



# Climate Investment Funds

## Scaling up Renewable Energy Programme (SREP) in Ethiopia – a status review

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Country Report

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**Climate change**

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## About Echnoserve

Echnoserve is a consulting company based in Addis Ababa, Ethiopia and the United States. The company provides answers to the problems faced by developing countries in achieving their development and sustainability goals. In addition to our technical expertise; our value added service comes from our understanding of the cultural, social and political environment of Africa.

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- Supporting climate change negotiators from poor and vulnerable countries for equitable, balanced and multilateral solutions to climate change.
- Building capacity to act on the implications of changing ecology and economics for equitable and climate resilient development in the drylands

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Climate Investment Fund (CIF) is a funding channel designed to assist developing countries pilot low emission and climate resilient development approaches. As the fund unfolds, lessons can be gathered from the early stages of the programme. IIED is undertaking case studies of selected countries participating in two Strategic Climate Fund (SCF) programmes- one of which is the Scaling up Renewable Energy Programme (SREP) in Ethiopia and Nepal.

This country report looks at the status of SREP in Ethiopia. These initial reflections point to areas where further in depth political economy analysis will be needed to understand how planning and implementation decisions are made and be able to attribute the real cause behind observed trends.

## Contents

<b>1 Introduction</b>	<b>4</b>	<b>5 Stakeholder inclusion and results framework</b>	<b>17</b>
Overview of SREP	6	Results framework for SREP	18
<b>2 Energy vulnerability and policy context of Ethiopia</b>	<b>8</b>	<b>6 Conclusion and key issues</b>	<b>19</b>
<b>3 Planning and prioritisation</b>	<b>10</b>	<b>References</b>	<b>21</b>
Planning	11		
Prioritisation and selection outcomes	11		
<b>4 Institutionalisation of SREP in Ethiopia</b>	<b>14</b>		
Existing national arrangement for addressing energy issues	15		
Institutionalisation of SREP	15		

# Introduction

Developing countries require an estimated US\$100 billion per year in climate finance by 2020 to move towards climate resilient and low carbon development paths (as per the Copenhagen Accord). The Climate Investment Fund (CIF) is one donor commitment designed to assist developing countries to pilot low emission and climate resilient development approaches.



CIF financing is disbursed through two different multi donor trust funds – the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF) – with targeted programmes designed to address the issues of adaptation and mitigation. The fund is designed as pilot programmes, and have a ‘sunset clause’, setting an end date once countries have an effective ‘architecture’ – including policy, institutional, and financial systems – for responding to climate change.

As the fund unfolds, various lessons can be gathered from the early stages of the programme. These lessons, besides informing the current governance of CIFs; will also guide the future design of the global financial architecture for climate change. As part of a broader political economy study on Climate Investment Funds, IIED is undertaking case studies of selected countries participating in two SCF programmes- the Scaling up Renewable Energy Programme (SREP) and the Pilot Programme for Climate Resilience (PPCR). The studies examine how SREP is helping **Nepal** and **Ethiopia** shift to a low green-house gas development pathway, and how effective the PPCR is at helping **Nepal** and **Bangladesh** shift towards to a resilient, sustainable and poverty-cutting development path. Besides examining the linear processes of programme planning and implementation; these assessments will also

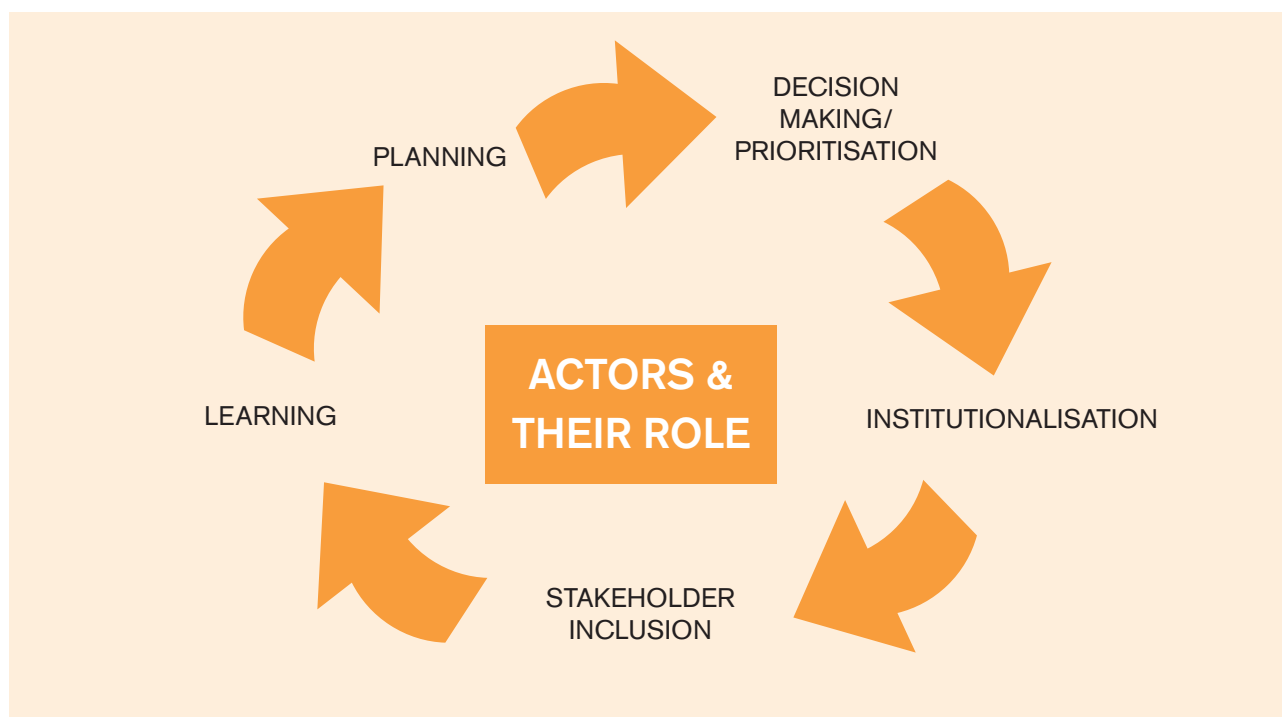
analyse how planning and implementation decisions takes place within broader political economy realms of the country.

