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Report No.: PAD1634

PROJECT APPRAISAL DOCUMENT

ON A
PROPOSED GRANT
FROM THE BIOCARBON FUND PLUS
IN THE AMOUNT OF US\$18 MILLION
TO THE
FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
FOR THE
OROMIA NATIONAL REGIONAL STATE FORESTED LANDSCAPE
PROJECT

March 16, 2017

Environment and Natural Resources Global Practice
Africa Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective January 31, 2017)
Currency Unit = Ethiopian birr (ETB)
ETB 22.61 = US\$1

FISCAL YEAR
July 8 – July 7

ABBREVIATIONS AND ACRONYMS

AD	Activity Data
A/R	Afforestation/Reforestation
AGP	Agricultural Growth Project
ANR	Assisted Natural Regeneration
BioCF	BioCarbon Fund
BoANR	Bureau of Agriculture and Natural Resources
BoRLAU	Bureau of Rural Land Administration and Use
BoWME	Bureau of Water, Minerals, and Energy
BSM	Benefit Sharing Mechanism
CBO	Community-based Organization
CDM	Clean Development Mechanism
CRGE	Climate Resilient Green Economy
CSA	Climate-smart Agriculture
DA	Development Agent
DFID	U.K. Department for International Development
EF	Emission Factor
EFY	Ethiopian Fiscal Year
EIA	Environmental Impact Assessment
EMA	Ethiopian Mapping Agency
ER	Emission Reduction
ERPA	Emission Reductions Purchase Agreement
ESMF	Environmental and Social Management Framework
ESPES	Enhancing Shared Prosperity Through Equitable Services
EWCA	Ethiopia Wildlife Conservation Authority
FCPF	Forest Carbon Partnership Facility
FM	Financial Management
FRL	Forest Reference Level
FDRE	Federal Democratic Republic of Ethiopia
GEF	Global Environment Facility
GHG	Greenhouse Gas
GoE	Government of Ethiopia
GIS	Geographic Information System
GIZ	German Agency for International Cooperation (<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i>)
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service

GTP	Growth and Transformation Plan
ICB	International Competitive Bidding
ICS	Improved Cook Stoves
IFC	International Finance Corporation
IFR	Interim Financial Report
ILUP	Integrated Land Use Plan
INDC	Intended Nationally Determined Contribution
ISFL	Initiative for Sustainable Forest Landscapes (of the BioCarbon Fund)
ISLA	Initiative for Sustainable Landscapes
ISP	Implementation Support Plan
IWSM	Integrated Watershed Management
JICA	Japan International Cooperation Agency
LED	Low Emissions Development
LIFT	Land Investment for Transformation
LULC	Land Use and Land Cover
LUPT	Land-use Planning Team
M&E	Monitoring and Evaluation
MEFCC	Ministry of Environment, Forest, and Climate Change
MIS	Management Information System
MOANR	Ministry of Agriculture and Natural Resources
MoFEC	Ministry of Finance and Economic Cooperation
MoWIE	Ministry of Water, Irrigation, and Electricity
MRV	Monitoring, Reporting, and Verification
NFI	National Forest Inventory
NFMS	National Forest Monitoring System
NBE	National Bank of Ethiopia
NBPE	National Biogas Program of Ethiopia
NGO	Nongovernmental Organization
NPV	Net Present Value
NTFP	Non-timber Forest Products
NICSP	National Improved Cookstoves Program
OEFCCA	Oromia Environment, Forest and Climate Change Authority
OFLP	Oromia National Regional State Forested Landscape Program
OFWE	Oromia Forest and Wildlife Enterprise
ORCU	Oromia REDD+ Coordination Unit
ORSC	Oromia REDD+ Steering Committee
PAD	Project Appraisal Document
PBS	Promoting Basic Services
PDO	Program Development Objective
PES	Payments for Ecosystem Services
PF	Process Framework
PFM	Participatory Forest Management
PIM	Program Implementation Manual
PP	Procurement Plan
PSNP	Productive Safety Net Program
YR	(Program) Year

RE	Recipient Executed
REDD+	Reducing Emissions from Deforestation and Forest Degradation, conservation of forests, sustainable forest management and enhancement of forest carbon stocks
REL	Reference Emissions Level
RETF	Recipient-Executed Trust Fund
RPF	Resettlement Policy Framework
SA	Social Assessment
SESA	Strategic Environmental and Social Assessment
SDP	Social Development Plan
SLM	Sustainable Land Management
SLMP	Sustainable Land Management Program
SNNPR	Southern Nations, Nationalities, and Peoples Region
TA	Technical Assistance
tCO ₂ e	Tons of carbon dioxide equivalent
ToR	Terms of Reference
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
USDOS	United States Department of State
MoCE	Norway Ministry of Climate and Environment
WoANR	Woreda Office of Agriculture and Natural Resources
WoEFCC	Woreda Office of Environment, Forest, and Climate Change
WoFED	Woreda Office of Finance and Economic Development
WoRLAU	Woreda Office of Rural Land Administration and Use
WoWME	Woreda Office of Water, Minerals, and Energy
ZoANR	Zone administration office of Agriculture and Natural Resources
ZoEFCCA	Zone office of Environment, Forest, and Climate Change Authority
ZoRLAU	Zone office of Rural Land Administration and Use
ZoWME	Zone office of Water, Minerals, and Energy

Regional Vice President:	Makhtar Diop
Country Director:	Carolyn Turk
Senior Global Practice Director:	Karin Kemper
Practice Manager:	Magda Lovei
Task Team Leader(s):	Stephen Danyo

Federal Democratic Republic of Ethiopia

Oromia National Regional State Forested Landscape Project (P156475)

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PAD DATA SHEET

Ethiopia

Oromia National Regional State Forested Landscape Project (P156475)

PROJECT APPRAISAL DOCUMENT

AFRICA

0000009270

Report No.: PAD1634

Basic Information			
Project ID P156475	EA Category B - Partial Assessment	Team Leader(s) Stephen Danyo	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 16-Mar-2017	Project Implementation End Date 30-Jun-2022		
Expected Effectiveness Date 30-Jun-2017	Expected Closing Date 31-Dec-2022		
Joint IFC No			
Practice Manager/Manager Magda Lovei	Senior Global Practice Director Karin Erika Kemper	Country Director Carolyn Turk	Regional Vice President Makhtar Diop
Approval Authority			
Approval Authority RVP Decision			
According to OPCS guidance, and following guidance from the BioCF team and carbon unit, this RETF Grant will be approved by the AFRVP.			
Borrower: Ministry of Finance and Economic Cooperation			
Responsible Agency: Ministry of Environment, Forest and Climate Change			
Contact: Telephone No.:	Dr. Gemedo Dalle 00251111704138	Title: Email:	Minister eenvironment@gmail.com

Project Financing Data (in USD Million)											
<input type="checkbox"/>	Loan	<input type="checkbox"/>	IDA Grant	<input type="checkbox"/>	Guarantee						
<input type="checkbox"/>	Credit	<input checked="" type="checkbox"/>	Grant	<input type="checkbox"/>	Other						
Total Project Cost:		18.00			Total Bank Financing:			0.00			
Financing Source				Amount							
BioCarbon Technical Assistance Trust Fund				18.00							
Total				18.00							
Expected Disbursements (in USD Million)											
Fiscal Year	2017	2018	2019	2020	2021	2022	2023				
Annual	1.00	4.00	5.00	4.00	3.00	1.00	0.00				
Cumulative	1.00	5.00	10.00	14.00	17.00	18.00	18.00				
Institutional Data											
Practice Area (Lead)											
Environment & Natural Resources											
Contributing Practice Areas											
Climate Change											
Proposed Development Objective(s)											
The Development Objective is to improve the enabling environment for sustainable forest management and investment in Oromia.											
Components											
Component Name						Cost (USD Millions)					
Enabling investments						11.54					
Enabling environment						6.46					
Systematic Operations Risk- Rating Tool (SORT)											
Risk Category								Rating			
1. Political and Governance								High			
2. Macroeconomic								Moderate			
3. Sector Strategies and Policies								Substantial			
4. Technical Design of Project or Program								Substantial			
5. Institutional Capacity for Implementation and Sustainability								High			
6. Fiduciary								Substantial			
7. Environment and Social								High			

8. Stakeholders	Substantial		
9. Other			
OVERALL	High		
Compliance			
Policy			
Does the project depart from the CAS in content or in other significant respects?	Yes [] No [X]		
Does the project require any waivers of Bank policies?	Yes [] No [X]		
Have these been approved by Bank management?	Yes [] No []		
Is approval for any policy waiver sought from the Board?	Yes [] No [X]		
Does the project meet the Regional criteria for readiness for implementation?	Yes [X] No []		
Safeguard Policies Triggered by the Project	Yes	No	
Environmental Assessment OP/BP 4.01	X		
Natural Habitats OP/BP 4.04	X		
Forests OP/BP 4.36	X		
Pest Management OP 4.09	X		
Physical Cultural Resources OP/BP 4.11	X		
Indigenous Peoples OP/BP 4.10	X		
Involuntary Resettlement OP/BP 4.12	X		
Safety of Dams OP/BP 4.37	X		
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Retrospective due diligence		30-Sep-2017	
Description of Covenant			
Within six (6) months from the Effective Date, the Recipient shall complete and furnish to the World Bank, a retrospective due diligence/analysis of the environmental and social safeguards requirements for the Bale Mountains Eco-regional REDD+ and the REDD+ Joint Forest Management in the five districts of Illu-Ababora Zone South-West Ethiopia Phase II Projects, to be carried out on the basis of terms of reference acceptable to the World Bank.			
Name	Recurrent	Due Date	Frequency
Potential displacement of Affected Persons in Bale Mountains National Park	X		CONTINUOUS
Description of Covenant			

With respect to any activity that would involve or result in Affected Persons in Bale Mountains National Park, the Recipient shall ensure that no displacement (including restriction of access to legally designated parks and protected areas) of Affected Persons occurs until resettlement or other measures (including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation) have been taken in accordance with the RPF and/or PF, as the case may be.

Name	Recurrent	Due Date	Frequency
Implementation Agreement between Recipient and OFWE		31-Mar-2017	

Description of Covenant

To facilitate the carrying out of OFWE's Respective Parts of the Project, the Recipient shall make part of proceeds of the Grant available to OFWE under an Implementation Agreement between the Recipient (through MEFCC and OEFCCA) and OFWE, under terms and conditions approved by the World Bank as set out in the Grant Agreement under Section G.

Conditions

Source Of Fund	Name	Type
BIOA	Project Implementation Manual	Effectiveness

Description of Condition

The Recipient has prepared and adopted the Project Implementation Manual in accordance with the provisions of Section I.A of Schedule 2 to the Grant Agreement.

Source Of Fund	Name	Type
BIOA	Memorandum of Understanding (MoU) by all Implementing Entities	Effectiveness

Description of Condition

The MOU has been signed by all Implementing Entities in accordance with the provisions in Section I.F of Schedule 2 to the Grant Agreement.

Source Of Fund	Name	Type
BIOA	Execution and delivery of Grant Agreement	Effectiveness

Description of Condition

The execution and delivery of the Grant Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action.

Team Composition

Bank Staff

Name	Role	Title	Specialization	Unit
Stephen Danyo	Team Leader (ADM Responsible)	Senior Natural Resources Management Specialist	Natural Resource Management and Climate Change	GEN01
Ayalew Kebede Belew	Procurement Specialist (ADM)	Senior Procurement Specialist	Procurement Management	GGO01

	Responsible)			
Meron Tadesse Techane	Financial Management Specialist	Senior Financial Management Specialist	Financial Management	GGO25
Ahmed Alkadir Mohammed	Team Member	Consultant	Operations and Private sector	GEN01
Andre Aquino	Team Member	Senior Natural Resources Management Specialist	Forestry, carbon finance	GEN01
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Grazia Atanasio	Team Member	Consultant	Communication	ECRGE
Hailu Tefera Ayele	Team Member	Consultant	Natural Resource Management	GEN01
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Shimeles Sima Erketa	Team Member	Consultant	Natural Resource Management	GEN01	
Timothy H. Brown	Team Member	Senior Natural Resources Management Specialist	Natural Resource Management	GEN01	
Victor Bundi Mosoti	Counsel	Senior Counsel	Legal	LEGEN	
Yasmina Oodally	Team Member	Consultant	Natural Resource Management	GEN01	
Extended Team					
Name		Title	Office Phone	Location	
Anders Jensen		Senior Monitoring & Evaluation Specialist	202-458-2767		
Nevena Ilieva		Operations Adviser	473-4929		
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Ethiopia	Oromia	Oromia Region	X		Grant investment on ground limited to sites to be selected in 49 deforestation hotspot woredas.
Consultants (Will be disclosed in the Monthly Operational Summary)					
Consultants Required?		Consultants will be required			

I. STRATEGIC CONTEXT

A. Country context

1. **Ethiopia has achieved substantial progress in economic, social, and human development over the past decade, achieving rapid and inclusive economic growth averaging 10.9 percent since 2004.** The proportion of the population living below the national poverty line fell from 38.7 percent in 2003/4 to 29.6 percent in 2010/11 according to the Second Growth and Transformation Plan (GTP-2). Low levels of inequality have been maintained through this period. Non-monetary dimensions of well-being also show strong improvement. Life expectancy, for instance, increased from 52 to 64 years between 2002/3 and 2014/15. Meanwhile, the 2014 population of 95 million people will grow to at least 120 million by 2030.¹

2. **As an expanding population lives longer, the economy grows, and climate risks intensify, tremendous demands are being placed on the stressed natural resource base.** Up to 83 percent of the population is rural and directly dependent on livelihoods and energy from land, forest, and water resources, while urban centers also depend on them for food, water, and energy. The natural resource base has been deteriorating over time, which amplifies exposure to substantial environmental and climate risks that affect food and water security, energy, and human health, among others. These risks are reflected in the fact that over one-quarter of agricultural land is degraded to such an extent that the productivity of the resource is significantly compromised, which affects about a third of the total rural population.² Historical degradation is larger; about 40 percent of the highlands are thought to have been covered by forests. Since the middle of the 20th century these have been largely converted to agriculture. This process is helping drive an annual forest depletion rate of over one percent largely because of the demand for fuel wood and productive agricultural land.³ Deforestation generated an economic loss of over US\$5 billion from 1990 to 2010. The broad economic value of forest service's was estimated at 18.8 percent of gross domestic product in 2009 through wood and non-wood forest products and ecosystem services [such as water provisioning, flood and drought risk reduction, among others (Nune et al 2009)].^{4, 5} Business as usual will lead to an additional 9 million hectares (ha) deforested between 2010 and 2030.⁶ This situation is further complicated by the higher probability of extreme weather conditions and increased rainfall variability from climate change.⁷

3. **The Federal Democratic Republic of Ethiopia (FDRE) recognizes that natural capital drives and protects growth and prosperity. Ethiopia's current challenge is to**

¹ World Bank Systematic Country Diagnostic 2016.

² Nachtergaele, Freddy, Monica Petri, Riccardo Biancalani, Godert van Lynden, Harrij van Velthuisen, and Mario Bloise. 2011. *Global Land Degradation Information System (GLADIS). An Information Database for Land Degradation Assessment at Global Level*. Food and Agriculture Organization/United Nations Environment Programme. http://www.fao.org/nr/lada/gladis/glad_ind/

³ Unique. 2014. *Strategy Options for the Oromia Forested Landscape Project*. Final report, Addis Ababa.

⁴ Sisay Nune, Minale Kassie and E. Mungatana. 2009. *Forestry Resources Accounting: The Experiences of Ethiopia*. *Environmental Economic Policy Forum for Ethiopia (EEPFE)*, Addis Ababa.

⁵ The direct contribution of the forestry sector to gross domestic product was 1.9 percent in 2013.

⁶ World Bank Systematic Country Diagnostic 2016.

⁷ World Bank. 2010. *Economics of Adaptation to Climate Change in Ethiopia*.

sustain progress, building on elements of its development strategy that have worked well and that are sustainable. Since the early 1990s, Ethiopia has pursued a ‘developmental state’ model with a strong public sector role in forest, energy, agriculture, and water through its federal system with nine autonomous regional states⁸ and two chartered cities. The FDRE is increasingly emphasizing: (a) sustainable forest sector development, particularly in Oromia National Regional State where 41 percent of the country’s forest is located⁹ and where the deforestation trends are greatest, as well as where strategically critical rivers originate, and (b) better overall management of the natural resource base, as its degradation reduces resilience, especially among the poorest, and hinders economic opportunities.

4. **Ethiopia’s development agenda is governed by two key strategies: the Second Growth and Transformation Plan (GTP-2) and the Climate Resilient Green Economy (CRGE).** Both strategies prioritize attainment of middle-income status by 2025 and, through the CRGE Strategy, achievement of this by taking low carbon, resilient, green growth actions. Both strategies emphasize agriculture and forestry, which the CRGE Strategy reports would “contribute around 45 and 25 percent, respectively, to projected greenhouse gas (GHG) emission levels by 2030 under business-as-usual assumptions, and together account for around 80 percent of the total abatement potential.” GTP-2 aims to “increase socioeconomic and ecological benefits of forests through improved forestry development, conservation and utilization”, and targets about 5 million hectares of additional forest cover in the next five years (2016-2020), in line with the CRGE ambition.

B. Sectoral and institutional context

5. **Ethiopia’s largest forested landscapes are found in Oromia National Regional State and provide critical ecosystem services to the country and the region.** Oromia is Ethiopia’s largest regional state with regard to land area (around 32 million ha), population (over 30 million people), and forest cover (approximately 9 million ha in total).¹⁰ Based on the national REDD+ (Reducing Emissions from Deforestation and Forest Degradation, conservation of forests, sustainable forest management and enhancement of forest carbon stocks) forest definition,¹¹ 284 of Oromia’s 287 rural woredas include some forest cover.¹² Most of Oromia’s high forest (moist montane forests) is found in the Bale landscape in the southeast and the Jimma/Wollega/Ilubabor landscape in the west. Bale serves as the water tower for Ethiopia’s eastern dry lands in Oromia and the Ethiopia Somali Regional State as well as the Federal Republic of Somalia, drought-vulnerable arid areas where mobile pastoralism is the predominant livelihood system. Oromia

⁸ The regional states are Afar; Amhara; Benishangul-Gumuz; Gambela; Oromia; Somali; Harari; Southern Nations, Nationalities, and Peoples Region (SNNPR); and Tigray. The two chartered cities are Addis Ababa and Dire Dawa.

⁹ Calculated based on the Ethiopia’s Forest Reference Emissions Level submitted to the UNFCCC (3rd version, December 2016, not publicly available yet).

¹⁰ Calculated using Ethiopia’s Forest Reference Emissions Level Submission to the UNFCCC. (3rd version, December 2016, not publicly available yet).

¹¹ The Forest Sector Management at MEFCC defines forests in Ethiopia as ‘Land spanning at least 0.5 ha covered by trees (including 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’. An updated map is expected from the Food and Agriculture Organization (FAO)/Ministry of Environment, Forest, and Climate Change (MEFCC).

¹² Three out of 287 rural woredas register no forest cover at all, while 284 woredas have at least 5 ha of forest (2013 EMA map).

harbors globally important biodiversity with endangered endemic species such as the Abyssinian wolf and the mountain nyala. Oromia's western forests are home to endemic coffee (*Coffea arabica*) that has high potential as a value-added export and harbor wild varieties of the species. Important rivers also originate in or are affected by Oromia's forests, including those flowing into the new Renaissance Dam, which is under construction. Table 1 summarizes Oromia's different biomes based on the classification of Ethiopia's Forest Reference Level (FRL) submission to the UNFCCC.¹³

Table 1. Summary of biomes in Oromia National Regional State

Biome	Vegetation type	Approximate portion in ha of forest by biome	Approximate tCO ₂ e per ha
Moist Afromontane	<ul style="list-style-type: none"> Moist evergreen afro-montane Forest Transitional rain forest 	2,308,837	236.7
Dry Afromontane	<ul style="list-style-type: none"> Dry evergreen afro-montane forest Grassland complex Afro-alpine vegetation Ericaceuos Belt 	1,502,201	134.4
<i>Combretum-terminalia</i>	<ul style="list-style-type: none"> Combretum-terminalia woodland Wooded Grassland 	1,363,845	90.3
<i>Acacia-commiphora</i>	<ul style="list-style-type: none"> Acacia-commiphora woodland Bushland; Acacia wooded grassland Desert and semi-desert-scrubland 	3,835,117	44.6

6. **Forest loss and degradation are increasing in Oromia.** Deforestation in Oromia has been particularly intense in zones¹⁴ in the west (West Wollega, Qeleme Wollega, Ilubabor) and east (Bale and Guji). Throughout Oromia, 499,135 ha of forest was lost between 2000 and 2013 or around 38,395 ha per year. This has resulted in over 65 million tons of carbon dioxide equivalent (tCO₂e) emitted into the atmosphere over this period, or around 5 million tons annually (calculated from Ethiopia's FRL submission to the UNFCCC).¹⁵ At the same time, the historic afforestation/reforestation (A/R) rate is 5,238 ha per year, leading to an annual atmospheric removal of 734,916 tCO₂e.¹⁶

7. **Deforestation and forest degradation in Oromia are driven primarily by small-scale conversions for agricultural expansion as well as wood extraction for firewood and charcoal purposes.** Subsistence agriculture is the main economic activity throughout Oromia, with farmers cultivating diverse crops such as barley, wheat, beans, potatoes, and cabbage in highlands and bananas, maize, and teff in lowlands. Extraction of fuelwood is a driver of degradation throughout Ethiopia. Firewood is the primary source of energy for 94 percent of

¹³ The Federal Democratic Republic of Ethiopia. (2016). Ethiopia's Forest Reference Level Submission to the UNFCCC (3rd version, December 2016, not publicly available yet).

¹⁴ Zones are administrative units in Ethiopia. Regional states are divided into zones, which are subdivided into woredas and then kebeles.

¹⁵ The Federal Democratic Republic of Ethiopia. (2016). Ethiopia's Forest Reference Level Submission to the UNFCCC (3rd version, December 2016, not publicly available yet).

¹⁶ All figures are calculated based on Ethiopia's December 2016 Forest Reference Level Submission to the UNFCCC.

Ethiopia's population and the most important forest product consumed in Ethiopia, with the total consumption exceeding 116 million m³ in 2013. The majority of firewood is produced from natural forests, including woodlands and shrub lands, and current firewood demand is estimated to significantly exceed the sustainable yield potential of the remaining forest areas.¹⁷ Indirect drivers include inadequate development and implementation of land-use plans, weak cross-sectoral policy and investment coordination, population growth and migration into forested areas, as well as road expansion. See Annex 9 for more details, and in section III, on how the Oromia National Regional State Forested Landscape Program (OFLP) will address the deforestation drivers.

8. Forests in Oromia are managed, affected, or used by a range of government institutions and citizens. Coordination of investments, institutions, information, incentives and policies that impact or are impacted by forest resources is very weak. Almost all forested areas fall under the mandate of Oromia authorities including the newly established Oromia Environment, Forest and Climate Change Authority (OEFCCA).¹⁸ Other regional bureaus responsible for agriculture, land use planning, energy, and water are also central to forests and land-use change. Bale Mountains National Park and four other protected areas are under the federal mandate of the Ethiopia Wildlife Conservation Authority (EWCA).¹⁹

9. To help address the above issues and achieve Ethiopia's CRGE Strategy objectives on land-use change, forest, and climate action, the MEFCC is implementing its National REDD+²⁰ Readiness Program to prepare the country for receiving and deploying climate finance and other financing. Ethiopia intends to utilize financing related to REDD+ to achieve its national ambition for green growth, as articulated in GTP-2 and the CRGE Strategy. With US\$13.6 million in grant financing for REDD+ Readiness from the World Bank²¹ through the BioCarbon Fund (BioCF) and FCPF, the MEFCC has been implementing a set of 'readiness' activities such as the: (a) preparation of four REDD+ pilots in different regional states including OFLP itself; (b) development of a monitoring, reporting, and verification (MRV) system that will be used for justifying emission reduction (ER) payments upon performance including for the OFLP; (c) development of systems for social and environmental risk management; (d) preparation of the National REDD+ Strategy, and (e) the establishment and operationalization of the Oromia REDD+ Coordination Unit (ORCU).

10. One main purpose of the REDD+ pilots is to test different elements of the National REDD+ Readiness Program. The lessons learned from these pilots will inform the National REDD+ Readiness Program and assist Ethiopia to receive and deploy results-based climate

¹⁷ Unique. 2015. *Ethiopia Forest Sector Review*. Technical Report, Addis Ababa.

¹⁸ OEFCCA was set up by Proclamation 199/2016 on July 20, 2016.

¹⁹ These four other national protected areas include: Awash National Park, Abijata Lake National Park, Babile Elephant Sanctuary, and Senkele Wildlife Sanctuary.

²⁰ REDD+ stands for countries' efforts to REDD and foster conservation, sustainable management of forests, and enhancement of forest carbon stocks (www.forestcarbonpartnership.org).

²¹ The Bank manages two trust funds that directly support REDD+ Readiness in Ethiopia: (a) a US\$3.6 million grant from the Forest Carbon Partnership Facility (FCPF) signed in October 2012, and (b) a supplemental US\$10 million grant from the BioCF signed in July 2014 for the FDRE to complete its REDD+ Readiness process and prepare investment pilots, including the OFLP.

finance. The pilots will need to cover relatively large landscapes to reduce transaction costs and leakage risks²² and maximize the likelihood of effectively reducing deforestation.

11. **One of these national REDD+ pilots is the OFLP, which will extend beyond the traditional REDD+ agenda as a long-term programmatic effort to scale up and finance improved land use, starting with: a mobilization grant, followed by results-based payments for verified emissions reductions that are closely linked to the systems supported by the grant.** These two modes of financing form the subject of this PAD.²³ As such, the OFLP will be supported programmatically by two sequenced legal agreements negotiated, approved, monitored, and reported on separately: (a) a five-year, recipient-executed trust fund (RETF) grant of US\$18 million financed by the BioCarbon Fund Plus, complemented by (b) an Emission Reductions Purchase Agreement (ERPA) of up to US\$50 million over 10 years. The Bank's Vice President for the Africa Region is responsible for approving the RETF part of the program, while the ERPA will be negotiated later (early 2018), and approved at the Country Director level under a separate project number from that of the grant. These two financial products are inextricably linked. The grant will finance the FDRE to enhance the enabling environment at the state and local levels while supporting action on the ground for landscape restoration and livelihoods improvements that will, taken together, lead to verified emissions reductions and a successful ERPA. The grant and the ERPA each have their own results framework (see Annex 1), the latter of which will only be relevant once the ERPA has been negotiated and processed. The OFLP is a first-of-its-kind, innovative, programmatic approach to scaling up action to reduce deforestation and degradation trends by taking a landscape approach at a state-wide jurisdictional scale and by convening sources of financing, stakeholders, and sectors.

12. **Going to scale from local achievements to regional impact to national replication:** The FDRE selected Oromia National Regional State to test this large-scale jurisdictional REDD+²⁴ operation as it has the largest forest cover in the country and hosts the first REDD+ project in Ethiopia [the Bale Mountains Eco-regional REDD+ Project, led by the Oromia Forest and Wildlife Enterprise (OFWE) and supported by Farm Africa]. Past pilots such as the renowned Humbo Assisted Natural Regeneration Project²⁵ have demonstrated proof of concept of carbon financing for improved land use in a relatively small degraded landscape, yet, moving to scale presents more complex challenges—challenges that are addressed by the OFLP. The OFLP is considered a model to implement REDD+ nationally and as such is considered a federal program.

²² Leakage refers to an increase of emissions elsewhere due to implementation of a land-use carbon finance project. For example, if an area of agricultural land is converted into a forest plantation, it becomes a carbon sink by converting CO₂ from the atmosphere into carbon in wood and other plant matter. However, at the same time, forests in a different area may be cleared to host the very same agricultural production that was displaced. This would mean that there would be no net benefit from the new forest with regard to reduced GHG—so no payment will be made.

²³ After extensive discussion internally in the Bank it was agreed that both should be presented in one PAD.

²⁴ For the purposes of the OFLP, the REDD+ jurisdictional approach refers to fostering the reduction of deforestation and forest degradation in a political or administrative region within a country. In this case, the political and administrative region is the Oromia National Regional State.

²⁵ This is a World Bank supported carbon finance project that rehabilitated 4,000 hectares of degraded areas and by doing so, receives payment for the carbon sequestered. It was the first project in Africa to be registered as a Clean Development Mechanism (CDM) A/R project.

C. Higher level objectives to which the program contributes

13. **The OFLP contributes to key national strategies, including GTP-2, the CRGE Strategy and accompanying 2015 Climate Resilience Strategy for Agriculture and Forest, the Intended Nationally Determined Contribution (INDC), the emerging National Forest Sector Strategy and National REDD+ Strategy, as well as sector strategies for energy, water, and agriculture.** Specifically, the OFLP will help deliver on goals on economic growth, poverty reduction, jobs, food and water security, forest protection and expansion, and climate change adaptation and mitigation. Key objectives from the CRGE and the recent INDC²⁶ include the following: (a) maintain the 2010 level of GHG emissions of 150 MtCO₂e and further limit emissions to 145 MtCO₂e in 2030 (a 64 percent reduction from business-as-usual), and (b) improve resilience to climate change. Key objectives from GTP-2 include expanding forest cover by 5 million ha nationwide.

14. **The OFLP helps deliver on the Bank's twin goals of ending extreme poverty and boosting shared prosperity by 2030, the 2016 Systematic Country Diagnostic, the emerging FY17–20 Country Partnership Framework due for approval in May 2017, as well as the 2016 World Bank Forest Action Plan.** The rationale for convening resources programmatically for forest management in Ethiopia is to harness the potential of forested landscapes and other land uses to help reduce poverty equitably by investing in natural wealth and resilient, low carbon growth (see section II.A on beneficiaries). The OFLP will therefore contribute to the twin goals and the Country Partnership Strategy objective of fostering economic growth and improved governance while reducing vulnerability. The vast majority of Oromia's population is rural and directly dependent on natural resources for income, biomass energy (94 percent dependency), food, building materials, and water and as their principal buffer against drought, floods, and other climate or disaster risks. There is a clear link between the renewable natural resource base and how it boosts the prospects and resilience of the bottom 40 percent. This supports Ethiopia's ambition to achieve middle-income status by 2025 through green growth strategies.

15. **The OFLP contributes to the objectives of the Bank's BioCF Initiative for Sustainable Forest Landscapes** which provides financing to the OFLP to reduce GHG emissions from land-use change through a statewide REDD+ and sustainable land use jurisdictional approach that blends land-use planning, policies, and practices; harnesses multi-sector and private sector engagements; and leverages initiatives and financing, including results-based ER payments.

II. PROGRAM DEVELOPMENT OBJECTIVES

A. PDO

16. **The overarching program development objective (PDO) is to reduce net GHG emissions and improve sustainable forest management in Oromia.** This overarching PDO

²⁶ The INDC submitted to the United Nations Framework Convention on Climate Change (UNFCCC) in June 2015. Ethiopia intends to limit its net GHG emissions in 2030 to 145 MtCO₂e or lower. This will constitute a 255 MtCO₂e reduction from the projected business-as-usual emissions in 2030 or a 64 percent reduction from the business-as-usual scenario in 2030.

combines the PDOs for the RETF grant and Emission Reductions Purchase Agreement (ERPA) portions of the Program, which are presented separately for ease of reporting.

17. **RETF PDO:** To improve the enabling environment for sustainable forest management and investment in Oromia.

Indicators:

- (a) Score on composite index for tracking changes in the enabling environment for reducing deforestation and forest degradation (Number)
- (b) Area reforested (Ha)
- (c) Direct project beneficiaries (Number) and female beneficiaries (Percentage)

18. **ERPA PDO:** To reduce net GHG emissions from forest cover change in Oromia.

Indicators:

- (a) Emission reductions²⁷ in the OFLP accounting area (MtCO₂e)
- (b) Gross deforestation reduction in the OFLP accounting area (Ha)

19. **Program beneficiaries.** In line with the REDD+ jurisdictional approach that defines the carbon accounting area, the OFLP will cover all of Oromia's 287 rural woredas. In these woredas, there are approximately 1.8 million people living inside or immediately adjacent to existing forests. A subset of this population, in addition to officials in relevant institutions at all levels of government statewide, will directly benefit from the grant. The direct beneficiaries of the grant are smallholders, communities, and officials in relevant institutions at all levels of government, who will benefit from capacity building and training in A/R, Participatory Forest Management (PFM), land-use planning, safeguards, policy development, and extension activities. The number of these direct beneficiaries is 25,000 (30 percent female), most of whom are located in 49 woredas with deforestation hotspots. However, work on the enabling environment will be carried out state-wide and the number of direct beneficiaries includes those benefitting from training and other non-investment support provided by the grant.

20. In addition, ER payments will also directly benefit communities and the government according to the rules set out in the Benefit Sharing Mechanism (BSM) that is to be prepared. ER payments will promote sustainable land-use practices. The exact number of direct beneficiaries of ER payments will be evaluated ex post, once the BSM is in place. Moreover, these benefits will only materialize when emissions from forest change are reduced in Oromia.

21. For the purposes of this PAD, direct benefits include goods, services, small works, and training that will: (a) improve forest management and empower communities to participate; (b) create opportunities for jobs, casual labor, and livelihoods from forests; (c) improve capacities and policies to better manage landscapes for multiple benefits; and (d) help secure ecosystem services such as more usable water for crops and households, resilience from intact biodiversity, and more shade for livestock. A large additional population in Ethiopia and its neighbors will indirectly benefit from natural asset protection downstream, including by reduced soil erosion, flood risk, and sedimentation in water bodies for hydropower, fishing, irrigation, and water supply.

²⁷ Emission reductions values are an aggregate from various carbon sinks (A/R) and emission sources from forest cover changes (deforestation).

III. PROGRAM DESCRIPTION

22. **The OFLP will be Oromia’s strategic programmatic umbrella and coordination platform for multi-sector, multi-partner interventions on all forested landscapes in Oromia.** The long-term program will contribute to a transformation in how forested landscapes are managed in Oromia to deliver multiple benefits such as poverty reduction and resilient livelihoods, climate change mitigation, biodiversity conservation, and water provisioning. The OFLP will foster equitable and sustainable low carbon development through a series of: (a) on-the-ground activities that address deforestation, reduce land-use-based emissions, and enhance forest carbon stocks (enabling investments); and (b) statewide and local enhancements to institutions, policies, information, and safeguards management to scale up investment (enabling environment), including coordinating and leveraging multiple REDD+ relevant interventions across the regional state.²⁸ Table 2 summarizes how the OFLP will help address the primary causes of deforestation.

²⁸ Initiatives relevant for REDD+ are projects, programs, and activities in general promoted by the FDRE, donors, non-governmental organizations (NGOs), or private sector that directly or indirectly contribute to reducing emissions from deforestation or increasing forest carbon stocks in the Oromia National Regional State. Examples of these initiatives include the Sustainable Land Management Program (SLMP) of the Ministry of Agriculture and Natural Resources (MoANR), efforts of the Japan International Cooperation Agency (JICA) and the OFWE to promote PFM and new forest-based business models (including forest coffee), as well as the forest coffee operation supported by Nespresso, the BioCarbon Fund and International Finance Corporation (IFC). Annex 10 has a list of operations.

