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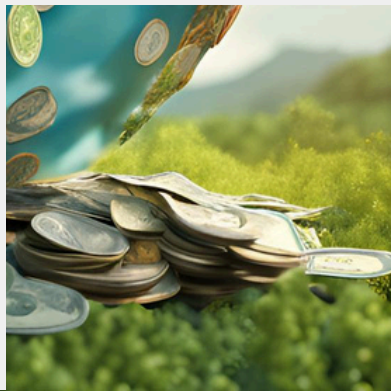
Enhancing Access to Global Climate Finance for Ethiopia



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Executive Summary

Ethiopia is one of the most climate-vulnerable countries, grappling with recurring droughts, floods, locust invasions, rising temperatures, and water scarcity. These challenges significantly threaten food security, livelihoods, and economic stability. Climate finance funding aimed at mitigation, adaptation, and addressing loss and damage can play a key role in tackling these challenges. However, Ethiopia faces numerous obstacles in accessing and effectively using international climate finance.

This document examines the current landscape of global climate finance, focusing on major funding mechanisms such as the Green Climate Fund (GCF), the Global Environment Facility (GEF), and Climate Investment Funds (CIF). Ethiopia's experience with these funds is analyzed, including successful programs like the IFAD-supported PACT Program and the World Bank co-financed Sustainable Land Management Program. Despite these successes, Ethiopia's access to funds is hindered by challenges such as institutional accreditation delays, limited technical expertise, high costs of proposal preparation, and a mismatch between global funding priorities and local adaptation needs.

The document outlines key barriers and proposes strategies to improve Ethiopia's ability to secure and utilize climate finance. These strategies include:

- Strengthening institutional systems to meet accreditation requirements.
- Building technical expertise to develop competitive proposals and manage funds effectively.
- Engaging the private sector to mobilize additional resources and innovation.
- Leveraging partnerships at regional and international levels to access support and knowledge-sharing opportunities.
- Improving access to climate finance information and streamlining regulatory processes.
- Enhancing transparency and accountability in fund management to build donor confidence.

Several case studies illustrate Ethiopia's successes and lessons learned, showcasing the positive impacts of targeted initiatives on restoring degraded land, improving agricultural resilience, and addressing ecosystem vulnerabilities.

The document concludes with an emphasis on the need to strengthen Ethiopia’s institutional readiness, technical skills, and policy environment to improve access to and utilization of climate finance. Achieving these improvements will help Ethiopia build resilience to climate impacts, advance sustainable development, and contribute to global climate action. Coordinated efforts among policymakers, international partners, and stakeholders are essential to mobilize the resources required to address Ethiopia’s climate challenges and support long-term stability and growth.

Introduction

Ethiopia, with its diverse ecosystems and growing population, faces critical challenges associated with climate change. The country is frequently affected by severe droughts, floods, desert locust invasions, and rising temperatures, which have disrupted livelihoods, compromised food security, and strained infrastructure. Addressing these issues requires access to climate finance, which supports efforts to mitigate greenhouse gas emissions and adapt to the adverse effects of climate change. However, Ethiopia's ability to secure funding from global climate finance mechanisms has been hindered by institutional, technical, and operational constraints. Strengthening Ethiopia's capacity to access and effectively utilize these funds is essential to implement its Climate Resilient Green Economy (CRGE) strategy and Long Term-Low Emission and Climate Resilient Development Strategy (LT-LEDS), enhance resilience to climate risks, and align with international climate goals.

What is Climate Finance?

There is no universally agreed-upon definition of climate finance, as developed and developing nations interpret its meaning differently.

Developed and Developing Nations' Definitions of Climate Finance

Developed Nations' Definition

Developed countries define climate finance broadly to include all financial flows public and private, grants, concessional loans, non-concessional loans, and investments that support climate-related activities. This approach maximizes the financial contributions they can report under commitments like the $100 billion annual pledge in the Paris Agreement. It also emphasizes private sector involvement as essential to scaling up resources for climate mitigation and adaptation globally.

Developing Nations' Definition

Developing nations, on the other hand, advocate for a narrower definition. They emphasize climate finance as predictable, additional public funding—primarily in the form of grants and highly concessional loans—from developed countries. This funding should directly address the specific climate vulnerabilities of developing nations without increasing their debt burden or redirecting development aid.

Why Definitions Differ

1. Developing nations argue that developed countries bear historical responsibility for climate change, as they have been the largest emitters of greenhouse gases since the Industrial Revolution. Therefore, they believe climate finance should primarily consist of grants and public funds as a form of reparative justice. Developed nations, however, argue that addressing climate change is a shared global responsibility and emphasize the importance of leveraging private sector investments alongside public funds.

