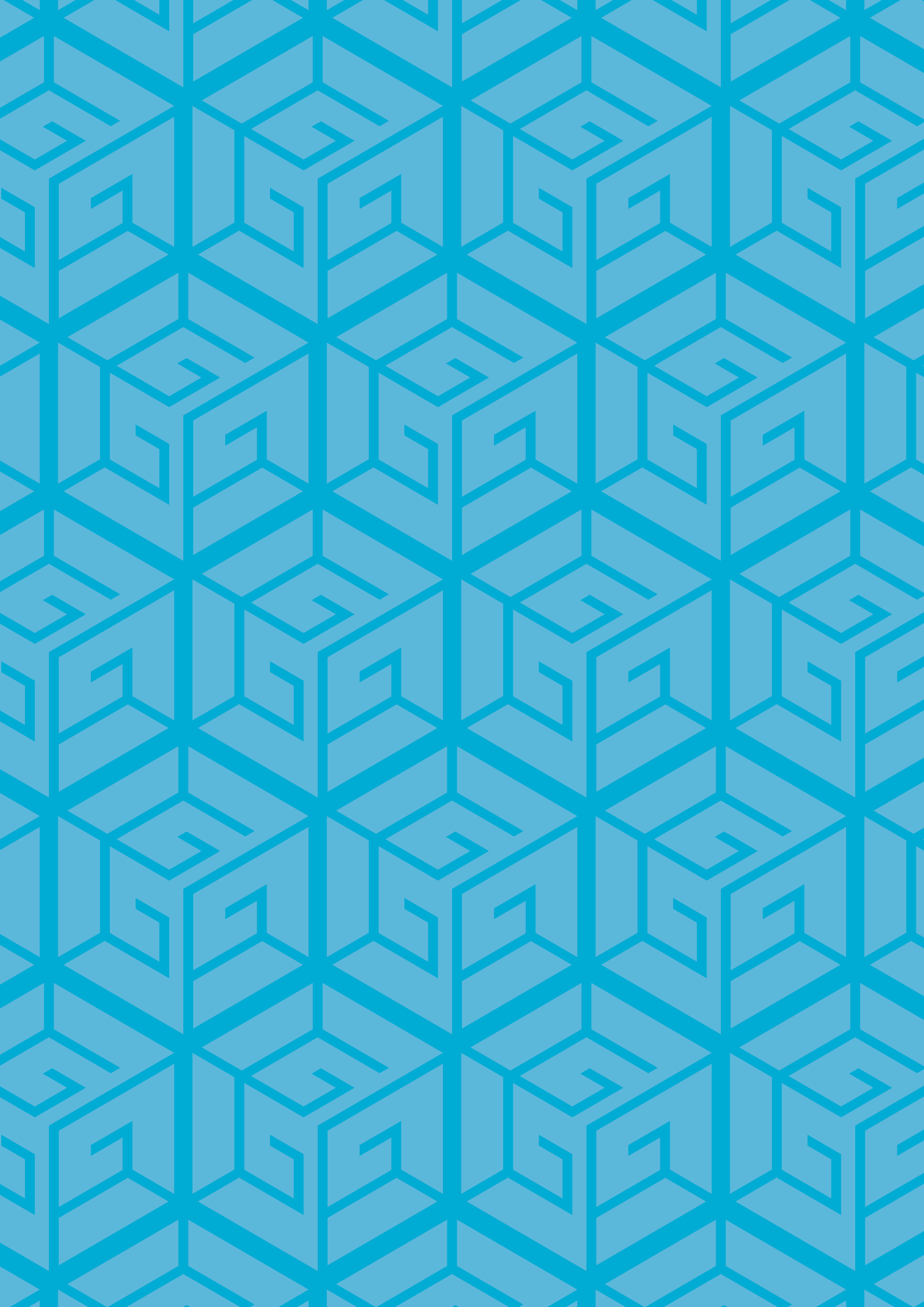
Typically, development partner support to the FDRE is not wholly or specifically focused on CRGE development. Rather, support is aimed at increasing capacity within the sectors and on implementation of large projects. Furthermore, relatively little of this appears to be targeted directly at building CRGE implementation strategies, tools or capacity development. In other words, most other development partners have significant amounts of finance and some technical assistance, but are not able to provide well targeted or neutral support to the government on the achievements of its CRGE-related development agenda.

GGGI supports transformative change and implementation of the CRGE vision. This is done through providing advisory services on strategy and analytics, planning processes, capacity development, increasing investment, project development, and institutional support, e.g., to the CRGE Facility.

The distinguishing features of GGGI in the FDRE include the following:

- Provides neutral, unbiased advice to support the FDRE's CRGE ambitions;
- Offers strategic advisory services that span across core sectors of the economy through embedded advisors with support from global experts. The advisors and experts allow GGGI to conduct broad horizon scanning, which is used to target interventions and leverage the efforts of other development partners;
- Is not a donor, which sets GGGI apart from other development partners such as DfID and UNDP that also have embedded advisors in the government. GGGI is different from the World Bank, which provides technical assistance but ultimately focuses on the financing of large-scale operations;
- Focuses on developing bankable projects to support green growth, leveraging investment to achieve tangible change on the ground.

¹⁴ Neil Bird, Mulugeta Mengist Ayalew and Frank Sperling, "Norwegian forward looking midterm review of the Global Green Growth Institute (GGGI) Ethiopia Country Program, 2013-2015," 2015.





5. Country Planning Framework Analysis

5.1 The CPF Development Process

The CPF development process began with a situational analysis that identified the main challenges and opportunities for green growth across and within different sectors. A critical review of the FDRE development priorities and GGGI's strategic direction and comparative advantage was also undertaken, to see how they can be aligned. Bilateral consultations on potential focus areas for GGGI were held with government institutions and development partners, including representatives from key sectors. These consultations were used to adjust the situational analysis, refine the sectoral issues, and identify problems that were common across all sectors. Lessons from previous years of CRGE implementation and GGGI's work were considered.

A workshop was held in Addis Ababa in May 2015, and attended by participants from key sectoral ministries and governmental agencies. The workshop was officiated by the Minister of Environment, Forest and Climate Change, and participants were invited to prioritize areas for GGGI collaboration. The prioritized areas were subsequently screened by the GGGI country team, selecting only those within GGGI's capacity.

A final workshop officiated by the State Minister of Environment, Forest and Climate Change, and attended by the State Minister of Water, Irrigation and Energy, donor agencies, development partners, civil society, private sector entities, academia, and senior government officials was held in February 2016. At the workshop, the CPF was validated.

The CPF was approved by the Minister of Environment, Forest and Climate Change on behalf of the FDRE.

5.2 Analysis of Green Growth Challenges

Several structural transformations are required to implement the CRGE vision. Meeting the CRGE goals can only be achieved through strong and sustained economic growth within a stable macroeconomic framework. Agriculture and industry will act as the main drivers, alongside substantial investment in the provision of quality infrastructure and social services (particularly

education and health). Structural challenges that may affect the implementation of the CRGE vision include the following:

- There are strategy gaps and lack of appropriate tools to implement the CRGE vision;
- Most green growth activities and development initiatives in the FDRE are developed and implemented at the project level;
- There is a need for more CRGE project development and investment;
- The CRGE Facility requires capacity enhancement in program management, resource management and private sector engagement;
- Addressing the critical capacity gap involves alignment of efforts and support;
- There are gaps in knowledge development and evidence-based decision-making.

