



Global Green Growth Institute

The Council

Written Procedure

December 16, 2016

Decision on funding of Ethiopia Program from Core Funds

The Council,

Recalling Articles 2 and 4 of the Agreement on the Establishment of the Global Green Growth Institute (GGGI), regarding the objectives and activities of the Global Green Growth Institute (GGGI);

Recalling the Decision of the Council on the GGGI Strategic Plan for 2015-2020 [C/6/DC/4], adopted at its Sixth Session on November 18, 2014;

Recalling Article 8(5)(c) of the Agreement on the Establishment of the GGGI, that the functions of the Council include approving the work program and budget;

Recalling the Decision on the Work Program and Budget for the period January 1, 2017 – December 31, 2018 [C/2016/DC/8], approved by the Council at its Ninth Session on September 9, 2016;

Further recalling the Ethiopia Country Program Proposal 2017-2018, with an indicative budget of USD 3,552,953.22 for 2017 and USD 2,645,764.66 for 2018 with Norway indicated as the funding source, approved in the Decision on the Work Program and Budget for the period January 1, 2017 – December 31, 2018;

Noting the unavailability of earmarked funding to deliver the Ethiopia Country Program Proposal 2017-2018;

Further noting the expressed desire of Ethiopia for GGGI to continue its program in the country and deliver during the biennium certain priority activities identified by the Government;

Further recalling the USD 9,000,000 carry over from the projected budget surplus from the Work Program and Budget 2015-2016 to be used to fund new project opportunities and scoping opportunities that may develop over the course of the biennium, particular in relation to scaling up GGGI's work in the areas of development of bankable projects and development and strengthening of national financing vehicles, and the selection criteria for disbursing funds from this envelope, namely: (i) not already programmed at the country or global levels in 2017-2018; (ii) fully-aligned with country priorities; (iii) fall within GGGI's value chain and thematic priority areas; and (iv) evidence of demand from partner governments;

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Approves, on an exceptional basis, the use of up to USD 3,000,000 from the carryover of USD 9,000,000 from the projected budget surplus from the Work Program and Budget 2017-2018 for a reduced Ethiopia Country Program as attached in the Annex of this decision.

Note to Members of the Council

Background

1. GGGI has been working with the Government of the Federal Democratic Republic of Ethiopia on green growth planning and implementation since 2010, with financial support from three (3) major donors: Norway, United Kingdom (DfID), and Germany (BMUB). Since inception, GGGI has collaborated with key Government institutions and built a strong advisory country team which achieved notable success.¹ This success has included: (i) contributing to the development of the Climate Resilient Green Economy (CRGE) vision of Ethiopia; (ii) the development of a Green Economy Strategy, Climate Resilience Strategies for Agriculture and Forests and Water, Irrigation and Energy; (iii) the establishment of the CRGE Facility; (iv) the development of guidelines for Integrating CRGE into Ethiopia's Second Growth and Transformation Plan; and (v) the establishment of the Environment and Climate Research Centre. In particular, based on the CRGE, Ethiopia submitted its Intended Nationally Determined Contribution (INDC) to the UNFCCC.² Ethiopia was one of the first Least Developed Countries to submit an INDC with a set of very ambitious targets. Ethiopia's INDC limits net GHG emissions in 2030 to 145 MtCO_{2e} or lower, where appropriate finance and incentives are made available. This would constitute a 255 MtCO_{2e} reduction from the projected 'business-as-usual' emissions in 2030 or a 64% reduction.
2. In order to accelerate GGGI's intervention and to deliver greater program coherence at country level, GGGI developed a Country Planning Framework (CPF) for the period 2016-2020 in collaboration with the government of Ethiopia [C/8/2]. The CPF is aligned to Ethiopia's CGRE vision – notably the Second Growth and Transformation Plan – through a collaborative long-term partnership. The main focus of the CPF is to support the implementation of the CRGE, and to further assist with green growth and mitigation and adaptation efforts laid out in the INDC.

