

**THE NATIONAL REGIONAL  
GOVERNMENT OF OROMIA**

**OROMIA ENVIRONMENTAL  
PROTECTION AUTHORITY**

**Oromia REDD+ Coordination Unit**

**Oromia National Regional State Forested  
Landscape Program-ERP**

**(Project ID P151294)**

**Benefit Sharing Plan for Disbursing Phase I  
Result Based Payments from BioCF ISFL  
Program**

**Finfinnee, Ethiopia**

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## Acronyms/Abbreviations

AFOLU	Agriculture Forestry and Other Land Uses
A/R	Afforestation/Reforestation
BioCF	Bio-Carbon Fund
BoA	Bureau of Agriculture
BoF	Bureau of Finance
BoL	Bureau of Land
BoWERD	Bureau of Water and Energy Resources Development
BSP	Benefit Sharing Plan
CO <sub>2</sub> e	Carbon dioxide equivalent
CRGE	Climate Resilient Green Economy
CSO	Civil Service Organization
CSR	Corporate Social Responsibility
DBH	Diameter at Breast Height
DP	Development Partner
EFD	Environment, Forest and Climate Change Commission
ER	Emission Reduction
ERP	Emission Reduction Payment
ERPA	Emission Reduction Purchase Agreement
FMC	Forest Management Cooperative
FMIC	Forest Management Information System
GoE	Government of Ethiopia
GRM	Grievance Redress Mechanism
ISFL	Initiative for Sustainable Forested Landscape
LULUCF	Land Use, Land Use Change and Forestry
MFI	Micro Finance Institution
MoF	Ministry of Finance
MRV	Measuring, Reporting and Verification
NRM	Natural Resource Management
OEPA	Oromia Environmental Protection Authority
ORCU	Oromia REDD+ Coordination Unit
OFLP-ERP	Oromia Forested Landscape Program -Emission Reduction Project
OFWE	Oromia Forest and Wildlife Enterprise
PAD	Project Appraisal Document
PFM	Participatory Forest Management
PIM	Project Implementation Manual
PS	Private Sector
RBP	Result Based Payment
REDD+	Reducing Emissions from Deforestation and Forest Degradation (REDD), Conservation, Sustainable Management of Forests and Enhancement of Forest Carbon Stocks
RS	Regional State
SC	Steering Committee

SESA	Strategic Environment and Social Assessment
SME	Small and Medium Enterprise
TWG	Technical Working Group
VP	Vice President
WoA	Woreda Office of Agriculture
WoEPA	Woreda Office of Environmental Protection Authority
WoF	Woreda Office of Finance
WoL	Woreda Office of Land
WoWME	Woreda Office Water, Minerals and Energy
ZoA	Zone Office of Agriculture
ZoEPA	Zone Office of Environmental Protection Authority
ZoF	Zone Office of Finance
ZoL	Zone Office of Land
ZoWME	Zone Office of Water, Minerals and Energy

## I. Introduction

1. The Government of Ethiopia (GoE) has embraced Reducing Emissions from Deforestation and Forest Degradation, as well as conservation, sustainable management of forests and enhancement of forest carbon stocks (REDD+) as part of its strategy to achieve a Climate Resilient Green Economy (CRGE)<sup>1</sup>. The CRGE strategy has identified the forest sector as one of the four priority sectors for fast tracking and establishing a policy framework for implementing REDD+ in the country. Forestry is expected to generate over 50% of the expected 255 Mt CO<sub>2e</sub> Emission Reduction (ER) by 2030 in the country through the CRGE strategy (CRGE, 2011). The Oromia National Regional State Forested Landscape Program (OFLP), the first pilot sub-national ER program under implementation, was designed as part of Ethiopia's REDD+ Readiness Process. The result generated from the program will contribute to the achievements of Ethiopia's CRGE Strategy.
2. The OFLP has two financial instruments, a US\$ 18 million mobilization grant from BioCarbon Fund (BioCF)-plus support and a US\$ 40 million Result Based Payment (RBP) from BioCF-ISFL. The mobilization grant finances program establishment, enhancing state-wide enabling environment for scaling up actions and implementation of selected on-the-ground investment activities over a period of 5-years (OFLP grant effective since May 2017). The program would receive RBP for a net ER verified against the program's reference level in a period of up to 2029. The OFLP accounts the ER from Agriculture, Forestry and other land uses (AFOLU) coming from the entire jurisdiction of Oromia National Regional State. The ERPA period is expected to comprise of two phases: (i) the first phase of the ERPA where ER is accounted from land use, land use change and forestry (LULUCF), and the second phase of the ERPA, where ER is accounted from agriculture, forestry and other land uses (AFOLU). Livestock generate GHG gases in the form of methane emissions arising from digestion processes and nitrous oxide emissions from excretions. The cultivation of crops also emits GHG due to the use of fertilizer and emissions of N<sub>2</sub>O from crop residues reintroduced into the ground. In forestry, the sources of

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<sup>1</sup>Climate Resilient Green Economy (CRGE) is a long term (2010-2030) development strategy of Ethiopia. Its goal is to ensure fast and Carbon neutral economy growth to help Ethiopia achieve a middle-income country status by 2025. There are four priority pillars of the CRGE. These are agriculture, forestry, energy, and industry. Among the key strategies selected for fast tracking are avoidance of deforestation and forest degradation, improved forest management and forest enhancement through reforestation/afforestation collectively known as REDD+. The national REDD+ initiative is therefore an initiative to support implementation of CRGE.

GHG emission are human activities like deforestation for agricultural expansion and degradation for wood extraction, livestock grazing and forest coffee production. Potentially, emission coming from only enteric fermentation would be considered eligible in the second phase of the ERPA period.

- OFLP is expected to generate financial and non-financial benefits. This document outlines the Benefit Sharing Plan (BSP) for ER payment from the program focusing on the financial benefit for the first phase of the ERPA (ERs coming from the forest sector). The BSP will be updated for second ERPA phase after completion of the first phase of the ERPA to consider ER benefits coming from all eligible AFOLU sectors and sources. Updating the BSP may involve in defining eligible beneficiaries, set criteria for benefit allocation, benefit sharing arrangements and conduct needed consultations for the sub-category to be added in the second phase.

## II. Approach

Figure 1 summarizes the approach followed in the preparation of the BSP for OFLP-ERP.

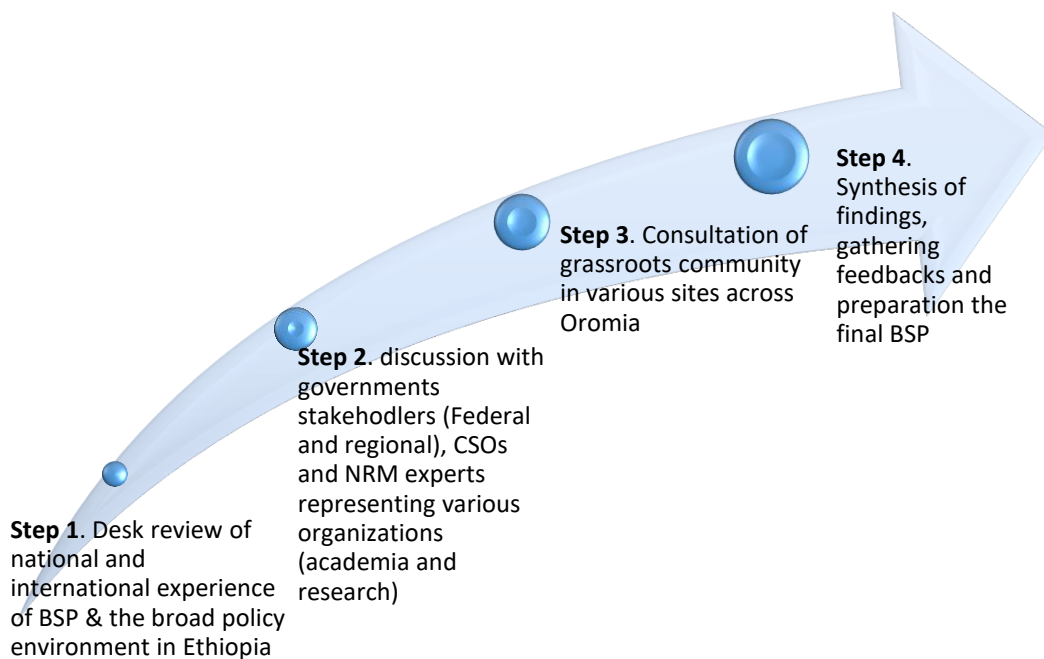


Figure1. A stepwise process followed to develop the BSP for OFLP

- A total of 111 consultation meetings on BSP were held with a wide range of stakeholders in October 2016 (please see annex A). Two of the consultations were with policy makers, one at Federal and the second at regional (Oromia National Regional State) levels; one consultation with Civil Society Organizations (CSOs) and experts in the field of natural resources management

(NRM), and the remaining 108 meetings were with communities across Oromia Regional State. A total of 4647 community members, 3435 men and 1212 women, participated in the community consultations (Table 1). The consultations focused on eligible beneficiaries and their roles and responsibilities, vertical and horizontal shares and criteria to be employed for benefit sharing benefit disbursement mechanism and grievance redress mechanism. In each consultation meetings, introduction about the programme, its objectives, goal and the need for community participation was made. This has facilitated informed and active participation of the community in the BSP discussion and accordingly participants of the consultation meetings proposed a mechanism that was felt fair, equitable and effective. Extensive review of literature on national and international experiences on BSP in REDD+ and NRM in general was also conducted and presented and discussed during the consultations.

**Table1.** List of administrative zones, woredas and kebeles<sup>2</sup> where community consultations were conducted and with number of participants in each consultation.

No	Zone	Woreda	Kebeles	Number of participants		
				Male	Female	Total
1	West Shewa	Dandi	Gare Arera,	105	49	154
			Dano ejersa Gibe	66	15	81
		Jibat	Tuta-Jibat,	41	8	49
			Abeyi-Reji	112	91	203
2	Guji	Adola	Maleka,	81	74	155
			Anferara	253	85	338
		Wadera	Danisa Worasti,	119	31	150
			Borema	165	66	231
3	West Haraghe	Gemechis	Sororo,	96	33	129
			Maderia	75	20	95
		Chiro	Chiro Qala,	64	41	105
			Najabas	53	45	98
4	Buno Bedelle	Dhidhessa	Esiya,	89	29	118
			Jamiya	81	11	92
5	Illu Ababor	Bacho	Tulu-Sona,	51	36	87
			Walgahi-Kubsa	150	68	218
6	Jimma	Sigimo	Aterkeda,	110	40	150
			Yadesso	73	31	104
		Gera	Sadi-Loya,	110	30	140
			Kecho-Anderacha	128	59	187
7	East Wollega	Gudeya	Hena Jawo Ja,	325	129	454
			Bila	Bilo Ejere	133	42
		Diga	Arjo Konana Bula,	107	40	147
			Bikila	200	65	265
8	Kelem Wollega	Anfilo	Duli	235	21	256
		Sayo	Alako Kusaye	137	13	150

<sup>2</sup> Kebele is the formal and legally recognized administrative unit below the woreda (district) level.

No	Zone	Woreda	Kebeles	Number of participants		
				Male	Female	Total
		Yamalagi Walal	Gurati Walal,	138	0	138
			Burka Lomicha	138	40	178
				3435	1212	4647

### III. Benefits

- Up on successful implementation, OFLP will generate multiple benefits: monetary, non-monetary and non-carbon benefits. The non-carbon benefits comprise all other benefits other than the payment for the emission reduction (ER) and this includes institutional and human capacity building, increased income from new and improved land-use practices, more secure flow of ecosystem services and natural-resources-based small enterprise development and the like. The socio-economic impact from the non-carbon benefit likely outweighs the direct monetary benefit to be received in the form of ER payment. OFLP also generates monetary and non-monetary benefit in the form of ER payment through avoided of deforestation and forest degradation and/or enhancement of forest carbon through A/R (first phase of ERPA), and from AFOLU (second phase of ERPA). This will be used as a financial incentive mechanism to reward good forest management and conservation practices for the eligible beneficiaries that deliver the ER results. The term benefit and benefit sharing in this document, therefore, refers specifically to the monetary (cash) and non-monetary (in-kind) benefit received in the form of results-based payment (also called ER payment) from OFLP.
- The benefit to be shared is the net payment defined as gross ER payment minus operational costs incurred in the management process of the BSP plus 3% as performance buffer the recipient would set aside to manage potential risks. The operational cost to be covered from the ER payment includes specifically those expenses related to conducting MRV, safeguard, GRM, and audits (Table 2)<sup>3</sup>; the operational cost up to June 2025 will be covered from the OFLP-ERP operational grant fund TF0B9878-ET, and therefore no deduction for operational cost will be made from ER payment until this period. Moreover, the 3% deduction as indicated above shall also be set aside for ‘Performance Buffer<sup>4</sup>’ that will be used (i) to manage potential risks when there is under-

<sup>3</sup>The operational cost indicated in table 2 is estimated based on the current experience of Oromia REDD+ Coordination Unit (ORCU) and some adjustment for change in cost of living. This cost will be covered from operational grant money until June 2025, so no reduction will be made from ER. However, after June 2025 it will be deducted from ER payment.

<sup>4</sup> The buffer should be used mainly to reward zones/woredas/ kebeles in case of landscape non- performance, and local (zonal) performance. It would be kept separate at MoF.



performance or non-performance at state level while performance exist at zone(s) level; (ii) to manage risks that may occur due to natural factors (drought, fire, land slide, etc.) or other risks related to political instability and the like. The net payment will then be disbursed among the eligible beneficiaries as per the arrangement set in this BSP.

