

Scaling Green Industry and Trade in Ethiopia

Africa-China Centre for Policy and Advisory

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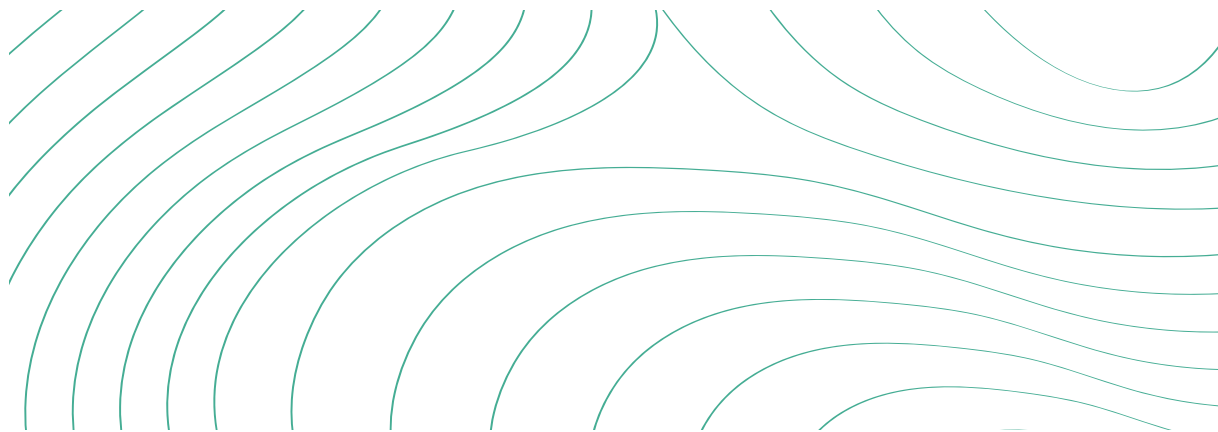
SAGFA Policy Brief Series

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This policy brief has been prepared for ACCPA by Dr. Isaac Ankrah (Senior Lecturer, Ghana Communication Technology University; Senior Research Fellow, ACCPA) and Dr. Gebre Tafere (Dean, College of Social Sciences and Humanities, Debre Berhan University; Lead Local Consultant, SAGFA Ethiopia). The findings, interpretations, and conclusions expressed herein are those of ACCPA and do not necessarily represent the views of its partners or supporting institutions.

The brief forms part of a thematic series developed under the Sino-African Green Finance Alliance (SAGFA), with support from the African Climate Foundation (ACF), to facilitate knowledge exchange and promote informed policy dialogue on green finance for Africa's sustainable future.

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1.0 Executive Summary

Ethiopia is well positioned to compete in the next wave of climate-aligned manufacturing and trade. Its abundant renewable energy, growing industrial base, and youthful workforce create a strong platform for green industry. Yet market entry for green products remains limited: certification costs are high; permitting and power reliability slow investment; and bankable project pipelines, especially for MSMEs (Micro, Small and Medium Enterprises), are thin. Drawing on recent evidence from surveys, interviews, and a national stakeholder workshop, this brief sets out a practical agenda to scale green industry and trade across priority value chains while safeguarding inclusion and resilience.

1.1 What's at stake

International and domestic demand for low-carbon, resource-efficient goods is rising. Ethiopia's climate-relevant finance is still dominated by public and concessional sources, while private participation lags. Adaptation accounts for a large share of tracked flows, but manufacturing-critical areas (energy efficiency, industrial water/waste systems, logistics) remain underfunded. Without targeted reforms and de-risking, Ethiopia risks missing near-term opportunities in regional and global value chains.

1.2 What this brief delivers

A cross-sector strategy that:

- i. accelerates green upgrades in industry,
- ii. gets firms export-ready through standards and certification, and
- iii. crowds in private capital via blended finance.



2.0 Key messages

Green growth is an industrial policy, not a niche.

Resource-efficiency, clean energy, and circularity improve competitiveness, reduce exposure to energy shocks, and open premium markets.

Pipelines, not just capital.

The main constraint is a shortage of investment-ready projects and standards-compliant products—particularly among MSMEs.

De-risking pays

Fast-track permitting, power reliability compacts, and fit-for-purpose blended finance can unlock near-term investments and export access.

Trade and domestic markets are complementary.

Building internal demand for certified green products strengthens firms ahead of regional/ AfCFTA and global expansion.