Justification of GGGI's request to the Council

3. GGGI held discussions with a number of development partners for funding of the CPF including Norway who provided earmarked funding in support of Phase 1 of GGGI's intervention in Ethiopia (2013-2016). The Work Program and Budget 2017-18, approved by the Council in September 2016, had programmed the Ethiopia project to be funded by Norway. This was noted to be subject to further confirmation by the donor. However, Norway recently informed GGGI of its decision to take a different approach to funding CRGE capacity-related activities in Ethiopia. Rather than providing earmarked funding directly to GGGI and/or Ethiopia, Norway intends to create, together with other donors including DfID and USAID, a technical pooling facility with operational modalities which

¹ GGGI began its collaboration in Ethiopia in 2010 with the Ethiopian Development Research Institute and the then Environmental Protection Agency. From 2013, GGGI began working with the then Ministry of Environment and Forest; the Ministry of Finance and Economic Development; the Prime Ministers' Office; the Ministry of Water, Irrigation, and Energy; the National Planning Commission; and the Ministry of Agriculture.

² <http://www4.unfccc.int/submissions/INDC/Published%20Documents/Ethiopia/1/INDC-Ethiopia-100615.pdf>

are not yet known. Discussions are still ongoing with the Government to finalize this new approach.

4. Given that finalization of the technical pooling arrangement may take considerable time, and in order to ensure continuity of GGGI's interventions and avoid operational disruptions, which includes closing down the office for lack of funding, GGGI is proposing to cover minimum operational and programmatic cost from the envelop budget. GGGI will only deliver very carefully selected outputs based on government priorities within the scope of GGGI's CPF.³ This means instead of a projected cost of USD 3.5 million and USD 2.6 million in 2017 and 2018 respectively, GGGI is proposing to deliver a total budget of USD 1.5 million per year. In the interim, GGGI will ensure that its resource mobilization efforts continue to further stabilize funding for the Ethiopia Program to deliver on the agreed CPF.
5. GGGI requests the Council to approve USD 3 million (USD 1.5 million per year) from the envelop budget for the implementation of a "Program".⁴ It is proposed that the USD 3 million be sourced from the Council-approved USD 9 million carryover envelope approved in the Work Program and Budget 2017-2018. This envelope is designed to be flexible and able to respond to emerging demands and opportunities. The Program proposed aligns to the envelop budget in that (a) it includes the delivery of bankable projects and national financing vehicles, (b) it fulfils a need for flexible and nimble core funding to rising needs, (c) is a response to emerging demands and client country needs, (d) it is fully aligned to country priorities, and (e) falls within GGGI's value chain and thematic priority areas.
6. The proposed Program aligns to the envelop budget given that, (a) it is not new project opportunity but rather a new program given the proposed change in the source of funding from earmark to core; and (b) it addresses broader components very relevant to bankable projects and national financing vehicles. Therefore, the approval to use the carryover envelope for this purpose is sought from the Council on an exceptional basis to ensure the continuity of GGGI's work in Ethiopia at the request of the Government. This will effectively reduce the available envelope budget balance from USD 9 million to USD 6 million.

Proposed Priority Areas for the Program 2017-2018

7. In line with CPF Outcome A - development of implementation roadmap for components of CRGE under GTP II, Outcome D - increasing the capacity of Federal/Sub-National institutions on the implementation and coordination of CRGE, Outcome E and Output C of enhancing resource mobilization and engagement of the private sector as well as development and implementation of CRGE bankable projects; the Program's outcome on supporting CRGE Implementation is aligned to the described CPF Outcomes. Knowing the CRGE's implementation financial needs and options of financing, FDRE's capacity and commitments to CRGE financing, having an MRV System and developing bankable programs and projects will better position the CRGE facility to unlock capital at scale. Effective CRGE implementation also requires capable and functional institutions. In line with CPF Outcomes F and Output A4, under the Program, GGGI will continue to provide

³ GGGI held consultations with the Minister of Environment, Forest and Climate Change, the Minister of Finance and Economic Cooperation, and Head of the CRGE Facility.