This country report provides a cursory narrative around the status of SREP in Ethiopia, prior to a deeper political economy analysis at a later stage of our programme of work. A policy process matrix approach is used to understand SREP programme processes, actors involved in different stages of SREP, likely points of contention and hindrances going forward, and highlight facets of the programme requiring further investigation. The finding of this paper serves the broader purpose of defining the focus and informing the subsequent analysis of the political economy assessment of CIFs.

The policy matrix approach<sup>1</sup> (Guldbrandsson et al., 2005) is applied by adapting and amalgamating the policy process approach<sup>2</sup> (Howlett and Ramesh, 2003, Kingdon, 1995, Tanner and Allouche, 2011) and actor-structural approach<sup>3</sup> (Elster, 1982, Popper, 1966, Mayhew, 1980) to understand:

- (a) How Ethiopia drives different stages of SREP – planning, decision making/prioritisation, institutionalisation, stakeholder inclusion, and learning?

Figure 1 – Policy Process Approach



1 A **policy matrix approach** assumes different stages of policy/programme processes are influenced by different actors and the environment that they operate in. Within this paper we have simply tried to assess the state of affairs – particularly how processes are taking shape under CIFs and the key actors involved in the process. This paper doesn't give a detailed view of how actors and their environment influence PPCR processes. These aspects will be touched more in detail within the political economy studies being conducted in the second stage of the assessment.

2 **Policy process approach** states that the policy processes involve distinct phases, including agenda setting, conceptualisation, negotiation, policy formulation, decision making, implementation, evaluation and termination or renewal.

3 **Actor structural approach** underlines that both actor and their structure have the ability to influence to their policy processes.

- (b) Which actors are involved and their roles within these processes?

This country paper reflects Ethiopia's experiences with each of the SREP process stages and the actors involved.

## Overview of SREP

Scaling up Renewable Energy Programme (SREP) is a targeted programme of the Strategic Climate Fund (SCF), established to scale up renewable energy in the world's poorest countries. It aims to pilot and demonstrate the economic, social and environmental viability of low carbon development in the energy sector. SREP provides financing for renewable energy technologies such as solar thermal and photovoltaic systems, wind energy, bio-energy, geothermal energy and small-scale hydropower. It also envisages a significant role of the private sector in promoting renewable energy. SREP projects are expected to consist of both renewable energy investments (including infrastructure investments) and capacity building and advisory services as well as support for policy changes that increase the use of renewable energy. SREP programming seeks to:

- Assist low-income countries to initiate a process leading to transformational change to low carbon energy pathways by exploiting their renewable energy potential in place of fossil-based energy supply and inefficient use of biomass
- Combine public sector and private sector actions to scale up private sector investments
- Improve market and financial conditions and increase investor confidence that leads to greater public and private sector investments in renewable energy
- Provide experience in scaling up renewable energy that can be shared at the regional, national and international level and increase public awareness of the opportunities of renewable energy
- Reduce local air pollution and greenhouse gas emissions and contribute to climate resilience and energy security (CIF, 2010b).

The program builds on the following key principles:

- Should be country-led and build on national policies and existing energy initiatives
- Be programmatic and outcome-focused
- Prioritise investments that create productive use of energy and seek wider economic, social and environmental benefits
- Encourage private sector investments

- Be designed and implemented with the participation of local communities and indigenous people (CIF, 2010b).

A number of financing products such as grants, contingent grants or loans, concessional loans, guarantees and equity will be available under the SREP to pursue these objectives (CIF, 2010b).

The funding of SREP is disbursed in two phases (Figure 2). In Phase I, pre-investment support will be given to the participating governments to develop an investment plan and associated advisory services will be provided. An investment plan can include activities under two broad categories: (a) Capacity building and advisory services to support delivery and results (given only as grants) and (b) Investments leading to deployment of different renewable energy technologies and their operational management. In phase two, the implementation of the investment plan will be funded (CIF, 2010b).

The Fund is allocated to a country based on certain criterion such as – an enabling regulatory environment for the renewable energy sector, policies that support private sector participation, public-private partnerships, and availability of financing for renewable energy technologies (CIF, 2010a). With respect to the role of the MDBs in planning and implementing the Program a similar picture as PPCR emerges; 'SREP Financing Modalities' states that preparation grants will generally be recipient-executed, but may be executed by an MDB if justified, and that all preparation grants will be supervised by the MDB in order to ensure compliance with its operational policies and procedures, including procurement and financial management guidelines (CIF, 2010b).