These challenges are discussed in detail below.

5.2.1 There are Strategy Gaps and Lack of Appropriate Tools to Implement the CRGE Vision

There are gaps in CRGE analysis and in the long-term implementation planning for the CRGE that require attention. For instance, CRGE analysis in the *Green Economy Strategy* focused on emissions and mitigation options only. Subsequently, analyses of vulnerability and adaptation measures at the sector level were done in the Climate Resilience Strategies, but they were developed on an ad hoc basis. Moreover, while the INDC states a global commitment to limiting emissions, it does not examine implementation and financing of the linkages between sectors and initiatives, or provide metrics and targets for CRGE development. A CRGE implementation roadmap that links to the GTP II process is also lacking.

Specifically, the following gaps have been identified:

- Completing outstanding CRGE analysis for some key sectors, including industry, trade, urban development, transport and health;
- Consolidating the CRGE strategy documents into one comprehensive macroanalysis that is in line with the GTP II planning cycle and objectives, and can guide sector planning;
- Setting a baseline to assess CRGE implementation progress (with metrics related to planning, finance and implementation) at macro and sectoral/regional levels;
- Stocktaking of existing initiatives and support in and around the CRGE;
- Understanding knowledge gaps and systematic technical assistance needs;
- Supporting stepwise planning for implementation that emphasizes programmatic approaches and cross-sectoral linkages. This should map the necessary steps for CRGE implementation by linking it with the GTP and maintaining its strategic relevance.

Once the above gaps have been filled, appropriate implementation-focused tools related to the CRGE can be reviewed and strengthened or developed for planning, resource management, delivery and program evaluation. For example, the Sectoral Reduction Mechanism, developed to guide sector level CRGE implementation, could be updated to show its relevance to GTP planning. The NPC could be provided with appropriate CRGE indicators and monitoring and evaluation systems; MOFEC could be provided with tools to track CRGE spending; and MEFCO could be provided with tools for managing and maintaining a national emissions inventory to monitor and track emissions.

5.2.2 Most Green Growth Activities and Development Initiatives in the FDRE are Developed and Implemented at the Project Level

If economic transformation in line with the CRGE vision is to happen, this must be integrated into programmatic planning, financing and implementation of the GTP II and beyond. During GTP II implementation, the CRGE should be considered as a set of strategic objectives that will drive better development outcomes across programs, and not as stand-alone projects outside of core planning and budgeting cycles. It can be expected that a more programmatic approach

to CRGE development will also increase opportunities for co-financing from a variety of sources, as it will bring private sector entities, financial institutions and donors together.

Moving toward programmatic large-scale planning is starting to happen. There are a handful of examples of large programs being designed and delivered by the government and a host of development partners (e.g., the one WASH, universal electrification, PBS and PSNP).

However, CRGE implementation is still viewed by some stakeholders as a parallel and stand-alone set of projects and activities that are outside the responsibility of core economic planners and financing mechanisms.

The systematic integration of green growth relevant information into program decision-making, within new programs and existing mega-programs, is a challenge. There is a gap in both the coordination of government, development partners and other stakeholders, and in the provision of strategic advice on this agenda.

5.2.3 There is a Need for More CRGE Project Development and Investment

As the FDRE moves toward greater economic complexity, beyond agriculture and into industrial manufacturing-based value creation, an important focus will be on mobilizing finance from a diversified and deepened pool of funding. Funding for the GTP and CRGE should become less dependent on public investment, but remain under public oversight.

The investment needs are high, but the current scale of investment and the role of private sector finance is limited. On one hand, the limited public finance needs to be prioritized, well targeted and programmed to achieve high impact. On the other hand, additional funding needs to be leveraged, and a shift toward private investment should be catalyzed.

The FDRE is an attractive investment destination, with large national and regional markets, cost competitive labor, and cheap and renewable electricity. Foreign direct investment is increasing dramatically, and the business and investment environment is improving. Even so, there is space for improvement in the regulatory and legal environment, banking sector, and access to finance and trade logistics. The domestic private sector is vibrant, but remains small and suffers from constrained access to capital and foreign exchange, skills, technology and poor trade logistics.

The FDRE's economy is export orientated, and increasing the value of exports is a core target of the GTP II. But in the last decade, export diversity has suffered and exports are concentrated in a small number of primary sectors and an extremely small number of larger firms. Unlocking the potential of the private sector to invest, diversify and access finance should be a priority short-term focus, particularly for export-orientated businesses, industrial inputs and services, and agro-processing.

Development partners' use of public capital and investment to bring down risk and improve the clarity of potential investments can help to increase investment and attract other sources of funding. An example is investment in renewable power production. The potential of the sector is vast; power can be produced cheaply, profitably and with available technology. Domestic demand and export markets exist and are increasing. The early stages of developing such schemes are costly and involve high risk. Focused investment at this stage of the project development cycle can play a role in developing an investment case showing the costs and potential returns. Major economic sectors, such as agriculture, energy, trade and industry, should make efforts to provide detailed and well-packaged information, data and policy clarity in order to attract investment.

Improving sector planning and bringing a pipeline of viable and high quality CRGE investments to pools of capital will increase the scale and types of funding available to the FDRE for implementation. There is an opportunity to identify and develop bankable investments. There are limited large investments being funded, and since the barriers are high, there is ample scope for reducing risk and increasing investment.

5.2.4 The CRGE Facility Requires Capacity Enhancement in Program Management, Resource Management and Private Sector Engagement

The CRGE Facility is relatively young, and its operational modalities to date have been project focused and mainly based on development partner grant funding.

The CRGE Facility should be supported to enable it to play a larger role in:

- Coordinating CRGE resource mobilization efforts, particularly climate finance and official development assistance;

- Integrating itself with the public financial management systems of the FDRE;
- Developing pipelines of investable programs, matching funds and available funding instruments with investment needs;
- Complementing existing financing mechanisms, such as through the Development Bank of Ethiopia, to leverage funds and maximize impact;
- Engaging with the private sector to leverage funds and support private sector participation in CRGE implementation.

The CRGE Facility's measure of performance must go well beyond the amount of finance mobilized. As the CRGE Facility develops further it should be integrated with the broad public financial management systems of the FDRE, using fund tracking, reporting and accounting systems. It should also support programmatic planning of its investments, linking them with large implementation programs and considering innovative instruments such as private sector loan guarantees or top up payment and payment for results to incrementally shift these existing delivery mechanisms toward "greener" implementation patterns.

5.2.5 Addressing the Critical Capacity Gap Involves Alignment of Efforts and Support

The CRGE vision was, until 2015, a high-level political vision and the mechanisms for its implementation were unclear. It is now a cross-cutting pillar of the GTP II and a strategic and operational objective of the government. Yet, capacity within the government, and within development partners, to understand the implication of the CRGE across the economy and how it will be implemented is a major hurdle in implementation. There are capacity gaps related to policymaking, planning, delivery, evaluation, incentives, work place development and a range of other issues in CRGE implementation that need to be addressed.