Why Definitions Differ

2. Developed countries prioritize climate finance for mitigation, such as renewable energy projects, as these have global benefits. Developing countries stress the need for funding adaptation efforts, which directly address local vulnerabilities, such as rising sea levels and extreme weather events. Adaptation projects are less attractive to private investors due to lower financial returns, further deepening the divide.
3. Developed nations often include the full value of loans, private investments, and export credits in their climate finance contributions. Developing nations, however, argue that only the grant equivalent of loans should be counted, ensuring transparency and fairness.

United Nations Framework Convention on Climate Change's (UNFCCC's) Definition of Climate Finance

The UNFCCC defines climate finance as "local, national, or transnational financing—drawn from public, private, and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change. "However as it was mentioned above, there is still no consensus on the actual definition of Climate Finance.

Why is Climate Finance Essential?

Climate finance is essential for addressing climate change because it provides the resources needed to mitigate its causes, adapt to its impacts, and ensure a sustainable future for all, particularly for vulnerable and low-income countries. It supports mitigation efforts by funding projects that reduce greenhouse gas emissions, such as transitioning to renewable energy, reforestation, and sustainable urban planning. Climate finance provides resources that allow countries to implement technologies and practices that reduce greenhouse gas emissions, helping to limit the rise in global temperatures to manageable levels.

Besides the need for Mitigation and Adaptation, climate finance will need to address the Loss and Damage caused by irreversible climate impacts, such as rising sea levels and extreme weather events. Funds dedicated to Loss and Damage will provide safety nets for the most affected countries, enabling recovery and rebuilding. For countries already facing severe climate impacts like droughts, floods, and rising sea levels, climate finance is critical in implementing adaptation measures. While Adaptation efforts reduce vulnerability, protect livelihoods, and ensure that communities can withstand future climate shocks, Loss and Damage funds will be crucial for communities to rebuild and strengthen Global South countries that lost lives and damaged resources. Without such resources, many countries, would struggle to cope with the escalating impacts of climate change.

Additionally, climate finance drives technological innovation by funding the research, development, and deployment of advanced low-carbon and climate-resilient solutions. These include renewable energy systems, carbon capture technologies, and precision agriculture techniques. Such innovations reduce emissions and provide scalable solutions that can be adopted globally. Furthermore, climate finance minimizes economic losses by investing in disaster risk reduction, resilient infrastructure, and early warning systems.

In addition, climate finance plays a role in incorporating private sector investments by reducing financial risks and attracting additional resources for climate-friendly initiatives. Public funds can act as a catalyst, encouraging private entities to invest in renewable energy, green infrastructure, and sustainable industries. This increases the impact of climate finance and makes large-scale climate action feasible. It also supports the achievement of SDGs by addressing clean energy, sustainable cities, and climate action, while indirectly contributing to poverty and hunger reduction by building resilience in vulnerable communities.

Global Landscape of Climate Finance

Overview of Available Climate Finance Funds

1. Green Climate Fund (GCF)

GCF was created to support developing countries in achieving climate goals under the Paris Agreement. It focuses on mitigation (reducing greenhouse gas emissions) and adaptation (enhancing climate resilience). The fund promotes a country-driven approach, ensuring projects align with national priorities. GCF funds projects via accredited entities (multilateral banks, national organizations). Their priority areas include renewable energy, sustainable land use, and water resource management. Over 200 projects have been approved globally, directly benefiting millions. Significant funding has been for renewable energy transitions and resilient agriculture projects. The main challenges are bureaucratic processes and slow fund disbursement as well as funding gaps due to unfulfilled donor commitments.

Pledged vs. Delivered

Initial pledges amounted to approximately $10.3 billion. Actual contributions have varied, with some countries not fully meeting their commitments. As of 2024, the GCF had approved over $15.9 billion for projects worldwide

GREEN CLIMATE FUND

2. Global Environment Facility (GEF)

The fund Addresses multiple environmental challenges, including climate change, biodiversity, and land degradation. It supports both mitigation and adaptation efforts globally. Provides grants through implementing agencies such as the UNDP , UNEP , and World Bank. It funds both small-scale local initiatives and large-scale national programs. By 2022, the GEF funded over 4,500 projects across 170 countries. It has leveraged billions in co-financing, significantly amplifying its impact.

The main challenge is the competition for funds among developing nations as there aren't sufficient funds for everyone.

Pledged vs. Delivered

For the GEF-7 replenishment (2018–2022), donors pledged $4.1 billion. The GEF has a strong track record of disbursing pledged funds to approved projects. By 2022, the GEF had allocated over $3.8 billion to various environmental projects.

3. Adaptation Fund

It provides direct access to adaptation funding for vulnerable communities in developing nations. Focusing on concrete, community-based projects to address specific vulnerabilities. The fund is administered by the Adaptation Fund Board, with funding primarily coming from carbon market proceeds and donor contributions. The projects are executed by accredited national, regional, or multilateral implementing entities.