3.0 Background & Context

Ethiopia is at an inflection point. The country's industrial ambitions, anchored in the Ten-Year Development Plan, now sit alongside an equally urgent need to build climate resilience and protect natural capital. The good news is that Ethiopia's structural advantages map neatly onto a green industrial pathway: abundant renewable energy potential (hydro, wind, solar, geothermal), a young workforce, and access to regional trade corridors. These endowments create a real opportunity to compete in fast-growing markets for low-carbon textiles, climate-smart agro-products, circular-economy inputs, and clean-tech components.

Yet, the financing and market systems that would turn this potential into exports remain incomplete. Ethiopia's updated NDCs estimate USD 316 billion in climate-related investment needs by 2030, of which only 20% is expected domestically. Tracked flows remain public-heavy (92%), with a thin private share (8%) and limited recourse to equity (ES-1). On the firm side, particularly among MSMEs, high interest rates, stringent collateral requirements, and a lack of customized green financial products continue to limit access to capital (ES-4). These constraints are further compounded by protracted permitting procedures, which prolong project cycles and inflate risk (ES-6). Meanwhile, costly and often unrecognized certification standards restrict firms' access to premium export markets (ES-5). The result is a "pilot trap," where many green

innovations stall at the demonstration stage—unable to scale locally or achieve export readiness.

Meanwhile, sector opportunities are crystallizing. Stakeholder dialogues and survey evidence point consistently to energy systems, agro-processing, textiles, construction materials, and waste/circular value chains as near-term engines for green jobs and exports—provided finance, standards, and reliability issues are tackled together. Ethiopia's domestic market already absorbs most sustainable products, underscoring latent demand. The next step is to lift quality, certification, and reliability so domestic leaders can graduate into regional and global green value chains.

Taken together, these realities call for a focused reform push that de-risks investment, accelerates approvals, professionalises standards, and converts pilots into bankable pipelines—especially for MSMEs that drive green innovation and last-mile delivery. The practical questions now are about scale and execution: how can Ethiopia turn isolated pilots into repeatable programmes? What mix of domestic demand signals and export-standard support will lift firms up the value chain? Which instruments will crowd in private capital without distorting markets? And what institutional platform will equip banks, developers, and regulators to deliver at speed?



4.0 Policy Objectives

This policy brief aims to position Ethiopia's green industry for accelerated growth and stronger global competitiveness. It identifies five interconnected objectives that respond to market realities and offer a clear path from experimentation to scale.

First, Ethiopia must move from scattered pilots to scalable green industrial programs. While many firms—especially in energy efficiency, circular economy, agro-processing, and low-impact textiles—have initiated promising green projects, these remain isolated efforts. The goal is to fast-track permitting, improve utility reliability, and develop standardized deal templates so banks and development partners can finance such projects repeatedly and at scale.

Second, domestic and export readiness must be built in parallel. Strengthening the local market for certified green goods—through procurement signals and clearer standards—will create demand today. At the same time, export-facing firms must be supported to meet global certifications (like ISO 14001 or sector-specific ecolabels) and demonstrate traceability. This dual track ensures that green products can scale locally while meeting international buyer requirements.

Third, Ethiopia needs to unlock private capital through targeted de-risking. Blended-finance instruments, such as concessional on-lending, partial guarantees, and performance-based incentives, can make green investments more bankable. By linking incentives to verifiable outcomes (e.g., emissions avoided, or energy saved), public funds can catalyze private finance without distorting markets.

Fourth, professionalizing the green finance ecosystem is essential. Ethiopia needs institutions and systems that can deliver at scale. A national standards accelerator will help firms navigate testing, documentation, and conformity processes. At the same time, a climate finance registry will track where funds are going and what outcomes they produce. Financial institutions and project developers also require capacity upgrades—especially in structuring blended deals, applying ESG standards, and preparing viable green pipelines.

Finally, MSMEs must be placed at the center of green job creation. Smaller enterprises often face steep barriers—costly permits, limited working capital, and lack of certification know-how. A dedicated Green Enterprise Hub can help bridge these gaps by offering tailored training, light-touch project development, access to financiers, and entry points into value chains. The aim is to ensure that Ethiopia's green transition is not just top-down but also deeply rooted in community enterprise.