## Governance of SREP

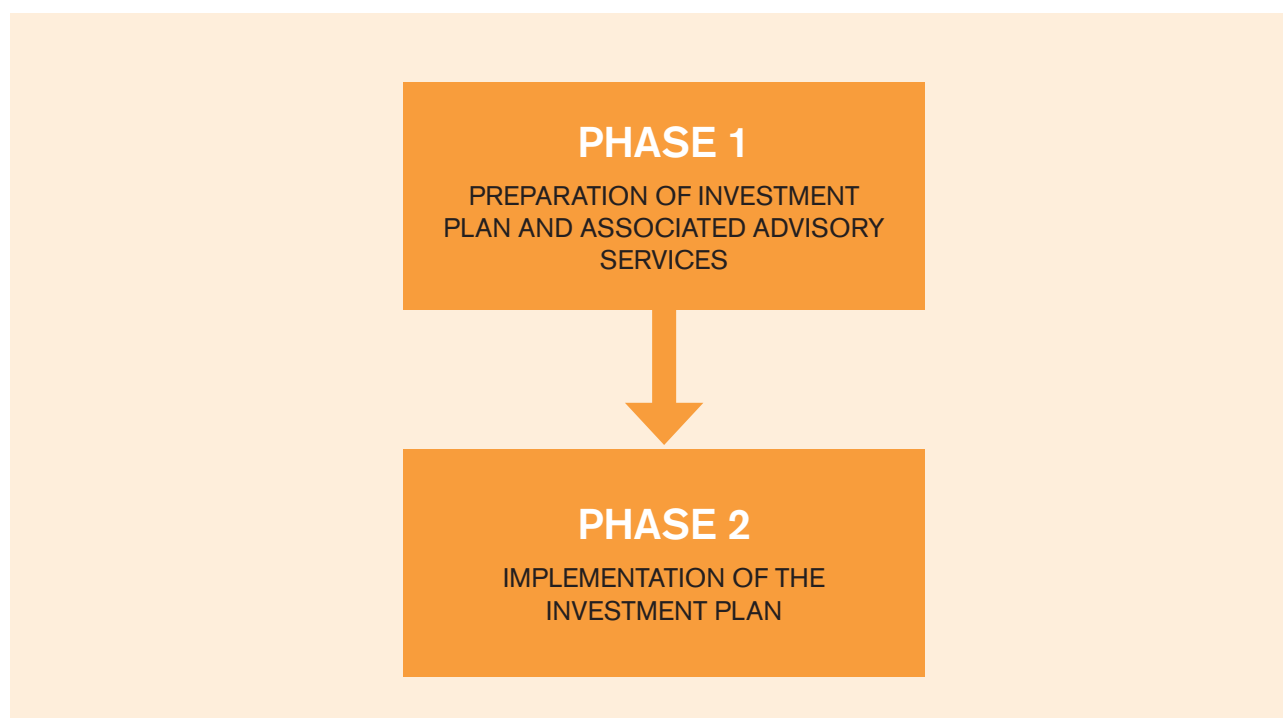
The SREP and each of the CIF programmes are administered by the World Bank led CIF admin unit. The decision-making arrangement for SREP within the SCF comprises of a Trust Fund Committee, a Partnership Forum, an MDB committee, an Administrative Unit, and a Trustee.

- **The SCF Trust Fund Committee** performs the role of an overseer of the activities and operations of SCF fund. It comprise of representatives (8) from donor countries, (8) recipients countries, a CIF representative from the World Bank, and a representative of the MDB identified by the MDB committee. The committee has the responsibility to approve setting up of SCF programmes and also make sure that the programs are aligned with UNFCCC principles as well as the lessons are fed into the secretariat.

- **The SREP Sub-committee** is established by the SCF Trust Fund Committee to oversee the operations of SREP. It comprises of six representatives from donor countries, six representatives from recipient countries, and some other members selected by the SCF Trust fund committee. The subcommittee has the responsibility to approve the prioritised programs, their operational criteria as well as the financing modality.
- **The MDB Committee** comprise of representatives from MDBs to ensure coordination, collaboration and sharing of information between the MDBs. The committee is also responsible for identifying specific areas and programs related to climate change where MDBs could collaborate and align with each other's work.
- **The CIF admin unit** is responsible to support the work of CIF, as well as all the subcommittees of different programmes.
- **Observers** for the SREP Sub-committee include Civil Society Organisation (CSO) representatives, private sector representatives, and community based organisations. Whilst the observer role of CSOs can be viewed as a progressive move in terms of transparency and accountability, CSOs do not have any latitude to participate in decision-making.
- **The Trustee** role is performed by IBRD. IBRD as a trustee has set up a trust fund for SCF to receive funds from its contributors.

The governance mechanism and the programme cycle of SREP are common across all pilot countries. However, the participating pilot countries were at different stages of addressing their energy issues, so a “one-size-fits-all” approach would not have worked. Country contexts and MDB approaches have significantly determined the way SREP has operationalized in pilot countries. The following sections provide an overview of the energy context of Ethiopia and also describe how SREP is operating along its different programme stages – (a) planning the Investment plan; (b) prioritising investment components; (c) defining institutional mechanisms; (d) stakeholders' participation; and (e) developing a learning framework.

Figure 2 – Programme stages of SREP



# Energy vulnerability and policy context of Ethiopia

Ethiopia has a considerable renewable energy endowment, with an abundant hydropower potential, solar and geothermal, as well fossil fuels. Hydropower constitutes almost 92.5% of the total energy mix and thermal energy comprise of 7%. Despite the huge potential to exploit renewables; historically only a very small portion has been developed owing to lack of financial resources amongst other factors (Hailu).





In regions where populations are not connected by grid or have scarce access to secure forms of energy, firewood has been a traditional source of fuel. However scarcity of firewood has increasingly required people to change their traditional source of fuel from firewood to crop residues; particularly maize stalk, sorghum stalk, and cattle dung. The accessibility to these fuel sources varies with precipitation levels. When rainfall is less predictable, fuel sources may be less dependable. Furthermore, shortages of firewood often forces children to be removed from school so they can help search for biomass fuel instead (Hailu).

