

Results based financing  
Energy+ Partnership  
between Ethiopia and Norway

October 30/2012

Istanbul, Turkey

*“Increasing Access to Sustainable Energy and  
Avoid Greenhouse Gas Emissions in Rural Areas  
through the Use of Renewable Energy and  
Energy Efficiency”*

# Energy+ Partnership

- Signed an agreement on June 21/2012 between Ethiopia and Norway in Rio. ....for over 5 years.
- It is a highly country driven programme and supports the implementation of Ethiopia's Climate Resilient Green Economy (CRGE) strategy.
- A total size of NOK 500 million over a five year period
- It will be based on payment by results.

# ***PURPOSE OF THE PARTNERSHIP***

- Through provision of results-based contributions the Partnership will assist Ethiopia to achieve universal access to sustainable energy and avoid or reduce emissions of greenhouse gases from the energy sector by 2030.
- Seek to build over time an overall approach to the energy sector on renewable energy and energy efficiency policy so that the Partnership will contribute to achieving the targets set in CRGE strategy.

# Major principles

- *Sectoral approach*: The long term goal is to develop cooperation between Ethiopia and the Energy+ Partnership, including Norway that addresses the whole energy sector to promote transformational change. Initially the cooperation is foreseen to focus on key energy sub-sectors.
- *Results-based contributions*: The Energy+ Partnership intends to provide results-based contributions based on achieved outcomes in terms of increased access to sustainable energy and avoided or reduced emissions of greenhouse gases relative to a business-as-usual baseline.

# Major principles..contd

- *Results-based financing*: The Energy+ Partnership will demonstrate the use of results-based financing approaches, alongside other mechanisms, to stimulate private and public investment and innovation to help deliver outcomes.
- *Enabling environment to leverage private and commercial investments*: The Energy+ Partnership intends to provide best-practice support on the design and implementation of policy measures, strengthening institutions and improving governance to incentivize commercial investments that would in turn increase access to sustainable energy and to avoid or reduce emissions of greenhouse gases relative to a business-as-usual baseline.

# ***PHASES OF THE COOPERATION***

- The Partnership will be implemented in three phases. The ambition is to implement the first two phases from 2012 to 2015 and to start the implementation of Phase III in 2016 depending on the outcome of the annual review.

# ***PHASE I – READINESS ACTIVITIES – 2012- 2013***

- In Phase I, Participants will undertake the required preparatory steps for increasing access to renewable energy and energy efficiency in rural areas.

## **Status**

- Designated CRGE unit in the Ministry of Water and Energy by the end of 2012 to lead the coordinated preparation and implementation of energy sector investment plans.
- Developed a Joint concept note



## ***PHASE II – IMPLEMENTATION 2013 - 2015***

- Phase II will be initiated in 2013, with a shared aspiration to be completed by the end of 2015. The aim of Phase II is to provide results-based contributions for increased access to sustainable energy and avoided or reduced emissions of greenhouse gases in rural areas through the implementation of policies and measures adopted to bring about transformative change, including through enhanced commercial investments.

## ***PHASE III – RESULTS-BASED CONTRIBUTIONS***

- The shared aspiration of the Participants is to initiate Phase III from year 2016, based upon independently verified results achieved in year 2015 in terms of increased access to sustainable energy and reduced or avoided emissions of greenhouse gases. In Phase III, a national mechanism for results-based contributions will be implemented

# Other financing mechanisms

- Climate Innovation Center (infoDev) –capacity building for SME's
- World Bank, AfDB, Japan, AFD, GRMF (geothermal risk Mitigation Fund). For geothermal development. And energy access.

# Governance

- CRGE Facility
  - Pool funds to streamline into strategic and project based climate activities in Ethiopia based on the Carbon Neutrality goal.
  - Hosted by Ministry of Finance and Economic Development (MOFED).
  - Launched in August 2012

## **CRGE Facility Objectives**

1. To support the implementation of the priorities set out in the CRGE Strategy through:
  - Mobilizing; accessing and combining domestic and international, public and private sources in the form of grants, grantees, results-based payments, etc
2. To improve environmental management for a climate resilient green development
  - by providing grants, loans or ex-post rewards for capacity building, technology generation, transfer, or for a combination thereof

# Financial Sources

The Facility mobilizes a range of financial sources:

- Budgetary support from government
- Private finance
- Carbon trading schemes
- Development partners
- Financial mechanism of MEAs

