

# Climate Resilient Green Economy (CRGE) Strategy

Ethiopia is experiencing the effects of climate change. Besides the direct effects such as an increase in average temperature or a change in rainfall patterns, climate change also presents the necessity and opportunity to switch to a new, sustainable development model. The Government of the Federal Democratic Republic of Ethiopia has therefore initiated the Climate-Resilient Green Economy (CRGE) initiative to protect the country from the adverse effects of climate change and to build a green economy that will help realize its ambition of reaching middle income status before 2025. Since February 2011, the CRGE initiative, under the leadership of the Prime Minister's Office, the Environmental Protection Authority, and the Ethiopian Development Research Institute, has been developing a strategy to build a green economy. Seven sectoral teams involving more than 50 experts from more than 20 leading government institutions have been driving the initiative. The objective is to identify green economy opportunities that could help Ethiopia reach its ambitious growth targets while keeping greenhouse gas emissions low. The government intends to attract development partners to help implement this new and sustainable growth model.

Ethiopia aims to achieve middle-income status by 2025 while developing a green economy. Following the conventional development path would, among other adverse effects, result in a sharp increase in GHG emissions and unsustainable use of natural resources. To avoid such negative effects, the government has developed a strategy to build a green economy. It is now starting to transform the strategy into action and welcomes collaboration with domestic and international partners.

Climate resilience is the ability to cope with, and manage the change brought by weather stresses and shocks. A climate resilient economy is thus one which is protected against the negative impacts of extreme climate events, normally referred to as the weather, and climate change so that the well-being of the people and the economic growth and prospects of the country are not damaged by the impacts. Building a climate resilient economy is therefore about adapting effectively to climate change to minimize the potential damage and to maximize the potential benefits. Adaptation actions are required irrespective of a deal on global green house gas emissions. The greenhouse gases already emitted by the industrialized nations are already causing dangerous climate change and Ethiopia will need to adapt, or adjust to this change and continue adjusting since the climate is going to continue changing.

A recent study by the World Bank projects that unless steps to build resilience are effective, climate change will reduce Ethiopia's GDP growth by between 0.5 and 2.5% each year. As a worst case scenario, in 25 years time, Ethiopia will have only half the potential total GDP it could have attained and this will be because of the negative impacts of climate change. Building resilience to avoid this damage to our economy depends on understanding the threats and the priority areas for focusing adaptation efforts.

***The vision:***

Achieve middle-income status by 2025 in a climate-resilient green economy Both the government and the International Monetary Fund expect Ethiopia's economy to continue as one of the world's fastest growing over the coming years. Building on its positive recent development record, Ethiopia intends to reach middle-income status before 2025. As set forth in the Growth and Transformation Plan (GTP), reaching this goal will require boosting agricultural productivity, strengthening the industrial base, and fostering export growth. As a responsible

member of the world, Ethiopia is also aware of the important role that developing countries play in fighting climate change, and has consequently taken on a constructive role in international climate negotiations. Ethiopia's ambition to become a "green economy front-runner" is an expression of its potential for and belief in a sustainable model of growth.

### ***The challenge:***

To achieve economic development goals in a sustainable way If Ethiopia were to pursue a conventional economic development path to achieve its ambitious targets, the resulting negative environmental impacts would follow the patterns observed all around the globe. Under current practices, greenhouse gas (GHG) emissions would more than double from 150 Mt CO<sub>2</sub>e in 2010 to 400 Mt CO<sub>2</sub>e in 2030. Its development path could also face resource constraints: for example, it could reach the carrying capacity for cattle. Furthermore, it could lock its economy into outdated technologies. A conventional development path could also be financially challenging. For example, a significant share of GDP might need to be spent on fuel imports, putting pressure on foreign currency reserves. Finally, according to the GTP, more than USD 50 billion will be needed over the coming five years for infrastructure development. More than 50% will have to be in foreign currency. Current and projected domestic savings and foreign direct investments, grants, and transfers will not be sufficient to finance these investments, leading to a significant finance gap.

### ***The plan:***

To follow a green growth path that fosters development and sustainability The Climate-Resilient Green Economy (CRGE) initiative follows a sectoral approach and has so far identified and prioritized more than 60 initiatives, which could help the country achieve its development goals while limiting 2030 GHG emissions to around today's 150 Mt CO<sub>2</sub>e –

around 250 Mt CO<sub>2</sub>e less than estimated under a conventional development path. The green economy plan is based on four pillars:

- Improving crop and livestock production practices for higher food security and farmer income while reducing emissions
- Protecting and re-establishing forests for their economic and ecosystem services, including as carbon stocks
- Expanding electricity generation from renewable sources of energy for domestic and regional markets
- Leapfrogging to modern and energy-efficient technologies in transport, industrial sectors, and buildings.

For more than 80% of the abatement potential, abatement costs are less than USD 15 per t CO<sub>2</sub>e.<sup>1</sup> Many of the initiatives offer positive returns on investments, thus directly promoting economic growth and creating additional jobs with high value added. Building the green economy requires an estimated total expenditure of around USD 150 billion over the next 20 years. By developing a green economy, we could exchange GHG emissions abatement for climate finance to fund some of the required investment. Implementing the initiatives would also offer important co-benefits.