Firstly, there is a need to clearly define what the CRGE is and build a common understanding of it among stakeholders— translating a high-level vision into a set of operational targets and guidelines that can be used by decision-makers and operational personnel. There needs to be an assessment of the functions and capacities required to operationalize the CRGE vision in different institutions, and identification of where the capacity gaps are most critical.

A program will then be required to address critical gaps, assess progress over time, and support coordination of approaches between sectors and development partners.

This way, capacity development activities undertaken could be framed with broader understanding of the challenges faced and targeted at core gaps. The skills and knowledge of a CRGE implementation cadre at sector level could be developed and cascaded down to other levels of government over time. Furthermore, this would introduce a comprehensive understanding of the process from design to implementation within the government.

GGGI has started the implementation of a National Capacity Development Program (NCDP 2016-2020).

Activities include:

- Defining core capacities required for CRGE implementation in planning, resource management, implementation and delivery, and evaluation and learning;
- Identifying capacity gaps and developing a capacity baseline at federal, regional and *woreda* (district) levels by 2016;
- Mapping development partner activities and assessing gaps and synergies by 2016;
- Developing a menu of capacity development options relevant for targeted ministries and identified gaps by 2016;
- Developing a costed investment plan for the FDRE to implement the NCDP by 2020.

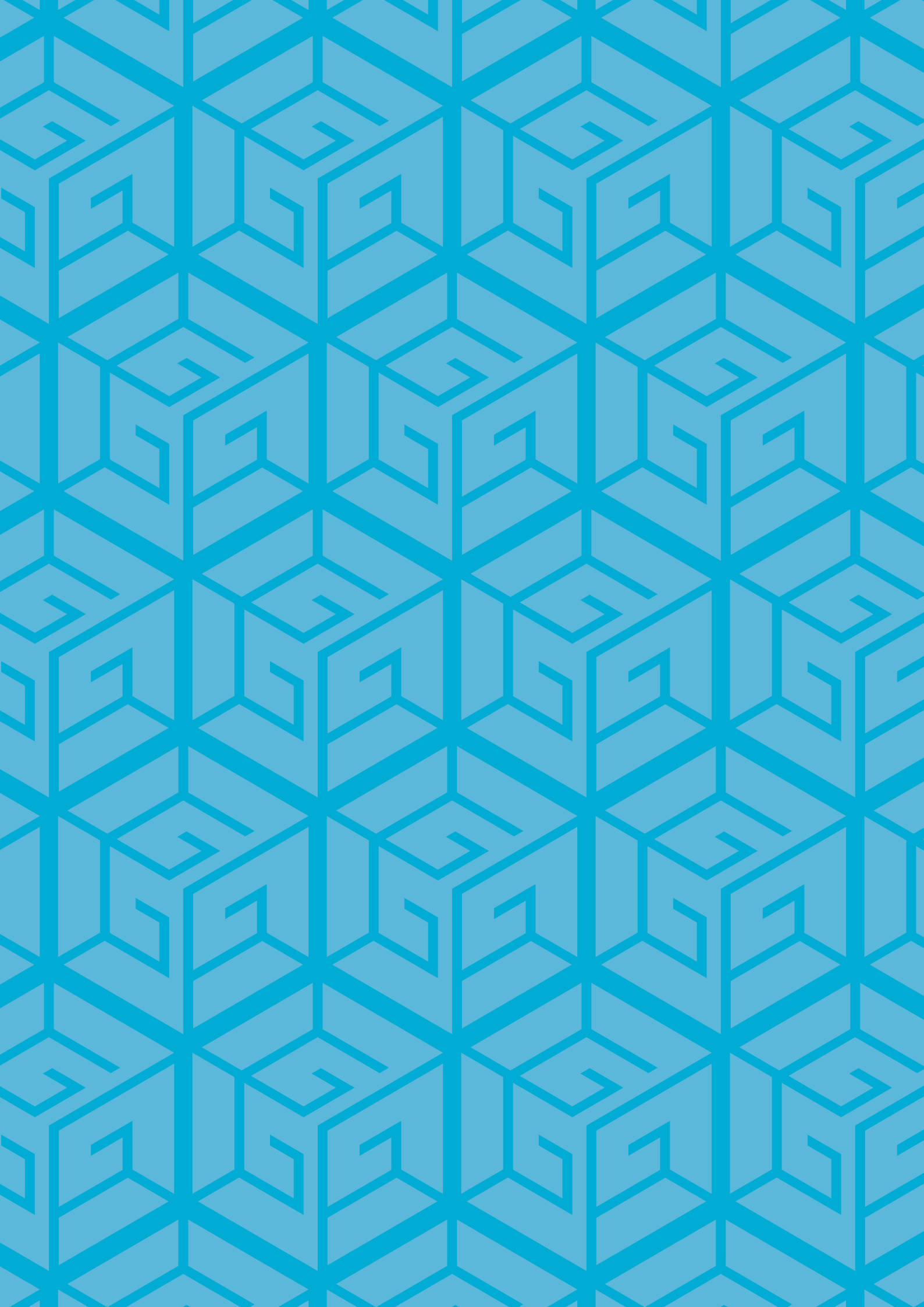
The ministries that will be covered under the capacity development framework are—MEFCC, MoANR, MoWIE, Ministry of Industry, Ministry of Transport, and Ministry of Urban Development, Housing and Construction. This program will be implemented from 2016 onwards involving a wide range of partners and government institutions.

5.2.6 There are Gaps in Knowledge Development and Evidence-Based Decision-Making

Decision-making for CRGE planning and implementation must be supported by robust evidence, research and policy analysis. There is a need to create and support a solid domestic evidence base for decision-makers in the FDRE, with high quality research and analytical outputs.

There are gaps in domestic long-term research capability, knowledge/data repository services, and the analysis and interpretation of information, particularly related to climate and development.

There is scope to promote policy change through innovation, capacity development, research and analysis to support evidence-based decision-making. Knowledge, including the evidence gathered and the best practices, should be widely disseminated and shared.





6. Strategic Response

The expected impact of the CPF is to contribute to transformational change in the FDRE toward a CRGE. This is aligned with the FDRE development goals and with the *GGGI Strategic Plan 2015-2020*. To achieve this, GGGI will provide strategic and technical advice across federal level institutions (and some regional institutions), focused on strengthening planning, capacity and delivery of the CRGE vision. In doing so, GGGI will address the structural challenges through six outcomes as follows:

- Outcome 1 – Implementation roadmap for CRGE components of GTP II is developed and adopted by the Government of Ethiopia.
- Outcome 2 – Sector level programmatic planning support is improved and delivered to federal line ministries, with improved programmatic links between sectors.
- Outcome 3 – Increased project development, program management and overall coordination capacity is built at the CRGE Facility.
- Outcome 4 – Federal/sub-national implementation and coordination capacity is increased.
- Outcome 5 – Resource mobilization and engagement of the private sector with the CRGE Facility is enhanced.
- Outcome 6 – Capacity across sectors is increased to develop and utilize high quality, evidence-based analysis tools.

6.1 Outcome 1: Implementation Roadmap for CRGE Components of GTP II is Developed and Adopted by the Government of Ethiopia

To realize Outcome 1, GGGI seeks to pursue the following broad outputs:

- **Indicative Output 1.1 – Climate Resilience Strategies for industry, trade and urban sectors are developed.** These strategies will outline the major risks and opportunities for low carbon and climate resilient development in the various sectors. These strategies may be developed

individually or as an umbrella analysis covering the relevant sectors.

