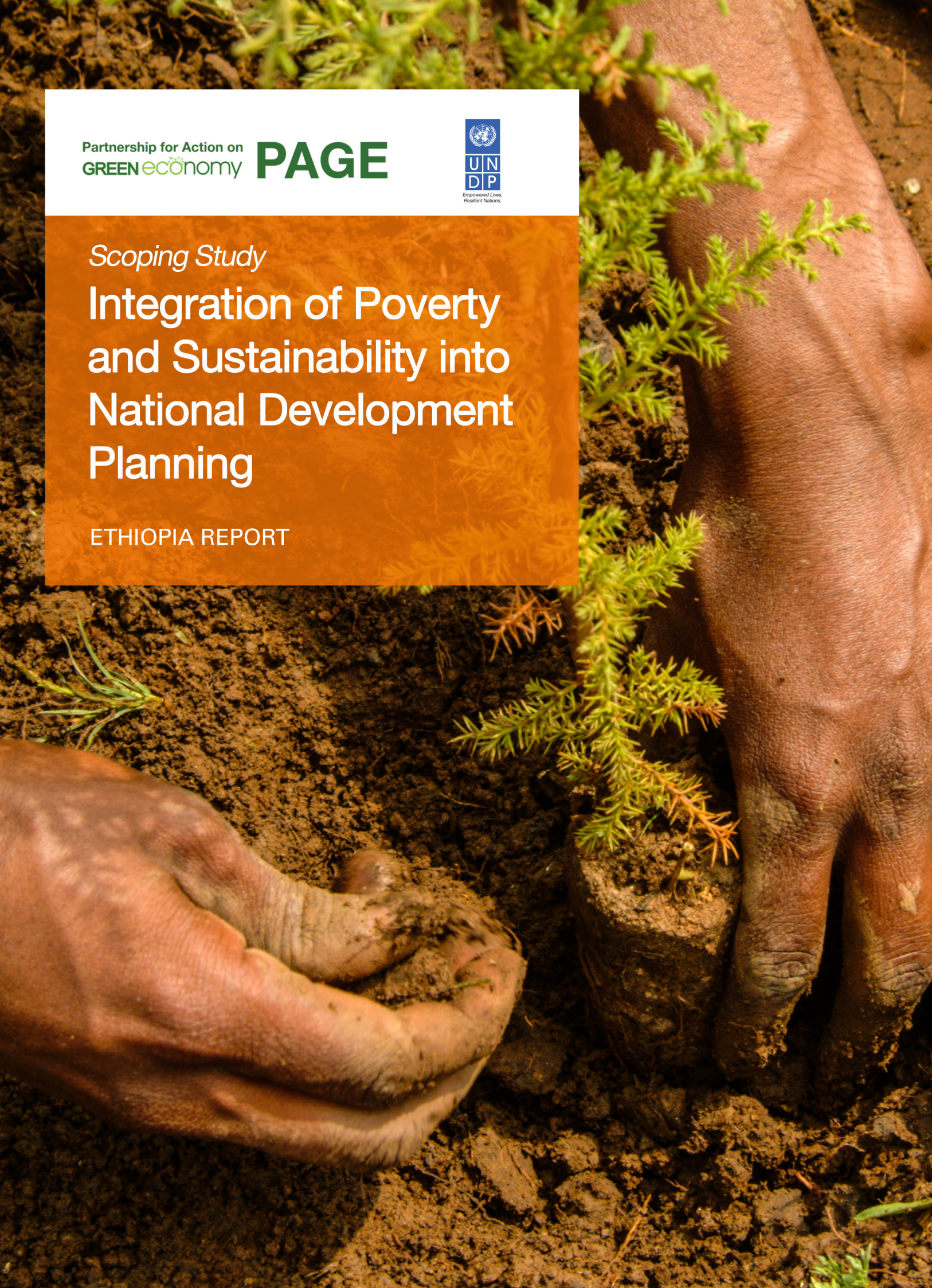

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*Scoping Study*

# Integration of Poverty and Sustainability into National Development Planning

ETHIOPIA REPORT

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# Contents

*Disclaimer: The views and opinions expressed in this report are that of the consultant and does not reflect the views and opinions of United Nations Development Programme.*

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**Addis Ababa, Ethiopia**
**August 2015**

# 1. Background

Following the adoption of Millennium Development Goals (MDGs), the global community has made remarkable progress in reducing poverty. According to UN (2015), nearly half of the population in the developing world lived on less than $1.25 a day in 1990. Globally, the number of people living in extreme poverty has declined by more than half, falling from 1.9 billion in 1990 to 836 million in 2015, with most progress occurring after the adoption of the MDGs. The same source indicated that during the past 15 years, the proportion of undernourished people in the developing regions has fallen by almost half, from 23.3 per cent in 1990–1992 to 12.9 per cent in 2014–2016. Despite these gains, poverty remains a key challenge across the developing world. Apart from income poverty, other indicators of well-being such as nutrition, maternal and child health, women's empowerment and inequality are also matters of concern. At the same time, the world's natural capital is declining at unprecedented rates. If not reversed, these trends are likely to slow progress and undermine much of the progress made, in helping the poor communities – often heavily dependent on natural resources - to escape and stay out of poverty.

As the MDGs period comes to an end, many countries recognize the need for more transformative action and are advancing integrated approaches that jointly achieve poverty eradication and sustainability, including through inclusive green economy transitions, as part of the post-2015 development agenda. Many countries recognize the need to identify and address constraints and bottlenecks related to a country's capacity for formulating and implementing policies and programmes that integrate the social, environmental and economic dimensions of sustainable development, and rally the actions of national and international development actors. This includes ensuring a much greater role for institutions that lead the development planning process. Such institutions require technical support on the means of implementation for sustainable development in line with the post-2015 development agenda, including through inclusive green economy approaches. These demands for integrated approaches recognizes the demands for growth and poverty eradication to emanate within the framework of sustainable development, and for this, transitioning to greener economies will be paramount. To reach this outcome will, among other things, require supporting the development and implementation of integrated approaches to poverty and sustainability as means of attaining sustained progress on human development - through 2015 and beyond – and as part of transitions to green economies, and the Sustainable Development Goals (SDGs).

Ethiopia is globally recognized for integrating the MDGs in its development agenda, and it has been actively engaged in the post-2015 development agenda setting process. Ethiopia played an instrumental role in crafting the Common African Position on post-2015 development agenda. It is also one of the countries where national consultations took place to identify potential areas of focus in the emerging post-2015 global development framework. Ensuring sustainable human and social development came out of the consultations as one of the key post-2015 development agenda.

Ethiopia has integrated the principles of sustainable development into national policies and programmes, which was done through the medium term development plan, the Growth and Transformation Plan (GTP), and the Climate Resilient Green Economy (CRGE) strategy. Following the issuance of CRGE, efforts have been made to establish foundation for sustaining rapid and broad-based economic growth and reducing carbon emission to zero by 2025. The CRGE follows a sectoral approach and identified and prioritized initiatives which helps the country achieve its development goals. Some of these initiatives include: improving crop and livestock production practices while reducing carbon emissions; protecting and re-establishing forests for their economic and eco-system

services; expanding generation of energy from renewable sources; and, the use of modern and energy-efficient technologies in various sectors.

The Government has already embarked on incorporating SDGs in GTP II, in the form of mainstreaming its Climate Resilient Green Economy Strategy in the upcoming medium term development plan—GTP II. The Government intends to align these indicators with the 17 SDGs proposed by the Open Working Group established by the Secretary General of the United Nations.

## 1.1. Objectives

The objective of this study is to assess the extent to which Ethiopia has adopted integrated approaches in its development planning process and transitions to more inclusive, greener economies; and, identify the remaining gaps, the key challenges, bottlenecks and constraints faced towards integration and the reasons for these challenges in order to strengthen and deepen knowledge on integrated development approaches for development programming by the Government, as well as other development partners.

Specific objectives of the study includes:

- Analyse the end-to-end workings of the national development planning processes in Ethiopia including key institutions, stakeholders and enabling partners and their (potential) roles. The study maps out, describe and analyze the national planning process, which is comprised of all the activities and decisions undertaken at national, sub-national and sector level by diverse stakeholders to both develop and implement policies, strategies, plans and projects, underpinned by legislation;
- Assess the current in-country status related to poverty stocks of ecosystems and environmental assets and poverty-environment linkages;
- Review and assess the relevant existing national development strategies (NDS), plans and policies (including macro-economic) with particular emphasis on addressing poverty and sustainability and bottlenecks in adoption of poverty-reducing sustainable development;
- Review the role sector ministries, local governments, and NGOs play as implementation partners in achieving national development objectives;
- Review the tools and methodologies available or applied to identify and assess integrated development approaches and the gaps in availability and application of tools;
- Review national, bi-lateral and multi-lateral financing support for sustainable development and inclusive green economy policies and potential gaps;

## 1.2. Methodology

This study is part of a global initiative by United Nations Development Programme (UNDP), which is undertaken in ten countries, in order to strengthen and deepen knowledge on integrated development approaches. The other nine countries are: Kyrgyzstan, Tajikistan, Bangladesh, Maldives, Vietnam, Paraguay, Peru, Kenya, and Rwanda. The ten studies will be synthesized into a global report on good practices. It follows a template provided by UNDP in order that a comparison can be made across countries.

The study used a common methodology, a template which was designed for this purpose by UNDP. Data for the study were collected through desk reviews of existing documents (policies, strategies, programmes, reports, etc.) and through key informant interviews with respondents from donors, sector ministries, and other non-state actors.

# 2. The Poverty-Environment Nexus

This section provides an overview of poverty (income as well as multidimensional poverty), natural capital and ecosystem services and evidence of the links between development and poverty alleviation and the environment.

## 2.1. Overview of poverty trends in Ethiopia

### 2.1.1. Trends in income poverty

Ethiopia, with total population size of 90 million, is the second most populous county in Africa. The population currently grows at a rate of 2.6 percent per annum, which is above the less developed countries' average of 2.3 percent. It is one of the least urbanized countries in the world where more than 80 percent of the population lives in rural areas. Ethiopia has recently become one of the fastest growing economies in Africa. However, with current per capita income of USD $ 550 (World Bank, 2015a), it stands among countries with low human development status.

Ethiopia had one of the highest poverty rates at the beginning of this century. However, considerable progress has been made, especially in the last decade, through broad based development and sustained poverty reduction efforts implemented through its successive medium term development plans, namely, Sustainable Development and Poverty Reduction Programme (SDPRP) (2002/03—2004/05); Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (2005/06--2009/10); the Growth and Transformation Plan (GTP) (2010/11—2014/15). In the mid-1990s, the Government established a welfare monitoring scheme as an integral part of its overall monitoring and evaluation system with a view to track progress in economic performance and social well-being (MOFED, 2013). Therefore, a series of periodic welfare monitoring surveys have been undertaken in the last two decades so as to generate household level data on several dimensions of poverty—income as well as non-income dimensions of poverty. A well-known of existing national surveys since 1996 has been the Household Income and Consumption Expenditure Survey (HICES) series conducted by the Central Statistical Agency (CSA). The Household Income and Consumption Expenditures Survey series, so far conducted four times in every five-year interval (1996, 2000, 2005, 2011), is the most important official data source for tracking poverty trends in Ethiopia. The national income poverty line estimation is based on the Household Income and Consumption Expenditure Survey (HICES).

Ethiopia has made considerable progress in its poverty reduction efforts over the last 15 years. National poverty has fallen from 46 percent in 1996 to below 29.6 percent in 2011. Table 1 indicates that the percentage change in poverty reduction is almost similar for both rural and urban areas. However, given that the largest proportion of the population lives in rural areas, in absolute terms, the achievement in rural areas is far more considerable. Though there is an overall decline in the level of poverty, urban poverty increased in the 1996-2000 period (Figure 1). As it can be seen in Table 2, in many cases, poverty rates increased in the 1996-2000 period.