5.0 Evidence Snapshot (ES)

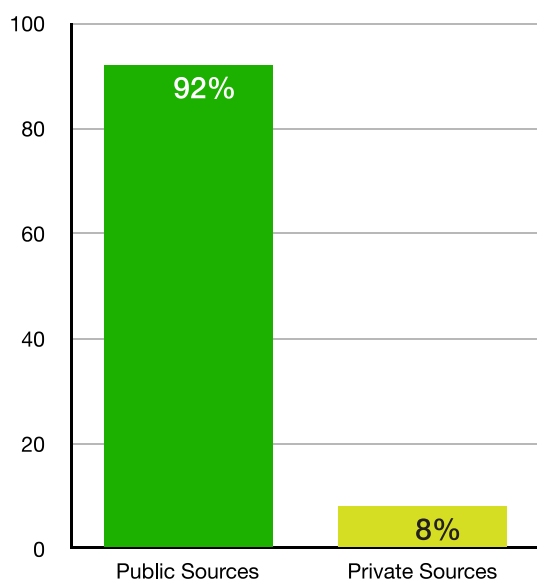
A data-driven overview of the structural challenges and emerging opportunities for Ethiopia's green industry. All figures referenced are detailed in the ACCPA report, "Ethiopia's Green Finance Ecosystem and Sustainable Industrialization: Flows, Actors, And Stakeholder Insights" (2025).



5.1 Finance Landscape

ES-1¹ Public vs. private climate finance

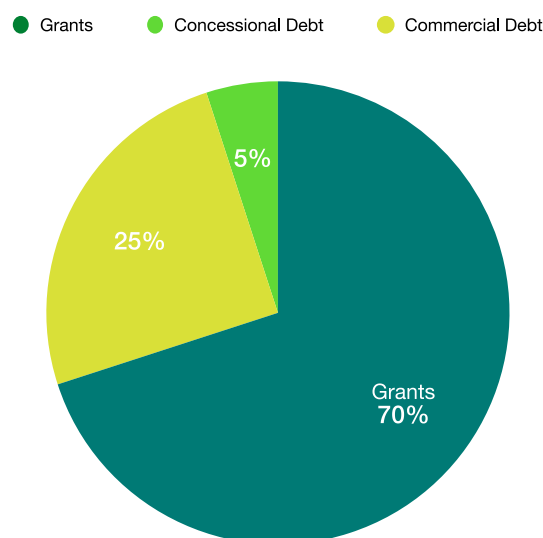
Tracked climate finance is still overwhelmingly public, with limited private participation—a signal that de-risking and bank capability are binding constraints.



Source & cross-ref: Report Fig. 3.1; section 3.1.1

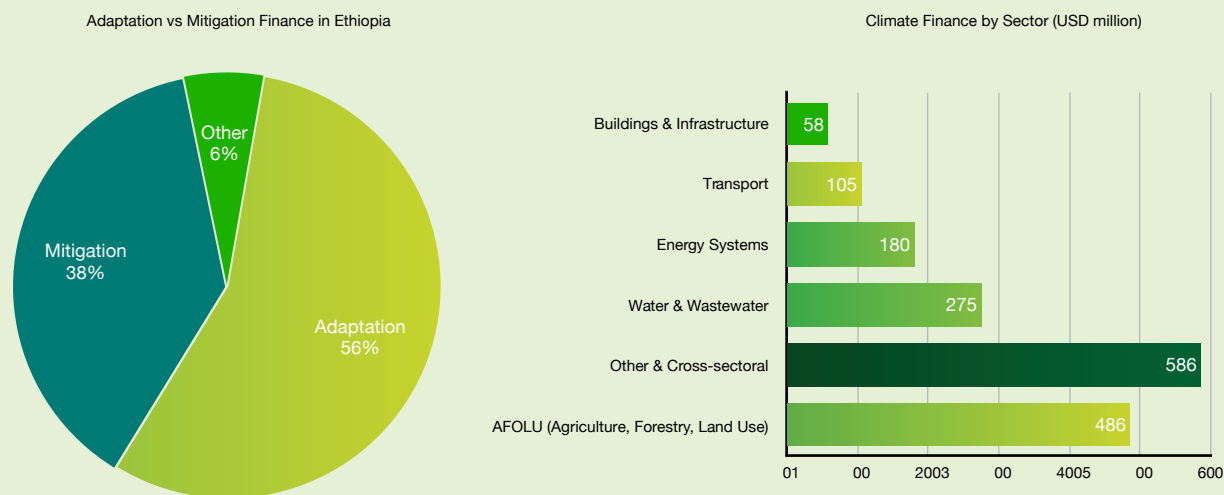
ES-2. Instrument Mix

International public flows are dominated by grants (70%), with concessional loans (25%) and limited commercial debt/equity (5%). This points to the need for blended vehicles and bankable pipelines to shift toward market instruments.