- **Indicative Output 1.2 – Macroeconomic analysis of the CRGE in line with the GTP II planning cycle is undertaken.** The existing policies and strategies related to CRGE and GTP II will be reviewed and combined into one macro level strategy document. The analysis will be directly related to GTP II implementation and delivered to the MEFC, MOFEC, PMO and NPC.

To accomplish this output, GGGI will work through embedded advisors and contract specialists where relevant, calling upon experts at the GGGI Headquarters and from within the responsible government teams. GGGI will offer practical advice on areas of improvement and, if requested, will draft policies as an input for government decision-makers.

This will include:

- Gap analysis to assess what strategy components exist and where the gaps in analysis and strategy lie.
- Analysis of the financial requirements for economic transformation and CRGE implementation, including capital and operational expenditure, and the barriers and potential solutions at both the macro and sector levels.
- Baseline development to measure progress in CRGE implementation, with metrics related to planning, finance and implementation at the macro and sectoral/regional levels. GGGI will review existing implementation tools, such as the Sectoral Reduction Mechanism, for coherence with the GTP and the CRGE implementation plan. The review will set an implementation baseline, with various measures, while highlighting areas that can be strengthened using various tools and institutional mechanisms.

- Stocktaking of existing initiatives and support related to CRGE, and understanding of the knowledge gaps and technical assistance needs. GGGI will commission a stocktaking of planned and ongoing initiatives related to CRGE, and assess the synergies and gaps. This will be updated periodically, and used as a tool by the FDRE to align support from stakeholders and development partners.
- **Indicative Output 1.3 – Sector level implementation roadmap for CRGE implementation is developed.** The roadmap will be developed in partnership with the MEFCC, and planning support will be provided in a stepwise manner. It will include a review of existing strategies, policies and implementation progress, and an economic analysis of pathways and costs. It will map the necessary steps for CRGE implementation by establishing linkages with the GTP II. It will also emphasize programmatic approaches and cross-sectoral synergies.
- **Indicative Output 1.4 – Climate diplomacy strategy for effective CRGE implementation is developed.** It is imperative that the stakeholders in the FDRE agree on measures to reduce emissions and help those most affected to adapt to climate change. In order to achieve significant progress in CRGE implementation, it is necessary to build widespread and sustained societal support for actions to mitigate and adapt to climate change. There is an urgent need to mainstream the exigencies of climate change into other policy areas, and the FDRE needs to reach out to its sub-national government institutions, civil society and the wider citizenry to engage them on this issue. Climate diplomacy must play an active role in these efforts. GGGI will work with the CRGE coordinating ministries (MEFCC and MOFEC) in designing a comprehensive climate diplomacy strategy for the FDRE.

Where additional analytical work is required, options will be discussed with funding partners. Furthermore, GGGI will develop CRGE implementation tools based on the identified gaps. This will include a monitoring and evaluation system to track CRGE progress at the macro and sector/regional levels for use by the FDRE decision-makers. Additional tools, such as GHG emissions inventories and measurement tools, will be considered, depending on relevance, budget and value addition for GGGI to undertake the work.

At the sector level, GGGI will work with sector ministries in the design of sector-specific tools and systems for use in green growth planning and implementation in the MEFCC, MoANR, MOFEC, MoWIE, Ministry of Animal and Fish Resources, Ministry of Industry, and Ministry of Urban Development, Housing and Construction. While discussions will continue on the strategic relevance and specific nature of the tools to be developed, this will be determined through an annual work planning process.

6.2 Outcome 2: Sector Level Programmatic Planning Support is Improved and Delivered to Federal Line Ministries, with Improved Programmatic Links between Sectors

GGGI will work with the FDRE to make CRGE planning, financing and delivery more programmatic. Linked to the roadmap that will be developed in Outcome 1, GGGI advisors will work directly with the federal government sectors to investigate the strategic challenges and programmatic responses that can scale up CRGE efforts. Key sectors that will be targeted include agriculture, crop and natural resource management, water, irrigation and energy, industry, urban development, housing and construction.

To realize Outcome 2, GGGI seeks to pursue the following broad outputs:

- **Indicative Output 2.1 – Reducing Emissions from Deforestation and Forest Degradation (REDD+) strategy development is supported and regional advisory services are provided.** GGGI will support the development of a national REDD+ strategy and action plan, and provide regional advisory services for participatory forest management, afforestation/ reforestation and REDD+ implementation. The protection and re-establishment of forests for their economic and ecosystem services, including as carbon stocks, is one of four pillars in the *Green*

Economy Strategy, and REDD+ has been identified as one of four initiatives for fast track implementation.

- **Indicative Output 2.2 – Support is provided to the Government of Ethiopia for effective REDD+ implementation.** GGGI will support the MEFCC in the development of technical guides (based on participatory forest management) for REDD+ implementation. Considering the ambitious targets set for afforestation/reforestation, and in view of raising the economic, ecosystem and social contributions of forests, GGGI will provide support in developing implementation guides for successful afforestation/reforestation. Analyses will be made on selected products/services that are provided by forest resources (e.g., charcoal, forest-based ecosystem services, etc.) to help shape their future sustainable management through the creation of enabling conditions.

Based on the recommendations from studies related to drivers of deforestation, GGGI will assist the government in the development of necessary policy improvements leading to a more enabling environment for afforestation/reforestation. Emphasis will be given to the improvement of forest governance, strengthening user rights, land-use planning, benefit sharing and private sector engagement in forest development.

As part of the efforts to mobilize conservation financing, opportunities for regional forest-based payments for ecosystem services will be mapped out (based on the national framework under development).

Moreover, GGGI will recruit and place a senior regional advisor for Oromia. The advisor will support regional governments in building knowledge and understanding of the CRGE vision, as well as planning and evaluating CRGE progress. Specialist focus areas will include Forestry and REDD, and/or energy. The support will be geared toward the effective implementation of the jurisdictional REDD+ initiated in the region as the first pilot in the FDRE. Linked to the regional REDD+ institution, advisory support will focus on:

- Promoting coordination among the key government and non-state actors in the agriculture, forestry and energy sectors at the regional and local levels;
- Developing an implementation strategy (within the framework of the national REDD+ strategy);

- Building local capacity through tailored trainings;
- Supporting the development of effective monitoring and evaluation of achievements and benefit sharing modalities.

One key aspect of this support could be lessons generation and exchange opportunities with other regions, as well as at the federal level, to assist in scaling up REDD+.