⁴ This is considered as a new program as the funding from Norway will end on December 31, 2016.

support to strengthen the capacity of CRGE institutions through South-South Cooperation, Knowledge Sharing and Climate Diplomacy. This will enable the CRGE Facility to discharge its triple objectives of financial mobilisation and allocation, stakeholder coordination, and Unlocking capital at scale to implement the CRGE in furtherance of the INDCs.

8. The expected outcomes of the Program are described below:
 - a. Support CRGE implementation capacity: Under this outcome, financial requirements and funding options for full implementation of the CRGE/INDC will be detailed and a sector-wide system for tracking climate expenditure will be developed. GGGI will also support the development and implementation of a comprehensive sector-wide measuring, reporting, and verification system for the CRGE drawing particularly on the experience of the Republic of Korea. The capacity of government to develop bankable public-private projects will also be enhanced. The private sector engagement strategy developed for the CRGE facility, with support from GGGI, will be implemented with the set-up of a Revolving CRGE Investment Trust Fund with a target first close fund size of USD 500 million to catalyse funding for bankable projects. These initiatives will lay a strong foundation for scaling up the National Financing Vehicle - The CRGE Facility - and accelerated green growth in Ethiopia.
 - b. Strengthen CRGE institutions. Under this outcome, South-South Cooperation, Knowledge Sharing Strategy and Implementation Framework and Platform will be developed to support peer learning on best practices and enhance research on green growth. In addition, support will be provided to enhance climate diplomacy to raise awareness of the CRGE in Ethiopia as well as leverage Ethiopia's climate leadership globally given her leadership of the Climate Vulnerable Forum, Vulnerable 20 and the Least Developed Country climate negotiators group and partner the African Union to set up a Group of Eminent Global Leaders to champion the green growth agenda in Africa. Collaboration will be sought with relevant and likeminded local and international institutions – including universities, research institutions and think tanks – to create a Green Growth Knowledge Hub in Ethiopia. The Knowledge Hub will be expected to bring together existing knowledge and experience through research and analysis on green growth and in so doing, create a pool of green growth research fellows that Ethiopia, developing countries, and GGGI can call upon for technical backstopping in green growth-related interventions.
9. South-South cooperation will enhance functional relationships and partnerships between the CRGE institutions and those from the global south to facilitate knowledge sharing and technology transfer in furtherance of CRGE Institutional capacity building; in particular, that of the CRGE Facility. GGGI will support the Climate Diplomacy efforts of Ethiopia to build an enhanced image and active engagement of Ethiopia in global climate policy and actions. This will enhance the CRGE Facility's visibility, strengthen stakeholder engagement at both the local and international levels, expand partnerships, mainstream Green Growth, contribute to international policy making and communicate the successes of the CRGE Facility; all of which will strengthen the capacity of the CRGE Facility to discharge its triple objectives of financial mobilisation and allocation, stakeholder coordination, and Unlocking capital at scale to implement the CRGE in furtherance of the INDCs.

10. All outputs are designed to contribute to transformational change in Ethiopia towards its vision of CRGE. They will further assist with green growth and mitigation and adaptation efforts laid out in Ethiopia's recently submitted NDC resulting in employment generation, poverty reduction and reducing carbon dioxide emissions for environmental sustainability among others.

Implementation modalities

11. The Program is expected to run from January 1, 2017 until December 31, 2018, and be delivered mostly by GGGI's staff. In-house skills have been assessed and positively matched to deliver the expected results. Where needed, these skills will be augmented with skills from GGGI headquarters, other GGGI country offices, and external expertise. Eighty-Five percent of the funding being sought will be utilized on staffing costs with only Fifteen percent dedicated to outsourcing, which reflects a stronger reliance on sustainable in-house delivery. While emphasising the Program for delivery in 2017 -2018 from core funds, GGGI remains fully committed to the delivery of the full CPF agreed with Ethiopia. A detailed and comprehensive resource mobilization strategy and attendant funding proposals will be developed within the first 6 months of 2017 in order to fill the funding gaps not covered by the proposed Program and thus ensure full implementation of the CPF. The Program will therefore ensure continuity of the country interventions and is considered to be part of, or in other words a sub-set of, the Ethiopia CPF 2016 to 2020.