

Ethiopia

Implementing the CRGE through Strategic Resource Allocations



GGGI in Ethiopia: Developing the Climate Resilient Green Economy (CRGE) Strategy for climate resiliency

In 2018, the Ethiopian Ministry of Finance developed a mechanism to track and mobilize climate finance in support of Ethiopia becoming a climate-resilient and carbon-neutral middle-income country by 2030. The mechanism will serve as an important tool in the ongoing implementation of Ethiopia's Climate Resilient Green Economy (CRGE) Strategy. The CRGE is very ambitious—expanding energy access, increasing forest cover, and reducing deforestation while improving harvests to feed a growing population and keeping pace with housing, sanitation, and green public transport in expanding cities.

Realizing the CRGE vision requires over USD 7.5 billion of annual investment mobilized from domestic and international resources. Furthermore, it needs strong and sustained innovation, planning, budget allocation, and coordination across ministries, including finance, water and energy, agriculture, and the environment. It further requires continuing to align work with and support from country partners as well as the World Bank, AfDB, and Green Climate Fund, among others.

The Ministry of Finance of Ethiopia is responsible for mobilizing finance from domestic and international sources and allocating it to the implementing ministries and regional states. Working to understand and imagine this enormously complicated undertaking in effective terms required the development of a climate financing expenditure tracking system. With an estimated USD 7.5 billion needed each year over 20 years, a rigorous examination and classification of the budget details were required to accurately and effectively manage the funds.

The assessment began by developing a baseline of exactly how much was currently being spent on climate-related work, combing through the national budget for expenditures dealing with mitigation and adaptation, and carefully weighting the relevance of project components and activities.

“We have tracked and assessed the climate finance allocation in the transport, forest, and urban sectors,” said Zerihun Getu, CRGE facility coordinator at Ethiopia's Ministry of Finance and Economic Cooperation. *“This work has enabled us to know how many resources have gone to these sectors from the federal government coffers and to estimate the future financial needs of the sectors.”*

Once totally complete, it will be possible for government officials to understand more precisely the gap between demand and supply and to estimate and plan for future needs.

“We are aiming to cover the remaining sectors in order to get a full picture in terms of financial allocation, needs, gaps, and financing options. This exercise will ultimately lead us to putting in place an automated and economy wide climate finance tracking and projection system,” concluded Getu.

The tracked and assessed sectors were prioritized; particularly, the transport sector emissions doubled between 2014 and 2016 from 6.4 million metric tons (MT) of CO₂ equivalent (CO₂e) to 12.8 MT CO₂e. Left unchecked, those GHG emissions would reach 54.3 MT CO₂e in 2030, vastly exceeding targets under the CRGE. Despite rising transport-related emissions, the financial tracking indicates that spending on this sector has been flat.

In the important forestry sector, climate finance tracking confirms that only a tiny fraction of the national budget is directed to forestry (0.02% of recurrent expenditure and 0.29% of capital budgets), even though deforestation and degradation of forests will contribute nearly a quarter of emissions by 2025 if the unsustainable use of wood for fuel and conversion of forests to farmland continues as usual.

To date, there has been no attempt to track climate investment by the private sector or civil society. Before the tracking process began, there was no database of climate-linked spending within or across sectors. Going forward, steps will be taken to build capacity within ministries to maintain and expand this.

The Global Green Growth Institute played a strong supporting role in helping the government to develop the Sectoral Reduction Mechanism to guide integration of the CRGE across ministries. GGGI is also helping with the initiative's financial mechanism, the CRGE Facility, including identifying fast track investments.

With an effective tracking and analysis system in place and in collaboration with committed partners, Ethiopia will be able to make the most impactful decisions to achieve its national development goals.