The Government of Ethiopia has taken a number of policy measures in the last two decades related to energy, but there is limited evidence of specific policy or legislative action on renewable energy. Some frameworks have been constituted comprising of ancillary policies and legislation that will have measures contained therein with respect to renewable energy. Examples include, the 1994 National Energy Policy addresses the household energy problem by promoting agro-forestry, energy efficiency in biomass fuels and facilitating a move towards increased use of 'modern' fuels i.e. renewable sources. The Policy also seeks to encourage private participation in the energy sector development (MoWE, 1994). The Growth and Transformation Plan (2010/11 – 2014/15), has an objective to further develop renewable energy, expand energy infrastructure, and create an institutional capacity that can effectively and efficiently manage such energy sources and infrastructure (MoFED, 2009). A Climate Resilience and Green Economy (CRGE) facility

has also been set up which has the policy objective of expanding electricity generation from renewable sources of energy for domestic and regional markets (MoWE, 2011). There is also the Electricity Feed-in-Tariff Law (2012) to encourage the diversification of the power mix in the national grid and thus making power supply more reliable and less prone to be affected by weather and market conditions. Additionally there is the Alternative Energy Development and Promotion programme to develop the country's abundant renewable energy resources and technologies through adoption or innovation of new technologies.

Ethiopia was chosen as one of the first six pilot countries after submission of an expression of interest by the Environmental Protection Authority in June 2010. It then developed its final proposal in February 2012 and presented it for sub-committee approval in March 2012 at the CIF partner countries forum in Washington D.C. Ethiopia's SREP Investment Plan was designed under the leadership of the government in coordination with the African Development Bank (AfDB), members of the World Bank Group (IBRD, IFC), other development partners, and key Ethiopian stakeholders. The output of this sub-committee is an "endorsement in principle" of the Ethiopia SREP component and future approval of actual amounts after MDB agreement of intended projects and specific project activities. Ethiopia is tapping \$50million (96% grant, 4% loan) for one geothermal (Aluto Langan, 200MW) and one wind project (Assela, 120MW), as well as a clean energy SME facility (CIF, 2012)

# Planning and prioritisation

The SREP is carried out in two different phases: The first phase supports the development of an investment plan and associated advisory services; and the second phase involves implementing the plan.

The planning phase includes an assessment of whether the country is ready enough to develop an investment plan. The scoping assessment determines whether the country has a nationally designated agency with a mandate to undertake renewable energy related activities; and a national energy strategy or a plan laying out the objectives for the renewable sector in the country. In absence of this minimum level of readiness, SREP will provide capacity building and advisory services to the country during the planning phase itself. The country will thereby assess its needs and develop an investment plan to nurture and scale up their renewable sector.



## Planning

A major driver for pursuing SREP finance was the Ethiopian government's desire to further develop renewable energy resources, and thereby augment on-going energy development to meet the huge demands for power. The Growth and Transformation Plan (GTP) also laid out ambitious policy objectives to meet the demand for energy in the country through sufficient and reliable power supply that meets international standards. The GTP has plans, among others, to continue construction of hydroelectric power plants and deploy other renewable energy generation projects, expanding, strengthening and modernizing the existing transmission and distribution lines to provide improved access to rural villages all over the country and to reduce power losses to international benchmark levels (MoFED, 2009). It also lays out its ambition to export clean energy to neighbouring countries. The diversification of energy mix, which thus far has predominantly been hydro-power, is another key objective of the Investment Plan (GoE, 2013). Integration of SREP activities with the climate strategy provided by the CRGE was also a central part of the proposal (GoE, 2013).

In sum, it was fundamental that the planning of SREP operations in Ethiopia dovetailed with the existing development aspirations and brought together the disparate strategic objectives, priorities and vision for development of renewables contained in the various documents (GoE, 2011b).

A key process during the planning stage, developed by national stakeholders and the MDBs, was establishing screening criteria for potential SREP projects. For selection and prioritization of potential SREP investment projects the agreed criteria were:

- Strategic relevance (i.e. to GTP and CRGE)
- Gender Equality Promotion
- Positive Environmental Impact
- Potential to scale-up
- Cost effectiveness
- Potential for new direct beneficiaries
- Implementation readiness (GoE, 2011a).

The first draft of the Investment Plan identified a list of eight possible investment activities to be included. Whilst the proposals were aligned with the SREP Programming Guidelines, it was agreed that the number of projects had to be reduced to minimise transaction costs through financing a small number of projects with significant scale-up potential, rather than a high number of small projects (GoE, 2011a).

Given the lack of a dedicated policy underpinning, and rather a number of different documents each with a

renewable energy facet, it was essential that further selection criteria be developed. During the planning phase it appears that the potential intervention for SREP funding were too numerous and had to be further narrowed down. This can perhaps be attributed to the fact that Ethiopia does not have a central renewable energy policy with which SREP finance could harmonise, and projects be identified from.

## Prioritisation and selection outcomes

Based on the selection criteria mentioned above Ethiopia selected a diversified mix of renewable projects including one geothermal (Aluto Langano, 200MW) and one wind project (Assela, 120MW), as well as a clean energy SME facility (CIF, 2012). Table 1 shows the allocation from SREP resources towards three investment components.