- **Indicative Output 2.3 – Support is provided to the Government of Ethiopia in the improvement of forest administration.** GGGI will provide technical support to improve forest governance. The MEFCC will be assisted in its initiatives to develop new forest regulations and guidelines. A “training of trainers” initiative will be organized for regional-level staff in participatory forest management in connection with REDD+. Analysis will be made on the barriers and opportunities for private sector engagement in forest management.
- **Indicative Output 2.4 – Guidance for the integration of climate smart agriculture is developed.** GGGI will develop a guidance plan for integrating climate smart agriculture into the three large-scale agriculture programs—the Agricultural Growth Program, PSNP and SLMP. Through embedded advisors, GGGI will provide strategic support to understand the benefits of climate smart agriculture and how it can contribute to the FDRE’s CRGE and GTP II ambitions. By providing better decision-making support tools, assistance will be provided at the macro and meso levels of government. This will ensure that the FDRE’s agricultural-led industrialization process and middle-income country ambitions are achieved with a minimal increase in emissions, while also contributing to the overall resilience of the FDRE’s smallholder farmers. Combined, these flagship programs will invest hundreds of millions of dollars into the agricultural sector and will be the main instruments for affecting change in the FDRE’s agricultural systems. Combined, they will reach over 30 million farmers.
- **Indicative Output 2.5 – Support in development and implementation of the Livestock Investment Plan is provided.** Support will be provided in the development of the Livestock Investment Plan and its implementation, through embedded advisors within the MoANR, on resource mobilization, stakeholder coordination, planning and operational guidance.

The FDRE’s livestock sector is the country’s single largest contributor of GHG emissions, but is also vital for the livelihoods of the people and the overall growth of the economy. The Livestock Investment Plan directs catalytic investment toward the livestock sector’s Livestock Master Plan and the Livestock Sector Analysis to help support an overall reduction in emissions from the BAU scenario by up to 30% annually by 2030. In the Livestock Master Plan, projected emissions under the BAU scenario, while still reaching economic growth targets, by 2030 is 119.3 Mt CO₂e. Under the Livestock Investment Plan, emissions is expected to be reduced to 97.1 Mt CO₂e. Supporting the implementation of the Livestock Investment Plan will require strategic support and coordination with development partners, as well as climate finance, to ensure that these ambitious targets can be reached.

- **Indicative Output 2.6 – CRGE-related policy and strategy documents for industrial park development and urban planning are developed.** GGGI will develop CRGE-related policies and strategies for the industry, trade and urban development sectors. GGGI will support the relevant ministries in conducting analytical work, reviewing current plans, and assessing the climate risk and resilience of the sectors. Reviews of existing sectoral strategies to assess their alignment with the CRGE, INDC and GTP strategy documents will also be conducted. Based on this assessment, the ministries will produce a comprehensive macro level CRGE implementation strategy. This work will be scoped through placing advisors in the concerned ministries. This will then be elaborated in the annual work planning process.
- **Indicative Output 2.7 – Economic and spatial urban development plans are developed.** This work will be scoped through advisors in the ministry. GGGI advisors will support the Ministry of Urban Development, Housing and Construction in formulating spatial urban development plans. These will be based on the CRGE priorities and GHG emission reduction targets of the INDCs.
- **Indicative Output 2.8 – A roadmap for the delivery of a sustainable power sector is developed.** This will support the Ethiopian Electric Power Corporation strategy and investment directorate in planning, scoping and fundraising for new generation and transmission capacity. The development of the roadmap will be led by GGGI, with no significant external budget required.

- **Indicative Output 2.9 – Early warning systems for disaster prevention and preparedness are developed.** There is demand from the FDRE for strengthening the early warning systems as one of the development priorities of the CRGE and the Disaster Risk Management Policy. Through the Disaster Prevention and Preparedness Agency, GGGI will make recommendations for implementation to the Prime Minister’s Office and the cabinet, and across sectors.

The Disaster Risk Management Policy aims to “reduce risks and potential damage caused by disaster through establishing a comprehensive and coordinated disaster risk management system in the context of sustainable development”. In this regard, an early warning system, which is the foundation for disaster risk management preparedness, will help to reduce climate-induced disaster risks and impacts. The main hazards are droughts and floods, which are inevitable and recurrent—intermittent drought (annually or biannually), modest drought (3-5 year intervals) and severe drought (every 10 years). GGGI will contribute to addressing the impacts of droughts by working with the Disaster Prevention and Preparedness Agency, in order to enhance the early warning system and develop a clear strategy document, and within this identify the critical gaps and opportunities that should be addressed in the early warning system.

GGGI will also focus on partnering with relevant government institutions and development partners to conduct: (1) impact assessments of natural climate events, for example the impact of the 2015 drought; and (2) the impact of national flagship programs, such as the PSNP and SLMP, in resilience building.

6.3 Outcome 3: Increased Project Development, Program Management and Overall Coordination Capacity is Built at the CRGE Facility

Detailed investment proposals for government priorities, including public and private sector financing modalities, will be developed with GGGI’s support. GGGI does not have bias toward a specific funding model, technology or sector. The sectoral focus of investments will stem from objective discussions with the government and the feasibility of investments that emerge from the prioritization exercise in GGGI’s annual program planning cycle.

To realize Outcome 3, GGGI seeks to pursue the following broad outputs:

- **Indicative Output 3.1 – Barriers to private sector participation in the CRGE are identified and a priority list of projects as bankable investments are developed.** Using the roadmap (Outcome 1) as a basis, GGGI will:
 - Conduct an analysis of the barriers to private sector investment in the CRGE;
 - Develop a list of priority investment options across sectors (including agriculture, industry and trade, water and energy, industrial parks, transport, and environment and forest);
 - Investigate the potential opportunities for private investment within the sector where relevant.

This will be linked to the CRGE implementation roadmap in Outcome 1 and the detailed sectoral analysis in Outcome 2. This output will detail the types of investment to be prioritized, the scale of required investment within sectors, and a shortlist of options available with a multi-criteria analysis.

- **Indicative Output 3.2 – Bankable investment plans for CRGE and GTP II implementation are developed.** Detailed investment proposals for government priorities, including private sector financing, will be developed. The sectoral focus of the investments will stem from discussions with the government and the feasibility of investments that emerge from the prioritization exercise in GGGI's annual program planning cycle. Investment proposals will detail the economic and financial case for a set of, or individual, investments. This will depend on the nature and scale of the investment and will include, but will not be limited to: scoping studies; pre-feasibility studies; feasibility studies; policy and regulatory assessments/reviews; assessment of funding needs and potential funding structures; reporting and monitoring structures; assessment of potential funding sources; and requirements and brokering support to reach financial close.

GGGI's approach to developing the proposals will involve working with relevant government partners (e.g., the Ethiopian Investment Commission), establishing a team with clear roles and responsibilities, working with counterparts to scope investments, and engaging with government specialists. GGGI will also

work with stakeholders to assign an indicative budget, from GGGI and other relevant stakeholders, and develop a timeline and project plan. In-country support will be provided by relevant advisors, who will provide problem-solving, quality assurance and technical backstopping support as and until investments are determined to be ready. This approach will enhance the performance of sectoral ministries in the development of such proposals in the future. GGGI will be assessed on the number of bankable projects entering the pipeline and the quality at entry, as well as the number of investments taken up and the role of private sector finance in the investments by 2020.

6.4 Outcome 4: Federal/Sub-National Implementation and Coordination Capacity is Increased

To strengthen the capacity of the government to build a CRGE, GGGI will deliver relevant components of the NCDP implementation plan and place advisors within regional governments. The NCDP sets a baseline for the critical competencies required for CRGE implementation with regards to planning, resource management, delivery and implementation, and evaluation in core government institutions at the federal, regional and woreda levels. It also has a costed menu of options for capacity building over time and an evaluation framework.