Table 2. OFLP-relevant interventions to address the main drivers of deforestation

Primary Causes of Deforestation in Oromia		OFLP-relevant Interventions	Source of Funding
Primary Direct Causes	Small-scale agriculture expansion	<ul style="list-style-type: none"> Forest management investment in deforestation hotspots, including the promotion of PFM Strengthening extension services on forest management, smallholder agriculture, soil and water conservation, and household energy Coordination with several other initiatives in Oromia promoting more resilient and productive agricultural and land management techniques 	<ul style="list-style-type: none"> OFLP grant FDRE and development partners funding relevant initiatives (such as the SLMP, Productive Safety Net Program [PSNP], and Agricultural Growth Project [AGP]; refer to Annex 10)
	Wood extraction for firewood and charcoal	<ul style="list-style-type: none"> Forest management investment, including A/R for biomass energy (woodlots) Coordination with the national cookstoves and the biogas programs to mitigate biomass demand (see below for incentives, enhancements, and policy) 	<ul style="list-style-type: none"> OFLP grant FDRE
Primary Indirect Causes	Inadequate land-use planning and enforcement at micro level	<ul style="list-style-type: none"> Land-use planning support at the woreda level and community levels Further coordination to promote smallholder land certification 	<ul style="list-style-type: none"> OFLP grant FDRE land-use planning initiative SLMP Component 3 [MoANR/Bureau of Agriculture and Natural Resources (BoANR)] Land Investment for Transformation (LIFT) (MoANR/BoANR with UK. Department for International Development [DFID])
	Inadequate cross-sectoral policy and investment coordination	<ul style="list-style-type: none"> State-level activities to promote cross-sectoral coordination, including the establishment of the Oromia REDD+ Steering Committee (ORSC) chaired by the Oromia Vice President. Policy development and enforcement (harmonized PFM rules, forest and land certification, incentives for the adoption of renewable energy sources, and so on) Improvement of the enabling environment (marketing of cookstoves, preparation of BSM for ER payments, small natural-resource-based enterprise operating environment) Local-level activities to coordinate and leverage existing initiatives to protect and expand forest cover and improve land use Information enhancements such as the MRV system, Forest Management Information System (MIS), and strategic communication 	<ul style="list-style-type: none"> OFLP grant FDRE FDRE and development partners funding REDD+-relevant initiatives (such as the SLMP, PSNP, and AGP; refer to Annex 10)

23. **The OFLP will programmatically support the FDRE to strategically mobilize, coordinate, and scale up funding from diverse sources.** The success of the OFLP and the achievement of the FDRE's broader forest, land-use, and climate ambitions depend on the OFLP's ability to leverage financial resources from existing and future REDD+-relevant initiatives such as the PSNP, SLMP, AGP, private sector activities such as the International Finance Corporation (IFC) initiative described below, the CRGE Facility, bilateral support, farmers' own investments, and the government budget. REDD+-relevant initiatives also include REDD+ projects that are currently seeking carbon payments, which will be 'nested' into the OFLP, such as the Bale Mountains Eco-regional REDD+ Project.

24. **Two types of REDD+-relevant initiatives are distinguished:** (a) existing REDD+ projects that seek to account for and sell ERs, such as the Bale Mountains Eco-regional REDD+ Project and REDD+ Joint Forest Management in the five districts of Illu-Ababora Zone South-

West Ethiopia phase II (REJFMA-SW Ethiopia II) Project; and (b) initiatives that contribute to REDD+ goals but are not seeking to account for and sell ERs, such as the Bank-financed SLMP. The former group will be nested into the OFLP (see below), while the Oromia REDD+ Coordination Unit (ORCU), within the Oromia Environment, Forest, and Climate Change Authority (OEFCCA), and the Oromia vice presidency will together seek to further coordinate the second type of interventions across sectors toward the OFLP goals.²⁹ Annex 10 lists relevant initiatives and institutions with which the OFLP aims to coordinate.

25. Nesting existing REDD+ projects into the OFLP. The OFLP will allow existing and potential REDD+ projects to directly account for ERs at the project level to attract new sources of financing and mobilize more technical partners in support of the program. However, these projects will not be able to sell ERs to third parties before the ERs contracted by the BioCF is fully delivered. These projects will be nested within the OFLP, which means that the FDRE will put in place rules for coordinating all ongoing and planned REDD+ projects in Oromia including consistency in the approach to set the baseline [reference emissions level (REL)], the same benefit sharing rules, consistency in measuring and reporting on ERs, systems to avoid double counting of ERs, and consistency in how social and environmental sustainability approaches are applied following the Bank's safeguard policies and procedures. These rules will be spelled out in the Program Implementation Manual (PIM) and its subsequent modules and updates.

26. IFC and private sector development. The FDRE and other stakeholders are looking to support the development of a climate-neutral coffee value chain as part of the OFLP. The BioCF Initiative for Sustainable Forest Landscapes (ISFL) has partnered with IFC, Nespresso, and the non-profit organization TechnoServe, to support coffee farmer training to improve climate-smart and sustainable practices and to increase productivity of high quality coffee production. The ISFL provides US\$3 million through the IFC to Nespresso to support training activities implemented by TechnoServe. Specifically, 20,000 farmers will be trained on standards for sustainable production and processing of coffee beans over two years. Assistance will also be provided to improve the operations of 77 wet mills that process sustainably produced coffee. This landmark deal is combined with a US\$3 million loan funded by the IFC to support smallholder coffee farmers and producer wet mill businesses in Ethiopia and Kenya. As a result, farmers are expected to increase production of sustainable coffee, improve resilience to changes in growing conditions, and increase their incomes through the sale of high quality coffee. These results will benefit farmers as well as reduce pressure on the forests for agricultural land.

27. The OFLP is designed to leverage grant resources to attract new financing, expanding the total envelope toward improved land use, forest retention, and forest gains. There is common understanding between the FDRE and development partners that a robust enabling environment is crucial for successfully implementing a REDD+ jurisdictional approach for ER payments and for leveraging and scaling up action and investments and initiatives on the ground (see Annex 10 for details on how the OFLP and initiatives can be leveraged for win-win

²⁹ The grant will complement and be coordinated with the significant investments that are already being made in the OFLP area including Bank-financed operations such as the SLMP, AGP, PSNP, and Nespresso-East Africa Coffee Project; and projects not financed by the Bank such as the Bale Mountains Eco-regional REDD+ Project, REJFMA-SW Ethiopia II Project, and private sector investments involving IFC, TechnoServe, and so on.

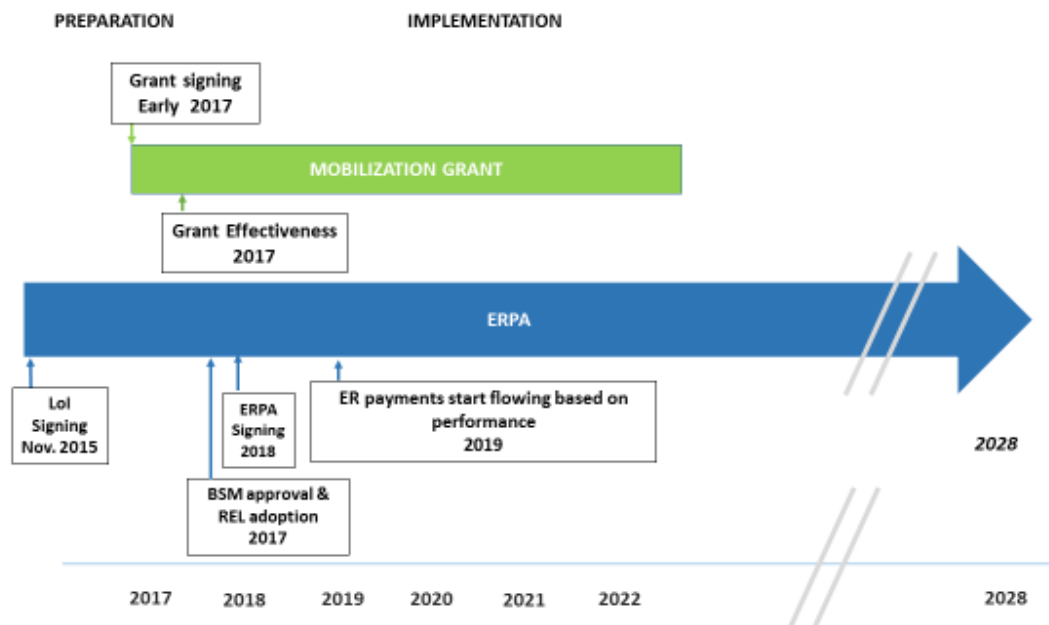
outcomes). The OFLP will therefore serve as a ‘scale-up engine’ according to Figure 1.

Figure 1. OFLP as a “scale-up engine”



28. The OFLP will be supported programmatically by two legal agreements: (a) a recipient-executed five-year grant of US\$18 million financed by two trust funds from the BioCarbon Fund Plus, complemented by (b) an ERPA of up to US\$50 million over 10 years that will be negotiated and processed later under a separate project number. The two will be synchronized in one strategic program as summarized in Figure 2 and detailed below.

Figure 2. OFLP preparation and implementation timeline



- (a) **The five-year mobilization grant will finance the establishment and initial implementation of the statewide jurisdictional ER component of the program.** The grant will finance the FDRE to strengthen its state-level and local-level enabling environment and implement selected on-the-ground investment activities. The grant will facilitate the achievement of ERs (and resulting ER payments) while also leveraging greater financial resources from multiple sources. The grant will, in particular, finance: (a) Technical Assistance (TA) among all rural woredas across the state (such as landscape management coordination, land-use planning support, and safeguards management); and (b) selected forest investment and livelihoods support in deforestation hotspots with high carbon content (sites to be determined within 49 woredas).³⁰
- (b) **ER payments of up to US\$50 million for verified carbon performance paid within a period of up to 10 years.** These payments will be available once the program achieves, verifies, and reports on results with regard to reduced emissions. The ER payments will be distributed according to a BSM (see Annex 6) and used primarily to ensure sustainability of land use interventions, as well as to scale up action in other geographical areas within Oromia. This climate financing will be channeled through an ERPA to be signed between the FDRE and the Bank. The envelope for these payments could grow as the OFLP becomes operational and generates results and as other ER buyers show interest in the OFLP.

29. **The OFLP geographic boundary is all forests in Oromia.** The OFLP will monitor and account for positive and negative changes in forest cover and associated GHG ER within all 287 rural woredas within the regional state boundaries of Oromia (that is, the ‘accounting area of the program’). According to the FDRE’s forest definition, this includes 9 million ha of forests, spread over all of Oromia’s rural woredas. The stakeholders who will benefit from ER payments will be defined in the BSM currently under preparation by the FDRE (see Annex 6 and below).

30. **The BSM provides an operational solution for disbursing the performance-based ER payments equitably, effectively, and efficiently.** It will be designed early during OFLP implementation through a robust consultation process including with communities statewide. A BSM Manual, subject to Bank no objection, will be prepared by the FDRE before ERPA signature, and will describe the eligibility criteria, allocation procedures, and flow of funds (see Annex 6).

31. **Monitoring forest cover and forest cover changes will follow methodologies that are being established at the national level and be in line with international best practices.** The data generated by the OFLP will feed into the National Forest Monitoring System (NFMS) (see Annex 7). The outputs of the NFMS will in turn feed into the broader UNFCCC reporting.

³⁰ These 49 woredas were selected according to: (a) presence of high forest areas (given the high carbon stocks in these forests); (b) large size deforested area and high rate of deforestation within these woredas; and (c) contiguity to better reinforce landscape interconnectivity.

A. Program components

32. **The OFLP has three components.** The US\$18 million mobilization grant will finance Components 1 and 2 over a five-year period: (a) Enabling investments and (b) Enabling environment. These funds will be channeled to the FDRE as a recipient-executed (RE) grant. The third component will consist of up to US\$50 million of ER payments for verified ERs as they are delivered over a long-term period. The components overlap in time.

Component 1. Enabling investments (*US\$11.54 million RE grant, five-year period*)³¹

33. Component 1 will finance investment in PFM (including livelihoods support and selected nature-based community enterprise development) and reforestation in deforestation hotspots in sites to be selected, as well as extension services and land-use planning statewide at state and local levels.

Component 2. Enabling environment (*US\$6.46 million RE grant, five-year period*)³²

34. Component 2 will finance complementary activities to improve the effectiveness and impact of institutions, policies, marketing, BSM, and information (that is, strategic communication, MRV), and safeguards management at state and local levels. This component will enhance the enabling environment to help scale up and leverage action on the ground to reduce deforestation and forest degradation.

Component 3. Emission reduction payments (*Up to US\$50 million ERPA, 10-year period*)³³

35. Unless specified differently in the ERPA, ER Payments will be made only for emission reductions achieved during the ERPA period. However, interventions conducive to emission reductions can start at any time. ER payments will be delivered once results are achieved, verified by a third party, and formally reported to the Bank. Based on the design of the MRV system (see section IV.B and Annex 7), it is expected that reporting and verification of ERs can occur every two years. The ER payments will be managed by the FDRE and distributed to the beneficiaries according to the BSM to be prepared by the FDRE (see Annex 6), which will aim to incentivize greater uptake of sustainable land-use actions. The BSM will need to be formally adopted by the FDRE before any ER payment can be made. In addition, the ER payments will not cover the full cost of implementing changes in landscape management. The ER payments will provide some return that offsets some costs of improving the landscape for the wider benefit of all.

³¹ Includes physical and price contingencies of 3.25 percent.

³² Ibid.

³³ ERPAs are approved at the Country Director level, followed by negotiations of the ERPA. Thus, the ERPA will be negotiated and processed later under a separate project number, with a new cover sheet and data sheet for this PAD.

B. Program financing

36. The Bank will deploy funds from its BioCF ISFL to programmatically finance the FDRE to implement the OFLP through: (a) US\$18 million recipient-executed trust fund (RETF) grant; and (b) an ERPA of up to US\$50 million. See Tables 3 and 4.

Table 3. Total OFLP costs by component and use of financing (US\$, millions)

OFLP components by financing source	RETF grant		ERPA		Total	
	Amount (US\$ millions)	%	Estimated Amount (US\$ millions)	%	Amount (US\$ millions)	%
Component 1: Enabling investments						
1.1 Sub-basin land-use planning support	0.50	100.00	0.00	0.00	0.50	100.00
1.2 Investment and extension services	6.76	100.00	0.00	0.00	6.76	100.00
1.3 Forest management investment in deforestation hotspots	3.92	100.00	0.00	0.00	3.92	100.00
Component 1 Subtotal	11.18	100.00	0.00	0.00	11.18	100.00
Component 2: Enabling environment						
2.1 Institutional capacity building	1.81	100.00	0.00	0.00	1.81	100.00
2.2 Enabling environment enhancements	1.55	100.00	0.00	0.00	1.55	100.00
2.3 Information	1.18	100.00	0.00	0.00	1.18	100.00
2.4 Safeguards management	1.55	100.00	0.00	0.00	1.55	100.00
2.5 Program management	0.17	100.00	0.00	0.00	0.17	100.00
Component 2 Subtotal	6.26	100.00	0.00	0.00	6.26	100.00
Component 3: Emission reduction payments	0.00	0.00	50.00	100.00	50.00	100.00
Component 3 Subtotal	0.00	0.00	50.00	100.00	50.00	100.00
Total OFLP costs, excluding contingencies	17.44	25.63	50.00	74.15	67.44	100.00
Physical and price contingencies applied to grant (3.25%)	0.56	100.00	0.00	0.00	0.56	100.00
Total OFLP costs	18.00	26.47	50.00	73.53	68.00	100.00

Table 4. Mobilization grant costs by component and use of financing (US\$, millions)

Grant-financed components by financing source	RETF grant				Total	
	USDOS Child TF0A4442		MoCE Child TF0A4467			
	Amt	%	Amt	%	Amt	%
Component 1: Enabling investments						
1.1 Sub-basin land-use planning support	0.24	47.50	0.26	52.50	0.50	100.00
1.2 Investment and extension services	3.21	47.50	3.55	52.50	6.76	100.00
1.3 Forest management investment in deforestation hotspots	1.86	47.50	2.06	52.50	3.92	100.00
Component 1 Subtotal	5.31	47.50	5.87	52.50	11.18	100.00
Component 2: Enabling environment						
2.1 Institutional capacity building	0.86	47.50	0.95	52.50	1.81	100.00
2.2 Enabling environment enhancements	0.74	47.50	0.81	52.50	1.55	100.00
2.3 Information	0.56	47.50	0.62	52.50	1.18	100.00
2.4 Safeguards management	0.74	47.50	0.81	52.50	1.55	100.00
2.5 Program management	0.08	47.50	0.09	52.50	0.17	100.00
Component 2 Subtotal	2.98	47.50	3.28	52.50	6.26	100.00
Total OFLP grant costs, excluding contingencies	8.29	47.50	9.15	52.50	17.44	100.00
Physical and price contingencies applied to grant (3.25 %)	0.26	47.50	0.30	52.50	0.56	100.00
Total OFLP costs	8.55	47.50	9.45	52.50	18.00	100.00

37. For ER payments, the ORCU, with the support of the national MRV system, will be in charge of reporting forest cover changes and associated ERs and engaging a third party to verify these results. The third party report will be sent to the Bank along with a payment request from the FDRE. The Bank will conduct its due diligence before transferring the payment. The payments are a function of the amount of ERs achieved in a given period and the unit price agreed between the Bank and the FDRE. Such payments will continue until the ERPA funds are fully disbursed, but not later than the ERPA closing date. The ERPA can be followed by further agreements if buyers are willing to purchase additional ERs.

C. Lessons learned and reflected in the program design

38. In recent years, there has been increasing support for establishing successful models of REDD+ and low emissions development (LED) efforts at a jurisdictional scale, like the OFLP. Jurisdictional efforts are designed to overcome the shortcomings of small project-based approaches by working across land-use types and with multiple stakeholders to create models for national implementation. Small projects are associated with high transaction costs and reduced cost effectiveness, and have limited impact on the enabling environment for reducing deforestation. A 2015 study by the Bank and partners analyzed some of the most advanced REDD+ and LED initiatives worldwide to understand success factors, as summarized in Box 1.

39. The OFLP design also reflects lessons learned from completed projects in Ethiopia such as the Bank-financed Humbo ANR Project,³⁴ SLMP, the National REDD+ Readiness Project and JICA's Community Management for Forest Protection Program. See Annex 5.

Box 1. Top 10 things not to do when establishing REDD+ at the jurisdictional scale

1. Assume we know what motivates political leaders and other key stakeholders to change behavior, without a careful analysis and understanding of the context
2. Invest most funding into REDD+ planning and 'readiness' (for example, MRV, safeguards, and so on) and expect political leaders to maintain interest and momentum
3. Offer largely results-based finance to low-capacity countries, jurisdictions, or local stakeholders and expect them to perform
4. Look to REDD+ payments or corporate supply chains as the sole solution
5. Underestimate the problem of political and bureaucratic capacity and turnover in countries
6. Expect results to be achieved too quickly
7. Assume that REDD+ is cheap
8. Create a model based on paying actors indefinitely to change behavior
9. Expect others to take risks but not take risks yourself
10. Lose optimism

Source: Fishbein, Greg, and Donna Lee. 2015. Early Lessons from Jurisdictional REDD+ and Low Emissions Development Programs. World Bank, Forest Carbon Partnership Facility, Nature Conservancy.

IV. IMPLEMENTATION

A. Institutional and implementation arrangements

40. **As a strategic multi-sectoral government land-use program utilizing diverse financing sources and partner support to scale up action, the OFLP's institutional arrangement is anchored in the following principles:** (a) the institutional setup relies on existing federal and state government structures; (b) clear institutional roles, responsibilities, and procedures based on existing institutional mandates; (c) extensive multi-sectoral coordination on planning and implementing related projects, activities, and policies critical for the OFLP's success; and (d) coordinating and leveraging selected relevant initiatives (financed by the Bank and/or others). The institutional arrangement is detailed in Annex 3A which includes an organogram.

41. **The OFLP implementation arrangements, led in Oromia National Regional State by**

³⁴ The first CDM project in Africa that successfully pays smallholders for increased forest carbon from reforestation of degraded lands through ANR.

the new OEFCCA established in July 2016, include relevant institutions at the national, state, and sub-state levels with specific accountabilities and decision-making roles based on existing mandates (see Annex 3A). The ORCU is the OFLP implementing unit and has been administratively hosted by the OFWE for over two years; on December 8, 2016 the ORCU was transferred to the newly established OEFCCA as the new administrative host. OEFCCA was set up by Proclamation 199/2016 on July 20, 2016, and is officially mandated to oversee the forest sector in Oromia. While ORCU reports administratively to the OEFCCA, it seeks strategic and tactical guidance from the Oromia Regional State Vice President, given the multi-sector nature of OFLP and land use challenges in the regional state. The ORCU and OEFCCA will be supported by the MEFCC which will carry out a fiduciary oversight role through its National REDD+ Secretariat, in particular on MRV, project monitoring, safeguards, financial management and procurement; more specifically, the MEFCC will focus on providing operational guidance to the ORCU to carry out its own procurement, financial management, and safeguards compliance, providing quality control, guidance and resolving issues. The regional state's multi-sector REDD+ Steering Committee and Technical Working Group will provide strategic guidance and technical inputs, respectively, to guide OFLP implementation. The OEFCCA and sector bureaus including the Bureau of Agriculture and Natural Resources (BoANR), Bureau of Water, Minerals and Energy (BoWME), Bureau of Rural Land Administration and Use (BoRLAU) and OFWE will implement and coordinate activities on the ground through their decentralized staff. For example, OEFCCA, BoANR, and BoRLAU have field staff, woreda experts, and kebele development agents (DAs) (extensionists) who cover forest, agriculture, water, and household energy. However, OEFCCA will, in the near-term, rely on Development Agents (DAs) under the authority of the BoANR to implement investment activities on the ground until such time as OEFCCA has its own core of DAs in place. OFWE has a similar structure with local extension agents with experience in PFM, but OFWE does not follow the woreda structure and instead follows its own district structure based on its forest concessions. Specific activities to be implemented by the OEFCCA, OFWE and relevant bureaus are defined with specific accountabilities, including lead and supporting roles and budgets, in the joint annual work program and budget and joint procurement plan. The accountabilities among the Oromia institutions are detailed in the PIM.

42. The OEFCCA has the mandate to govern the forest sector in Oromia. The OEFCCA is responsible for policy development and enforcement related to forest development; utilization and management of government, private and community forest (excluding farmland trees which falls under BoANR); providing expert advice for forest expansion including on topics such as biodiversity, ecotourism, conservation, afforestation/reforestation, and forest-related carbon measurement; coordination of REDD+ activities and projects in the regional state; ensuring environmental integrity; jointly resolving forest resource related disputes with relevant institutions; leading implementation of the CRGE initiative; and planning and managing core government budget on forest throughout Oromia.

43. The OFWE is a key implementing partner in OFLP owing to its experience with implementing PFM, preparing OFLP, hosting ORCU for the past two years, managing plantations, and managing large concessions where carbon-rich high forest and deforestation hotspots are located. Moreover, given its dual public and private mandates, the OFWE cultivates private sector relationships, which will play an important part in sustaining activities that contribute to the objectives of the OFLP.

44. **Spatial and thematic coordination of REDD+ related initiatives and institutions on land use across sectors is a strategic feature of the OFLP.** At the regional level, joint work planning, budget formulation, and reporting for the OFLP and forest-related policy development/harmonization will take place with the involvement (as needed) of the Executive level of Oromia National Regional State, the OEFCCA, OFWE, all relevant bureaus, and other actors as relevant, with the ORCU serving as the OFLP implementing unit at the OEFCCA. At the woreda level, each woreda administration office together with a combination of woreda sector experts and DAs under them, who are already implementing a range of sector programs and operations, will also support OFLP implementation. OFLP woreda coordinators – to be appointed – will be hosted by selected woreda offices of OEFCCA to: (a) reinforce woreda capacity to coordinate implementation of OFLP activities, related projects and operations, (b) lead implementation of activities directly funded by OFLP financing, and (c) support fiduciary aspects of OFLP including safeguards management, activity reporting, financial management and procurement. At the zone level, OFLP safeguards coordinators will oversee the safeguards work of the OFLP woreda coordinators and ensure that environmental and social safeguards are implemented according to the OFLP environmental and social safeguards instruments. At the same zone level, OFLP lead facilitators hosted by selected zone offices of the OEFCCA, will provide technical and operational support to OFLP woreda coordinators and OFLP safeguards coordinators to ensure satisfactory implementation. The office locations for the OFLP woreda coordinators, safeguard coordinators, and lead facilitators are defined in the PIM.

45. **Arrangements for fiduciary management including financial management (FM), flow of funds, procurement management, and safeguards are given in section VI.** Details on implementation arrangements are in Annex 3, and further details on the OFLP’s safeguards approach are in Annex 8.

46. **A PIM developed by the FDRE will be adopted before declaring effectiveness of the grant.** The PIM will reflect the rules, methods, guidelines, and step-by-step procedures for implementing the OFLP. This includes detailed institutional arrangements; reference to and relevant details from the safeguards instruments; citizen engagement, monitoring and evaluation (M&E) arrangements from the field up to the federal level, reporting templates and procedures, governance procedures; disbursement, FM, auditing, and procurement procedures for the OFLP. The BSM will be finalized with grant financing and, once completed, will be a companion volume of the PIM. The approach to nesting carbon finance projects in the OFLP will also be included in the PIM.

47. **Key stakeholders include:** (a) communities, forest dwellers and users, farmers, herders, cooperatives, and water users who will benefit from OFLP interventions directly or downstream; (b) federal institutions such as the MEFCC, Ministry of Finance and Economic Cooperation (MoFEC), MoANR, Ministry of Water, Irrigation, and Electricity (MoWIE), and EWCA; (c) Oromia National Regional State institutions such as the vice president’s office, OFWE, and bureaus of agriculture; water, irrigation and energy; and rural land; local governments; and other public institutions that will either directly implement OFLP and/or benefit from it; (d) other regional states that could learn from the OFLP as they advance their own forest programs and/or REDD+ pilots; (e) community-based organizations (CBOs) and NGOs delivering services to

farmers; and (f) private sector entities involved in providing services such as inputs and extension or in commercial endeavors such as coffee and other forest products. Institutional capacity is slowly being strengthened; some of the main challenges include weak multi-sector coordination, overlapping mandates, and inadequate staffing at all levels.

B. Results Monitoring and Evaluation

48. **The success of OFLP depends on accurate, timely results reported through the program's M&E system. Good program performance ratings and additional funds mobilization require good M&E.** The M&E system is critical for the management of the OFLP, especially given the many actors and different levels of coordination required (see the results frameworks in Annex 1). The M&E system will also be an integral part of the OFLP's aim to mobilize and leverage funds from a variety of new sources including grants, additional ER payments, the private sector, CRGE Facility, loans, new donor partners, and government budget. Well-functioning M&E and MRV systems together will be the cornerstones of attracting additional climate financing, in particular, through the management and generation of robust forest and carbon information.

49. **OFLP's M&E is guided by an overarching PDO, under which is a PDO for the grant and a PDO for the ERPA, with a results framework for each.** Having an overarching PDO helps to bind the two financial products (the grant and the ERPA) together programmatically, while the respective grant and ERPA PDOs allow the progress of the grant to be independently monitored from the progress of the ERPA.

50. **The M&E system will be implemented by the ORCU as the OFLP coordination unit.** The ORCU coordination unit is staffed with an M&E specialist. The OFLP M&E system will operate at the regional, zone, woreda, and kebele levels using dedicated OFLP staff, working closely with existing government staff at each level in the bureaus, zones, and woreda offices, and DAs working at the kebele level.

51. **Data will be gathered on a semiannual and annual basis, drawing as much as possible from existing data sources and information management tools to be put in place, and government staff (Woreda experts, DAs) and OFLP staff on the ground.** Information tools include the M&E system, the Forest Management Information System (MIS), as well as the regional MRV system. Specific templates will be designed for data collection, will be inserted into the PIM or in an M&E module accompanying the PIM, and detailed training will be provided to relevant staff on how these will be used. The ORCU, hosted by OEFCCA, will report on M&E to the MEFCC and to the World Bank.

52. **There will be periodic implementation support missions with an M&E focus over the lifetime of both the grant and the ERPA period of the program.** The OFLP will also include a midterm review approximately 24 months after grant effectiveness to assess progress and identify areas for course correction where needed. An implementation completion and results report will be conducted at the end of the grant period as per Bank procedures. Implementation support funds for the Bank team are, and will continue to be, provided by BioCarbon Fund plus.

Monitoring, reporting, and verification and forest reference level for the ERPA

53. The results with regard to reducing deforestation and net GHG will be based on the monitoring of changes in forest cover [activity data (AD)] and associated GHG emissions and removals [based on emission factors (EFs) for the different types of forests within the regional state] compared to a business-as-usual baseline or FRL (see Annex 7 for details).

54. The FRL for the OFLP and monitoring will rely on and be linked to the national FRL and MRV system that is currently being developed as part of the National REDD+ Readiness Program (refer to section I.B). The MEFCC will be setting the FRL and will have the primary responsibility for monitoring information and reporting. Since not all data can be easily derived (for example A/R activities will not be visible in remote sensing images until the trees have grown), supporting data (for example, data on areas reforested) will be reported by the OEFCCA to the MEFCC so that it can be integrated.

55. Ethiopia submitted the first version of the national FRL to the UNFCCC in January 2016. This version reflects the best available information at the time of submission however it is stated that the scope and methodologies applied may be modified as better data become available. As part of the national REDD+ Readiness process, activities are still ongoing to improve the data. Based on the third version of the national FRL, the net FRL for OFLP shows that more than 4.3 million tCO₂e are emitted into the atmosphere every year.

C. Sustainability

56. **The sustainability of the OFLP is found in: (a) the financial and non-financial benefits that the program aims to put in place, including ER payments and improvements in the enabling environment to scale up financing; and (b) the ownership and implementation of the OFLP across government institutions, including agencies responsible for forest, agriculture, energy, water, wildlife, environment, and land.** During preparation, dialogue took place at every level of government, across sectors. The OFLP will function as a ‘scale-up engine’ to attract new financing for different sources toward the program objectives, which will directly contribute to the program’s sustainability. These additional resources could come from the FDRE, other donors, private sector, or others; and the ORCU will actively work on coordinating existing financing and attracting new sources of financing (capacity is being built with support from the grant). The OFLP management costs should be covered after year (YR) 5 (once the grant mobilization is closed) by a small portion of the annual ER payments. In addition, the associated co-benefits will also contribute to the sustainability of the intervention, such as through improved water quality and quantity from intact and new forests, improved access to household energy, and livelihoods benefits associated with these. In addition, community ownership of the intervention, such as through PFM, will enhance sustainability and the existing community experiences from PFM and SLMP-2 will present a solid track record to count on good program implementation performance and local ownership. Moreover, the government’s newly established REDD+ learning network and the already established network for SLMP can reinforce a stronger feedback loop on knowledge exchange, in line with national efforts on forest and climate.

57. **Improvements to the enabling environment for sustainable land use will generate**

inherent sustainability through, *inter alia*: (a) private sector development, in particular community natural-resource-based enterprises and value chain development; (b) leveraging and crowding-in of various ongoing initiatives and new financial resources toward sustainable land uses and forest management; and (c) establishment and strengthening of a multi-sector platform for action, including resource mobilization, policy development and harmonization, land-use planning, institutional capacity building, and safeguards management.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk rating summary

Risk categories	Rating
1. Political and governance	High
2. Macroeconomic	Moderate
3. Sector strategies and policies	Substantial
4. Technical design of program	Substantial
5. Institutional capacity for implementation and sustainability	High
6. Fiduciary	Substantial
7. Environment and social	High
8. Stakeholders	Substantial
9. Other	–
Overall	High

B. Overall risk rating explanation

58. **The OFLP's overall risk is rated *high*.** OFLP is a strategic program with two sequenced financing sources, an RETF grant followed by an ERPA to be negotiated later. The high risk rating and mitigation approaches described below generally apply to the Program as a whole, including the (i) RETF grant and the (ii) ERPA. The grant helps reduce the risks associated with the ERPA by assisting the Recipient to put systems in place (safeguards, carbon accounting, benefits sharing, coordination platforms, investment models) that will allow the Recipient to negotiate and implement the ERPA, which has state-wide coverage as payments are made based on changes in aggregate forest cover state-wide. Measures to address some of the risks were taken during the OFLP preparation period via the implementation of the National REDD+ Readiness initiative, which the Bank/BioCF is financing in parallel. The individual risks rated substantial or high are listed below, with specificity to the RETF grant and/or the ERPA as relevant, along with the main mitigation actions. See Box 2 for highlights and see Annex 12 for details.

Political and Governance (*High risk*)

59. **Risk to achievement of ERs under the ERPA.** Exogenous governance factors such as the following can prevent achievement of ERs: (a) pressure on forests from sectors other than the forest sector; and (b) related land-use initiatives that are underperforming or not delivering. The mitigation action designed into the OFLP is that a robust multi-sector implementation setup is (i) defined within government structures, (ii) strengthened by the grant financing, and (iii) the Regional State's executive-level decision makers are directly involved in OFLP implementation.

60. **There are added risks to both RETF and ERPA from a potential re-emergence of the civil disturbances in Oromia that took place in November 2015 (a few weeks after OFLP appraisal) and resumed in 2016, leading to the declaration of the six-month state of emergency in October 2016. The risks include: (a) a risk to OFLP implementation, and (b) a potential reputational risk to OFLP, REDD+ and the Bank despite no association.** These disturbances were widely reported in media and led to the FDRE's declaration of the six-month State of Emergency on October 9, 2016. The situation then stabilized, while local grievances regarding broad governance issues, land use and land conversions remain. This situation is in part a legacy issue that requires a political resolution by the FDRE, and which the World Bank is unable to influence via OFLP. The disturbances were not related directly to forest or NRM issues and therefore outside the scope or influence of OFLP, though there were concerns expressed around legacy issues of land use and access triggered by a proposed Addis Ababa masterplan in 2015 (not financed by the WB and now retracted by the FDRE). Mitigation is largely around consultation and communication combined with a reinforced and enhanced safeguards and risk management approach built into OFLP design.

61. *Risk to implementation:* The civil disturbances have had an impact on World Bank-financed operations; for example, SLMP-2 and AGP were delayed due to shifting lack of access to some parts of Oromia at various times. This risk will be partly mitigated by effective

Box 2. Risk management approach

- Strengthen the government's safeguards and risk management system throughout the regional state: The grant proceeds allocated to the special safeguards sub-component will be complemented by other Bank-supported activities in the same area, such as the similar safeguards component of the Enhancing Shared Prosperity through Equitable Services (ESPES)/Promoting Basic Services (PBS) project, and ongoing safeguards training provided to MoFEC's CRGE Facility (dedicated climate fund).
- The ERPA is anticipated to include ERs achieved through legacy REDD projects not financed by the Bank, so the 6-month covenant on "retroactive due diligence" is included in the RETF Grant Agreement to ensure that the client brings the two legacy REDD projects into compliance with OFLP safeguards frameworks. These legacy REDD projects do not overlap spatially with the limited area coverage of PFM and A/R investments financed by the RETF grant.
- Existing NGOs supporting legacy REDD+ operations on the ground will be a part of the OFLP platform and have participated in preparation.
- Bale Mountains National Park resettlement is intended by the FDRE but few details are known; in response, a full assessment is being carried out and partnerships are being built among the EWCA that manages the park, surrounding woredas and zones, and the Bank.
- Social mobilization is a key feature of the OFLP and includes consultation, participation, citizen engagement, and benefits sharing.
- Grievance redress systems and mechanisms are being put in place as part of the citizen engagement process.
- The grant will fund a dedicated communications activity—complemented by enhanced WB communications to counter possible false associations that may lead to reputational risks.
- The grant is designed to support government to establish a system to crowd-in, coordinate, and leverage financial resources from multiple sources to achieve net ERs eligible for purchase under the ERPA.
- The government's Commune Development Program is not active in Oromia.
- Sufficient supervision budget will be assigned by the BioCF during grant and ERPA periods.

implementation of planned OFLP activities including: (i) carefully planned missions that take security into account, (ii) implementing sound safeguards monitoring, (iii) effective communications and outreach, and (iv) enhanced transparency in project-supported activities.

