



GREEN
INDUSTRIALIZATION
IN ETHIOPIA

**Challenges and Potentials on the Road to a Net
Zero Green economy**

Case Study

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Introduction

- Ethiopia is a landlocked LDC country in the Horn of Africa.
- Ethiopia's historical and present contribution to global greenhouse gas emissions is minimal
- Population of around 120 million people
- Ethiopia has experienced climatic changes with recurring droughts impacting the people and economy.
- Ethiopia is endowed with various natural resources and rich in diversity. However, land degradation is one of the biggest challenges of the country and the biodiversity has been affected by several factors.

Motivation behind CRGE

Experience the effects of climate change.

Projections and economic assessments that indicated a BAU way of development would result in racking more international debts

Natural resource assets and huge low carbon potential – (ex: rich in forests, hydro, solar, wind & geothermal energy)

Understanding the co-benefits (for health, wellbeing, economic growth and natural resource conservation)

Potential and opportunity for accessing carbon and climate finance

Well positioned to become a regional and global leader in low carbon growth which will have legacy and commercial benefit long into the future.

High-level engagement

National Efforts towards greening the Economy

On the margins of the Durban climate conference in **2011**, Ethiopia unveiled its vision of developing a climate-resilient green economy (CRGE) by 2025.

CRGE is a vision to build a **middle-income climate-resilient green economy by 2025** through net-zero carbon growth

Nearly 150 initiatives and programmes were identified throughout the process of formulating the plan.

Using **four criteria**, around **60** of these were chosen from the **agriculture, forestry, power, transport, and industry sectors**.

Four Pillars of the Green Economy



1. Improving crop and livestock production practices for higher food security and farmer income while reducing emissions.



2. Protecting and re-establishing forests for their economic and ecosystem services, including as carbon stocks.



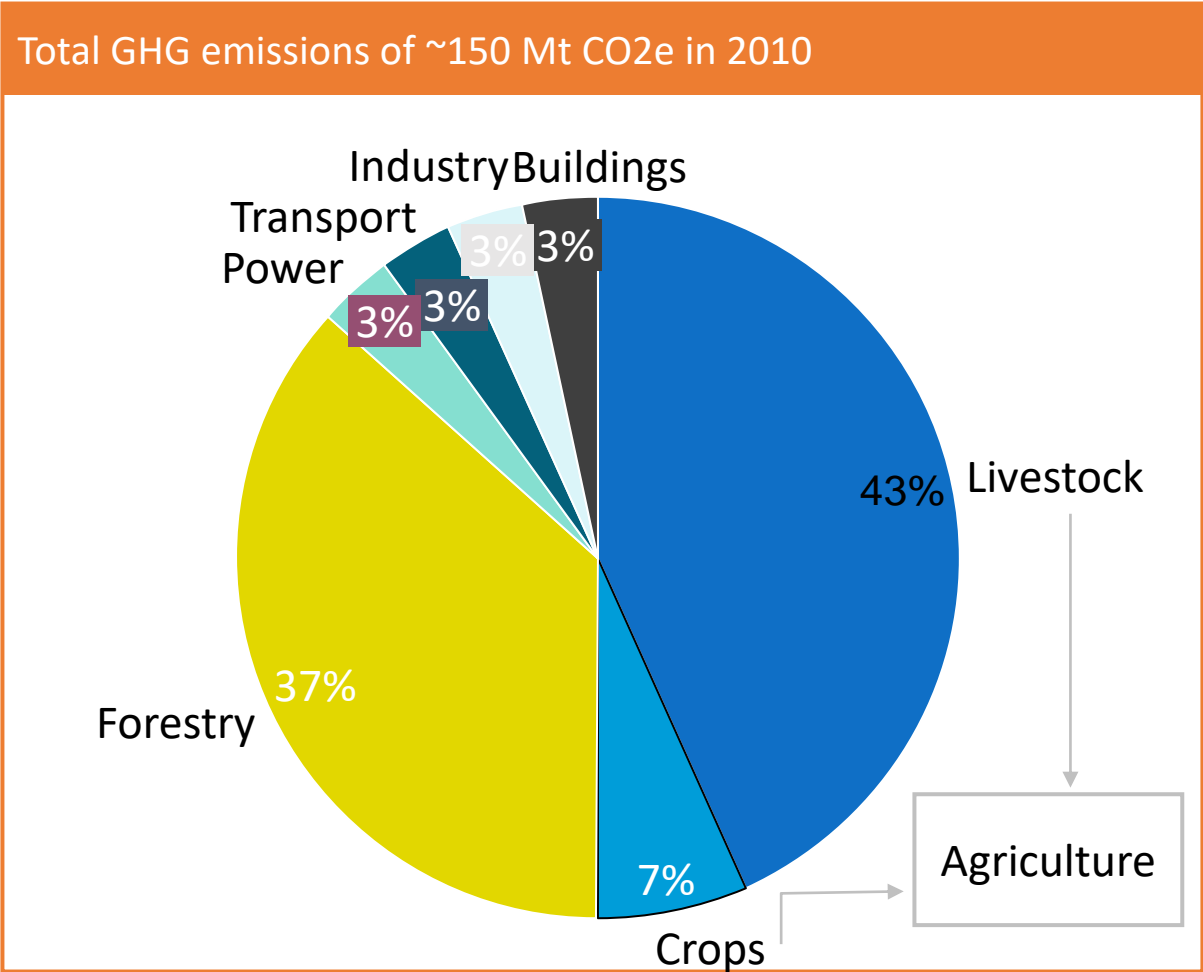
3. Expanding electricity generation from renewable sources of energy for domestic and regional markets.