Source & cross-ref: Report Fig. 3.3; section 3.1.1.

¹ ES= Evidence Snapshot. Short, numbered data callouts (ES-1, ES-2, ...) used in this brief to summarize key figures. Each ES includes a source and cross-reference to the companion report for full methods, definitions, and charts.

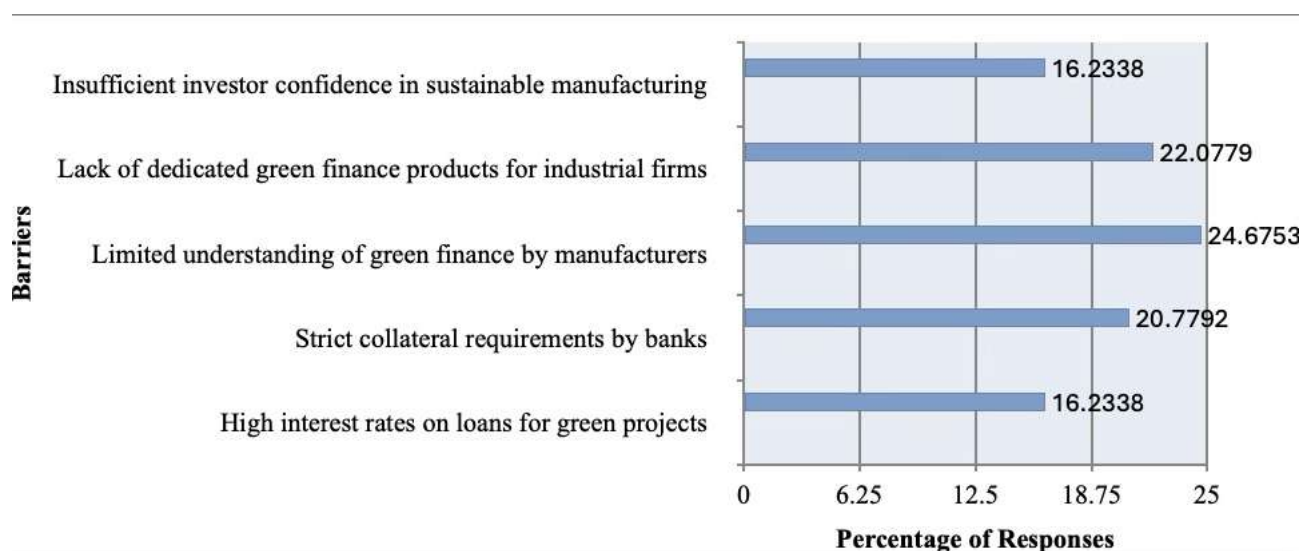


Source & cross-ref: Report Fig. 3.5; section 3.1.6.

5.2 Firm-Side Frictions

ES-4 Finance barriers for MSMEs

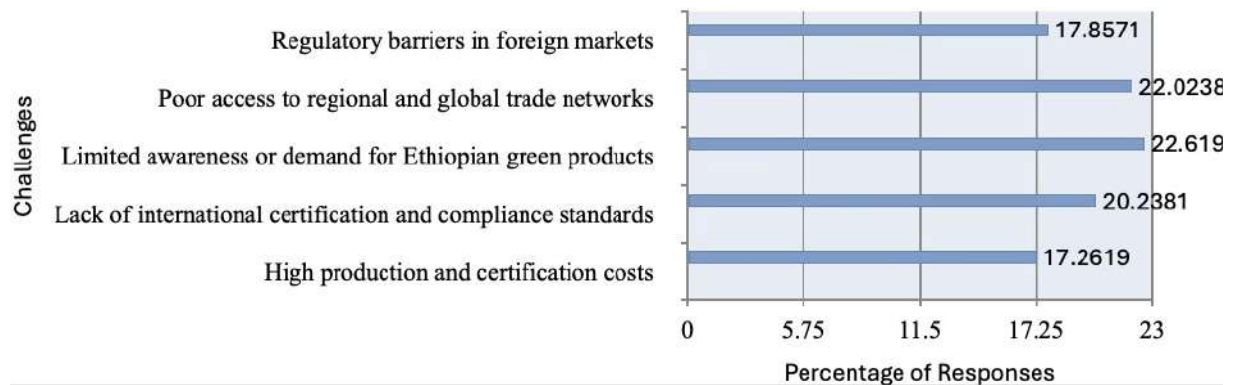
Access to green finance is a persistent bottleneck for manufacturers, particularly MSMEs. Figure 4.12 highlights high interest rates, stringent collateral requirements, and a lack of fit-for-purpose financial products. Low investor confidence and bankable deal scarcity deepen the “pilot-to-scale” gap.