7. As part of the overall risk management (risk minimization) for those risks described above, potential mitigation measures such as integrated watershed management, fire break, area closure to enhance natural regeneration will be implemented through engagement, continuous consultation and participation of forest communities and with the involvement of concerned local actors. Furthermore, multi-sector implementation coordination to enhance performance and minimize risks shall also be employed. The resource needed for such risk mitigation shall be sourced from (i) the 3% set aside as performance buffer as indicated above; (ii) as deemed necessary, from the share of ER benefits allocated to the government (15%) and part of community’s ER benefits allocated for community development projects; and (iii) additional resources from existing projects implemented by other partners in the region. In the case where potential risks as described above are negligible or absent, the performance buffer fund shall be transferred to eligible beneficiaries as per the arrangement of this BSP. It should be noted though, a different buffer reserve valued as ER credit would be set aside by the ISFL on behalf of ER buyers through negotiation with the Program Entity (ER seller). This form of buffer reserve is meant to address potential risks due to uncertainties during ER assessment, risks associated to natural factors and reversals. The exact amount of this buffer reserve would be determined based on associated risks using international best practices to calculate the so called “Buffer Reserve”.

**Table2.** Estimate of ORCU’s operational cost that will be covered from ER payment.

<b>Items/tasks</b>	<b>Estimated cost/year (USD)</b>	<b>Remark</b>
Project Coordinator	14,400.00	1 coordinator =1,200 USD/month, coordinating the overall activities during the ERPA Period. The payment per month is estimated from the current salary scale employed by most projects implemented in Oromia Regional State and considering needed adjustments to compensate cost of living.
MRV (4 specialists)	48,000	Specialist =1000 USD/month, (working on measuring, reporting and verification of performance and other related tasks in the unit). The payment per month is estimated based on the salary scale used by most projects implemented in Oromia Regional State and considering needed adjustments to compensate cost of living.

<b>Items/tasks</b>	<b>Estimated cost/year (USD)</b>	<b>Remark</b>
Forest Resource assessment & MRV Specialist	12,000.00	1 Specialist =1000 USD/month, (working on facilitating and supporting sectors in forest management and other related tasks in the unit). Rate of payment same as above
Livestock MRV (2 specialists)	24,000	These are needed for data collection and ER monitoring from the livestock sector (ERPA phase two) – to be positioned in the MRV Unit to be established in Oromia BoA.
4 Safeguards specialists (2 environment & 2 social)	48,000.00	The same rate as above
Financial Management Specialist	12,000,00	1 Specialist =1000 USD/month; at regional level financial management specialist is required to be located at regional BoF
Drivers 3	14,400.00	One driver = 400 USD/month; staff number in the PIU (regional) will be increasing soon and due intensive nature of BSP implementation activities at field level including monitoring, having three drivers in the Unit will be mandatory
Lab top, tablet, and other equipment	5,000	For yearly maintenance cost – procurement of new equipment will not be done.
Internet Airtime	2,000.00	
MRV activities Supervisions and other activities	68,250.00	Working in measuring performance and related MRV tasks in the unit. MRV activities are technically complex and often require ground level measurements and ground truthing, thus the operation is costly and require an estimated budget amount of 68,250.00 USD/annum. With experience the amount can be adjusted as appropriate.
E&S Safeguards Supervision and monitoring	20,000.00	The assumption here is OLFP-ERP will be implemented in a participatory and transparent manner. However, as ESRM activities need closer support and intensive supervision, allocation of supervision cost is mandatory, hence a lump sum of 20,000 USD/annum is allocated. With experience the amount can be adjusted as appropriate.
Environmental and social audit	15,000.00	The assumption here is OLFP-ERP will conduct regular E&S audit by engaging a local consultant, and the amount given here would be adjusted going forward based on market situations.
<b>Operational cost</b>		
Stationery	2,000.00	
Vehicles maintenance including fuel, insurance, and lubricants	18,000.00	Estimated based on current use @6000 USD/car/year and taking in consideration the current and future inflation rates (for tyre and related vehicle maintenance).
<i>Sub total</i>	291,050.00	
Contingency (5%)	14,552.50	5% of total cost
<b>Minimum value per year</b>	305,602.50	

**Note:** These costs may change over time, and the estimate provided in this table is based on current price estimation for similar operation in Oromia. The cost for period up to June 2025 will be covered from the new operational grant TF0B9878-ET, therefore no deduction from gross ER benefit is expected for this period.

#### **IV. Eligible beneficiaries**

8. The benefits received from RBP will be shared among beneficiaries eligible for sharing. The BSP involves a two-tier process: vertical and horizontal sharing. Vertical share refers to the sharing of the benefit between the community and private forest developers on one side and governments (Federal and Regional) on the other side. Horizontal share refers to the distribution of community's allotted share among the communities across the forested landscapes in Oromia.
9. The major eligible beneficiaries identified are (i) the community that resides nearby and inside forest, and (ii) Federal and Regional governments (Table 3), (iii) private forest developers are also eligible in sharing of the benefit. Private developers encompass those licensed as individual investors, private corporations, as well as business associations and cooperatives (e. g. *SMEs*) who have developed forests on own land or land received for this purpose in the form of lease or other arrangements within the landscape of Oromia. The Federal Forest Proclamation (Proc#1065/2018) defines Private Forest as “forest other than state and community and developed on private or institutions’ holdings. However, very few such endeavours exist today in the region; as a result, small proportion of the allocated benefit (5%) would be used to benefit them. The benefit allocated for private sector is meant to encourage private forest development activities in the region and support establishment of new forest and forest management operations that enhance delivery of emission removal. For the private sector to benefit from the ER payment, requirements<sup>5</sup> such as allocation of a matching fund, proper application of the OFLP’s safeguards instruments, size of job and livelihood improvement options created, and, women and youth benefitted from the employment opportunity, and adoption of Corporate Social Responsibility (CSR) could be criteria for selection of proposals. Moreover, forest developed by a private sector should fulfil the

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<sup>5</sup> *Criteria should be developed for the matching fund by ORCU and/or the OFLP Steering Committee (SC). The criteria may include but not limited to equitable access to ER (if many private sector applicants exist), size of job created and other community development plans, gender and age of the applicant(s) (e.g., group of youth applying for self-employment), etc.*

definition of ‘forest’<sup>6</sup> adopted nationally and adopted by OFLP and totally should not be less than 5 ha to be included in call for proposal. All other tree planting practices that don’t fulfil the definition of forest will not be rewarded. Call for proposal for private sector forest development will be announced by ORCU/OEPA annually by using popular media (either electronic, printing materials or both). In order to access from the 5% allocated benefit, the proposals submitted by the private sector will be assessed by OEPA/ORCU’s experts mainly in the lights of contribution to generating additional ERs and whether it is aligned with OFLP safeguards instruments, among others. The experts forward their recommendations on the proposals to OFLP Steering Committee (SC) which will ultimately select and approve the winning proposals. Whenever private sector developers are absent the share goes back to the community’s share. The share of each PS investors from the total 5% will be determined based on the total forest area developed by each and calculated relative to the overall regional performance in forest development plus amount of matching fund each PS allocates. OEPA/ORCU will be responsible to conduct and document potential list of eligible PS projects in forest sector (see para 23 section IX below for the formula for benefit allocation for the PS)

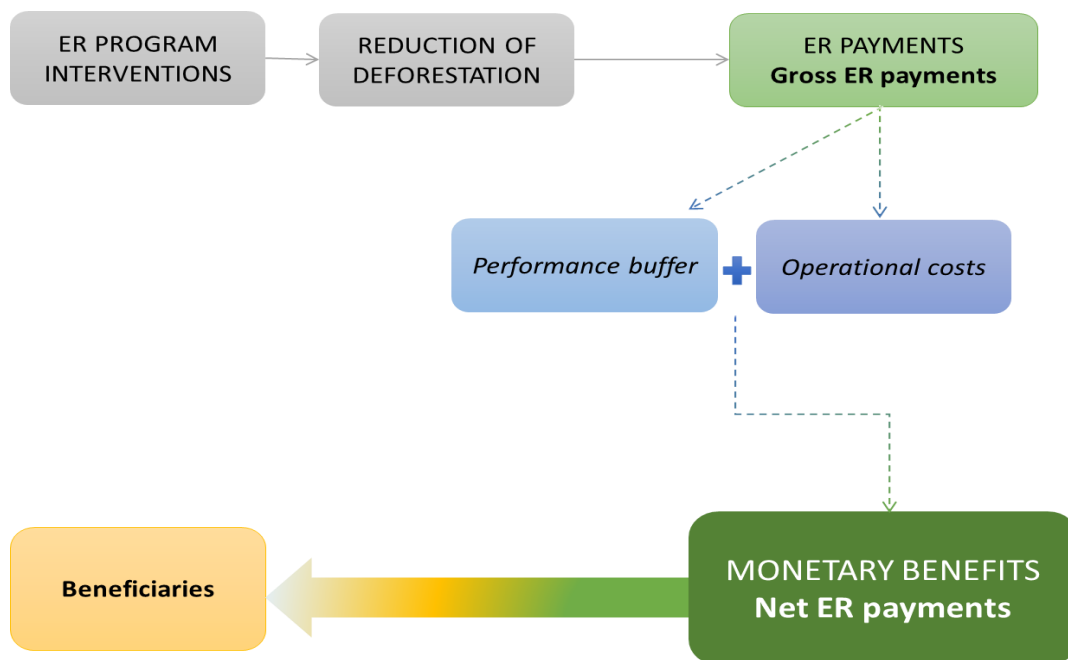


Figure: 2. Funds Flow

<sup>6</sup> Land spanning at least 0.5 ha covered by trees and bamboo, attaining a height of at least 2m and a canopy cover of at least 20% or trees with the potential to reach these thresholds in situ in due course.

## V. Vertical share

10. This is a sharing of the ER payment between government, communities, and the private forest entities. Government in this context refers to the federal republic of Ethiopia and the Oromia National Regional State, whereas communities refer to those who live within the boundaries of Kebele (government’s smaller local administration unit) and engage in development and management of forests either legally or customarily, and private forest developers as defined above that fulfil the benefit sharing criteria. Neither the Forest Law (Proc# 1065) nor the Rural Land Administration Proclamation (Proc# 456/2005) defines what constitute “community” in legal terms. FMCs are organized based on their interest and historical relationship with the forest; in Oromia, their boundaries coincide with the kebele’s legal boundaries. Community(s) not organized as “PFM/FMC”; their boundaries also be that of kebele boundaries. FMCs as PFM operators could be organized by government agencies, NGOs or government projects dedicated to this objective and are organized according to the “Cooperative Development and Promotion Law”, with regular oversight by local level Cooperative Office. The difference between communities organized as FMCs and communities not organized as FMC/PFM is, the former are legal members of both the FMC and Kebele, while the latter are only legal member of Kebele. For benefits coming as ER proceeds, both are eligible. NGOs or DP projects who operate within communities are not expected to be eligible for benefits. The share is set based on perceived rights, roles and responsibilities of the eligible parties (Table 3). The major responsibility of the eligible beneficiaries is mainly related to their contribution in relation to ER and removal expected at Oromia level. This vertical share is set at 20:75:5% (government: community: private forest developers).

**Table 3.** Eligible beneficiaries, proposed share, and their rights, roles and responsibilities

<b>Main categories of eligible beneficiaries (current and future)</b>	<b>Percept share of the beneficiaries</b>	<b>Rights, roles, and responsibilities</b>
Communities refer to those who live within the boundaries of Kebele and engage in development and management of forests either legally or customarily	75%	Customary and constitutional right of ownership, cultural and social responsibility of managing, protecting and developing the forest, and customary right of use and/or legally granted user right through PFM along with responsibility of managing and developing forests. Community will be represented by kebele which is the lowest unit of government’s administration.
Federal government (Represented by EFD)	5%	Constitutional right to own forests; responsibility to enact policies, regulations, develop national

Main categories of eligible beneficiaries (current and future)	Percept share of the beneficiaries	Rights, roles, and responsibilities
		strategies; representation in international negotiations and giving technical back-up to OFLP on fiduciary support, safeguards management and MRV process.
Regional government (sectoral bureaus in the land use sector)	15%	Constitutional responsibility to administer forests; responsible for developing regional policies (forest, land use, etc.), provide technical support on forest management including MRV process, budget (carbon fund) management, law enforcement, organizing and supporting communities and private forest developers,
Private forest developers (these could be individuals, or other beneficiaries – e.g., private investors)	5%	Investing in new forest development and/or management of existing forest in the form of A/R or area enclosure.

11. Governments in the context of this BSP comprises Ethiopian Forest Development (EFD) at Federal level and Oromia Environmental Protection Authority (OEPA) at regional level and other sectoral bureaus in the land use sector, both of which are coordinating OFLP activities at their respective governance hierarchy. Both are identified as government bodies eligible to lead formation of enabling environment and technical back-ups specifically to the success of OFLP. The 20% government share will be further shared between these federal and regional bodies according to the proportion of 5%:15% (Federal: Regional). This arrangement was set on the basis of roles and responsibilities played by both parties in the OFLP implementation (table 3). Funds should be used to promote activities that will generate additional emission reduction and to coordinate activities and policies among sectors. Next ER payment will be made when eligible beneficiaries present a technical and financial report of the use of the funds to OEPA who will be responsible for consolidating and reporting to all concerned parties.