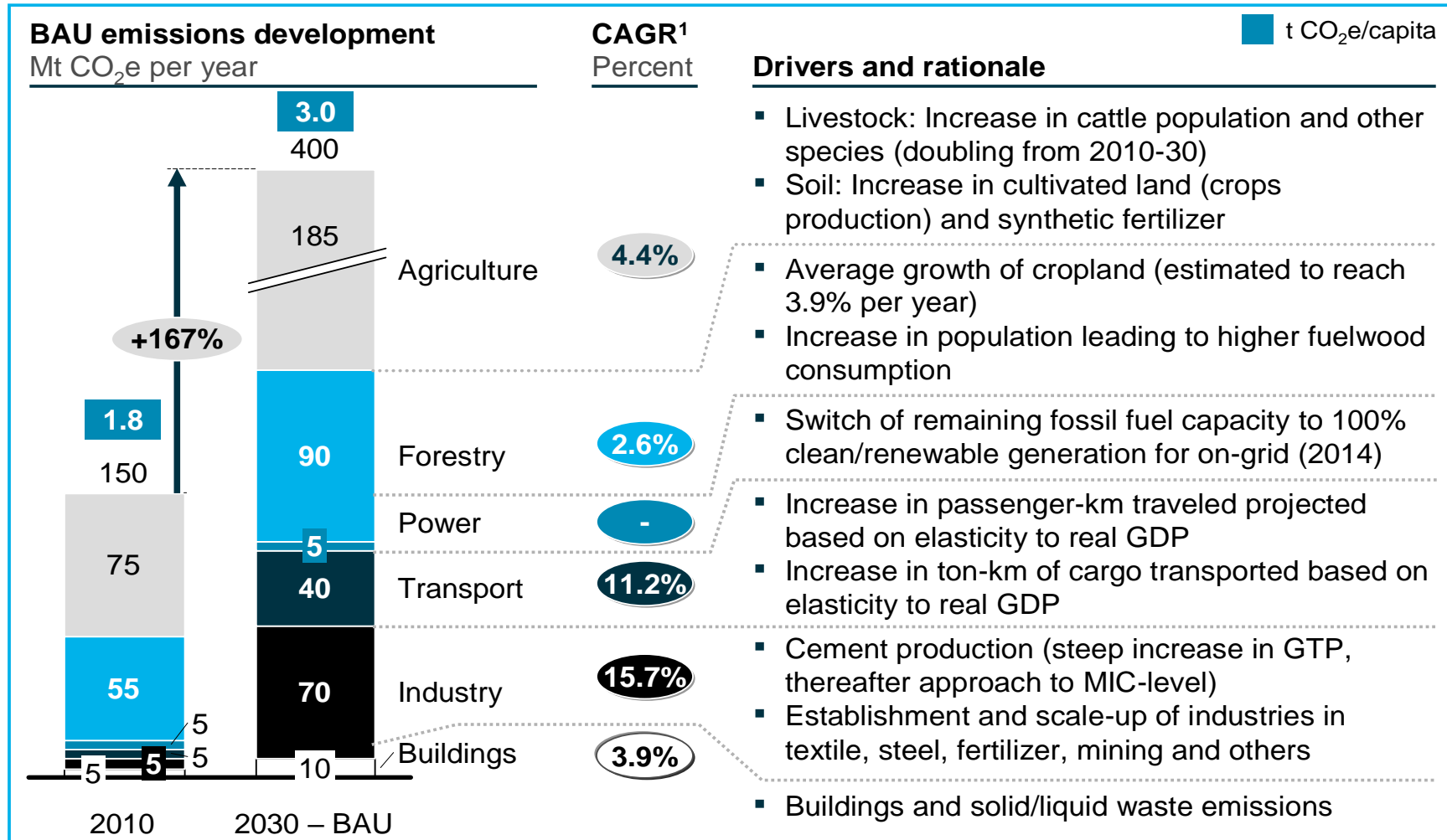
4. Leapfrogging to modern and energy-efficient technologies in transport, industrial sectors, and buildings.