The **Aluto Langano Geothermal project** that aims to scale up pilot from 7MW to 75MW energy has completed planning and institutional analysis and now working on detail feasibility study and drilling of a few wells. **Assela Wind Farm project** that plans to generate 100 MW is currently on a process of selecting a consultant to do detailed feasibility study (as on March 2013). The **SME Risk Mitigation facility** aims to provide guarantee/ risk mitigation to local private banks that will provide loan to local SMEs in the renewable energy sector. Five banks have signed agreement with IFC more than a year ago but not been able to provide any service due to shortage of liquidity/funds at the local banks.

The investment projects are therefore in different stages of approvals. Some of the components are yet to acquire approvals for example, the SME facility component; while geothermal component is already in its first phase of drilling. Among other proposed sites for Geothermal Power, the Aluto Langano site was given priority due to the following:

- The level of work so far conducted at Aluto Langano was most advanced.
- The chance of success was relatively high compared to the others.
- Positive feasibility studies.
- An on-going project at the site means readiness of implementation from SREP financing is high (GoE, 2011b).

The Assela Wind Power Project was chosen as it has the benefits of being complementary to the existing hydropower system and the combination of the two would provide a more stable energy supply; hydropower or wind power are often at the mercy of climate

Table 1: Ethiopia SREP Investment Plan- Key Components

PROGRAMME	SREP FINANCE (IN USD)	IMPLEMENTING AGENCIES
<b>Investment Project 1: Component 1-Aluto Langanu Geothermal Sector</b> Phase 1- Appraisal and production drilling. Phase 2-Project preparation Phase 3-Power plant and transmission line construction <b>Component 2: Design of the long term strategy for the Geothermal sector.</b>	SREP Grant and loan: \$26m  Total cost: \$231.2m	<b>MDB:</b> Component 1 – IBRD (World Bank) Component 2 – IFC PPG for Phase II – AfDB  <b>GoB:</b> Ethiopian Electric Power Corporation (EEPCO) Environmental Protection Authority (EPA), Ministry of Mines
<b>Investment Project 2: Assela Wind Power Project</b> Project preparation grant. Wind farm and transmission line construction.	Total cost: \$250m SREP Grant and loan: \$26m Rest from GoE, MDBs and others	<b>MDB:</b> AfDB <b>GoE:</b> Ministry of Water and Energy (MoWE), Ministry of Finance and Economic Development (MoFED)
<b>Investment Project 3: Clean Energy SME's Capacity building and Investment Facility</b> Readiness- project preparation and capacity building Advisory services and capacity building. Financing facility.	SREP loan: Total \$4m  Total: \$12m	<b>MDB:</b> IFC
<b>SREP reserve projects</b>		
<b>Tendaho Geothermal field development</b>	SREP finance: \$10m Total: \$319.6m	
<b>Sor SHEPP Expansion and rehabilitation project (Solar)</b>	SREP finance: \$9.5m Total: \$25.6m	

variability such as decreased rainfall and variances in wind speed. Furthermore, Ethiopia has an estimated potential of 100 GW of technically feasible wind power, and this project would serve as a 'proving ground' for future investments into wind power by establishing efficacy and affordability within an Ethiopian context (GoE, 2011b)

The Clean Energy SME Capacity building and Investment Facility is highlighted to address a future of sustainable energy supply. Current dependence upon biomass for energy is likely to be exacerbated by growing population pressures and inadequate wood fuel supplies, additionally, the inefficient use of biomass for cooking and lighting has detrimental effects on health and heavy workload especially for women in rural areas,

were highlighted as the main reasons for giving priority to this project.

The project is divided into two phases: (a) Capacity building of market players: Focussing on removing barriers towards the development of a strong supplier base for sustainable energy aimed at meeting the GoE energy access and GHG emission priorities, (b) Financing of market players (SMEs) – Increasing access to finances for market players by providing capital for new establishments and expanding existing manufacturing facilities (GoE, 2011b).

The second tier of SREP includes activities/projects that will be implemented by funds from SREP's reserve fund. In October 2012, the CIF Forum decided to

allocate the reserve fund for private sector engagement. Ethiopia has not yet finalised its submission to the reserve fund – but has allocated 19.5 million USD for programmes in Tendaho Geothermal Field Development and Sor Small Hydro Power Plant Expansion and Rehabilitation.

It is worth noting that one of the strategic directions outlined in both the GTP and the CRGE is to increase the supply of power to the level of export (MoFED, 2009, MoWE, 2011). This notion of exporting energy is reiterated several times throughout the Investment Plan. Whilst this objective is in keeping with the pre-existing policy framework in Ethiopia, Switzerland raised concerns that SREP resources must primarily enhance domestic development through energy access and security, and that electricity export fails to genuinely enhance growth within Ethiopia. Switzerland further contended that the focus on the large-scale Aluto Langano Geothermal and Assela Wind Power projects did not directly address poverty alleviation or adequately involve the private sector (Switzerland, 2012).

At SREP Sub-Committee meeting in May 2012, Ethiopia defended the proposed export, stating that SREP funds will be for diversification of energy in the country and power generated with SREP funding will be used locally. Ethiopia insisted it identified its overall electricity demand growth, which based on the electricity demand growth of its domestic and export markets. Correspondingly, it had prepared its generation expansion program to meet its expected electricity demand. With respect to the criticism around the impact of project selection on poverty reduction, Ethiopia also contended that the Investment Plan did indeed comply with the principles, objectives and criteria as specified in the design documents and programming modalities (GoE, 2013).

# Institutionalisation of SREP in Ethiopia

SREP supports the pilot countries to define an institutional mechanism to implement the programme in the short run, as well as strengthen and establish capacities of institutions to address energy issues in the long term. SREP has an evolving policy and institutional structure for promoting renewable energy.



