CLIMATE FINANCE

SUMMIT 2024

WORKSHOP REPORT V1 - ADDIS ABABA, ETHIOPIA

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EXECUTIVE SUMMARY

The Inaugural Climate Finance Summit 2024, held on December 19 in Addis Ababa, Ethiopia, under the theme **"Changing Ethiopia's Climate Resilient Future Through Innovative and Inclusive Climate Finance,"** brought together key stakeholders to tackle the critical challenges posed by climate change. With Ethiopia facing an annual climate finance requirement of USD 25 billion but currently securing only USD 1.17 billion, the summit served as a platform to explore actionable solutions for bridging this significant gap.

The keynote speech, delivered by Mark Napier, CEO of FSD Africa, underscored the integration of climate finance into broader investment strategies and the vital role of private sector engagement. Napier highlighted Ethiopia's emerging capital market as a transformative opportunity and stressed the importance of transparent financial data to improve collaboration and attract investments. He also called for increased focus on urban adaptation strategies to complement Ethiopia's clear and actionable mitigation goals.

In the opening remarks, H.E. Ahmed Shide, Ethiopia's Minister of Finance, emphasized the nation's commitment to addressing climate change through initiatives like the Climate Resilient Green Economy (CRGE) strategy and the Green Legacy program, which has resulted in the planting of over 36 billion trees. Shide called for inclusive and equitable financing mechanisms and explored innovative funding approaches, such as debt-for-climate finance swaps, to support Ethiopia's climate resilience journey.

Throughout the summit, discussions centered on enhancing collaboration between public and private sectors, leveraging innovative financial tools like green bonds and PPPs, and addressing barriers to private sector participation. Panel discussions revealed challenges, including restrictive policies, high collateral demands, and limited local financing mechanisms. Recommendations included creating flexible financing structures and fostering partnerships to mitigate risks and scale sustainable initiatives.

Gender and social inclusion were emphasized as essential components of climate finance, with a focus on addressing the disproportionate impact of climate change on women and marginalized groups. Presenters highlighted the need for gender-responsive budgeting, capacity building, and dedicated funding to ensure equitable access to resources.

The summit also explored the role of nature-based solutions and forestry in Ethiopia's climate strategy. Presentations on the REDD+ program underscored its potential for reducing deforestation and enhancing resilience, with Africa currently receiving 29% of global REDD+ funding. The event concluded with a strong call to action for collective efforts across public, private, and international stakeholders to accelerate Ethiopia's transition to a sustainable, climate-resilient future.

WELCOMING REMARKS

Speaker: Hikmet Abdella, CEO, FSD Ethiopia

Hikmet Abdella, CEO of FSD Ethiopia, officially inaugurated the first Climate Finance Summit, warmly welcoming participants and distinguished guests. The session underscored the importance of addressing climate change, a challenge described as one of the most pressing issues of our time. Highlighting the role of FSD Ethiopia, Hikmet noted that the organization is taking proactive steps to address the climate finance gap, aiming to make a significant contribution to Ethiopia's climate resilience efforts. The impact of climate change on Ethiopia was presented as clear and undeniable, with communities across the country suffering severe consequences. Specific reference was made to the catastrophic drought between 2022-2023, which led to the loss of over 7 million cattle and widespread displacement of populations.

Hikmet shared statistics illustrating the substantial gap in Ethiopia's climate finance landscape. While the country requires over USD 25 billion annually for effective climate change mitigation, it currently secures only USD 1.17 billion. This vast disparity highlights the urgent need for private-sector engagement and innovative financing solutions. One proposed solution emphasized during the remarks was the development of green bonds in collaboration with the Ethiopian Capital Market Authority. These financial instruments are envisioned to play a pivotal role in building a climate-resilient economy.

The CEO also highlighted the importance of collaboration between public and private sectors to ensure that climate finance reaches those most in need. Stressing the need for inclusive, sustainable, and impactful interventions, Hikmet called on participants to focus on actionable points and develop concrete proposals during the summit. Concluding with an optimistic tone, Hikmet encouraged all attendees to reflect on the possibilities of collective action to address climate challenges. Gratitude was extended to all participants and donors, including UK International Development and Bill and Malinda Gates foundation for their support in making the summit possible.