So far, It has approved projects in over 100 countries, improving water access, agricultural practices, and disaster preparedness. It is recognized for its direct access modality, promoting country ownership.
The limited funding pool compared to the scale of adaptation needs and being heavily reliant on voluntary contributions from donors are the main challenges.

Pledged vs. Delivered

As of 2022, the Adaptation Fund has mobilized over $1.2 billion for adaptation projects. The fund has approved over 120 projects worldwide.

4. Climate Investment Funds (CIF)

Catalyzes large-scale investments in clean technology, renewable energy, and climate resilience. It's Designed to complement other funding mechanisms, leveraging additional investment.

- Operates under two primary programs:
  - **Clean Technology Fund (CTF):** Supports renewable energy and low-carbon technologies.
  - **Pilot Program for Climate Resilience (PPCR):** Builds resilience in vulnerable communities.

It successfully leveraged over $60 billion in co-financing and supported good projects, such as solar farms in Africa and climate-smart agriculture in Asia.

Main challenges are that Co-financing requirements exclude resource-constrained countries
and also have large administrative costs due to the complexity of operations.

Pledged vs. Delivered

Donors pledged over $8 billion to CIF . Significant portions have been dispersed across various programs, including the Clean T echnology Fund and the Pilot Program for Climate Resilience.

5. Bilateral Climate Finance

Enables direct agreements between developed and developing countries to fund climate projects. Supports a wide range of initiatives, from renewable energy to disaster risk reduction. This type of financing is negotiated on a case-by-case basis, ensuring alignment with both donor and recipient priorities. Examples include the Norway–Ethiopia partnership on forest conservation. According to the OECD, $116 billion was mobilized in 2022, meeting the $100 billion annual goal two years late. Provides flexible funding tailored to specific country needs.

The challenges include Uneven distribution, with some countries receiving disproportionately large shares. And lack of transparency and accountability in some bilateral agreements.

6. Bilateral Climate Finance

Combines financial and technical support to address development and climate challenges. They provide loans, grants, and guarantees for climate-friendly projects. Includes institutions like the World Bank, African Development Bank, and Asian Development Bank. It aligns projects with country-specific development and climate strategies. The World Bank committed $42.6 billion to climate finance in 2024 alone. African Development Bank launched the Desert-to-Power Initiative, targeting renewable energy in Africa.

The European Investment Bank plans to support €1 trillion of climate investment by 2030.

Heavy reliance on loans rather than grants can increase the debt burden of recipient nations.

7. Loss and Damage Fund

Aims to address irreversible climate impacts, such as extreme weather events and sea-level rise. Provides compensation for countries facing losses that adaptation measures cannot prevent.

Established under the UNFCCC at COP28, with a focus on vulnerable nations. Seed capital of $700 million pledged, with further contributions expected. Marks a major step in global climate justice, recognizing the need for reparations. Currently in its infancy, with operational details still being finalized.

There is a lack of clarity on long-term funding sources and political resistance from some developed nations.

8. New Collective Quantified Goal (NCQG)

Aims to set a more ambitious climate finance target beyond the $100 billion annual goal. It focuses on meeting the growing needs of developing countries. Negotiations ongoing, with a provisional target of $300 billion annually by 2035. Includes grants, loans, and private sector mobilization.

The $300 billion target is significantly below the $1.3 trillion demanded by developing countries and implementation strategies remain unclear.

General Requirements to Access Different Funds

Institutional Accreditation

To access climate finance, entities must demonstrate their capability to manage funds effectively and align with the fiduciary standards set by the respective funding mechanisms. This involves:

- Showcasing financial integrity,
- Robust management practices, and
- The ability to mitigate risks.

Accredited entities must also comply with environmental and social safeguards, ensuring that projects do not harm ecosystems or marginalized communities. Many funds require evidence of a successful track record in managing similar projects and delivering measurable impacts, which can be a significant barrier for organizations lacking prior experience.

Alignment with National and International Goals

Climate finance proposals must align closely with both national and international climate strategies. At the national level, projects should support a country's climate goals, such as those outlined in Nationally Determined Contributions (NDCs) under the Paris Agreement or country-specific strategies like Ethiopia's Climate Resilient Green Economy (CRGE). At the global level, proposals must adhere to the funding organization's priorities, whether they focus on mitigation, adaptation, or cross-cutting areas like biodiversity and gender equity.

Proposal Development

A strong project proposal is essential for accessing climate funds. This includes a clear articulation of objectives, detailed activity plans, and expected outcomes. Proposals should include technical feasibility studies to demonstrate the practicality and relevance of the project. Comprehensive climate data, projections, and risk analyses are also vital to justify the need for funding. Additionally, proposals must showcase cost-effectiveness, with a well-documented budget and evidence that the project will deliver a significant impact relative to its cost.