62. *Risk to reputation:* False associations may lead to reputational risks. Some external actors may misunderstand the nature of OFLP (either the grant or ERPA, or both) and allege that the World Bank and its partners are financing activities that lead to protests and/or underlying complaints. Key risk mitigating measures include: (a) implementation of a proactive communication strategy to clarify what the operation does and does not finance, and articulate OFLP's and the WB's distance from the causes of the protests, should they re-emerge; (b) OFLP's participatory approach to land use, forest and land management (modeled with grant support) will benefit affected communities in Oromia and help reduce residual reputational risks to the Bank; (c) grant support for extensive local consultations and a dedicated activity to strengthen the client's safeguards system to promote inclusiveness and sustainability is a key design principle of full programmatic OFLP; (d) support the government to strengthen its effort to improve governance and accountability partly via the grant support and partly via the FDRE's World Bank-financed Social Accountability Program (see the Environmental and Social Action Plan); and (e) OFLP grant support for participatory land use planning, coupled with SLMP's support in some areas for participatory watershed planning as well as individual and communal land holding certification by local community members.

Sector Strategies and Policies (*Substantial risk*)

63. **Risk of not reducing deforestation trends and associated emissions due to a variety of exogenous factors (applies to both RETF grant and ERPA).** The OFLP may not reduce deforestation trends as expected due to exogenous events outside the control of the OFLP, such as development of roads or other infrastructure and major population shifts, among others. The fact that the proposed program is a pilot under the national REDD+ process helps mitigate this risk by ensuring that the OFLP is embedded into national and regional state priorities, institutions, and structures, which in turn may influence national and regional state policies and programs. In addition, an analysis of the causes of deforestation has been completed (Annex 9) so that the possible exogenous factors are well-known. Another mitigating factor is that the jurisdictional approach to REDD+ assumes that statewide coverage is accompanied by statewide improvements in the enabling environment (policy, regulations, law, institutions, information, and safeguards) that are supported by the RETF grant. Yet, the jurisdictional approach to the ERPA itself presents additional risk because of the scale involved. The RETF grant helps ameliorate these risks.

64. **Weak land tenure at the individual and community levels (applies to both RETF grant and ERPA).** New global research is emerging that shows that community-managed forests around the world tend to be more carbon-rich than other forests; as such, recognizing and enforcing the legal rights of forest communities presents an enormous opportunity to fight

climate change (World Resources Institute 2014)³⁵, yet also presents a risk. Communities and landholders still face a perception of land tenure insecurity in Ethiopia. This is particularly important in forested areas, since individual land certificates are not issued. Although PFM goes some way in addressing this perceived tenure insecurity by transferring forest management rights to communities through contracts, tenure security could also be strengthened through individual land certification in and around forest areas where appropriate. The FDRE, meanwhile, is aiming to improve community tenure of forests in the region once anticipated legal reforms are realized at Federal level. The OFLP grant could help the FDRE's effort to improve individual land tenure by financing the first steps toward individual land certification in forested areas by building on the positive lessons from land certification financed by the Bank-financed SLMP.

65. Community members stressed that, during the initiation of PFM, lack of sufficient consultation and awareness creation on the basics of PFM with the broader community is causing conflicts with villagers who are non-PFM members on benefit sharing, use, and access rights (applies to RETF grant and ERPA). To mitigate this risk, broad community support for the establishment of PFM will be documented as per the OFLP Consultation and Participation Plan. This plan emphasizes continuous community consultation involving representative forest-dependent communities, village leaders and community elders, and other key persons to increase ownership and inclusiveness, manage expectations from ER payments, and promote sustainability.

Technical design of OFLP (*Substantial risk*)

66. While OFLP is innovative and potentially transformative, it faces a number of challenges to achieve the two PDOs, in particular that of the ERPA. The substantial risk is partly because of the fact that deforestation is driven primarily by the land use behavior of millions of smallholders, various sectors and stakeholders, and variables (such as other land use related projects) outside the direct influence of OFLP financing. The risk mitigation strategy includes the establishment of a government coordination platform, supported by the grant, for convening and leveraging other investments and projects to contribute to achievement of the ERs that are accounted under the ERPA at the level of the state-wide jurisdiction. This coordination will occur at all administrative levels of government and will be led by the Regional State executive and relevant sector heads. See institutional risks below for more details.

67. Reversals are a risk for the ERPA, and refers to a situation where the cumulative ERs from the OFLP are less than what were previously monitored and reported. This becomes relevant the second time the OFLP monitors and reports its ERs. Emphasis should be on sound program design and implementation that reduces the risk of reversals. Besides the program design, the OFLP needs to have a robust reversal management mechanism in place during implementation. This reversal management mechanism will be designed as the OFLP moves closer to the ER payment period.

³⁵ World Resources Institute. (2014). Community Forests: An Undervalued Approach to Climate Change Mitigation. Retrieved from <http://www.wri.org/blog/2014/07/community-forests-undervalued-approach-climate-change-mitigation>

Institutional capacity for implementation and sustainability (*High risk*)

68. **Weak cross-sectoral coordination and complexity of the institutional and implementation arrangements for verifying, receiving, and disbursing ER payments at a statewide jurisdictional scale of this size is a high risk to ERPA success.** The risk is rated high because coordinating across land use-related agencies and projects (environment/forest, agriculture, water, and energy) at the local, regional state, and national levels, combined with the complexity of monitoring requirements for performance-based carbon finance, and the complexity of orchestrating millions of land users to act toward common goals of forest conservation and expansion. Risk mitigation includes activities financed by the RETF grant to strengthen the capacity of participating institutions to coordinate and implement OFLP, carry out work planning and budgeting across sectors, enhance safeguards implementation, build MRV capacity, and ensure the timely performance and delivery of operational requirements.

69. **Implementation capacity (applies to RETF and ERPA).** The MEFCC and, to a lesser extent, the OFWE and ORCU, have some experience in managing World Bank-financed TA projects through the REDD+ Readiness process and preparation of OFLP; however, the new OEFCCA has no experience in managing World Bank-financed projects. Given that MEFCC has recently decentralized and the Oromia National Regional State government established the OEFCCA at regional, zone, and woreda levels with the same mandate as MEFCC, there is a need to build considerable capacity at the regional, zone, woreda and kebele levels, while continuing to strengthen capacity at the federal level. The risk is that grant funds that will flow from MEFCC down to the regional and on to local levels may be delayed while capacity is built. Likewise, local extension services are currently under the agriculture sector and will need to be deployed to assist the forest sector to take a landscape approach that includes agricultural lands contiguous to forests (the forest sector was under the MoANR until August 2013). National and regional agencies responsible for agriculture, forest, water, and energy will need to work operationally together to achieve mutual goals. This coordination will be facilitated by establishing a coordination mechanism similar to the ones under the World Bank-financed SLMP and the FDRE's ongoing multi-sector CRGE planning. An MOU is being developed among relevant regional state entities to institutionalize the multi-sector cooperation needed to achieve OFLP objectives (MOU signing is a grant effectiveness condition). The MEFCC and OEFCCA financial and procurement management capacities will also be continuously strengthened.

Fiduciary (*Substantial risk*)

70. **Procurement management risk is rated *high* because of weak procurement oversight bodies at the regional level and lack of qualified procurement staff in key offices (applies to RETF).** Key mitigating measures include continual training and close implementation support. See Annex 3.

71. **Financial management risk is rated *substantial* due to a shortage of qualified accountants and auditors particularly at the OEFCCA and its local offices (applies to RETF grant).** Key mitigating measures include: putting in place the missing required staff within one month of program effectiveness, considerable training, and close implementation support. See Annex 3.

72. **Possible reduction of program financing due to depreciation of the Norwegian Kroner or US dollar could lead to a scaling down of OFLP activities (applies to both RETF and ERPA).** This risk mitigation includes the OFLP grant support the GoE to crowd-in financial resources from multiple sources over time that could help fill financial gaps if they emerge.

Environment and social (*High risk*)

73. **The OFLP's grant and ERPA will both face a changing and fragile environment with complex social relationships and will likely face social concerns related to the existence of underserved and vulnerable groups in its intervention areas.** This is compounded by: (a) inadequate understanding of relevant social issues, and (b) weak capacity and expertise within the government structures to deal with both social and environmental risks to properly implement and document safeguards instruments. The risk mitigation measures will rely on carefully designed safeguards management plans and capacity-building measures to strengthen the implementation capacity of the implementing agency and will be reinforced by a dedicated Safeguards Management subcomponent in the mobilization grant. The program prepared the following safeguards instruments that apply to both the grant and the ERPA: (a) an Environmental and Social Management Framework (ESMF) in compliance with OP 4.01, (b) a Resettlement Policy Framework (RPF) and Process Framework (PF) in compliance with OP 4.12, and (c) a Social Assessment (SA) and Social Development Plan (SDP)³⁶ in compliance with OP 4.10 as part of the Strategic Environmental and Social Assessment (SESA). The ESMF, RPF, PF, and SESA (in addition to the SDP) were consulted upon and disclosed before appraisal. Given the change in institutional arrangements, the safeguards instruments were further updated and re-disclosed. Furthermore, in compliance with REDD+ requirements, the SESA was prepared by the MEFCC as part of National REDD+ Readiness. The nationwide SESA is being applied in Oromia because the region holds most of Ethiopia's carbon-rich forests.

74. **Potential perception of linkage between possible resettlement in the Bale Mountains National Park and the OFLP grant and/or ERPA.** Under the mandate of the EWCA, the Bale Mountains National Park was formally gazetted on February 2, 2015. The Bale Mountains National Park General Management Plan (2007–2017) notes that a resettlement is intended, but details on the plan or its implementation status are not yet known. Grant-supported investment sites for PFM and A/R have not yet been identified but will not exist within Bale Mountains National Park. In fact the grant includes activities to mitigate this risk, and EWCA joined in OFLP preparation and wrote a letter June 2, 2016, agreeing to apply OFLP safeguard instruments in case of any resettlement. The FDRE is required to assess and mitigate the risk in compliance with the Bank Operational Policy on Involuntary Resettlement (OP 4.12) and related safeguards instruments. See Annex 8 on safeguards.

³⁶ In Ethiopia, an SDP is the operational equivalent of the World Bank OP 4.10 - Indigenous Peoples. The SDP for the OFLP was prepared on the basis of the national SESA and the related in depth consultation with the affected underserved and vulnerable groups to seek their support for the program. The OFLP SDP is presented within the national SESA because the OFLP is the first program to pilot scaled-up ER payments. It sets out the measures to ensure that: (a) underserved and vulnerable groups affected by the program receive culturally appropriate social and economic benefits, and (b) any potential adverse effects are avoided, minimized, mitigated, and/or compensated.

Stakeholders (*Substantial risk*)

75. **Stakeholder risk is rated substantial for both the RETF grant and ERPA** because of (i) potential for re-emergence of civil disturbances, (ii) weak multi-sectoral coordination, and (iii) inadequate benefits sharing and funds flow associated with the ERPA. For a variety of reasons, benefits associated with ER payments may not reach the stakeholders whose behavior needs to be changed to deliver reduction in deforestation. There may also be elite capture of the benefits and exclusion of some stakeholders, particularly underserved members of the communities.

76. To mitigate these risks, the OFLP, through the RETF grant financing, will implement strong communication measures to mobilize and inform local communities, strengthen consultation/participatory development models, and enhance transparency in project-supported activities and safeguards operational steps. In addition, OFLP grant financing will strengthen the capacity of participating institutions and carry out joint annual work planning and budgeting across sectors. Lastly, an equitable, well-consulted BSM for ER payments to help incentivize forest communities to conserve and rehabilitate forests is being developed by the government and will be finalized with ‘no objection’ from the World Bank before the ERPA signature, and will coupled with an enhanced safeguards approach strengthened by the grant’s safeguards sub-component.

VI. APPRAISAL SUMMARY

A. Economic and financial analysis

77. Analysis conducted during preparation indicates that program interventions are economically and financially feasible and will generate significant and positive benefits that outweigh the costs. The OFLP’s primary areas of intervention are expected to yield multiple categories of benefits, some readily quantifiable—such as improved agricultural productivity contributing to community livelihoods and GHG ERs—and others less tangible, such as strengthened institutions, improved landscape management, and habitat connectivity. Categories of benefits that are readily quantifiable are estimated in this analysis; others are discussed qualitatively. Improved livelihoods of communities and households in the rural landscape are a primary category of direct benefits, measured through increases in potential yield and reduced harvest losses. The OFLP will emphasize complementary improvements in land and soil management practices and introducing new livelihood activities, including tree- and forest-based enterprises, and will provide information, extension, training, and inputs as part of a comprehensive approach to promoting the adoption and dissemination of more sustainable practices. These improvements in landscape management and agricultural practices will reduce forest loss and degradation and associated emissions, while also encouraging economic uses of trees and establishment of plantations, which will produce ERs, a second important category of quantifiable economic benefits.

78. The economic analysis aims to indicate the potential range of positive outcomes associated with the OFLP, measured in monetary terms. It is based on a number of simplifying assumptions; sensitivity analysis illustrates how results vary with the assumptions.

79. **Benefits from higher yields and lower costs.** OFLP interventions (directly under Component 1, Enabling Investments, supplemented by extension and institutional improvements under Component 2) will produce economic benefits at the household, community, and landscape levels. Benefits can be readily monetized from three types of interventions: (a) extension, information, inputs, and improved practices for 25,000 smallholders; (b) promotion of woodlots and timber production activities on 9,000 ha; and (c) promotion of PFM with communities on about 120,000 ha over the lifetime of the program. The number of affected participants and hectares are drawn from the results framework in Annex 1. For smallholder agricultural activities, benefits can be achieved by increasing productivity and providing new market opportunities, or by reducing costs of production and reducing agricultural losses (which can be high in rural Ethiopia).

80. The OFLP aims to benefit relatively poor communities in the rural landscape, where current agricultural practices contribute to degradation of landscape productivity. Interventions will lead to increased skill, greater production, greater certainty over land use and access, and new forms of economic opportunities such as woodlots. Conservatively, it is assumed that individual smallholder income was only 85 percent of the national per capita average³⁷.

81. To quantify the result of extension and improved practices among 25,000 proposed beneficiaries (individuals), interventions were assumed to increase productivity and reduce costs/losses by a fixed percentage per year. These changes will raise income for participating or adopting smallholders; opportunity costs are assumed to be covered within this set of assumptions. A quantitative framework was developed to allow analysis of the effects of different levels of impact on yields or reduced losses. This analysis shows that even a 10.8 percent change in smallholder household income (that is, 5.4 percent increase in yields and 5.4 percent decrease in agricultural losses) produces benefits that exceed OFLP costs (US\$18 million grant) by more than 25 percent over a period of just 20 years. Higher incremental yield improvements and higher initial incomes in the target population will, of course, raise the overall benefit-cost ratio. For example, a 15 percent (overall) change in income will produce a benefit-cost ratio of 2:1 (in combination with the benefits discussed in the next paragraphs). These estimates are based on calculating the net present value (NPV) of the stream of benefits accruing to beneficiary communities over 20 years at a 7 percent discount rate.

82. Beyond livelihood improvements, the OFLP will establish woodlots on individual lands coupled with capacity building and mobilizing communities to adopt A/R technologies. The economic analysis draws on the Ethiopia Forest Sector Review (2015) to identify the value of woodlot productivity for the low-end use of fuelwood production (about US\$192 per ha). The OFLP will focus on about 9,000 ha of sites where intensive training and inputs will be provided. These interventions should increase revenue potential (for example, yield increases and better prices for better wood products) for affected sites. For each 6 percent increase in revenue at the hectare level, the NPV (following the same set of assumptions) of program-wide benefits will increase by about US\$1 million. If revenue were to increase by 12 percent, for example, the NPV

³⁷ World Bank Group. 2014. "3rd Ethiopia Economic Update Strengthening Export Performance through Improved Competitiveness."

will be about US\$2 million.

83. The OFLP will also promote the adoption of PFM approaches on another 120,000 ha. PFM activities improve landscapes, watersheds, and environmental services and provide some livelihood activities, but monetary gains are low. If the revenue per hectare is as low as US\$80 and the incremental improvement associated with the program is only 4 percent, then annual incremental earnings will be US\$384,000 per year, or an NPV of US\$4.07 million (same discounting assumptions).

84. Considering all benefit streams (livelihoods, PFM, and woodlots), sensitivity analysis of the assumptions (each conducted individually, holding other values constant) shows that OFLP benefits exceed costs: (a) when the incremental income is as low as 3.2 percent; (b) when the benefits estimation period is reduced to 10.5 years; and (c) when the discount rate is as high as 12.5 percent.

85. **Benefits from reduced emissions and enhanced carbon stocks.** Focusing on a readily quantifiable benefit stream, this analysis used estimates based on OFLP-level data supplemented with market information.

86. The OFLP's annual net GHG ERs (tCO₂e from results framework). if valued at US\$5³⁸ per ton. yield a nominal value of US\$77.3 million. This assumed price is a market value, not a social or ecological value, and is conservative for the life of the program. Discounted as above, the NPV of the stream of ER benefits exceeds the estimated US\$50 million ERPA by 17 percent. In other words, the OFLP's ER deliveries as proposed in the results framework will over deliver relative to the commitment, leaving some margin for error. However, since the ERPA payments will be delivered year by year and not delivered up front, this discounting example is only illustrative of the potential value relative to the nominal allocation of the estimated US\$50 million.

87. **Summary estimate of benefit versus cost.** This analysis shows that even with conservative estimates, OFLP benefits exceed the costs of the two main financing components when quantifying just two main benefit streams. This summary estimate does not take into account the value of water retention, water quality, biodiversity, resilience building, and risk reduction associated with more sustainable forest cover and agroforestry landscapes. Benefits from improved forest and landscape management include increased soil moisture and water quality and quantity, as well as increased availability of pollination services, more shade, and microclimate improvements leading to more wildlife and more varied biodiversity. Other benefits not quantified here include reduced costs and risks and uncertainty (to farmers and the wider society) due to poor/prior/weak land management regimes, conflict over resources, and degradation due to poor incentive systems. Quantifying more of the benefits will, of course, raise the overall value of the program and the benefit-cost ratio. This raises the confidence that even at the low end of the quantified range, OFLP costs are justified by the benefits achieved.

88. **Rationale for public sector financing.** The OFLP aims to improve environment, land,

³⁸ This value is only being used as an example. The exact value will be decided during negotiations for the ERPA.

and forest management to improve livelihoods and living conditions, and reduce GHG emissions from land use change and deforestation. These results are primarily global public goods with substantial benefits accruing to Ethiopia and its citizens. Public financing is justified for this purpose.

89. **Bank's comparative advantage and value added.** The Bank has considerable experience working with the FDRE on policy and regulatory issues, experience in project implementation, and long involvement in the natural resources sectors. The Bank is currently supporting a range of related agriculture and landscape management projects such as the AGP, SLMP, and PSNP. The Bank also adds value by assisting the FDRE in accessing sources of global climate finance and in the coordination and application of that financing toward key development challenges.

B. Technical

90. OFLP is programmatic, with two legal agreements: a RE grant (investment project financing) followed by an ERPA (carbon financing) later. Both are combined in this PAD but have different project numbers. These two financing sources and their interaction are explained throughout the PAD: the grant helps the government put systems in place (safeguards, carbon accounting, benefits sharing, coordination platforms, investment models) that will allow the government to successfully negotiate and implement the ERPA which has state-wide coverage as payments are made based on changes in aggregate forest cover statewide. The OFLP is a first-of-its-kind, innovative, programmatic approach to scaling up action to reduce deforestation and degradation trends by taking a landscape approach at a state-wide jurisdictional scale and by convening sources of financing, stakeholders, and sectors. As a leader on climate action and SLM, Ethiopia will set a precedent through this operation. The OFLP is attracting interest from the global REDD+ and forest community. The OFLP will combine the estimated US\$50 million payment for the jurisdiction of Oromia, coupled programmatically with the US\$18 million mobilization grant to invest in the national regional state's enabling environment to act convincingly on land use challenges while setting the stage for convening further financial support and partners. This will be done using an innovative approach that strategically combines physical, institutional, and community responses to protect and expand forest cover throughout the state, underpinned by improvements in planning, monitoring, information, risk management and safeguards, policy development, and regulatory environments, and some early actions on the ground in deforestation hotspots.

91. The OFLP's technical design is solidly based on basic principles and lessons summarized under the lessons learned section, including the following: (a) successful payment of performance-based financing cannot materialize in a vacuum; it is critical to provide funds up front to mobilize work on the local and statewide enabling environment at the spatial scale of the performance-based financing; (b) it is critical to coordinate and leverage existing initiatives to help reduce deforestation and degradation trends summarized in the opening sections of the PAD; this coordination and leveraging carries a cost and requires physical presence on the ground at the woreda level where programming and land-use planning are done and activities are implemented for most of the significant existing initiatives; (c) a long-term programmatic approach is needed to build the basis and financing for scaling up by crowding-in financing sources, stakeholders, and sectors; (d) pilot forest investments are needed to show visible early

progress, help motivate stakeholders at all levels, and give weight to activities designed to enhance the local and statewide enabling environment, such as strengthening extension and land use planning/enforcement at woreda levels; and (e) government ownership and multi-sector implementation arrangements.

92. The three components financed by the grant and ERPA are interlinked. Component 1 (grant) will finance actions to improve or introduce investment, institutions, and incentives at local levels such as investments in extension across land uses; work to coordinate and leverage the potential of sister initiatives (for example, the PSNP, SLMP, AGP, and NICSP) and private sector activities to deliver on forest sector goals; and support the FDRE's ongoing land use planning processes at basin, woreda, and community scales. Component 2 (grant) will finance actions to improve the statewide enabling environment, targeting specific enhancements in policy development, OFLP human resources (for example, the ORCU), the investment climate for private sector development such as cookstoves marketing, risk management capacity throughout the state, development of the BSM, and improvements in information such as OFLP M&E, MRV, and an Oromia-wide Forest MIS. Component 3 (ERPA) will consist of ER payments made possible by the work on the enabling environment and relevant start-up costs that will be financed by the grant in Components 1 and 2. This strategic combination of components and programmatic financing sets the stage for the OFLP to serve as a "scale-up engine" for Oromia to reach its land use and forest sector targets, crowd-in further support from diverse financing sources and partners, and continuously reinforce multi-sector action for productive and resilient landscapes. The FRL for deforestation and emissions will be set at the signing of the ERPA and the BSM will be prepared, which provides time for new data and deep consultations to take place for the ERPA while building up the enabling environment for its success.

C. Financial management

93. The arrangements for FM incorporate the following principles: (a) the grant will follow the Bank's policies and procedures for Investment Project Financing outlined under OP/BP 10.00 guided by the Grant Agreement, and (b) ER payments will follow the policies and procedures of the Bank's carbon financing, which will be governed by the ERPA. The arrangement for the grant is detailed in Annex 3B and further detailed in the PIM.

94. **Funds flow.** The grant will follow the FDRE's Channel Two funds flow mechanism where funds from donors will flow directly to the MEFCC and from there to OEFCCA and other regional implementing agencies. Grant funds will flow from the World Bank into one designated account (for both of the trust funds) to be opened by the MEFCC at the National Bank of Ethiopia (NBE), and funds from this accounts will then be transferred to a pooled local currency (Ethiopian birr) account to be held by the MEFCC. From the pooled local currency account, the MEFCC will transfer funds to separate local currency accounts opened by the OEFCCA. Other implementing agencies, such as OFWE and relevant bureaus, zone and woreda offices, will open separate bank accounts for the program and will receive their resources from OEFCCA according to their respective annual work plan and budget. Interim Financial Reports (IFRs) will be prepared by all implementers and consolidated by MEFCC every quarter for submission to the Bank within 45 days of the quarter end. Furthermore, the annual financial statements will be audited annually by external auditors with the report being due to the Bank within six months of the year end.

95. Regarding the arrangements for the ER payments, the Bank's policies and procedures regarding carbon financing clearly indicate that the supervision of carbon financing transactions exclude assessment relating to the application of the Bank's fiduciary (procurement, FM, and disbursement) policies. Hence, an FM assessment for the ER payments will not be made. The funds flow mechanism for the ER payments (up to US\$50 million) will be defined in the BSM Manual, to be prepared by the client, with 'no objection' from the Bank before the ERPA signature. The BSM Manual under the ERPA will cover critical FM aspects of the ER payments and hence recommendations for risk mitigation measures as well as monitoring mechanisms will be proposed by the Bank as part of BSM preparation (which is financed by the grant). Detailed FM arrangements are documented in the FM assessment report; its key aspects are in Annex 3B.

96. The November 2016 FM assessment, detailed in Annex 3B, revealed the following weaknesses of OEFCCA: shortage of qualified accountants and auditors particularly at the woreda level; possible delays during implementation in taking appropriate action on audit report findings and the limited focus of internal audit; lack of experience in managing Bank-financed projects; and lack of accountants and internal auditors.

97. Given the above, the FM risk for OFLP is rated Substantial and the mitigating measures proposed, as well as the actions to ensure readiness and capacity to implement, in the action plan (see Annex 3B) will help reduce the risk during program implementation.

D. Procurement management

98. Procurement for the grant will be carried out in accordance with: the Bank's 'Guidelines: Procurement of Goods, Works, and Non-consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers' dated January 2011 and revised July 2014; 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers' dated January 2011 and revised July 2014; 'Guidelines: On Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants' dated October 15, 2006 and revised in January 2011; and the provisions stipulated in the Grant Agreement. Procurement management details, including descriptions of items under the different contracts categories, are in Annex 3C.

99. The grant and the ER payments will follow separate procurement and verification procedures and arrangements. The procurement procedures for the grant will follow the Bank's guidelines. As part of its accountabilities for facilitating joint work planning, budgeting, and reporting for OFLP, ORCU will be responsible for identifying procurement items to be financed from the grant and also consolidate the activities of other sectoral institutions implementing OFLP and submit the joint PP to the Bank for 'no objection', before any procurement is initiated and expenditures can be made. For each contract to be financed by the grant, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frame are to be agreed upon between the Recipient and the Bank in the joint PP. The joint PP will be updated at least annually or as required to reflect the actual program implementation needs and improvements in institutional capacity. The ER payments will be outlined in the BSM Manual and follow the policies and procedures of the Bank's carbon financing, which will be governed by the ERPA.

100. Procurement procedures for the grant will be detailed in the PIM to help the OEFCCA/ORCU staff implement the program. The ORCU staff will continue to be provided with initial training and orientation on Bank-financed project procurement management. As the OFLP differs slightly from usual investment financing projects, there is an opportunity and potential need for innovative approaches in procurement and program delivery. Use of United Nations agencies, NGOs, and community participation in procurement may be implemented on a case-by-case basis as needed.

101. The procurement management assessment of the OEFCCA's capacity to implement the grant was conducted recently (November 2016) at a time when the OEFCCA is still in the process of establishing itself and deploying its staff. The key issues and risks identified during the assessment of OEFCCA are detailed in Annex 3C, and include the following: weak procurement oversight body; lack of qualified procurement staff; lack of experience in Bank-financed project procurement; lack of experience in procurement planning; lack of procurement guidance and manual; lack of a satisfactory data management and maintenance of procurement audit trail; and no training plan for capacity-building.

102. Given the above key issues and risks, the procurement management risk for OFLP is rated High and the mitigating measures proposed for the OEFCCA's grant procurement readiness and capacity to implement detailed in Annex 3C will help reduce the risk of the program once during program implementation. These include among others: recruiting qualified procurement staff; conducting annual independent annual procurement reviews of OFLP; ensuring that OFLP procurement is covered under internal and external audits; provide periodic procurement training to relevant staff; including detailed procurement manual as part of the PIM; ensuring that procurement plans are prepared, coordinated, consolidated, and updated as needed by ORCU for procurement OFLP activities.

E. Social (including safeguards)

103. The OFLP will operate in a changing and fragile environment with complex social relationships and will likely face social concerns related to the existence of underserved peoples and vulnerable groups in its intervention areas. The social development challenges facing forest-dependent communities include inadequate understanding of relevant social issues; weak capacity and expertise within the government structures to address proposed mitigation measures to risks; weak land tenure at the individual and community levels, particularly among forest-dependent communities; and inequality in sharing benefits from natural resources. The complex nature of the OFLP's operational context informed the design of the dedicated subcomponent on safeguards due diligence.

104. **OFLP safeguards instruments.** OFLP's anticipated social impacts have triggered OP 4.12 and OP 4.10, and the program has put in place mitigation measures acceptable to the Bank to mitigate these impacts. On OP 4.12, based on the fact that specific sites are not known, OFLP adopted a framework approach as a precautionary measure to preclude and manage social safeguard risks. Accordingly, the RPF and PF were prepared, consulted upon, and publicly disclosed to cover impacts on land acquisition and restriction of access to natural resources. The OFLP will not finance land acquisition (if required), which is the responsibility of the FDRE. The budget allocated for safeguards management, under Subcomponent 2.4, or any of the

proceeds from the grant will not be used to finance any land acquisition. On OP 4.10, the RPF is complemented by an SA as part of the SESA study to assess key socioeconomic factors that require consideration, identify vulnerable and underserved groups that meet the OP 4.10 requirements that may be excluded, and mitigate any adverse impacts, as well as ensure that these people benefit from the program in a sustainable manner. The findings of the SA as part of the SESA and a detailed summary of the main issues raised by the beneficiaries during the consultation process, used in fostering broad community support, and provision of grievance redress, benefit sharing, monitoring, and proposed solutions as related to vulnerable and underserved groups are included as social risk mitigation measures and outlined in the SDP in Annex 8.

105. Community participation and citizen engagement. OFLP will focus on increasing community engagement and participation in forest management and decision making. It will do so by seeking to: (a) increase the capacity of forest-dependent communities and citizens to make their own decisions about the community-led planning process; (b) increase the capacity and responsiveness of regional and woreda administrations to respond to citizen demand; and (c) support channels where citizens and various levels of government can work together in the context of implementation and monitoring of community-led forest management. Citizen feedback and a series of consultations with community members, government officials, and representatives of civil society organizations were conducted in the design of the OFLP, and feedback on the process will continue during implementation.

106. Grievance redress. Communities and individuals in OFLP operation sites who believe that they are adversely affected by the program may submit complaints to the program-level Grievance Redress Mechanism (GRM) to be put in place or the Bank's Grievance Redress Service (GRS). The OFLP GRM builds on Ethiopian grievance redress systems as part of a robust risk mitigation measure. The program will support resolution of OFLP-related citizen complaints or grievances in a formalized, transparent, cost-effective, and time-bound manner. All program-affected people will be informed about how to register grievances or complaints, including specific concerns on any OFLP activities. The OFLP GRM ensures that complaints received are promptly reviewed to address program-related concerns.

107. Gender. OFLP will mainstream gender equality in sharing program benefits and strengthen grievance redress as part of citizen engagement aimed at listening to stakeholders and seeking their consensus on OFLP-related activities. OFLP activities will be gender sensitive, including such aspects as household energy demand management, household livelihoods support activities, community forest tenure piloting, and the scaling up of PFM structures. The OFLP BSM design process, safeguards implementation, community participation, and citizen engagement issues will also include efforts to ensure and enhance female involvement. M&E indicators will be disaggregated by gender to inform the OFLP's adaptive management. The gender aspects of the OFLP will address the strategic and practical needs of women while ensuring equity in the process. All proposed enabling environment and investment activities will be screened through the gender lens to test practical mainstreaming.

108. Institutional arrangements for safeguards implementation. To preclude and manage safeguard risk, a robust safeguards system will be established in the grant period and continue to be strengthened during the ERPA period to ensure that the program's citizen engagement,

equitable sharing of program benefits, GRM, and safeguard risk management steps are sustained beyond the grant period; and the FDRE will allocate adequate resources (human and financial) for safeguards implementation/due diligence. See Annex 3 for more details.

F. Environment (including safeguards)

109. The OFLP is rated Category B. Generally, the project will have positive environmental impacts through its activities stated under Components 1 and 2. However, some of the local-level activities under Component 1 may have limited adverse environmental risks; these activities could potentially include construction or rehabilitation of physical structures such as A/R, area closures, check dams, water harvesting structures, agricultural intensification (including small-scale irrigation that may necessitate applying agrochemicals such as pesticides), and access roads. Component 3 may have also adverse environmental and social impacts, specifically in relation to benefit sharing. Adverse environmental and social risks of these activities can be avoided or mitigated if proper mitigation measures are developed and implemented. Therefore, safeguards risks from activities under Components 1 and 3 can be avoided or mitigated using the OFLP safeguards instruments, including the ESMF and the SA and SDP (as part of the SESA). The ESMF includes measures for addressing broader environmental and social impacts and impacts on natural habitats, forests, physical cultural resources, and pest management. As the program also triggered OP/BP 4.37 on Safety of Dams, in cases of small dam construction (less than 4.5 m) for small-scale irrigation schemes, it will use the FAO's *Manual on Small Earth Dams, A Guide to Siting, Design, and Construction* and the MoANR's guidelines on the construction of small dams. The ESMF will be used to develop site-specific Environmental and Social Management Plans before the commencement of activities under Component 1. The ESMF includes standard methods and procedures along with appropriate institutional arrangements for screening and reviewing project activities and monitoring the implementation of mitigation measures to prevent adverse and cumulative impacts. The effective use of the ESMF will be regularly reviewed and audited.

110. Since the project also triggered OP 4.09 Pest Management, a guideline for preparation of an Integrated Pest Management Plan has been included as part of the ESMF to address related environmental and social impacts of project activities.

111. The ESMF, RPF, PF, and SESA (including the SDP as part of the SA) were disclosed in-country and in the InfoShop in accordance with the Bank's appraisal requirements as follows.

- ESMF: October 14, 2015 (FDRE); October 16, 2015 (InfoShop)
- SESA/SDP: October 16, 2015 (FDRE); October 19, 2015 (InfoShop)
- RPF: October 16, 2015 (FDRE); October 19, 2015 (InfoShop)
- PF: October 22, 2015 (FDRE); October 23, 2015 (InfoShop)

112. The ESMF, RPF, PF, and SESA (including the SDP as part of the SA) were revised to reflect the role of the new implementing agency, OEFCCA, established on July 20, 2016, by proclamation 199/2016 that was approved by the Parliament of the Oromia National Regional State government and then re-disclosed in-country and in the InfoShop as follows.