KEYNOTE SPEECH

Speaker: **Mark Napier,** CEO, FSD Africa

Mark Napier, CEO of FSD Africa, opened his keynote speech by extending a warm welcome to all participants and expressing his gratitude to FSD Ethiopia for organizing this inaugural event. He emphasized the importance of the summit, not only due to its significance in addressing climate challenges but also because of the opportunities it presents for transformative action. While acknowledging the "gloom and doom" narrative often associated with climate change, Napier urged attendees to focus on the opportunities that arise from the need for change, emphasizing a mindset of optimism and proactive engagement.

Napier highlighted that climate finance is not an additional or separate pool of resources but an integral part of existing investment strategies. He argued that any infrastructure or development project can be designed with green principles in mind, making sustainability a core element of economic planning. This, he noted, is as much about a shift in mindset as it is about resource allocation.

Ethiopia, according to Napier, is uniquely positioned in the global climate finance landscape. While it is particularly vulnerable to climate change, the country is also making strides in creating a capital market that can fundamentally reshape its economic response to climate challenges. Napier described this nascent capital market as an "incredible opportunity" and expressed optimism about Ethiopia's potential to lead in this area.

Drawing attention to broader trends in Africa, Napier discussed findings from FSD Africa's partnership with the Climate Policy Initiative, which involved two comprehensive studies on climate finance in the continent. These studies revealed that USD 44 billion is currently at work in African climate initiatives, with 90% sourced from outside the continent. While domestic climate finance contributions have grown, they remain insufficient, and private-sector involvement is critically low. He stressed that private finance should account for 30% of climate investments—a standard seen in other parts of the world—

but in Africa, it stands at just 18%. Ethiopia's private-sector share is even lower, presenting a clear opportunity for growth.

Napier discussed Ethiopia's ambitious nationally determined contributions (NDCs) for 2030, which aim to meet Eastern Africa's climate obligations. While the Ethiopian government has committed USD 6 billion annually to climate initiatives, the country's total need is estimated at USD 25 billion per year. He called for greater transparency in climate finance data to enable effective deployment of resources, noting that the current lack of visibility hampers collaboration and impact.

While Ethiopia's mitigation goals are clear and actionable, Napier highlighted a significant gap in the country's adaptation strategies, particularly in urban contexts. He referenced a study conducted three years ago that estimated an annual investment of USD 40 billion is required to make cities greener, with substantial economic returns expected from such investments. Napier urged Ethiopia to prioritize urban adaptation as part of its climate finance strategy.

Concluding his keynote, Napier reaffirmed FSD Africa's commitment to supporting Ethiopia's capital market development and collaborating with local agencies on various initiatives, including disaster risk financing and ecosystem support for early-stage startups. He emphasized the need for actionable measures and partnerships to drive meaningful progress in climate finance. Expressing his gratitude for the collaboration with Ethiopian agencies, Napier highlighted the critical role of collective efforts in building a climate-resilient future.

OPENING REMARKS

H.E Ahmed Shide, Minister,

Ministry of Finance

H.E. Ahmed Shide began by extending a warm welcome to all guests and participants, expressing his honor to address such a significant gathering. He emphasized the importance of tackling one of Ethiopia's most pressing challenges—climate change, which poses severe threats to food security and the economy. He highlighted Ethiopia's Climate Resilient Green Economy (CRGE) strategy as a testament to the country's dedication to combating climate change, integrated into Ethiopia's ten-year development program. This commitment is further evidenced by initiatives like the Green Legacy, which has led to the planting of over 36 billion trees, contributing to the restoration of degraded landscapes.

H.E. Shide recognized the adoption of a new collective annual climate finance goal as a positive step but stressed that much more effort is required. He underscored the necessity of inclusive and equitable finance mechanisms, particularly those addressing marginalized population groups. Ethiopia is committed to advocating for finance models that prioritize inclusivity, which is vital for building a climate-resilient economy. He noted the importance of innovative financing mechanisms and mentioned promising options under consideration, such as debt-for-climate finance swaps.

In closing, H.E. Shide expressed optimism about the opportunities this summit presents for knowledge exchange and collaboration. He extended his gratitude to FSD Ethiopia for organizing the summit, which he believes will pave the way for meaningful advancements in climate resilience and sustainable development.