Table 1. Trends in income poverty

| Variables | 2000 | 2005 | 2011 | percent change (2011/2000) |
|---|---|---|---|---|
| **National absolute poverty headcount (National Poverty Line)** | 44.2 percent | 38.7 percent | 29.6 percent | -33.0 |
| **Urban** | 36.9 percent | 35.1 percent | 25.7 percent | -30.4 |
| **Rural** | 45.4 percent | 39.3 percent | 30.4 percent | -33.0 |
| **Depth of poverty (poverty gap/ national poverty line** | 11.9 percent | 8.3 percent | 7.8 percent | -34.5 |
| **Urban** | 10.1 percent | 7.7 percent | 6.9 percent | -31.7 |
| **Rural** | 12.2 percent | 8.5 percent | 8.0 percent | -34.4 |

*Source: World Bank, 2015b*

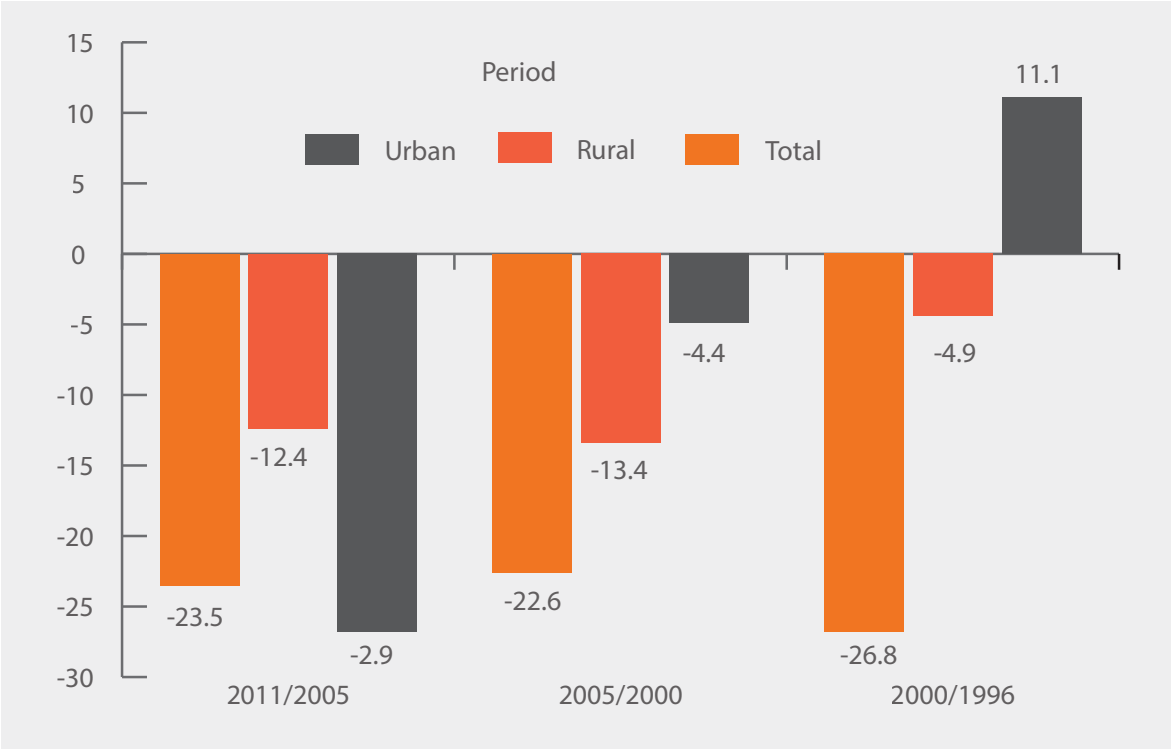
Table 2 indicates that there are significant regional differences in the pace of poverty eradication efforts. Only half of the Regional States (Tigray, Amhara, Benishangul-Gumuz, SNNP and Harari) have exhibited more notable achievements. The worst poverty eradication performance is recorded for the largely pastoralist Regional States of Afar and Somali where poverty sometimes apparently tended to increase. This, to some extent, might be an indication of limited trickle down effects of Ethiopia's recent impressive growth performance, especially in the context of the challenges of eradicating poverty in arid and semi-arid pastoral lowland areas of the country. Vulnerability to poverty is higher in these areas due to their special features of recurrent exposure to natural and human-made shocks such as droughts and violent conflicts. Table 2 further indicates the slow progress and mediocre poverty reduction performance of Addis Ababa city and Dire-Dawa city administrations. Big cities like Addis Ababa might rather remain centres of attractions of more poverty transferred from the rural sector and regional towns.

Table 2: Poverty trends by region (national poverty line headcount ratio)

| Region | 1996 | 2000 | 2005 | 2011 | percent change (2011/1996) |
|---|---|---|---|---|---|
| **Regional States** | percent | percent | percent | percent | |
| **Tigray** | 50.6 | 61.4 | 48.5 | 31.8 | -37.2 |
| **Afar** | 33.1 | 56 | 36.6 | 36.1 | 9.1 |
| **Amhara** | 54.3 | 41.8 | 40.1 | 30.5 | -43.8 |
| **Oromia** | 34.0 | 39.9 | 37.0 | 28.7 | -15.6 |
| **Somali** | 30.9 | 37.9 | 41.9 | 32.8 | 6.1 |
| **Beneshangul_ Gumuz** | 46.8 | 54.0 | 44.5 | 28.9 | -38.2 |
| **SNNP** | 55.9 | 50.9 | 38.2 | 29.6 | -47.0 |
| **Gamberlla** | 34.2 | 50.5 | na | 32.0 | -6.4 |
| **Harari** | 22.5 | 25.8 | 27.0 | 11.1 | -50.7 |
| **Special City Administrations** | | | | | |
| **Addis Ababa** | 30.2 | 36.1 | 32.5 | 28.1 | -7.0 |
| **Dire Dawa** | 29.4 | 33.1 | 35.1 | 28.3 | -3.7 |

*Source: World Bank, 2015b*

Figure 1: Percentage change in headcount poverty index in rural and urban areas




*Source: MOFED (2013, p.32)*

Table 3 provides a fairly indicative account of progress in income poverty reduction by sex of household heads. Income poverty is relatively higher among male-headed households than the female-headed ones though this is quite inconsistent with expected results most notably often portrayed by micro-level case studies. The rate of decline in absolute deprivation and poverty gap is also relatively higher for the female-headed households. Available evidence indicate that poverty incidence is higher among female-headed households in the urban sector relative to recorded results for rural areas. It is claimed that rural female-headed households, in addition to access to land, generally benefit more from productive safety net programs than their male counterparts (MOFED, 2013).

Table 3: Progress in income poverty reduction by gender of household heads ( percent)

| Year | Male-headed households | | Female-headed households | |
|---|---|---|---|---|
| | Headcount index | Poverty gap | Headcount index | Poverty gap |
| 2000 | 44.4 | 12.0 | 43.4 | 11.5 |
| 2011 | 30.0 | 8 | 27.7 | 7.4 |
| percent Change (2011/2000) | -32.4 | -33.3 | -36.2 | -35.7 |

*Source: MOFED (2013), p. 92.*

### 2.1.2. Multi-dimensional poverty

Ethiopia's recent progress in poverty reduction efforts has also reflected positive performance in terms of other measures of well-being—the non-income dimensions of poverty (Table 4). Despite the remaining significant gap in eradicating illiteracy, the recorded achievement in the last decade is fairly remarkable. The apparent high achievements in the area of children and maternal health, reduction in total fertility and increased life expectancy is perhaps partly attributable to the enormous efforts of Ethiopia's recent practice of applications of the health extension program implemented throughout the country. Refined data are not sufficiently available to see progress in

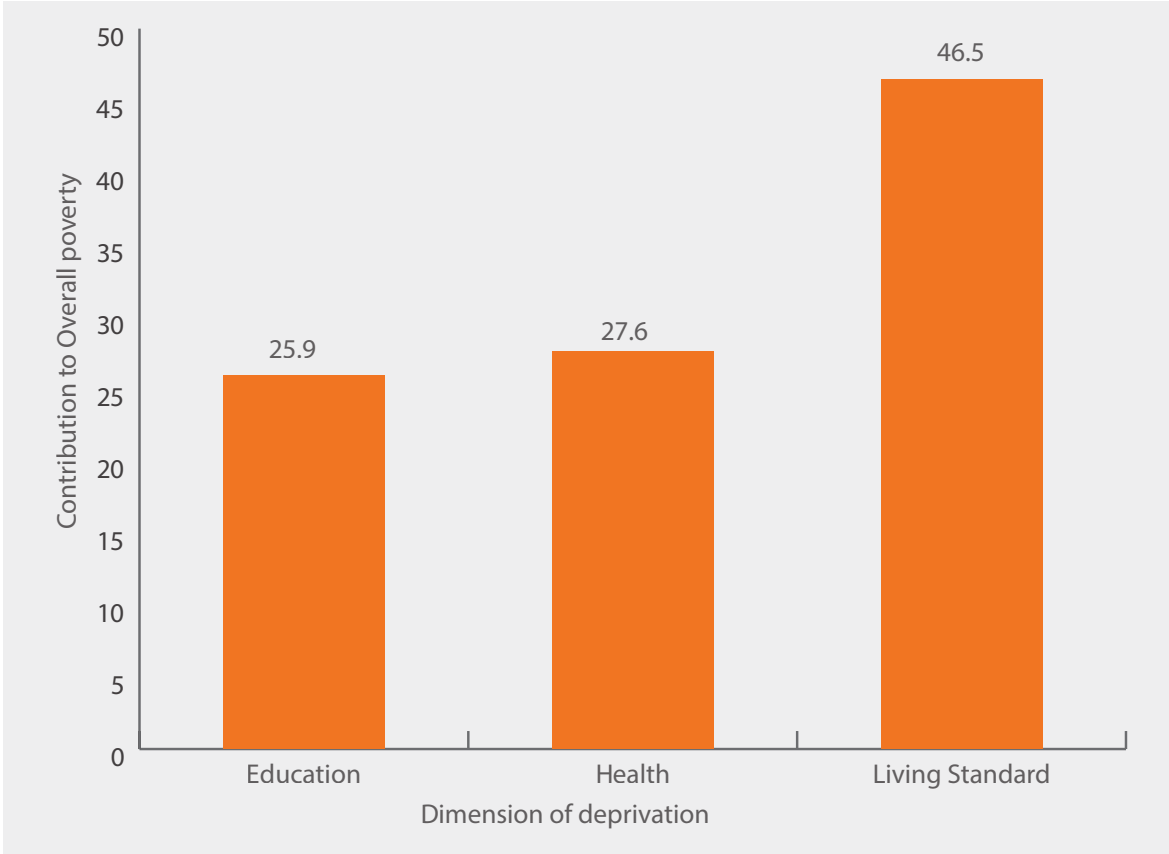
term of the multidimensional poverty index (MPI). The 2014 Human Development Report indicates that 88.2 percent of the population is currently in state of multidimensional deprivation. Deprivation in the living standard dimension, which currently contributes to nearly half of the overall poverty, is the most limiting factor to progress (Figure 2).

Table 4: Trends in indicators of well-being

| Variables | 2000 | 2011 | percent change (2011/2000) |
|---|---|---|---|
| **Literacy rate** | 30 percent | 50 percent | 66.7 |
| **Children nutritional outcomes** | | | |
| **Stunting** | 58 percent | 44 percent | -24.1 |
| **Wasting** | 12 percent | 10 percent | -16.7 |
| **Underweight** | 41 percent | 29 percent | -29.3 |
| **Children immunization** | 14.3 percent | 24.3 percent | 69.9 |
| **Rural women receiving an antenatal checkup** | 22 percent | 37 percent | 68.2 |
| **Total fertility rate** | 6 | 4 | -33.3 |
| **Access to electricity** | 12 percent | 23 percent | 91.7 |
| **Access to piped water** | 17 percent | 34 percent | 100.0 |
| **Life expectancy (years) 52 63Life expectancy (years)** | 52 | 63 | 21.2 |

*Source: World Bank, 2015b*

Figure 2: Contributions of different dimensions of deprivation to multidimensional poverty




*Source: UNDP (2014)*

### 2.1.3. The challenges of eradicating poverty

The challenging nature of eradicating poverty and attaining higher status of well-being in Ethiopia is most notably revealed by its comparative international status in terms of the Multidimensional Poverty Index (MPI) published by the United Nations Development Program. According to UNDP (2014), Ethiopia (with MPI value of 0.537) is found to be the world's second most impoverished county, next to Niger, in the selected list of nations for which MPI is computed. The challenges of eradicating poverty in Ethiopia is rather associated with the required combined efforts of simultaneously dealing with underlying factors of vulnerability to poverty and a range of multiple stressors (World Bank, 2015b):

i. ***Underlying factors of vulnerability to poverty:*** Many non-poor households in the rural sector are only on the margin. According to the World Bank (2015b), an estimated 14 percent of non-poor rural households are currently vulnerable and are likely to fall into poverty. This is particularly exacerbated by recurrent weather shocks and hikes in rural and urban food prices. Access to assets and labour markets are considered to be quite crucial in urban areas. Recurrent exposure to covariate shocks of often catastrophic proportions, as mentioned earlier, is a critical factor in arid and semi-arid lowland areas of the country. It may be additionally noted here that the persistent nature of poverty entails higher vulnerability to long-term climate change impacts. The adverse effects of long-term climate change are likely to be more severe for poor households due to their heavy dependence on natural resources and limited capacity to adapt to changing circumstances. The adverse effects of changing climatic conditions are experienced both by men and women. However, it is often thought that there is a differential impact of women suffering more than men because of their higher dependence on the natural environment for the maintenance of household well-being and culturally constructed roles which tend to heighten their vulnerability (Ongaro and Ogara, 2012).

ii. ***Required pace of equitable growth with structural transformation:*** This refers to the challenging reality of a case of planned progress to a middle income economy status in the context of a higher population growth and the very agrarian nature of the economy. It is a status where, even under optimistic growth scenario, absolute poverty cannot be eradicated by 2030, but only can be reduced to 8 percent. It is estimated that even this cannot be achieved unless the pattern of income losses experienced by the bottom decile during the 2005-2011 period is substantially reversed (World Bank, 2015b). With regard to trends in inequality, from the World Bank database, the income share of the highest 20 percent increased by 6.1 percent while that of the lowest 20 percent dropped by 14 percent between 2005 and 2010. The Gini coefficient increased from 0.280 in 1996 to 0.30 in 2005 and marginally declined to 0.298 in 2011 (World Bank, 2015b). The Gini coefficient for rural areas remained almost unchanged while it substantially increased in urban areas from 0.34 in 1996 to 0.44 in 2005 (Woldehanna et al., 2008) and declined to 0.37 in 2011 (World Bank, 2015b). Leite et al. (2009) point to the changing profile of urban households, especially the emergence of well educated, younger and single or small families, as one of the most contributing factors to this shift towards skewed income distribution in urban areas. This is on the top of increased unemployment and the expanding pool of the urban informal sector markedly fed by rural-urban migration. The relatively slow progress in urban poverty reduction is also thought to have in part translated itself into a rise in urban inequality. Moreover, the recent high growth rates in the service sector appears to have contributed less to poverty reduction, and the shift to professional and technical occupations is rather considered to have mainly contributed to increased consumption among the richest group. In the agricultural sector, high food prices have adversely affected the welfare of net-buyers of food and, most notably, food price inflation is often offered as a major explanation for the observed losses experienced by the bottom decile during the 2005-2011 period (World Bank, 2015b).