In the next phase of the NCDP (2016-2020), GGGI seeks to pursue the following broad outputs:

- **Indicative Output 4.1 – Defined number of trainings within GGGI's capabilities at federal and regional levels by 2020 are developed and delivered.** GGGI will develop training modules in line with the NCDP investment plan. These modules will be tied to GGGI's capacity as an international organization. The delivery approaches for these training modules will be discussed. It is likely that the modules will be delivered over time to a cadre of federal and regional level government staff. This will build core capacity within the government, which can then be cascaded down sustainably to different levels of the government.
- **Indicative Output 4.2 – Independent evaluation support to track progress of the NCDP is provided.** To evaluate the impact of the NCDP, GGGI will provide an independent evaluation of the NCDP as it rolls out

in 2017 and 2020. These evaluations will consider the impact of the program and make recommendations for overcoming any implementation challenges. This is separate to other evaluations of GGGI.

- **Indicative Output 4.3 – Support to the Government of Ethiopia in tracking and coordination of stakeholder programs on CRGE is provided.** GGGI will support the MEFCC in its critical task of coordination by assessing and tracking stakeholder support for building a CRGE. GGGI will develop and keep a “live” and simple database of CRGE program actions from major stakeholders, recording the purpose and focus of the support, volume of support, and outcomes. GGGI will also organize regular stakeholder meetings (led by the MEFCC and MOFEC), both as a forum for discussions and to coordinate the major stakeholders—including development partners—engaged in CRGE-related activities across sectors.

6.5 Outcome 5: Resource Mobilization and Engagement of the Private Sector with the CRGE Facility is Enhanced

The CRGE Facility is an important institution, which can play a catalytic role in financing the CRGE. This can be achieved by proactively mobilizing additional funds from public and private sources, acting as a knowledge and coordination hub on CRGE, and being an innovation center for financing mechanisms to support scaled and programmatic CRGE implementation.

To realize Outcome 5, GGGI seeks to pursue the following broad outputs:

- **Indicative Output 5.1 – CRGE Facility resource management strategy and plans are developed.** GGGI will develop a strategy for the CRGE Facility to manage and mobilize resources. An integrated resource management framework will be developed to support the CRGE Facility in mobilizing additional funds and disbursing those funds effectively. The resource management framework will also institutionalize safeguards (i.e., the Environment and Social Safeguards Framework) and monitoring and evaluation, in order to improve quality and delivery outcomes. This will include a scanning of funding options, an economic appraisal and assessment tools for proposed investments to maximize impact, options and approaches to performance-related

payments for existing or planned large-scale programs, and integration with public financial management and reporting systems. GGGI will evaluate its success in terms of the reflection of the plan in operational manuals, the amount of climate finance in the CRGE Facility (value, number of sources and types of funding available), the amount of funds disbursed (value, type, number of institutions, average program size, leverage and co-finance achieved), and the results of the investment achieved by the CRGE Facility over time.

The Facility is undergoing a period of expansion in terms of funds under management and the types of funding instruments it manages. Attracting new resources and managing resources is a priority. Demonstration of performance unlocks further investment. GGGI will provide long-term advisory services to the CRGE Facility on the management of programs, work plans and resource management. This will specifically focus on leveraging the impact of investment and integrating with public financial management systems.

- **Indicative Output 5.2 – Advisory services for the CRGE Facility on private sector engagement are strengthened.** The CRGE Facility is currently developing the private sector engagement strategy, with the support of GGGI, which should be finalized by the end of 2015. This strategy will detail the institutional options for engaging with the private sector, as well as rationalizing and detailing public financing instruments that can reduce investment risks for the private sector, such as guarantees or grants through the Development Bank of Ethiopia. GGGI will work with the CRGE Facility to implement the strategy and measure its impact through the scale, type and co-financing, including leverage ratios, achieved through private sector investment, as well as the use of climate finance.

6.6 Outcome 6: Capacity Across Sectors is Increased to Develop and Utilize High Quality, Evidence-Based Analysis Tools

Decision-making and implementation in green growth planning requires sound research and policy analysis and a rich evidence base. GGGI will critically assess the evidence base around the CRGE for decision-making, and promote innovation and policy-relevant research in government agencies and other partners. This will stimulate change by generating and testing policy ideas.



To realize Outcome 6, GGGI seeks to pursue the following broad outputs:

- **Indicative Output 6.1 – Gaps in the evidence base of green growth are identified.** GGGI has a comparative advantage and can play an important role in identifying policy and knowledge gaps, research priorities and impact evaluation. This will serve as input to and help inform the focus areas of research centers. At present, there are a number of research undertakings and research recommendations in different disciplines. However, these are not easily accessible, and have not been consolidated for use by policymakers and development practitioners. To address this, GGGI will support a knowledge and data repository, as well as the production of policy papers. GGGI will also support the government in organizing workshops and disseminating research information, available nationally and internationally.
- **Indicative Output 6.2 – Research agenda related to CRGE implementation are developed.** GGGI will bring international experience and play an intermediary role in bridging knowledge gaps in the FDRE. GGGI will play an advisory role to the government and co-develop the research agenda with key research centers in the FDRE.

- **Indicative Output 6.3 – Partners/agencies/institutions that are suited to implement the relevant research agenda are identified.** GGGI will identify key research and academic partners that could proactively deliver research. GGGI's potential collaboration partners include—Addis Ababa University, Africa Climate Research Center, ECRC, EEFRI, International Food Policy Research Institute and International Livestock Research Institute, to mention a few.

6.7 Alignment with the GGGI Strategic Plan and the SDGs

6.7.1 Alignment with the GGGI Strategic Plan

The strategic outcomes and indicative outputs of this CPF are mapped in Table 3, illustrating how they are aligned with the FDRE's strategic priorities and with GGGI's thematic priorities and value chain.

Table 3. Alignment with the GGGI strategic areas and the FDRE strategic priorities

CPF Strategic Response		Strategic Priorities of the Federal Republic of Ethiopia	GGGI Thematic priority	GGGI Value Chain	
Impact: Contribute to transformational change in the FDRE toward a CRGE.					
Strategic Outcomes	Indicative Outputs				
1	Implementation roadmap for CRGE components of GTP II is developed and adopted by the Government of Ethiopia	1.1 Climate Resilience Strategies for industry, trade and urban sectors are developed 1.2 Macroeconomic analysis of the CRGE in line with the GTP II planning cycle is undertaken 1.3 Sector level implementation roadmap for CRGE implementation is developed 1.4 Climate diplomacy strategy for effective CRGE implementation is developed	High priority	Cross-cutting	Cross-cutting
2	Sector level programmatic planning support is improved and delivered to federal line ministries, with improved programmatic links between sectors	2.1 REDD+ strategy development is supported and regional advisory services are provided 2.2 Support is provided to the Government of Ethiopia for effective REDD+ implementation 2.3 Support is provided to the Government of Ethiopia in the improvement of forest administration 2.4 Guidance for the integration of climate smart agriculture is developed 2.5 Support in development and implementation of the Livestock Investment Plan is provided 2.6 CRGE-related policy and strategy documents for industrial park development and urban planning are developed 2.7 Economic and spatial urban development plans are developed. 2.8 A roadmap for the delivery of a sustainable power sector is developed. 2.9 Early warning systems for disaster prevention and preparedness are developed	Priority		
3	Increased project development, program management and overall coordination capacity is built at the CRGE Facility	3.1 Barriers to private sector participation in the CRGE are identified and a priority list of projects as bankable investments are developed 3.2 Bankable investment plans for CRGE and GTP II implementation are developed	Priority	Cross-cutting	Design, financing and implementation
4	Federal/sub-national implementation and coordination capacity is increased	4.1 Defined number of trainings within GGGI's capabilities at federal and regional levels by 2020 are developed and delivered 4.2 Independent evaluation support to track progress of the NCDP is provided 4.3 Support to the Government of Ethiopia in tracking and coordination of stakeholder programs on CRGE is provided	Priority		
5	Resource mobilization and engagement of the private sector with the CRGE Facility is enhanced	5.1 CRGE Facility resource management strategy and plans are developed 5.2 Advisory services for the CRGE Facility on private sector engagement are strengthened	High priority	Cross-cutting	Design, financing and implementation
6	Capacity across sectors is increased to develop and utilize high quality, evidence-based analysis tools	6.1 Gaps in the evidence base of green growth are identified 6.2 Research agenda related to CRGE implementation are developed 6.3 Partners/agencies/institutions that are suited to implement the relevant research agenda are identified	Priority	Cross-cutting	Sector/Sub-sector strategy and planning (i.e. policy and institutions analysis)