PANEL DISCUSSION: WHO IS DOING WHAT? SETTING THE SCENE

Panelists:

- **Hana Tehelku,** Director General, Ethiopian Capital Market Authority
- **Yonas Getahun**, Director, CRGE Facility Regional Economic Cooperation Directorate, Ministry of Finance
- **Mensur Dessie Nuri,** CEO, Environment and Climate Change Agreements and Partnership, Ministry of Planning and Development
- **Admassu Tadesse,** Co-chairperson and Managing Director, Trade and Development Bank, and Board Chairperson, FSD Ethiopia
- **Mark Napier,** CEO, FSD Africa

Moderator:

Hikmet Abdella, CEO, FSD Ethiopia

Question 1: Ethiopia's goal to reduce emissions by 2030. How is the Ministry of Finance planning to achieve this? Can development partners help?

Responder: Yonas Getahun

Yonas outlined the Ministry of Finance's efforts under the Climate Resilient Green Economy (CRGE) strategy, which includes resource mobilization as a priority. The Ministry established the CRGE Facility to finance climate-related work. Ethiopia has set ambitious targets, requiring over USD 300 billion to achieve these goals, most of which is expected from external sources. However, only USD 300 million has been mobilized so far, with USD 200 million in the pipeline.

Efforts include creating a special grant for initiatives like the Green Legacy, aiming to restore 54 million hectares of degraded land, and drafting a proclamation to allocate 1% of domestic resources to climate finance. Yonas emphasized the importance of institutionalizing financial tracking systems to improve decision-making and transparency. While partnerships with development agencies have provided critical technical and financial support, external concessional loans remain essential.

Question 2: What are the Ministry of Planning and Development's responsibilities? How does it collaborate with FSD Ethiopia?

Responder: Mensur Dessie Nuri

Mensur explained that the Ministry of Planning and Development oversees climate change initiatives as mandated by Proclamation 1263/2021. Its dual streams include macroeconomic analysis and climate policy alignment with national priorities, such as Ethiopia's 10-year development plan. The Ministry manages over 20 climate-related projects, organizes consultative meetings with stakeholders, and engages in strategic partnerships to avoid duplication of efforts.

The Ministry also focuses on carbon market development and resource mobilization strategies, which are critical for maximizing benefits. Mensur highlighted that this discussion will help refine collaboration with FSD Ethiopia, potentially using it as an entry point for private-sector engagement.

Question 3: To meet climate goals, what role does the capital market play?

Responder: Hana Tehelku

Hana Tehelku emphasized the critical role of capital markets in achieving climate goals by providing alternative financing solutions for both the private and government sectors. She noted that capital markets are not solely about financial mechanisms but also about improving lives through sustainable investments. In the context of climate finance, capital markets can channel significant resources, addressing the growing need for trillions of dollars to fund climate initiatives across Africa.

Capital markets serve as pipelines for financing platforms, attracting investors who are motivated by both profit and purpose. To this end, broader capital market regulations include climate-related disclosures that enable proper pricing of products and services by accounting for climate risks. Hana stressed the importance of continuous corporate governance-related disclosures, which enhance transparency and facilitate informed decision-making. Businesses engaged in climate mitigation and adaptation can benefit from reputational incentives through climate-related reporting, as well as financial incentives such as tax breaks, making them less risky and more profitable.

The Ethiopian Capital Market Authority has developed a dedicated workstream for climate finance, including ongoing efforts to create a climate finance taxonomy. This initiative aims to provide a structured framework for assessing the impact and success of climate-related investments. Through case studies and communication channels, the Authority seeks to showcase successful climate finance projects, inspiring broader participation.

Question 4: What has the Trade and Development Bank (TDB) done to finance climate-related initiatives? What advice can you offer to the private and public sectors?

Responder: Admassu Tadesse

Admassu Tadesse highlighted the Trade and Development Bank's (TDB) initiatives in climate finance, which focus on reducing carbon emissions and supporting green projects. The bank offers specialized facilities such as the Regional Integration Facility (RIF) and the Ascent Program, aligned with the Paris Agreement and the Sustainable Development Goals (SDGs). Approximately 75% of TDB's energy portfolio is green, and the bank is innovating through instruments like green shares to capitalize on sustainable initiatives.