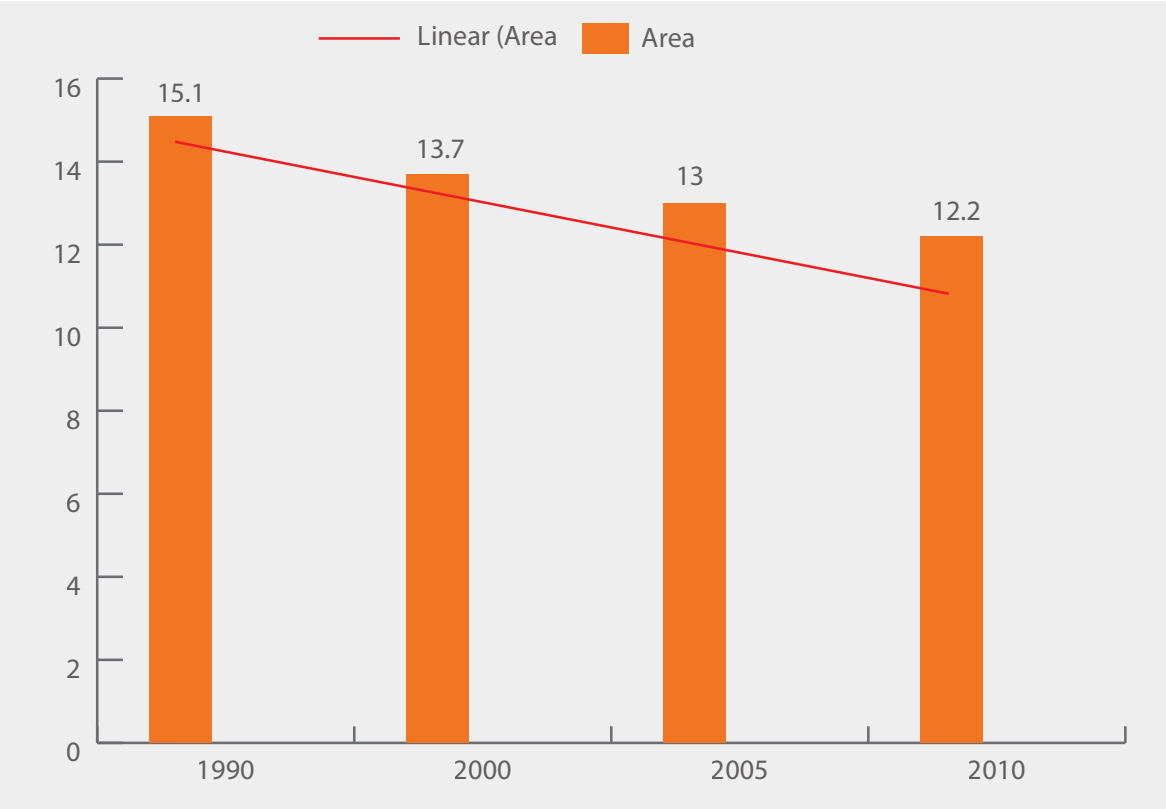
## 2.2. Natural capital

This sub-section looks at the country's natural capital and discusses the links between natural capital/ ecosystem services and poverty eradication. It particularly looks at forests, agriculture, wetlands, ground water, fisheries, and minerals (extractive industries).

### 2.2.1. Forestry

The exact definition of forest and forest cover is quite elusive and sometimes controversial. It may broadly cover natural high forests, woodlands, plantations and bamboo forests (Moges, et al., 2010). What remains from Ethiopia's high forests, after long history of deforestation and degradation in the highlands, are found in southwest parts of the county. According to FAO (2010), Ethiopia's current level of forest cover is estimated to be about 11 percent, and it is generally owned and managed by the state. An estimated 4 percent of the total forest area is considered to be primarily designated for productive functions of extracting wood and non-wood forest products while the rest is assumed to be for multiple use including protective (soil and water conservation) and other socio-economic functions. The forestry sub-sector, in addition to vital environmental functions, is a source of employment and food security for the rural population. Rural people rely on forests for their direct livelihoods and as source income from harvested wood products, fuel wood and charcoal, and honey production.

Figure 3: Trends in the extent Ethiopia's forest area (cover)




*Source: Based on FAO (2010)*

The FAO global assessment report indicates progressive declines in the forest area of the country from an average annual percentage decline of -0.97, in the 1990-2000 period, to -1.11 percent average annual decline in the 2005-2010 period (FAO, 2010; see also Figure 3). Data from Ministry of Environment and Forest shows that the country was able to reverse this de-

clining trend and increase the forest cover of the country from 13 million hectares in 2012 to 15.93 million hectares in 2014, and managed to increase the forest cover of the country from 11.8 percent in 2005 to 12.3 percent in 2011 and to 15 percent in 2014 (FDRE and UN Country Team, 2015). The progress was attributed to government's afforestation drive—by regional as well as federal government structures, (about 10.2 million hectares of degraded area has been rehabilitated during the GTP period), and construction of soil and water conservation structures and planting of trees (Ibid).

The sources of pressure to potential decline in forest resource comes from population growth, which and subsequent need for area for cultivation and settlements, and upward shifts in demand for wood products for construction as well as for fuel wood. Studies show that domestic wood supply trails behind growing demand due to increasing deforestation and low level of investment in plantations (Lemenih and Kassa, 2014). The CRGE strategy shows that planned development in the forestry sector is one of the top priority areas of the green economy strategy of the country. In the draft second Growth and Transformation Plan (GTP II), it is planned to increase the forest cover to 20 percent in the next five years. Similarly, it is also planned to double the contribution of the forest sub-sector from the current share of 4 percent of GDP to 8 percent.

The contribution of forestry sector to total employment has not been systematically documented. An old estimate shows that it accounts for 2.2 percent of the total labour force in the country. Important operations related to forest sector's contributions to employment include afforestation and forest nursery operations, timber production, and a wide range of non-timber forest products (NTFPs) operations. Fuel wood production is considered to be the largest (50 percent) contributor of total forestry employment (Bekele, 2001). In general, the economic value of Ethiopia's forest sector has not been fully assessed. However, there is an on-going valuation exercise, financed as a component of the REDD+ project, recently launched by the Ministry of Environment and Forestry (MEF) in collaboration with Ministry of Finance and Economic Development (MOFED) and United Nations Environmental Programme (UNEP).

The majority of rural households, especially in south-western Ethiopia, are forest dependent. Non-timber forest benefits and services such as plant and plant products used for food, fodder, fuel, medicine, animals used for food, and forest products (honey, wild coffee and spices) extracted and consumed or sold in the market are essential sources of livelihoods for millions of rural inhabitants. The production, collection, processing, transportation and marketing of non-timber forest products, which is undertaken by household level small scale informal operators, are essential sources of income for many fuel wood collectors and charcoal burners, wild coffee producers, herbalists, honey and beeswax producers, bamboo collectors and handcrafts-women. As with any other small scale informal sector activity, the number of participants and the total value of non-timber forest production and services sub-sector are unknown. Gebremariam et al. (2009) provide a rough estimate of annual value of about US$900 million, which is apparently based on a limited assessment only covering fuel wood sellers, herbalists and wild coffee collectors. Fuel wood collection and selling is the largest of NTFPs activities, and it is predominantly undertaken by women. It is an attractive activity of less entry barrier for the poor and the landless (or the near stockless in pastoralist areas). In addition to fuel wood and charcoal, women usually collect and sell forest coffee, wild honey, incense and gums, bamboo, medical plants and spices. A case study in south-western Ethiopia indicates that NTFPs account for 54 percent of annual income of women in the area (Kassa and Yigezu, 2015). Melaku et al. (2014) similarly report that forest coffee, honey and spices alone account for 47 percent of rural household income, which is the second largest source of earning next to agricultural activities (contributing 50 percent), in their sample study area in the south-west.

### 2.2.2. Agriculture

Agriculture is the mainstay of the Ethiopian economy contributing 42 percent of GDP and more than 80 percent of foreign exchange earnings. It remains the core driving force of economic growth and transformation. The Ethiopian agricultural sector has exhibited continuous growth performance in the last decade with an average annual rate of growth of more than 7 percent. It is planned to contribute to the growth and transformation process through a targeted growth rate of 8 percent in the next five years. Official reports indicate significant productivity gains in the last 10 years. The average yield of major food crops has increased by 46 percent from the recorded 1210 kg/hectare in 2005 to current average of 1761 kg/hectare, which is largely attributed to increased extension service coverage and growing improved seed and fertilizer use in the smallholder agriculture. Chemical fertilizer use, for example, increased by 38.3 percent in 2010-2015 over the level achieved in the preceding five years. [SOURCE]

An estimated 83 percent of the Ethiopian population live off land, and the agricultural sector is generally operated by millions of smallholder farmers working on small and fragmented plots. Land constitutionally belongs to the state and farmers have only use and transfer rights to heirs. Rural land administration is the responsibility of regional governments and respective local administrative units. Women have the constitutional right of equal access to land and other natural resources. The federal Rural Land Administration and Use Proclamation No. 465/2005 enacted that women who want to engage in agriculture shall have the right to get and use land. Regional States have also accordingly enacted rural land administration laws in which women have equal rights with men to possess, use and administer land. The Amhara Regional State land law, for example, provides for the establishment of Rural Land Administration and Use Committees which shall have balanced membership of men and women; albeit one can see some actually reported cases of Committees entirely composed of men (Teklu, 2005).

Ethiopian agriculture is basically a rain-fed agriculture that is potentially subject to the adverse impacts of climatic shocks. From the country's total area of 112 million hectares, at least (lower estimate) 30 million hectares are estimated to be cultivable (Awulachew, 2010). It is estimated that only 4-5 percent the county's cultivable areas has been actually irrigated. Ethiopia's total landmass, based on rainfall potential and level of aridity, is often generally classified into three agro-ecological zones (Awulachew, 2010). Relevant major features of these agro-ecological zones are summarized in Table 5. It can be deduced from Table 5 that nearly 60 percent of the total population makes a living in degraded and vulnerable areas of increasingly declining carrying capacity of land.

Table 5: General classification of Agro-ecological zones (AEZs) in Ethiopia

| No | Agro-ecological zone | Some key features |
|---|---|---|
| 1 | **High rainfall zone** | • Relatively higher annual rainfalls<br>• Covers about 24 percent of the county's landmass<br>• 43 percent of the total population lives there<br>• Crop-dominated mixed-crop livestock system |
| 2 | **Moisture deficit zone** | • Relatively lower annual rainfalls<br>• Covers about 32 percent the country's landmass<br>• 47 percent of total populations lives there<br>• Rainfall is highly variable<br>• Crop-dominated mixed farming system<br>• Degraded and generally vulnerable area<br>• Low productivity and overpopulation |
| 3 | **Arid and semi-arid pastoralist zone** | • Covers 44 percent of the county's landmass<br>• At least 10 percent of the total population lives there<br>• Very erratic and low rainfall pattern<br>• Non-sedentary pastoralist system of production<br>• Low carrying capacity and extreme vulnerability |

Agriculture is considered as a significant source of greenhouse gas (GHG) emissions through chemical fertilizer use, farm crop residues, livestock-related emissions, cultivation pressures on land, fuel wood and charcoal burning. The current GHG emission of Ethiopian agriculture is estimated to be 132MTCO$_2$e (FDRE, 2011a.). These GHG emissions, if unabated, are expected to substantially increase in the near future. Ethiopia's Climate Resilient Green Economy (CRGE) strategy has been prepared with a committed focus of achieving zero net GHG emissions, a significant part of which is planned to be achieved from substantial mitigation activities to be undertaken in agriculture and the forestry sector. The planning of the climate resilient (adaptation) component of the CRGE strategy is apparently divided into phases. Phase I of the strategy has been already prepared with a focus on agriculture and forestry (including crop, livestock, food security, disaster prevention and forestry).

### 2.2.3. Wetlands

Wetlands cover about 2 percent of Ethiopia's land area and are considered to be one of the most productive ecosystems in the country (Amsalu and Addisu, 2014). Ethiopia has generally all forms of wetlands except for the coastal ones. Wetlands, though with a varying degree, are generally distributed all over the country. They include swamps, lakes, riverine flood plains, swamp forests, and human-made wetlands around dams. Wetlands are especially a common feature in Western Wollega and Illubabor areas of western Ethiopia (Dixon and Wood, 2007; Wood, n.d.; Amsalu and Addisu, 2014).