- ESMF: February 14, 2017 (FDRE); February 14, 2017 (InfoShop)

- SESA/SDP: February 14, 2017 (FDRE); February 14, 2017 (InfoShop)
- RPF: February 14, 2017 (FDRE); February 14, 2017 (InfoShop)
- PF: February 14, 2017 (FDRE); February 14, 2017 (InfoShop)

Table 5. Safeguards policies triggered by the OFLP

Safeguard Policies Triggered by the Program	Yes/	No
Environmental Assessment (OP/BP 4.01)	[X]	[]
Natural Habitats (OP/BP 4.04)	[X]	[]
Pest Management (OP/BP 4.09)	[X]	[]
Physical Cultural Resources (OP/BP 4.1 1)	[X]	[]
Involuntary Resettlement (OP/BP 4.12)	[X]	[]
Indigenous Peoples/Underserved and Vulnerable peoples (OP/BP 4.10)	[X]	[]
Forests (OP/BP 4.36)	[X]	[]
Safety of Dams (OP/BP 4.37)	[X]	[]
Projects in Disputed Areas (OP/BP 7.60)	[]	[X]
Projects on International Waterways (OP/BP 7.50)	[]	[X]

G. World Bank Grievance Redress Service

113. Communities and individuals who believe that they are adversely affected by a Bank-supported project may submit complaints to existing project-level GRMs or the Bank's GRS. The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project-affected communities and individuals may submit their complaint to the Bank's independent Inspection Panel, which determines whether harm occurred or could occur, as a result of the Bank's non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the Bank's attention, and the Bank management has been given an opportunity to respond. For information on how to submit complaints to the Bank's corporate GRS, visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Inspection Panel, visit www.inspectionpanel.org.

Annex 1: Results Frameworks and Monitoring

Annex 1A: RETF Grant Results Framework

Country: Ethiopia

Project Name: Oromia National Regional State Forested Landscape Project (P156475)

Project Development Objectives

PDO Statement³⁹

To improve the enabling environment for sustainable forest management and investment in Oromia.

These results are at | Project Level

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values					
		YR1	YR2	YR3	YR4	YR5	End Target
1. Score on composite index for tracking changes in the enabling environment for reducing deforestation and forest degradation (Number)	0.35	0.39	0.43	0.47	0.51	0.55	0.55

³⁹ The overarching program development objective (PDO) is to reduce net GHG emissions and improve sustainable forest management in Oromia. This overarching PDO combines the grant and ERPA development objectives.

A. Incentives (policy, laws, regulations, markets) (Number - Sub-Type: Supplemental)	0.37	0.41	0.45	0.49	0.53	0.57	0.57
B. Information (generation and dissemination of information) (Number - Sub-Type: Supplemental)	0.35	0.39	0.43	0.47	0.51	0.55	0.55
C. Institutions (capacity to implement & coordinate) (Number - Sub-Type: Supplemental)	0.33	0.37	0.41	0.45	0.49	0.54	0.54
2. Area reforested (Hectare(Ha))	0	1800	3600	6300	8100	9000	9000
3. Direct project beneficiaries (Number) - (Core)	0	7000	13000	20000	25000	25000	25000
A. Female beneficiaries (Percentage - Sub-Type: Supplemental) - (Core)	0	15	20	25	30	30	30

Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values					
		YR1	YR2	YR3	YR4	YR5	End Target
4. Forest area brought under management plans ⁴⁰ (Hectare(Ha)) - (Core)	0	12000	36000	72000	108000	120000	120000
5. Forest users trained (Number)	0	7000	13000	20000	25000	25000	25000
A. Forest users trained - Female (Number - Sub-Type: Breakdown) – (Core)	0	1050	2600	5000	7500	7500	7500
6. Land users adopting sustainable land management practices as a result of the project (Number) - (Core)	0	2000	7000	12000	14000	18000	18000
A. Land users adopting SLM practices as a result of the project – Female (Percentage - Sub-Type: Supplemental)	0	15	20	25	30	30	30

⁴⁰ For the purpose of the OFLP, the definition of the indicator includes hectares of forest brought under land use management plans, PFM plans, community-micro/critical watershed management plans, plantation plan, or other equivalent land-use or management planning regime as a result of the program. Program area: 9 million ha total forest area in 287 of Oromia's woredas.

7. Beneficiaries that feel project investments reflected their needs (percentage) (Percentage) - (Core)	0	0	70	70	80	90	90
A. Beneficiaries that feel project investments reflected their needs - female (number) (Number - Sub-Type: Supplemental) - (Core)	0	0	1820	3500	6000	6750	6750
B. Total beneficiaries - female (number) (Number - Sub-Type: Supplemental) - (Core)	0	1050	2600	5000	7500	7500	7500
C. Total beneficiaries - male (number) (Number - Sub-Type: Supplemental) - (Core)	0	5950	10400	15000	17500	17500	17500
D. Beneficiaries that feel project investments reflected their needs - male (number) (Number - Sub-Type: Supplemental) - (Core)	0	0	7280	10500	14000	14000	14000
8. Reforms in forest policy, legislation or other regulations supported (Yes/No) - (Core)	No	Yes	Yes	Yes	Yes	Yes	Yes

9. Grievances registered related to delivery of project benefits addressed (Percentage)	0	50	70	80	90	100	100
10. MRV system established and maintained at national and Oromia levels (Yes/No)	No	Yes	Yes	Yes	Yes	Yes	Yes
11. Benefit Sharing Mechanism (BSM) established and maintained (Yes/No)	No	Yes	Yes	Yes	Yes	Yes	Yes
12. Safeguards system established and maintained (Yes/No)	No	Yes	Yes	Yes	Yes	Yes	Yes

Indicator Description

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Score on composite index for tracking changes in the enabling environment for reducing deforestation and forest degradation	A composite index is a grouping of indicators or indexes combined in a standardized way to provide a useful measure for overall event performance over time. In this case, a set of questionnaires covering three areas (incentive, information and institutions) were developed. Each category has a number of significant variables. The index allows for tracking changes in the enabling environment for sustainable forest management. (See detailed indicator definition)	Bi-annual	Survey	OEFCCA/ORCU
A. Incentives (policy, laws, regulations, markets)	Sub-indicator for indicator 1	Bi-annual	Survey	OEFCCA/ORCU
B. Information (generation and dissemination of information)	Sub-indicator for indicator 1	Bi-annual	Survey	OEFCCA/ORCU
C. Institutions (capacity to implement & coordinate)	Sub-indicator for indicator 1	Bi-annual	Survey	OEFCCA/ORCU
Area reforested	See detailed indicator definition	Annual	Program records	OEFCCA/ORCU

Direct project beneficiaries	Direct beneficiaries are people or groups who directly derive benefits from an intervention (i.e., children who benefit from an immunization program; families that have a new piped water connection). Please note that this indicator requires supplemental information.	Annual	Program records	OEFCCA/ORCU
A. Female beneficiaries	Sub-indicator for indicator 3. Supplemental Value: Female beneficiaries (percentage). Based on the assessment and definition of direct project beneficiaries, specify what proportion of the direct project beneficiaries are female. This indicator is calculated as a percentage.	Annual	Program records	OEFCCA/ORCU

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Forest area brought under management plans	This indicator measures the forest land area, which, as a result of Bank investments, has been brought under a management plan. This includes production and protection forests as well as other forests under sustainable management. The baseline value is expected to be zero. (See detailed indicator definition)	Annual	Program records	OEFCCA/ORCU

Forest users trained	This indicator is a core indicator and calculated to include only direct beneficiaries from the grant financing itself, not from leveraged sources of financing or the ERPA. For the purpose of the OFLP, the definition of the indicator includes woreda/kebele-level experts and community members trained in the application of PFM, A/R, land-use planning, safeguards, and extension practices (and % female). (See detailed indicator definition)	Annual	Program records	OEFCOA/ORCU
A. Forest users trained - Female	Sub-indicator for indicator 5.	Annual	Program records	OEFCOA/ORCU
Land users adopting sustainable land management practices as a result of the project	This indicator measures the number of users adopting sustainable management practices in the project areas. To measure this indicator, formal survey should be carried out at regular intervals, as well as at the end of the project. The baseline value is expected to be zero. (see detailed indicator definition)	Annual	Survey	OEFCOA/ORCU
A. Land users adopting sustainable land management practices as a result of the project - Female	Sub-indicator for indicator 6.	Annual	Survey	OEFCOA/ORCU

Beneficiaries that feel project investments reflected their needs (percentage)	This will measure the extent to which decisions about the project reflected community preferences in a consistent manner. (See detailed indicator definition)	Mid-term and grant close	Survey	OEFCCA/ORCU
A. Beneficiaries that feel project investments reflected their needs - female (number)	Sub-indicator for indicator 7.	Mid-term and grant close	Survey	OEFCCA/ORCU
B. Total beneficiaries - female (number)	Sub-indicator for indicator 7.	N/A	N/A	N/A
C. Total beneficiaries - male (number)	Sub-indicator for indicator 7.	N/A	N/A	N/A
D. Beneficiaries that feel project investments reflected their needs - male (number)	Sub-indicator for indicator 7.	Mid-term and grant close	Survey	OEFCCA/ORCU
Reforms in forest policy, legislation or other regulations supported	See detailed indicator definition.	Annual	Program records	MEFCC, OEFCCA/ORCU
Grievances registered related to delivery of project benefits addressed	This citizen engagement indicator is a core indicator and measures the transparency and accountability mechanisms established by the program so that the target beneficiaries have trust in the process and are willing to participate, and feel that their grievances are attended to promptly. (See detailed indicator definition)	Annual	Program records	OEFCFA/ORCU

MRV system established and maintained at national and Oromia levels	The MRV system will need to be in line with international best practices and allow the state and the MEFCC to report annually on forest cover and forest carbon stock change. The MRV system includes both the MEFCC and Oromia government accountabilities; MEFCC budget for this is partially covered by the National REDD+ Readiness Project financed by the Bank. See Annex 7.	Annual	Program records	MEFCC, OEFCCA/ORCU
Benefit Sharing Mechanism (BSM) established and maintained	See detailed indicator definition (and also Annex 6).	Annual	Program records	OEFCCA/ORCU
Safeguards system established and maintained	See detailed indicator definition (and also Annex 8).	Annual	Program records/expert survey	OEFCCA/ORCU

Detailed indicator definitions⁴¹

1. Each indicator for measuring progress of the achievements from the grant financing is defined below. Many of the indicators are the Bank's "core indicators," which are vetted and advocated by the Bank for the purpose of cross-project comparability, aggregation, mutual learning, and to simplify program preparation. For the purpose of this program, some of the core indicators have been reworded slightly to enhance clarity in the context of OFLP (as indicated below).

Indicator 1. Score on composite index for tracking changes in the enabling environment for reducing deforestation and forest degradation (number); A. Incentives (policy, laws, regulations, markets) (number); B. Information (generation and dissemination of information) (number); and C. Institutions (capacity to implement and coordinate) (number)

2. A composite index value close to "1" implies a highly favorable enabling environment for forest management and land use; whereas value index close to "0" indicates a highly unfavorable enabling environment.

3. A composite index is a grouping of indicators combined in a standardized way to provide a useful measure for tracking overall performance of complex variables of interest over time. In this case, a set of questionnaires covering the three constituent categories (A - incentives, B - information, and C - institutions) were tested and administered to a reasonable sample of informants from across society with a strong emphasis on government at woreda, zonal, state and federal levels. Each of the three categories has a number of significant variables, and can be reported on individually or grouped into an overall index. The composite index – which is not a WB core indicator – allows for tracking changes in the enabling environment for sustainable forest management. For the baseline calculation and target definition, the survey instrument was used by 323 informants who discussed and provided anonymous data on the state of the enabling environment for forest management and land use. See project files for details.

4. *Limitations.* The main concern with the composite index is its subjectivity and reliability. The outcome depends largely on the choice and degree of turnover of respondents. It is also important to note the value of separately assessing scores in the respective areas, as improvement in one area could potentially mask deterioration in another. Exact definitions for each of the survey question helps optimize consistency as much as possible.

Indicator 2. Area reforested (ha)

5. This indicator measures the land area targeted by the program that has been reforested (including restored and afforested). This refers to restoration of degraded land where the objective is to have permanent improvement in the capacity of the forest land area to provide environmental, social, and economic services, expressed in hectares as well as 'establishment of

⁴¹ World Bank, 2014. *Core Sector Indicators and Definitions: Forestry, Land Administration and Management and Project Beneficiaries.*

forest through planting and/or deliberate seeding on land that, until then, was not classified as forest’ or ‘re-establishment of forest through planting and/or deliberate seeding on land classified as forest’ expressed in hectares. This can also include Assisted Natural Regeneration (ANR), coppicing, or other locally appropriate methods. This indicator does not include areas which have been cleared during or in anticipation of the project. There are overlaps in definitions and different stages of a project. It is essential that the area forested is reported only once. The baseline value for this indicator is expected to be zero.

Indicator 3. Direct project beneficiaries (number) and A. female beneficiaries (percentage)

6. **Bank’s core indicator:** Direct project beneficiaries (number) and female beneficiaries (percentage)

7. **Core indicator description.** A ‘beneficiary’ in the broadest sense is anyone who is benefiting from a project/program. In particular, in the context of Bank-financed operations, direct beneficiaries are people or groups who directly derive benefits from an intervention (that is, children who benefit from an immunization program or families that have a new piped water connection). Based on the assessment and definition of direct project beneficiaries, the percentage of female beneficiaries is specified.

8. **Application of indicator to the OFLP.** This indicator defines the direct beneficiaries from the grant financing only (limited to Component 1) and does not include benefits from leveraged sources of financing or the ERPA. Direct beneficiaries include woreda-/kebele-level experts as well as community members who are trained in PFM, A/R, land-use planning, safeguards, and extension and this definition is consistent with indicator 5. Reporting also includes percentage of female beneficiaries.

Indicator 4. Forest area brought under management plans (ha)

9. **Bank’s core indicator:** Forest area brought under management plans

10. **Core indicator description.** This indicator measures the forest land area which, as a result of the Bank-financed program, has been brought under a management plan. This indicator includes production and protection forests as well as other forests under sustainable management. To the extent the area under the management plan is a protected area, please also consider using the indicator “Areas brought under enhanced biodiversity protection” under the Biodiversity theme (Theme 80). The baseline value for this indicator is expected to be zero.

11. **Core indicator guidance on ‘forest area brought under management plans’.** Total production, protection, and other forest areas—but not designated protected areas—for which management plans have been prepared, endorsed, and are also in the process of implementation, are expressed in hectares.

12. **Application of indicator to the OFLP.** For the purpose of the OFLP, the definition of the indicator includes hectares of forest brought under land-use plans, PFM plans, community-micro/critical watershed management plans, plantation plan, or other equivalent land use or

management planning regime as a result of the program. Program area: 9 million ha total forest area in 287 of Oromia's woredas.

Indicator 5. Forest users trained (number); A. Forest users trained – Female (number)

13. **Bank's core indicator:** Forest users trained

14. **Core indicator description.** Often, Bank-financed projects do not directly invest in the management of specific land or forest areas. Instead, these capacity-building projects aim at strengthening communities to improve forest management and their livelihoods. The expected baseline value for this indicator is zero.

15. **Core indicator guidance on 'forest users trained (number)'. Forest users may include** farmers, households, farmer organizations, communities, lessees, or customary holders of the land that benefited from such interventions. This refers to the number of forest users and community members who have received capacity building through training as a result of the program. The concept may need to be adjusted according to local practice or national legislation. Training needs to be targeted to a specific audience. General media or public awareness campaigns are not included. When estimating the number of people trained, it is essential to avoid double-counting if the same individuals have participated in a series of training events. The baseline value for this indicator is expected to be zero. Data must be disaggregated gender.

16. **Application of indicator to the OFLP.** This indicator captures the number of woreda/kebele experts and community members trained in the application of the PFM, land-use planning, extension practices, and safeguards training (gender disaggregated). See Table 1.1 for assumptions in calculating this indicator.

Table 1.1. Number of people trained

	Number	Assumptions
Number of woreda experts trained in PFM, land-use planning, safeguards, and extension	1,278	In each of the 287 woredas, experts from the WoANR, WoWME, WoRLAU, OEFCCA, and OFWE (OFWE only in 130 woredas plus forest sector experts where they are present in other woredas) will be trained in PFM, land-use planning, safeguards, and extension. Calculation: 287 woredas x 4 woreda experts = 1148 + OFWE experts in 130 woredas = 1278. Number will be gender disaggregated.
Number of community members trained in A/R (planting, pitting, nursery management, etc.)	16,905	In each of the 49 deforestation hotspot woredas, there are on average 23 kebeles and 5 people (community members) from each kebele will be trained in A/R. Calculation: 49 woredas x 23 kebeles x 5 people from each kebele x 3 years = 16,905. Number will be gender disaggregated.
Number of DAs trained in A/R	1,127	In each of the 49 deforestation hotspot woredas, there are on average 23 kebeles and 1 DA from each of those kebeles will be trained in A/R. Woreda experts will not be trained in A/R as the expectation is that this knowledge already exists. Calculation: 49 woreda x 23 kebele x 1 DA = 1,127. Number will be gender disaggregated.
Number of CBOs members trained on PFM	6,370	In each of the 49 deforestation hotspot woredas eligible for PFM establishment support, 130 individuals will be trained in PFM practices which include forest inventory and forest management plan preparation, fire management, and CBO strengthening. These individuals are members of community-based organizations (such as cooperatives which are going to adopt PFM. Calculation: 49 woreda x 130 CBOs members from each woreda = 6,370. Number will be gender disaggregated.
Total number of people trained	25,680	Rounded up to 25,000

Indicator 6. Land users adopting sustainable land management practices as a result of the project (number); A. Land users adopting SLM practices as a result of the project – Female (percentage)

17. **Core indicator description.** This indicator measures the number of users adopting SLM practices in the program areas. To measure this indicator, a formal survey should be carried out at regular intervals, as well as at the end of the program. The baseline for this indicator is expected to be zero. When reporting on this indicator, the progress is equal to the cumulative number of land users adopting SLM technologies since the beginning of the program.

18. **Core indicator guidance on land user.** Land users are the recipients of SLM interventions. They may be farmers, households, farmer organizations, communities, lessees, or customary holders of the land that benefited from such interventions. Where land users' associations or cooperatives exist in a program area or community, care must be taken to ensure that only the land users specifically reached by the SLM interventions are recorded.

19. **Core indicator guidance on SLM practices.** SLM practices include technologies and approaches to increase land quality. The practice must be site-specific because different areas will require different interventions. For example, tree planting may be an SLM practice in one

area but not in another because the practice may negatively affect downstream water availability. The Bank task team is expected to identify, in conjunction with stakeholders, the most appropriate practice in a given context. SLM technologies include agronomic, vegetative, structural, and management measures, for example, new seed variety, terracing, forestation, reduced tillage, micro irrigation, fertilizer placement, livestock feeding schedule, feeding ingredients, and so on. SLM approaches include ways and means of support that help to introduce, implement, adapt, and apply technologies in the field.

20. **Application of indicator to the OFLP.** This indicator captures the number of community members trained in the application of PFM and/or A/R practices that adopt the new practices learned (gender disaggregated).

Table 1.2. Number of people adopting new practices

	Number	Assumption
Number of community members adopting A/R practices	9,000	9,000 community members who benefitted from the training are adopting A/R practices. Number will be gender disaggregated.
Number of CBOs members adopting PFM practices	9,000	15 CBOs/cooperatives that have adopted PFM with the support of the program x 600 average number of CBOs/cooperative members, who will share the benefits from the adoption of PFM. Number will be gender disaggregated.
Total number of people adopting A/R and PFM practices	18,000	—

Indicator 7. Beneficiaries that feel project investments reflected their needs (percentage); A. Beneficiaries that feel project investments reflected their needs – female (number); B. Total beneficiaries – female (number); C. Total beneficiaries – male (number); D. Beneficiaries that feel project investments reflected their needs – male (number)

21. **Core indicator description.** This will measure the extent to which decisions about the project reflected community preferences in a consistent manner. It is expected that the baseline value for this indicator is zero.

22. **Core indicator guidance.** Survey techniques will be used to document male and female beneficiary priorities at project outset. Surveys during and at the close of the project may identify respondents' satisfaction with project investment, including a specific question about the degree to which respondents felt project activities reflected their preferences (ex post). This indicator will draw on one question from a survey that samples a representation of beneficiaries. It is understood that a meaningful analysis of satisfaction with project outputs will require an analysis of more than one question. A larger sample might be needed if program management needs to track the impact by gender, ethnicity/language group, geography, etc.

23. Cross-project aggregation will require that the survey includes the following question: How satisfied are you that the project activity (name) is useful to you? (scale 1–5 representing very unsatisfied to very satisfied, with a score of 3 representing neither satisfied nor dissatisfied). This indicator will record the percentage of men and women reporting scores of 4 or 5 in response to this question. A project beneficiary is anyone benefiting from the project/program.

24. **Application of indicator to the OFLP.** This citizen engagement indicator will measure the extent to which decisions about the program reflected community preferences in a consistent manner (using a satisfaction-level survey through sampling) at midterm and closing of the program.

Indicator 8. Reforms in forest policy, legislation, or other regulations supported (yes/no)

25. **Bank's core indicator.** Reforms in forest policy, legislation, or other regulations supported.

26. **Core indicator description.** Some Bank-financed projects/programs aim at supporting reforms of forest policies, forest products, and trade policies, as well as legal and institutional frameworks in client countries. In some federal states, Bank support to reforms may be delivered at a lower, sub-sovereign level. This indicator measures whether a program has supported forest sector reforms. This includes support to revised policies or legal and institutional reforms that have been adopted by the client. It also includes well-defined, time-bound, phased action plans that have been launched with the objective of achieving such forest sector reforms. The processes have to be formalized through documented official endorsement. Adoption of reforms can be indicated by approving new legislation or by issuing implementing regulations or decrees. They also have to be inclusive and consultative. The expected baseline value for this indicator is No.

27. **Core indicator guidance.** If the project has launched an action plan to achieve forest sector reforms, projects are expected to document the 'official endorsement' and the 'consultative' and 'inclusive' nature of the process in the comments section.

28. **Application of indicator to the OFLP.** This indicator gauges the extent to which the OFLP supports forest sector reforms, here interpreted as providing TA with a focus on policy fora, PFM policy harmonization, community bylaws/forest community tenure rights, forest governance support, policy briefs, etc. The OFLP cannot be held accountable for changes in law, policy, and regulation that are outside its direct sphere of control. However, the OFLP can provide inputs into the government's policy process.

Indicator 9. Grievances registered related to delivery of project benefits addressed (percentage)

29. This indicator measures the transparency and accountability mechanisms established by the program so that the target beneficiaries have trust in the process and are willing to participate and feel that their grievances are attended to promptly. It is understood that local sensitivities and tensions will not allow grievance or redress mechanisms to be established in all projects. It is expected that the baseline value for this indicator will be zero.

30. **Guidance.** Grievance mechanisms are required to ensure beneficiaries can act on their entitlements to project benefits, can query decision-making processes within the program that may exclude them from benefits, and register complaints about the negative impacts of the program. Programs may want to measure indicators that show whether communities have information about the program and are fully aware of the program processes, whether they are

aware of the GRMs put in place, including the response time, and whether any conflict or disputes taken to the mechanisms is resolved within the appropriate time. It is expected that there will be a program-level definition of a grievance mechanism where this indicator is relevant. Where grievance or redress mechanisms have been established, program-monitoring systems should provide useful information on: (a) the number of complaints made, and (b) the number of these complaints that are resolved. This indicator will be a simple percentage of these two numbers, allowing programs to make a statement such as ‘x percent of complaints received through program redress mechanisms were resolved’. This means that if 100 people complain about the same single program defect and this one defect is repaired, then the numerator value is 100 and the indicator value will be 100 percent. Further information—for example, that captures the nature of complaints, plaintiffs’ satisfaction with the outcome, or the ease with which complaints may be filed—will also be of use for program management. These measures are beyond the scope of this indicator. This measure should be easily aggregated within a program. It can also be aggregated across projects/programs, recognizing that different redress mechanisms may be in place in different projects/programs.

Indicator 10. MRV system established and maintained at national and Oromia levels (yes/no)

31. This indicator will measure the functionality and effectiveness of the MRV system established at both the national and Oromia levels, in line with the existing or emerging national forest monitoring and MRV system and following the methodological framework indicated in Annex 7. It will include measuring the consistency in the reported results for both the Oromia/OFLP and the national levels and sustainability of the system due to the efficient use of resources, including the quality of field data collection, aggregation, and reporting procedures from the local to the national level. This indicator will be measured following the internationally standardized quality assurance procedures and will be checked against the method used in the baseline survey for estimating GHG emissions. More specifically, the following methods will be used:

- Document review at all levels (functionality of national registry and the OEFCCA/ORCU database) on documentation, method of calculation, accuracy, uncertainty, trainings provided, training manuals, training sessions and topics covered, staff number and capacity, and so on.
- Review of the analysis made at each level (project, regional, and national levels) using the annual and biannual report submitted by the program implementer (OEFCCA/ORCU and MEFCC) and the verification report by a third party and check its consistency against the method used for baseline estimation.
- Checking of the primary/original field data from the woreda OFLP coordination units and the OEFCCA/ORCU offices on boundaries, A/R, and so on. A sample from the plots used for the NFI will also be taken when deemed necessary.
- Expert interview on the processes followed and discussions with community and key informants at all levels (focus group discussions) to understand to what extent the procedure is understood by the main stakeholders and what capacity and constraints exist.

- Frequency of data collection will be at least twice during the ERPA period.
- The availability of MRV tools and equipment and how they are calibrated will be reviewed.

Indicator 11. Benefit Sharing Mechanism (BSM) established and maintained (yes/no)

32. This indicator measures the existence of a transparent and fair BSM that is in line with the best international and local practices, which is endorsed by the main stakeholders (government at all levels; wider communities, especially those living inside or adjacent to forests whose livelihood is mainly dependent on forest-related services and products; marginalized communities [less served]; and project developers, if any). It will also measure the functionality of the mechanism at all levels, including its effectiveness and transparency on distribution of benefits among the stakeholders with regard to both time and space. The BSM will also be aligned with the grievance redressing mechanism and will monitor how effective the use of the benefits by each beneficiary is. This indicator will be measured through documents review (progress reports, audit reports, community action plan, bank statements proving disbursement, and so on), focus group discussions at each level (cooperative, women, men, youth, district FDRE, ORCU, OEFCCA, MEFCC), and a household survey (using a questionnaire to be developed). This indicator will also include monitoring of the percentage of payments received by the FDRE that are disbursed to beneficiaries as intended according to the rules set out in the BSM.

Indicator 12. Safeguards system established and maintained (yes/no)

33. This indicator aims to capture the safeguards system establishment and operation that will enable the OFLP to acquire extensive technical support on OFLP safeguards instruments implementation, documentation, reporting, and monitoring of safeguards performance in the accounting areas; standardization; environmental and social advisory services; and consultation and civic engagement with communities in the regional state. The recruitment and capacity-building support to safeguards officers will help improve their ability to implement OFLP safeguards instruments (ESMF, RPF, PF, and SA) across their jurisdiction. Safeguards coordinators will ensure establishment or strengthening and monitoring of the GRM, BSM, community consultation, participation, and citizen engagement at all stages of the OFLP implementation.

34. This indicator will be measured through an expert survey taking into account the various aspects described. The survey will include information on the timely recruitment of six OFLP safeguards coordinators and capacity building for OFLP implementing entities including regional stakeholders and woreda counterparts. Safeguards training to 287 rural woredas (each expert from WoANR, WoRLAU, WoWME, OEFCCA, OFWE), awareness raising reaching 200 individuals per kebele in 6,889 kebeles of Oromia. The reports from each session will be gender disaggregated.

35. Data sources:

- OFLP safeguards coordinators contracts
- Quarterly reports from OFLP safeguards coordinators

- Training, awareness workshops, and meeting reports
- Availability and use of safeguards instruments at woreda levels
- Establishment/strengthening of the GRM, BSM, community consultation, participation, and citizen engagement reports
- Safeguards implementation supervision and technical support reports
- Proper safeguards instruments implementation, documentation, reporting, and monitoring of safeguards performance

Annex 1B: ERPA Results Framework^{42, 43}

Country: Ethiopia

Project Name: Oromia National Regional State Forested Landscape Project (P151294)

Project Development Objectives

PDO Statement⁴⁴

To reduce net GHG emissions from forest cover change in Oromia.

These results are
at

Project Level

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values										
		YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	YR10	End Target
1. Emission Reductions in the OFLP accounting area (MtCO ₂ e)	0	0	0	1.25	2.5	3.75	5.0	6.25	7.50	8.75	10	10
2. Gross deforestation reduction in the OFLP accounting area (ha)	0	0	0	8,367	17,483	26,412	35,341	44,269	53,198	62,127	71,056	71,056

⁴² This results framework is designed to cover the up to 10-year implementation period of the OFLP ERPA and will be negotiated and processed later.

⁴³ All indicator target values are cumulative, unless otherwise noted in the definition of the indicator.

⁴⁴ The overarching program development objective is to reduce net GHG emissions and improve sustainable forest management in Oromia. This overarching PDO combines the grant and ERPA development objectives.

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Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values										
		YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	YR10	End Target
3. Established MRV system maintained at national and Oromia levels (Yes/No)	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4. Established BSM maintained (Yes/No)	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5. Established safeguards system maintained (Yes/No)	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Indicator Description

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
1. Emission Reductions in the OFLP accounting area	(See detailed indicator definition)	Annual ⁴⁵	National MRV system	MEFCC, OEFCCA/ORCU
2. Gross deforestation reduction in the OFLP accounting area	(See detailed indicator definition)	Annual	National MRV system	MEFCC, OEFCCA/ORCU

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
3. Established MRV system maintained at national and Oromia levels	For further MRV system details, see Annex 7. (See also detailed indicator definition)	Annual	Program records	MEFCC, OEFCCA/ORCU

⁴⁵ The YR1 result will be reported retroactively after YR2 once MRV is operational and thereafter biannually (annual values will be inserted ex post as an average of the biannual values).

4. Established BSM maintained	For further BSM details, see Annex 6. (See also detailed indicator definition)	Annual	Program records	OEFCOA/ORCU
5. Established safeguards system maintained	For further details, see Annex 8. (See also detailed indicator definition)	Annual	Program records	MEFCC, OEFCOA/ORCU

Note: YR = (Program) Year

*Please indicate whether the indicator is a Core Sector Indicator (see further <http://coreindicators>)

**Target values should be entered for the years data would be available, not necessarily annually.

Detailed indicator definition

Indicator 1. Emission reductions in the OFLP accounting area (MtCO₂e)

36. Emission reductions values are an aggregate from various carbon sinks (A/R) and emission sources from forest cover changes (deforestation). These values are based on a maximum expected volume of ERs for the ERPA divided over a period of 10 years (for the first two years, zero ERs are assumed and for YRs 2–8, targets are set at 1.25 MtCO₂e per year).

37. This indicator is reported cumulatively.

38. The first result will be reported retroactively after YR 2 once MRV is operational and thereafter biannually (annual values will be inserted ex post as an average of the biannual values).

Indicator 2. Gross deforestation reduction in the OFLP accounting area (ha)

39. This value is calculated using the ER values from indicator 1.

40. First, the removals from the A/R activities were calculated based on the targeted areas under indicator 2 of the grant component.

41. The remaining ERs were assumed to come from a reduction in gross deforestation.

42. The calculation from the ERs to area uses and the average weighted EF that is calculated using the areas and carbon stocks of the different forest types from Table 1 of this PAD (see section I.B in main text).

Indicator 3. Established MRV system maintained at National and Oromia levels (yes/no)

43. This indicator will measure the functionality and effectiveness of the MRV system established both at the national and Oromia levels in line with the existing or emerging National Forest Monitoring System and following the methodological framework indicated in Annex 7. It will include measuring the consistency in the reported results at both the Oromia and the national levels and sustainability of the system due to the efficient use of resources, including the quality of field data collection, aggregation, and reporting procedures from the local to the national level. This indicator will be measured following the internationally standardized quality assurance procedures and will be checked against the method used in the baseline survey for estimating GHG emissions. More specifically, the following methods will be used:

- Document review at all levels (functionality of national registry and the ORCU database) on documentation, method of calculation, accuracy, uncertainty, trainings provided, training manuals, training sessions and topics covered, staff number and capacity, etc.
- Review of the analysis made at each level (project, regional, and national levels) using the annual and biannual report submitted by the program implementer (ORCU and MEFCC) and the verification report by a third party and check its consistency against the method used for baseline estimation

- Checking of the primary/original field data from the woreda OFLP coordination units and ORCU offices on boundaries, A/R, etc. A sample from the plots used for the National Forest Inventory will also be taken when deemed necessary.
- Expert interview on the processes followed and discussions with community and key informants at all levels (focus group discussions) to understand to what extent the procedure is understood by the main stakeholders and what capacity constraint exists
- Frequency of data collection will be at least twice during the ERPA period.
- The availability of MRV tools and equipment and how they are calibrated will be reviewed.

Indicator 4. Established BSM maintained (yes/no)

44. This indicator measures the existence of a transparent and fair BSM that is in line with the best international and local practices, which is endorsed by the main stakeholders (government at all levels; wider communities, especially those living inside or adjacent to forests whose livelihood is mainly dependent on forest-related services and products; marginalized communities [less served]; and project developers, if any). It will also measure the functionality of the mechanism at all levels, including its effectiveness and transparency on distribution of benefits among the stakeholders with regard to both time and space. The BSM will also be aligned with the grievance redressing mechanism and will monitor how effective the use of the benefits by each beneficiary is. This indicator will be measured through documents review (progress reports, audit reports, community action plan, bank statements proving disbursement, etc. focus group discussions at each level (cooperative, women, men, youth, district, ORCU, OEFCCA, MEFCC), and a household survey (using a questionnaire to be developed). This indicator will also include monitoring of the percentage of payments received by the FDRE that are disbursed to beneficiaries as intended according to the rules set out in the BSM.

Indicator 5. Established safeguards system maintained (yes/no)

45. This indicator aims to capture the maintenance of the safeguards system that is established. The safeguards system will enable the OFLP to acquire extensive technical support on OFLP safeguards instruments implementation, documentation, reporting, and monitoring of safeguards performance in the accounting areas; standardization; environmental and social advisory services; and consultation and civic engagement with communities in the regional state. The recruitment and capacity-building support to safeguards officers will help improve their ability to implement OFLP safeguards instruments (ESMF, RPF, PF, and SA) across their jurisdiction. Safeguards officers will ensure the establishment or strengthening and monitoring of the GRM, BSM, community consultation, participation, and citizen engagement at all stages of the OFLP implementation.