More than 85% of greenhouse gas emissions in Ethiopia come from forestry and agriculture

Share of GHG emissions, 2010



If a typical development path were followed, emissions would increase from 150 Mt to 400 Mt (2010 to 2030)



¹ Compound average growth rate

Success of design of the CRGE

High-level political buy-in at the PM level. The CRGE strategy was developed by EDRI under the direct guidance of the Prime Minister.

Inter-Ministerial Steering Committee (made up of relevant ministries) coordinating the CRGE.

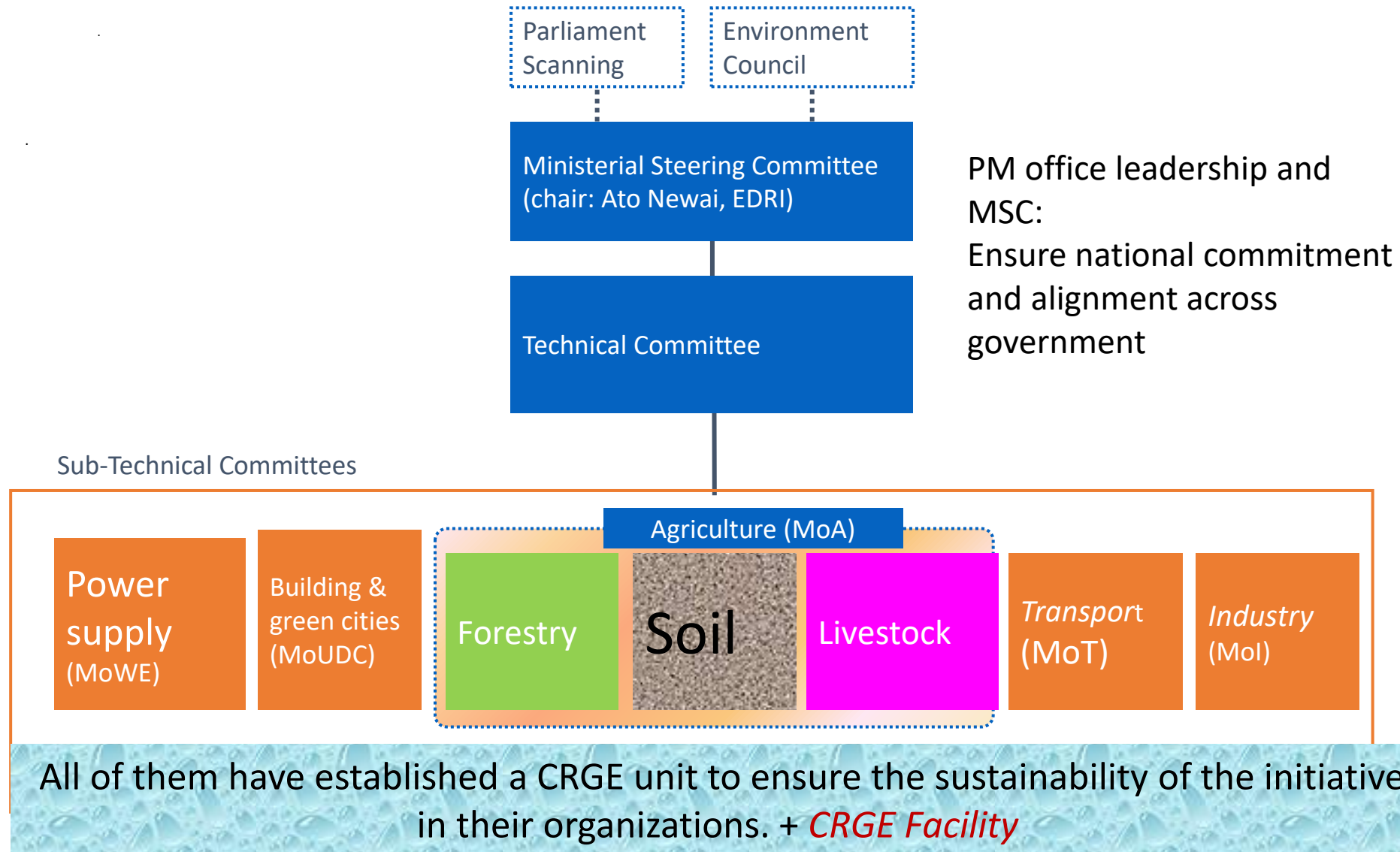
CRGE Facility housed under the Ministry of Finance was launched to serve as an innovative funding mechanism to support CRGE Strategy implementation.

This helped Development Partners to address climate change problems in Ethiopia in a more **coordinated and streamlined manner**.

Climate change was **mainstreamed into** the country's broad development planning framework, particularly through the second Growth and Transformation Plan (**GTP II**).

Building on GTP II and its predecessor GTP I, a new **10-year development plan** is now designed to navigate the country to prosperity.