Wetlands in Ethiopia have a wide ranging socio-economic and environmental benefits. They contribute to the livelihoods of rural communities including the poor and rich, and men and women. The socio-economic values of the wetlands generally include:

- source of water for human and livestock consumption;
- agricultural use and food production;
- dry season grazing for livestock wealth accumulation;
- source of local medicine;
- provision of thatching reeds and raw materials for shelter construction and supplementary incomes;
- non-cultivated wild plants as source of food for the local community in times of shortages and food insecurity;
- habitats for important birds;
- centers for cultural ceremonies and rituals;
- source of salt extraction in dry areas such as the Afar depression and Borana rangelands.

Little effort has been made to estimate the total economic value of wetland ecosystems in Ethiopia. Only very specific small-sample case studies of limited focus exist, such as valuation of Wondo-Genet recreation site in southern Ethiopia (Geremew, 2010) and the application of Choice Experiment methodology to the Choke mountain range wetland ecosystem in northwestern Ethiopia (Berhanu, 2012). Abebe et al. (2014) have attempted to investigate households' willingness to pay for improved wetlands attributes in Jimma area, western Ethiopia. They provide evidence of households' positive willingness to pay for wetland rehabilitation in the area.

The wetlands in western Ethiopia, and around Rift Valley lakes and Lake Tana in the north, generally support massive agricultural activities and are important sources of livelihoods for millions of people. There is a significant potential for tourism development in some wetland areas of Ethiopia because of their naturally attractive landscapes and services as home of many types of birds including the endemic ones. Wetlands have also important environmental functions which include re-charging and discharging ground water, hosting biological diversity, trapping sediments, and mitigating flood hazards against downstream damages.

Despite their enormous economic, social and environmental benefits, the wetlands in Ethiopia are threatened by pressures of destructive degradation due to excessive and inappropriate utilization (Gebresllassie et al. 2014; Amsalu and Addisu, 2014). The major threat comes from human intervention which is fundamentally driven by high population growth, expansion of agricultural activities, urbanization and industrial activities.

i. **Expansion of agricultural activities:** studies indicate that the stock of wetland resources in Ethiopia have continued to decline over time. Complete drainage and expanded cultivation of wetlands has reportedly become a common feature in southwestern Ethiopia. In Illubabor zone, for example, induced wetland cultivation increased from 20 percent in 1986 to 35 percent in 1999 (Gebresllassie et al. 2014), and this might have even further increased to cover 65 percent of stock of wetland areas in the zone by 2008 (Abebe et al. 2014). The recent rapid expansion of open field horticulture and large scale greenhouse growing have become threatening factors for their chemical discharge and other interferences in wetland areas of the Rift Valley system. The Lake Tana area in the northwestern part of the country has similarly been increasingly threatened by high population pressure, degrading old agricultural practices and growing deposition in the wetlands (Amsalu and Addisu, 2014). The recent complete dying of Lake Haramaya in eastern Ethiopia is another example of wetlands mismanagement in Ethiopia.

ii. **Urbanization and industrial activities:** In addition to degradation of catchment areas, water diversion, and expansion of agricultural and settlement activities, wetlands in Ethiopia are also subject to destructive threats of urbanization and industrial activities. Wetlands around big towns and regional capitals, such as Bishoftu Lakes, Lake Ziway, Lake Hawasa and Lake Tana, have been increasingly exposed to hazardous solid and liquid waste generated and discharged from domestic sources and commercial and industrial centers. Lake Abijata in the Rift Valley has suffered a threat of destruction from an industrial activity on the lake.

Lack of priority attention and proper plan is a serious gap in wetlands management in Ethiopia. The Ethiopian environmental policy recognizes the vital importance of wetland ecosystems and the need for their protection. However, little attention has been given to the implementation of wetland protection and management strategies (Abebe et al. 2014).

### 2.2.4. Ground water

Rainfall is the fundamental source of Ethiopia's renewable ground water resources. However, much is not known about the annually rechargeable ground water resources of the country. Ethiopia's surface water run-off is estimated to be 125 billion $m^3$ but the ground water potential has not been properly assessed. Preliminary estimates simply vary between 2.6 to 13.5 billion $m^3$ per year, which is a fraction (maximum 11 percent) of the surface run-off though some indicate that the potential could be much higher. It is claimed that a least

13.2 billion $m^3$ of the annual surface run-off goes into ground water resources and 50 percent of this is considered to be exploitable (Awulachew, 2010; 2014).

The draft second Growth and Transformation Plan (2015/16-2019/2020) document indicates that the current rural water supply coverage of the county is 59 percent, which is a significant increase from 44 percent in 2006 indicated in the 2006-2010 five year plan (FDRE, 2015). This Ethiopia's recent efforts and progressive achievements of increasing rural water supply coverage are largely fulfilled from the natural reservoir of ground water resources. Ground water drilling has significantly increased only in the last two decades following the establishment of autonomous regional states which have embraced safe rural water supply provision as one of their top priorities.

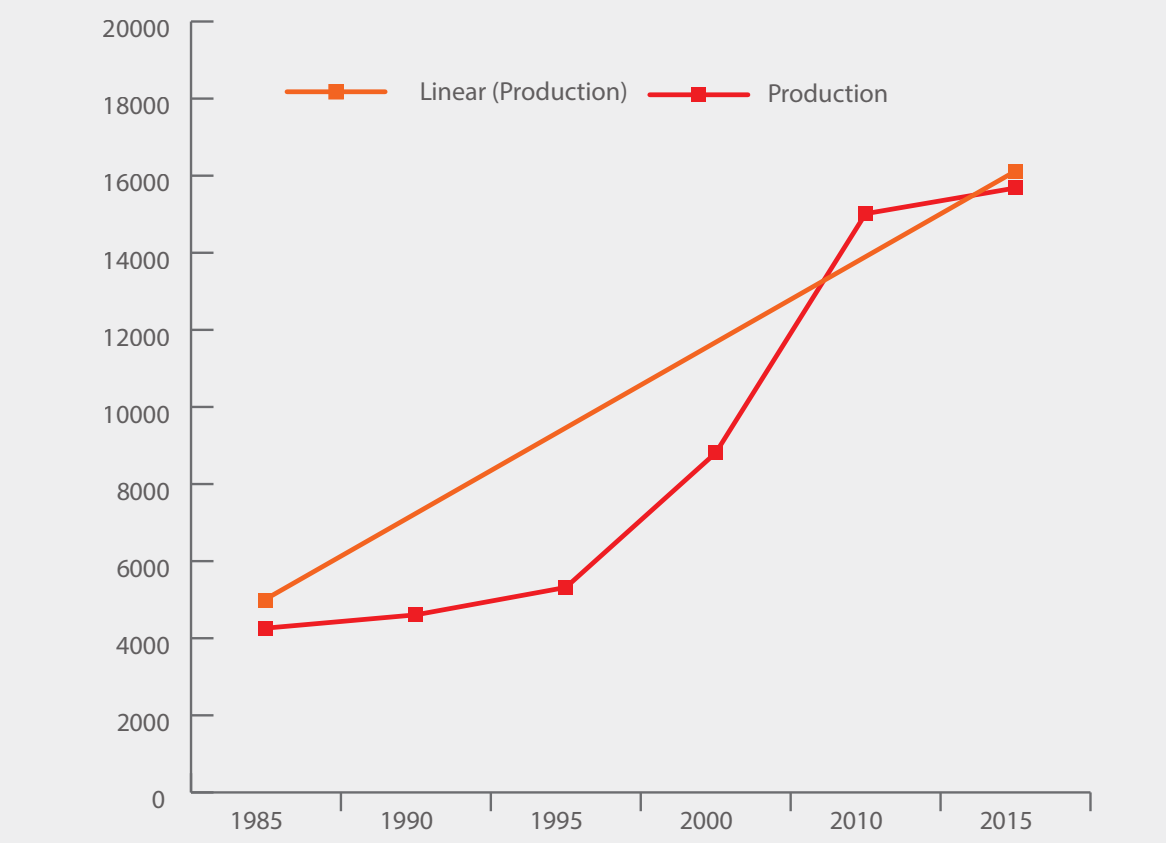
People in the rural areas usually fetch water from unprotected sources: rivers, springs, poorly protected hand-dug wells and temporary ponds. Safe water supply development by the government and NGOs has mainly focused on extraction of ground water resources by drilling shallow and deep wells. Therefore, Ethiopia's current ground water development is almost exclusively directed to the extraction of drinking water for the rural and urban populations. It is barely extracted for agricultural (irrigation) development. Two important challenges are currently very apparent with regard to Ethiopia's ground water resources: i) much is not known about the real potential and distribution of this renewable resource for properly planned efficient utilization, and ii) there is a technical capacity gap of skilled and well-equipped human resources in the sector.

### 2.2.5. Fisheries

Ethiopia is a landlocked country and its sources of fish supply are entirely inland and from fresh water bodies: lakes, rivers, major reservoirs and dams. These water bodies support more than 180 fish species and about 40 of these are said to be endemic. Fish consumption in the county is relatively low because it is not an integral part of the diets of most Ethiopians. Commercial fishing in the country is relatively a recent phenomenon. It stared to be known only after the 1950s. Historically, communities around the Rift Valley lakes used to frown upon fish as untouchable creature. In the Lake Tana area, fishing was first practiced by the poor and the landless; farming communities around the lake then gradually embraced fishing as supplementary means of subsistence (Chekol, 2013). Commercial fishing later started generally to address growing urban demand created by limited segments of the population and foreigners. Data on the fisheries sector are quite scanty and the oft-quoted inland fisheries potential is only based on old data. The contribution of the sector to GDP is reported to be very small (less 1 percent). The estimated total annual fishing potential is 51.5 thousand MT, and only 35 percent of this is actually harvested. The largest proportion (45 percent) of the annual production potential is from lakes while 42 percent is from rivers. However, fresh water catches from rivers may have remained only 20 percent of the total annual landing.

Figure 4 shows recorded general upward trends in fish production over the last two decades. The annual increases in landing have been higher for the period after mid-2000s. The reported total fish production in 2010 was 18.1 thousand MT, which was nearly 50 percent higher than the amount recorded for 2002. The development of inland fisheries in Ethiopia has been considerably supported by the EU and some NGOs in recent times. Increases in foreign assistance have substantially contributed to changing the technology traditionally used by fishers. However, with the apparent current trends and growing urbanization, a further increase in demand may outpace the existing supply potential, and thus a further need for investments in the fisheries sector.

Figure 4: Trends in Fish production (MT)




*Source: Based on Aytegeb A. Chekol (2013)*

The small scale fisheries are sources of livelihoods and employment for thousands of local fishermen in Ethiopia. For communities around lakes and rivers, fish is a source of food for the poor. These fisheries are basically labour intensive in harvesting, processing and distribution, and thus are important areas of employment and food security for the poor. A study indicates that the fisheries sector is a source of regular income and employment for more than 13 thousand people directly involved as regular fishers (Chekol, 2013). This does not include the far more thousands of rural people who benefit from fishing as supplementary means of livelihoods and those which are involved in the marketing chain. Despite the apparent contributions to livelihoods of the poor and considerable efforts particularly supported by donor assistance, the fishing industry in Ethiopia is quite underdeveloped. Currently the fishery sector does not appear among the priority targets of the second Growth and Transformation Plan (2015/16-2019/2020). Nor is it included in the Climate Resilient Strategy recently elaborated by the government as an essential component of the Climate Resilient and Green Economy (CRGE) strategy.

### 2.2.6. Minerals

The Ethiopian mining sector in the past had experienced a prolonged period of stagnation and underdevelopment. Its contribution to GDP in the late 1980s was less than 0.2 percent. The draft Growth and Transformation Plan of the government indicates that its present share is 1.7 percent and the planned target for 2020 is 2.3 percent (FDRE, 2015). The gradual resurgence of the mining sector in Ethiopia has been achieved only in the last two decades, especially after mid-2000s.

The country is endowed with a wide variety of mineral resources including gold, platinum, tantalum, gemstones (emeralds, garnet, etc.), decorative and dimension stones (marble, granite, colored stones), industrial minerals (phosphate, iron ore, potash, soda ash), and many construction and cement raw material resources. At present, large scale mining development is mainly observed in the gold mines. The vision of the mining sector for the next 20 years, according to the Ministry of Mines, is to achieve environmentally sound private sector led mining industry and to contribute up to 10 percent of the national income (GDP).

At present, the mining sector has a strong government attention focusing on the encouragement of private sector investment; increasing its share as a means of economic diversification and source of industrial growth; and exploiting its foreign exchange generating potential. In line with this, recent efforts have focused on attraction of foreign companies to mineral exploration, and increased exploitation and exports of different minerals. Evidence shows that gold exports have substantially increased in recent years with a jump from US $5million in 2001 to US$602 million in 2012 [SOURCE]. According to the Ministry of Mines, Ethiopia's major mineral exports have recently contributed up to 7-10 percent of the total foreign exchange earnings of the country. The recent relatively increasing performance of the mining sector has been achieved through the increased involvement of the private sector. During the 1974-1991 period, private sector involvement in the mining sector was not allowed. The sector was opened to private investment in 1991, and it has been supported by subsequent legislations directed to provide more incentives to private investors with provisions to:

- invite private investment in all kinds of mineral operations;
- grant mining license rights for 10 or 20 years with unlimited subsequent renewals;
- guaranteed rights to sell minerals locally or abroad;
- grant exemption from tax and custom duties for imported machinery and equipment;
- allow profit and dividend repatriations;
- grant relatively low royalty fee of 2 to 5 percent (for precious minerals).

