Ethiopia Rising: Aspiring to Become a Carbon Neutral Middle Income Manufacturing Hub by 2025

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Distinguished delegates. I’m honored to be here with you today. I appreciated the thoughtful remarks from my friend Prime Minister Hailemariam, and I welcome his invitation to add a World Bank Group perspective to this important subject related to climate change.

Today, I’d like to speak on three themes:

• First, Ethiopia’s commitment to climate action;
• Second, the role of industrialization in delivering development results; and,
• Third, ways we can bring these two agendas together for low-carbon, equitable growth.

I commend Ethiopia for being a long-term leader on climate change – in and beyond Africa. Climate was a subject of great importance to former Prime Minister Meles Zenawi, and it has remained a priority for today’s government, led by Prime Minister Hailemariam.

Ethiopia’s commitment to climate has helped bring the perspective of developing countries to climate negotiations. I’m confident that Ethiopia will continue to play a leadership role at and beyond the COP21 Forum in Paris in December. The World Bank Group has welcomed the government’s promotion of low-carbon growth, poverty reduction, and climate resilience – an agenda that’s consistent with the United Nation’s Sustainable Development Goals.

Nowhere is Ethiopia’s commitment to this agenda better demonstrated than through its Climate Resilient Green Economy strategy. The World Bank Group and other development
partners have helped the government advance this strategy, and we’re committed further assistance through financial support and on-going advisory services. We’re pleased, for example, that the Bank-financed Sustainable Land Management Program has been rehabilitating landscapes at scale and is now a leading green-growth model for the country.

As Ethiopia seeks to achieve middle-income status, it’s critical to maintain this commitment to climate – and to do so requires environmentally sustainable strategies not only in rural areas, but also in industry, transportation, and urban development. Unless steps are taken to build resilience, climate variability could reduce Ethiopia’s GDP growth by up to 10 percent per year, with agricultural growth at particular risk. As a worst-case scenario, Ethiopia risks achieving only half of its total potential GDP in 25 years because of climate change.

Since 2003, Ethiopia has maintained an impressive record of sustained growth rates of about 10 percent a year. The economy tripled in size and Ethiopia has had significant declines in poverty and achieved most of the Millennium Development Goals, especially in health and education.

A crucial component of Ethiopia’s drive for growth and transformation will be the development of a vibrant manufacturing and industrial base, which creates jobs for growing urban areas.

The private sector provides some 90 percent of jobs in developing countries and must be at the core of poverty-reduction plans. I therefore welcome the scale of Ethiopia’s ambitions for industrialization and am glad that various parts of the World Bank Group have collaborated to support it, including through the Competitiveness and Job Creation project that supports the creation of special industrial parks.

Against this background, we understand that by 2025 Ethiopia plans to:

- Create millions of new jobs in medium and large manufacturing,
- Become the light manufacturing leader in Africa, and
- Substantially increase the share of manufacturing in the economy and the share of manufacturing in Ethiopia’s exports.

The climate and industrialization agendas are both important for sustainable development in Ethiopia. The question for today’s discussion is how we can effectively combine these
agendas. Managing the impacts of growth on the environment constitutes a challenge that all industrializing countries now face.

Industrial development is typically perceived to be disruptive to the environment. Demands from construction and natural-resource use have the potential to adversely affect land, water, and quality of air.

But Ethiopia’s approach to industrial development is different. The country is developing industrial parks in ways that avoid the mistakes of others by focusing on environmental sustainability from the start, as opposed to solely on growth and cleaning up afterward.

Ethiopia has realized its abundance of renewable sources of power generation – hydro, geothermal, and wind energy. These renewable energy sources make it easier for Ethiopia to approach industrialization sustainably. The World Bank Group is working with the government to ensure that new industrial parks make use of recycled water and renewable resources; develop green areas; and reflect upgraded environmental standards and inspection systems.

I also welcome the exploration of modern environmental-management systems to support sustainability, risk management, and overall efficiency. An example is a system that recycles steam from textile dyeing – using the recycled energy for other processes, such as steam-softening leather to shape shoes.

We recognize that improved transportation systems contribute to both of these agendas, as well. The new Chinese-funded electrified railway from Djibouti, for example, has the potential to help substantially reduce Ethiopia’s current dependence on fossil-fueled trucks.

Overall, these approaches can make significant contributions to meeting the targets for low-carbon growth that Ethiopia has set.

I believe that this event is an opportunity to add value and further push the boundaries of the status quo. I look to all of you here today to challenge us with new and transformative ideas that can really make a difference in sustainable industrial development. I look forward to a fruitful discussion. Thank you very much.