12. The 15% share of Oromia regional state will be housed in Oromia Bureau of Finance (BoF) and managed by OEPA which will be responsible in identifying activities and actions in other sectors that reduce deforestation, forest degradation, and promote forest development. It will be mobilizing implementing sectors and coordinating activities at regional level involving institutions such as, BoA, BoL, BoWERD, OFWE and the Livestock and Fishery Resource Development Directorate under BoA. Investment options<sup>7</sup> mainly focus on addressing drivers of

<sup>7</sup> Investment option here refers to all possible menus of interventions such as A/R, climate smart agriculture, manure management, forage development, agroforestry, green gardening, intensive livestock management, watershed

deforestation and forest degradation and will be identified and prioritized at regional level using the criteria developed by the OFLP Technical Working Group (TWG) represented from each sector and approved by the OFLP Steering Committee. Call for proposals will be issued by OEPA/ORCU, and it will be communicated to regional implementing sectors along with the template describing sets of criteria that the proposal needs to fulfil such as its emission reduction potential, livelihoods improvement, employment opportunity, scalability, adoptability by the community/small holders, cost effectiveness, sustainability, meeting environmental and social safeguards requirements, etc. The guiding template with sets of criteria will be prepared ahead of time by OFLP Technical Working Group and approved by the Steering Committee. For the sake of evaluation purpose, each criterion will have a defined agreed point to be rated against 100%. The proposals submitted by implementing sectors will be evaluated by OFLP (TWG) using the already set criteria and selected proposals will be submitted by OEPA along with the technical evaluation prepared by OFLP TWG for review and approval by the OFLP Steering Committee. To ensure representation of other sectors, the OFLP Steering Committee is composed of heads of sector offices such as OEPA, Bureau of Agriculture (BoA), Bureau of Water, and Energy Resources Development (BoWED), Oromia Forest and Wildlife Enterprise (OFWE), Bureau of Land (BoL), Bureau of Finance (BoF), and Bureau of Women and Youth Affairs among others. OEPA will be responsible to coordinate the implementation of approved proposals financed from ER proceeds and compile and share the progress of activities implemented by each sector to the Steering Committee. The Steering Committee chaired by the Vice President (VP) of the region meets biannually to review progress and give direction to facilitate implementation of OFLP. Likewise, the utilization of share of EFD will be decided by the National REDD+ Steering Committee based on proposal prepared by EFD within the general framework of OFLP support (fiduciary, safeguards management and MRV process) that the EFD will be providing (see table 3). The underlying issue in utilization of the government share at governance hierarchy (Federal and Regional) is to ensure that it is used for activities that reduce GHG emission and at the same creating job opportunities to communities particularly to women and youth group.

## **VI. Horizontal share**

13. The 75% community share will be dispensed among the communities across Oromia. The horizontal benefit share involves a three-step process: first is the share among administrative

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*management, piloting of integrated land use plan, renewable energy, etc., from all relevant sectors, i.e. forest, crop, livestock, energy and the like, that are recognized to generate additional emission reduction and/or removal.*

zones; second is share among woredas in each zone and the third is share among kebeles in each woreda. This approach was chosen due to its suitability for forest governance and service provision to the forest managing communities. The zonal, woreda and kebele boundaries follow official map used in the Project Appraisal Document (PAD) /Project Implementation Manual (PIM).

Based on suggestions from beneficiaries' consultations: performance and forest area (Table 4) were selected as criteria to determine sharing of benefits among zones. Performance in this context refers to avoided deforestation (AD) and/or forest enhancement (A/R), while forest area refers to the forest coverage that exists in the zone at the time of performance monitoring compared to Baseline data. Delivering performance requires commitment, time, energy, and effective collective action to manage and restore forests. This should be rewarded with proportional positive incentive. Similarly, historical forest stewardship that contributed to preservation of forest for current and future generation should be valued and rewarded with positive incentive, which makes existing forest area an important criterion to consider.



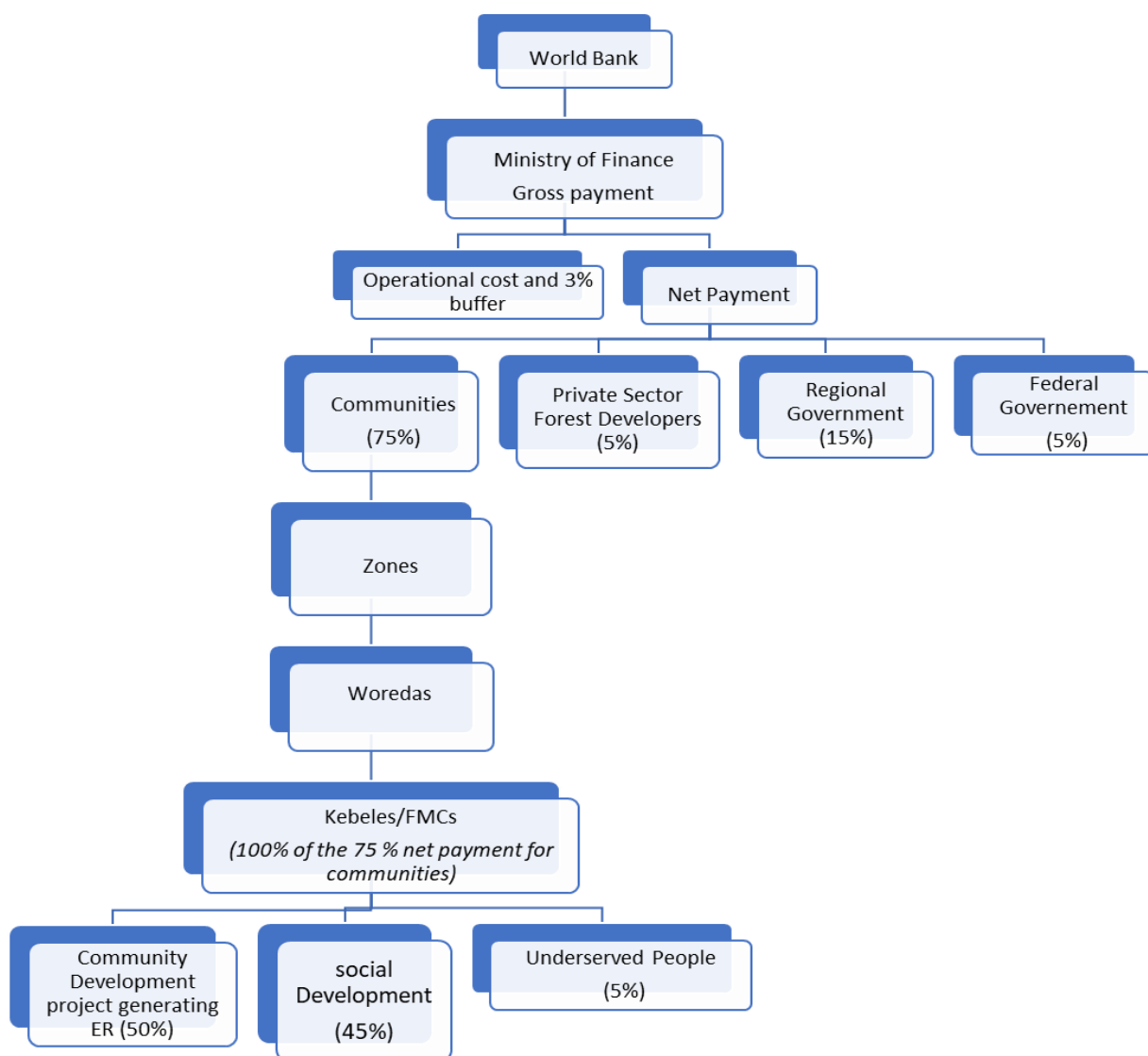


Figure 3. Beneficiaries of the Program

## VII. Performance

14. Based on recent sample-based area estimation of deforestation and baseline development work for all administrative zones in Oromia, the Project MRV team estimated 10.6 million ha of forest cover existed in 2007 (according to the revised national forest definition adopted in 2015), and this was reduced to 10.39 million ha in 2017, with 345,525 ha cumulative deforestation rate happening within the span of 10 years period, translating in to **net loss** of 24,690 ha forest per year (about 0.23 % deforestation rate) after deducting forest gain in the period. The contribution to the ER that generate payment from zones, woredas and kebeles in the region will vary depending on level of effort put to address the drivers of deforestation and other social, ecological and economic factors. Assessing the contribution of each of these administration units to the regional

performance enables to incentivise efforts put at each level in changing human forest interaction, i.e., determining corresponding result-based incentive. Therefore, avoided deforestation (AD) (in hectares) and/or forest development (A/R, also in hectares) delivered by each zone should be considered as a critical performance<sup>8</sup> indicator for sharing benefit from the ER payment. Performance at zonal level will be measured against the baseline for each zone determined separately using the same approach in line with the MRV procedure developed at regional level (see annex B for details on zonal baseline). In measuring the zonal level avoided deforestation and A/R in hectares, the same baseline and monitoring procedure should be applied with that used to determine the regional level performance. Determination of the zone level baseline and assessment of performance at all levels will be conducted by ORCU’s MRV unit following the national MRV protocol.

15. The weights attached to the above two criteria are 60% for performance and 40% for existing forest area (see table 5 for hypothetical example).

**Table 4.** Summary of criteria, rank and weight attached to each criterion for the horizontal share among zones as agreed during beneficiaries’ consultations.

Criteria	Justification	Rank	Weight
Performance <sup>9</sup>	Communities in different zones are expected to differ in their performances as a result of their internal strengths, experiences, and support services by government and non-government bodies and other socio-economic and political factors. Therefore, the benefit shared should reflect performance delivered aggregated at zone level.	1	60
Forest area	Communities in different zones manage different size of forest that reflects their historic forest stewardship; therefore, benefit share should reward communities according to the size of forest they manage.	2	40

16. Based on the criteria and weight attached to each criterion, the following equation (Eq. 1) will be used to estimate share of monetary benefit at zone level.

$$\text{Share of Benefit/Zone} = (\text{Total community share} * ((0.6 * \text{performance of the zone} / \text{total performance across Oromia}) + (0.4 * \text{Forest area of the zone} / \text{forest area in Oromia}))) \dots \dots \dots \text{Eq. 1.}$$

<sup>8</sup> Performance in this specific context refers the net reduction of deforestation (avoided deforestation) and forest development.

<sup>9</sup> For performance measurement at zonal level see section VIII above.

**Table 5.** Hypothetical example to demonstrate how the equation works to calculate horizontal share.

Variable	Unit	Quantity	Remark
Forest area of Oromia	Ha	10,390,000	As per recent forest cover estimate by ORCU for year 2017 – paragraph 14 above and Annex B
Forest area of zone n	Ha	400,000	
Performance at Oromia level	Ha	10,000	
Performance of zone n	Ha	1,000	
ERP*	USD	15,000,000	based on performance @ regional level done independent of this BSP at Phase I
ORCU operational cost	USD	611,205	Table 2. If performance is done every two years, hence, $305,602.50*2= 611,205$
3% performance buffer deduction (PBD)	USD	450,000	
Net payment	USD	13,938,795	NERP – (ORCU operational cost + PBD)
Community share of ERP (75%)	USD	10,454,096.25	$0.75*13,938,795$
Share for zone n			$= 10,454,096.25* ((0.6*1,000/10,000) + (0.4*400,000/10,390,000)) = \mathbf{788,232.82 USD}$

17. There could be a condition where performance at Oromia scale doesn't exist, while some zones still showing positive performance. Since OFLP is designed as jurisdictional level ER program, no benefits shall be expected even for the performing zones under such a circumstance. However, an arrangement could be made to use funds set aside as buffer to reward the zones that performed well, in case of landscape non-performance. However, for this buffer to be created, ERs need to be generated first – meaning, if there is no first-time verified ER generation at jurisdictional (regional) level, arrangement will be made for performing zone(s) to be rewarded retroactively from future fund to be set aside as buffer as soon as positive emission reduction attainment by the project. The amount for reward for performing zones depend on factors such as: amount of performance buffer fund available, number of performing zones and level of performance of each performing zone, and existence (no existence) of other compensation demands from other zones affected by natural factors such as forest fire, droughts, etc., as the 3% performance buffer is also aimed to compensate for such situations. The OFLP Steering Committee will be the authority to evaluate and approve the proposal to reward eligible zone(s). Depending on the amount of reserve fund available and considering factors indicated above, the OFLP Technical Working Group will propose the percentage amount to be rewarded to performing zones each according to its performance level and subsequently, submit the proposal to the OFLP SC for its endorsement. A modification of the formula given above in paragraph 16 can be used to calculate the share of

performing zones from available performance reserve. Any grievance arising on use of performance buffer fund will be resolved based on the GRM arrangement established for OFLP-ERP. Conversely, when performance is achieved at regional level, zones that did not perform (zero performance<sup>10</sup>) should still benefit from the overall payment based on their forest area criterion alone (see equation above and table 6 below). This is essential to motivate zones to work hard to deliver performance in the future and also reward their stewardship. Zones with negative performance will not be rewarded.

**Table 6.** Hypothetical example to demonstrate how the equation works if there is jurisdiction level achievement but zone fail to perform (zero performance).