6.7.2 Gender Equality, and Environmental and Social Safeguards

The FDRE frames all development initiatives including the GTP as being both pro-poor and socially inclusive. Poverty reduction, social inclusion and gender equality are all explicit core cross-cutting themes of the GTP, and the CRGE is a complementary component of this. Government policies support the promotion of gender equality, while the *National Gender Action Plan* provides the framework for mainstreaming gender issues, including economic empowerment, education and training, reproductive rights, and institutional mechanisms for gender mainstreaming.

As such, the GTP can be considered as gender sensitive with a strong focus on poverty reduction through broad-based and rapid economic growth. The FDRE has clear and internationally-recognized ambitions, targets and goals for gender, and has environmental and social safeguards embedded within its policy framework. With the support of the World Bank, an Environment and Social Safeguards Framework has been developed using the FDRE policy legal framework as an underpinning instrument for CRGE-related investments and the work of the CRGE Facility. Moreover, there are other safeguards mechanisms that are either in place or under development such as the SLMP and REDD+ program, from which experiences can be drawn for a coordinated effort in safeguarding the FDRE environment and people from potential negative impacts of rapid economic growth.

This CPF supports the GTP II and a definition of green growth that simultaneously achieves poverty reduction, social inclusion, environmental sustainability and economic growth. The CPF therefore reflects principles and practice of safeguarding the environment and people, and promoting gender equality and social inclusion (GESI). GGGI will directly and indirectly enhance the capacity of key ministries and stakeholders to enable a favorable institutional and policy environment for mainstreaming environmental and social safeguards, gender equality and social inclusion. Outputs and activities to support the FDRE in strengthening its current GESI, poverty reduction and safeguards mainstreaming strategy are included in the results matrix and implementation roadmap.

6.7.3 Alignment with the SDGs

The Sustainable Development Goals (SDGs) will influence the development priorities of states for the next 15 years. Therefore, it will have implications for framing the

FDRE's development strategy and, by extension, this CPF. Throughout the implementation of the CPF, GGGI will maintain a focus on the SDGs, including the goals related to poverty reduction, sustainable growth, climate action, the promotion of peace and responsive governance.

Outcomes 1, 2, 3 and 4 will contribute toward SDG1 (No Poverty), SDG7 (Affordable and Clean Energy) and SDG9 (Industry, Innovation and Infrastructure). GGGI aims to work with the FDRE in building infrastructure and retrofitting industries in order to make them sustainable, with increased resource-use efficiency, and a greater adoption of clean and environmentally sound technologies and industrial processes.

Outcomes 2 and 4 will contribute directly toward SDG6 (Clean Water and Sanitation) and SDG12 (Responsible Consumption and Production).

All outcomes of the CPF are related to SDG13 (Climate Action), as the CPF aims to collaborate with the FDRE in building a climate resilient economy with robust climate change mitigation and adaptation actions.

6.8 Governance and Advisory Structure

To provide oversight to GGGI in the FDRE, a new governance structure will be established to ensure all interventions are strategic, influential and accountable to governmental partners, donors and the GGGI Council. This will also ensure that it is aligned with the FDRE ambitions and needs.

The GGGI country office in the FDRE is supported by global teams at headquarters and other country offices. In the FDRE, GGGI is led by a country representative and comprises a team of advisors, administration and office management staff.

6.8.1 The Operating Model

GGGI's engagement in the FDRE will be targeted at the strategic decision-making level and encompass all aspects of green growth, but particularly economic development. GGGI will engage directly with enabling institutions such as MOFEC, MEFCC and NPC, and with CRGE-relevant sectors and ministries in order to add value to, and be aligned with, the core development ambitions of the FDRE.

GGGI will work under an organizational partnership with the FDRE, with MEFCC as the primary stakeholder. This support will be long term and focused on the core structural barriers that GGGI has jointly identified with the Government of Ethiopia. At the same time, it will maintain some flexibility, and adapt to and respond directly to shifting demands.

At the center of GGGI’s approach will be building and transferring capacity to the government counterparts. This is done both through the provision of dedicated training modules (delivered through programs such as the NCDP), and the delivery of outputs (working within and through government teams on agreed outputs).

GGGI will utilize a combination of embedded advisors, specialists across GGGI and other development partners, and external contractors. GGGI will also work closely

with other development partners to ensure that support is coordinated.

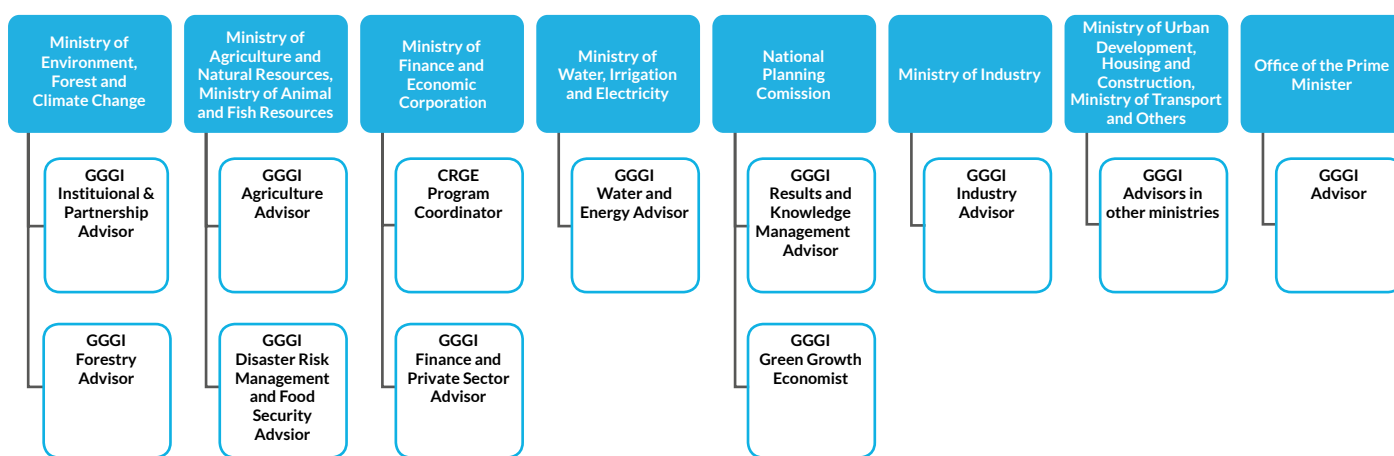
The GGGI country office will tap into GGGI headquarters’ knowledge and skills, and utilize GGGI’s extensive international partnerships and knowledge networks.