TDB also supports green housing projects and e-mobility funds to advance the transport sector, including infrastructure for electric vehicles (EVs). Additionally, the bank collaborates with stakeholders to develop public-private partnerships (PPPs), an academy, for green infrastructure projects, such as trade and development funds that offer feasibility study grants to make projects fundable at early stages. Despite these efforts, Admassu acknowledged that there is insufficient demand for early-stage climate finance, requiring support for project sponsors to manage initial risks.

Ethiopia is one of the top three users of TDB's facilities, with agriculture being the largest beneficiary. However, the PPP space in Ethiopia remains underutilized. Admassu stressed the potential for scaling up PPPs to support renewable energy production, decarbonize industries, and enhance food security through climate-resilient storage and production interventions. Packaging these opportunities effectively and focusing on manageable, high-impact projects—"low-hanging fruit"—is essential to attracting investment.

He further mentioned the need to leverage existing infrastructure assets and establish mechanisms like a sovereign wealth fund to capitalize on opportunities in the renewable energy sector. Ethiopia has a unique chance to expand its energy exports by unlocking resources such as geothermal, wind, and solar power while moving beyond reliance on hydroelectric energy.

Question 5: What instruments can accelerate private-sector investment in Ethiopia? How can accountability be ensured?

Responder: Mark Napier

Mark Napier emphasized the transformative potential of capital markets in Ethiopia, envisioning them as a beacon for Africa. He highlighted the importance of building a robust, long-term capital market that prioritizes accountability and efficiency in leveraging investments. Napier stressed that private sector involvement in Ethiopia's climate finance should significantly increase. He noted that, for every government dollar invested, the ideal leverage should generate three private sector dollars rather than the current underwhelming rate of fifteen cents per dollar.

Napier explained that FSD Africa's role is to catalyze systemic responses by offering technical assistance, facilitating investments, and creating networks.

Refinancing equity remains a critical part of addressing leverage challenges, as it reduces fragmentation and streamlines opportunities for institutional investors. The continent's guarantee capacity is at its highest level ever, and FSD Africa is committed to supporting Ethiopia in accessing and utilizing these resources effectively.

The energy sector was identified as the most viable area for private sector investment, with private capital gravitating toward energy projects. Napier called for a focused energy financing framework to attract capital, particularly for green energy exports. He acknowledged the substantial investment required in this sector but emphasized that the changing environment in Ethiopia presents a unique opportunity to bring in international and private capital.

Napier also stressed the importance of fostering early-stage adoption of ventures that enhance climate resilience. By addressing risks and packaging opportunities effectively, Ethiopia can attract institutional investors and unlock its full potential.

Napier highlighted the progress made in reducing fatalities from weather-related events due to improved early warning systems, underscoring that not all developments are negative. While weather patterns may worsen, human actions and responses are improving. Celebrating these successes, he argued, is essential to maintaining momentum and fostering collaboration.

Additional Response : Admassu Tadesse

Admassu highlighted Ethiopia's significant opportunity to scale up energy exports by unlocking geothermal, wind, and solar energy resources, moving beyond reliance on hydroelectric power. He shared insights from TDB's financing of geothermal energy projects in Kenya and emphasized the need for Ethiopia to proactively pursue energy exports to neighboring countries while diversifying into other forms of energy generation.

Admassu also addressed the untapped potential in Ethiopia's transport sector, particularly in green initiatives. He advocated for the introduction of Public-Private Partnerships (PPPs) to expand and green the rail system and highlighted the pressing need to develop infrastructure for electric vehicles (EVs), which he described as a crucial but lagging area.

PANEL REFLECTIONS ON ACHIEVEMENTS IN THREE TO FIVE YEARS

- **Mark Napier:** Envisioned the development of investible transactions within the next three to five years, which would catalyze private-sector investments in climate finance.
- **Mensur Dessie Nuri:** Stressed the importance of stakeholder collaboration, enhanced coordination, and accessing financial opportunities that Ethiopia has previously missed due to inefficiencies and lack of coordination. He also called for mobilizing more resources from domestic sources.
- **Yonas Getahun:** Highlighted the need for better governance, clarity on roles among stakeholders (starting with FSD Ethiopia), and fostering collaboration to share ideas and insights more effectively.
- **Hana Tehelku:** Emphasized creating a clear roadmap for climate financing, fostering new green companies, supporting a transition to green approaches, and showcasing successful businesses through the capital market.
- **Admassu Tadesse:** Envisioned Ethiopia becoming a continental leader in green reforms, capitalizing on significant reforms like those in the telecom sector. He stressed the importance of well-managed results, identifying PPP opportunities in geothermal, solar, and wind energy, and ensuring these partnerships are successful. Admassu advocated for focusing on a few impactful projects, attracting strong investors, and using their success stories to boost Ethiopia's climate finance profile.