Co-Financing

Many climate funds require co-financing to demonstrate the commitment of the applicant and stakeholders. This may involve financial contributions from national budgets, private sector investments, or development partners. In-kind contributions, such as staff time or equipment, may also be considered. Co-financing helps amplify the impact of climate finance but can pose challenges for resource-constrained entities, especially in least-developed countries.

Stakeholder Engagement

Effective stakeholder engagement is a critical requirement. Proposals should demonstrate how affected communities and vulnerable groups, such as women, youth, and indigenous populations, have been consulted and involved in project design. Collaboration with various stakeholders, including government agencies, private sector players, NGOs, and academic institutions, is often a requirement. Letters of support or endorsements from these stakeholders can strengthen a proposal and demonstrate its broad-based support.

Monitoring, Evaluation, and Reporting Framework

Proposals must include robust frameworks for monitoring, evaluation, and reporting. A clear plan for tracking progress against objectives is necessary, with indicators to measure project outcomes and impact. Baseline data should be included to provide a reference point for assessing changes over time. Mid-term and final evaluations are typically required to assess the project's effectiveness and identify areas for improvement. Periodic reporting of financial and technical progress is essential for maintaining transparency and accountability with the funding entity.

Risk Assessment and Management

Risk management is a fundamental component of climate finance proposals. Entities must identify potential risks, including financial, environmental, and social risks, and outline strategies for mitigating them. This may involve contingency planning, risk-sharing mechanisms, or insurance solutions. The ability to manage risks effectively ensures that projects remain viable and deliver intended outcomes, even in the face of unforeseen challenges.

Capacity Building and Institutional Strengthening

Most funds prioritize projects that include components for capacity building and institutional strengthening. Proposals should outline plans to enhance the skills and knowledge of local stakeholders to ensure sustainable implementation. This might involve training programs, knowledge-sharing platforms, or technical support for local institutions. Sustainability plans that integrate project outcomes into national or local frameworks are also essential to secure long-term benefits.

Governance and Transparency

Strong governance structures and transparent processes are critical for accessing and managing climate finance. Proposals should clearly define roles and responsibilities for project management, ensuring effective oversight and accountability. Mechanisms for public disclosure of project details, financial statements, and impact assessments help build trust with funders. Transparent grievance redress mechanisms and platforms for beneficiary feedback are also often required.

Legal and Regulatory Compliance

Projects must comply with national laws and regulatory frameworks, which may include obtaining permits and approvals from relevant government bodies. Additionally, proposals should align with international standards and conventions, such as those set by the UN Framework Convention on Climate Change (UNFCCC) or the Paris Agreement. Demonstrating compliance with these legal and regulatory requirements ensures that projects can proceed without legal or procedural obstacles.

Submission Process

The submission process typically involves a two-step approach, starting with a concept note for preliminary feedback. This is followed by the submission of a detailed proposal through accredited entities or implementing partners. Adhering to submission deadlines and using the prescribed formats is critical for ensuring that proposals are considered. After submission, proposals undergo rigorous review processes, including technical, financial, and environmental assessments, before final approval by the fund's governing body.

Challenges Ethiopia Faces in Accessing Climate Finance

1. Lack of Institutional Accreditation

Many Ethiopian institutions are not accredited to directly access major climate finance mechanisms, such as the Green Climate Fund (GCF) or Adaptation Fund. Accreditation requires robust financial management systems, environmental safeguards, and project management experience, which many national entities lack. **As such the only accredited institution is the FDRE's Ministry of Finance and this limits Ethiopia's ability to independently apply for and implement large-scale climate projects.**

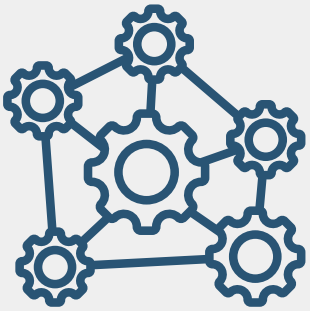
2. Limited Technical Expertise

Developing high-quality proposals that meet the technical requirements of climate funds is a significant challenge. **Ethiopia often struggles to provide the detailed project designs, feasibility studies, and climate data analysis required for funding approval.** This lack of expertise makes it harder to secure financing and successfully implement projects.

3. High Cost of Proposal Development

Preparing comprehensive funding proposals, including environmental impact assessments, feasibility studies, and financial projections, requires significant resources. **Ethiopia often lacks the financial means to cover these upfront costs, creating a barrier to submitting competitive applications for climate finance.**

4. Stringent and Complex Processes



The processes for applying to and securing climate finance are bureaucratic and time-consuming. Funds like the GCF and GEF have rigorous requirements for fiduciary, environmental, and social safeguards. Meeting these standards often results in delays or discourages applications altogether.