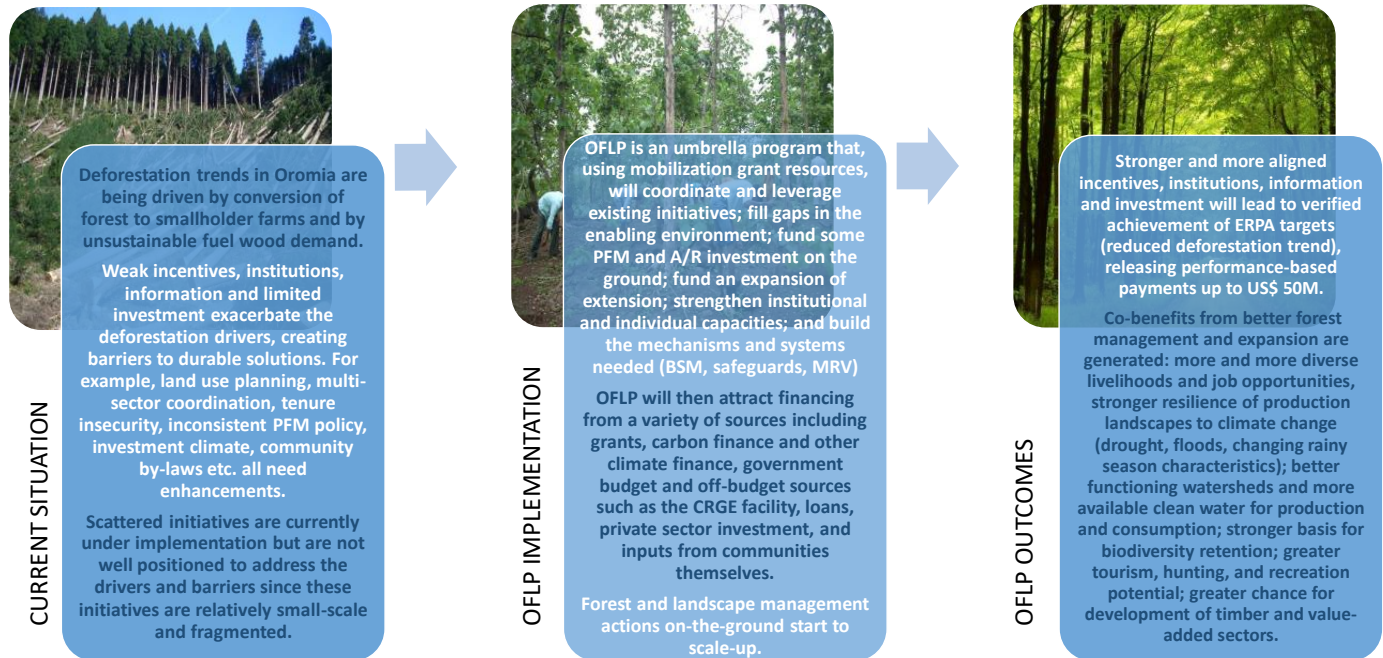
46. This indicator will be measured through an expert survey taking into account the various aspects described. The survey will include information on the timely recruitment of six OFLP zone safeguards coordinators and capacity building for OFLP implementing entities, including regional stakeholders and woreda counterparts. Safeguards training to 287 rural woredas [each with six experts from the Woreda Office of Agriculture and Natural Resources (WoANR), Woreda Office of Rural Land Administration and Use (WoRLAU), Woreda Office of Water, Minerals, and Energy (WoWME), Woreda Office of Roads, OFWE, and OEFCCA], awareness

raising reaching 200 individuals per kebele in 6,889 kebeles of the Oromia Regional State. The reports from each session will be gender disaggregated.

47. **Data sources:**

- OFLP safeguards coordinators contracts
- Quarterly reports from OFLP safeguards coordinators
- Training, awareness workshops, and meeting reports
- Availability and use of safeguards instruments at the woreda levels
- Establishment/strengthening of the GRM, BSM, community consultation, participation, and citizen engagement reports
- Safeguards implementation supervision and technical support reports
- Proper safeguards instruments implementation, documentation, reporting, and monitoring of safeguards performance

Figure 1.1. OFLP Theory of change



Annex 2: Detailed Program Description

1. The OFLP will have three components. The US\$18 million mobilization grant will finance activities under two components over a five-year period: (a) Enabling investments and (b) Enabling environment. These funds will be channeled to the FDRE as a recipient executed (RE) grant. The third component will consist of up to US\$50 million of ER payments for verified ERs as they are delivered over a long-term period (the components overlap in time).

Component 1: Enabling investments (*US\$11.54 million RE grant, five-year period*)⁴⁶

2. The grant under Component 1 will finance investment in PFM and reforestation in deforestation hotspots in sites to be selected, as well as extension services and statewide land use planning at the state and local levels. Eligibility and priority criteria for financing on-the-ground activities in specific sites to be identified, acceptable to the Bank, will be included in the PIM. Limited operational funds will also be allocated to the Oromia National Regional State's vice president's office for travel and workshops to facilitate the OFLP's multi-sector implementation, to support in particular ORCU's development of annual work plans and budgets and leveraging of existing and future initiatives that contribute to OFLP objectives and cross-sector policy development activities.

***Subcomponent 1.1: Sub-basin land-use planning support (US\$0.52 million RE grant)*⁴⁷**

3. This subcomponent will finance TA in the form of workshops, consultants, and goods for the Oromia National Regional State government to complete its ongoing sub-basin integrated land use plan (ILUP) in the remaining zones and woredas of the region. Each sub-basin ILUP has a coverage area ranging from 200,000 ha (smaller sub-basins) to 2,500,000 ha (larger sub-basins) and can include more than one zone and multiple woredas. The TA will include technical support by hiring an international ILUP consultant to be attached to the Oromia BoRLAU. The specialist will provide timely advisory services to the government in delivering the outputs below and also reinforcing the FDRE's ongoing land use planning efforts, including:

- effective multi-sector coordination of land use plan development;
- identifying, inventorying, and mapping of the natural resource base including soils, temperature, rainfall, land use, land cover, hydrology, and so on;
- description and mapping of the agro-climatic zones;
- identifying, delineating, and mapping of the current land use of the area;
- identifying, delineating, and mapping of the natural vegetation (land cover of the area);
- data collection and analysis of the socioeconomic conditions of the study area;

⁴⁶ Includes physical and price contingencies of 3.25 percent.

⁴⁷ Ibid.

- understanding local land resource administrative structures and management practices;
- identifying causes for land use conflicts and indicating corrective measures;
- conducting the following land suitability classifications:
 - Crop suitability for rain-fed agriculture/mixed farming
 - Suitability for irrigation
 - Suitability for grazing land development
 - Suitability for forestry resource conservation and development
 - Suitability for wildlife resource conservation
- identifying development constraints for each land use option;
- prescribing management options for the improvement of the land use;
- undertaking a Strategic Environmental Assessment;
- evaluating existing infrastructure and the service development status and indicating future development options;
- application of modern and efficient data capture and analysis systems; and
- setting implementation standards and guidelines.

4. **Background.** The Oromia BoRLAU has been undertaking land use planning and has made significant progress in registering and categorizing land. To date, the land resource mapping process has been completed for 46 percent of the regional land including land cover, land use, soil surveys, agro-climatic status, hydrological resource, and other biophysical variables. Similarly, 46 percent of the region has completed sub-basin ILUPs. In areas with sub-basin ILUPs, land designated for activities such as forestry and agriculture is demarcated and it is reported by the bureau that this has been resolving potential conflicts between forest protection and investment activities and among land users. However, the process remains incomplete in over 50 percent of the regional state. In addition to sub-basin land-use planning, Oromia has implemented micro-level land use and community watershed planning (average of 1,500 ha each) and ‘critical watershed’ planning (average of 10,000 ha), including with the support of SLMP.

5. **Outputs.** The outputs of this subcomponent include: (a) a simplified ILUP manual, (b) a training program and syllabus including training of trainers, and (c) training on land use plan preparation and enforcement (it should be noted that no land use plans will be delivered with financing by the OFLP grant), with a focus on training and provision of advisory services.

6. **Timing.** In YR1, the focus will be on hiring an international land use planning consultant, preparing the simplified ILUP manual, and finalizing the training syllabus. During YR2–5, the focus will be on providing technical support to the actual ILUP operation of the bureau and technical training of regional and woreda experts.

7. **Implementation arrangements.** The BoRLAU will take the lead on this activity and develop a costed annual work plan and budget, thus contributing to the development of the PP, which will be consolidated by the ORCU. In addition, the multi-sector land-use planning team (LUPT) led by the BoRLAU will be part of the Oromia REDD+ Technical Working Group, which will approve the land use planning activity finance by the OFLP, thereby supporting multi-sector involvement in land use planning and management of trade-offs. The BoRLAU prepares implementation guidelines to support implementation of the land use plans and these guidelines define different agencies' and stakeholders' roles. OEFCCA plans to develop and sign a Memorandum of Understanding (MoU) with BoRLAU to define accountabilities.

Subcomponent 1.2: Investment and extension services (US\$6.98 million RE grant⁴⁸)

8. This subcomponent will finance the ORCU technical team on the ground and trainings, consultants, operating costs, and goods such as vehicles, motorcycles, office equipment, furniture, and computers that will be used for the daily implementation and management, coordination, monitoring, and reporting of OFLP activities.

9. Specifically, this activity subcomponent will finance:

- The following staff and consultants: three OFLP lead facilitators to be hosted at three of the 20 zone offices of OEFCCA (Nekemt, Adama, and Shashamane). They will be responsible for providing administrative and technical support to the OFLP woreda coordinators and will bring together advice and knowledge on forest, agriculture, natural resource management, livestock, household energy, and income generation, as well as reporting. Each OFLP lead facilitator will cover approximately seven zones and will report to the OFLP coordinator. Three accountants will be assigned in the same three zones of the OFLP lead facilitators. The accountants will support the lead facilitators together with the OFLP woreda coordinators and OFWE branch offices to work on program related budgeting, payments, documentation of source documents, compilation of financial reports, among others. 38 OFLP woreda coordinators will be hosted in 38 selected woreda offices of OEFCCA and will be responsible for implementing and coordinating the OFLP activities at the woreda level. Each coordinator will cover an average of seven woredas. This includes facilitating overall planning, implementation, monitoring, and reporting of OFLP at the woreda level to ensure harmonization and integration of activities that are financed directly by OFLP and other related initiatives in the woredas, across sectors. The OFLP woreda coordinators will report to the OFLP lead facilitators and work closely with them as well as the existing DAs at the kebele level (see Annex 3A for more details on implementation arrangements). In addition, 26 drivers will be recruited at the zone and woreda levels to support implementation of OFLP activities in the field using the 26 vehicles planned to be procured from the grant proceeds. Six of the 26 drivers will work with the OFLP lead facilitators and safeguards coordinators, while the remaining 20 will work with the OFLP woreda coordinators.

⁴⁸ Includes physical and price contingencies of 3.25 percent.

Operating costs will cover vehicles and/or car rentals and/or transport fees. ToRs for all of the above mentioned positions will be elaborated in the PIM.

- Trainings and workshops.
- Goods (fixed asset costs) as follows: office equipment, stationary and furniture, 26 double cabin pick-up trucks, and 18 motorcycles.

10. It is critical for OFLP to have fully committed staff who have the space in their work programs to provide value-added advice and support services to woreda administrators, various sector woreda experts, and their DAs at the kebele level. The OFLP field staff are the face of the program, responsible and accountable for the successful implementation of the program, who will promote activities and trainings that address the drivers of deforestation such as conservation agriculture and agroforestry, sustainable forest management, and woodlot plantation. This will be done by helping woredas (and the GoE, more broadly) leverage the existing and future initiatives to be implemented on the ground (see Annex 10 for a detailed list and win-win opportunities between the OFLP and these initiatives).

11. **Outputs.** The main outputs are: (a) three OFLP lead facilitators at three zone offices of OEFCCA; (b) three OFLP accountants at three zone offices of OEFCCA; (c) 38 OFLP woreda coordinators at 38 selected woreda offices of OEFCCA; (d) 26 drivers at the zone and woreda levels; (e) trainings targeted at agriculture, water, energy, land use, and forest woreda experts from all 287 woredas; and (f) regular ORCU team meetings.

12. **Timing.** Along with the staffing/consultancy costs, the bulk of the budget will go into acquiring goods during YR1. YR2–5 will essentially include the staffing costs, trainings, and operating costs. Trainings will take place once a year (during the five-year grant period) in every zone.

13. **Implementation arrangements.** The OEFCCA zone and woreda level offices will be responsible for administering the staffing, together with ORCU. They will consult with relevant partners and sectoral offices at the zone, woreda, and kebele levels to develop corresponding annual work plans and budgets as well as identify procurement items that will be respectively consolidated in the OFLP annual work plans, budgets, and the PP by the ORCU. The reporting lines of the OFLP hires are detailed in the organogram in Annex 3A.

Subcomponent 1.3: Forest management investment in deforestation hotspots (US\$4.04 million RE grant)⁴⁹

14. The grant under this subcomponent will finance work on the ground in sites to be selected within the 49 woredas with deforestation hotspots. The subcomponent is organized into the following activity sets: Activity Set 1.3.1, Participatory forest management (PFM) and livelihoods; and Activity Set 1.3.2, Afforestation and reforestation (A/R).

⁴⁹ Includes physical and price contingencies of 3.25 percent.

Activity Set 1.3.1: Participatory forest management (PFM) and livelihoods

15. The grant for this activity set will finance consultants, workshops, travel, goods, and civil works for OEFCCA and OFWE to support CBOs to manage approximately 120,000 ha of targeted forest blocks within the targeted 49 woredas located in deforestation hotspots through PFM, and to promote livelihoods activities, in sites to be identified using priority criteria to be developed and included in the PIM. This activity is expected to increase incentives for the protection of natural forests through forest patrolling, fire management, and restoration. OFWE will implement in targeted woredas within its concessions, whereas OEFCCA will implement in targeted woredas outside of the OFWE concessions (see Figure 2.1).

16. **Background.** PFM is a forest management approach whereby the GoE gives forest use and management rights to local communities through time-bound contracts, in return for their commitment to certain forest management rules. PFM can improve local communities' livelihoods and directly contribute to reduced deforestation and forest degradation by strengthening communities' rights over forests and their social capital. PFM seeks to ensure that local communities benefit from the forests they manage and strengthen their forest user rights, thus increasing incentives toward sustainable forest management.

17. PFM has been adopted by the regional state of Oromia and the federal government as an official strategy for sustainable forest management. The OFWE, Farm Africa and others who are working on forest management have adopted PFM as a standard approach to sustainably manage natural forests. This activity set will build on the experience in implementing PFM in Oromia and other regional states in Ethiopia.

18. **Outputs.** The outputs include: (a) identification and support of cooperatives located within the 49 woredas in deforestation hotspots, (b) establishment of PFM in approximately 120,000 ha, and (c) promotion of forest-based businesses led by cooperatives.

19. Both PFM identification and establishment will include the following:

- (a) **Familiarization/consultations on PFM.** These consultations will take place at the woreda and kebele levels.
- (b) **Forest resources assessment and planning,** which include:
 - (i) demarcating and maintaining forest boundaries managed by CBOs;
 - (ii) zoning the forests into forest management blocks;
 - (iii) conducting forest resources assessment/forest inventory;
 - (iv) preparing forest management plans for each forest block;
 - (v) establishing and legalizing CBOs (that is, into cooperatives); and
 - (vi) preparing and signing forest management agreements with the FDRE.

(c) **Implementation period**, which includes:

- (i) providing capacity building and skills development to CBOs;
- (ii) promoting fire protection by providing firefighting equipment to communities;
- (iii) promoting enrichment planting of degraded forests within the forest blocks managed by the CBOs (including labor and seedling); and
- (iv) supporting pruning, thinning, and climber-cutting of enriched areas.

20. Regarding the promotion of forest-based businesses led by cooperatives, the OEFCCA in collaboration with OFWE will identify promising business ideas in sectors such as non-timber forest products (NTFP) (honey, mushrooms, spices, forest coffee), nature-based tourism, and wildlife management (including civet cat rearing). Since this is a pilot activity, the approach is to support business initiatives with a high potential for success (such as initiatives identified with support from other partners, cooperatives already engaged with market activities, business sectors with ‘proof of concept’, and so on). The OEFCCA will call for proposals and eligible beneficiaries will present simplified business plans for selection (the PIM will detail the template for these simplified business plans). Eligible beneficiaries will be registered cooperatives who have forest management contracts signed with the government. The ORCU will have a dedicated value chains expert in charge of providing TA to the identified cooperatives in accessing the market, managing funds, and so on. It is estimated that the OFLP will finance approximately 15 promising businesses. No funds will be disbursed to the identified cooperatives, but rather the OEFCCA/ORCU will manage the funds on behalf of these cooperatives to finance the proposed business plans.

21. **Timing.** This activity set will be carried out throughout YR1-5.

22. **Implementation arrangements.** The OEFCCA leads this subcomponent and implementation on the ground is shared jointly with OEFCCA and OFWE, using the same technical approach. OEFCCA will implement on the ground in sites to be selected in targeted woredas outside the OFWE concessions (see Figure 2.1), while OFWE implements on the ground in sites to be selected in targeted woredas only in its concessions. An MOU will be signed between OEFCCA and OFWE together with relevant bureaus detailing the implementation modalities, including the site selection criteria, which will be reflected in the PIM. To mobilize communities and engage in activity implementation on the ground, DAs will be deployed by OEFCCA while OFWE will deploy its own district experts who have already been implementing PFM with communities in OFWE concessions. OEFCCA will, in the near-term, rely on DAs under the authority of the BoANR, who are responsible for NRM and forest until such time as OEFCCA has its own core of DAs in place. An MoU is also planned to be developed and signed between OEFCCA and the BoANR detailing the implementation modalities, which will be reflected in the PIM.

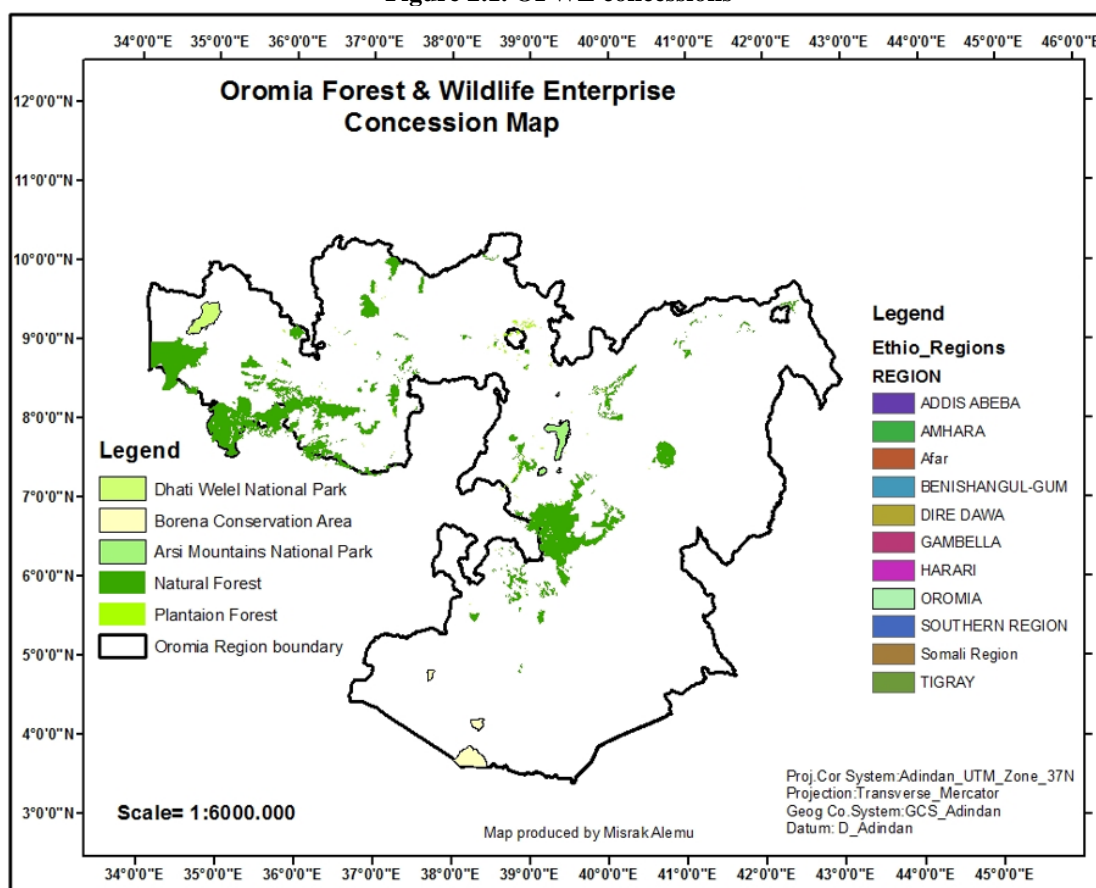
23. OEFCCA will develop the annual work plan and budget, including procurement items, for this subcomponent, with inputs from OFWE and BoANR. ORCU will consolidate the annual work program, budget and procurement plan. It is expected that OFWE will manage its own

budget to implement its PFM and livelihoods activities. The procurement plan will define which entity carries out a given procurement.

24. The OEFCCA and OFWE will provide training and TA to DAs and communities, potentially with the support of NGOs active on the ground.

25. To implement the promotion of forest-based businesses led by cooperatives, the OEFCCA and OFWE will select the participating CBOs within the targeted area through public consultations and expert judgment. The CBO selection process will be detailed in the PIM. The OEFCCA will also lead the selection of the forest-based businesses, and support winning proposals.

Figure 2.1. OFWE concessions



Activity Set 1.3.2: Afforestation and reforestation (A/R)

26. This activity set will finance trainings, goods, civil works, and operating costs for the establishment of woodlots on household and communal land for fuelwood and construction material production (poles, planks, and so on), using indigenous and exotic species. It will therefore include the costs of seedling production (material purchase such as plastic bag, nursery tools, and seeds) in addition to daily labor cost for nursery workers and transportation of seedlings. It should be noted that the costs of planting on the ground and maintenance of planted areas will be covered by those communities and households planting woodlots. This activity set

is expected to generate direct benefits through capacity building on A/R technologies, seedling production, plantation, and maintenance and establishment of around 9,000 ha of woodlots. It will directly address the drivers of deforestation related to biomass consumption.

27. **Background.** Ethiopia faces a significant wood gap for different purposes (biomass energy, furniture, construction, among others). As mentioned earlier, demand for household biomass energy is one of the primary drivers of deforestation in Oromia. The establishment of woodlots for the production of biomass energy and construction material can address this driver of deforestation in the medium term and create a steady stream of wood for the region.

28. **Outputs.** The main outputs include: (a) training of communities and extension agents selected from each kebele of the 49 woredas on seedling production, planting, and harvesting techniques and forest management (including pruning and thinning), (b) establishment of around 9,000 ha of woodlots, and (b) incentives to the most well-performing farmers or communities to stimulate good performance in woodlot management.

29. **Timing.** Training will be provided mainly during the first three years of the grant. During YR1, the focus will be on elaborating the training syllabus and conducting some training followed by establishment of private and community nurseries for seedling production and some planting. During YR2-4, the bulk of planting activities will happen together with continued support in building community capacity.

30. **Implementation arrangements.** The OEFCCA, in coordination with the ORCU, will lead this activity set by: (a) identifying appropriate sites for A/R; (b) mobilizing communities for implementing this activities; (c) providing training to targeted forest extension workers and community members led by experts from OEFCCA (forester and agro-forestry experts) and OFLP woreda coordinators and; (d) providing technical and material support to those farmers and communities interested in implementing A/R. The areas to be planted should follow local land-use plans, where they exist. The OEFCCA will develop annual work plans and budgets for these activities and ensure relevant items are in the procurement plan.

31. The ORCU, through its OFLP woreda coordinators, will be responsible for monitoring the performance of planted areas and preparing regular reports based on a Geographic Information System (GIS) that reports on: (a) success rates of planted areas including the survival rate; (b) fires and pests occurring in planted areas; and (c) forest management actions undertaken (pruning, harvesting, and so on). OEFCCA will, in the near-term, rely on DAs under the authority of the BoANR, who are responsible for NRM and forest development until such time as OEFCCA has its own core of DAs in place. DAs at the kebele level will be responsible for: monitoring and compiling progress, collecting required data, and reporting to their respective woreda offices for documentation and to be consolidated by respective OFLP woreda coordinators. An MoU is planned to be developed and signed between OEFCCA and the BoANR detailing the implementation modalities, which will be reflected in the PIM. Incentives for well performing communities will be awarded by the ORCU in the form of additional equipment and other token awards. The Forest MIS being set up by the ORCU will support the monitoring of progress of communities. Planting material will come from existing nurseries managed by the woreda office of environment, forest and climate change (WoEFCC), OFWE, WoANR, or private nurseries supported by DAs working on the ground.

Component 2. Enabling environment (US\$6.46 million RE grant, five-year period)⁵⁰

32. Component 2 will finance activities to improve the effectiveness and impact of institutions, policies, marketing, BSM, and information (that is, strategic communication and MRV), and safeguards management at the state and local levels. This component will enhance the enabling environment to help scale up and leverage action and investment on the ground to reduce deforestation and forest degradation.

Subcomponent 2.1: Institutional capacity building (US\$1.86 million RE grant)⁵¹

33. This subcomponent will finance the establishment and implementation of the OFLP coordination mechanism through Activity Set 2.1.1: Maintenance of the Oromia REDD+ coordination unit (ORCU); Activity Set 2.1.2: Development of the OFLP M&E system; and Activity Set 2.1.3: Development of extension guidelines and manuals.

Activity Set 2.1.1: Maintenance of the Oromia REDD+ coordination unit (ORCU)

34. This activity set will finance:

- The following staff and consultants at the ORCU: program coordinator, forest resource specialist, environment safeguards specialist, social safeguards specialist, institutions and policy specialist, MRV specialist, MRV assistant, communication specialist, M&E specialist, private sector development specialist, procurement specialist, two financial management specialists (one at MEFCC and one at ORCU), financial management assistant, administrative officer, cashier secretary, office assistant, three drivers, and audiovisual technician.
- Operating costs for ORCU technical staff field work, operational budget for the Oromia VP, and for truck and/or car rental or transport fees.
- Goods (fixed asset costs) which include office equipment and furniture, and a double cabin pick-up truck.

35. **Output.** The main output is a technical and institutional strengthened ORCU team, which will include: program coordinator, forest resource specialist, environment safeguards specialist, social safeguards specialist, institutions and policy specialist, MRV specialist, MRV assistant, communication specialist, M&E specialist, private sector development specialist, procurement specialist, two financial management specialists (one at MEFCC and one at ORCU), financial management assistant, administrative officer, cashier secretary, office assistant, three drivers, and audiovisual technician.

36. **Timing.** In YR1, the focus will be on establishing a functional and operational coordination mechanism (preparing the annual work plan, operationalizing procurement

⁵⁰ Includes physical and price contingencies of 3.25 percent.

⁵¹ Ibid.

processes for goods and services, and so on) and setting up the OFLP M&E system. YR2–5 will essentially include the staffing costs, trainings, and operating costs.

37. **Implementation arrangements.** The ORCU will be embedded within OEFCCA (including down to the local levels). Additional staff, vehicles, and operating costs will be added to operationalize the ORCU for OFLP implementation. The ORCU will have the main functionality of not only coordinating the OFLP at the regional state level but also reaching the zonal and woreda levels [through OFLP lead facilitators, OFLP woreda coordinators, 26 drivers placed at the OEFCCA zone and woreda offices, respectively (financed under Subcomponent 1.2), and OFLP safeguards coordinators placed at the zone level (financed under Subcomponent 2.4)].

Activity Set 2.1.2: Development of the OFLP M&E system

38. This activity set will finance (a) a leading consultancy to carry out the baseline survey (if needed), (b) training, and (c) operating costs for the establishment and operationalization of the OFLP M&E system.

39. **Outputs.** The outputs include: (a) an M&E manual (as part of the PIM) which will include detailed implementation arrangements and templates (and will be used as a basis for the training); (b) a baseline study for the OFLP; and (c) a detailed five-year work plan for M&E implementation.

40. **Timing.** During YR1–2, the M&E system will be established and functional and the baseline study will be finalized within the first year of effectiveness of the OFLP.

41. **Implementation arrangements.** The ORCU will hire an international M&E consultant to work alongside the ORCU M&E specialist to undertake this activity. Planned information flows (data feeding in from OFLP lead facilitators and OFLP woreda coordinators at the zone and woreda levels) will have to be operationalized and detailed training will have to be conducted to ensure systematic implementation. See Annex 3 for more detail on M&E implementation.

Activity Set 2.1.3: Development of extension guidelines and manuals

42. This activity set will finance consultants and goods, as well as workshops and travel as needed.

43. **Outputs.** The outputs include the development, updating, and standardization of extension guidelines and manuals. For example, Ethiopia’s English-language PFM guideline will be updated and translated into Amharic and Oromifa.

44. **Timing.** This activity set will be conducted during YR1–4.

45. **Implementation arrangements.** The ORCU will hire consultants to develop, update, and standardize extension guidelines and manuals.

Subcomponent 2.2: Enabling Environment Enhancements (US\$1.60 million RE grant)⁵²

46. This subcomponent will include Activity Set 2.2.1: Resource mobilization and leveraging; Activity Set 2.2.2: Technical assistance (TA) and analytics on economics, markets, and policy; and Activity Set 2.2.3: Preparation and supervision of the benefit sharing mechanism (BSM).

Activity Set 2.2.1: Resource mobilization and leveraging

47. This activity set will finance consultants, operating costs, goods, travel, and workshops for the ORCU and its partner Oromia government authorities.

48. **Outputs.** The outputs include: (a) fundraising for the OFLP, such as through holding ‘fund-raising roadshows’ or other forms of outreach at relevant international public and private sector events or among targeted companies, foundations, or donors; (b) developing a strategic action plan for private sector investment in sustainable natural resources and forest-based businesses; (c) proposal development, as well as investment planning and preparation as opportunities emerge; and (d) design (not implementation) of community-revolving funds modelled after the successful community self-managed revolving funds developed by SLMP-2, funded by SLMP-2 communities themselves, and implemented in Oromia (implementation could also occur through OFLP Component 1).

49. **Timing.** Activities will be implemented throughout YR1–5.

50. **Implementation arrangements.** The OEFCCA/ORCU will lead these activities in consultation with partner bureaus and agencies, and the MEFCC and MoFEC, as needed or relevant.

Activity Set 2.2.2: Technical assistance (TA) and analytics on economics, markets, and policy

51. Under this activity set, the grant will finance consultants, operating costs, goods, travel, and workshops for the OEFCCA/ORCU and its partner Oromia government authorities to implement TA and analytics on economics, markets, and policy.

52. This activity set includes Activity 2.2.2.a: Organization of policy dialogue fora and business investment roundtables; Activity 2.2.2.b: Assessments of regulations, policies, and laws; Activity 2.2.2.c: Support in forest governance; Activity 2.2.2.d: Feasibility assessment of options for introducing payments for ecosystem services (PES) for non-carbon markets; and Activity 2.2.2.e: Promoting/marketing household energy options as alternatives to fuelwood.

Activity 2.2.2.a: Organization of policy dialogue fora and business investment roundtables

53. The grant will finance workshops, consultants, and travel.

⁵² Includes physical and price contingencies of 3.25 percent.

54. **Outputs.** The outputs are various policy dialogue fora and investment roundtables as required.

55. **Timing.** This activity will be implemented throughout YR1–5.

56. **Implementation arrangements.** This activity will be led by the ORCU institutions and policy specialist and private sector development specialist (to be recruited under Subcomponent 2.1).

Activity 2.2.2.b: Assessments of regulations, policies, and laws

57. The grant will finance workshops, consultants, and travel.

58. **Outputs.** The outputs are based on a menu of possible policy work, assessments, and analytics on the enabling environment for sustainable landscape management, which include:

- (a) assessment of regulations on communal land certification;
- (b) analyzing value chains for natural-resource-based enterprises and the NTFP;
- (c) harmonization of PFM policy;
- (d) assessment of options to provide greater security to private investors in forest activities (joint ventures, provisions for fixed concession periods, consultation requirements); and
- (e) assessment of policies related to renewable energy and distribution of improved cookstoves (ICS).

59. The specific assessments and analytics listed above are subject to shifting demands among policymakers and technical needs, changes in the enabling environment for sustainable landscape management, and private sector development.

60. **Timing.** This activity will be implemented throughout YR1–5.

61. **Implementation arrangements.** This activity will be led by the ORCU institutions and policy specialist (to be recruited under Subcomponent 2.1) and the OEFCCA’s legal officer.

Activity 2.2.2.c: Support in forest governance

62. The grant will finance workshops, consultants, and travel.

63. **Output.** The outputs include: (a) training of relevant OEFCCA and OFWE staff at all levels, as well as lawyers, courts staff, and zone and woreda level administrative staff on forest governance, and (b) communication material on forest laws, including manuals and guidelines.

64. **Timing.** This activity will be implemented through YR1–4.

65. **Implementation arrangements.** This activity will be led by the ORCU institutions and policy specialist (to be recruited under Subcomponent 2.1) and the OEFCCA's legal officer.

Activity 2.2.2.d: Feasibility assessment of options for introducing payments for ecosystem services (PES) for non-carbon markets

66. The grant will finance consultants and workshops.

67. **Outputs.** The outputs include (a) workshops to discuss concrete options for the PES and (b) briefings on potential PES schemes.

68. **Timing.** This activity will be implemented in YR2.

69. **Implementation arrangements.** This activity will be led by the ORCU forest resource specialist (to be recruited under Subcomponent 2.1).

Activity 2.2.2.e: Promoting/marketing household energy options as alternatives to fuelwood

70. This activity will finance workshops, consultants, goods and travel and will focus on supporting market development in the form of marketing and business skills training, promotion and marketing campaigns, and coordination of ICS activities. Benefits accrue especially to women as they are responsible for firewood collection and homestead use—with a clear link to indoor air pollution risks from business as usual.

71. **Background.** Three different stoves dominate the OFLP woreda ICS market, the Mirt stove, the household rocket, and the institutional rocket stoves. Traditional injera baking, carried out by women and girls, is the most risky form of cooking in Ethiopia, due to indoor air pollution. The mirt stove, which is an improved stove for injera baking, has been verified to decrease fuelwood consumption using electronic stove use monitoring devices, while reducing indoor air pollution. According to a 2015 Bank research,⁵³ the mirt stove on average reduces fuelwood consumption by about 10.55 kg per household per week or 634 kg per household per year and an estimated 0.94 tCO₂ of ERs per household per year. Indoor air pollution is the leading cause of death for children below five years of age and accounts for 3.7 percent of loss of disability adjusted life years as women spend 3–5 hours per cooking session next to the stove, with their young children. The benefits from owning an ICS are significant for the national economy and national health standards, and for mitigating deforestation and carbon emissions. An investment in ICS will bring benefits to the whole family, especially to women and young children. Cookstoves are made by both women and men in Oromia, but as culture favors male success over women's, this activity set will focus on strengthening women entrepreneurs.

72. **Outputs.** The outputs are: (a) an inventory of existing active and lagging ICS producers which identifies barriers and supporting structures for entrepreneurs to scale up businesses; (b) training of ICS producers in marketing, basic business skills, establishing wholesale and

⁵³ A. Beyene et.al (2015) "Do Improved Biomass Cookstoves Reduce Consumption and Carbon Emissions Evidence from Rural Ethiopia Using a Randomized Treatment Trial with Electronic Monitoring" The World Bank, Policy Research Working Paper No 7324.

distribution lines, and offering flexible payments to customers and village associations. The producers will also receive information and training on sustainable charcoal production (improved kilns) and suitable wood species for charcoal production. Information and guidance about the Market Development for Renewable Energy and Energy Efficient Product Credit Line, with small loans available through microfinance institutions in Oromia, will also be included in the business skills training; and (c) marketing through radio broadcasting, market day promotions, cooking competitions, and school day promotions. Existing marketing materials, developed by the National Improved Cookstove Program (NICSP) and the NGO Practical Action, will be used and if needed complimented with new material. Marketing will be targeted at both men and women.

73. OFLP will support ICS producers to reach potential customers in remote towns and villages close to forests in all zones, but will prioritize Bale, Borena, Guji, Qeleme Wollega, Horo Guduro, East Wollega, West Wollega, East Haraghe, Illubabor, and Jimma, as these zones have high deforestation rates and have not been prioritized for ICS marketing interventions in the past.

74. **Timing.** This activity will be implemented throughout YR1– 5.

75. **Implementation arrangements.** The BoWME will take the lead on this activity and develop a costed annual work plan and budget, thus contributing to the development of the PP, which will be consolidated by the ORCU. The ORCU together with the BoWME will leverage existing government structures within the NICSP and the Oromia Regional Improved Cookstove Program to facilitate already planned but underfinanced activities in Oromia to reach all targeted OFLP woredas. The ORCU will also support training of some zone and woreda energy officials in stove marketing; the establishment of stove retailers and wholesalers; and coordination of stove production and distribution. OEFCCA will sign an MoU with BoWME to define accountabilities.