Institutional Aspects of CRGE Strategy Preparation and Implementation



CRGE Implementation and Institutional Set-up

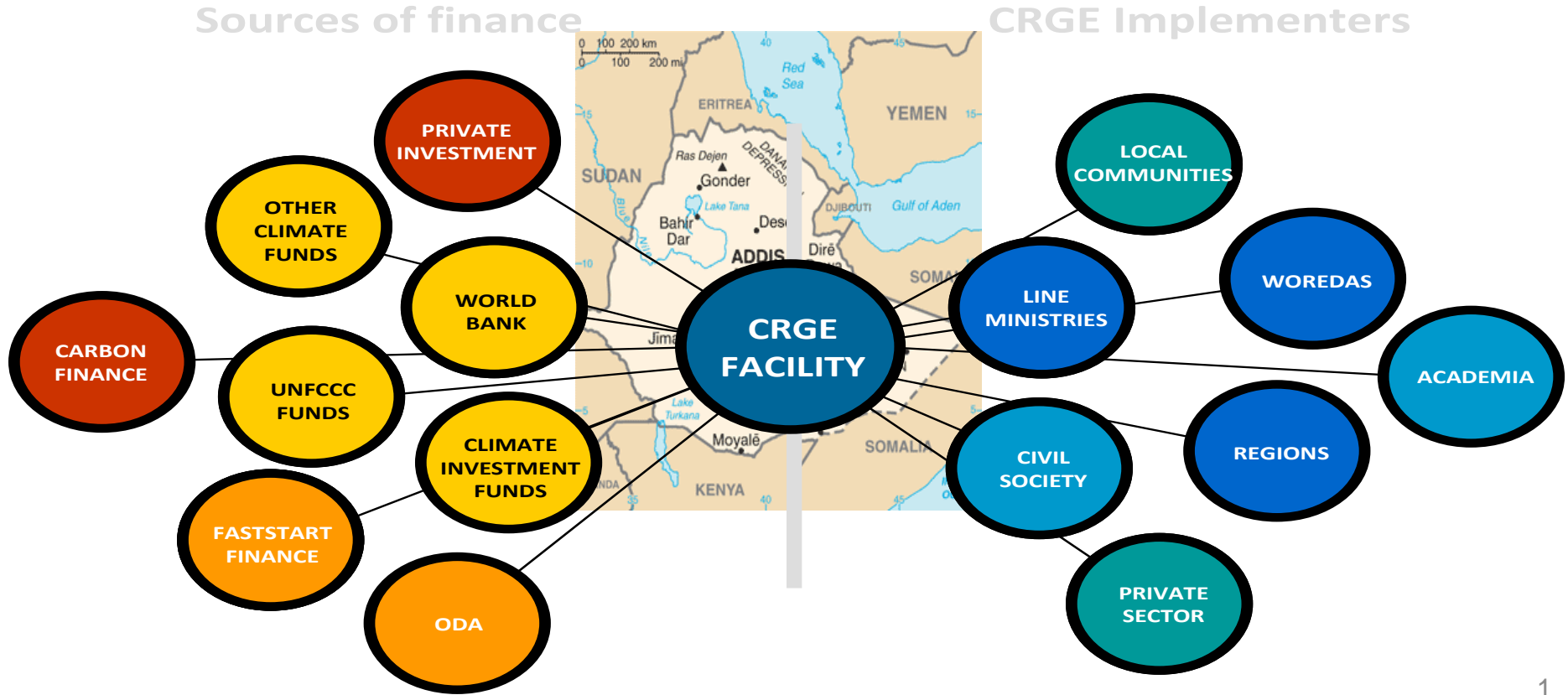
- **CRGE units** were established in all government ministries and appointed **focal individuals** to oversee CO2 emission-reduction operations, such as planning and monitoring.
- The **Ethiopian Ministry of Finance** took the lead in organizing the CRGE units and managing the funds.
- The **CRGE Fast Track Investments** that was funded by the **UK government** and the **Austrian Development Agency** were designed to accelerate the pace of implementing agencies in mainstreaming and implementing the CRGE.
- In January 2014, **23 Fast Track Investments** that had been prepared by different ministries, were submitted to the CRGE Advisory Committee.
- Ethiopia undertook an independent review of the impact of CRGE to take stock of progress and assess performance as well as inform the 10 years development plan.

Ethiopia's CRGE Facility:

Established to pool finance from both local and international sources, including public and private sectors. It is housed in and overseen by MOFED

Source of finance

CRGE implementers



Strategies and Policies related to Industrialization

Year	Policies and Plans
1994	ADLI Agricultural Development Led Industrialization
2022	Industrial Development Strategy in 2002
2002/03-2004/05	Sustainable Development and Poverty Reduction Program (SDPRP),
2005/06-2009/10	Plan for Accelerated and Sustained Development to End Poverty (PASDEP I)
2010/11- 2014/15	Growth and Transformation Plan I (GTP I)
2013-2025	Ethiopia's Industry Development Strategic Plan
2014/15- 2019/20	Growth and Transformation Plan II (GTP II)
2019	Green Manufacturing Strategy
2015-2025	Ethiopian Cement Industry Development Strategy
2020	Roadmap for Greening Ethiopian Industrial Parks
2020/21 to 2029/30	Ten-Year Development Plan "Ethiopia: An African Beacon of Prosperity"