Ethiopia has not established a dedicated renewables policy or set up specific institutions for managing renewable energy issues. However, its recent Growth and Transformation Plan and the subsequent CRGE facility have dedicated objectives to strengthen the renewable sector of the country. To implement SREP, the Ethiopian government has proposed an institutional arrangement, pooling in representation from key technical and line ministries.

## Existing national arrangement for addressing energy issues

The Ministry of Water and Energy (MoWE) is the responsible organ of government concerning the country's energy sector development and expansion. The energy related directorates within MoWE are responsible for energy policy drafting, implementation follow up and supervision. The government structure for the energy sector is detailed below in Figure 3 (GoE, 2012).

Other institutions that play a key roles in the energy sector include the Ministry of Finance and Economic Development (MoFED) in charge of public finances, the Ministry of Trade which is involved in the petroleum

pricing system, the Ministry of Mines in charge of upstream hydrocarbon and geothermal resources exploration, the Environment Protection Agency in charge of regulating the environmental aspects of energy development activities (GoE, 2012).

## Institutionalisation of SREP

The focal administrative agency for SREP in Ethiopia is the Environment Protection Agency (EPA). The overall responsibility and oversight regarding the implementation of the SREP will lie with Ethiopia's CRGE Inter Ministerial Committee. This Committee is responsible for the overall oversight and strategic direction of the CRGE strategy, to which SREP contributes. This committee comprises of Ministers from key CRGE sectors.

SREP will be governed under the joint responsibility of the Ministry of Finance, the Environment Protection Agency, the Ministry of Mines and the Ministry of Water and Energy. The MoFED will be responsible for all matters related to finance. The EPA will be responsible for independent measurement, reporting and verification. The MoWE in collaboration with the MoM will be responsible for the implementation of the SREP at the national level. The institutional architecture is sketched out below in Figure 4 (GoE, 2012).