# Funding Scope

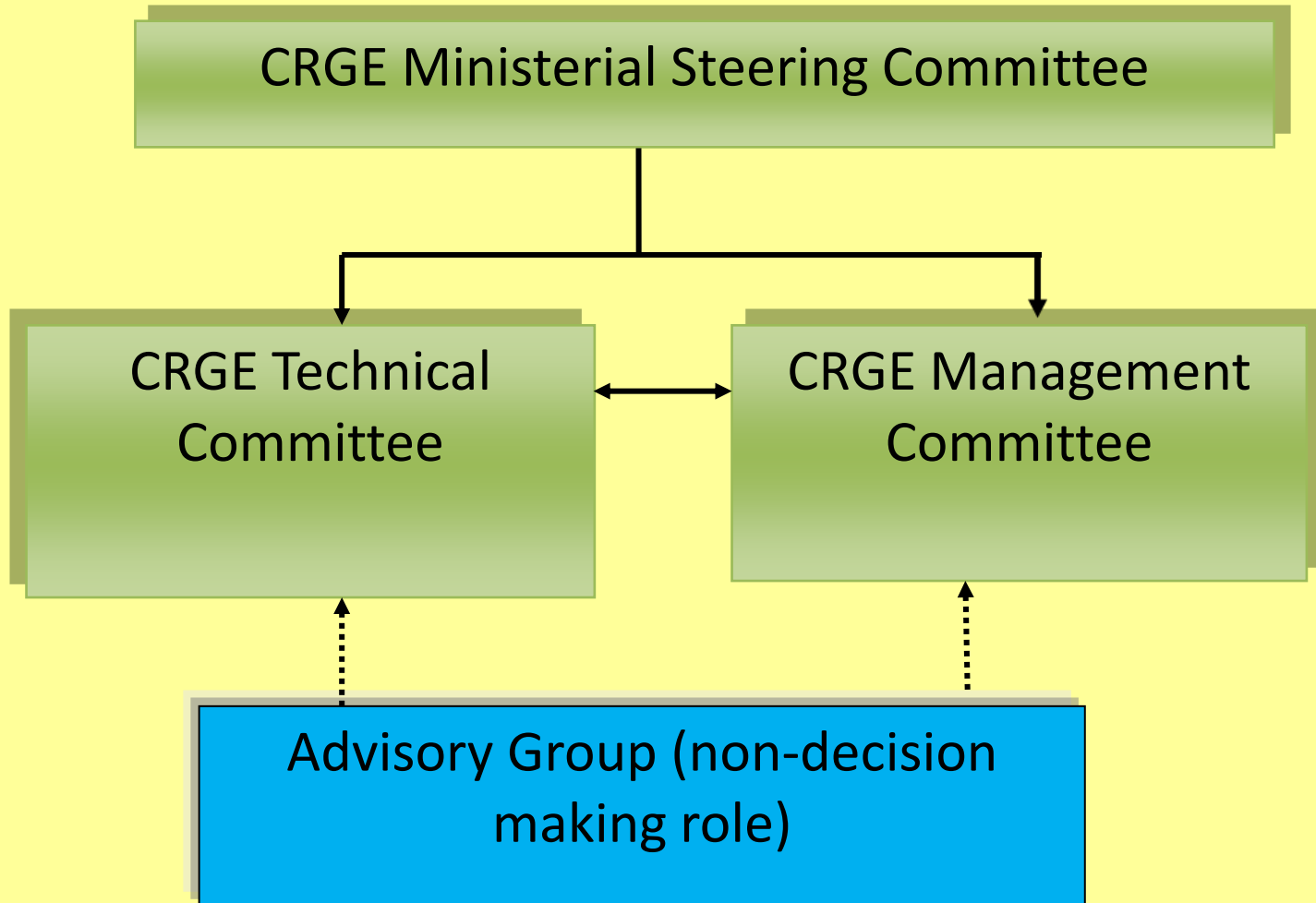
- Grants
  - for required environmental management activities that do not yield direct revenue
  - to fund readiness activities that will lead to the implementation of revenue generating investment plans
  - for CRGE investments that generate inadequate revenues in the short term
- Guarantees for loans from other lenders for the implementation of CRGE investment plans
- Co-financing or loans for profitable CRGE investments
- Ex-post reward for actions that have decreased costs, increased revenues or reduced revenue volatility for CRGE investments at the local community level