Activity Set 2.2.3 Preparation and supervision of the benefit sharing mechanism (BSM)

76. The grant will finance consultants, operating costs, goods, travel, and workshops for the ORCU and its partner Oromia government authorities.

77. **Outputs.** The outputs include: (a) a detailed implementation manual for the BSM based on extensive preparation and consultation, and (b) training on the BSM Manual implementation at all levels.

78. The BSM is a requirement to finalize and sign the ERPA. As part of the BSM, tools will be developed for tracking expenditures channeled through the BSM, as well as monitoring and reporting results on the ground from these expenditures.

79. **Timing.** The BSM manual preparation will begin in YR1 and will be ready before the signing of the ERPA. Training on BSM implementation will take place throughout YR1–5.

80. **Implementation arrangements.** The ORCU will lead this activity in consultation with partner bureaus as needed. The ORCU will also prepare a detailed annual work plan and budget, which will be included into the PP, to support these activities. The OEFCCA/ORCU will also be

responsible for monitoring the implementation of the BSM after the end of the grant, which can be funded through ER payments.

Subcomponent 2.3: Information (US\$1.22 million RE grant)⁵⁴

81. This subcomponent includes Activity Set 2.3.1: Forest management information system; Activity Set 2.3.2: Monitoring, reporting, and verification (MRV); Activity Set 2.3.3: ICT access for forest management authorities; and Activity Set 2.3.4: Strategic communication.

Activity Set 2.3.1: Forest management information system

82. The grant will finance goods and consultants.

83. **Outputs.** The outputs include: (a) a GIS and investment database, through the collection and compilation of existing forest-related data, to assess the availability and quality of forest data and to identify data gaps, and (b) establishment and maintenance of a long-term MIS (based on the GIS and investment database) for forest monitoring, regulatory and policy decision support, and investment tracking. This will enable a decision-making environment where reliable, accurate, and current information on forest resources and related decisions are continuously and increasingly publicly available.

84. **Timing.** The MIS will be established in YR1 and subsequently maintained from YR2–5.

85. **Implementation arrangements.** The ORCU will lead this activity with support from local and/or international consultants, and will work closely with OEFCCA which has the mandate for forest sector policy, planning, programs, and investment in Oromia.

Activity Set 2.3.2: Monitoring, reporting, and verification (MRV)

86. The grant will finance goods, trainings, travel, consultants, and operating costs for the establishment and operationalization of the MRV system.

87. **Outputs.** The outputs are: (a) established MRV unit within the OEFCCA/ORCU; (b) Activity data improvement, through collection and submission of geographical data sets (field data) from different projects/interventions in Oromia; (c) improved EF calculation through collection and submission of geographical data sets (field data) and collection of data from different projects/interventions in Oromia following national standards; (d) third-party verifications, which will take place twice during the five-year grant period; and (e) financial audits for the verification of ER payments.

88. **Timing.** During YR1–5, the MRV system will be established and functional.

⁵⁴ Includes physical and price contingencies of 3.25 percent.

89. **Implementation arrangements.** ORCU will lead activities under this subcomponent through the MRV specialist and MRV assistant (to be financed under Activity set 2.1.1) and will be responsible for developing costed activities to be included in the OFLP annual work plan and budget and procurement items in the OFLP PP throughout YR1–5. Note that the MEFCC is responsible for implementing the national MRV (financed under the Bank-supported National REDD+ Readiness Project), which will be primarily accountable for all subnational carbon accounting including the OFLP. Oromia’s MRV support will cover the extra costs associated with MRV implementation at the state level.

Activity Set 2.3.3: ICT access for ORCU staff for facilitating the implementation of OFLP

90. The grant will finance goods (such as laptops, internet keys, SIM cards) and the Ethio Telecom services, which can be adjusted as the telecommunications sector evolves with new technologies, companies, if any, and services.

91. **Outputs.** The output is continuous and reliable internet access, to the extent possible, to facilitate implementation of OFLP. The mobile internet access will consist of the most current technology readily available at the time in Ethiopia (mobile wi-fi currently in most cities), by using the network of the country’s sole cell phone service provider, Ethio Telecom.

92. **Timing.** The continued and reliable internet access will be established upon declaration of effectiveness.

93. **Implementation arrangements.** The goods will be purchased for all ORCU staff, which includes the three OFLP lead facilitators, six OFLP safeguards coordinators, and 38 woreda coordinators.

Activity Set 2.3.4: Strategic communication

94. This grant will finance consultants, workshops, travel, and goods for the ORCU to implement a communication strategy for the OFLP.

95. **Background.** A successful implementation of the program requires changes in the attitudes and behavior of significant groups of stakeholders. The role of communication is therefore key to ensuring that program opportunities are understood and that there is time and space for dialogue and consensus building. Statewide information campaigns need to be developed to continuously disseminate information about the program and its guidelines to all potential beneficiary communities, thereby increasing awareness, transparency, and participation. The OFLP strategy should include an understanding of the perceptions and predispositions of targeted groups of stakeholders, factors affecting behavior within these groups, and incentives required to motivate change. It should also include the development of adequate systems for monitoring reactions and obtaining feedback on actions and information being disseminated.

96. **Outputs.** The outputs include: (a) communication-based assessment and collection of qualitative data through focus group discussions; (b) a communication action plan; (c) a capacity-building program; (d) a behavioral-change program, targeted to hotspot deforestation areas within the targeted 49 woredas; (e) training of OFLP lead facilitators, OFLP woreda coordinators, OFLP safeguards coordinators, and other relevant staff on strategic communication

methods and tools; (f) a communication toolkit to facilitate internal communication and ensure consistency of messages about the program; (g) training of journalists and public relations experts of the relevant sector bureaus on reporting about forest issues; (h) establishment of forest community radios in selected/strategic program areas (piloting one in the first year and scaling up, if feasible, otherwise using alternative existing channels); (i) printed, audio, and video materials to be used as supporting tools during consultation processes, workshops, and events; (j) media tours for journalists; (k) newsletters for policy makers; (l) and documentation of state-level program activities.

97. **Timing.** The ORCU communication specialist will develop a communication action plan for YR1, based on the preliminary assessment conducted by an individual consultant aimed at identifying effective communication channels, trusted sources of information, and communication gaps at the state level. In YR1, the focus will be on implementing the communication capacity-building program. During YR2–5, the focus will be on implementing the behavioral-change program targeted to hotspot deforestation areas within the targeted 49 woredas. Outreach and advocacy will be continuous activities during YR1–5.

98. **Implementation arrangements.** ORCU will lead this activity set through the communication specialist (to be financed under Activity set 2.1.1), with support from local consultants and the assistance of an audiovisual technician (to be financed under Activity set 2.1.1). ORCU will lead and develop costed activities to be included in the OFLP annual work plan and budget and procurement items in the OFLP PP. The ORCU communication specialist will liaise with the Oromia Bureau of Communication Affairs and the public relations staff of the relevant sector regional bureaus.

99. **Parallel support outside OFLP grant financing.** Given the limited budget, this activity set will be implemented in synergy with the ‘Air We Breathe’ project financed by Norway through a grant of about US\$1.7 million and implemented by BBC Media Action. This project uses mass media strategies that address resilience and adaptation to climate change to increase knowledge, shift attitudes, and promote new practices among rural families in Oromia. Starting in 2016 BBC Media Action has produced a radio drama and public service announcements broadcasted on Oromia radio to help address the harmful health effects of indoor cooking and lighting on people living in rural communities. By creating demand for investments on the supply side, such as fuel-efficient stoves and afforestation, this behavior-change initiative is contributing to the enabling environment to reduce deforestation and forest degradation. The development of the behavior-change program financed under this activity set will particularly benefit from the research carried out within the BBC Media Action project to understand what influences family choices around domestic practices and identify the barriers and facilitators for action.

Subcomponent 2.4: Safeguards management (US\$1.60 million RE grant)⁵⁵

⁵⁵ Includes physical and price contingencies of 3.25 percent.

100. The grant will finance: six OFLP safeguards coordinators at six selected zone offices of OEFCCA, training, technical support and monitoring workshops, travel, and goods for the ORCU to train forest extension agents in all 287 woredas on safeguards management, including implementation procedures, monitoring, reporting, and documentation.

101. **Outputs.** The outputs include the following:

- (a) Trainings and technical support for capacity strengthening of federal, regional, and woreda institutions for managing safeguards in the OFLP carbon accounting area (that is, the OFLP program area) in accordance with the Bank's safeguards standards. This includes training and technical support on OFLP safeguards instruments implementation; documentation, reporting, and monitoring of safeguards performance in the accounting areas; standardization; environmental and social advisory services; consultation and civic engagement with communities in the regional state; and support to safeguards officers to improve their ability to monitor the GRM and BSM activities.
- (b) Establishment of six OFLP safeguards coordinators hosted at six selected OEFCCA zone offices to advance safeguards management throughout the regional state and working under the two safeguards officers at the ORCU. The OFLP safeguards coordinators will be responsible for overseeing and assuring that all safeguards instruments are applied properly during program implementation. They will be located at Nekemt, Jimma, Metu, Adola Rede, Robe and Chiro. It should be noted that the grant will not finance land acquisition (if required), which is the responsibility of the FDRE.
- (c) Support for safeguards due diligence for nested REDD+-related initiatives under the OFLP umbrella, even where these initiatives include their own safeguards management activities.
- (d) Environmental and social audits.

102. **Timing.** The activities under this subcomponent will be implemented throughout YR1–5.

103. **Implementation arrangements.** The ORCU will lead this subcomponent in consultation with the OEFCCA, WoEFCC, WoANR, WoRLAU, WoWME, and OFWE experts, and develop costed activities to be included in the OFLP annual work plan and budget and procurement items for the OFLP PP.

Subcomponent 2.5: Program management (US\$0.18 million RE grant)⁵⁶

104. This subcomponent will finance consultants, travel, goods, operating costs, workshops.

105. **Outputs.** The outputs include: (a) annual financial audits of the grant; (b) annual procurement audits of the grant; (c) the program midterm evaluation report; and (d) the program implementation completion and results report.

⁵⁶ Includes physical and price contingencies of 3.25 percent.

106. **Timing.** The financial and procurement audits will be conducted yearly throughout YR1–5. The program midterm evaluation will be conducted toward the end of YR2, and the program implementation completion and results report will be finalized during YR5.

107. **Implementation arrangements.** The OEFCCA/ORCU will hire consultants for this activity set, which will be included in the detailed annual work plan and budget and PP. Beyond the period of the grant, the OFLP program management costs will need to be fully covered by the general government budget, the ERPA through the BSM, or other sources.

Component 3. Emissions reduction (ER) payments (*Up to US\$50 million ERPA, 10-year period*)⁵⁷

108. Unless specified differently in the ERPA, ER Payments will be made only for emission reductions achieved during the ERPA period. However, the interventions conducive to emission reductions can start at any time. ER payments will be delivered once results are achieved, verified by a third party, and formally reported to the Bank. Based on the design of the MRV system (see Annex 7), it is expected that reporting and verification of ERs can occur every two years. The ER payments will be managed by the FDRE and distributed to the beneficiaries according to the BSM to be prepared by the FDRE (see Annex 6), which will aim to incentivize greater uptake of sustainable land use actions. The BSM will need to be formally adopted by the FDRE before any ER payment can be made. In addition, it should be noted that the ER payments will not cover the full cost of implementing the changes in landscape management. The ER payments will provide some return that offsets some of the costs of improving the landscape for the wider benefit of all.

109. OEFCCA/ORCU will be in charge of reporting forest cover changes and associated ERs, and of engaging a third party to verify these results. The third-party report will then be sent to the Bank along with a payment request from the OEFCCA/ORCU. The Bank will conduct its due diligence before transferring the payment. The payments are a function of the amount of the ERs achieved in a given period and the unit price agreed between the Bank (acting as the trustee for BioCF) and the FDRE.

⁵⁷ The ERPA will be negotiated and processed later under a separate project number.

Annex 3: Implementation Arrangements

Annex 3A: OFLP institutional and implementation arrangements

Summary

1. **As the government's strategic state-wide multi-sectoral rural land-use program utilizing diverse financing sources and partner support to scale up action, the OFLP's institutional arrangement is anchored in the following principles:** (a) the institutional setup will be based on existing federal and state government structures; (b) clear institutional roles, responsibilities, and procedures based on existing institutional mandates; (c) extensive multi-sectoral coordination to plan and implement related projects, activities, and policies critical for the OFLP's success; and (d) coordinating and leveraging selected relevant initiatives (financed by the Bank and/or others). The institutional arrangements are described below and diagramed in the organogram in Figure 3.1, with details on OFLP staffing in Table 3.1 and institutional accountabilities in Table 3.2.

2. **The OFLP implementation arrangements, led in Oromia National Regional State by the new OEFCCA established in July 2016, include relevant institutions at the national, state, and sub-state levels with discrete accountabilities and decision-making roles based on existing mandates** (see Table 3.2). The ORCU is the OFLP implementing unit and has been administratively hosted by the OFWE for over two years; on December 8, 2016 the ORCU was transferred to the newly established OEFCCA as the new administrative host. OEFCCA was set up by Proclamation 199/2016 on July 20, 2016, and is officially mandated to oversee the forest sector in Oromia. While ORCU reports administratively to the OEFCCA, it seeks strategic and tactical guidance from the Oromia National Regional State Vice President, given the multi-sector nature of OFLP and land use challenges in the regional state. The ORCU and OEFCCA will be supported by the MEFCC which will carry out a fiduciary oversight role through its National REDD+ Secretariat, in particular on MRV, project monitoring, safeguards, financial management and procurement; more specifically, the MEFCC will focus on providing operational guidance to the ORCU to carry out its own procurement, financial management, and safeguards compliance, providing quality control, guidance and resolving issues. The regional state's multi-sector REDD+ Steering Committee and Technical Working Group will provide strategic guidance and technical inputs, respectively, to guide OFLP implementation. The OEFCCA and sector bureaus including the BoANR, OFWE and BoRLAU will implement and coordinate activities on the ground through their decentralized staff. For example, OEFCCA, BoANR, and BoRLAU have field staff, woreda experts, and kebele development agents (DAs) who cover forest, agriculture, water, and household energy. However, OEFCCA will, in the near-term, rely on DAs under the authority of the BoANR and BoRLAU to implement investment activities on the ground until such time as OEFCCA has its own core of DAs in place. OFWE has a similar structure with local extension agents with experience in PFM, but OFWE does not follow the woreda structure and instead follows its own district structure based on its forest concessions. Specific activities to be implemented by the OEFCCA, OFWE and relevant bureaus are defined with specific accountabilities, including lead and supporting roles and budgets, in the joint annual work program and budget and joint procurement plan. The accountabilities among the Oromia institutions are detailed in the PIM.

3. The OEFCCA has the mandate to govern the forest sector in Oromia. The OEFCCA is responsible for policy development and enforcement related to forest development; utilization and management of government, private and community forest (excluding farmland trees which falls under BoANR); providing expert advice for forest expansion including on topics such as biodiversity, ecotourism, conservation, afforestation/reforestation, and forest-related carbon measurement; coordination of REDD+ activities and projects in the regional state; ensuring environmental integrity; jointly resolving forest resource related disputes with relevant institutions; leading implementation of the CRGE initiative; and planning and managing core government budget on forest throughout Oromia.

4. The OFWE remains a key implementing partner in OFLP owing to its experience with implementing PFM, preparing OFLP, hosting ORCU for the past two years, managing plantations, and managing large concessions where carbon-rich high forest and deforestation hotspots are located. Moreover, given its dual public and private mandates, the OFWE cultivates private sector relationships, which will play an important part in sustaining activities that contribute to the objectives of the OFLP.

5. **Spatial and thematic coordination of REDD+ related initiatives and institutions on land use across sectors is a strategic feature of the OFLP.** At the regional level, joint work planning, budget formulation, and reporting for the OFLP and forest-related policy development/harmonization will take place with the involvement (as needed) of the Executive level of Oromia National Regional State, the OEFCCA, OFWE, all relevant bureaus, and other actors as relevant, with the ORCU serving as the OFLP implementing unit at the OEFCCA. At the woreda level, each woreda administration office together with a combination of woreda sector experts and DAs under them, who are already implementing a range of sector programs and operations, will also support OFLP implementation. OFLP woreda coordinators – to be appointed – will be hosted by selected woreda offices of OEFCCA to: (a) reinforce woreda capacity to coordinate implementation of OFLP activities, related projects and operations, (b) lead implementation of activities directly funded by OFLP financing, and (c) support fiduciary aspects of OFLP including safeguards management, activity reporting, financial management and procurement. At the zone level, OFLP safeguards coordinators will oversee the safeguards work of the OFLP woreda coordinators and ensure that environmental and social safeguards are implemented according to the OFLP environmental and social safeguards instruments. At the same zone level, OFLP lead facilitators hosted by selected zone offices of the OEFCCA, will provide technical and operational support to OFLP woreda coordinators and OFLP safeguards coordinators to ensure satisfactory implementation. The office locations for the OFLP woreda coordinators, safeguard coordinators, and lead facilitators will be defined in the PIM.

Strategic importance of strong M&E

6. The success of OFLP depends on accurate, timely results reported through the program's M&E system. Good program performance ratings and additional funds mobilization require good M&E. The M&E system is critical for the management of the OFLP, especially given the many actors and different levels of coordination required (see the results frameworks in Annex 1). The M&E system will also be an integral part of the OFLP's aim to mobilize and leverage funds from a variety of new sources including grants, additional ER payments, the private sector, CRGE Facility, loans, new donor partners, and government budget. Well-functioning M&E and MRV

systems together will be the cornerstones of attracting additional climate financing, in particular, through the management and generation of robust forest and carbon information.

7. The OFLP results M&E will be a management tool used to systematically track progress of program implementation, demonstrate its results on the ground, and assess whether changes in program implementation arrangements and activities are necessary in light of evolving circumstances and evidence. It is critical for program success to design a functional program M&E system and to use it along with other management tools during program implementation. These tools, when used properly, will generate timely and reliable data that can be used to improve decisions, take proactive measures, and support achievement of expected results for the program.

8. The practice of adaptive management will be applied. This means that the lessons, feedback, and learning from the OFLP ground levels will be captured and fed into the program management processes to allow for adaptive decision making for program implementation.

9. Monitoring and evaluation are two complementary but distinct processes. Monitoring refers to tracking of inputs, activities, outputs, outcomes, and other aspects of the program on an ongoing basis. Monitoring is an integral part of program management and is a continuous activity. Evaluation is the process of assessing results, impacts, and implementation performance (usually at program midpoint and completion). Key dimensions in evaluation are relevance, efficiency, effectiveness, and impact. The details of the OFLP M&E activities, practices, roles and responsibilities, and decision making will be guided by procedures, tools, and approaches laid out in the OFLP M&E system. The PIM will include detailed M&E operational arrangements.

10. The aims of the OFLP M&E system include:

- (a) Generate OFLP-specific information on progress, processes, and performance;
- (b) Analyse and aggregate data generated at all levels of government to track progress, process quality, and project sustainability;
- (c) Promote public accountability by: (i) assessing OFLP efficiency and effectiveness, and (ii) communicating whether the OFLP activities are likely to achieve expected results or realize its objectives;
- (d) Inform and support management decision making and control during implementation;
- (e) Draw lessons from factors that have facilitated or inhibited the achievement of objectives;
- (f) Help in strategic communication through provision of information and feedback both internally and externally; and
- (g) Provide robust information and justification for mobilizing and leveraging additional financing domestically and internationally, including potential additional ER payments.

11. The OFLP M&E system must be cost effective and simple to implement by the government's implementing institutions. OFLP consists of two financial products that are sequenced and implemented in parallel: the mobilization grant and the ERPA . The M&E

reporting for the activities financed by the grant will be implemented during the first five years of OFLP implementation—the period of the grant. The grant will fund M&E implementation and the Bank implementation support will end after five years, while the ERPA M&E reporting and validity period, which overlaps with the grant’s implementation period, will continue afterwards (up to a total of 10 years’ validity), supported by the: (a) ERPA results framework; (b) MRV system to track changes in forest cover and ERs at the PDO level; and (c) BSM which will include arrangements for monitoring BSM implementation; and (d) the safeguards system.

Program development objectives and results frameworks

12. OFLP M&E is guided by an “overarching PDO,” under which is a PDO for the grant and a PDO for the ERPA, with separate results frameworks for each. Having an overarching PDO binds the two financial products together, while the respective grant and ERPA PDOs allows the success of the grant to be independently monitored from the ERPA.

13. The results frameworks show the hierarchy among the results expected to be attained at all levels, and illustrate how the development objectives are meant to be achieved. The results frameworks also include detailed definitions for the indicators and targets. The results frameworks serve as tools for strategic planning and management and help flesh out the defined objectives and the arrangements to be used in achieving these. Each results framework has indicators for the PDO level as well as for the intermediate levels.

Institutional arrangements for M&E implementation

14. The information and reporting flow will follow that of the institutional arrangement for the OFLP (see organogram in Figure 3.1 below). The specific roles and responsibilities for M&E implementation at the various levels will be elaborated on in more detail in the PIM, along the lines of the summary below.

15. The M&E system will be implemented by the ORCU as the OFLP implementing unit, which is hosted by the OEFCCA. The ORCU is staffed with an M&E specialist and support staff. The OFLP M&E system will operate at the regional, zone, woreda, and kebele levels using dedicated OFLP staff working closely with existing government staff at each level in the bureaus, zones, and woreda offices and DAs working at the kebele level. The M&E specialist within the ORCU will have the responsibility to coordinate with all the participating levels and their respective sector representations (that is, the BoANR, BoWME, BoRLAU, WoANR, and so on) to ensure timely information gathering, follow up, and reporting. OFLP lead facilitators and OFLP woreda coordinators will coordinate M&E at sub-state levels.

16. *Information flow.* PFM, livelihoods, and A/R data in particular will be generated at kebele level and collated at the woreda level by the 38 OFLP woreda coordinators hosted at the selected 38 woreda offices. These OFLP woreda coordinators cover seven to eight woredas each and are responsible for ensuring data collection from kebeles in these woredas and woreda-level aggregation, working closely with relevant woreda and kebele officials. The DAs at the kebele level will be responsible for day to day monitoring of activities, collecting data and reporting progress to the respective WoEFCC to be consolidated by the woreda coordinators. Specific templates will be designed for data collection and detailed training will be provided to relevant

staff on how these will be used. This data will be channeled from the woredas to the OEFCCA zone offices, and then to the ORCU itself, in line with the Oromia government's vertical structure. At the woreda level, sector offices (the sector experts for forest, agriculture, water, and energy) will be responsible for collecting and sharing information with OFLP woreda coordinators.

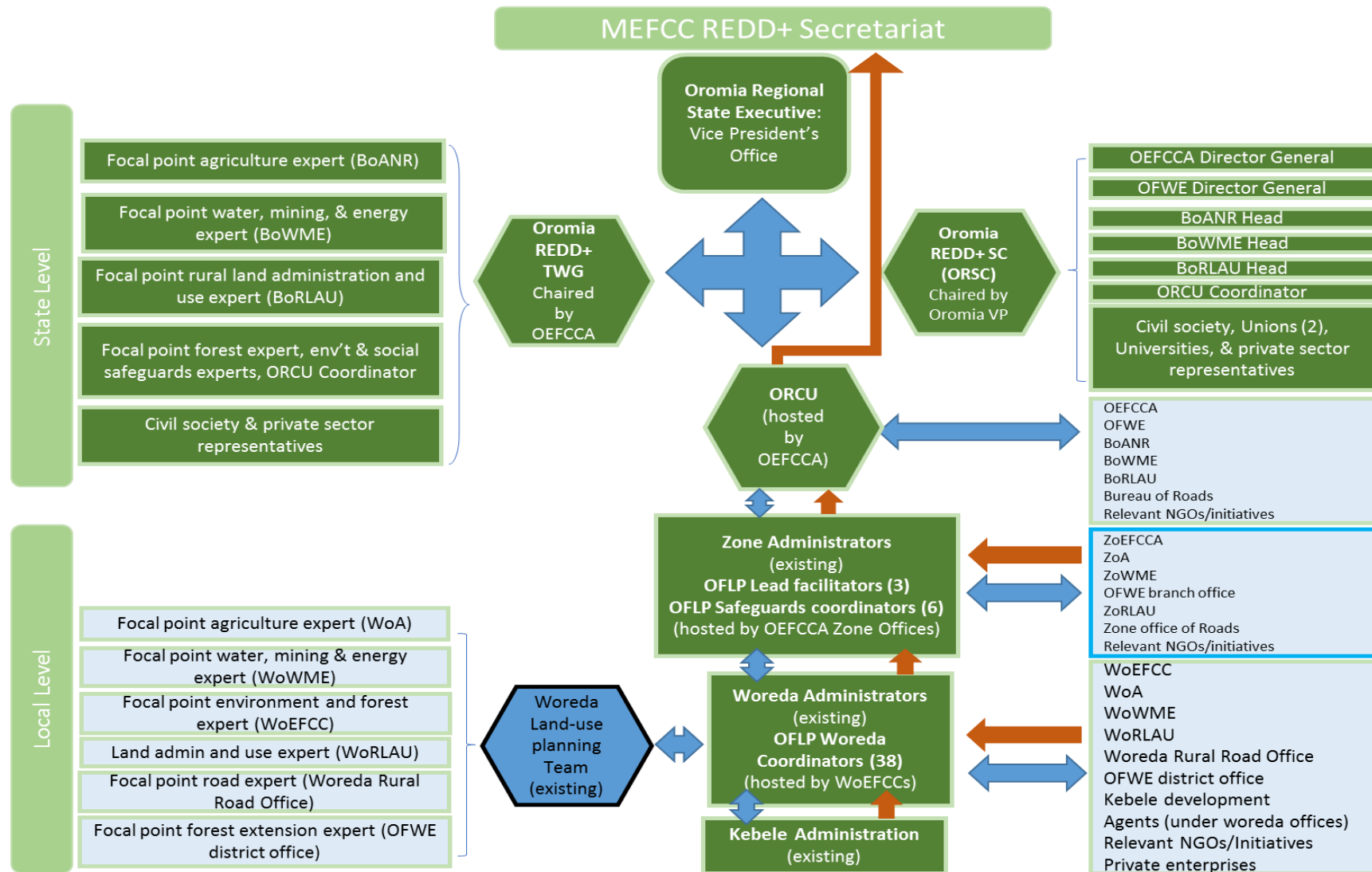
17. The ORCU will consolidate and aggregate the information aggregated at woreda and zone levels and will share the OFLP-level M&E reports with the MEFCC, OEFCCA, REDD+ secretariat, office of the Oromia Vice President, Bank, and development partners.

Other M&E arrangements

18. The OFLP will also include a midterm review approximately 24 months after grant effectiveness to assess progress and identify areas for course correction where needed. There will be periodic implementation support missions with an M&E focus over the lifetime of the grant. An implementation completion and results mission will be conducted at the end of the grant period according to the Bank's procedures.

19. The single MRV system will be put in place at the national level and involving the regional level (see Annex 7 for details).

Figure 3.1. OFLP Institutional Set-up: Accountability and Decision Making



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

Description of the organogram

20. **Spatial and thematic coordination of REDD+ relevant initiatives across sectors is a strategic feature of the OFLP.** The institutional structure for the OFLP includes a range of institutions at the national, state, and sub-state levels with discrete accountabilities and decision-making roles. Within the regional state of Oromia, the OFLP will be led by OEFCCA, with ORCU serving as the OFLP implementing unit within OEFCCA. While ORCU reports administratively to the OEFCCA, it seeks strategic and tactical guidance from the Oromia National Regional State Vice President, given the multi-sector nature of OFLP and land use challenges in the regional state. An advisor to the Oromia Vice President, has therefore been assigned as the focal point to support the coordination of the OFLP. In addition, the OFLP will be supported by the MEFCC and its National REDD+ Secretariat (in particular on MRV). The regional state's multi-sector REDD+ Steering Committee and Technical Working Group will provide strategic guidance and technical inputs, respectively, for OFLP implementation. The OEFCCA, OFWE and other relevant sector bureaus (such as the BoANR and BoRLAU) will implement and coordinate activities on the ground through their woreda offices and kebele DAS (extensionists) as relevant.

Federal level

21. **The MEFCC** will provide strategic and policy guidance to OEFCCA (and as needed, to the vice president's office) and partners supporting the forest sector and land use to ensure coordination via the OFLP platform and good OFLP implementation consistent with the REDD Strategy, GTP-2, CRGE Strategy, OFLP Legal Agreement, and OFLP PIM. The MEFCC will support the OEFCCA/ORCU and carry out a fiduciary oversight role through its National REDD+ Secretariat, in particular on MRV, project M&E, safeguards, financial management and procurement. Specifically, MEFCC will provide quality control, guidance and resolution of issues. The MEFCC will have ownership of the OFLP given that the program will be implemented in a pilot region that can then be transferred and scaled up to other regions.

22. The MEFCC will also administer the transfer of OFLP grant funds (see funds flow below) upon receipt from the Bank. The MEFCC will also convene other relevant national stakeholders such as the EWCA, as needed. Lastly, MEFCC will help guide additional financing for forest related work toward the regional government's OFLP as the coordinating platform for action on forest landscapes in Oromia National Regional State.

23. **The National REDD+ Secretariat** of the MEFCC will provide strategic and technical guidance on REDD+ issues, consolidate lessons learned from OFLP and disseminate experience in other regional states, and lead the development and implementation of the REDD+ MRV system which is key for the OFLP ERPA.⁵⁸ The secretariat will need to work at the technical level with other relevant national stakeholders such as the EWCA, as needed.

⁵⁸ The MRV system development and early implementation is budgeted under a National REDD+ Readiness grant financed by the Bank and implemented by the FAO under contract to the MEFCC. Subsequent financing for further implementation is secured from Norway through its direct financing to the CRGE Facility for forest, REDD+ and MRV.

24. **EWCA** is a key OFLP partner that is responsible for managing conservation lands such as Bale Mountains National Park in eastern Oromia. OFLP supports an emerging partnership between MEFCC, EWCA, the Oromia National Regional State government, and woredas and kebeles bordering the park to coordinate actions on environmental and social sustainability. During OFLP preparation, a letter of understanding was signed between EWCA and OFWE outlining areas for cooperation in OFLP implementation including on the government's OFLP safeguards commitments.

Regional state level

25. **Executive Oromia National Regional State (Vice President's Office).** The Vice President's Office will be the highest-level institution to provide political leadership and decisions to the OFLP, in particular on multi-sector implementation, policy development, and strategy. The existing "advisor designated as bureau head" is the OFLP focal point assigned by the vice president (memo from the vice president copied to all bureau heads in November 2015). A second advisor will serve as a secondary OFLP focal point. This team will work closely with the OEFCCA/ORCU to help the OEFCCA fulfill its mandate to coordinate across sectors and stakeholders on OFLP implementation, leveraging of existing and future initiatives, strategic planning, funds mobilization and will advise on the functioning of the ORCU.

26. **The ORSC** will be chaired by the Oromia vice president and members will include heads of the OEFCCA, BoANR, BoWME, and BoRLAU, as well as the OFWE director general and the ORCU coordinator. Representatives from civil societies, unions, universities, and the private sector will also participate. The coordinator of ORCU at OEFCCA will serve as the secretary of ORSC. The ORSC will oversee and provide strategic guidance and leadership support to the OFLP, including by mobilizing sectors to coordinate and collaborate under the OFLP umbrella on "REDD+ relevant interventions"⁵⁹ that affect OFLP goals. The ORSC will adopt internal regulations that set up its exact composition, frequency of meetings, and rules for decision making, among others.

27. **A new authority called OEFCCA** is now established in the Oromia National Regional State Government by proclamation 199/2016, on July 20, 2016. The new authority structure exactly aligns with MEFCC, with its regional state level structure reaching down to the woreda level. According to the proclamation indicated above, the Government of Oromia National Regional State authorized and mandated OEFCCA to coordinate all REDD+ activities in Oromia. A letter was issued by the vice president of Oromia on December 7, 2016, to MEFCC, informed the official transfer of all REDD+ projects (including OFLP) and ORCU to the new OEFCCA, which was effected on December 8, 2016.

28. **The OEFCCA, through ORCU, will lead OFLP's implementation in Oromia** and specifically will: (a) administratively host ORCU; (b) administer the technical, financial and

⁵⁹ REDD+ relevant initiatives are projects, programs, and activities promoted by the FDRE, donors, the NGOs, or the private sector that directly or indirectly contribute to reducing emissions from deforestation or increasing forest carbon stocks in the Oromia National Regional State. Some examples of these initiatives include the SLMP, JICA and OFWE's efforts to promote PFM and new forest-based business models (including coffee), and OFWE's planted forests.

human resources of OFLP to be responsible for fiduciary management of OFLP; (c) coordinate relevant bureaus, agencies and organizations implementing OFLP activities at regional, woreda and kebele levels; (d) hire and maintain, with OFLP grant funds, three OFLP lead facilitators in selected zones, 38 OFLP woreda coordinators in selected woredas, and six OFLP safeguards coordinators in selected zones, and other OFLP staff; and (e) jointly implement, with OFWE, grant-financed PFM, livelihoods, and A/R activities (Sub-component 1.3) in deforestation hotspots in 49 woredas (sites not covered under OFWE concessions; sites are yet to be identified); and (f) report on OFLP coordination and OEFCCA-led activities financed by OFLP.

29. **The ORCU** is OEFCCA's OFLP implementing unit and, prior to that, was administratively hosted by OFWE for over two years. On December 8, 2016, ORCU was transferred to be administratively hosted by the OEFCCA, which was set up by Proclamation 199/2016 on July 20, 2016, followed by progressively enhanced staffing and fiduciary operationalization that was documented by World Bank FM and PM assessments in November 2016 once OEFCCA staff, equipment, and systems were in place to assess. In addition to implementing OFLP on a day-to-day basis, the ORCU serves as the secretariat for coordinating and aligning various sector initiatives under the OFLP umbrella. ORCU reports administratively to the OEFCCA, and also seeks strategic and tactical guidance from the Oromia National Regional State Vice President, given the multi-sector nature of OFLP and land use challenges in the regional state. The OEFCCA/ORCU will be supported by the National REDD+ Secretariat at MEFCC which will carry out fiduciary oversight and quality assurance role, in particular on MRV, project monitoring, safeguards, financial management and procurement; more specifically, the MEFCC will focus on providing operational guidance to the OEFCCA to carry out OFLP related procurement, FM, and safeguards activities, with MEFCC providing quality control, guidance and assistance to resolve implementation issues. Specific accountabilities include:

- (a) As the OFLP implementing unit within OEFCCA, coordinates and manages OFLP implementation including all day-to-day fiduciary requirements, regularly liaising technically with all partner agencies, NGOs and private sector actors involved in OFLP implementation.
- (b) Carries out and consolidates safeguards implementation and reporting (assisted by OEFCCA).
- (c) Carries out and consolidates FM and reporting (assisted by OEFCCA).
- (d) Carries out and consolidates procurement management and reporting (assisted by OEFCCA).
- (e) Carries out and consolidates M&E for OFLP (each indicator in results framework and others as government requires and the program team desires).
- (f) Directly implements specific TA activities financed by the OFLP grant.
- (g) Carries out joint annual work programming and budget process (with inputs from OEFCCA, OFWE, bureaus and other relevant entities) and preparation of the procurement plan.
- (h) Sub-state ORCU OFLP team engages with woreda- and kebele-level officials (woreda administrators and experts, DAs) and other actors to coordinate OFLP interventions and related initiatives across sectors that have an impact on forests (promoting a landscape management approach).