To undertake this ambitious CPF, GGGI will conduct a critical review of the staffing/technical needs to deliver the CPF in the first 3 months of 2016, and implement the recommendations immediately thereafter.

6.8.2 Experts and Advisors

Senior experts and advisors will support the MEFCC and relevant core ministries (see Figure 3).

Figure 3. Structure and indicative support areas of GGGI in the FDRE



6.8.3 Strategic Review Panel

In order to set the strategic direction and achieve results, GGGI’s program in the FDRE will have a government- led oversight platform. A Strategic Review Panel will be established to:

- Guide GGGI’s strategic direction and setting high-level priorities;
- Make decisions on strategic issues concerning planning and delivery;
- Facilitate engagement and partnership with government and development partners.

The Strategic Review Panel will be led by the Minister of Environment, Forest and Climate Change, with membership at the Prime Minister’s Office level drawing from key figures at the center of government. Existing government-led committees, working groups, and other planning and review mechanisms will be used to provide inputs to the Strategic Review Panel.

Table 4. The CPF approach and key program management tools

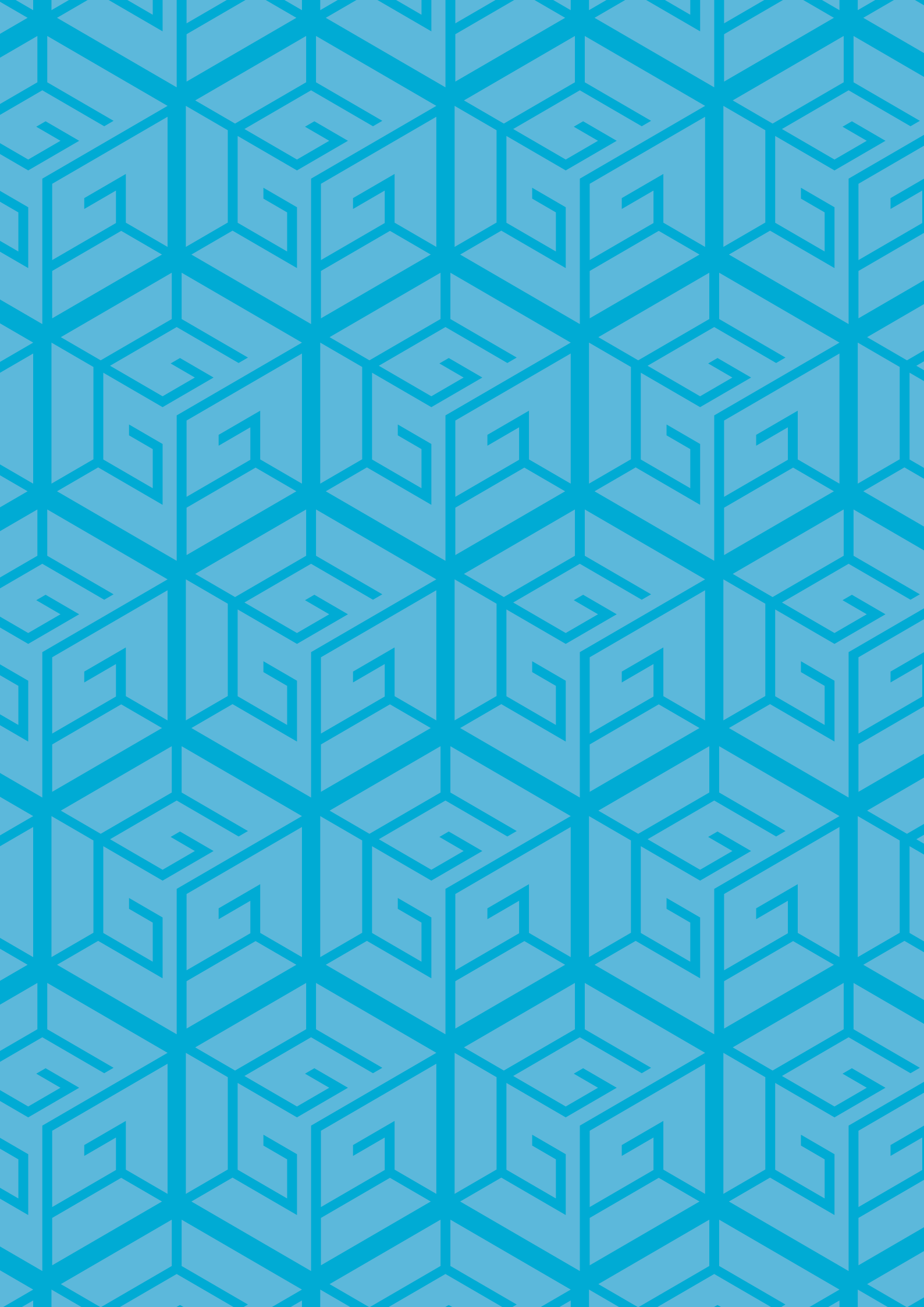
Tool	Function	Owner	Approver	Frequency
GGGI Ethiopia Results Chain	Sets strategic direction of program by defining harmonized impacts and outcomes Should be broad and define the results targeted over the lifetime over the program	GGGI	Strategic Review Panel	Agreed at the start of the program and reviewed annually
Annual Work Plan	Structures the GGGI country team’s response to achieving the results chain and results matrix Sets outputs and high-level activities to achieve the outcomes and impact	GGGI	Minister of Environment, Forest and Climate Change with inputs from sector ministers	Agreed at the start of the FDRE fiscal year (July) Review every 6 months
Terms of References (ToRs)	Specific details of activities to ensure work is results-driven and time-bound These are owned by GGGI advisers to give them the flexibility to respond to changing contexts and demands within the Federal Democratic Republic of Ethiopia – within the strategic context of the GGGI-result chain and work plan	Sector Advisors	GGGI	Agreed in real time and progress reviewed monthly

6.8.4 Initiatives Beyond the CPF Results Matrix

This CPF is developed in consultation with key ministries under the overall coordination of the MEFCC, with inputs from relevant stakeholders. It is therefore understood as a framework for the full range of activities to be supported by GGGI during the period 2016–2020. This not only promotes greater coherence of GGGI in the FDRE, but also supports the FDRE in developing and managing CRGE-related initiatives, with defined activities and outcomes. The activities of the

CPF are aligned with financial resource allocation, and has clearly defined milestones.

It is, however, open to change and flexibility, under the guidance of the Strategic Review Panel, so as to be responsive to emerging needs and changes in circumstance. For example, in the event of a disaster, emergency or urgent development needs, additional financial support may be mobilized outside the scope of this CPF.





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