Variable	Unit	Quantity	Remark
Forest area of Oromia	Ha	10,390,000	
Forest area of zone n	Ha	400,000	
Performance at Oromia level	Ha	10000	
Performance of zone n	Ha	0	
ERP	USD	15,000,000	based on performance @ regional level done independent of this BSP
ORCU operational cost	USD	611,205	Table 2. If performance is done every two years, hence, 305,602.50*2= 611,205
3% performance buffer deduction (PBD)	USD	450,000	
Net payment	USD	13,938,795	NERP – (ORCU operational cost + PBD)
Community share of ERP (75%)	USD	10,454,096.25	0.75*13,938,795
Share for zone n		=10,454,096.25*((0.6*0/10000) + (0.4*400,000/10,390,000)) = <b>160,987 USD</b>	

## VIII. Sharing within zones

18. As indicated above, performance is measured, and reward is provided at zonal level. However, the forest is managed at community level, which demands for a mechanism to distribute the zonal level share further among woredas in each zone and kebeles in each woreda. For this, objective criteria should be applied to minimize MRV related costs. Hence, area of existing forest (50%), forest development<sup>11</sup> (30%) and number of Forest Management Cooperatives (FMCs) (20%) are

<sup>10</sup> Zero performance will happen under the condition where the net gain in avoided deforestation (forest loss in ha) and/or forest development (forest gain in ha) equals the reference level during a given monitoring cycle, hence zero net gain over the reference level.

<sup>11</sup> Forest development in this case refers to area of forest gain in evaluation period as compared to the reference period. The gain may be achieved from A/R or rehabilitation of degraded site, and it is expressed in hectares.

proposed to serve as criteria for sharing benefit among woredas in each zone<sup>12</sup>. These criteria were suggested because they show effort of community in forest management. For instance, number of FMCs was suggested to be a criterion since it shows the level of effort put by the community in the woreda to actively engage in ER activities. The use of such criterion will motivate others to organize in that line to manage forests. For benefit distribution among woredas and kebeles using quality data considering total forest area and forest development (A/R, enrichment planting and rehabilitation) as proxy indicators, ORCU/OEPA will rely on the critical mass of MRV specialists. The MRV Specialist will be deployed using ER proceeds set aside from the gross ER payment as operational cost, to collect data and analyze (GIS/remote sensing, on ground measurement using GPS particularly from new forest development area, data from forest management information system (FMIS) repository, and data collected by various implementing entities including OFWE, OEPA, BoA, NGOs, CBOs, etc.) and produce quality maps with acceptable error margins to be used to determine performance in each woreda and Kebele.

19. The MRV teams need to receive regular capacity building training and be equipped with the required technologies to enhance their MRV capabilities. The national MRV unit and the National Geospatial Information Agency will assist in this capacity building exercises particularly on forest inventory and quality map production.
20. The proxy for forest development is the number of planted seedlings in the form of enrichment planting, A/R and/or gain in forest area through rehabilitation activities. Area of each forest enrichment and A/R activities will be measured using GPS and clear demarcation of these sites will be determined and submitted to Zonal and Regional OEPA offices for continuous monitoring. In support of this, online data submission system is to be developed and aggregated upwards to the central data base using mobile data submission mode such as ODK or ArcGIS online. Survival of the seedlings is a key factor to consider as planting alone won't bring a success. Therefore, the criterion considers the seedlings that survived for at least two years after planted. Forest area refers to the size of natural forest in each woreda following the definition of "forest" in Ethiopia. Forest monitoring and mapping is conducted for each reporting period (RP) during the two ERPA phases. Phase one has two reporting periods, where the 1<sup>st</sup> monitoring period covers two years and the 2<sup>nd</sup> one covering just one year, during these periods, measurement and reporting will be conducted at Jurisdictional level. Whereas there will be continuous monitoring and mapping of A/R and PFM activities on yearly basis across the jurisdiction. To avoid double

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<sup>12</sup>Zonal level forest cover assessment will be done by ORCU MRV Unit following the same approach applied to estimate zonal baseline –see details on zonal baseline in annex B.

counting, forest area does not include newly developed and rehabilitated forest within the monitoring period. The total area of A/R (ha) is determined: multiplying number of seedlings planted with spacing between seedlings (m<sup>2</sup>) divided by 10,000 and multiplied by % of survival rate. The spacing between tree species depends on many factors, including species, objective, weed competition, soil moisture etc<sup>13</sup>. The data on those criteria is always updated by OEPA/ORCU MRV staff.

21. Based on the criteria and weight attached to each criterion, the following equation (Eq. 2) can be used to determine share of each woreda in zones (see also table 7).

*Share of benefit/woreda x = total community share of zone n \* ((0.5 \* forest area of woreda x/total forest area of zone n) + (0.3 \* area of forest developed of woreda x / total area of forest developed in zone n) + (0.2 \* number of FMCs in Woreda x / number of FMCs in zone n)).....Eq. 2.*

**Table 7.** Hypothetical example to demonstrate how the equation works to calculate share of woredas.

Variable	Unit	Quantity	Remark
Forest area of zone n	Ha	100,000	
Afforested/reforested and rehabilitated area of zone n	Ha	100	
Number of FMCs in zone n	Number	50	
Community share for zone n	USD	788,232.82	Table 5
Forest area of Woreda x	Ha	5000	
Afforested/reforested and rehabilitated area of woreda x	Ha	20	
Number of FMCs in woreda x	Number	10	
Share for Woreda x		(((0.5 * 5000/100000) + (0.3 * 20/100) + (0.2*10/50)) * 788,232.82)) = <b>98,529 USD</b>	

**IX. Sharing within Woredas**

22. For the benefit to reach to the community, the woreda level share needs a further sharing among kebeles within each woreda. Forest area (60%) and forest development (40%) are the criteria and weights assigned to share benefit among kebeles within woreda. The share per kebele is calculated using the equation below (Eq. 3). Most benefit may likely go to the FMCs or kebeles with larger area of forest. However, non-forested kebeles may receive benefit if they engage in forest development during the monitoring period.

23. The above methodology for benefit calculation also applies to determine share among the private sector actors. However, the share of PS is not included in the share allocated to communities; as

<sup>13</sup> Spacing is 2m for fuel wood, maximize yield, short rotation, no small size limit and 4.5 m for Sawn timber, large log size 30 cm+ in DBH, long rotation, regular thinning.

specified above, it is calculated from the overall net benefit disbursed to BoF, the percentage being 5% of the total net benefit. The key criteria to be used for benefit calculation among the PS are total forest area developed (80%) relative to total regional size of forest development and matching fund contributed (20%). The full value (100%) of the matching fund will be determined by the OFLP Steering Committee. The share of PS is calculated using the equation 4 below (Eq. 4). More criteria however could be used to evaluate and allocate funding on competitive basis for projects proposed by the PS during project appraisal by OEPA/ORCU, such as: number of employments to be created, gender equity, age of applicant, potential for more ERs, etc.

*Share of benefit/kebele = total community share of woreda n \* ((0.6 \* forest area of kebele x/total forest area of woreda n) + (0.4 \* area of forest developed of kebele x / total area of forest developed in woreda n))....Eq. 3.*

*Share of private sector (X) = 0.05\* total net regional benefit \* ((0.8 \* area of forest developed by PS (X)/total area of forest developed at regional level) + (0.2 \* percentage of matching fund contributed/100)....Eq. 4*

## **X. Disbursement mechanism**

24. Out of the estimated 10.39 million ha of forest estimated existing in Oromia (see paragraph 14 above and annex B for regional forest cover estimate provided by ORCU), only around 1.3 million ha is put under PFM so far. Although the use of PFM cooperatives as agent of benefit disbursement was suggested during stakeholders' consultations, the fact that most forests have not been put under PFM means other disbursement mechanism should be sought. The second option identified to serve this purpose was to employ the government structure used for fiscal budget disbursement. Under this proposition, the Ministry of Finance (MoF) receives the RBP in an independent account and keeps the 3% performance buffer for risk management and deducts the operational cost as described above. ORCU/OEPA officially communicates the BOF detailing share of all eligible beneficiaries from the net payment as per the OFLP monitoring result. Accordingly, BoF transmits this disbursement request to MoF. Then MoF transfers the share of federal government to the account of EFD and the remaining net benefit and the operational cost to Oromia BoF. The rationale for using this channel (MoF-BoF) – the government's Channel One fund flow mechanism is due to the fact that: (i) It is an established fund channelling system already in place used for government fiscal disbursement, (ii) no additional cost is required for fund channelling, and (iii) as proven and well-established system, would ensure speedy ER fund disbursement to beneficiaries at lower level. The Oromia BoF, being officially communicated on

the amounts of shares to each entity in the region (by ORCU/OEFA) as decided by the OFLP Steering Committee, disburses operational cost to OEPA's account. Moreover, Oromia BoF disburses share of FMCs to their respective account and the shares of kebeles without FMCs to the respective Woredas' Office of Finance (Figure 2). The share of private forest developers (5% of the net) will be kept at BoF and will be disbursed to eligible private sector, after being officially communicated by OEPA as decided by the OFLP Steering Committee. BoF will release the portion of the share of Oromia regional state (15%) to respective eligible sector bureaus implementing the winning proposals based on the decision of OFLP Steering Committee which determines the specific activities and sectors that leads them. OEPA's lower administrative level units will oversee the proper disbursement and utilization of the shares at the respective sector administrative level (see figure 4 and 10) below on the overall governance structure of the OFLP and the responsibilities of each key institution in the program implementation including the BSP).

25. The Woreda Office of Finance funds community action plans in accordance with the instruction provided by ORCU/OEPA for the respective kebele<sup>14</sup>. Sector offices related to the approved action plans (as decided by the Woreda Steering Committee) will oversee the implementations of the community action plans that fall under their mandate in a coordinated manner. The Woreda Cooperative Promotion and Development Office is responsible to supervise the utilization of the FMC money through evaluating FMCs' business plan jointly with relevant sectors. The Woreda Cooperative Promotion and Development Office has mandated to examine and audit expenditure of FMC against their business plan and report the findings to the next higher administrative level (Zonal Cooperative and Development Office). Furthermore, it provides required financial management trainings such as, bookkeeping and other skills to FMC and kebele offices as needed.
26. Concerning the share allocated to the private forest developers, ORCU/OEPA experts evaluate project proposal based on set criteria and approved by OFLP Steering Committee and then the OEPA notifies the Oromia BoF to transfer funds for the winning investment projects/proposals based on private sectors' action plans. The schedule of payment will be based on performance status indicated in their technical and financial reports. ORCU/OEPA will oversee the implementations against the action plans and receive technical and financial reports.

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<sup>14</sup> Fund is not transferred to kebeles, and rather approved projects will be funded through the supervision of development agents and ORCU/OEPA.



27. The OFLP Steering Committee will oversee the entire use of the ER payment at regional level and the EFD and the National REDD Steering Committee are overseeing at national level. The OEPA hosting ORCU will provide annual update to EFD and World Bank on the use of the ER benefit that has been transferred to the region while the EFD will provide annual update to the World Bank and other concerned bodies such as MoF on the overall use of the ER benefits including the use of benefits at EFD level. Next transfer of benefit to eligible users of the benefit depends on acceptable technical and financial report of beneficiaries of the preceding share of benefits. EFD will follow up with OEPA/ORCU and receive physical and financial reports on the utilization of the share of benefits and submit comprehensive report to all concerned entities.

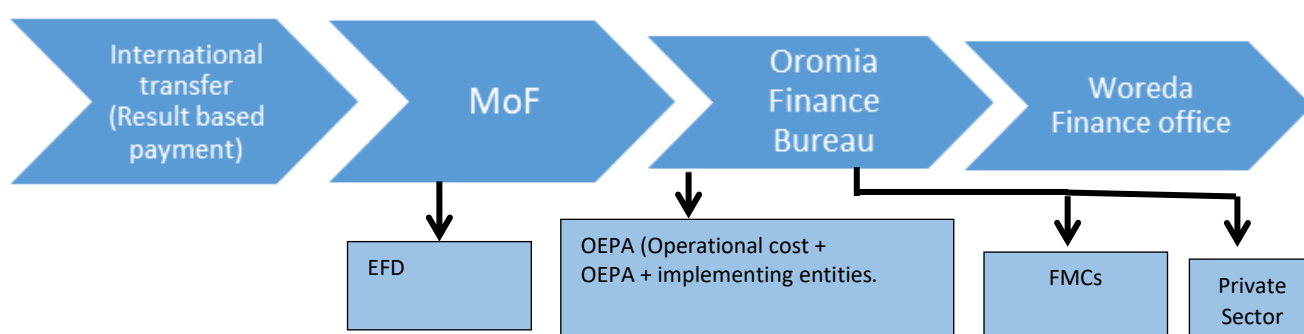


Figure 4. Flow of share of result-based payment

## XI. Potential uses of the benefit

28. In Oromia, there are more than 300 woredas. Each woreda on average consist of 20 kebeles, of which about 35% estimated being forest-dependent communities. Based on the 2013 EC (2020/21 GC) Central Statistics Authority's (CSA) projection, the population of Oromia may have reached to 33,691,991 in 2015. The demographic figures show almost a50:50 ratio of men and women, dominated by more than 50% young and dynamic population group (CSA, 2013, BoF, 2013). Oromia is home for more than 88% of the ethnic Oromo. Whereas twelve percent of the population of Oromia belongs to other different ethnic groups (Amhara, Hadiya, Sidama, etc). More than 87% of the people in Oromia live in rural areas while 13% reside in urban areas. But it is difficult to compartmentalize these layers of the community into simple arithmetic numbers at the Kebele and village levels. Socio-economic situation of majority communities/beneficiaries depends on forests to support their livelihoods through agriculture, agro-pastoralism and pastoralism.