- (i) Facilitates coordination with OFLP-related initiatives (liaising with executive-level focal points and OEFCCA above, as needed).
- (j) Ensures that ER verification is carried out through a third party.
- (k) Ensures delivery, implementation, and reporting on the agreed BSM for the OFLP ERPA.
- (l) Carries out strategic communication through OEFCCA.
- (m) Acts as secretariat for the REDD+ Steering Committee and REDD+ Technical Working Group and participates actively in meetings.

30. *Staffing:* The ORCU within OEFCCA has been staffed since 2015 (financed from the National REDD+ Readiness Project at MEFCC until OFLP is effective), and includes the ORCU coordinator (who serves as the OFLP coordinator), social and environmental safeguards specialists, communication specialist, institutions and policy specialist, M&E specialist, administration officer, forest resource specialist, procurement specialist, financial management specialist, office assistant, cashier secretary, and two drivers. This staff has worked as a team for two years. Once the OFLP is effective, the following staff will be added: additional financial management specialist; financial management assistant, MRV specialist and MRV assistant; private sector development specialist; audiovisual technician, and an additional driver.

31. **The OFWE** remains a key implementing partner in OFLP owing to its experience with implementing PFM, preparing OFLP, hosting ORCU for the past two years, managing plantations, and large concessions where carbon-rich high forest and deforestation hotspots are located. Moreover, given its dual public and private mandates, the OFWE is cultivating private sector relationships. OFWE will be responsible for: (a) implementing part of the OFLP financed PFM activities (only in sites within OFWE concessions; sites are not yet selected) in accordance with the MoU to be signed between OEFCCA and OFWE; (b) planning, preparing, implementing, and reporting on activities financed by OFLP and reflected in the joint annual OFLP work plans and budgets; and (c) ensuring synergies between existing sector initiatives that affect OFLP and sector objectives. OFWE's structure is different from that of OEFCCA, where the Branch level is the higher level, beneath which are the district and sub-district offices (there are eight branch offices in OFWE concession areas, one branch office may contain four to six district offices, but one district office may cover two to seven woredas. In OFWE concession areas, there are nearly 130 woredas in total.

32. **Concerned regional bureaus** include the BoANR, BoWME, BoRLAU, and Bureau of Roads. These bureaus will: (a) prepare, implement, and report on activities in the joint annual OFLP work plans through the coordination of the OEFCCA/ORCU; and (b) ensure synergies between existing sector initiatives that affect OFLP and sector objectives. These bureaus will also provide oversight support to their respective woreda offices.

33. **Civil societies, unions, and universities** in the OFLP structure can: (a) provide services to government institutions to implement projects or activities or (b) implement activities directly, outside the financial support of the Bank. One example of the former is Farm Africa, which is currently implementing the Bale Mountains Eco-regional REDD+ Project on behalf of the FDRE. In the case of the latter, the NGOs will work alongside the bureaus as above to: (a) prepare, implement, and report on activities in joint annual OFLP work plans through the coordination of the OEFCCA/ORCU, and (b) ensure synergies between existing sector initiatives

that affect OFLP objectives.

34. **Private sector businesses** implementing or investing in REDD+-relevant initiatives will have accountabilities similar to those of the NGOs as above. For example, Nespresso and Technoserve are implementing a project financed by IFC and the BioCarbon Fund under the OFLP to improve forest coffee production.

35. **The Oromia REDD+ Technical Working Group** represented by sector experts from the BoANR, BoRLAU, BoWME, OEFCCA, Bureau of Roads (or these bureaus' technical consultants as relevant), forest expert, environmental and social safeguard experts, coordinator and experts from the ORCU, civil society, and private sector representatives working on interventions in the state that are related to REDD+. The technical working group will be responsible for providing strategic oversight and technical guidance and support in design, implementation, and monitoring, and ensure that the OFLP- and REDD+-relevant interventions under the OFLP umbrella meet REDD+ technical requirements through a transparent review and outreach process.

36. Joint work planning, budget formulation, and reporting for the OFLP and forest-related policy development/harmonization will be led by OEFCCA with the involvement (as needed) of the Executive Oromia National Regional State level (Oromia Vice President's Office), OFWE, and all other relevant bureaus, with the ORCU serving as the OFLP Secretariat.

Zone level

37. **OEFCCA** will provide administrative and technical support to respective offices at zone clusters (each cluster is composed of seven zones and will be served by one OFLP lead facilitator) and woreda level as deemed necessary and share information that will improve and ensure coordination with other entities (that is, bureaus, zone offices and NGOs) operating at regional, zone, and woreda levels. Currently, there are 20 zone offices in the region.

38. **Zone administrations** include the zone administration offices and sector offices such as the zone office of Agriculture and natural resources (ZoANR), zone office of water, minerals, and energy (ZoWME), zone office of rural land administration and use (ZoRLAU), zone office of environment, forest and climate change authority (ZoEFCCA). These offices work closely together on day-to-day affairs, such as by overseeing the work of their respective woreda offices (agriculture, forests, water, household energy, and land use planning). Each office will also provide administrative and technical support to respective woreda offices who are directly implementing sector-specific OFLP activities (some directly financed by the OFLP and some REDD+-relevant initiatives). The zone level OFLP partner sector offices and their experts will be trained on the safeguards requirement of the program to ensure understanding and consistency in all sector operations. The heads of the ZoEFCCAs together with OFLP lead facilitators will lead the facilitation of the inter-sectoral coordination activities. Progress will be compiled by the OFLP lead facilitators hosted at three selected ZoEFCCAs who will then aggregate the information to report to the OEFCCA/ORCU.

39. **OFLP lead facilitators** will be based in three selected ZoEFCCAs, and will facilitate

OFLP implementation to ensure that work on the ground is implemented as per the plan (the number of positions for the OFLP lead facilitators is three). The OFLP lead facilitators together with the heads of ZoEFCCAs will work closely with zone sector offices (one lead facilitator will serve a zone cluster composed of seven zones) and ensure the required leadership support is being provided by the respective sector office heads to the OFLP woreda coordinators and that resources for the implementation of OFLP are provided in a timely manner. They will also provide technical and operational support to OFLP woreda coordinators and OFLP safeguards coordinators.

40. **OFLP safeguards coordinators**, will be based in six selected ZoEFCCAs, and will closely work with the OFLP lead facilitators and respective zone environmental impact assessment (EIA) experts. They will all report to the heads of the ZoEFCCAs and ORCU's safeguards specialists to ensure that environmental and social safeguards are implemented according to the OFLP environmental and social safeguards instruments (the estimated number of positions for safeguards coordinators is six). They will also oversee the safeguards work of the OFLP woreda coordinators.

Local level (woreda, kebele)

41. **The OFWE district office (covering two to seven woredas)** will: (a) implement work on the ground financed directly by the OFLP, such as PFM within OFWE concessions in accordance with the MoU to be signed between OEFCCA and OFWE; and (b) report on implementation progress to OEFCCA/ORCU.

42. **OEFCCA woreda administrators** together with other relevant woreda sector experts, including the DAs under them, will coordinate, oversee and implement a range of sector programs and operations. The OFLP woreda coordinators and the head of the OEFCCA woreda offices, together with the woreda administrators will: (a) reinforce woreda capacity to coordinate the implementation of land use related projects and operations that affect or are affected by the forest sector; (b) lead implementation of OEFCCA and other relevant sectors activities directly funded by OFLP financing (as per the AWPB and PP); and (c) support safeguards management.

43. **OFLP woreda coordinators will be based in 38 selected WoEFCCs**, and will be responsible for implementing OFLP at the woreda level, with each coordinator covering approximately seven to eight woredas. This work includes supporting the coordination of REDD+-relevant interventions across sectors/experts at the woreda level and NGOs (initiatives). Each OFLP woreda coordinator, in consultation with the head of WoEFCC, will be responsible for facilitating overall planning, implementation, and monitoring of the OFLP at the woreda level to ensure harmonization and integration of activities that are: (a) financed by OFLP directly; and (b) related initiatives in the woredas covered by the position. This requires working closely with the woreda administrators and various government officials and project teams that may be present in a particular woreda. They will also serve as the woreda-level safeguards focal persons of the OFLP to ensure safeguards implementation and compliance at the community levels (the estimated number of positions for OFLP woreda coordinators is 38). Their safeguards work will be overseen by OEFCCA/ORCU through its OFLP safeguards coordinators.

44. **Woreda administrations include the woreda administration offices and sector offices**

such as the WoANR, WoWME, WoRLAU, WoEFCC, and the OFWE district office where relevant. These offices are meant to work closely together on day-to-day affairs, such as by overseeing the work of the DAs in agriculture, water, household energy, and forests, working at the lowest administrative unit called kebele (village level). Each office will also implement sector-specific OFLP activities (some directly financed by the OFLP and some REDD+-relevant initiatives). The woreda-level OFLP partner sector offices and their experts will be trained on the safeguards requirement of the program to ensure understanding and consistency in all sector operations. Progress will be compiled by the OFLP woreda coordinator together with the head of the WoEFCC who will then aggregate the information to report to the OFLP lead facilitators at the ZoEFCCAs.

45. LUPTs currently exist at the woreda level as part of a national land use planning initiative and are staffed by teams from the respective woreda sector offices. Given that rational land use is critical for the success of OFLP, the LUPTs can be strengthened by OFLP, as relevant, and used as a platform for coordination through the OFLP woreda coordinator together with the head of the WoEFCC and woreda administrator. As one of the key OFLP safeguards implementation arrangements, the existing environmental expert at WoEFCC will be trained and become part of the woreda LUPTs to support mainstreaming of the safeguards requirements in all land use-planning-related issues of OFLP.

46. OEFCCA will, in the near term, rely on DAs under the authority of BoANR, who are located at kebele level to mobilize communities for natural resource development and forest and land management at the grass root level, until such time as OEFCCA has its own core of DAs in place under the respective woreda offices. A MoU will be signed between OEFCCA and BoANR detailing how to deploy DAs to implement OFLP activities. The DAs will be in charge of engaging with communities for planning, implementation, and reporting relevant OFLP activities on the ground.

47. Below, Table 3.1 summarizes the roles and responsibilities of core Government and OFLP staff for OFLP implementation, and Table 3.2 summarizes the institutional accountabilities for OFLP implementation.

Table 3.1. Summary of core GoE and OFLP staff roles and responsibilities for OFLP implementation

<i>Government and OFLP Staff</i>	<i>Roles and responsibilities in OFLP implementation</i>
Minister of Environment, Forest and Climate Change (MEFCC)	<ul style="list-style-type: none"> • Promotes OFLP at the high-level of decision making platforms such as at the council of ministers, the federal parliament and the inter-ministerial committee of the CRGE. • Provides political support in mobilizing additional resources from the CRGE fund, bilateral and multilateral donors, and the private sector to upscale on-ground investments in more woredas of Oromia for increased forest development and forest protection initiatives. • Oversees OFLP implementation and ensures that OFLP gets adequate technical, fiduciary and administrative support from MEFCC's respective directorates and the national REDD+ secretariat. • Assists in coordination of federal and regional level cross-sectoral policy and programmatic actions relevant to forest management and forest development activities of the OFLP, such as: coordination among forest and land use; forest and energy use; and forest and livestock development. • Assists in promoting OFLP in international fora for more visibility and for mobilizing additional resources.
State Minister of MEFCC	<ul style="list-style-type: none"> • Provides closer supervision so that OFLP implementation gets adequate technical, fiduciary, and administrative support from MEFCC's respective directorates and the National REDD+ Secretariat. • Assists in mobilization of additional resources from CRGE fund, bilateral and multilateral donors and the private sector to upscale on-ground investment in more woredas of Oromia for increased forest development and forest protection initiatives. • Provides closer support in coordination of federal and regional level cross-sectoral policy and programmatic actions relevant to forest management and forest development activities of the OFLP, such as: coordination among forest and land use; forest and energy use; and forest and livestock development. • Reviews periodical technical and financial reports and annual work programs of OFLP implementation, and provides guidance as required. • Liaises closely with Oromia Vice-Presidency, OEFCCA, ORCU and others actors for effective coordination of OFLP implementation.
National REDD+ coordinator (MEFCC)	<ul style="list-style-type: none"> • Provides strategic and technical guidance on REDD+ issues, consolidates lessons learned from the Oromia pilot, and disseminates them among other regional states. • Lead the development of the national REDD+ MRV system. • Provides closer oversight on the technical soundness of forest sector investment activities under the OFLP. • Ensures operational guidance is provided to ORCU through the REDD+ secretariat technical staff including national REDD+ task forces on MRV, procurement management, financial management, safeguards management, benefit sharing mechanism and ensures procedures are efficiently and effectively applied at ORCU. • Coordinates national level trainings to ORCU technical staff, especially on forest assessment, monitoring, reporting, MRV and verification. • Ensures that required data are collected, documented, analyzed and interpreted at regional and national level, and communicated to the international community as part of the national GHG reporting mechanism. • Ensures the consistency of the data collected, monitored and reported from the OFLP is in line with the approved framework endorsed by the national government and donors. • Ensures standard operational procedures, guidelines, tools for monitoring, reporting forest information system and verification is in place at ORCU level and required technical skills are developed to implement the OFLP as a national jurisdictional pilot program. • Liaises with key national decision-making bodies such as MEFCC, MoFEC, EWCA, EMA, and other relevant sector ministries, on forest and land use issues for better

Government and OFLP Staff	Roles and responsibilities in OFLP implementation
	<p>coordination of activities, and technical and policy support for scaling up action to reduce deforestation and forest degradation thus improving overall use of land and natural resources.</p> <ul style="list-style-type: none"> • Provides guidance and technical support in reviewing and providing feedback on manuals, progress reports, analytical studies carried out by ORC, including liaising with international consultants, as needed. • Ensures that OFLP objectives and activities are fully integrated with the national level strategies, policies, regulations, procedures and goals.
National REDD+ pilot coordinator (MEFCC)	<ul style="list-style-type: none"> • Acts as the main liaison officer between OEFCCA and ORCU in MEFCC facilitating MEFCC's concerned units and the NRS provides timely technical, fiduciary and administrative support to OFLP implementation. • Follows up closely the implementation of policy actions as decided by MEFCC's minister and state minister towards OFLP including additional fund mobilization, cross-sector coordination of activities, and other policy support as deemed necessary. • Provides direct technical assistance and represents the national REDD+ secretariat and MEFCC in OFLP coordination meetings. • Participates in monitoring activities of OFLP, including active participation in OFLP implementation support missions. • Prepares and submits periodical implementation support reports and briefs on the OFLP to MEFCC's minister, state minister and the national REDD+ coordinator.
National REDD+ environmental safeguards specialist (MEFCC)	<ul style="list-style-type: none"> • Provides strategic and technical advice to ORCU safeguards specialists on OFLP safeguards implementation as per the safeguards requirements of the GoE and the WB. • Works closely with ORCU environmental safeguards specialist to ensure OFLP safeguards instruments are effectively and efficiently implemented and monitored. • Provides technical support on environmental safeguards capacity building, implementation, monitoring, communication, and documentation. • Carries out safeguards compliance monitoring periodically and shares the reports with the WB and those concerned.
National REDD+ social safeguards specialist (MEFCC)	<ul style="list-style-type: none"> • Provides strategic and technical advice to ORCU safeguards specialists on OFLP safeguards implementation as per the safeguards requirements of the GoE and the WB. • Convenes relevant national stakeholders such as the EWCA, as needed, for OFLP safeguards implementation and compliance. • Follows up on and ensures the establishment/strengthening of functional OFLP social safeguards systems (GRM, BSM, consultation, participation, and civic engagement), and disclosures of relevant program information to program-affected people and stakeholders across Oromia National Regional State. • Works closely with ORCU social safeguards specialists to ensure that OFLP safeguards instruments are effectively and efficiently implemented and monitored. • Provides technical support on social safeguards capacity building, implementation, monitoring, communication, and documentation. • Carries out safeguards compliance monitoring periodically and shares the report with the WB and those concerned.
National REDD+ MRV specialist (MEFCC)	<ul style="list-style-type: none"> • Supervises the ORCU MRV specialist on forest monitoring and information management system, including land use. • Provides guidance on forest resources inventory, monitoring, and MRV activities across Oromia and ensures that the use of the harmonized methodological framework adopted for the program across the board (carbon stock and ER) is consistent with the national approach. • Ensures the establishment of the Forest MIS and development of associated software and hardware capacities within OEFCCA/ORCU. • Checks that all data and results prepared by the ORCU MRV unit are in accordance with the standards defined in the MRV modalities and reviews technical quality including

<i>Government and OFLP Staff</i>	<i>Roles and responsibilities in OFLP implementation</i>
	<p>checking geographical data or biometric data from biomass surveys.</p> <ul style="list-style-type: none"> • Liaises with the national forest MRV task force established under MEFCC and national GHG inventory team. • Provides AD and EF data sets prepared at national level particularly for Oromia, to the ORCU MRV unit and assists in calculating OFLP GHG emissions and ERs, including associated uncertainties, and conducts quality checks on GHG emissions and ERs calculations carried out by the Oromia Regional MRV team. • Provides training, as needed, to ORCU MRV specialist, particularly on forest resources assessment, monitoring, and reporting requirements.
National REDD+ procurement specialist (MEFCC)	<ul style="list-style-type: none"> • Provides procurement support to the OFLP procurement team including during the preparation and review of the procurement plan (PP). • Trains OFLP procurement team in overall procurement management according to GoE and WB procurement procedures. • Guides the OFLP procurement team on procurement processing. • Assists OFLP procurement team to make sure that all procurements follow the procedures as outlined in the Grant Agreement.
National REDD+ financial management specialist (MEFCC)	<ul style="list-style-type: none"> • Provides guidance to OEFCCA/ORCU, especially to the financial management team in preparing the annual budget for OFLP. • Ensures proper management of accounting records and financial transactions in line with the standards and formats accepted by the GoE and the WB. • Monitors and ensures that the financial resource allocated under the OFLP grant is used properly for planned activities. • Reviews the financial monitoring reports submitted to MEFCC by the OEFCCA/ORCU coordinator, and provides the feedback. • Provides trainings to OEFCCA/ORCU financial management team on preparation and submission of documentation of expenditures, bank reconciliation statements, and any other supporting documents to account for the amount advanced. • Guides the OEFCCA/ORCU financial management team on preparation of monthly and annual cash flow projections and monitors effective disbursement of funds. • Assists and guides OEFCCA/ORCU on the recruitment of OFLP external auditors for effective and efficient auditing of the accounts. • Ensures proper control over all OFLP assets and maintenance of proper systems and procedures. • Liaises with the finance directorate of the MEFCC and OEFCCA to coordinate the financial activities of OFLP.
Oromia National Regional State Vice President (not financed by the OFLP)	<ul style="list-style-type: none"> • Advocates the OFLP at the high-level regional council. • Advocates for forest-smart development. • Ensures that OEFCCA/ORCU participates in the region's budget planning sessions and any other key decision-making events happening at the regional level. • Chairs the ORSC and ensures that all OFLP-implementing sector institutions are represented and their contributions/roles are well coordinated. • Provides political leadership for implementing OFLP and ensures that the respective sector bureaus and offices are actively engaged in OFLP in line with Oromia government structures (vertically and horizontally).
OEFCCA director general (not financed by the OFLP)	<ul style="list-style-type: none"> • Represents the OFLP at the high-level regional council. • Supervises OFLP focal points, monitors overall OFLP progress and provides strategic guidance. • Provides policy, leadership, administrative, and coordination support for OFLP implementation across different levels OEFCCA's institutional structure (regional, zone, and woreda levels). • Leads the planning and implementation of OFLP forest sector activities coordination through ORCU.

<i>Government and OFLP Staff</i>	<i>Roles and responsibilities in OFLP implementation</i>
	<ul style="list-style-type: none"> • Liaises with the regional policy and decision-making bodies to support OFLP implementation. • Participates in National and ORSC and other high level meetings. • Provides strategic and administrative guidance and support to ORCU and to the ORCU coordinator in ensuring coordination and harmonization of activities by different actors and in mobilizing additional resources for scaling up OFLP activities. • Reports to the Oromia vice president and regional government council as part of its official duties on all matters concerning OFLP implementation.
OEFCCA deputy director general (not financed by the OFLP)	<ul style="list-style-type: none"> • Provides closer oversight on the technical soundness of forest sector investment activities under the OFLP. • Assists the director general and acts on his behalf in his absence. • Reports directly to the OEFCCA director general on matters pertaining to OFLP implementation.
Oromia REDD+ coordinator (financed by the OFLP)	<ul style="list-style-type: none"> • Reports directly to the director general office of OEFCCA and send reports to the Oromia vice president office after these are cleared by OEFCCA. • Coordinates and manages OFLP across the Oromia region. • Leads OFLP implementation through coordination of activities of relevant sector bureaus and initiatives/projects having objectives similar to OFLP, by bringing them all onto a common programmatic platform. • Acts as the secretariat at REDD+ Steering Committee and represented by OEFCCA chairs the Oromia REDD+ Technical Working Group and ensures representation of all relevant sectors and initiatives operating in the region. • Coordinates the development and implementation of the OFLP joint annual work plan and budget. • Manages and coordinates OFLP implementation by supervising the ORCU team on a day-to-day basis and ensuring that all safeguards, procurement, and FM procedures are efficiently and effectively applied. • Participates in regional-level planning processes and ensures that OFLP objectives and activities are fully integrated. • Liaises through OEFCCA with key national decision-making bodies such as MEFCC, national REDD+ secretariat, MoFEC, national planning commission, and other relevant sector ministries, on forest and land use issues for better coordination of activities, use of financial resources, and technical and policy support for scaling up action to reduce deforestation and forest degradation thus improving overall use of land and natural resources. • Leads the development and implementation of the enabling environment for ER payments, including BSM, MRV/REL (requiring liaison with the national-level MRV/REL Unit), safeguards (including GRM), and other requirements as appropriate.
Advisor with the designation of bureau head (appointed OFLP focal point at the Oromia National Regional State) Vice-President's Office (not financed by the OFLP)	<ul style="list-style-type: none"> • Housed at the Oromia Vice President's Office and directly reports to the vice president of Oromia. • Presents and discusses OFLP with high-level regional decision-making bodies (the vice president, the regional council, and other regional decision-making bodies as appropriate). • Serves as additional communication channel between OEFCCA/ORCU and regional decision makers, maintaining two-way information flow on program implementation and follow-ups. • When delegated by the vice president, chairs the ORSC, ensuring that all relevant sector institutions are represented and their contributions/roles in OFLP are coordinated. • Provides day-to-day administrative support to OFLP, ensuring that the respective sector bureaus and offices are actively engaged and responsive to OFLP in line with the Oromia government structures (vertically and horizontally). • Supervises sectors' accomplishments with regard to OFLP implementation. • Monitors overall progress and provides implementation guidance.

<i>Government and OFLP Staff</i>	<i>Roles and responsibilities in OFLP implementation</i>
Senior expert under the designated bureau head (appointed assistant OFLP focal point at the Oromia National Regional State Vice-President's Office) (not financed by the OFLP)	<ul style="list-style-type: none"> • Assists the OFLP focal point in presenting OFLP cases to high-level regional decision-making bodies (the vice president, the regional council, and other regional decision-making bodies as appropriate). • Provides day-to-day assistance to the OFLP focal point, ensuring that the respective sector bureaus and offices are actively engaged and being responsive to OFLP along the Oromia government structures (vertically and horizontally). • Compiles relevant information regarding OFLP implementation and presents these to the OFLP focal point for reporting to higher level. • Maintains regular communication with OEFCCA/ORCU and respective sector bureaus by facilitating smooth program implementation and oversight. • Assists the OFLP focal point in all matters concerning OFLP implementation according to the roles and responsibilities of the focal point listed above.
Forest resource specialist (ORCU)	<ul style="list-style-type: none"> • Under the guidance and oversight of the ORCU coordinator, coordinates forest sector investment activities in close coordination with the OEFCCA's relevant zone and woreda level staff. • Maintains close working relationships and helps coordinate with GoE's sectors and other related initiatives/projects that affect or are affected by forest sector activities. • Supervises and provides technical support to sectors and projects by ensuring that technically sound and harmonized on-the-ground forest investment activities are being applied across sectors and projects. • Leads the preparation of technical manuals and guidelines for promoting forest investment activities (A/R, ANR, PFM, and so on); and provides training on their use. • Supervises and provides technical support to OFLP lead facilitators and OFLP woreda coordinators regarding forest investments in their respective working areas. • Participates in policy development and economic analyses activities. • Assists on forest resource monitoring, MRV, M&E, and other related OFLP activities, as needed. • Collects relevant forest-sector-related data/information. • Prepares and submits regular reports.
Environmental safeguards specialist (ORCU)	<ul style="list-style-type: none"> • Under the guidance and oversight of the ORCU coordinator, closely works with the national REDD+ environmental safeguards specialist, the ORCU's social safeguards specialist, OFLP safeguards coordinators, and OFLP lead facilitators to ensure that the environment safeguards instruments prepared for OFLP are effectively and efficiently implemented and monitored across the Oromia National Regional State. • Co-leads (with the social safeguards specialist) the implementation of the safeguards subcomponent activities financed by the OFLP grant. • Follows up on and ensures the establishment/strengthening of functional OFLP environment safeguards systems across the state. • Ensures the integration of environmental issues into the OFLP and other REDD+-relevant initiatives. • Provides technical support on environmental safeguards capacity building, implementation, monitoring, communication, and documentation. • Monitors environmental safeguards compliance and outcomes during OFLP implementation. • Prepares and submits regular reports on environmental safeguards to the Oromia REDD+ coordinator.
Social safeguards specialist (ORCU)	<ul style="list-style-type: none"> • Under the guidance and oversight of the ORCU coordinator, closely works with the national REDD+ social safeguards specialist, the ORCU's environmental safeguards specialist, OFLP safeguards coordinators, and OFLP lead facilitators to ensure that the social safeguards instruments prepared for the OFLP are effectively and efficiently implemented and monitored across the Oromia National Regional State. • Co-leads (with the environmental safeguards specialist) the implementation of the

<i>Government and OFLP Staff</i>	<i>Roles and responsibilities in OFLP implementation</i>
	<p>safeguards subcomponent activities financed by the OFLP grant.</p> <ul style="list-style-type: none"> • Follows up on and ensures the establishment/strengthening of functional OFLP social safeguards systems (GRM, BSM, consultation, participation, and civic engagement; and disclosure of relevant program information to program-affected people and stakeholders) across the state. • Ensures the integration of social issues into OFLP activities and other REDD+-relevant initiatives. • Provides technical support on social safeguards capacity building, implementation, monitoring, communication, and documentation. • Monitors social safeguards compliance and outcomes during OFLP implementation. • Prepares and submits regular reports on social safeguards to the Oromia REDD+ coordinator.
Institutions and policy specialist (ORCU)	<ul style="list-style-type: none"> • Under the guidance and oversight of the Oromia REDD+ coordinator, supervises the development and implementation of activities in the OFLP joint annual work program and budget on policy analysis, development, and harmonization, to advance successful forest investment in the region. • Advises on forest-related policy development activities outside the OFLP work program. • Leads the institutional coordination tasks under the OFLP operation by analyzing institutional mandates and linkages of implementing government bodies and proposes best options for institutional coordination for OFLP implementation at the regional, zone, and woreda levels. • Leads development and strengthening of new institutions, as required by OFLP, including community institutions, cooperatives, user groups, and so on. • Liaises with higher regional and national policy and decision-making bodies as appropriate, thus seeking strong political and administrative support toward smooth implementation of OFLP.
MRV specialist (ORCU)	<ul style="list-style-type: none"> • Under the guidance and oversight of the Oromia REDD+ coordinator, supervises the development and implementation of activities in the OFLP joint annual work plan and budget on forest MRV and more generally on monitoring and information management for forest and land use. • Advises on related monitoring activities outside the OFLP work plan. • Leads forest resources inventory, monitoring, and MRV activities across Oromia. • Coordinates with other initiatives/projects operating in Oromia, ensuring that a harmonized methodological framework of measurement is adopted across the board (carbon stock and ER). • Leads the establishment of the Forest MIS and development of associated software and hardware capacities within OEFCCA/ORCU. • Establishes appropriate forest resource assessment, monitoring, and the MRV Unit within OEFCCA/ORCU. • Checks all data and results to confirm that these are in accordance with the standards defined in the MRV modalities, requiring technical-level reviews including checking geographical data or biometric data from biomass surveys. • Reports all the data to the National MRV Unit. • Reviews AD and EF data sets provided by the National MRV Unit and calculates program GHG emissions and ERs including associated uncertainties. • Reports to the National MRV Unit for quality check. • Provides technical support to lead facilitators and woreda coordinators, particularly on forest resources assessment, monitoring, and reporting requirements.
Assistant to MRV specialist (ORCU)	<ul style="list-style-type: none"> • Under the guidance and oversight of the MRV specialist, assists the development and implementation of activities in the OFLP joint annual work plan and budget on forest MRV, and more generally on monitoring and information management for forest and land use.

<i>Government and OFLP Staff</i>	<i>Roles and responsibilities in OFLP implementation</i>
	<ul style="list-style-type: none"> • Supports forest resources inventory, monitoring, and MRV activities across Oromia. • Helps in coordinating OFLP activities with other initiatives/projects operating in Oromia, by ensuring that a harmonized methodological framework of measurement is adopted across the board (carbon stock and ER). • Assists in the establishment of a Forest MIS and development of associated software and hardware capacities within OEFCCA/ORCU. • Compiles all primary and secondary data and results generated at the program/intervention levels. • Checks all data and results to confirm that these are in accordance to the standards defined in the MRV modalities, requiring technical-level reviews including checking geographical data or biometric data from biomass surveys. • Assists in reporting all the data to the National MRV Unit. • Helps in reviewing AD and EF data sets provided by the National MRV Unit and assists in calculating program-level GHG emissions and ERs including associated uncertainties. • Liaises with OFLP lead facilitators and OFLP woreda coordinators, particularly on forest resources assessment, monitoring, and reporting requirements.
Communication specialist (ORCU)	<ul style="list-style-type: none"> • Under the guidance and oversight of the ORCU, supervises the development and implementation of activities in the OFLP joint annual work plan and budget on communication and more generally on monitoring and information management for forest and land use. • Advises on related monitoring activities outside the OFLP work plan. • Leads communication research work to help develop the OFLP's communication strategy and needs. • Coordinates development of a communication strategy for OFLP. • Develops and coordinates implementation of capacity-building programs to equip ORCU technical staff, including OFLP lead facilitators, OFLP safeguards coordinators, and OFLP woreda coordinators on strategic communication methods and tools. • Leads the development of outreach programs for OFLP by involving local media outlets, journalists, and others means, as needed. • Organizes and conducts periodic advocacy activities for OFLP through community workshops and consultations. • Leads the preparation and dissemination of OFLP newsletters. • Leads the development of behavioral-change programs targeting deforestation hotspot areas and coordinates consultation programs on proper applications of safeguards, BSM, and GRM in the OFLP woredas.
M&E specialist (ORCU)	<ul style="list-style-type: none"> • Under the guidance and oversight of the ORCU coordinator and working closely with OFLP staff and sectors, compiles the OFLP annual work plan and budget for review and approval by the ORSC. • Coordinates and supervises OFLP plans (technical and financial) at all levels of OFLP structures (regional, zone, and woreda levels). • Leads M&E by ensuring periodic, high-quality, and consistent data compilation and consistent aggregation at all levels. • Manages development of data collection methods and tools (survey tools). • Prepares formats and enters monitoring data for eventual processing and tracking of OFLP progress. • Facilitates capacity-building trainings for OFLP staff on M&E, data collection, and processing methods and use of monitoring tools. • Liaises with sectors' M&E experts and officials of other initiatives/projects for adoption and use of unified M&E results framework (monitoring indicators, data collection, and processing system). • Compiles and submits periodic M&E reports. • Assists in the preparation of periodic Bank implementation support missions with an

<i>Government and OFLP Staff</i>	<i>Roles and responsibilities in OFLP implementation</i>
	M&E focus.
Private sector development specialist (ORCU)	<ul style="list-style-type: none"> • Under the guidance and oversight of the ORCU coordinator, leads public-private partnership discussions to promote private sector investments in the forest sector. • Liaises with relevant national and regional bodies (MEFCC, Agricultural Investment Land Administration Agency, Rural Land Administration and Use Directorate, Ethiopian Investment Commission, Oromia BoRLAU, Oromia Investment Commission, and other entities as needed) to promote private forest investments. • Coordinates preparation of policy documents, strategies, and operational procedures for private sector engagement in the forest sector. • Liaises regularly with domestic and international private sector and NGO actors to identify and capitalize on investment opportunities ensuring that these investment interests are in line with OFLP goals. • Supervises private sector development activities in the OFLP joint annual work plan and budget. • Establishes a close working relationship with zone- and woreda-government-relevant agencies and coordinates the efforts of lead facilitators and woreda coordinators in promoting private sector investments in the forest sector.
Procurement specialist (ORCU)	<ul style="list-style-type: none"> • Under the guidance and oversight of the ORCU coordinator and in consultation with the respective specialists of ORCU and implementing sectors, identifies OFLP procurement needs and prepares a comprehensive joint PP for OFLP. • Understands all program procurement documents, including the guidelines, the PIM, PAD and standard bidding documents, request for proposals, and other relevant templates and applies it in processing procurements. • Leads and implements all procurement activities for the OFLP grant following the Bank's and GoE's procurement procedures. • Tracks the implementation of the joint PP, updates program PP as needed, and prepares regular procurement activities progress report with recommendations for corrective action to keep implementation on track. • Organizes procurement management training programs in collaboration with the Bank's procurement team. • Makes sure that procurement at all levels of the program is consistent with the Grant Agreement made between GoE and the Bank. • Keeps records of all procurement activities under the OFLP grant for post procurement review and audit.
Financial management specialist (ORCU)	<ul style="list-style-type: none"> • Under the guidance and oversight of the ORCU coordinator and jointly with the respective OFLP implementing sectors, assists in preparing the joint annual budget for OFLP which will be submitted to the ORSC for approval. • Leads proper management of accounting records and financial transactions in line with the standards and formats accepted by the FDRE and the Bank. • Ensures that the financial resource allocated under the OFLP grant is used properly for planned activities. • Prepares and submits financial monitoring reports to the Oromia REDD+ coordinator, Oromia vice president, and MEFCC; also provides financial data for the preparation of progress reports. • Leads preparation and submission of documentation of expenditure, bank reconciliation statements, and any other supporting documents to account for the amount advanced. • Maintains a close working relationship with the OFLP procurement specialist and follows up on contracts signed with suppliers and consultants regarding payments. • Manages and controls all disbursements to ensure effective OFLP implementation. • Leads and prepares monthly and annual cash flow projections and monitors effective disbursement of funds.