Source & cross-ref: Report Fig. 4.12; Section 4.6.

ES-5. Export hurdles: certification & market access

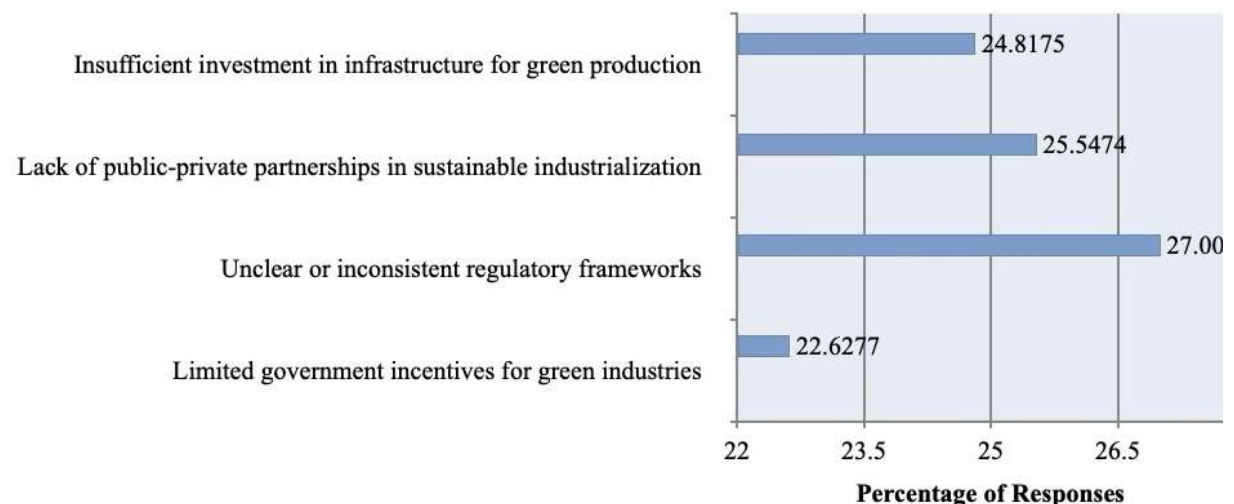
Despite growing global demand, Ethiopian firms struggle to enter premium green markets. Certification costs, weak international recognition, and limited trade facilitation constrain export readiness and competitiveness.



Source & cross-ref: Report Fig. 4.12; Section 4.6.

ES-6 Operating environment

Unreliable energy supply, permitting delays, and fragmented institutional coordination deter investment and stall project development. Figure 4.13 captures stakeholder concerns around bottlenecks in environmental clearance and infrastructure reliability, both critical to scaling green manufacturing.



Source & cross-ref: Report Fig. 4.13; Insight 4.3; Section 4.7

6.0 Policy Actions: Unlocking Scale for Green Industry and Trade

To shift Ethiopia's green industry from promising pilots to scalable, export-ready enterprises, this brief proposes five mutually reinforcing actions. Together, they address firm-side constraints, financial bottlenecks, and ecosystem gaps while ensuring inclusion and investment-readiness. resources when there is inadequate evidence of profitability.



6.1 Fast-track Green Investments through SLAs and Reliability Pacts

Create a green industry fast-track mechanism that combines streamlined permitting, Service Level Agreements (SLAs) across key agencies (power, environment, industry), and infrastructure reliability commitments in priority industrial zones. This will shorten project timelines and send strong bankability signals to investors.

6.2 Operationalize a Green Standards Accelerator

Establish a national accelerator to support firms in meeting green standards—both domestic and international. Services should include technical assistance for certification (e.g., ISO 14001, ecolabels), testing labs, conformity assessment support, and cost-sharing schemes for SMEs. The aim is to boost export eligibility and local procurement readiness.