29. During consultations dedicated to this BSP preparation, communities have identified investment options (proposals) for use of the ER payment. The consensus was also that the benefit will not be shared among individual households and rather it will be invested on activities/projects that will ensure communal or collective benefits as well as generate further additional ERs. The long list of investment options identified during the community consultations were sorted into the two categories as presented in Table 8. The categorization is based on environmental and social safeguard principles of OFLP. Of the total ER payment (75%) that would be received at community level (kebele or FMC level), 45% would be invested on social development and livelihood improvement activities, while 50% will be invested on land use and related activities that generate more ERs. The remaining 5% of the share received is dedicated to underserved social groups in the form of revolving fund. This will serve poor households or individuals and youths in the communities. In parts of Oromia National Regional State, the pastoral, agro-pastoral and forest-dependent communities meet the World Bank OP 4.10 policy requirement. In addition, orphans, pregnant and lactating mothers, elderly households, and other labour-poor, high-risk households with sick individuals, such as people living with HIV and AIDS, and the majority of female-headed households with young children, Polygamous households, Unemployed Rural Youth, and Occupational Minorities ((some of the excluded in Oromia encompass, the Idig (smiths), fuga (wood workers), kallu (tanners) and potters (who produce basic day to day implements to farm production and home use)) are categorized as a vulnerable groups. As per the Benefit-sharing Plan, 5% of the ER earnings (assuming the total ER proceeds in the 1<sup>st</sup> ERPA phase minus operational cost and 3% buffer is approximately US\$ 14 million, the share that goes to communities would be US\$ 10.5M; the 5% that goes to vulnerable groups would be approximately US\$ 525,750), which will be dedicated to serve the underserved communities in the form of revolving fund. These investments should be designed carefully not to result in negative impacts, i.e., emission increase rather than reduction. The revolving fund will be hosted at woreda finance office and coordinated by woreda OEPA office and managed by micro finance institution (MFI) operating in the woreda. Eligible projects to be financed by this fund are already identified through forest dependent community consultations and will further be updated as deemed necessary.

30. In kebeles with FMC, all households may be members of the FMCs since membership is open. However, under a situation where there are some non-FMC community members, they could

benefit mostly from the 45% share meant for social development that serves all communities in the kebele.

Table 8. Proposed list of potential uses of the benefit at community level. This list is screened from the long list of activities suggested during the community consultation.

No	Activities used to generate ERs	Social development/livelihood improvement
1	Seedling production for income	Maintenance of school
2	Coffee outside forest	Maintenance of clinic
3	Tree planting for income and own consumption	Maintenance of road
4	Fuel saving stove	Bee keeping
5	Fruit tree planting	Fattening (intensive and through cutting and carry system)

31. Once the share of the community is known, detailed action plan on the potential uses needs to be prepared by the community with the facilitation of woreda level OEPA office and development agents with technical support from the regional OEPA/ORCU. The action plan will be evaluated and approved by Woreda OFLP Steering Committee. This also applies to FMCs’ action plan oversight and approval process. Financial records of the FMC are documented at FMC office level and audited by the woreda Cooperative Promotion and Development Office. Whereas the financial records of non-FMC community projects will be documented at woreda OEPA Office and audited by the government auditor, like other government managed development activities. The potential of the action plans in ER (e.g., measured in area of A/R), number of beneficiaries and sustainability of the planned actions can be possible criteria to compare among different action plans presented. Evidently, the amount of benefit received may not match the development need of the community. Community, with the support of concerned offices and partners, need to prioritize where and how to invest based on needs and amount of share received. The community could also think of investing in projects that serve the wider community, including communities beyond a single kebele. Under such circumstances, shares of multiple communities can be pooled together for the investment but through a participatory dialogue and negotiation. Such investments need to be facilitated and assisted by woreda level experts and NGOs working in those areas.

## **XII. Grievance Redress Mechanism**

32. As part of risk mitigation measures, the OFLP should allow citizens present any complaint or grievance they have in a formalized, transparent, cost-effective, and time bound manner. All

program affiliated people across Oromia should be informed about how to register grievances or complaints, including concerns on any specific activities of OFLP. According to the program’s Strategic Environment and Social Assessment (SESA) of 2015 document, arbitration by appropriate local institutions such as Local Authorities or community leaders is encouraged as grievance redress mechanism (GRM). It also states that the Program would make use of the existing kebele, woreda, zonal and Regional Public Grievance Hearing Offices (PGHO). Where satisfactory solutions cannot be achieved at such levels, the aggrieved party may escalate the matter to the existing court system.

33. Regarding grievance related to BSP the recommendation from the consultations held was to resolve issues first at community level using elders, Gada and religious leaders. If not resolved at these levels, the case can be escalated to formal court system (Figure 5). It was suggested that grievances should be actively managed and tracked to ensure that appropriate resolutions and actions are taken effectively and timely. There should also be proper documentation at every stage of the arbitration. Proper follow up on the implementation of the proposed corrective actions needs to be made and the complaint should be informed of the outcome. Any complaint arising from BSP should be lodged to OEPA/ORCU at woreda level and it is also the responsibility of the same office to follow up on the process and give necessary feedback to all involved.



Figure 5. Grievances redress mechanism for BSP of OFLP

**XIII. Monitoring the implementation of the BSP**

34. Monitoring of implementation of the BSP will be realized across implementing institutions and administrative layers in Oromia down to kebele levels. Key BSP activities to be monitored include, (i) ER benefit measurement and allocation based on the role each implementing sectors plays and performance achieved in generating ERs at zonal, woreda and kebele/FMC levels, where main beneficiaries are local communities and the private sector; (ii) the process and speed at which disbursement of ER proceeds at every level is being carried out (fiduciary process); (iii) ER fund utilization by beneficiaries at all levels; (iv) the type of benefits received by community

and percentage of women beneficiaries from the total; and (v) compliance of environment and social rules by development and social projects financed from ER benefits. It is important to note that the MRV process of accounting and reporting total ERs generated from the whole of Oromia (jurisdiction) is a separate process from those activities of BSP implementation, hence won't be part of this monitoring.

**(i) Monitoring of ER benefits measurement and allocation:** ER benefits measurement and allocation will be done based on detail procedures as elaborated in section IV-IX above. The main responsible body for monitoring and ensuring that benefit allocation reaches to beneficiaries in full and on time falls on OEPA/ORCU. The key monitoring indicators are:

- a. Amount of benefits allocated for each zone, woreda and Kebele/FMC, regional implementing institutions and the private sector calculated using the established methods as above.
- b. Performance scored at each level (each zone, woreda kebele/FMC and private sector level) as per established criteria for performance measurement in section VII and VIII above.

**(ii) Disbursement monitoring of ER proceeds:** on time disbursement of ER benefits will be done based on the mechanism outlined in section X above. Monitoring of its effectiveness and efficiency will be carried by MoF (national and Oromia BoF levels); by BoF (within regional implementing sectors institutions, woredas, FMCs and the private sector levels); by the Woreda finance Offices (on the budget disbursed to each kebeles); by OFLP SC (overall disbursement at regional level); EFD (overall disbursement at national level) and OEPA/ORCU (the physical and financial progress on ER benefits disbursement at regional level). The following monitoring indicators will track progress:

- a. Amount of ER proceeds disbursed at each level (national, regional, woreda and kebele/FMC)
- b. Average time spent to disburse (national to local levels)
- c. On time submission reports by each responsible body

**(iii) Monitoring ER fund utilization:** Net ER proceeds utilization by beneficiary differs at each level. ER benefits at national level (EFD) will be used for supporting the MRV, E&S safeguards and related fiduciary support; at regional sector institutions level, it will be for overall coordination and for projects that generate more ERs; and at community and private sector level, it will be for social projects and projects that generate more ERs (detail on ER fund utilization is

given in section XI above). Responsibility of monitoring the progress, effectiveness and efficiency of ER benefit utilization falls on EFD, OFLP SC, OEPA/ORCU, and the respective woreda OEPA offices/woreda level cabinet/woreda SC. The following monitoring indicators will track progress:

- a. Number of quality projects appraised by OEPA coming from implementing sector institutions and the private sector for approval by the OFLP SC
- b. Number of quality projects approved by OFLP SC
- c. Number of quality projects appraised by woreda OEPA offices/woreda cabinet/woreda SC coming from kebeles/FMCs.
- d. Number of periodic physical and financial progress reports submitted by beneficiaries at each level.
- e. Type of benefits received by each beneficiary and % of women beneficiaries at every level from total beneficiaries eligible to receive benefit.

**(iv) Monitoring environment and social safeguards compliance:** E&S safeguards compliance including GRM implementation monitoring will follow the procedure detailed in OFLP's E&S safeguard instruments (see section XI and XII for more on this). The responsibility of monitoring compliance rests largely on OEPA/ORCU safeguard specialists existing at every level (region, zone and woreda level). Key E&S safeguards compliance monitoring indicators are those specified in the OFLP's safeguard instruments<sup>15</sup>.

#### **XIV. Legalizing Benefit Sharing Plan**

35. The Federal Forest Development, Conservation and Utilization Proclamation (no. 1065/2018) defines forest carbon as a non-timber forest product (Article 2(18)). In its article 5 (1c, 1e, and 1f) and article 9 (1a) the same proclamation states that forest developers have the right to sell forest products, benefit from carbon sales and transfer of carbon possession rights. However, policy frameworks that specifically stipulates title transfer rights to ER and the development and operationalization of the BSP has been lacking so far.

36. At the regional level, the establishment of OEPA (Article 37 of Proclamation No. 213/2018) has mandated it to facilitate community benefit from ER payment (Article 37(6)). The regulation to establish Oromia Forest and Wildlife Enterprise (OFWE) (No. 122/2009) also states that the

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<sup>15</sup> OFLP Safeguard Instruments are available at: <https://www.biocarbonfund-isfl.org/programs/oromia-forested-landscape-program>

utilization of the revenue obtained from ER shall be in accordance with the regulation to be issued by the regional government of Oromia. But such regulation is yet to be issued.

37. However, the National Government, based on provisions of the new federal forest law (Proc# 1065/2018) is preparing a forest regulation expected to clarify better ER ownership coming from the forest sector including on the right of transferring of titles to ER through transactions. The forest regulation is expected to come into effect within short period of time and is also to include articles on Benefit Sharing Plan (arrangement) for ER coming from the forest sector. For ER coming from the other sectors (livestock and crop), a separate legislation (regulation) would need to be prepared and issued within 1-2 years period by the Government, which will guide the implementation of the ER in the second ERPA phase. With these, the OFLP BSP would have full backing from government's policy and legal frameworks.

## XV. Annex

### *Annex A - Summary of community consultation conducted for developing Benefit Sharing Plan of Oromia forested landscape program.*

#### Approach

##### *Consultations with grassroots community*

A total of 108 consultation meetings on this BSP were held with communities across Oromia Regional State. A total of 4647 community members, 3435 men and 1212 women, participated in the community consultations (Table 1). The consultations focused on eligible beneficiaries and their roles and responsibilities, vertical and horizontal shares and criteria to employ for benefit sharing, benefit disbursement mechanism and grievance redress mechanism. In each consultation meetings, introduction to the programme and objectives, goal and the need for community consultation were discussed first. This has facilitated informed and active participation of the community in the BSP discussion and accordingly participants of the consultation meetings proposed a mechanism that was felt fair, equitable and effective. Extensive review of literature on National and international experiences on BSP in REDD+ and NRM in general was also conducted and presented and discussed during the consultations.

**Table 1.** List of administrative zones, woredas and kebeles where community consultations were conducted and number of participants in each consultation.

No	Zone	Woreda	Kebeles	Number of participants		
				Male	Female	Total
1	W.Shewa	Dandi	Gare Arera,	105	49	154
			Dano ejersa Gibe	66	15	81
		Jibat	Tuta-Jibat,	41	8	49
			Abeyi-Reji	112	91	203
2	Guji	Adola	Maleka,	81	74	155
			Anferara	253	85	338
		Wadera	Danisa Worasti,	119	31	150
			Borema	165	66	231
3	W.Haraghe	Gemechis	Sororo,	96	33	129
			Maderia	75	20	95
		Chiro	Chiro Qala,	64	41	105
			Najabas	53	45	98
4	Buno Bedelle	Dhidhessa	Esiya,	89	29	118
			Jamiya	81	11	92
5	Illu Ababor	Bacho	Tulu-Sona,	51	36	87
			Walgahi-Kubsa	150	68	218
6	Jimma	Sigimo	Aterkeda,	110	40	150



No	Zone	Woreda	Kebeles	Number of participants		
				Male	Female	Total
		Gera	Yadesso	73	31	104
			Sadi-Loya,	110	30	140
			Kecho-Anderacha	128	59	187
7	E/Wollega	Gudeya	Hena Jawo Ja,	325	129	454
		Bila	Bilo Ejere	133	42	175
		Diga	Arjo Konana Bula,	107	40	147
			Bikila	200	65	265
8	Kelem Wollega	Anfilo	Duli	235	21	256
		Sayo	Alako Kusaye	137	13	150
		Yamalagi Walal	Gurati Walal,	138	0	138
			Burka Lomicha	138	40	178
<b>Total</b>				<b>3435</b>	<b>1212</b>	<b>4647</b>

### ***Results of the beneficiaries' consultations***

#### **Beneficiaries of OFLP carbon payment**

The result from the consultations held with communities unanimously identified government and community as the two eligible beneficiaries to share the financial benefit obtainable from the Emission Reduction Payment (ERP). For instance, in 86% of the community consultation meetings held with communities across Oromia, community and government were identified as the beneficiaries eligible for sharing the benefit (Table 2). The eligibility of the community depended on the basis of customary and constitutional rights as well as because of their responsibility of managing and developing the forest as part of the earlier engagement through PFM including the forest management agreement signed. This prior engagement, according to the community is already contributing to deforestation reduction and improved forest management which will continue under the OFLP as well. The beneficiaries will also comprise private forest developers in Oromia as long as they contribute a measurable and verifiable quantity of emissions reduction or removal. These private forest developers can be individuals, groups, share companies or communities outside PFM areas.