PRESENTATION ON FSD AFRICA'S WORK AROUND CLIMATE FINANCE AND GREEN CAPITAL MARKET INSTRUMENTS

By: Cecilia Murai, Capital Markets Senior Specialist, FSD Africa

Cecilia Murai presented FSD Africa's initiatives in climate finance and green capital markets, emphasizing the organization's role as a specialist development agency committed to building and strengthening financial markets across Africa. FSD Africa provides grants, returnable grants, data and knowledge management, investment capital, and facilitates networks and partnerships. Over the years, the agency has supported pioneering investments and increased access to finance in local currencies through various instruments such as debt instruments, insurance and guarantee products, outcome-based financing, and equity instruments.

Cecilia shared insights from the Climate Finance Landscape Report, which illustrates increasing and diversifying climate capital flows across Africa. While private sector participation has grown, further diversification is essential. She noted that climate finance encompasses more than just grants, aligning with Ethiopia's 10-year development plan and its capital market ambitions to attract large pools of capital through sustainable finance instruments.

A key part of the presentation covered the "bond universe," which includes several types of sustainable finance bonds: use-of-proceed bonds that are tied to specific projects, SDG bonds, and sustainability-linked bonds that are performance-based general-use instruments incentivizing green improvements. Trends indicate that sovereign bondholders, domestic institutional investors, and foreign pension funds are increasingly focused on sustainability as a mainstream concept due to its ability to de-risk investments while considering long-term risks and opportunities. The sustainable bond market has seen exponential growth, with green bonds representing the largest portion. Though sustainability-linked bonds account for a smaller percentage of total bonds, they have shown significant growth.

Cecilia highlighted the diversification of bond issuers, which now includes sovereign and sub-sovereign entities, with banks acting as frontrunners. Regionally, Europe and Asia dominate in issuance volume and capital attraction, while Africa remains comparatively low but has shown encouraging growth in recent years. The United States remains the largest issuer globally.

The presentation also detailed the pillars for a sustainable bond framework, which include the use of proceeds, processes for project evaluation and selection, robust reporting mechanisms, and management.

Cecilia emphasized the importance of developing an African taxonomy, a project led by the African Development Bank and other institutions. This taxonomy aims to provide cohesion for investors operating regionally by defining "green" within the African context.

FSD Africa plays a pivotal role in supporting sustainable finance by offering technical assistance in portfolio reviews, capacity building, framework development, external review processes, issuance support, and reporting. Cecilia concluded the presentation by highlighting FSD Africa's commitment to fostering green capital markets and facilitating the transition to a sustainable financial ecosystem in Africa.

PANEL DISCUSSION: "PRIVATE SECTOR EXPERIENCE IN ACCESSING CLIMATE FINANCE"

Panelists: **Betelhem Fikre** (Co-founder and COO, Zafree Papers),

Filagot Woldeselassie (Co-Founder & Managing Director, ON ENERGY CONSULT)

Moderator: Ruth Goodwin

(GROEN - Founding Managing Director, Better Than Cash Alliance)

Question 1: Brief introductions to your businesses. What do you do?

Responders:

Filagot Woldeselassie: ON ENERGY CONSULT serves as a bridge to enable off-grid solutions by providing consultancy services to SMEs working in the renewable energy sector.

The company collaborates with government institutions on training and advisory services and works with TVET students in the solar industry to build capacity and drive innovation.

Betelhem Fikre: Zafree Papers focuses on creating tree-free paper for the packaging industry by utilizing agricultural waste, particularly banana stems. The company transforms this waste into paper fiber and organic fertilizers, operating within a circular economy. Zafree supplies pulp to paper manufacturers, paper to fast-moving consumer goods companies like Unilever, and affordable fertilizers to farmers.

Question 2: What challenges do you face in your sector?