6.3 Deploy Blended On-Lending and Project Preparation Windows

Channel concessional finance into dedicated on-lending facilities that support green manufacturing and clean-tech MSMEs. Pair these with project preparation support—including feasibility, permits, and monitoring frameworks—so that a stronger pipeline of investable projects can emerge. De-risk private capital through partial guarantees and outcome-linked subsidies.

6.4 Launch the “Green Enterprise Hub” for MSMEs

Establish a one-stop support facility that bundles technical assistance, light-touch project preparation, working capital matchmaking, and pre-approved documentation templates tailored for MSMEs. This will lower entry barriers and embed green MSMEs into broader industrial value chains.

6.5 Build a National Green Registry and Training Platform

Develop a unified climate and green finance registry that tracks disbursements, commitments, and outcomes across public budgets, donor funds, and private portfolios. Complement this with a cross-sector training platform for banks, DFIs, and project developers focused on blended finance, ESG risk, and MRV. This will close persistent capacity gaps.



7.0 Call to Action: Moving from Margin to Mainstream

Ethiopia's green industrial transition demands more than fragmented pilots or donor-driven programs; it requires coordinated, cross-sector commitment to scale. This brief calls on key actors to act decisively:

- Government agencies must lead by establishing clear service-level agreements (SLAs), improving grid reliability, and fast-tracking permits and certifications. The Ministry of Industry, IPDC, and sector regulators should champion green procurement, unlock market signals for certified products, and operationalize a national standards accelerator.
- Financial institutions and DFIs are urged to go beyond concessional windows and embed blended finance instruments, outcome-based incentives, and de-risking facilities into lending strategies. Bankable pipelines will only grow if local banks strengthen capacity in green deal structuring, ESG compliance, and project preparation.
- Private firms and MSMEs, especially those in energy efficiency, agro-processing, and circular manufacturing, must be centered as core actors—not fringe beneficiaries. The proposed Green Enterprise Hub provides a blueprint for bundling technical assistance, matchmaking, and streamlined documentation to get firms investment-ready.
- Development partners and international investors can amplify momentum by aligning aid and capital flows with locally embedded platforms, avoiding parallel systems. Support should focus on capacity building, green export enablement, and results-based mechanisms tied to emissions reductions, job creation, and inclusive growth.

Ethiopia can move from isolated green pilots to scaled, export-ready pipelines in the near term—provided that fast-track permitting, reliability compacts, standards support, and blended de-risking are implemented together. The Green Enterprise Hub serves as a pragmatic cornerstone: bankable demand can be built while the broader policy package reduces risk and cost.

ACCPA stands ready to collaborate with government, finance, industry, and international partners to co-develop an implementation roadmap and support next steps at a pace aligned with national priorities.



About SAGFA

The Sino-Africa Green Finance Alliance (SAGFA) is a multi-stakeholder platform dedicated to advancing sustainable industrial development in Africa through innovative green finance solutions. By bringing together policymakers, researchers, financial institutions, and industry leaders from Africa, China, and beyond, SAGFA works to unlock investment opportunities, shape policy frameworks, and strengthen capacities for climate-resilient growth.

Through research, dialogue, and targeted initiatives, the Alliance positions Africa at the forefront of global green finance transformation while fostering stronger Africa-China cooperation for a just and sustainable future.



About ACCPA

The Africa-China Centre for Policy and Advisory (ACCPA) is a Sino-African research and policy think tank based in Accra, Ghana, with teams in Morocco, Tanzania, Tunisia, the DRC, China, the UK, Ethiopia, and Botswana.

Through evidence-based research, strategic advisory, and multi-stakeholder dialogue, the Centre offers policy briefs, expert analysis, capacity-building programs, and forums that advance informed decision-making and sustainable partnerships.

With a pan-African outlook, ACCPA is committed to ensuring that Africa's voice is at the forefront of international cooperation with China—championing shared development goals, policy coherence, and equitable cooperation.

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About ACF

The African Climate Foundation, established in 2020, is the first African-led strategic re-granter working at the nexus of climate change and development.

www.africanclimatefoundation.org





CONTACT

PLOT No 49, Haatso RD
North Legon, Accra, Ghana

+233 303 965 259
www.africachinacentre.org
info@africachinacentre.org