The mining sector in Ethiopia is generally in the process of resurrection. There is a capacity gap in terms of shortages of skilled professionals in different fields of specializations required in the sector. The draft Growth and Transformation Plan also notes that there exists a limitation in management capacity and scarcity of data to support promotional activities required in the development of the sector.

### 2.2.7. Key challenges and gaps

For Ethiopia, the path to sustainable development is beset by some key challenges:

i. ***The problem of rapid population growth, poverty and sustainable management of natural resources***: Although rapid population growth is not necessarily incompatible with sustainability, it remains to be a critical challenge for Ethiopia in its present context of the dwindling natural capital. Despite existing efforts, persistent poverty entails increasing dependence on natural capital for subsistence, and further environmental damages can extend the vulnerability of the poor. The destabilizing effects of rapid population growth and unsustainable use of natural resources such as wetlands and forests cannot be overemphasized. Population pressure on land has increasingly become intense in the highlands where more than 80 percent of the population lives. Conditions in the arid and semi-arid lowland areas of the country are even more precarious given the limited carrying capacity of the already degrading rangelands and extreme vulnerability of the pastoralist population to climate-induced recurrent shocks.

ii. ***Natural resource policy and strategies***: A gap in this area mainly belongs to one of either lack of strategies and programs or a case of under-implementation of existing policies and strategies. A case in point is the lack of proper attention and detailed wetland management strategy and program implementation in the country. Policies and strategies without related implementable programs will simply remain weak and ineffectual. The federal policy on natural resources and the environment is fairly a comprehensive policy document which seeks to promote sound management and use of natural resources. However, the pace of implementation of its strategic components and elements of the policy simply appears to have remained slower.

# 3. The Policy Framework

## 3.1. Socio-economic and environmental development policies and strategies

Ethiopia's last two decades of transformative development experiment and a new federal system of governance has involved an enormous effort of continuous processes of creating the legal framework, massive institutional development and restructuring, and development of different sectoral policies, strategies and programs. Table 6 provides summary list of the legal frameworks, and major policies and strategies that have been put in place in the last 24 years. The basic and comprehensive legal framework for the designed social, economic and environmental policies and strategies is the 1995 federal constitution. The fundamental pillars of this constitution were laid in the Transitional Political Charter of 1991. The Agricultural Development Led Industrialization Strategy (ADLI) has been a source of policy direction for Ethiopia's long-term goal of broad based development centered on agricultural transformation leading to the ultimate objective of becoming an industrial economy in the region. The government has elaborated a series of comprehensive medium-term plans used to achieve the long term goals of poverty eradication and sustainable development.

These plans have some basic similarities in content but also exhibit significant departures to reflect changing national conditions, and new global and regional commitments. The overarching objective of the Sustainable Development and Poverty Reduction Plan (SDPRP) (2002/03-2004/05) was poverty reduction. This was carried forward to be embraced in the Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (2005/06-2009/10). However, PASDEP included new directions of a major focus on growth and scaling up of efforts directed to achieve Millennium Development Goals (MDGs). The subsequent Growth and Transformation Plan (GTP I) (2010/11-2014/15), built on the experience of PASDEP, was directed towards Ethiopia's long-term vision of becoming a middle income country and sustaining broad based economic growth. This main vision is kept in the current Growth and Transformation Plan (GTP II) (2015/16-2015/16) but with a significant departure of additionally embracing the commitment to build climate resilient green economy.

Table 6. Summary list of the legal framework and major policies and strategies

| **1. THE LEGAL FRAMEWORK** |
|---|
| The Transitional Political Charter (1991) |
| The 1995 Constitution |
| **2. HIGH LEVEL POLICY DOCUMENTS AND STRATEGIES** |
| 2.1.The Transitional Economic Policy |
| 2.2. Agricultural Development Led Industrialization Strategy (ADLI) |
| 2.3. The Five Year Development Plan (1996-2000) |
| 2.4. Sustainable Development and Poverty Reduction Plan (SDPRP) (2002-2005) |
| 2.5. A Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (2006-2010) |
| 2.6. The Growth and Transformation Plan (GTP I) (2010-2015) |
| 2.7. The Growth and Transformation Plan (GTP II) (2016-2020) |

| 3. SPECIFIC NATIONAL POLICIES AND STRATEGIES |
|---|
| **3.1. Social and Economic Development** |
| 3.1.1. National Population Policy of Ethiopia (1994) |
| 3.1.2. National Policy on Women (1994) |
| 3.1.3. Ethiopia Education and Training Policy (1994) |
| 3.1.4. The National Health Policy (1994) |
| 3.1.5. The National Drug Policy (September 1994) |
| 3.1.6. The Ethiopian Water Resources Management Policy (1999) |
| 3.1.7. National Science and Technology Innovation Policy (2012) |
| 3.1.8. The National Agricultural Research Policy and Strategy (1994) |
| 3.1.9. The National Fertilizer Policy (1999) |
| 3.10. The Energy Policy (1994) |
| 3.1.11. Rural Development Policy and strategies (2001) |
| **3.2. Environment, Disaster Management and Green Economy** |
| 3.2.1. Federal Policy on Natural Resource and Environment (1996) |
| 3.2.2. The National Policy on Disaster Prevention and Management (1997) |
| 3.2.3. National Policy and Strategy on Disaster Risk Management (revised 2009) |
| 3.2.4. Ethiopia's Climate-Resilience Green Economy Strategy (2011) |
| **4. Flagship Sectoral Programs** |
| 4.2.1. Education Sector Development Program |
| 4.2.2. Health Sector Development Program |
| 4.2.3. Road Sector Development Program |
| 4.2.4. Agricultural Extension Package Program |
| 4.2.5. The Productive Safety Net Program (PSNP) |
| 4.2.6. Watershed Development Program |

## 3.2. Private sector

Policy directions and reform measures directed to promote the increasing role of private sector participation was originally spearheaded by the 1991 Ethiopia's Economic Policy of the Transitional Period. The private sector in Ethiopia was extremely weakened due to abysmal restrictions imposed by the command economy policy of the socialist regime in the pre-1991 period. The first and important pillar objective of the Transitional Period Economic Policy (1991-1994) was, therefore, to change the role of the state from direct control of the entire economy to its rather important role of supporting the private sector. The second pillar then refers to the promotion of private investment. This included creation of suitable conditions for both domestic and foreign capital in different branches of economic activities by implementing comprehensive packages of incentives.

Subsequent policies and strategies have focused on capacity building efforts for the required resurgence of the private sector. This has, among other things, involved the operations of the state owned Development Bank of Ethiopia to be substantially committed to extending loans to the private sector, and establishment of several technical institutes in order to support technology selection and to provide backup advice in different branches of the manufacturing sector. The draft second Growth

and Transformation Plan (2015/16-2019/20) has now gone further to embrace planned additional special focus on the transformation of domestic private sector as one of its major departures and pursued priority areas of focus in the next five years. This is especially planned to help boost the role of domestic investors in the manufacturing sector, the enhancement of which is specifically stated as one of the major departures of the plan.

With regard to corporate social responsibility, the Ethiopian environmental policy and the labour proclamation provide the basic legal and policy framework for occupational safety and environmental hazards in different branches of the economy. The Ministry of Agriculture has issued a guideline designed to inspire corporate social responsibility in the commercial agriculture sub-sector and to improve sustainability performance of entrepreneurs with a view to help them keep the right balance between people, planet (the environment) and profit. However, the corporate social responsibility concept is often considered to be weak in the Ethiopian context mainly due to the low level of development of the private sector. Notable cases of particular mention of existing practice are that of the Ethiopian Airlines and the MIDROC group of companies which are known to have been involved in philanthropic activities and community level provisions of economic and social services.

## 3.3. Fiscal policy

Ethiopia's aggressive administrative restructuring of the regionalization process of the 1990s entailed fiscal decentralization involving federal revenue share proclamation and expenditure allocations to Regional States based on legally approved federal block grant formula. The essential components of the subsequent Civil Reform Program of the late 1990s and early 2000s were the financial proclamation and related operational directives that have been put in place as part of a continuous process designed to establish strict finance management and rationalized public expenditure control system. The apparently deliberate but challenging aspect of the current government fiscal policy position is that of the desire and ambitious plan to expand investment in social and economic infrastructures coupled with the pragmatic need to prudently keep fiscal deficit and domestic borrowings at the required minimum for stable macroeconomic environment. This, among other things, entailed increased taxation efforts through reform measures and their effective administration.

The fossil fuel subsidy removal is an important recent step in the government policy stance which can be taken as an important fiscal policy instrument relevant to the achievement of its grand plans of the green economy strategy. The fossil fuel subsidy program was originally put in place with a view to absorb the impacts of international oil price shocks on the domestic economy. However, this caused increasing government budget deficit, and the benefit was rather considered to be captured by higher income groups. Ethanol blending is another existing measure relevant to the green growth strategy. The government has introduced the process of 10 percent ethanol blending with 90 percent gasoline that is supposed to reduce emissions and save foreign exchange spending on imported oil.

# 4. The Integrated National Planning System

The discussions in this section are divided into two main parts of further sub-sections. Following a brief historical background, the first part focuses on the high level process of the system. The second part presents the specific case of integrating the green economy strategy into the national planning system.

## 4.1. Brief historical background

Ethiopia has a long history of nearly 60-years of national development planning experience in which successive regimes have used medium-term plans as tools to guide their social and economic development visions. Three five-year plans were prepared during the pre-1974 Imperial period. The first five-year plan was from 1957 to 1961, which was followed by two successive five-year plans of 1963-1967 and 1968-1973. The first and second five-year plans of the Imperial era had focused on import substitution industrialization and promotion of plantation agriculture, which clearly neglected the large and traditional small scale agriculture. Following the overthrow of the regime, the Imperial mixed planning system was replaced by the Soviet-type socialist central planning model of the 1974-1991 period. The well-known of the elaborated comprehensive plans in this period was the Ten Year Perspective (1984-1994) that was principally directed to increase the role of the state in the economy, and achieving food self-sufficiency as a central goal and agriculture as a top priority sector.

Ethiopia in the post-1991 period has profoundly experienced a substantial transformation of radical political and administrative restructuring which has entailed new constitutional foundations for its integrated national planning system. This was initiated by a new Transitional Political Charter which created a transitional government with a transitional economic policy principally directed to reverse the previous trends of a centralized command economy to a decentralized system of increased private initiatives and participatory development planning.

## 4.2. Constitutional fundamentals of the current planning system

The 1995 federal constitution, which established 9 autonomous regional states, is a unifying legal framework of a single political economy space for an integrated national development planning system in Ethiopia. Article 43 of the constitution details the rights to development. It states that the peoples of Ethiopia as a whole "have the right to improved living standards and to sustainable development." The ***economic***, ***social*** and ***environmental*** objectives are provided in article 89, article 90 and article 92, respectively (FDRE, 1995). Some of the key ***economic***, ***social*** and ***environmental*** provisions in the relevant articles include that:

- the government has the duty to formulate policies which ensure that all Ethiopians can benefit from the country's resources;
- the government at all times shall promote the participation of the people in formulation of national development policies and programs;
- there shall be equal opportunity for all Ethiopians to improve their economic conditions, and that the government has a duty to promote equitable distribution of wealth among the people;
- the government shall promote regional equity, especially by providing special assistance to least advantaged regions;
- policies shall aim to provide all Ethiopians access to public health and education, clean water supply, housing, food and social security;

- the government shall endeavour to ensure that all Ethiopians live in a clean and healthy environment;
- the government and citizens shall have the duty to protect the environment;
- program and project implementation shall not damage or destroy the environment;
- people have the right to full consultation in planning and implementation of environmental policies and projects that directly affect them.

The above sets of constitutional provisions generally reflect the three important pillars of sustainable development. They are quite fundamental as components of an all-embracing general legal framework for national policy formulation and integrated development planning aimed at sustainable improvement in human welfare. Therefore, the basic integrating general framework for Ethiopia is the federal constitution. The basic economic, social and environmental rights enshrined in the constitution are key guides to fixing strategic visions, long-term priority setting, sectoral and regional development strategies and programs, integrated national development planning and budgeting, and federal budgetary allocations to member states of the federation.

The current federal system of government is another crucial constitutional dimension relevant to Ethiopia's experience in integrated national development planning practice. The 1995 constitution has established autonomous Regional States with clearly demarcated powers and functions. The establishment of national standards and overall formulation of the country's policies and strategies is the responsibility of the federal government. Regional States, among other things, have the power to enact state constitution and other laws, formulate and execute relevant social and economic strategies, and administer land and other natural resources in accordance with federal laws. The federal arrangement is found to have apparent advantages in the context of the need to:

- address the political question of self-rule by the country's different nations and nationalities;
- foster decentralized decision making;
- achieve a bottom up approach of participatory development planning;
- to build the local capacity for effective service delivery.