Responders:

Betelhem Fikre: Being a startup in the climate sector with an innovative product posed significant challenges. In 2018, policy restrictions, such as high minimum capital requirements for attracting investors, were a major obstacle. Zafree Papers had to incorporate in Mauritius to bring investment into Ethiopia.

Filagot Woldeselassie: The service sector is often misunderstood by banks and financiers, making it difficult to secure loans. Ethiopian banks required high collateral, and the country's high-risk perception further deterred local and international financers. SMEs like ON ENERGY CONSULT struggled to meet these requirements, unlike similar companies in other countries with more accessible capital.

Question 3: How did you address the perception of risk in accessing finance?

Responders:

Filagot Woldeselassie: Convincing local banks to provide loans was a significant hurdle due to the high collateral requirements and stringent loan criteria. The size and scope of SMEs in Ethiopia were not considered favorably compared to similar entities in other countries.

Betelhem Fikre: The return requirements demanded by investors posed additional challenges for Zafree Papers, which required the company to seek innovative ways to meet these expectations.

Question 4: What role did partnerships play in your success?

Responders:

Betelhem Fikre: Zafree Papers partnered with a brewery company to pilot its products, which enabled the business to compete globally and gain credibility. Partnerships with corporates, governments, banks, and investors helped Zafree scale operations by sharing risks.

Filagot Woldeselassie: The World Bank previously supported SMEs in the energy sector, but the withdrawal of this funding forced many businesses to pivot or close. There remains a pressing need for dedicated financing in this sector, particularly from local financiers who could supplement international funding.

Betelhem Fikre: Emphasized the need for risk reduction and proposed interest-free loans with flexible payment structures to support SMEs in the climate sector.

Questions and Comments from Participants:

Participants suggested leveraging local context to design financing tools for SMEs, such as equity and receivable financing that could eventually be listed on Ethiopia's stock exchange (ESX). They also emphasized the role of policy in creating demand for sustainable products and proposed power purchasing agreements between suppliers and users without government involvement.

Final Reflections (3-Year Vision):

Filagot Woldeselassie: Envisions stronger collaboration across the service sector, with active participation from private, government, and international stakeholders to create a thriving ecosystem.

Betelhem Fikre: Envisions a cohesive working environment where stakeholders align their efforts to foster innovation and growth, with IPOs providing new opportunities for scaling businesses.

PRESENTATION ON GENDER AND SOCIAL INCLUSION IN CLIMATE FINANCE

By: Medhin Fisseha (Climate Program Consultant, MOPD, Seconded by UNICEF)

Medhin Fisseha's presentation focused on the critical importance of gender equality and social inclusion (GESI) in the context of climate finance. She began by congratulating FSD Ethiopia for providing a platform to discuss these pressing issues. Reflecting on earlier discussions, she noted that Ethiopia is creating an enabling environment for gender and inclusion, demonstrated by two ongoing Green Climate Fund (GCF) projects.

GESI was described as a transformative process that addresses the root causes of inequality and exclusion. Medhin emphasized that climate change disproportionately impacts women and marginalized groups, especially in Ethiopia. The approach to addressing these challenges involves identifying relevant groups, ensuring efficiency, equitable distribution, and fostering sustainability. Key achievements highlighted include broadening the scope of inclusion to involve people with disabilities, transitioning from a women-focused policy to one centered on gender equality, and influencing climate initiatives to integrate gender considerations.

Specific actions taken include conducting gender analyses, stocktaking with a focus on children, and creating a gender and climate change community of practice for experience sharing. Additionally, a climate landscape analysis for children was developed, along with efforts to promote a pro-poor agenda. Notable events, such as a Climate Week emphasizing the "Leave No One Behind" principle, have been organized, and a gender action plan was formulated.

Despite these accomplishments, several barriers persist. These include limited explicit identification of GESI priorities in policy, inadequate awareness and understanding of GESI, increasing humanitarian needs due to drought and conflict, lack of accountability, absence of systems to track GESI-related climate finance, and a lack of dedicated funding for GESI activities within climate finance.

To overcome these barriers, Medhin outlined several recommendations for next steps. These include ensuring that Ethiopia's third Nationally Determined Contributions (NDC 3.0) are gender-responsive, conducting institutional analyses with age and sex-disaggregated data, and promoting social and behavioral change on climate issues in collaboration with UNICEF. She also emphasized the importance of gender budgeting and programming, as well as establishing a gender readiness fund to support GESI activities in the climate finance sector.