5. Poor Data and Monitoring Systems

Ethiopia has limited access to reliable baseline climate data, which is critical for preparing evidence-based proposals. Additionally, weak monitoring and evaluation frameworks reduce the ability to track project outcomes and demonstrate impact to funders. This undermines confidence and hinders further access to funding.

6. Dependence on International Intermediaries

Due to the lack of accreditation, Ethiopian entities often rely on international intermediaries, such as UN agencies or multilateral development banks, to access funds. **This dependence adds costs, reduces efficiency, and limits local ownership of projects.** It also diminishes opportunities for capacity building within national institutions.

7. Misalignment Between Global and Local Priorities

Global climate finance mechanisms often prioritize large-scale mitigation projects, such as renewable energy, while **Ethiopia's immediate needs are primarily adaptation-focused** (e.g., managing droughts, floods, and locust invasions). This misalignment makes it difficult to secure funding for projects that address Ethiopia's most urgent challenges.

8. Limited Private Sector Engagement

Ethiopia has yet to fully engage the private sector in climate finance. The country lacks incentives and a supportive policy environment to attract private investments in climate-friendly projects, such as renewable energy, reforestation, and sustainable agriculture. **This limits the overall pool of funds available for addressing climate challenges.**

9. Political Instability and Economic Constraints

Episodic political conflicts and economic challenges **divert national attention and resources away from climate action.** Additionally, Ethiopia's limited fiscal space makes it difficult to meet co-financing requirements, which are often necessary for accessing climate funds.

Opportunities for Ethiopia to Access Climate Finance

Despite the challenges in accessing climate finance, Ethiopia has several opportunities to secure global resources for its climate action plans:

1. Alignment with International Climate Goals

Ethiopia's updated Nationally Determined Contributions (NDCs) under the Paris Agreement reflect its commitment to reducing greenhouse gas emissions and adapting to climate change. This alignment with global climate objectives makes Ethiopia eligible for funding from mechanisms like the Green Climate Fund (GCF) and the Adaptation Fund, which prioritize projects in developing countries aimed at mitigation and adaptation.

2. Emphasis on Nature-Based Solutions

Through initiatives such as the Green Legacy Initiative, Ethiopia is prioritizing large-scale tree planting and ecosystem restoration. These efforts address biodiversity loss, land degradation, and carbon emissions, aligning with the interests of international climate financiers. Such projects are attractive to funding agencies seeking to support sustainable and scalable environmental solutions.

3. Renewable Energy Development

Ethiopia has significant renewable energy resources, including hydropower, solar, wind, and geothermal energy. These resources provide opportunities for Ethiopia to attract international climate finance for clean energy projects. Such investments not only support the transition to a low-carbon energy system but also enhance energy access and rural electrification.