Industry Sector

- If the country's GDP was to increase by **more than 10% per annum**, the need for **developing the industrial sector** was identified. (GTPI)
- In 2025, the industry is expected to **contribute 32% to the GDP**, with services 39% and agriculture 29% (CRGE).
- The Ministry of Industry is driving the country's industrialisation in line with the GTPs, which envision the **industrial sector playing a major role in the economy**.
- Another focus area identified in GTP II is the plan **to accelerate industrialisation and increase access to infrastructure** through improving the capacity of the **construction sector**.
- From 2010-2030 an increase of **15% emissions from the industrial sector** is expected- with the expectation that industries grow at annual rates of **up to 20%**.
- The overall industrial emissions are projected to increase by **16% per annum**, from 4 Mt CO₂e to 71 Mt in 2030.

Opportunities and Challenges

Opportunities

- The **CRGE informed the NDC**- it was prepared in parallel to the 5 years strategy development of the country which created more consistent and mainstream planning and consultation processes. CRGE a central pillar of the ten-year plan.
- **CRGE facility** offers a good opportunity for the country to channel international, national, public, and private financing.
- The **MoF- accredited by the GCF**, complemented by the MoF's attempt to methodologically **track climate expenditure**, the country has opportunities to increase effectiveness in climate action, align with and deliver the SDGs and the PA, as well as implement real action at national and local levels.
- Several **initiatives and projects** have been implemented **since 2011**.
- Various investment opportunities can enhance public and private sector participation.
- **The NDC offers investment opportunities** to both small and big investors and presents a chance to contribute to accelerated economic growth and reduce poverty.

Opportunities and Challenges

Challenges

Means of Implementation

- **Finance Needs-** Ethiopia is continuing to make substantial investments towards climate change mitigation and adaptation but the full implementation of the NDCs is contingent upon international support.
- Ethiopia's total budget for NDC implementation is estimated at **USD 316 billion** of which **20% of the total estimated finance is unconditional**, while 80% is conditional. Ethiopia committed to investing USD 63.2 billion in the NDC actions from domestic sources with the rest expected to be mobilized from international climate finance sources
- The **CRGE Units** in sectoral ministries **lack financial resources** to carry out more comprehensive activities.

Opportunities and Challenges...

Capacity needs

- **High turnover** of civil servants coupled with inadequate infrastructural setup and **multiple restructurings** contribute to the problem.
- **Fragmentation of governmental resources**, policies and activities is also a serious problem that undermines the effectiveness of government action.
- Limited **capacity to develop proposals** that meet domestic and international climate funds' requirements.
- Difficulty running a **web-based CRGE registry** that was established to collate data from the local to federal levels.
- **Lack of clarity** on who should be taking the lead, the role of government and what policy instruments could the government deploy to ensure that those actions are taken.
- Challenges **translating** the list of initiatives (general statements) into actions.

Conclusion

- *A sustained **strong political will** towards sustainable development:* Nationally driven and owned processes should be coupled with creating confidence for investors by creating **consistent and long-standing policies** and laws while avoiding erratic changes
- ***Leapfrogging** to ensure the country **follows the latest available** science and technology.*
- ***Continued leadership in international development and climate talks** to put pressure on countries with historical responsibilities and mobilize resources for climate actions.*
- ***Linking** the international commitment to national implementation **translating commitments** into investment plans, projects and programmes.*

Conclusion

- *Ensuring that **systems in place complement each other** to ensure a holistic implementation*
- *Increasing **public awareness** to establish a whole-of-society approach for an inclusive engagement approach*
- *Collaboration with the **Private Sector***
- *Availability of **means of implementation** support is critical for effective transition*

THANK YOU!