The federal arrangement has established a decentralized system of planning in which Regional States prepare medium-term and annual plans, and budgets. Regional plans and budgets have disaggregated sectoral and district dimensions. District councils have some autonomous status, and are responsible for the execution of operational plans and programs implemented in their areas. A clear strength of the federal arrangement and the decentralization process is that it has demonstrably become an effective mechanism for implementation of mainstreamed programs and projects through its rigorous monitoring and assessment system established at each level of the administrative echelon. Despite the in-built autonomous local decision making power offered by the federal arrangement, the entire machinery rather coherently operates within the basic framework of nationally established common milestones. The present regime has established a system of coordination directed to create a common national priority goals, strategies and sectoral programs designed with a shared vision of eradicating poverty and ensuring the right to sustainable development enshrined in the federal constitution. The process has more or less ensured the observed pan-territorial approach which can be noticed from the similar and consistent development programming and program implementation styles exercised at all levels.

## 4.3. The planning process

Ethiopia's current medium-term plan is referred to as the Growth and Transformation Plan (GTP). The second Growth and Transformation Plan (GTP II) is currently in the process of preparation for the planned period of 2015/2016 to 2019/2020.

The Growth and Transformation Plans is a high level policy document that guides the country's sustainable development efforts for the next five years. Ethiopia's medium-term integrated national planning process can be presented as a simplified linear cycle of initial formulation, plan preparation, legalization and plan implementation (Figure 5).

#### 4.3.1. Envisioning and initial formulation

The initial envisioning and formulation process involves committed and organized retreat of deliberation sessions by the top political leadership to set out the general direction and strategic pillars of the plan. The initial formulation and drafting process is based on a thoroughly organized assessment of current economic, social, environmental and global conditions (including global commitments), and evaluation of progress and feedbacks from previous plan implementation. Identified gaps, constraints and lessons learned are then considered in formulating the next medium-term plan.

#### 4.3.2. Plan preparation

##### 4.3.2.1. Technical elaboration

At federal level, the detailed technical elaboration and preparation of the plan is the responsibility of the National Planning Commission (NPC). The National Planning Commission prepares the macroeconomic framework aggregates including targets of total growth and sectoral growth rates, level of saving and investment and the required macroeconomic balance, and integrates all sectoral components of the plan. The technical elaboration and final integration of the various sectoral and cross-sectoral components of the plan is handled by different planning wings of the Commission. Sectoral plans are basically elaborated based on proposals submitted by sectoral ministries in line with initial guidance issued by the National Planning Commission. It involves iterative discussions among sectoral ministry and national planning experts.

The National Planning Commission is an autonomous technical arm of the government, and is directly accountable to the Prime Minister. The Commission has the power and duty (FDRE, 2013) to:

- assess growth factors in terms of increase in capital and productivity;
- formulate macroeconomic targets of saving, investment, export and imports, which are consistent with the growth targets of GDP and reform measures pertaining to policies and legislations;
- set the breakdown of GDP into its component sectors of agriculture, industry and services;
- analyse inter-industry demand for agriculture and manufacturing sectors so as to particularly assess availability of inputs from domestic sources and imports;
- draw out sectoral plans iteratively in consultation with the relevant federal and regional executive organs, detailing programs and projects to be undertaken as well as reform measures pertaining to policies and legislations;
- formulate plan implementation matrix by federal ministries and regional bureaux showing actions to be undertaken and covering the entire sector plan;
- conduct periodic monitoring and evaluation.

These powers and duties clearly show the vital coordinating role of the National Planning Commission in plan preparation and implementation processes undertaken both at federal and Regional State levels. Despite these listed onerous technical duties, the National Planning Commission is rather currently in the process of organization, staffing and capacity building. It was re-established in 2013 as a separate planning organ with more institutional mandate and focused task than previously undertaken in the Ministry of Finance and Economic Development (MOFED). However, the National Planning Commission at the moment has serious shortage of professionally skilled staff to regularly apply relevant policy analysis models which could be employed to produce various

scenarios and some guides used to inform policy decisions in accordance with the duties and functions outlined above.

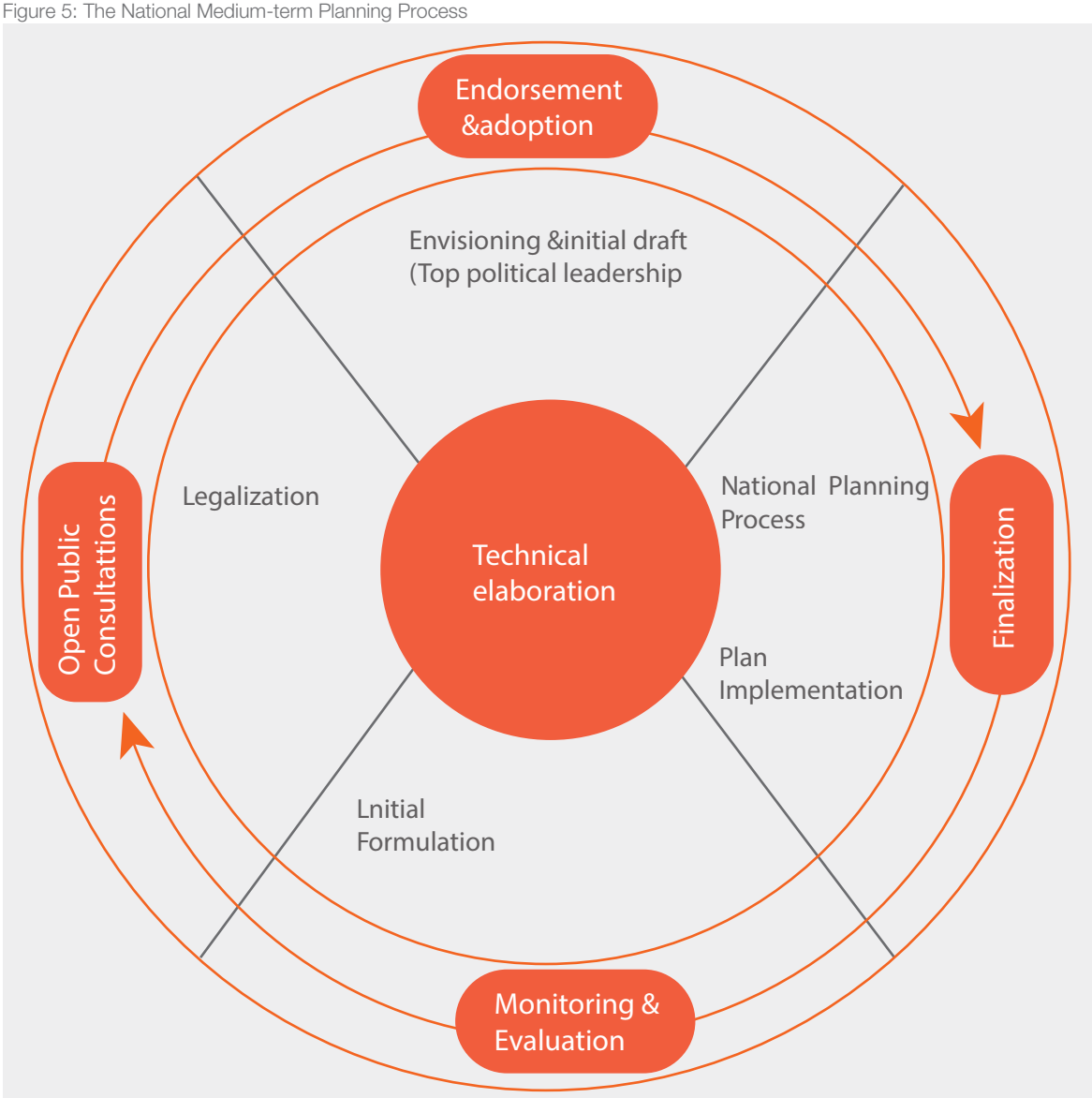
A top level leadership responsible for direct institutional oversight and guidance for the country's integrated national planning system is the National Planning Council. The Council is chaired by the Prime Minister. It is composed of cabinet ministers, Chief Executives of Regional States, Deputy Chief Executives of Regional States, Governor of the National Bank of Ethiopia and other organs designated by the Prime Minister. The overall duties and powers of the Council are to:

- set long-term and medium-term aggregate economic targets;
- provide guidance for planning and development priorities of medium-term plans, and approve them after elaboration;
- Review monitoring and evaluations results of plans, and make relevant follow-up decisions;
- Ensure integrated plan preparations and implementations by federal and regional executive organs.

The National Planning Commission serves as the secretariat of the Council.

An essential step, in line with the provisions of the federal constitution, in the plan preparation phase of the integrated planning cycle is the process of open public consultations which shall be conducted throughout the county (Figure 5).

Figure 5: The National Medium-term Planning Process



The elaborated draft plan document passes through a process of organized series of consultations with citizens, including members of women and youth associations, farmers and the business community. Public consultations are moderated by teams of higher government officials. Public consultations are supposed to identify more inputs for further enrichment of the plan. These consultations sessions are also important initial entry points for popularization of the long and medium-term visions, strategic pillars, key targets and sectoral priorities of the plan.

#### 4.3.2.2. Budgets and financing

The financial aspect of the medium-term plan is fundamentally informed by the overall framework of macroeconomic projections trying to achieve the balance and required consistency between GDP growth, public finance and debt, and the external sector. The planned major sources of finance are normally local revenues and external grants (for example, 85 percent in 2015/16-2019 Growth and Transformation Plan). The rest 15 percent is planned to be filled by domestic borrowing (70 percent) and external loans. More concrete budget and financing details are usually established in annual planning and budget preparations based on program and budget proposals submitted by implementing sectoral ministries (or line bureaux at the Regional State level). The annual budgets are fixed after passing through rigorous hearing processes. In the case of external sources, only confirmed and secured finance is reflected in the annual budgets. The annual budgets are consolidated by the Ministry of Finance and Economic Development (MOFED) and approved by the federal parliament.

Regional Sates have the power to raise government revenues for financing and administering development in their territories based on revenue sources reserved to them by federal law. The major part of their development and administrative costs is currently covered by federal grant transfers. The overall Ethiopian government budget is divided between federal level budget and transfer subsidy to Regional States. The former is allocated to federal government administration and federally managed big projects such as hydro-power generation, inter-regional highway road projects, telecommunication and large scale irrigation projects. The transfer grant component is allocated to Regional States based on federal criteria adopted by the House of Federation. Regional State plans, in addition to the federal subsidy and external grants, are partly financed by revenues raised by the states. The federal grant transfers are made in lump sums. It is the duty of the Regional States to make appropriate split between recurrent and capital expenditures, and sectoral and intra-regional allocations based on their own established set of criteria fixed to distribute the budget among districts.

Budgetary allocations are principally guided by core priority goals of sustainable development and poverty eradication, which are realized through sectoral or cross-sectoral initiatives, such as the green economy strategy, prioritized in the medium-term plan. This is particularly rationalized and more concretely achieved through the annual budget hearing processes exercised at all levels. Ethiopia has not yet initiated any environmental expenditure review process designed to inform required relevant decision in the annual budgeting cycles.

### 4.3.3. Legalization

After public consultations, the consolidated final medium-term plan document, generally supposed to be enriched by incorporating relevant inputs, is presented to the National Planning Council for initial endorsement before final approval and adoption by the Federal House of Representatives (the federal parliament). The finally adopted Growth and Transformation Plan becomes a high level policy document for implementation throughout the country. Regional State councils also prepare and implement their medium-term plans. The Regional State plans are principally mirror images of the national Growth and Transformation Plan particularly detailed to reflect the specific economic, social and environmental conditions in respective regions with a focus on sectoral dimensions. The core goals, strategic pillars and key sectoral programs of the Growth and Transformation Plan are

established based on shared visions and development problems of the country; practical implementations of key sectoral programs are largely shouldered by Regional States.

#### 4.3.4. Plan implementation

The final stage in the planning cycle is plan implementation. Ethiopia's integrated medium-term Growth and Transformation Plans are translated into actions through detailed ***annual*** physical targets and budgets regularly prepared, approved and implemented both at federal and Regional State levels. Detailed sectoral action plans of programs and projects are prepared by federal ministries, Regional State bureaux and district level sectoral executive agencies.

#### 4.3.5. Monitoring and evaluation

Monitoring and evaluation is an integral part of the national planning system. The program/project implementation review and evaluation mandate of the National Planning Commission is now principally guided and executed by the newly organized Monitoring and Evaluation bureau which is led by a Director General who is accountable to the Commissioner. This newly organized wing has now broader and onerous duties than the former Welfare Monitoring Unit in the Ministry of Finance and Economic Development which is known for its periodic consolidated reports on the state of poverty in Ethiopia. The Monitoring and Evaluation bureau of the National Planning Commission is more or less a replica of monitoring and evaluation units in key ministries and relevant Regional State bureaux.

The current Ethiopia's decentralized plan implementation practice is crucially a fairly well-established system characterized by its rigorous monitoring system based on frequent review of core projects and programs, critical periodic assessments of follow-up field visits, quarterly and annual assessment reports continuously exercised at all administrative levels. The close monitoring review culture is perhaps quite distinct for its directed focus on identification of key weaknesses, especially for its emphasis on weak sides of the implementation process for an immediate supportive action. However, the country's integrated planning system requires further actions needed for developing rigorous approaches and assessment methods required for the necessary establishment of program and policy ***evaluation*** processes in the National Planning Commission and Regional State Bureaux of Finance and Economic Development.