4. Institutional Capacity Building

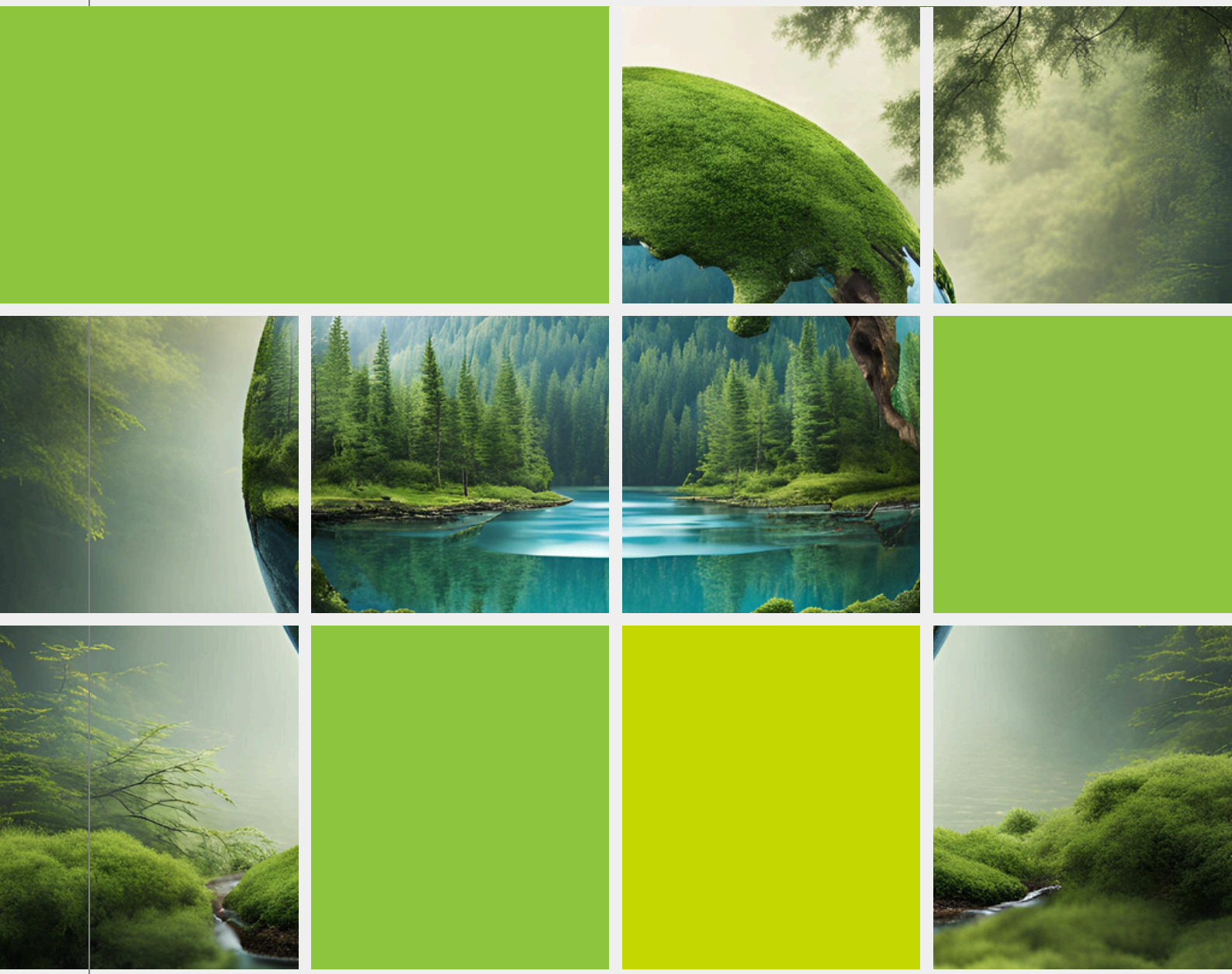
International climate finance mechanisms often include technical support to strengthen the capacity of recipient countries. Ethiopia can use this support to improve project development and management, enhance transparency in fund utilization, and establish efficient systems for implementing climate initiatives.

5. Utilizing Carbon Markets

Ethiopia can participate in carbon markets by developing projects such as reforestation and renewable energy that generate carbon credits. These credits can be sold to international buyers, providing an additional revenue stream to support ongoing climate initiatives.

6. Support for Vulnerable Communities

As a Least Developed Country, Ethiopia is eligible for funding that prioritizes resilience-building for vulnerable populations. T argeted finance for sectors such as agriculture, water management, and disaster risk reduction can strengthen the country's ability to cope with climate shocks.



Addressing Climate Disasters in Ethiopia

Different Climate Disasters that happened in Ethiopia

Droughts

- **2020–2023:** The Horn of Africa, including Ethiopia, experienced one of the most severe droughts in four decades, with four consecutive failed rainy seasons. This led to acute water scarcity, affecting over 8 million pastoralists and agro-pastoralists in regions such as Somali, Oromia, SNNP , and South-West Ethiopia. Approximately 7.2 million people required food aid, and 4.4 million faced challenges accessing water.

Floods

- **2016:** Early and intense seasonal rains resulted in deadly floods across Ethiopia, causing at least 200 deaths and displacing over 200,000 individuals. Regions like the Lower Omo Valley, Dire Dawa, Amhara, Afar, Somali, Tigray, Gambella, Oromia, and Harari were notably affected.

Landslides

- **2024:** In July, the Gofa zone in Southern Ethiopia experienced devastating landslides following heavy rains. Initial reports indicated 229 fatalities, with the United Nations later estimating the death toll could rise to 500. The disaster displaced thousands and highlighted the region's vulnerability to climate-induced hazards.

Locust Infestations

- **2019–2022:** Ethiopia faced one of the worst desert locust invasions in decades, severely threatening food security and livelihoods. The infestations destroyed crops and pasturelands, exacerbating hunger and economic hardship, especially in regions already dealing with drought conditions.

Enhancing Ethiopia's Capability to Access Climate Finance

1. Droughts

Ethiopia's recurring droughts, aggravated by climate change, have led to widespread water scarcity, crop failure, and livestock loss, severely impacting millions of livelihoods. Climate finance mechanisms like the **Green Climate Fund (GCF)** and **Adaptation Fund** can support large-scale and community-based projects to enhance drought resilience. For instance, GCF funding can be used to implement climate-smart agriculture, such as introducing drought-resistant crop varieties, efficient irrigation systems like drip irrigation, and agroforestry practices that improve soil moisture retention. Community-based projects, funded through the Adaptation Fund, can focus on constructing water harvesting structures like sand dams, rainwater storage tanks, and underground reservoirs in arid regions. The **Pilot Program for Climate Resilience (PPCR)** under the Climate Investment Funds (CIF) can finance the development of early warning systems that use satellite imagery and climate modeling to predict and mitigate the impacts of drought.