Figure 3 – Energy institutions in Ethiopia

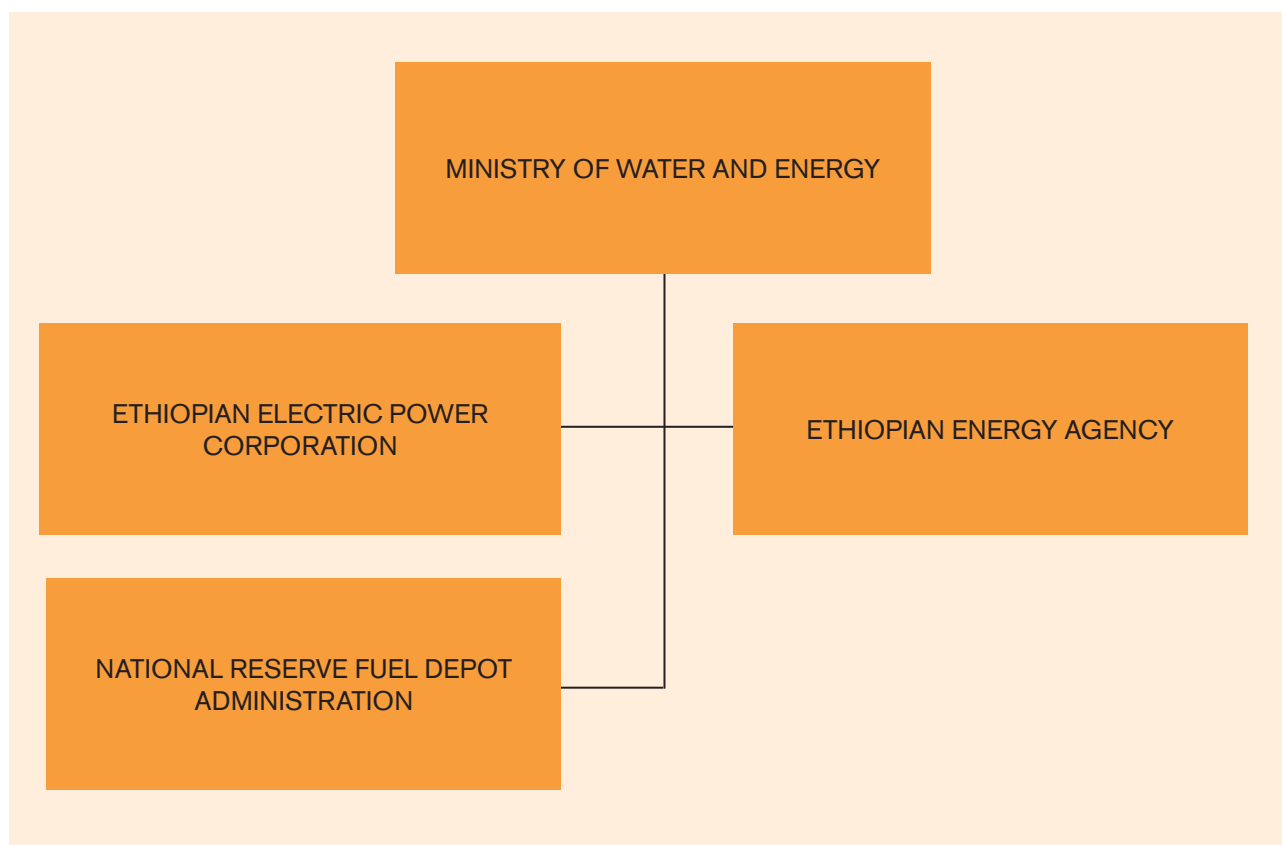
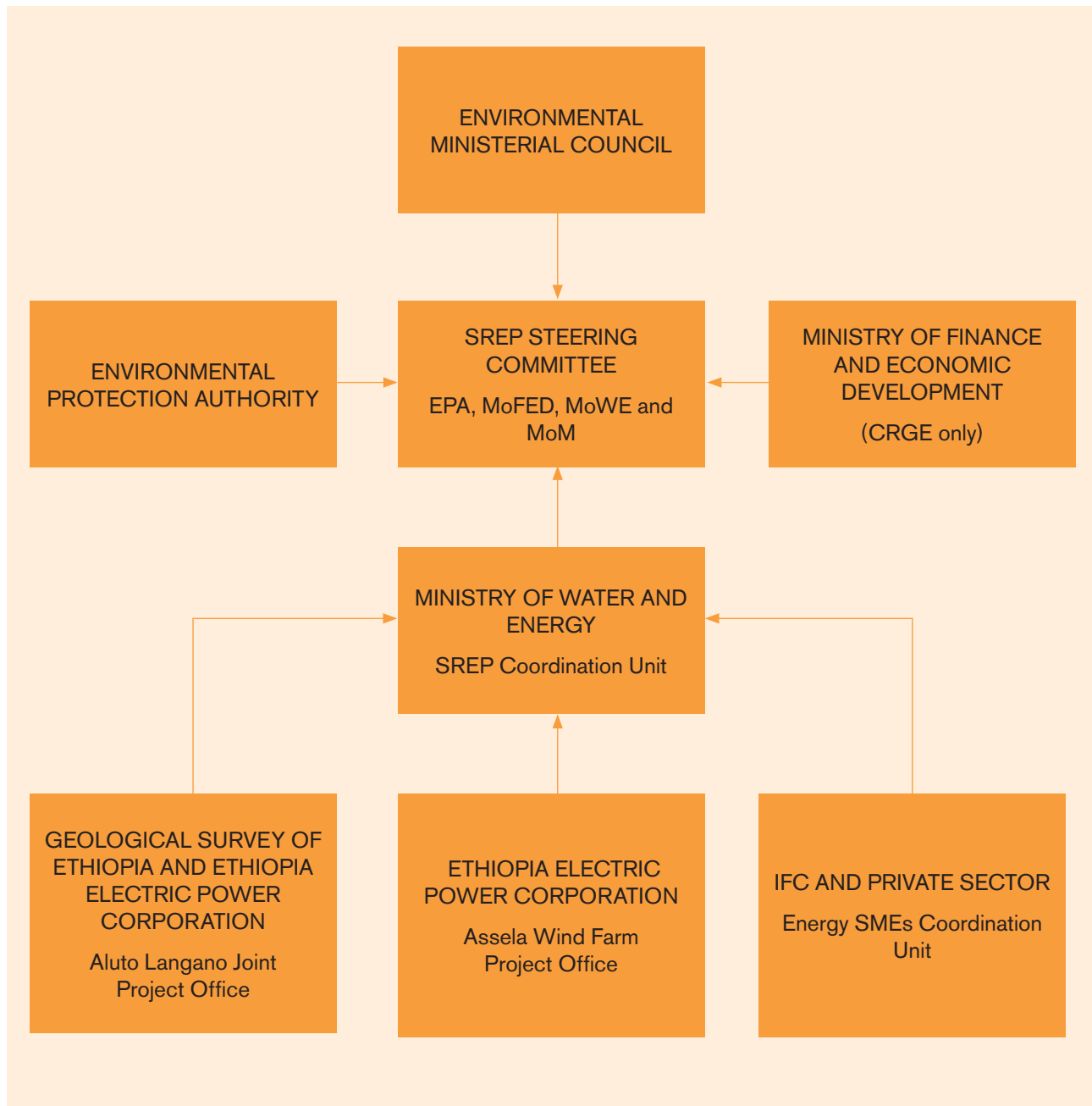


Figure 4 Proposed institutional arrangement under SREP





# Stakeholder inclusion and results framework

Stakeholder inclusion in the SREP processes is crucial for ensuring country priorities are defined and investment proposals are developed through a cross-sectoral dialogue. Ostensibly a participatory process was followed for the development of SREP in Ethiopia with broad civil society and private sector involvement. Besides learning from stakeholders, SREP aims to enhance lesson learning from programme activities. The SREP results framework was therefore designed to help countries monitor and evaluate SREP performance. The framework also guides the countries to develop national M&E frameworks and assimilate SREP indicators within them.



It would appear that there has been a relatively thorough consultation process in Ethiopia. The Scoping Mission at the beginning of 2011 identified key stakeholder groups including national institutions, CSOs, local communities, private sector representatives and development partners, and there was more comprehensive follow up meetings and workshops held during the Joint Mission in October 2011 (GoE, 2011a).

There were 57 stakeholder organisations invited to the Stakeholders' Consultation Workshop (Oct 2011) to discuss strategic priorities for renewable energy development. This would appear to have helped improve the relevance of the eventual Investment Plan. Participants were asked to help prioritise SREP interventions and helped formulate the screening criteria for narrowing projects as detailed above, as well as highlighting a number of technologies which would benefit from SREP support including bio-fuels, solar home systems and small hydro power plants (GoE, 2011a).

In spite of the wide involvement during the consultation process, it is only the smaller SME Capacity Building Project that has clear and direct involvement from the private sector. The principal focus under this component is the identification of existing and new actors in the field, training to management and lenders, business model development, technology testing and access to market intelligence (GoE, 2012).