### 4.4. Integrating the green economy strategy into national planning and budgeting

Ethiopia's current vision is based on a shared goal of poverty eradication with a view to become a middle-income country by 2025 through fast and climate resilient green economic growth. The Climate Resilient Green Economy (CRGE) strategy is an ambitious high priority government policy document which is currently set out to achieve this goal of reaching a middle-income economy resilient to climate change impacts, and with zero net increase in greenhouse gas (GHG) emissions from baseline of 2010 levels. The central aim is to effectively tackle the challenges of achieving the goals of economic development in a sustainable way.

The case for strong commitment to building a resilient and sustainable green economy is believed to be forced by the extreme vulnerability of the agrarian economy to the adverse impacts of climate variability and change which require an immediate practical policy response of embracing combined adaptation and mitigation actions. In other words, the rationale for adopting the CRGE strategy emanates from the recognition of Ethiopia being one of the most vulnerable countries to adverse impacts of climate change which is principally felt by the poor and vulnerable groups. Global climate change is also believed to accelerate the current impacts of climate variability and recurrent exposure to extreme events and related changes (droughts, floods and soil erosion) which have adverse impacts on the physical environment, rural livelihoods and economic growth. Therefore, the rationale for adopting the CRGE strategy is based on the fundamental recognition that the goal of becoming a middle income country by 2025 can be thwarted by these adverse impacts of climate variability and change unless a "climate resilient" green economy is created (FDRE, 2011a.).

It is an ambitiously planned strategic shift to a green growth path away from the conventional business as usual growth scenario, which entails greenhouse gas emissions in Ethiopia to be more than double of the currently estimated level of 150MT annual carbon dioxide emissions to 400MT in 2030, which is thought to be in excess of the global target to keep per capita emissions at an acceptable level (FDRE, 2011a). The CRGE strategy is comprised of two major components of "climate resilience", directed to focus on climate change adaptation measures, and the mitigation or "green economy" part which is currently in the process of implementation via fast-tracked pilot schemes in different sectors. The "Climate Resilient" component has been in the process of preparation, and it is completed for agriculture and forestry.

The CRGE strategy follows a sectoral approach to overcome the challenges of developing a green economy, and focuses on four pillars (FDRE, 2011a):

- adoption of agricultural and land use efficiency measures;
- increased greenhouse gas sequestration in the forestry sector, by protecting and re-establishing forests for their economic and ecosystem services including as carbon stocks;
- development of renewable and clean power generation;
- use of appropriate advanced technologies in industry, transport and buildings.

The preparation phase involved identification of a number of initiatives which require related program implementation in various sectors which include agriculture and natural resources, energy, transport, industry and green urban development. A crucial task at the moment is a move towards the integration of the CRGE strategy in the national development planning and budgeting system. So, the processes of Ethiopia's green growth strategy development and implementation can be presented as having involved the following three phases:

- preparatory phase of strategy development (envisioning and formulation stage);
- piloting phase of further institutionalization and fast-tracking;
- full integration ("mainstreaming") and program development phase.

### 4.4.1. The formulation phase: approaches and methodology

Ethiopia's integrated planning effort for achieving the goal of sustainable development through a green growth strategy is founded on an evolved experience of a high level political commitment directed to achieve accelerated economic growth and poverty eradication. The CRGE strategy is thought to be an internally generated initiative initially promoted by the late Prime Minister Meles Zenawi and later by his successor and colleagues in the top political leadership of the country. The green growth strategy is rather considered to be part of an integrated approach envisioned to realize and fully operationalize the "greening Ethiopia" motto and development visions coined to rally the Ethiopian public around a shared long-term vision during the "Ethiopian Millennium" celebrations in 2007. Some elements of the green growth strategy and currently piloted schemes in the energy and natural resource sectors, for example, predate the launching of the CRGE strategy. Therefore, the preparation of the CRGE strategy has involved a committed oversight by the top political leadership and a focused institutional arrangement for identification of prioritized initiatives and prepared schemes for subsequent full integration into the long-institutionalized national planning and budgeting cycles.

#### 4.4.1.1. The approach/methodology

The green economy initiative involves different stakeholders. It was developed through an inter-ministerial approach with leadership of the Prime Minister Office and focused aim to ensure high level commitment and effective cross-sectoral alignment. The CRGE preparation process was led at the top by the Ministerial Steering Committee chaired by the Prime Minister Office. The

steering committee is composed of state ministers and senior officials from participating sectoral ministries directly responsible for the planning and implementation of the identified green economy initiatives. The ministerial steering committee was supported by a high level technical committee chaired by the then Environmental Authority. The technical committee was in turn responsible to oversee and biweekly discuss on detailed sectoral plans produced by technical working groups (sub-technical committees). These technical working groups were composed of more than 50 experts drawn from 20 leading government institutions for dedicated involvement in the elaboration of sectoral and integrated plans of the CRGE initiatives (FDRE, 2011). These technical working groups were independently responsible for the development plans in seven identified sectoral areas of focus (***forestry***, ***soil*** and ***livestock*** in agriculture, and ***energy***, ***transport***, ***industry***, and ***green cities***) considered as highly relevant for sustainability of growth in Ethiopia. The CRGE strategy has three core aims of fast economic growth, managed greenhouse gas emissions and climate change resilient capacity building. Technically, the CRGE strategy development initially involved a specialized support from external consultancy arrangement. The organized working groups thus have used existing experience, their own expertise and support of external experts to work out technical details and targets of the CRGE strategy.

In the CRGE strategy development, the technical working groups analytically focused on initiatives directed to reduce emission (net zero emissions). Initially the "climate resilient" component was delayed for later development. Therefore, the central analytical focus and overall approach of the green economy strategy development was on the identification of both technically and economically feasible initiatives that best contribute to emission reduction. Each working group established for the seven priority sub-sectors was tasked with identification of these initiatives, sectoral analysis of greenhouse gas emissions, economic cost benefit analysis, and projection of resource requirements including finance. The approach involved:

- that each group, based on the Growth and Transformation Plan targets and long-term objectives of achieving middle income status, developed business as usual (with no abatement) growth projections in each sector up to 2030;
- identification of list of potential initiatives which contribute to growth targets as well as reductions in greenhouse gas emissions;
- evaluation and prioritization of initiatives based on technical feasibility, abatement cost, financial implications and other implementation requirements;

Initiatives have costs and benefits. There are incremental expenditures, required for abatement initiatives as compared to the business as usual growth scenario, and potential benefits in terms of implied higher revenues and lower (saved) costs due to increased efficiency. Therefore, initiatives with positive net present values (NPV) were identified and differentiated from those which do not yield positive financial returns. The CRGE strategy preparation process involved consultations with relevant regional and sectoral stakeholders including experts, regional government officials, standing committee of the parliament and sectoral and regional researchers. The consultation process had the general aim of ensuring accuracy and to gain support for the strategy (FDRE, 2011).

#### 4.4.1.2. Application of policy analysis and integrated planning tools

At present, there is limited application of policy analysis models and integrated planning tools as part of a standard and routine practice of the system. The macroeconomic and fiscal framework as well as the medium-term planning targets are essentially fixed through analytical judgements guided by initial scenarios generated based on spread sheets; analysis of general trends; close examination of implications of policy shifts, adoption of new strategies and programs; inputs from specific regression results; and the ultimate fundamental practice of iterative process of consultations and subsequent decisions. The MAMS model was used in 2005 (Lofgren and Diaz-Bonilla, 2005) to analyse the consequences of MDGs alternative scenarios, which helped to generate annual public expendi-

ture requirements for subsequent development of 5-year macroeconomic and fiscal expenditure framework of the country. A study by the World Bank is known to have used Poverty and Social Impact Assessment (PSIA) methodology in order to assess Ethiopia's experience of district-level decentralized service provision on key policy outputs and human outcomes (World Bank, 2014).

A simulation model of considerable appeal for integrated long-term planning, especially for integration of economic, social and environmental variables, is the Threshold 21 (T21). There is keen interest in using this model by the National Planning Commission (NPC). However, an attempt to introduce the T21 model appears to have been less successful, reportedly for being poorly customized to suit the needs of Ethiopian planners, though the NPC still recognizes the need for its application as being quite essential.

### 4.4.2. The piloting and fast-tracking phase

The green economy strategy development and implementation exercise has generally exhibited an evolutionary learning-by-doing process of institutionalization, fast-tracking project implementation, and the gradual move towards the final step of fully incorporating it into the national planning and budgeting system. In general, two important steps immediately followed the preparation of the green economy strategy so as to speed up its implementation. The first is the process of establishment of a lasting institutional set up and subsequent personnel capacity building for implementation. This has crucially involved the creation of more authorized institutional organ, transformation of the initial provisional organizational arrangement of working groups into more permanent settings by establishing CRGE focal or umbrella units in the relevant sectoral ministries, and the formation of CRGE Facility secretariat within the Ministry of Finance and Economic Development (MOFED). The second area of focus has been a quick move towards the

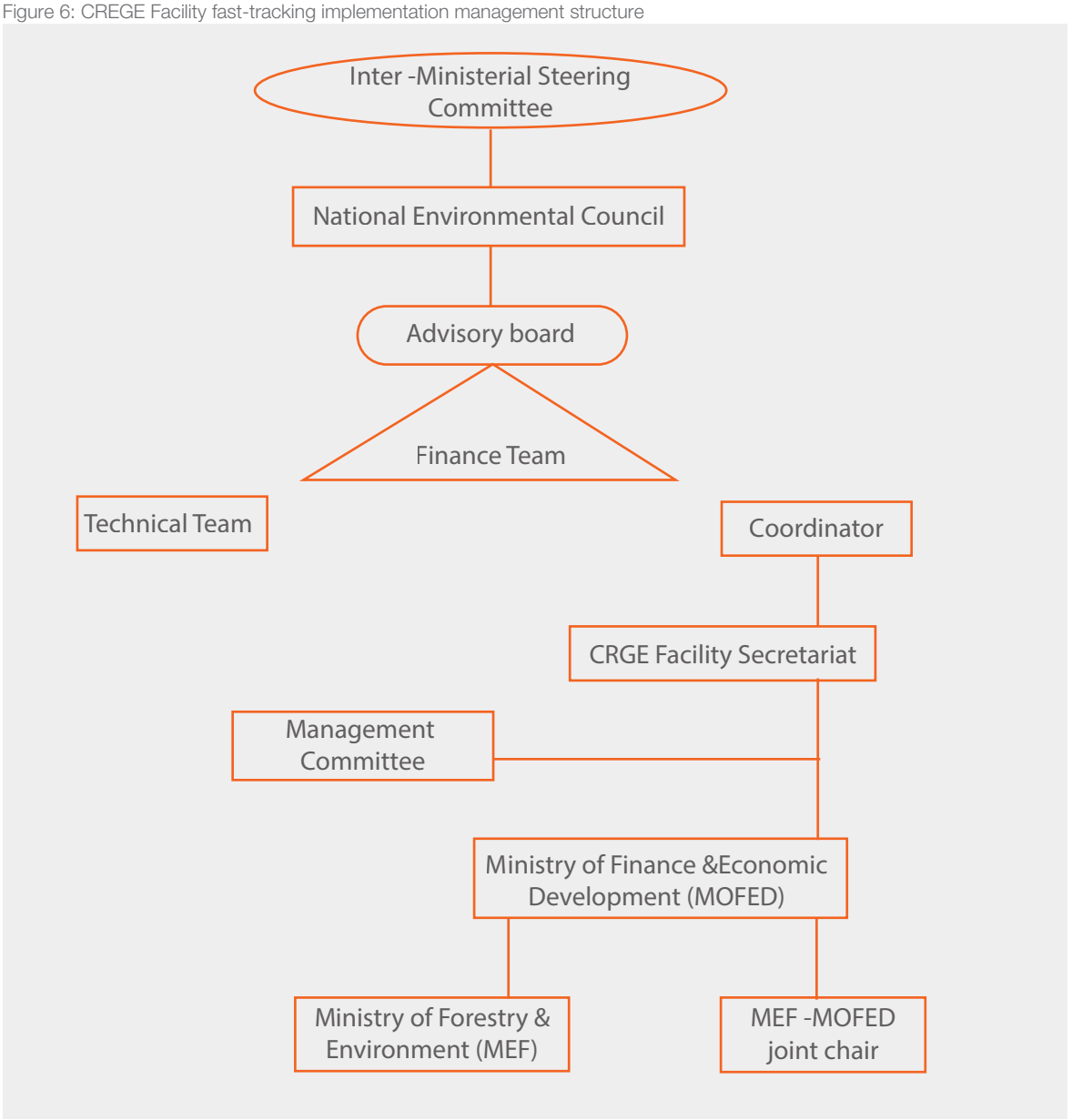
execution of sectoral CRGE initiatives fast-tracked for implementation. In addition to its contribution to growth and capturing of the large abatement potential, the fast-tracking effort has been guided to attract the available global climate finance for implementation.