2. Floods 

Ethiopia's susceptibility to floods, particularly in urban and low-lying areas, has led to displacement, destruction of infrastructure, and loss of lives. The **Adaptation Fund** and **Global Environment Facility (GEF)** offer opportunities to fund flood-resilient infrastructure and ecosystem-based solutions. Through the Adaptation Fund, Ethiopia can invest in constructing levees, flood barriers, and improved drainage systems in flood-prone urban areas while also developing flood-resilient housing for at-risk communities. The GEF can support watershed management initiatives, such as reforestation and the restoration of wetlands, which act as natural buffers to absorb excess rainfall. Additionally, funds from the **African Risk Capacity (ARC)** can provide climate risk insurance to enable rapid recovery from flood-related damages. Community preparedness programs funded by these mechanisms can train local populations in emergency response, establish evacuation routes, and develop flood shelters.

3. Locust Infestations 

The recent desert locust invasions in Ethiopia have devastated crops and pasturelands, exacerbating food insecurity in already vulnerable regions. Climate finance mechanisms like the **Global Environment Facility (GEF)** and **Green Climate Fund (GCF)** can be instrumental in tackling this issue. GEF funding can support ecosystem restoration projects to reduce locust breeding grounds by promoting sustainable land management practices and rehabilitating degraded grasslands. Additionally, GCF can fund integrated pest management systems that use biological controls, such as deploying natural predators or fungal biopesticides, to curb locust populations sustainably. Investments in advanced surveillance and monitoring systems, including drones and GIS-based tools, can be used to predict and manage locust outbreaks. These efforts, combined with farmer training programs funded by bilateral climate finance agreements, can help Ethiopian communities build resilience against future locust invasions.

4. Rising Temperatures

Rising temperatures in Ethiopia have led to increased heat stress, water evaporation, and desertification, significantly affecting agriculture and urban living conditions. Climate finance through **REDD+** and the **Scaling-Up Renewable Energy Program (SREP)** can help mitigate the impacts of rising temperatures. REDD+ funding can support afforestation and reforestation projects to restore degraded lands and expand green cover, which reduces surface temperatures and enhances carbon sequestration. In urban areas, SREP funding can be utilized to develop renewable energy projects, such as solar and wind farms, reducing greenhouse gas emissions and promoting sustainable energy transitions. Urban cooling initiatives, like installing green roofs, creating shaded public spaces, and using reflective materials for buildings, can also be financed by mechanisms like the **Climate Investment Funds (CIF)**.

5.Water Scarcity

Water scarcity remains a critical challenge in Ethiopia, with rural and urban populations struggling to access safe and reliable water sources. Climate finance mechanisms such as the **Green Climate Fund (GCF)** and **Adaptation Fund** can address this issue through innovative water management solutions. Large-scale projects funded by GCF can focus on building decentralized, solar-powered desalination plants in coastal areas and implementing water recycling systems in urban regions. The Adaptation Fund can support community-led initiatives, such as constructing rainwater harvesting systems and rehabilitating traditional water wells to improve local water access. In agricultural areas, bilateral climate finance agreements can help introduce efficient irrigation technologies like drip and sprinkler systems to optimize water use. Combined with capacity-building programs that educate communities on water conservation and sustainable usage practices.

Case Studies: Ethiopia's experience with climate finance

International Fund for Agricultural Development (IFAD): Climate-Smart Agriculture

Project Title

Participatory Agriculture and Climate Transformation (PACT) Program

Funding Mechanism

International Fund for Agricultural Development (IFAD) Grant (May 2023)

Objective

Enhance food security and rural resilience through the promotion of **climate-smart agriculture** and **sustainable water management practices**.

Implementation

The PACT program introduced drought-resistant crop varieties, expanded irrigation infrastructure, and promoted sustainable agricultural practices, including agroforestry and water harvesting techniques. Farmers were trained in adopting climate-resilient technologies toimprove productivity and adapt to increasingly unpredictable weather patterns.

Impact

- Agricultural productivity increased by 20% in target areas.
- Over 500,000 smallholder farmers gained access to climate-resilient tools and techniques, improving their incomes and food security.
- Enhanced water resource management reduced the vulnerability of farming communities to droughts.

Beneficiaries

Smallholder farmers in drought-prone regions of Oromia, Somali, and SNNP .