PRESENTATION ON UNDERSTANDING THE GLOBAL CLIMATE FINANCE LANDSCAPE: THE REDD+ AND FORESTRY CONTEXT

By: Dr. Yitebetu Moges (REDD+ Program Coordinator, Ethiopian Forestry Development Agency)

Dr. Yitebetu Moges began by highlighting the critical need for climate finance, emphasizing its urgency in addressing global climate challenges. Since 2009, international climate talks have pledged to mobilize $100 billion annually to combat climate change. Currently, global climate finance averages $653 billion per year, sourced from both domestic and international resources, including Development Finance Institutions (DFIs) utilizing various instruments.

Dr. Moges explained that climate finance is directed toward two primary investment areas: mitigation and adaptation. Mitigation investments aim to reduce greenhouse gas emissions through projects such as renewable energy initiatives and efforts to combat deforestation. Adaptation investments focus on enhancing resilience to the impacts of climate change. Within this framework, nature-based solutions represent the largest category of carbon credits available in the voluntary carbon market, accounting for 83% of the total credits issued.

He elaborated on REDD+ (Reducing Emissions from Deforestation and Forest Degradation), emphasizing its results-

based financing model. This model includes the development of a national REDD+ strategy, the establishment of a national forest management system, implementation of safeguards, and the creation of a national forest reference emissions level. The REDD+ financing process consists of three phases: readiness, implementation, and payments for results. Notably, Africa has received approximately 29% of the global REDD+ resources.

REDD+ offers both result-based and investment-based resources to support climate initiatives. However, Dr. Moges identified key challenges faced by the forestry sector, including widespread deforestation and extensive land degradation. These issues underscore the urgent need for sustainable and impactful climate finance interventions.

PANEL DISCUSSION: CLIMATE FINANCE TAXONOMY

Panelists: Misganaw Eyassu - Advisor, Ministry of Planning and Development, Dr. Yitebetu Moges - REDD+ Programme Coordinator, Federal Forestry Development

Moderator: **Robi Reda** - Director, SouthSouthNorth

Question 1: How do you look at pipelines to facilitate access to funding?

Responder: **Misganaw Eyassu**

Misganaw explained that the Ministry of Planning and Development oversees project concept notes at a policy level, ensuring alignment with national interests and strategies. The Ministry evaluates these notes against set criteria and communicates with stakeholders when clarification or adjustments are required. He also noted that technical support is offered as needed, and in some cases, the Ministry integrates its interests into the project concepts.

Question 2: What challenges exist in resource mobilization?

Responder: **Misganaw Eyassu**

Misganaw highlighted the lack of a national resource mobilization strategy for climate finance as a critical challenge. He noted that most project concept notes are submitted by international NGOs, and the Ministry often develops proposals internally due to insufficient applications. Other challenges include coordination gaps and limited resources, which hinder effective implementation.

Question 3: What is required for a national accounting system and quality proposals? Can other funds supplement your efforts? Is there intent to diversify?

Responder: **Dr. Yitebetu Moges**

Dr. Yitebetu emphasized the need for structured organization and larger dialogues to address the issue of national accounting systems and proposal quality. He pointed to the importance of guidance from international partners in strengthening these systems.

Question 4: What are the common safeguard requirements and the role of in-house capability?

Responders:

Misganaw Eyassu

Misganaw reflected on the progress made over the past decades, highlighting the growing expectations from both the private sector and government in meeting safeguard requirements.

Dr. Yitebetu Moges

Dr. Yitebetu stressed the enormity of the task, particularly in forestry. He underscored the need for strong teams and peer-to-peer learning to bring Ethiopia's forest cover to 30% within the next decade, reduce deforestation to near-zero levels, and generate higher revenues from forests.

Additional Thoughts from moderator:

Moderator acknowledged the critical issues of co-financing gaps and capacity limitations, emphasizing the need to address these challenges collaboratively.

Questions or Comments from Participants:

- What is Ethiopia's vision for benefiting other sectors?
- What are the perspectives on sustainable jet fuel plans?
- How is forest sequestration quantified, and what is the basis for the USD 8 billion allocation figure?
- Why has Ethiopia struggled to monetize carbon credits?
- What are the next steps for leveraging citizen skills and knowledge to secure proposals?