Apart from this, the SREP national plan mentions about the involvement of the private sector in the development of Component 2 of the SREP programme i.e. "design of long term strategy for the geothermal sector". There is an intention for involving the private sector "...not just as a project developer but also as a critical stakeholder that can bring financing to the table under the right circumstances". The exact meaning of this statement is not clear. However, as it is repeatedly stated elsewhere in the SREP document, project development will remain public by and large until there will come a private sector that will shoulder risks that are normally not borne by them.

In short, Ethiopia suggested that the development of the two larger infrastructure projects is still in the infant stages. Once these resources and technologies are established in the country, in the long term the expectation is there can be both public and private investments to develop these resources, and thus greater involvement from the private sector (GoE, 2013).

## Results framework for SREP

The SREP results are tracked through a framework that indicates the programmes' expected impact, outcomes and outputs. This is also intended to guide countries and MDBs in developing country-specific results frameworks that encourage integrating SREP indicators into country-owned M&E systems.

The results framework proposed by GoE is developed on the assumption that there is existing knowledge across the public sectors because of the practice of what is known as Business Process Engineering and its sequel – Balanced Score Card – which is the basis under which all government entities are performing and evaluated. The results framework basically outlines the list of measures that will be considered when future monitoring and evaluation is performed across all SREP components.

The framework also includes indicative measures for catalytic replication of the projects. This includes such measures as increased energy supply, increased renewable energy investments, levelled playing field for renewable energy deployment etc.

The EPA will be responsible for independent measurement, reporting and verification.

# Conclusion and key issues

This paper provides a wide-angle snapshot of interim findings around SREP operations in Ethiopia. As SREP further unfolds there is still more to learn from the early stages of its operations. We conclude with some key findings from the SREP processes that can direct us to areas that need further exploration.



Some key issues or facets of the programme that may require further investigation are highlighted below.

- Slow progress of the programme- due to slow disbursement of funds-** As things stand now, SREP financing is not yet fully disbursed. The CIF Admin Unit issued a report (dated 13 March 2013) on financial disbursement so far for the six SREP pilot countries. The report shows that from the total SREP envelope requested by the Ethiopian government amounting 69 million USD (including 19.5 Million USD requested for share in the reserve fund), only 4.5 million USD was approved by the SREP sub-committee. From this amount the MDB approval went for the utilization of 0.4 million USD and this amount have already been disbursed by the Bank. The report (which was prepared on the basis of information provided by MDBs to the Trustee) projects how future disbursements will be made to the SREP pilot countries. Accordingly, actual annual payments may take longer time, presumably till 2020. The report, while acknowledging that such delays should not happen, also states that it is because of normal MDB working procedures. These international issues may have a repercussion on actual progress of the SREP projects. While the proposals under the Ethiopian SREP document require further refinement to become full-fledged projects, delay in financial flow will disrupt designed implementation time lines – and hence delay in the actual results.
- Scaling up and Transformational Change-** Ethiopia's SREP aims to use SREP funds as catalytic investments that will diversify its energy mix by investing and scaling up large scale projects of Geothermal and Wind. Ethiopia's plan has been contested by donors because it includes exporting

electricity to other parts of the region. This is seen by some to be more focussed on raising capital rather than providing energy to its poorer citizens. Donors have instead suggested the country explore solar power and non-grid projects as better options. Ethiopia defends its plans to export energy to Kenya and has promised that power generated with SREP funding will be used locally. However, the Ethiopian government also believes that the productive use of energy will also trickle down wealth in the country and bring transformational shift, as exporting electricity is expected to increase foreign exchange reserves that can be invested back into growth and development efforts (in line with their green growth strategy) (Rai, 2013).

- Public vs. Private sectors role in scaling up renewables-** In spite of an apparent comprehensive consultation process, there is still scope for further involvement of the private sector in the selected SREP interventions. However, the Government of Ethiopia (GoE) believes that it is the government's responsibility to invest in the creation of public goods (power) as opposed to private sector responsibility. GoE also highlights that unlike other countries the private sector is under developed in Ethiopia due its 'developmental state' policies. The current private sector can be characterised as 'trader based', which by definition does not invest in innovation or establishment and up-scale of infrastructure. In line with this, the role of the private sector has been identified in the area of energy distribution. As SREP in general, envisages a key role of private sector in leveraging finance, these issues of contention point to an important area worth investigating in the broader political economic context of the country.

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## Related reading

- RAI, N. 2013. Climate Investment Funds: understanding the PPCR in Bangladesh and Nepal, IIED Briefing Note. <http://pubs.iied.org/pdfs/17151IIED.pdf?>
- RAI, N. 2013. Scaling up renewable technologies: incremental or transformational change. Available from: <http://www.iied.org/scaling-renewable-technologies-incremental-or-transformational-change>.
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Climate Investment Fund (CIF) is a funding channel designed to assist developing countries pilot low emission and climate resilient development approaches. As the fund unfolds, lessons can be gathered from the early stages of the programme. IIED is undertaking case studies of selected countries participating in two Strategic Climate Fund (SCF) programmes- one of which is the Scaling up Renewable Energy Programme (SREP) in Ethiopia and Nepal.

This country report looks at the status of SREP in Ethiopia. These initial reflections point to areas where further in depth political economy analysis will be needed to understand how planning and implementation decisions are made and be able to attribute the real cause behind observed trends.

IIED is a policy and action research organisation. We promote sustainable development to improve livelihoods and protect the environments on which these livelihoods are built. We specialise in linking local priorities to global challenges. IIED is based in London and works in Africa, Asia, Latin America, the Middle East and the Pacific, with some of the world's most vulnerable people. We work with them to strengthen their voice in the decision-making arenas that affect them – from village councils to international conventions.



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