Sustainable Land Management Program (SLMP): Addressing Land Degradation

Project Title

Ethiopia Sustainable Land Management Program (SLMP-II)

Funding Mechanism

Co-financed by the World Bank, Global Environment Facility (GEF), and the Government of Ethiopia.

Objective

Combat land degradation and improve agricultural productivity by promoting sustainable land management practices.

Implementation

The program focused on rehabilitating degraded watersheds through terracing, reforestation, and soil conservation measures. Sustainable land management strategies, including erosion control and farmer-led soil rehabilitation practices, were implemented to restore ecosystem functionality and agricultural potential.

Impact

- Over **2 million hectares** of degraded land were rehabilitated.
- Enhanced soil fertility and agricultural productivity improved food security for **600,000 rural households**.
- Reduced vulnerability to droughts and floods through ecosystem-based adaptation.

Beneficiaries

Rural farmers and pastoral communities across highly degraded landscapes in Amhara, Oromia, and Tigray regions.

Different climate funds accessed by Ethiopia throughout the years

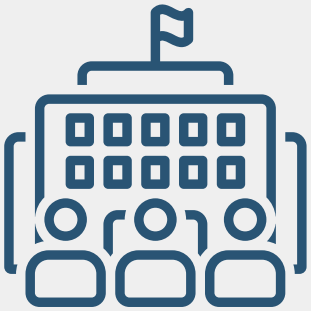
Year	Fund	Amount Received (USD)	Key Initiatives
May 2022	AfDB Grant	$830,000	Watershed management
May 2023	IFAD Grant	$106.54 million	Climate-smart agriculture
March 2024	GCF Readiness	Readiness Support	Capacity building for CRGE
December 2024	CIF Endorsement	$37 million	Ecosystem restoration

Table 1: *Ethiopia's Access to Climate Funds (2019-2024)*

Way Forward

To enhance Ethiopia's capabilities in accessing and utilizing global climate finance, we recommend the following steps:

1. Institutional Strengthening

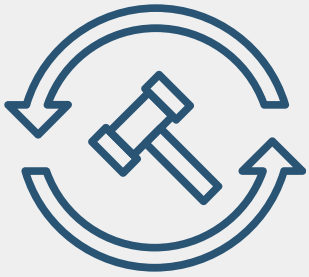


- Accredit additional national entities to directly access major climate funds.
- Establish dedicated climate finance units within relevant ministries to coordinate funding applications and project implementation.

2. Capacity Building

- Invest in training programs to equip stakeholders with the technical skills needed to prepare competitive funding proposals and manage projects effectively.
- Develop robust data systems for climate projections, impact assessments, and monitoring.

3. Policy and Regulatory Reform



- Update Ethiopia's climate policies to align with international funding priorities.
- Introduce incentives to attract private investments in renewable energy, agriculture, and other climate-friendly initiatives.

4. Private Sector Engagement

- Develop public-private partnerships (PPPs) to mobilize additional resources for climate projects.
- Introduce innovative financing mechanisms, such as green bonds and carbon credits, to attract private investments.

5. Improved Access to Information

- Create centralized platforms to provide information on available funds, proposal guidelines, and Ethiopia's climate finance priorities.
- Conduct awareness campaigns and stakeholder consultations to enhance collaboration and engagement.

6. International Collaboration

- Strengthen partnerships with multilateral development banks, donor countries, and regional initiatives.
- Advocate for Ethiopia's specific climate finance needs in global forums, such as the UNFCCC COP meetings.

7. Transparency and Governance

- Promote accountability and transparency in the utilization of climate funds to build donor confidence and ensure equitable distribution.
- Establish mechanisms to prevent misuse of funds and ensure effective project delivery

8. Targeted Solutions for Climate Disasters

- Prioritize financing for initiatives that address Ethiopia's immediate climate challenges, such as droughts, floods, and locust infestations.
- Leverage specific funds like the Adaptation Fund, GCF, and CIF to finance community-based resilience projects and large-scale infrastructure solutions.

Conclusion

Ethiopia faces immense climate challenges, including severe droughts, floods, and ecosystem degradation, which jeopardize livelihoods, food security, and economic stability. Climate finance serves as a critical tool to address these challenges by supporting both mitigation and adaptation efforts. However, Ethiopia's ability to fully access and utilize global climate finance remains constrained by institutional, technical, and financial barriers. Despite these challenges, Ethiopia has made notable progress through initiatives such as the Climate Resilient Green Economy (CRGE) strategy, the IFAD-funded PACT program, and ecosystem restoration projects under the Climate Investment Funds (CIF).

The key to overcoming these barriers lies in building stronger institutions, enhancing technical expertise, and building an enabling environment for private sector participation. By aligning its policies with global priorities, strengthening monitoring and reporting systems, and leveraging international partnerships, Ethiopia can improve its access to climate finance.

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