Panel Responses:

Dr. Yitebitu Moges

Dr. Yitebitu highlighted the ongoing plantation activities in Ethiopia, acknowledging that while progress has been made, it remains insufficient given the scale of the challenge. He noted that approximately half of Ethiopia's landscape is degraded, and reforestation efforts require a generational commitment to yield meaningful results.

Dr. Yitebitu emphasized the opportunities for private sector involvement in tree planting activities, with the exception of citrus plants, which are not eligible for financial benefits under current frameworks. Turning to the aviation sector, he outlined Ethiopia's strategies to reduce emissions, including the use of biofuels and carbon offset mechanisms.

He noted that carbon accounting varies widely depending on the standards applied, and the Ethiopian Forestry Development has conducted gross calculations to better understand the country's offset potential.

Misganaw Eyassu

Misganaw elaborated on the Ethiopian government's commitment to climate change mitigation and adaptation, reflected in the allocation of 1% of GDP—approximately USD 8 billion—toward climate change initiatives. To enhance policy design and resource mobilization, a university forum is being established, aimed at fostering academic and institutional support for these efforts.

He expressed the government's willingness to support stakeholders interested in creating working groups and developing frameworks to address climate challenges. Misganaw also emphasized the importance of GCF (Green Climate Fund) adaptation, which is administered by the Ministry of Finance. Efforts are underway to increase private sector participation in accessing these funds. He clarified that while accreditation is required to access the GCF, it is a stipulation of the fund itself, not the Ministry.

CLOSING SESSION: REFLECTIONS AND NEXT STEPS

Facilitated by: Hikmet Abdella

The Climate Finance Summit 2024 concluded with a reflective session facilitated by Hikmet Abdella, CEO of FSD Ethiopia. This session brought together reflections from the summit and highlighted the importance of collaboration, leadership, and actionable next steps in advancing Ethiopia's climate finance efforts.

Dr. Ruth opened the reflections by acknowledging the critical crisis of land degradation, which affects over 50% of Ethiopia's landscape. Despite this daunting challenge, she expressed optimism, noting the presence of dedicated professionals in the finance sector actively working on solutions. She emphasized the need for Ethiopia to establish a standard organizational framework to guide climate finance and to focus on both mitigation and adaptation strategies. A clear mapping of roles and responsibilities across stakeholders was identified as a vital step for progress.

Cecilia expressed gratitude for the opportunity to participate and highlighted the immense opportunities available within the sector. She was particularly enthusiastic about the potential for partnerships, underscoring the need to prioritize actions. Cecilia suggested organizing a workshop to gather input and ensure effective engagement, especially as related studies and frameworks are finalized. She pointed to her team's experience with SME-focused bond transactions as an area ripe for collaboration.

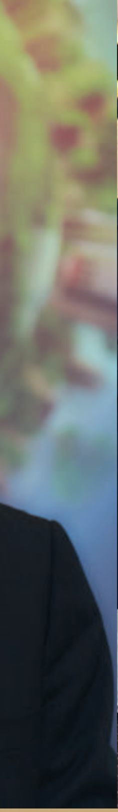
Mark emphasized the shared responsibility of all stakeholders in driving leadership and governance in climate finance. He underlined the necessity of collaboration, partnerships, and alliances to realize the opportunities discussed throughout the summit. Mark highlighted FSD Ethiopia's critical facilitation role in fostering these partnerships and aligning efforts across diverse actors.

In her closing remarks, Hikmet reflected on the summit's success in demystifying the complex field of climate finance. She noted the balanced gender representation at the event, which she found particularly encouraging. Looking ahead, Hikmet announced plans to reconvene stakeholders for a roundtable workshop focused on capacity building and defining actionable next steps. She reiterated the importance of mapping roles and responsibilities, which had been a key achievement of the summit.

Hikmet concluded the session by thanking the facilitators, speakers, participants, support staff, and rapporteurs for their contributions to the event. The summit closed with a shared commitment to collaboration and the development of prioritized action plans to advance Ethiopia's climate finance agenda.


Climate Finance Summit
Who is doing what? Setting the scene



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