## Structure of the CRGE Facility

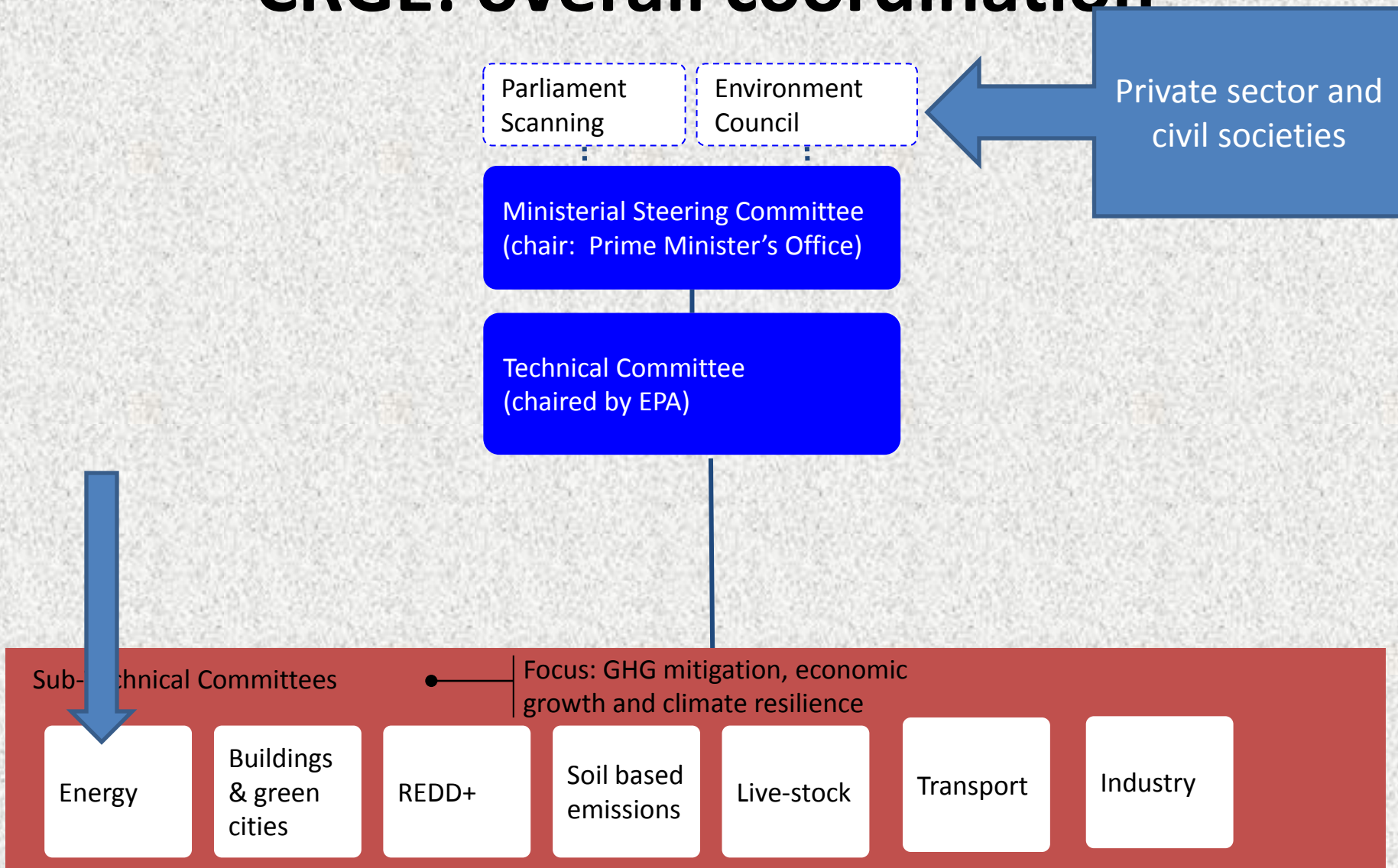
- The CRGE Facility will have two windows:
  - a **Strategic window**-exclusively provide support for implementation of activities that have been identified through a strategic process and
  - a **Responsive window**-provide demand-driven support for implementation and institution-building activities



# CRGE Facility Governance Structure



# CRGE: overall coordination



# Sector Strategy and Transformation Plan

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- Growth and Transformation Plan 2010/11-2014/15 (GTP):
- The objectives set in the GTP include (i) increase additional installed capacity of 8.000 MW by 2015,
- (ii) the general access rate (rural towns and villages coverage) from 41% to 75%.
- More than 1,500 towns and villages electrify/yr. more than 3 million solar lanterns and SHS 9 million efficient cook stoves will be distributed



*Thank you*