An important step in the institutionalization process for CRGE implementation has been the elevation of the status of the previous Environmental Authority to cabinet membership position through the re-organization and establishment of the Ministry of Environment and Forestry (MEF). The Ministry of Environment and Forestry is presently the main focal point for technical coordination of the green growth sectoral initiatives and achievement of the CRGE vision. The overall responsibility and top level leadership lies with the Environmental Council. The Council is chaired by the Prime Minister, and is composed of relevant cabinet ministers, Chief Executives of Regional States, and civil society and private sector representatives. The inter-ministerial steering committee is the next higher body responsible for overall guidance, policy coherence and cross-sectoral alignments in CRGE programming and implementation. It is composed of line ministries directly responsible for the implementation of CRGE initiatives. The newly added decision making body below the inter-ministerial steering committee in the current phase of CRGE fast-tracking project implementation phase is the Management Committee composed of state ministers of the same line ministries. The Management Committee is jointly chaired by MEF and MOFED (Figure 6). It is mandated to make regular key decisions pertaining to fast-tracked CRGE pilot project implementations. The CRGE facility in MOFED serves as the secretariat of the Management Committee. The Committee has also non-voting members representing multi-lateral and bilateral donors currently financing and technically supporting fast-tracking pilot CRGE schemes implemented in different sectors.

The CRGE Facility in the Ministry of Finance and Economic Development (MOFED) is the core focal point in the present phase of pilot project implementation and capacity building efforts. Following the launching of the CRGE strategy in December 2011, the CRGE Facility was subsequently established in September 2012 with a view to mobilize financial resources from various sources and to channel all international climate finances and do-

mestic contributions to a multi-donor trust fund required to support the implementation of sectoral initiatives of the green growth strategy. The CRGE progress at the moment is at the important stage of fast-tracking project implementation. Fast-tracked sectoral pilot projects submitted by sectoral ministries are currently supported through the CRGE facility arrangement.

Figure 6: CREGE Facility fast-tracking implementation management structure




Another important institutional arrangement in sectoral project implementation is the establishment of CRGE units in relevant line ministries. Staffing and capacity building efforts in these ministries and having their replica at Regional State levels have been pursued in the fast-tracking phase of CRGE implementation. At present, the nature of establishment of CRGE units in sectoral ministries is not uniform. In many cases, these units, perhaps except in the Ministry of Agriculture, are not fully strengthened and are centred on focal persons in functional departments and ad hoc committees. They are only in the process of establishment as properly staffed and independently functional structures responsible for the required focused task of CRGE coordination and program implementation. This is the snag of the current organizational arrangement for fast-tracked CRGE project implementation.

The process of resource allocation to different sectoral initiatives is currently supported based on pilot scheme proposals submitted by sectoral minis-

tries, through their CRGE units, to the CRGE facility secretariat in the Ministry of Finance and Economic Development. Proposed pilot projects normally pass through a technical and financial appraisal routines of the CRGE facility secretariat. Proposed projects are assessed based set of criteria which include elements such as contribution to growth and transformation, relevance to mitigation and resilience, and value for money. The CRGE facility has an advisory board, whose members are from the academia, donors and NGOs, which is supposed to give technical advice on project appraisal and implementation matters. The final decision for the funding of feasible pilot fast-tracked projects is given by the Management Committee.

The CRGE facility secretariat is an important set-up for systematic mobilization of multi-donor funding required for achievements of the planned ambitious green economy targets which cost an estimated US$150 million over 20 years period. However, as part of MOFED, it appears to have no legal mandates for project planning and appraisal duties, which should be the responsibility of the National Planning Commission in the strict sense of fully integrating CRGE programs into the routine cycles of the national planning and budgeting system.

The current crucial phase of CRGE pilot project implementation in different sectors is financed by external funding support of US$40 million committed by four bilateral donors (Australia, Denmark, Norway and UK). The largest (60 percent) financial commitment to the fast-tracking program comes from the UK, followed by Norway (26.5 percent) and Denmark (11.5 percent).

**Measures and instruments**: Different measures and legal instruments have been initiated in the fast-tracking phase of the CRGE strategy implementation. The energy policy has been revised with a view to create more enabling environment for private sector enhanced participation in the clean energy sector. The Ministry of Transport has initiated a plan for transport pollution control, which includes the intention to limit the number of inefficient and old cars on the road, increased tariff on imported used cars, and to gradually introduce hybrid and electric cars. The initiative to remove old and inefficient cars from the road has reportedly faced with apparent potential resistance from interest groups. The new draft legislation by the Ministry, which stipulates high tariff rates for imported used cars, is apparently found to be inconsistent with the current rule of the Revenue and Custom Authority which does the opposite. It has required proper alignment of both regulations.

### 4.4.3. Integration into the medium-term (GTP II)

This is an important stage in the development and ***sustained*** implementation of the green economy strategy as an internally driven initiative. A tentative sketch is indicated in annex 1. An important mechanism for achieving considerable integration and sustained implementation of such strategic initiatives and policies, in the Ethiopian experience, is expected in the process of preparation of the country's medium-term Growth and Transformation Plan (GTP), and its subsequent details exercised in the annual plans and budgets prepared and implemented both at federal and Regional Sate levels. An important guide in GTP preparation is that it is a government policy document consisting of both macro and sectoral dimensions in which core national strategies, sectoral programs, and global and regional development goals are broadly supposed to be incorporated. In essence, there cannot be a parallel plan or strategy of any considerable separate focus in the land. The medium-term plan or GTP preparation process is principally considered as an integrating mechanism for strategies and planned interventions directed to achieve sustainable development and improved human welfare in the country.

The launching and institutionalization of the implementation process of the CRGE strategy has rather occurred in the course of implementation of the currently completed Growth and Transformation Plan (GTP I). The second Growth and Transformation Plan (GTP), which is presently in the finalization stage of its preparation, has now become a test case for the required proper integration of the green growth strategy in the national planning system. Sectoral ministries have been instructed to

prepare and submit mainstreamed plan proposals with full consideration of planned CRGE initiatives in the next five years.

The draft second Growth and Transformation Plan (GTP II) of 2015/16-2019/20 is prepared based on the fundamental premise of the need to realize broad based development leading to a middle income economy status by 2025. In addition to the CRGE initiatives and other national strategies and sectoral programs, global commitments such as sustainable development goals are clearly stated as forming the basis of GTP II preparation. The draft plan outlines 8 major departures of GTP II, one of which is the incorporation of the green growth strategy as a main priority area of focus. The commitment to build climate resilient green economy is included as one of the strategic pillars of the plan. This is indicated to be based on enhanced interventions in the areas of natural resourced development and management, building resilience capacity and adaptation to climate change, and mitigation of greenhouse gases. The draft medium-term plan (GTP II) generally outlines the top four pillar initiatives of the green growth strategy that are listed to achieve the aims. Concerning the green growth strategy, the following planned actions are ***specifically*** outlined in the draft GTP II:

- incorporation of the green growth strategy in sectoral, regional and local plans, programs and projects;
- provision of close monitoring and evaluation support for the implementation of incorporated CRGE initiatives;
- establishment of strong institutional capacity for planning and implementation;
- integrated efforts though enhanced collaboration between the government and the private sector, and with external partners;
- establishment and development of research and technology transfer institutions specifically directed to support green economy transition;
- giving proper attention to the post-2015 development agenda and other global and regional development goals.

The draft GTP broadly integrates ***economic***, ***social*** and ***environmental*** concerns in all its ***core*** contents. Table 7 indicates selected major economic, social and environmental targets of the draft plan.

Table 7: Selected major economic, social and environmental targets of the draft GTP II*

| Target Variables | Unit | Baseline (2015) | Target (2020) or annual average |
|---|---|---|---|
| **Economic & Social** | | | |
| **GDP growth rate** | percent | 11.4 | 11.0 |
| • Agriculture | percent | 9.6 | 7.8 |
| • Industry growth | percent | 22.2 | 17.2 |
| • Manufacturing | percent | 19.2 | 24.1 |
| • Services | percent | 9.4 | 10.0 |
| **Gross investment ratio** | percent | 36.3 | 41.3 |
| **Domestic saving ratio** | percent | 19.5 | 29.6 |
| **Share of Agriculture in GDP** | percent | 41.1 | 35.6 |
| **Share of industry in GDP** | percent | 15.6 | 22.8 |
| **Share of manufacture in GDP** | percent | 4.6 | 8.0 |
| **Share of services in GDP** | percent | 43.4 | 40.4 |
| **Share of Mining in GDP** | percent | 1.7 | 2.3 |
| | percent | | |
| **Poverty rate (headcount)** | percent | 29.6 (2011) | 16.7 |
| **Primary school enrolment ratio** | percent | 95.2 | 100.0 |
| **Health coverage** | percent | 94.0 | 100.0 |
| **Infant mortality** | Per 1000 | 46 | 19 |
| **Child mortality** | Per 1000 | 68 | 30 |
| **Maternal mortality** | Per 1000 | 420 | 199 |
| **Life expectancy** | years | 64.6 | 69 |
| **Rural water supply coverage** | percent | 59 | 85 |
| **Environmental** | | | |
| **Reduced GHG emissions** | Million MT | | 147 |
| **Removal of hazardous waste** | Ton | | 200 |
| **Total forest coverage** | percent | 15.5 | 20.0 |
| **Share of forestry sector in GDP** | percent | 4.0 | 8.0 |
| **watershed development** | Million Hectares | 12.2 | 41.4 |

**Note: These are preliminary figures taken from the draft document for indication; they are subject to change in the process of finalization of the document.*

# 5. Concluding Remarks And Recommendations For Enabling Actions

Ethiopia's medium-term Growth and Transformation Plan (GTP) is an integrating framework for the far-reaching actions of a sustainable development practice directed to poverty eradication and a transition to greener economy. The medium-term plan and the green economy strategy are prepared based on a shared vision of poverty eradication and inclusive economic growth, and a high commitment of focused supervision and involvement by the country's top political leadership. Ethiopia, in the last two decades, has practised a radical administrative restructuring associated with a federal system of government, and has aggressively implemented a civil reform program painstakingly aimed at achieving an effective and decentralized service delivery system. This has involved enormous experiments of institutional restructuring and establishment of key supporting pillars for an integrated development planning and robust monitoring and evaluation systems at all levels. However, despite these landmark developments, important gaps still remain, and thus further enabling actions are required to effectively integrate the green growth strategy into the national development planning and budgeting routines:

i. **Institutionalization and further capacity building requirements**: Despite their apparently onerous duties and functions, CRGE units in sectoral ministries do not have approved functional structures and correspondingly required proper staffing. Priority attention and quick actions are required to speed-up the process of approval, staffing and subsequent capacity building interventions. The same swift action is required at Regional State levels because it is there where the major responsibility of project implementation lies. Furthermore, it is quite essential to ensure the required organic link between CRGE units and planning units in sectoral ministries and within relevant bureaux at Regional State levels.

ii. **Transition from fast-tracking pilot project implementation to integrated program management:** The fast-tracking facility has been quite indispensable as a learning-by-dong process. In accordance with Ethiopia's existing successful experience in social and economic development sectors, the CRGE strategy should be executed as a broad cross-sectoral program with constituent medium-term programs periodically prepared and implemented in different pillar sectors (agriculture, energy, transport, etc.). Therefore, it is very important to speed up the process of transition rather by moving to finalization and implementation of integrated CRGE sectoral programs already under preparation by different ministries.

iii. **Role of planning units/departments in sectoral ministries and relevant regional state bureaux:** Proper integration requires full involvement of planning units/departments of sectoral ministries and relevant regional bureaux in the regular planning and budgeting of the CRGE initiatives. The planning units are apparently bypassed in the current direct relationships between focal CRGE groups/units and CRGE Facility secretariat within MOFED in planning and project appraisal processes. The traditional coordinating role of the planning departments within sectoral ministries and relevant regional bureaux should be properly used, by capacitating them, for full integration of CRGE program initiatives in the regular planning, budgeting, and monitoring and evaluation routines.

iv. **There is an apparent limit to the functional mandate of the CRGE Facility secretariat**: The CRGE Facility in the Ministry of Finance and Economic Development (MOFED) naturally remains an essential set up for coordinated access and controlled proper use of global finance. It has played a crucial role in the overall coordination, institutionalization, capacity building, and in appraisal and monitoring of fast-tracked CRGE projects. However, the national mandate for project appraisal, monitoring and evaluation lies with the National Planning Commission. Therefore, in line with the desired move towards full sectoral program development for CRGE initiatives, the technical side of project appraisal and implementation follow-up should be fully mandated to the National Planning Commission and respective organs at the regional level. Full staffing and capacity building is required in the National Planning Commission.

v. **Finally, the issue of environmental accounting:** The federal Policy on Natural Resources and the Environment (volume II, 1996, p.39) underlines the importance of environmental valuation and accounting. There is a clear recognition that the current methodology does not consider the depreciation of natural capital assets such as soil, forests, water and minerals. It especially stipulates that relevant institutions mandated for the regular national/regional income accounting practice would be capacitated in order to routinely prepare satellite environmental accounts. The national mandate for the adoption of the UN System of Environmental-Economic Accounting (SEEA), in the context of current institutional arrangement, lies with the Ministry of Finance and Economic Development (MOFED) though this has never been fully realized. Also, it appears that the National Accounts Directorate of MOFED does not have any immediate intention of performing the task mainly due to human resource capacity limitations. Therefore, proper attention and the stipulated capacity building efforts are required in order to fully practise the relevant provisions of the policy with respect to environmental accounting.

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Annex 1: Tentative sketch of the process of integrating sustainability into national plans