On the other hand, government's eligibility is defined on the basis of its responsibility to enact policies, give technical and administrative supports and also ownership of natural forests as defined in the country's constitution. Its role as facilitator of bi-lateral agreements, mobilization of funds for the program implementation, MRV and managing processes related to the ERP were all acknowledged to qualify government to share the benefit. Eligible government entities are identified

to exist at several administrative hierarchies: national (Federal) and sub-national (regional) including their structures at zonal, woreda and kebele levels.

Private sector was suggested as an eligible stakeholder for benefit sharing during the expert consultation. It was mentioned that there is only one<sup>16</sup> private investor involved in developing large forest area in Oromia at the moment. Looking into the very early stage of engagement into private forest development across Oromia, it was suggested that the private sector be considered as a FMC and included under the community share. With development of the sector and presence of enough stakeholders involved in the sector for consultation, the share can be re-negotiated. Similar approach of gradual involvement of private sector into BSP is also suggested in PAD<sup>17</sup>.

**Table 2.** Eligible beneficiaries and basis for their eligibility for benefit sharing from OFLP.

<b>Main categories of eligible beneficiaries (current and future)</b>	<b>Rights and Role</b>
Community (these are either already organized local communities into FMCs or those to be organized in the future with the help of OFLP program activity)	Customary and constitutional right of ownership, cultural and citizenship responsibility of managing, protecting, and developing the forest and cultural/customary right of use and through PFM granted legal right and responsibility of managing and developing forests.
Government (Federal and regional)	Constitutionally ownership, and responsibility to manage; legally responsible for developing policies (forest, land use, etc.), provide technical support on forest management including MRV process, budget (carbon fund) management, soliciting additional funding from donors for forest management conservation/protection and broader rural development.
Private forest developers (these could be individuals, community, or other shareholders – e.g., private investors)	Those that have already developed forests are eligible for ERP or those to invest and develop new forests in the future

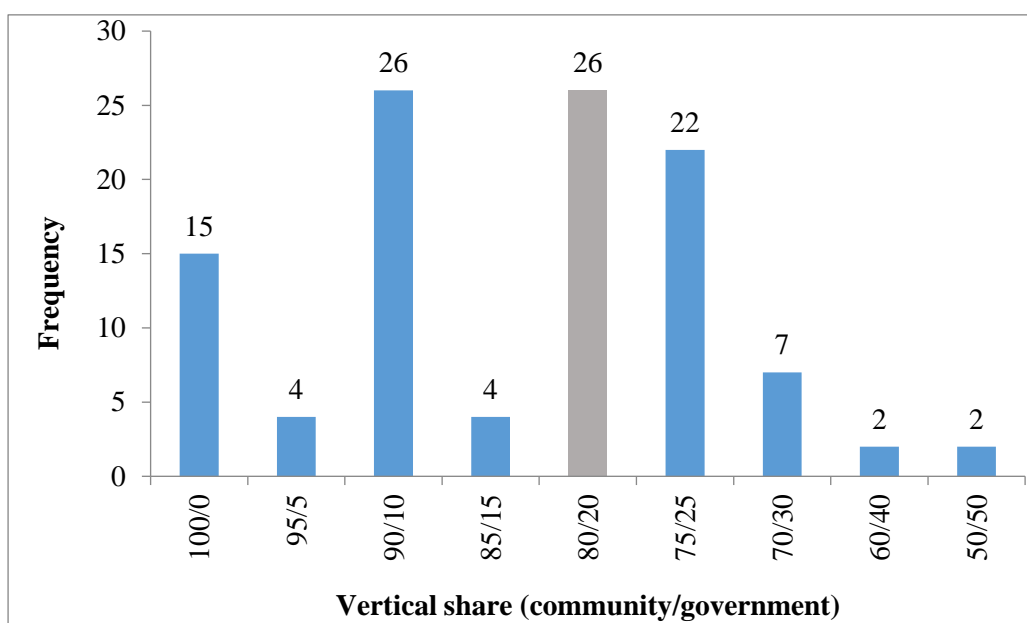
### ***Vertical benefit share***

This refers to the sharing of net emission reduction payment between government on one hand and collectively the community at the other hand. Based on the perceived rights, roles, and responsibilities of these two eligible beneficiaries, consultation made at the different levels including community proposed various proportion of the vertical share.

<sup>16</sup> This investment is located in Kellem Wollega Zone, Anfilo Woreda. It is developed and owned by Ato Dagne G/Meskel and covers about 220 ha.

<sup>17</sup> In the PAD it is stated that other stakeholders such as communities outside forests and/or smallholders engaged in reforestation will be included in the future.

The community consultation proposed different options on the proportional share between government and FMCs. In each group discussion, participants proposed several options but through discussion a consensus is reached to provide one common proposal. In few cases a majority vote was required. Communities discussed thoroughly on the rights, roles and responsibilities of each party (government and themselves) before reaching a consensus on what they think is a fair share between the two parties. Yet, the proposals by the community from different sites varied widely as shown in the figure 2 below. The range was from 100/0% to 50/50% for community and government share. The two most frequent proposals, however, were 90/10% and 80/20%.



**Figure 6.** Frequency of vertical share of eligible beneficiaries from group discussions during community consultation across Oromia.

The weighted average of all the community proposals resulted in 80/20% (i.e., 80% for community and 20% governments. This proposal matches the ones suggested by government beneficiaries at federal and regional levels.

The 20% share of the government represents what federal and regional governments should share between themselves. The 20% is agreed to be shared among federal and regional governments in the proportion of 5:15% respectively. The higher share to regional government is based on constitutional right which grants responsibility of administering natural resources to regional states (Article 52(2d)). Institutional capacity building includes training of its human resources, development of facilities and infrastructure needs (e.g., offices, office equipment and forestry equipment), all of which will be

better coordinated with the regional body. EFD will also invest its share in strengthening its institutions to provide the required backstopping to regional states for their forest management endeavors. Such investments are capable of ensuring sustainability of OFLP initiatives and make forestry relevant for rural development.

### **Net vs gross benefit sharing: a contentious topic for vertical share?**

While it has been clearly stated in the PAD that the benefit to be shared is a net monetary benefit, which is a gross carbon payment received minus OFLP's operational cost, it became an important point of discussion during the community consultations. The question was 'why government should involve in benefit sharing once the cost of running the program is covered?' The argument was that the government share was supposed to cover program running cost, which otherwise could have been extra cost to the government. In 14% of the consultation held with community, strong suggestion was made to channel all of the net benefit to the community. These groups argued this on the basis of two reasons. First, they argued that sharing benefit after all the operational costs is deducted is illogical. For them there is no rationality for government to further compete with community once it recovered all of its costs. Second, they argued that the government has the ethical obligation to invest in protecting, managing and developing forests, and for these it has been allocating budget and supporting institutions accomplishing such a task. With the involvement of the community in forest management, this cost has been reduced and this should also be considered as benefit to the government. This similar issue was also raised during the expert consultation. However, in the remaining 86% of the community consultation group as well as the consultation with government beneficiaries at federal and regional level, share from the net carbon payment was agreed. Consequently, the vertical share of 80/20% was suggested.

### ***Horizontal benefit share***

#### **Share of Benefits among Forest Blocks**

Horizontal benefit share refers to the sharing of carbon payment among forest blocks<sup>18</sup> of OFLP as well as among communities within each forest blocks. In all of the consultations held, it was suggested and agreed that benefit distribution should not be uniform across all forest blocks and communities in Oromia but should vary according to certain criteria. Accordingly, a number of

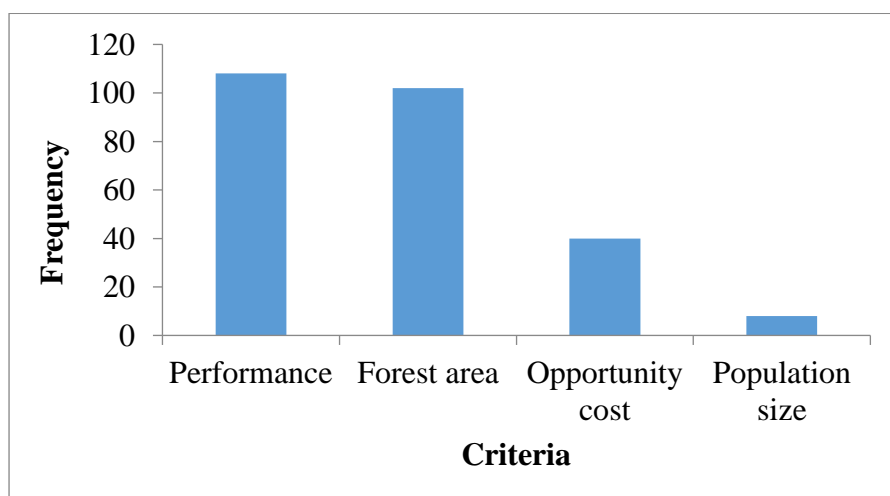
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<sup>18</sup> Forest blocks in the context of OFLP are a top-down sub-dividing of Oromia into sub-landscapes or administrative units in a way that assists effective implementation of benefit sharing.

criteria were proposed to guide the horizontal benefit share among forest blocks during the consultation process namely:

- a. Forest area per block,
- b. Performance achieved in terms of ER due to avoidance of deforestation and/or areas afforested and reforested,
- c. Opportunity cost of land use, and
- d. Population size (Figure 3).

Performance and well managed forest area were the two most frequent criteria, mentioned in 102 out of the total 108 community consultations (Figure 3), and these two were finally approved to guide the horizontal share (see also Table 3). Performance in deforestation avoidance requires commitment of time, energy, effective collective action to manage existing forest, and plant and tend new forests. This should be rewarded with proportional incentive. Similarly, historical forest stewardship that managed and saved forest for current and future generation should be valued and rewarded also with positive incentive, which makes existing forest area an important criterion to consider.



**Figure 7.** Number (frequency) of consultations on which different criteria for horizontal share were mentioned.

**Table 3.** Frequency of rank of each criterion and its overall weighted rank from community consultation conducted in Oromia (N= 108 consultations)

Criteria	Frequency of rank			weighted Frequency of rank (3,2,1)			Total	Rank
	1	2	3	1	2	3		
Performance	92	13	3	276	26	3	305	1
Forest area	11	84	7	33	168	7	208	2
Opportunity cost	5	2	33	15	4	33	52	3
Population size	0	3	5	0	6	5	11	4

Analysis of the weights attached to each criterion during the respective consultations showed that 60/40/0/0 for performance/forest area/opportunity cost/population size, respectively was the most frequently proposed followed by 75/25/0/0 in the same order for the criteria. Consequently, the most frequently proposed criteria namely performance (60%) and forest area (40%) were taken (Tables 4).

**Table 4.** Summary of criteria, rank and weight of each criterion of horizontal share suggested by communities during community consultations in Oromia.

Criteria	Justification	Rank	Weight
Performance <sup>19</sup>	Communities in different zones are expected to differ in their performances as a result of their internal strengths, experiences, and support services by government and non-government bodies and other socio-economic and political factors. Therefore, the benefit shared should reflect performance delivered aggregated at zone level.	1	60
Forest area	Communities in different zones manage different size of forest that reflects their historic forest stewardship; therefore, benefit share should reward communities according to the size of forest they manage.	2	40

Therefore, horizontal benefit share will be calculated and allocated to forest blocks according to the formula below (see the example in table 6 for how the formula works):

$$\text{Share of Benefit/Zone} = (\text{Total community share} * ((0.6 * \text{performance of the zone} / \text{total performance across Oromia}) + (0.4 * \text{Forest area of the zone} / \text{forest area in Oromia})))$$

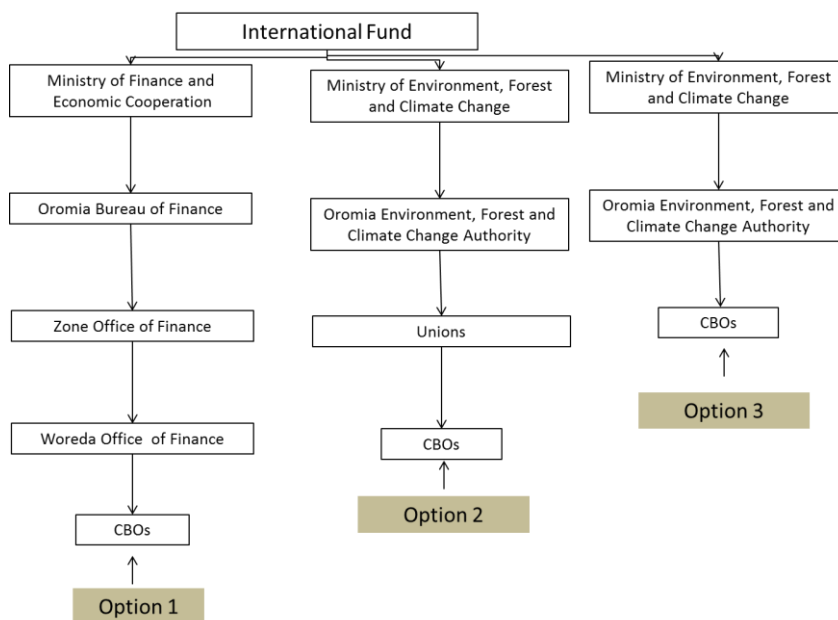
### Sharing of Benefits within blocks among FMCs

Once share of benefit of each forest block is determined using the criteria indicated above, the block share will further be distributed among the FMCs that makes up the forest block. The potential indicators of performance to be considered at the FMC level are hectares of land reforested, hectares of forest under a PFM regime and percentage of reduced. With respect to planted forest area, additional requirement could be that the stand should be at least 3 years and above since established to make sure that it reflects successful efforts of the FMCs.

<sup>19</sup> For performance measurement at zonal level see section VII below.

### ***Benefit Disbursement Mechanism***

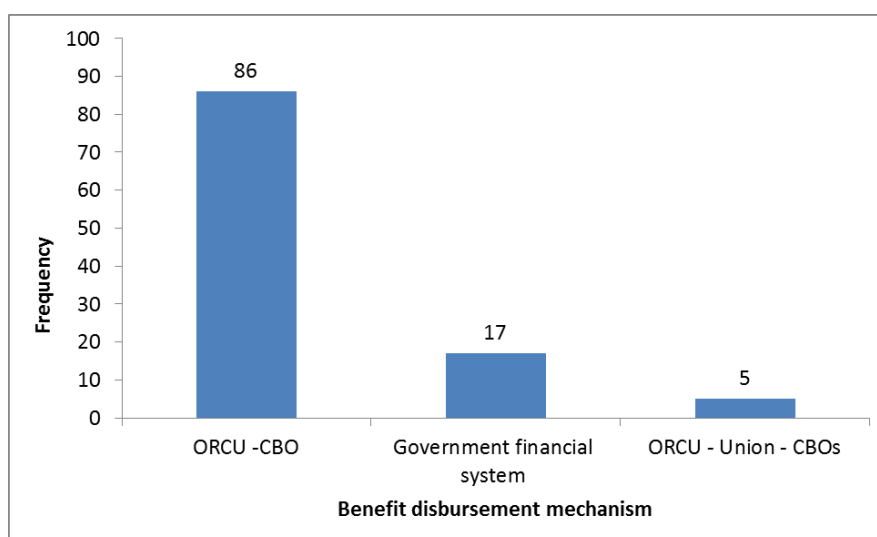
Effective and timely disbursement of the community share of REDD+ benefit is as essential as setting their proportional share. Several options have been explored with the various stakeholders to propose best benefit disbursement arrangement. The community consultation, specifically, proposed three options. One of these options was the use of existing government structure (option 1, figure 8), while the second option follows institutional structure of forestry at federal and regional level and then recommends direct transfer to unions and then FMCs (Option 2, Figure 8). The third option is almost similar with option 2 but recommends direct transfer from regional office (i.e., OEPA) to FMCs (option 3, Figure 8).



**Figure 8.** Benefit disbursement options suggested during community consultations across Oromia.

The third option which is a direct transfer of benefit from OEPA to the community was suggested to be the most preferred channel of benefit disbursement (Figure 5). It was supported by 80 % (N = 108) of the community consultation groups carried out across Oromia. This option was most preferred as compared to other options on the basis of efficiency in terms of time and the other two channels were not supported by majority of the community consultation groups due to likely delay in the bureaucratic chains (option 1), possibility of corruptions and absence of structures like Unions in most part of the forested landscapes of Oromia where the consultations were carried out (option 2). The majority of the community consultations were in favour of direct disbursement from OEPA to the bank account of the respective community. The FMCs, as a matter of legal requirement, must

open bank account, and database of that can be established at OEPA and transfer can be done accordingly.



**Figure 9.** Benefit disbursement channels suggested during community and expert consultations.

The preference of direct transfer of benefits from OEPA to the community is on the basis of efficiency and avoidance of any bureaucratic delays in the process of transferring of benefits. In most of the consultations, it was also mentioned that the direct transfer will avoid the likely chance of corruption when the transfer chain is elongated (Table 5). This preferred benefit disbursement channel is in line with existing experience of benefit sharing disbursement in NRM in Ethiopia, including Oromia.

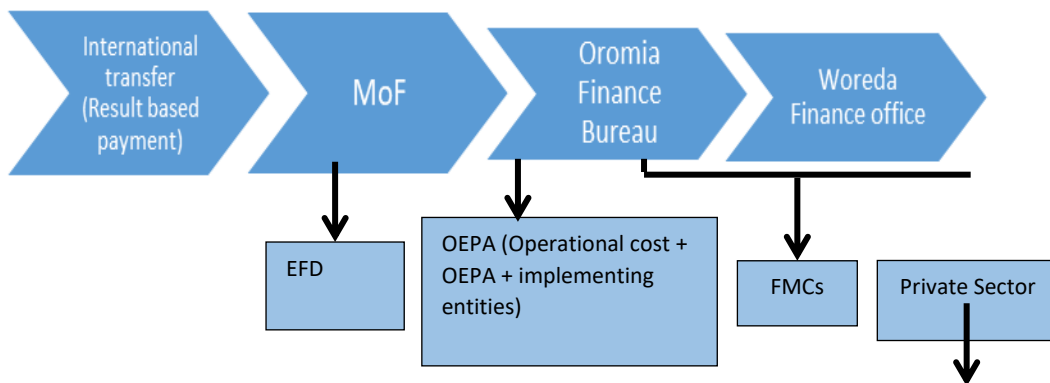
**Table 5.** Options for institutional framework for benefit disbursement and its advantage and disadvantage

Option	• Advantage	• Disadvantage
<b>Through normal government budgeting process (option 1)</b>	<ul style="list-style-type: none"> <li>• Will avoid redundancy of development plan for the local areas.</li> <li>• Will foster positive government and community interaction for development</li> </ul>	<ul style="list-style-type: none"> <li>• Will suffer from slow budget transfer due to the long bureaucratic clearance problem with government budget transfer.</li> <li>• Corruption may emerge at local governance level on the use of fund.</li> <li>• Community may encounter challenges channelling the fund towards their preferred and priority development agenda</li> </ul>
<b>Through EFD and OEPA to Unions and finally CBOs (option 2)</b>	<ul style="list-style-type: none"> <li>• Short and builds on existing forestry institutional arrangement along which REDD+ is managed.</li> <li>• Clearly linked to REDD+ activities and help community recognize that their effort pays back</li> </ul>	<ul style="list-style-type: none"> <li>• Unions are not yet uniformly established across the forested landscape of Oromia.</li> <li>• It was suggested during some community consultations that there are concerns that it may be corrupted.</li> </ul>



<b>Through EFD and OEPA to community (option 3)</b>	<ul style="list-style-type: none"> <li>Clearly linked to REDD+ activities and help community recognize that their effort pays back.</li> </ul>	<ul style="list-style-type: none"> <li>The government structure at grassroots level may feel alienated and be less motivated to support</li> </ul>
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Though the most preferred disbursement channel by the community is Option 3 (direct transfer from OEFFCA to FMCs/CBOs), there are practical challenges to adopt this mechanism, including (i) woreda finance office oversight and monitoring is imperative in light of capacity limitations in financial management at FMCs/CBOs level; (ii) not all forest areas in Oromia have established FMCs/CBOs, only portion of forest areas are under PFM (FMCs), hence direct transfer to all eligible beneficiary communities is impractical due this fact; and (iii) Non-FMC Kebeles has no financial management institutional set-ups and any FM experience at all, as government fiscal budget does not cascade below woredas. Due to this fact, the most practical channelling mechanism that would ensure transparency and accountability and would be adopted by this BSP, is the disbursement mechanism that combines option 1 and 3 (Figure 10)



**Figure 10:** Flow of share of result-based payment

***Proposed uses of the benefit***

A total of about 32 different potential activities for investment using the emission reduction payments were identified on different discussions with community across Oromia (Table 6). The long list of investment options identified during the community consultations were sorted into the two categories as presented in Table 6. The categorization is based on environmental and social safeguard principles of OFLP. Of the total ER payment that would be received at community level (kebele or FMC level), 45% would be invested on social development and livelihood improvement activities, while 50% will be invested on land use and related activities that generate more ERs. The remaining 5% of the share

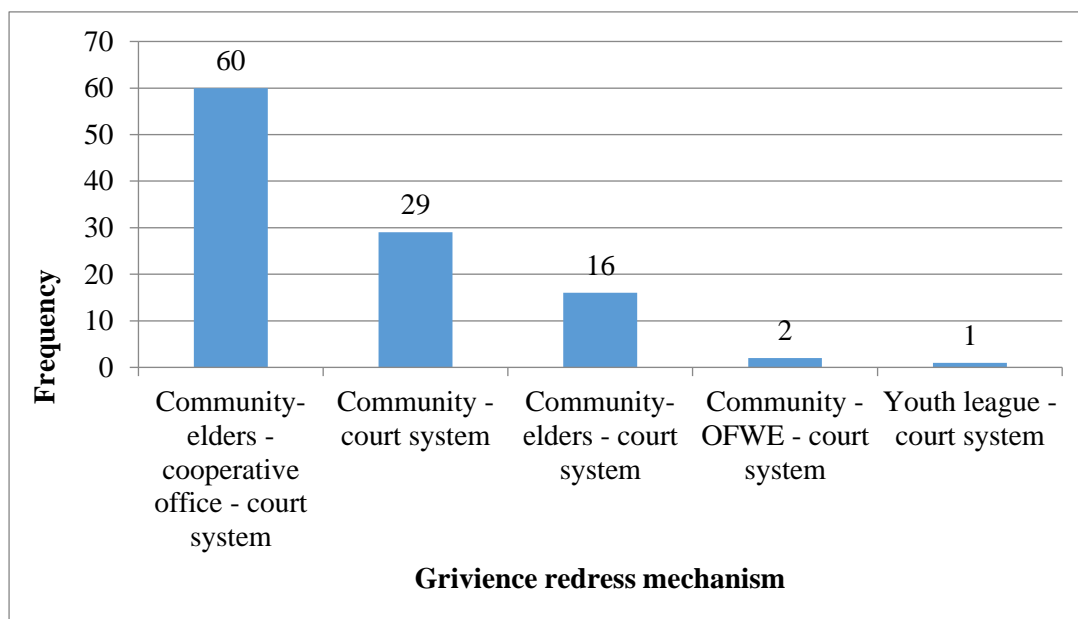
received is dedicated to serve underserved social groups in the form of revolving fund. This will serve poor households or individuals and youths in the communities. These later group of investments should be designed carefully not to result in negative impacts, i.e., emission increase rather than reduction.

**Table 6.** Proposed list of potential uses of the benefit at community level. This list is screened from the long list of activities suggested during the community consultation.

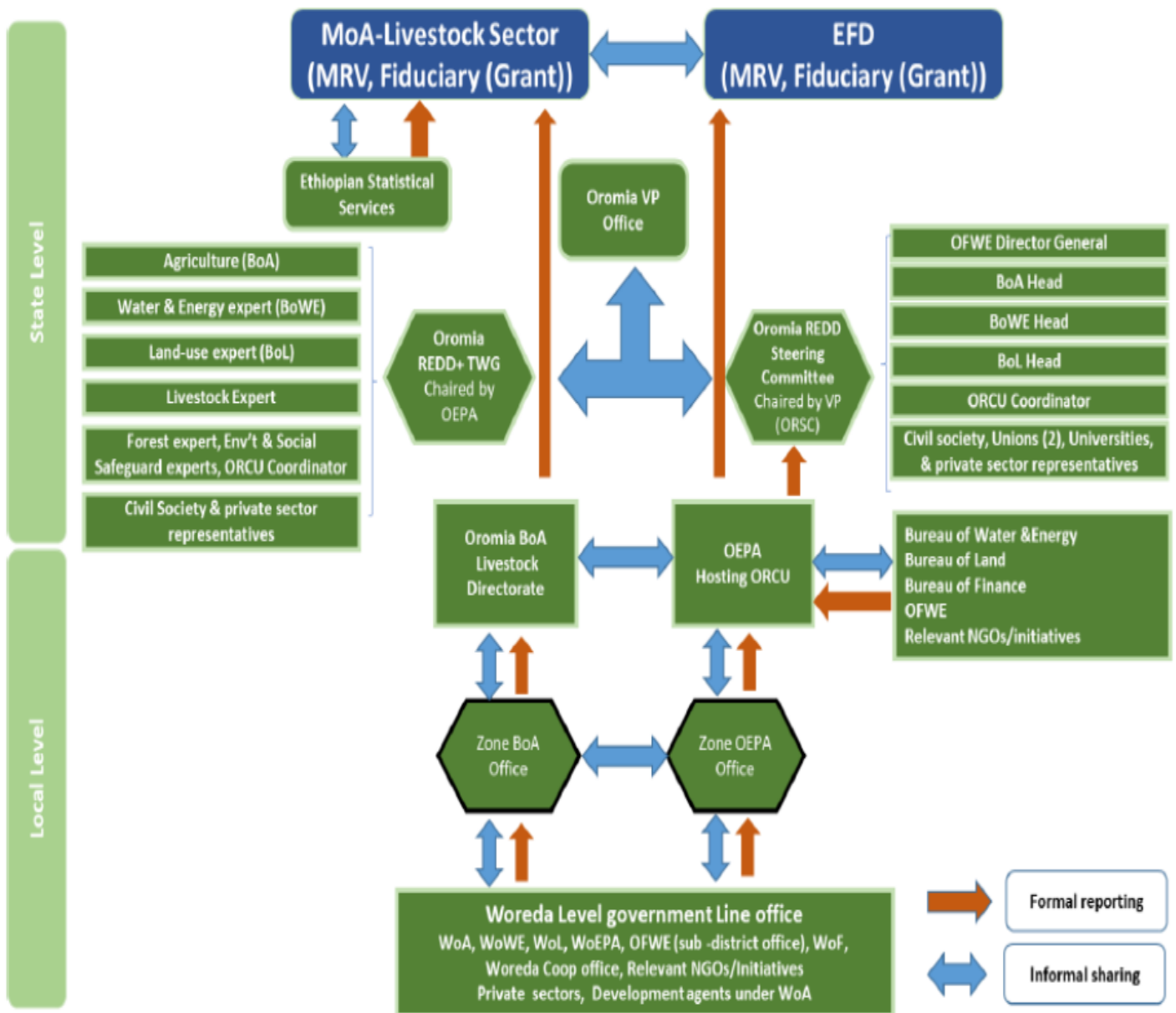
No	Activities used to generate ERs	Social development/livelihood improvement
1	Seedling production for income	Maintenance of school
2	Coffee outside forest	Maintenance of clinic
3	Tree planting for income and own consumption	Maintenance of road
4	Fuel saving stove	Bee keeping
5	Fruit tree planting	Fattening (intensive and through cutting and carry system)

### ***Grievances redress mechanism***

As part of risk mitigation measures, the OFLP would support citizen’s complaints or grievances in a formalized, transparent, cost-effective, and time bound manner. All program affiliated people across Oromia should be informed about how to register grievances or complaints, including concerns on any specific activities of OFLP. In almost all of the community consultations, the preference was to resolve issues first at community level using such mechanisms like using internal byelaws. In a stepwise way of grievance redress mechanism, the community suggested use of elders (e.g. Gada system and religious leaders) rather than taking the case straight to court or to OEPA (Figure 11). Once, the case reaches the court system, most discussions proposed to go until the end in the ladder in case the issue is not satisfactorily handled at subsequent lower levels.



**Figure 11.** Grievances redress mechanisms of benefit from ERP of OFLP as suggested during community consultation across Oromia.



**Figure 12.** Governance Structure of OFLP.

*Note:* Blue arrows - Information flow; Red arrows - OFLP reporting

## ***Annex B: Oromia regional State Zonal Deforestation Base Line***

### **Zonal Deforestation Baselines**

The basic concept behind REDD+ is to provide economic incentives such as funding to local communities involved on REDD activities (reducing emissions from deforestation and forest degradation), plus forest management activities to reducing CO<sub>2</sub> emissions and CO<sub>2</sub> levels in the atmosphere through carbon sequestration (CARBON, 2012). For this there is a need to develop forest reference baseline for the estimation of deforestation and greenhouse gas emissions from forests across OFLP implementation zones for Emission reduction result based payment. To estimate the amount of carbon stock change in a forest, the area of the forest and the conversion between forest land to other land use category (deforestation) and conversion of land in another land use category to forest by reforestation is needed. Accordingly, from the three approaches used to deal with conversions between land-use categories as described by (CARBON, 2012) , i.e. i) Approach 1, where total land-use area is needed with no data on conversions between land uses, ii) Approach 2, where total land-use area, including changes between land use Categories is needed, and iii) Approach 3, where conversions between land use categories and are tracked systematically using detailed spatial information, the second approach was used to assess Regional and Zonal deforestation baseline assessment, since it comply with sample based area and bias estimation including accuracy and uncertainty. In addition, approach 3 was employed and documented for each Zone to detect LULC of 2017 to monitor changes with explicit spatial information and documented in Deforestation base line document. The findings of approaches 2 (sample-based area estimate) is presented below.

The study used Oromia region spatial data from Oromia Planning Commission and Economic Development which has full information of 21 zones with total area of about 37.12 million hectares. Based on this boundary, 92,820 sample points were systematically plotted with 2 by 2 Km grid interval. All information related to each sample plots land use land cover and change information in this boundary was collected using CEO and analysed using Sample based area estimation to get deforestation baseline of each 21 zones (although there is a change in number of Zones currently requiring update) for phase one Emission Reduction Result Based Payment

### **Regional rate of Deforestation and other Land use change rates baseline**

Based on the deforestation Baseline assessment conducted between 2007 and 2017, about 8,930,531.7 ha was identified as forest in 2007 and the extent of forest cover in 2017 is reduced to 8,704,665.33 ha, with cumulative net deforestation of 225,866.4 ha between the two periods. Accordingly, standardized Annual net deforestation for the region is estimated to be 22,847.9 ha with

0.26% annual change rate. In consistent with forest class shrub land and Grassland showed reduction with 13862.35 ha (0.23%) and 5631.8 ha (0.1%) annual change rate respectively. On the other hand, cropland, settlement, and other land sowed increment in extent with annual change rate of 30953.64 ha (0.29%), 9204.46 ha (1.22%) and 158.98 ha (0.17%) respectively.

Baseline data estimated for Zones showed that forest cover distribution and rate of deforestation across Zones has Variations. Accordingly, the top five forest covered areas of the region are Borena, East Bale, Bale, Guji and Ilu-Ababora Zones, contributing more than 60% of the region. Borena Zone has highest forest cover extent above 2.2 million hectares (20.9% in 2007 and 21.3% in 2017), followed by East Bale with above 1.63 and 1.61 million ha (15.5% in 2007 and 15.4% in 2017), Bale above 0.98 and 0.96 million ha (9.3% in 2007 and 9.2% in 2017), Guji Zone with 0.87 and 0.82 million ha (8.2% in 2007 and 7.9 % in 2017) and Ilu-Ababora with about 7.4 million ha in both years (7.1% in 2007 and 7% in 2017). Forest cover in Borena, East Bale and Eastern part of Guji Zone are primarily arid and semi-arid dry woodland forests, while most part of Ilu Ababora, Bale and Western part of Guji Zone are high Afroalpine forests.

Next to the top five forest covered Zones, Jimma, Kellem Wollega, East Wollega, East Hararge, West Wollega are ranked from 6<sup>th</sup> to 10<sup>th</sup> forest covered Zones, totally contributing 23% of the region. Jimma contributes about 6.3 and 6.1% in 2007 and 2017, Kellem Wollega and East Wollega each contribute 4.8% in both years, East Harerge has about 3.9% in both years and West Wollega contribute 3.4% in 2007 and 3.2% in 2017. While the rest eleven zones contribute about 17% of regional forest cover in both monitoring periods (see **Error! Reference source not found.**).

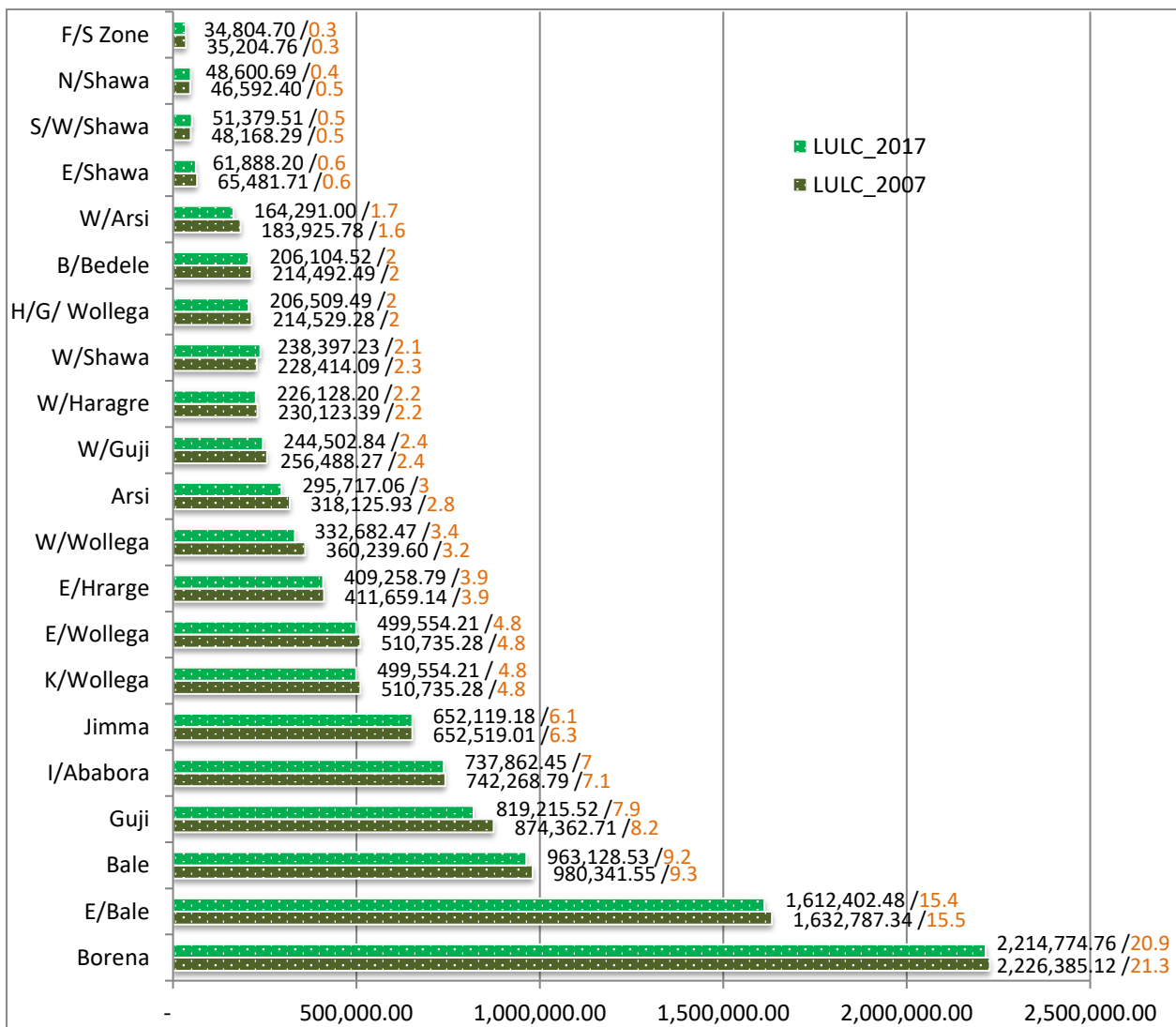


Figure 1 Oromia Regional State 2007 and 2017 Forest cover extent and total regional share per Zones.

The Values indicated on the bar are forest cover extent in hectares and forest cover of each zone in percentage during monitoring periods. Every zone has forest cover ranging from 2.2 million ha in Borana to the smallest, about 35 thousand hectares in Surrounding Finfinnee Special Zone.

**Table 7** Forest area estimates, AD and rate of deforestation per zone

No	Zone	Forest cover in 2007 (ha)	Forest cover in 2017 (ha)	Total Forest loss (ha)	Total Forest gain (ha)	Net Deforestation (ha)	95 % CI (ha) <sup>a</sup>	Rate of deforestation (%/year) <sup>b</sup>	Rate of deforestation (ha/year) <sup>c</sup>
1	East Wollega	360,240	332,682	32,350	4,793	27,557	19,815	-0.80	<b>2,855.53</b>
2	H/G/ Wollega	214,529	206,509	15,238	7,218	8,020	15,445	-0.38	815.82
3	West Shewa	238,397	228,414	18,369	8,386	9,983	17,451	-0.43	1,017.64
4	North Shewa	46,592	48,601	6,427	8,435	-2,008	8,445	0.42	-197.11
5	East Harerge	411,659	409,259	6,801	4,401	2,400	23,100	-0.06	240.63
6	West Harerge	230,123	226,128	5,993	1,998	3,995	17,399	-0.18	402.66
7	Kelem Wollega	510,735	499,554	16,772	5,591	11,181	20,451	-0.22	<b>1,129.27</b>
8	East Shewa	65,482	61,888	5,191	1,597	3,594	9,461	-0.56	368.60
9	S/West Shewa	51,380	48,168	3,211	0	3,211	8,493	-0.65	330.53
10	Ilu Aba Bora	742,269	737,862	10,816	6,409	4,407	20,221	-0.06	441.88
11	Guji	874,363	819,216	56,746	1,598	55,148	30,605	-0.65	<b>5,677.79</b>
12	West Guji	256,488	244,503	12,784	799	11,985	16,913	-0.48	<b>1,224.47</b>
13	Borena	2,226,385	2,214,775	28,826	17,215	11,611	45,306	-0.05	<b>1,163.73</b>
14	Bale	980,342	963,129	20,816	3,603	17,213	31,696	-0.18	<b>1,735.05</b>
15	East Bale	1,632,787	1,612,402	22,783	2,398	20,385	37,440	-0.13	<b>2,050.03</b>
16	West Arsi	183,926	164,291	20,035	401	19,634	14,849	-1.13	<b>2,064.74</b>
17	Arsi	318,126	295,717	26,010	3,601	22,409	19,737	-0.73	<b>2,315.27</b>
18	West Wollega	389,808	388,610	15,576	14,378	1,198	20,562	-0.03	<b>119.98</b>
19	Buno Bedele	214,492	206,105	11,184	2,796	8,388	14,468	-0.40	853.83
20	O/S/Z/S Finfinee	35,205	34,805	3,200	2,800	400	7,029	-0.11	40.21
21	Jimma	652,519	652,119	6,397	5,997	400	25,498	-0.01	40.01
	Total	10,601,098	10,394,737	345,525	104,414	241,111	130904.7*	0.23**	24,690.59



NB: Total Forest cover estimated in this table is based on 92820 sample points distributed to each zone with cumulative area coverage of 37,127,169 ha as spatial data obtained from Oromia Planning and Development Commission. Gross Deforestation per year is **34,553** ha/year. Negative signs under <sup>a</sup> and <sup>c</sup> respectively showed forest net forest gain than forest loss and rate of forest development in hectares per year, while –ve value under <sup>b</sup> showed rate of forest loss and +ve value showed rate of forest gain in percent.