<i>Government and OFLP Staff</i>	<i>Roles and responsibilities in OFLP implementation</i>
	<ul style="list-style-type: none"> • Liaises with OFLP external auditors to be recruited by the OFLP for effective and efficient auditing of the accounts. • Ensures proper control over all program assets and maintenance of proper systems and procedures. • Liaises with the Finance Directorate of the MEFCC and OFWE to coordinate the financial activities of OFLP.
OFLP lead facilitator (3) (ORCU)	<ul style="list-style-type: none"> • Facilitate OFLP implementation to ensure that work on the ground is implemented as per the plan • Hosted by OEFCCA and directly reporting to the ORCU coordinator, together with the head of ZoEFCCA closely works with and coordinates activities of zone sector offices (up to approximately seven zones) on OFLP implementation. • Establishes synergies between relevant OFLP-related initiatives in the assigned zones and woredas implemented by the sector offices, the NGOs, and the private sector. • Provides technical and operational support and supervises implementation of program activities in the program area. • Provides technical and operational support to OFLP woreda coordinators and to OFLP safeguards coordinators. • Compiles and sends periodic reports to the ORCU on progress of activities. • Ensures that the required leadership support is being provided by the respective sector office heads to the OFLP woreda coordinators and that resources/inputs for the implementation of OFLP are provided in a timely manner.
OFLP safeguards coordinator (6) (ORCU)	<ul style="list-style-type: none"> • Hosted by the OEFCCA zone offices and accountable (reporting) to the ORCU's safeguards specialists, works closely with the respective OFLP lead facilitators, OFLP woreda coordinators, and respective zone EIA experts of OEFCCA • Establishes/strengthens the OFLP safeguards system (such as the GRM, BSM, consultation, participation and civic engagement, disclosure of relevant program information to program-affected individuals, and concerned stakeholders). • Provides safeguards capacity building, including training and awareness • Provides technical support on safeguards implementation, monitoring, and documentation to ensure that environmental and social safeguards are implemented according to the OFLP environmental and social safeguards instruments. • Provides regular reports to the ORCU and safeguards specialists.
OFLP woreda coordinator (38) (ORCU)	<ul style="list-style-type: none"> • Reporting directly to the respective OFLP lead facilitator, and hosted by the OEFCCA woreda office, and working closely with the respective OEFCCA woreda head, implements OFLP activities in the assigned woredas (each coordinator covering on average seven woredas). • Coordinates and establishes synergies between sector offices on OFLP activities and other OFLP-related initiatives/projects existing in the assigned woredas. • Facilitates overall planning, implementation, and monitoring of OFLP activities in the assigned woredas. • Ensures coordination and integration of activities: (a) directly financed by the OFLP grant or other financing, and (b) activities financed by related initiatives and projects in the woredas that affect or are affected by forest and land-use resources (examples include the PSNP, AGP, SLMP, LIFT, household energy, water resources projects, private sector initiatives, CRGE-Facility-financed activities, the government's ongoing mass mobilization campaign and land-use planning activities, and so on). • Works closely with the respective woreda administrators, woreda government (sector) officials, woreda councils, woreda LUPTs, and other project teams existing in the assigned woredas to achieve OFLP objectives. • Maintains a close working relationship with the respective OFLP lead facilitators and OFLP safeguards coordinators by ensuring that OFLP operational procedures and rules are strictly followed within the assigned woredas.

<i>Government and OFLP Staff</i>	<i>Roles and responsibilities in OFLP implementation</i>
	<ul style="list-style-type: none"> • Coordinates regular OFLP reporting, engaging with OFLP actors, government officials, other program staff, and the OFLP M&E specialist as needed. • Ensures that accurate M&E reporting is fully functional, timely, and consistent at the woreda level. • Implements M&E data collection methods and tools (survey tools). • Compiles OFLP-related information and work accomplishment records and reports to the respective OFLP lead facilitators.
OFWE district expert	<ul style="list-style-type: none"> • Implements PFM activities financed by OFLP within OFWE concessions. <p>Note: OFWE district experts have already been implementing PFM with communities within OFWE concessions.</p>
Development Agent	<ul style="list-style-type: none"> • Mobilizes communities at kebele level through participatory approaches defined in key government documents including the mandatory OFLP safeguards instruments, the OFLP PIM, and field manuals for PFM, A/R, land use, and livelihoods that are being updated or developed. • Screens proposed OFLP grant-financed activities against the eligibility criteria. • Facilitates participatory community planning to identify sites for potential grant activities based on local needs, priorities and criteria being developed by the government. • Engages in safeguards outreach, monitoring and documentation on the ground and reports to the OFLP woreda coordinators and the WoEFCC on this. • Prepares and updates annual work plan and budget items to be consolidated by OFLP woreda coordinators, including also identification of specific relevant goods, services and/or works to be procured. • Provides technical advice to communities for implementation of OFLP component 1 activities (PFM, A/R, land use and livelihoods) on the ground as part of their regular activity, based on the implementation manuals (PFM, A/R and land use to be updated or prepared). • Conducts regular quantitative monitoring and reporting of physical achievements (as per the OFLP PIM) to the relevant woreda expert(s) for consolidation and aggregation and further vertical reporting through the government hierarchy and to international financiers (assisted by OFLP woreda coordinators). • Conducts regular qualitative monitoring and reporting of results using photo documentation, community interviews, and other approaches supported by the OFLP for use by the government to communicate OFLP achievements. • Participates in all field visits or missions carried out by the regional, zone, or woreda government institutions. • Receives guidance and training from OFLP woreda coordinators and/or woreda experts on all of the above topics. <p><i>Note: OEFCCA will, in the near-term, rely on DAs under the authority of the BoANR, who are responsible for NRM and forest until such time as OEFCCA has its own core of DAs in place.</i></p>

Table 3.2. Summary of institutional accountabilities for OFLP implementation

<i>Institution</i>	<i>Accountabilities in the OFLP</i>	<i>Examples of accountabilities for specific activities financed by the OFLP grant</i>
MEFCC	<ul style="list-style-type: none"> • Provides operational guidance to OEFCCA/ORCU to carry out OFLP procurement, FM, and safeguards activities. • Assists in resource mobilization for the OFLP umbrella. • Provides guidance on strategy and policy. • Monitors and reports on ER according to agreed rules, using the national MRV system (verification will be conducted by a third party to be hired by ORCU administratively guided by OEFCCA). • Supports compatibility of OFLP with Ethiopia's CRGE Strategy and facility. 	<ul style="list-style-type: none"> • MRV implementation (financed under national REDD+ Readiness grant) • National GHG accounting (to which the OFLP contributes data) • Ensures that fiduciary obligations are carried out and complied with by the ORCU/OEFCCA • Interacts with the Bank team and other development partners
EWCA	<ul style="list-style-type: none"> • Coordinate with contiguous woredas and zones on issues of mutual concern, including land use and watershed planning, resettlement, livelihoods provision/substitution, PFM, A/R, and so on. 	Bale Mountains National Park resettlement intended
REDD+ steering committee	<ul style="list-style-type: none"> • Provides strategic guidance on OFLP management and implementation. • Provides strategic management direction to OEFCCA/ORCU. 	n.a.
REDD+ technical working group	<ul style="list-style-type: none"> • Provides strategic oversight on OFLP management and implementation. • Provides technical direction to OEFCCA/ORCU. 	n.a.
Oromia National Regional State Vice President's office	<ul style="list-style-type: none"> • Assigns and maintains OFLP focal person to assist OEFCCA/ORCU in coordinating OFLP implementation across sectors. • Provides high-level political support to OEFCCA/ORCU to ensure multi-sector-level coordination. • Assists OEFCCA/ORCU, through OFLP focal person, to cascade and coordinate across the Oromia government's vertical structure through region, zone, woreda, and kebele levels. • Is the main voice of OFLP in the high-level Regional Council, and (a) advocates forest-smart development, and (b) ensures that OEFCCA/ORCU participates in the region's budget planning sessions and any other key decision-making events at the level of the region. • Chairs ORSC and ensures that all OFLP implementing sector institutions are working in coordination. 	n.a.

<i>Institution</i>	<i>Accountabilities in the OFLP</i>	<i>Examples of accountabilities for specific activities financed by the OFLP grant</i>
OEFCCA	<ul style="list-style-type: none"> Leads and administers the implementation of OFLP by overseeing its technical, financial, human resource, and inter-sectoral coordination facilitation activities through ORCU. Responsible for all fiduciary matters pertaining to OFLP implementation. Hosts ORCU administratively which serves as the implementing unit for OFLP at regional, zonal, woreda, and kebele levels. Provides strategic and technical guidance to ORCU to ensure multi-sector-level coordination for OFLP implementation. Provides technical and logistical support to ORCU in facilitating regional multi-sectoral joint annual work plan preparation, budget approval, reporting, M&E, and progress review workshops. Provides support to ORCU in facilitating the REDD+ Steering Committee and REDD+ Technical Working Group meeting and activities. Reports to ORCU on specific activities implemented with OFLP financing (that is, PFM, livelihoods, and A/R outside OFW concessions in sites to be selected) for collation and reporting by ORCU upwards to MEFCC and on to development partners. As a member of the high level regional government council and lead in coordinating the implementation of REDD+ activities at regional level, is instrumental in bringing any outstanding issues related to OFLP implementation on the agenda of the regional council for decision making and/or guidance. Advocates forest-smart development as its mission, including leading on policy development and harmonization concerning the forest sector. Participates in the region's budget planning sessions and any other key decision-making events at regional level. Implements specific forest activities financed by the OFLP grant (that is, PFM and A/R out of OFWE concessions). Appoints OFLP focal person to coordinate implementation of PFM and A/R activities (Subcomponent 1.3) in 49 deforestation hotspot woredas outside OFWE concessions. Participates actively in high level meetings and in the REDD+ Steering Committee including REDD+ Technical Working Group. Coordinates with BoANR on deployment of DAs to support PFM, livelihoods and A/R components financed by the grant until such time as DAs are mapped to OEFCCA. <p><i>Note: Preparing MoU with OFWE, BoANR, BoWME, BoRLAU</i></p>	<ul style="list-style-type: none"> Designs and implements Forest MIS Design and implements PFM activities (Subcomponent 1.3.1) (out of OFWE concessions) and A/R activities (Subcomponent 1.3.2) in 49 deforestation hotspot woredas
ORCU	<ul style="list-style-type: none"> As the OFLP implementing unit within OEFCCA, coordinates and manages OFLP implementation including all day-to-day fiduciary requirements, regularly liaising technically with all partner agencies, NGOs and private sector actors involved in OFLP implementation. Carries out and consolidates safeguards implementation and 	<ul style="list-style-type: none"> The ORCU team currently includes 13 staff at the state level. Under the OFLP, new staff will be added as follows: 5 new staff

<i>Institution</i>	<i>Accountabilities in the OFLP</i>	<i>Examples of accountabilities for specific activities financed by the OFLP grant</i>
	<p>reporting (assisted by OEFCCA).</p> <ul style="list-style-type: none"> • Carries out and consolidates FM and reporting (assisted by OEFCCA). • Carries out and consolidates procurement management and reporting (assisted by OEFCCA). • Carries out and consolidates M&E for OFLP (each indicator in results framework and others as government requires and the program team desires) • Directly implements specific TA activities financed by the OFLP grant. • Carries out joint annual work programming and budget process (with inputs from OEFCCA, OFWE, bureaus and other relevant entities) and preparation of the procurement plan • Sub-state ORCU OFLP team engages with woreda- and kebele-level officials (woreda administrators and experts, DAs) and other actors to coordinate OFLP interventions and related initiatives across sectors that have an impact on forests (promoting a landscape management approach). • Facilitates coordination with OFLP-related initiatives (liaising with executive-level focal points and OEFCCA above, as needed) • Ensures that ER verification is carried out through a third party. • Ensures delivery, implementation, and reporting on the agreed BSM for the OFLP ERPA. • Carries out strategic communication through OEFCCA. • Acts as secretariat for the REDD+ Steering Committee and REDD+ Technical Working Group and participates actively in meetings. 	<p>at the state level, 3 OFLP lead facilitators, 38 woreda coordinators, and 6 safeguards coordinators at the sub-state levels.</p> <ul style="list-style-type: none"> • Institutional Capacity Building (Subcomponent 2.1) and Safeguards management (Subcomponent 2.4)
OFWE	<ul style="list-style-type: none"> • In OFWE concessions, implements part of the PFM, livelihoods and A/R activities financed by the OFLP grant in accordance with the MoU to be signed between OEFCCA and OFWE. Sites are not yet selected. • Participates in the REDD+ Steering Committee and REDD+ Technical Working Group. • Provides items for joint annual work program and budget approval (facilitated and coordinated by ORCU). • Reports to ORCU on OFLP implementation. 	<ul style="list-style-type: none"> • Implements PFM in targeted Woredas in its concession (Subcomponent 1.3.1) in accordance with the MoU to be signed between OEFCCA and OFWE, and also AWPB and PP Assessments of land-use-related regulations, policy, and law (Subcomponent 2.2) • Participates in the design and implementation of the Forest MIS
BoANR	<ul style="list-style-type: none"> • Appoints OFLP focal point. • Participates in the REDD+ Steering Committee and REDD+ Technical Working Group. 	<ul style="list-style-type: none"> • Assessments of land use-related regulations, policy,

<i>Institution</i>	<i>Accountabilities in the OFLP</i>	<i>Examples of accountabilities for specific activities financed by the OFLP grant</i>
	<ul style="list-style-type: none"> Provides items for joint annual work program and budget approval (facilitated and coordinated by ORCU). Reports to OEFCCA/ORCU on M&E, FM, and program management, including participating in comprehensive landscape carbon accounting <p><i>Note: Signs MoU with OEFCCA. The MoU will define how the BoANR DAs will be deployed to implement OFLP.</i></p>	<ul style="list-style-type: none"> and law (Subcomponent 2.2) Extension support and coordination with forest extension
BoWME	<ul style="list-style-type: none"> Appoints OFLP focal point. Implements specific activities financed by the OFLP grant (i.e., marketing of cooking stoves). Participates in the REDD+ Steering Committee and REDD+ Technical Working Group. Provides items for joint annual work program and budget approval (facilitated and coordinated by ORCU). Coordinates all land use-related activities spatially at the woreda level with other bureaus and enterprises. Reports to OEFCCA/ORCU on M&E, FM, and program management. <p><i>Note: Signs MoU with OEFCCA. The MoU will define how the BoWME implements activities financed by OFLP.</i></p>	<ul style="list-style-type: none"> Assessments of land use-related regulations, policy, and law (Subcomponent 2.2) TA to NICSP implementation in Oromia, with a focus on forest areas
BoRLAU	<ul style="list-style-type: none"> OFLP focal point appointed. Implements specific activities financed by the OFLP grant (that is, woreda land-use planning at the sub-basin level). Participates in the REDD+ Steering Committee and REDD+ Technical Working Group. Provides items for joint annual work program and budget approval (facilitated and coordinated by ORCU). Coordinates all land use-related activities spatially at the woreda level with other bureaus and enterprises. Reports to the OEFCCA/ORCU on M&E, FM, and program management. <p><i>Note: Signs MoU with OEFCCA.</i></p>	<ul style="list-style-type: none"> Lead sub-basin land-use planning support (Subcomponent 1.1) Assessments of land use-related regulations, policy, and law (Subcomponent 2.2)
Bureau of Roads	<ul style="list-style-type: none"> Appoints OFLP focal point. <p><i>Note: Signs MoU with OEFCCA. MoU will define accountabilities.</i></p>	Guidelines on forest-smart roads (to be discussed)
OFWE branch office	<ul style="list-style-type: none"> Reports to OEFCCA/ORCU on M&E, FM, and program management. 	n.a.
Zone administration office	<ul style="list-style-type: none"> Highest government administrative body providing political leadership support to OFLP through coordinating zone-level sectoral development activities. Ensures that OFLP achievements and challenges are discussed at the zone council meetings, thus providing timely administrative and technical support to program implementation on the ground. Acts proactively in resolving conflicts, whenever they happen during OFLP implementation, in coordination with the relevant zone sector offices. Ensures OFLP lead facilitator and safeguards coordinator get the required support from sector offices when such support is 	<ul style="list-style-type: none"> Forest management investments: A/R and PFM ILUP preparation and enforcement in the zone Energy-related activities: ICS and biogas Safeguards

<i>Institution</i>	<i>Accountabilities in the OFLP</i>	<i>Examples of accountabilities for specific activities financed by the OFLP grant</i>
	<p>required.</p> <ul style="list-style-type: none"> • Liaises with relevant regional institutions maintaining two-way information flow for facilitating smooth implementation of the program. • Oversees and ensures appropriate use of OFLP resources by implementing sector entities. 	
ZoEFCCA	<ul style="list-style-type: none"> • Leads and administers the three OFLP lead facilitators, 38 OFLP woreda coordinators, and six OFLP safeguards coordinators—all part of ORCU staff. • Together with the OFLP lead facilitators, facilitates the coordination of inter-sectoral activities. • Provides administrative and technical support to respective WoEFCCs. 	Forest extension capacity development (Subcomponent 1.2)
OFWE district office	<ul style="list-style-type: none"> • Coordinates its land-use-related activities spatially at the woreda level with other bureaus (led by the Woreda Land-use Planning Unit and ZoEFCCA). • Implements agreed on-ground activities in the OFLP AWPB. • Reports on implementation progress to OEFCCA/ORCU. 	Implements part of PFM in high forest concession areas (Subcomponent 1.3.1) in accordance with the MoU to be signed between OEFCCA and OFWE, and also AWPB and PP
WoEFCC	<ul style="list-style-type: none"> • Facilitates coordination of OFLP-related activities horizontally at the woreda level and with other relevant bureaus/institutions. • 38 selected WoEFCCs will host the OFLP woreda coordinators. • Implements PFM and A/R activities (Subcomponent 1.3) in 49 deforestation hotspot woredas outside of OFWE concessions. • Appoints OFLP focal person for the implementation of PFM and A/R activities (Subcomponent 1.3) in 49 deforestation hotspot woredas outside of OFWE concessions. • Trains woreda level experts on the safeguard requirements of OFLP. 	Implements PFM activities (Subcomponent 1.3.1) in 49 deforestation hotspot woredas outside of OFWE concessions and AR activities (Subcomponent 1.3.2).
WoANR	<ul style="list-style-type: none"> • Coordinates its land use-related activities spatially at the woreda level with other bureaus and enterprises (led by the Woreda Land-use Planning Unit). • Provides human resource support (DAs) at kebele level. 	Extension support and coordination with forest extension
Woreda administration office	<ul style="list-style-type: none"> • Highest government administrative body at the woreda level providing political leadership support to OFLP through coordinating woreda-level sectoral development activities. • Closely supervises and coordinates planning and implementation of OFLP activities and REDD+-relevant activities in the woreda. • Ensures that OFLP achievements and challenges are discussed at the woreda council meetings, thus providing timely administrative and technical support to program implementation on the ground. • Acts proactively in resolving conflicts, whenever they happen during OFLP implementation, in coordination with the relevant sector offices. • Ensures OFLP woreda coordinator gets the required support 	<ul style="list-style-type: none"> • Forest management investments: A/R and PFM • ILUP preparation and enforcement in the woreda • Energy-related activities: ICS and biogas • Safeguards

<i>Institution</i>	<i>Accountabilities in the OFLP</i>	<i>Examples of accountabilities for specific activities financed by the OFLP grant</i>
	<p>from sector offices when such support is required.</p> <ul style="list-style-type: none"> • Liaises with relevant zone and regional institutions maintaining two-way information flow for facilitating smooth implementation of the program. • Oversees and ensures appropriate use of OFLP resources by implementing sector entities. 	
WoWME	<ul style="list-style-type: none"> • Coordinates its land use-related activities spatially at the woreda level with other bureaus and enterprises (led by the woreda land-use planning unit). 	<ul style="list-style-type: none"> • Biogas demonstration (Subcomponent 2.2) • TA to NICSP implementation in Oromia, with a focus on forest areas
WoRLAU	<ul style="list-style-type: none"> • Coordinates its land use-related activities spatially at the woreda level with other bureaus and enterprises (led by the woreda land-use planning unit). 	n.a.
Woreda rural road office	<ul style="list-style-type: none"> • Coordinates all land use-related activities (that is, road siting and cross-drainage) spatially at the woreda level with other bureaus and enterprises. 	n.a.
Kebele administration office	<ul style="list-style-type: none"> • Under the oversight of the relevant sector woreda offices, coordinates the work of the DAs in agriculture, water, household energy, and forests, in implementing and monitoring OFLP activities at the lowest administrative level. 	n.a.
Community-level user association	<ul style="list-style-type: none"> • Coordinates forest-dependent community inputs and interest into the program planning and implementation process. • Assists in identifying livelihood activities. • Participates in the implementation of livelihood and reforestation activities. • Participates in OFLP site monitoring. 	n.a.
Private sector business	<ul style="list-style-type: none"> • Participates in the REDD+ Steering Committee and REDD+ Technical Working Group. • Coordinates all land use-related activities spatially at the woreda and local levels with other bureaus and enterprises. • Carries out activities not financed by the grant but which should be coordinated under the OFLP umbrella • Participates in dialogues with the government on enhancements to regulations, policies, etc. 	Development of value chains and domestic and international market opportunities that reinforce sustainable land use management (not financed by the grant)
NGO/civil society organization, union, university	<ul style="list-style-type: none"> • Participates in the REDD+ Steering Committee and REDD+ Technical Working Group. • Potential partners in the implementation of some of the grant activities, such as PFM and A/R, and/or TA and analytics. 	n.a.

48. The OFLP's success hinges upon successful coordination of related initiatives, institutions, policies, and information, so that deforestation is slowed and forest gains are realized. OFLP implementation will therefore require that the related bureaus and other institutions coordinate on: (a) joint annual work programming and budgeting; (b) development of joint PPs and if needed procurement management processes; (c) FM; (d) activity specification, implementation (as needed), and reporting; (e) spatial targeting of existing and future activities on the ground to avoid duplication and leverage synergies from various activities not financed directly by the OFLP grant or ERPA (for example, targeting cookstove distribution in deforestation hotspot woredas or making road engineering decisions to reduce negative forest impact); (f) joint trainings for the DAs and woreda staff on forest management, land use, and safeguards; (g) strategic communication; (h) state- and local-level policy harmonization and development (PFM, community bylaws, private sector development); (i) state-level strategic planning decisions on forest-smart development options; and (j) development and implementation of the BSM. Multi-sector coordination can be strengthened through memorandums of understanding, as needed, between agencies and based on existing mandates.

OFLP Component Implementation Arrangements

49. See Annex 2, Detailed Program Description.

OFLP Safeguards implementation arrangements

50. The institutional arrangements for safeguards implementation uses the OFLP institutional structure (see Figure 3.1) that includes relevant institutions at the federal, regional state, zone, woreda, and kebele levels with discrete accountabilities and decision-making roles based on existing mandates.

51. To preclude and manage safeguards risks, a robust safeguards system will be established during the grant period under Subcomponent 2.4 and continue to be strengthened during the ERPA period to ensure that the program's citizen engagement, equitable sharing of program benefits, GRM, and safeguards risks management steps are sustained beyond the grant period and that GoE allocates adequate resources (human and financial) for safeguards implementation/due diligence. In addition, the capacity-building efforts of the OFLP will be complemented by the CRGE Facility, which is in the process of establishing a countrywide system for mainstreaming environmental and social concerns into development. OFLP capacity-building efforts will also be complemented by the ongoing Promoting Basic Services (PBS) Program that has a well-funded component focused on risks and safeguards management capacity to boost woreda-level ability to manage environmental and social risks.

52. The safeguards institutional arrangements at the different levels are described below.

Federal level

53. At the federal level, the MEFCC is the leading implementing agency, and safeguards due diligence will be coordinated by an environmental safeguards specialist and a social development specialist. These two safeguards specialists are part of the key technical staff at the REDD+ secretariat. Relevant consultants will be engaged as needed to support the region.

Regional state level

54. At the regional state level as part of ORCU, there are two key technical staff responsible for environmental and social safeguards due diligence. These two technical staff are responsible for day-to-day safeguards preparation, implementation, and monitoring using appropriate knowledge of the Bank's social safeguards policies, the FDRE safeguards laws, and the safeguards instruments for the OFLP. They will provide extensive technical support and training on safeguards implementation, GRM, BSM, documentation, reporting, and monitoring of safeguards performance to regional, zonal, and woreda staff working on OFLP safeguards implementation. These staff must have sound technical, analytical, systems, and writing and communications skills, as well as a thorough working knowledge of community mobilization, livelihood issues, participatory monitoring, and beneficiary verification.

Zone level

55. At the zone level, EIA experts of ZoEFCCA will be the zone safeguards focal points and act as a secretariat for the various woreda staff within the zone. These experts will be responsible for providing technical support (including safeguards training) and managing the work plan, including supervision, safeguards documentation, and monitoring of safeguards work plan, within the zone, among other things.

56. Six OFLP safeguards coordinators, hosted in selected ZoEFCCAs, will work closely with the OFLP lead facilitators and respective zone EIA experts to ensure that environmental and social safeguards are implemented according to the OFLP environmental and social safeguards instruments. They will oversee the safeguards work of the OFLP woreda coordinators.

Woreda level

57. At the woreda level, OFLP woreda coordinators hosted by the WoEFCC will provide advisory services and TA to woreda sector offices and communities on safeguards matters, support site monitoring, and ensure local ownership of safeguards instruments, including liaising with the kebele and communities on maintaining a higher link with grant activity objectives. The OFLP woreda coordinators will also ensure proper safeguards documentation.

Kebele level

58. At the kebele level, community-level user associations will (a) coordinate forest-dependent community inputs and interest into the program planning and implementation process; (b) assist in identifying livelihood activities; (c) participate in the implementation of the livelihood and reforestation activities; and (d) participate in site monitoring.

59. The DAs at the kebele level will assist local communities in identifying potential grant activities based on their needs and priorities through a participatory planning process. The DAs at the kebele level will screen grant activities against the eligibility criteria and send screening results to the respective WoEFCCs.

Annex 3B: OFLP Financial Management, Disbursement, and Procurement

Financial management assessment

60. An FM assessment was conducted on OEFCCA on November 23, 2016, in accordance with the Financial Management Practices Manual for the Bank-financed investment operations issued by the Financial Management Sector Board on March 1, 2010 and reissued in February 2015. In conducting the assessment, the Bank's team visited OEFCCA. Given the nature of the OFLP, the FM arrangement is divided into two sections dealing separately with: (a) the FM arrangement of the grant, and (b) the ER payments according to the ERPA.

61. The arrangements mentioned below incorporate the following principles: (a) the grant will follow the Bank's policies and procedures for Investment Project Financing outlined under OP/BP 10.00 to be guided by the Grant Agreement, and (b) ER payments will follow the policies and procedures of the Bank's carbon financing and will be governed by the ERPA.

Country context

62. The FDRE has been implementing a comprehensive PFM reform, with support from development partners including the Bank, for the last 12 years through the Expenditure Management and Control Subprogram of the FDRE's Civil Service Reform Program. This is being supported by the closed IDA-financed Public Sector Capacity-building Support Program, the ongoing PBS Program, and other donor financing, as well as the FDRE's own financing. These programs have focused on strengthening the basics of PFM systems: budget preparation, revenue administration, budget execution, internal controls, cash management, accounting, reporting, and auditing.

63. The 2014 draft Public Expenditure and Financial Accountability Assessment for the federal government notes the major improvements that have been made. Ethiopia has significantly improved its performance over the last three years. Expenditure deviation was less than 5 percent per year over the Ethiopian fiscal years 2003–2005 (EFY2003–2005) (corresponding to the Bank's FY2009–2011), compared to 11.6 percent over EFY1999–2001 (corresponding to the Bank's FY2005–2006); and actual revenue collection ranged between 94 percent and 112 percent of the budget during the last three years. Bills are cleared on time and arrears are not a major issue. The internal control system is comprehensive, widely understood, and effective at the federal government level. Audit coverage at the federal level has increased in recent years from 56 percent to 100 percent of budgetary institutions and audit reports are produced in a timely manner. The main areas where the federal government needs to improve its performance relate to legislative scrutiny of audit reports, oversight of fiscal risk from public sector entities, public access to key fiscal information effectiveness in collection of tax payments, predictability of funds for commitment of funds, and quality of in-year budget execution reports.

64. During the 2014 Public Expenditure and Financial Accountability Assessment, five regions and one city administration were assessed, including Tigray, Amhara, SNNPR, Oromia, Somali, and Addis Ababa. All regions show major improvements from the previous assessment conducted in 2010. Their ratings on average are lower than the federal government. The areas

where the regions need to focus on are improving the extent of unreported government operations, effectiveness in collection of tax payments, comprehensiveness of information included in budget documents, weaknesses in multiyear planning, composition of expenditure outturn compared to the original budget, and availability of information received by service delivery units.

Financial management arrangement for the Grant

Budgeting

65. **Budget preparation.** Budget preparation for the grant will follow the FDRE's budget system⁶⁰ recorded in the government's Budget Manual. The budget for the grant will be determined each year based on the annual work plan, PP, and budget to be prepared by all implementers and consolidated by ORCU. At the regional level, the budgets of the OEFCCA, OFWE, BoWME, and BoRLAU and other bureaus as relevant will be consolidated and forwarded to the MEFCC by ORCU (hosted at the OEFCCA). The overall annual budget for OFLP will be discussed by the vice president's office and then approved by the steering committee. The budget will also be submitted to the Bank for 'no objection'. The detailed budget preparation, approval, and dissemination process will be discussed in the detailed FM guidelines to be update for the OFLP as part of the PIM.

66. **Budget proclamation.** The budget for the grant will be proclaimed at the federal level under the MEFCC.

67. **Budget control.** Detailed program work plans, projected costs, and PPs were developed during program appraisal and were finalized and agreed upon. These have formed the basis for the program costs noted in this document (also reflected as the program budget in financial reports). Activities and costs noted in the work plans and budgets will be 'eligible expenditures' under the program.

68. The approved budget should be disseminated to all program implementers in a timely manner. There is a need to compare actual expenditures with that of the approved budget to monitor progress and identify any impediments. Significant variations should be explained and the analysis should be used as a management tool to make important decisions. To facilitate this, the IFR of the program will have a format for the analysis. In addition, the FM guideline will provide adequate guidance on how the budget controls and monitoring will be done.

Accounting

69. **Policies and procedures.** The FDRE's accounting policies and procedures⁶¹ will be

⁶⁰ The Ethiopian budget system is complex, reflecting the fiscal decentralization structure. Budget is processed at the federal, regional, zone (in some regions), woreda, and municipality levels. The budget preparation procedure and steps are recorded in the government's Budget Manual. The budgets are reviewed at first by the MoFEC and then by the Council of Ministers. The final recommended draft budget is sent to parliament around early June and is expected to be cleared at the latest by the end of the fiscal year.

⁶¹ The Ethiopian government follows a double entry bookkeeping system and modified cash basis of accounting. This is documented in the government's Accounting Manual. This has been implemented at the federal level and in

largely used for the accounting of OFLP. OEFCCA uses modified cash basis of accounting.

70. **FM Manual.** The OFLP has its own FM guidelines as part of the PIM, which will be updated under the scope of the country's accounting system with some modifications to specifically align it to the program's needs. The PIM's FM guidelines define the OFLP's specific budgeting, accounting, internal control, fund flow, financial reporting, and auditing aspects. The manual also outlines the relationship between all implementing agencies. The PIM submitted to the Bank includes a section on the FM policies and procedures, which will be refined further after the Bank's review. A Chart of Accounts will be developed for the program to capture all the components and expenditure types, thus it must be developed adequately and efficiently to account for transactions and to report on program activities. Monthly, quarterly, and annual reports will be produced directly from the FM system and thus a well-developed Chart of Accounts is crucial. The revision of the PIM will be a condition of effectiveness.

71. **Accounting system.** MEFCC is currently using Peachtree accounting software for the Bank-financed operation. OEFCCA uses an IBEX accounting system to capture the transactions of the government resources. For the OFLP itself, since IBEX does not capture project transactions, Peachtree accounting software will be used. The system also needs to be installed at the zone and woreda levels. ORCU already has experience in utilizing the software which will help to strengthen the capacity of OEFCCA.

72. **Staffing.** At the MEFCC, the REDD+ secretariat is staffed with one FM specialist managing the resources of the REDD+ and FCPF grant. Managing OFLP resources in addition to the existing projects will create a significant burden, hence one additional FM specialist will be recruited at the MEFCC to oversee the entire OFLP. The Finance, Procurement, and Property Administration Directorate of the OEFCCA is responsible for keeping the books of accounts, safeguarding assets, and enhancing financial accountability and reporting. OEFCCA has managed to place staff in this directorate which are crucial for the day to day activity of the authority. Few other positions are expected to be filled in a short period of time and should be attentively followed up on. All the job descriptions of the positions within the authority should be developed and disseminated to staff. Given that the authority is newly established, training is required on Bank-financed operations immediately after effectiveness. All the zones, woredas, BoRLAU, BoWME and OFWE will be using their own accountants to capture the transactions and produce reports for OFLP.

73. **Accounting centers.** Currently, accounting centers for program funds include the: (a) MEFCC; (b) OEFCCA; (c) ZoEFCCAs; (d) BoWME; (e) BoRLAU; (f) OFWE; and (g) the Woreda Offices of Finance and Economic Development (WoFED). All these institutions will maintain accounting books and records and prepare financial reports in line with the system outlined in the FM guidelines. Detailed arrangements for consolidation of the program financial information are discussed under the financial reporting section below. Each implementing agency is responsible for maintaining the program's records and documents for all financial transactions that occur in their offices. These documents and records will be made available to

many regions. The government's Accounting Manual provides detailed information on the major accounting procedures.

the Bank's regular supervision missions and to the external auditors. Detailed procedures for maintaining and retaining documents will be discussed in the FM Manual.

74. **Capacity building/training.** Given that the OEFCCA does not have adequate experience with Bank-financed operations, the Bank will train program staff in the Bank's FM policies and procedures and will involve the program accountants during the different trainings it conducts at the federal and regional levels.

Internal control and internal auditing

75. Internal control comprises the whole system of control, financial or otherwise, established by the management to: (a) carry out program activities in an orderly and efficient manner; (b) ensure adherence to policies and procedures; (c) ensure maintenance of complete and accurate accounting records; and (d) safeguard the assets of the program. Regular government systems and procedures are being followed, including those relating to authorization, recording, and custody controls both at the MEFCC and OEFCCA, including the zone offices. The program's internal controls, including processes for recording and safeguarding of assets, will also be further documented in the FM Manual which is to be prepared as part of the PIM.

76. **Internal audit.** The MEFCC has recently recruited two internal auditors and recruitment of another auditor is underway. The auditors do a regular check on cash balance and bank reconciliations; however, a formal internal audit review of the program needs to be further strengthened. Although structurally OEFCCA has an internal audit department with three positions, only the position of the director has been filled at the time of the assessment. An internal audit unit is essential for the overall control environment of the authority and hence filling all the required positions should be given much attention. All the internal audit units at all levels of MEFCC will be responsible to include OFLP into their annual work plan and review accordingly.

Financial reporting

77. **Reporting requirements.** The program will prepare consolidated unaudited interim financial reports (IFRs). These will be submitted to the Bank within 45 days of the end of each quarter. The format and the content, consistent with the Bank's standards, was agreed during negotiations. The MEFCC, in the quarterly IFR, will ensure that the advances received and the expenditures are properly identified and reflected. At a minimum, the report will include a statement of sources and uses of funds and opening and closing balances for the quarter and cumulative balances; a statement of uses of funds that shows actual expenditures, appropriately classified by main program activities (categories, components, and subcomponents); actual versus budget comparisons for the quarter and cumulative comparisons; a statement on movements (inflows and outflows) of the program designated account, including opening and closing balances and notes and explanations; and other supporting schedules and documents.

78. **Reporting timetables and quality.** Financial reports will be designed to provide high-quality, timely information on program performance to the program management, the Bank, and other relevant stakeholders. The accounting software to be adopted for the program is capable of

producing the required information regarding program resources and expenditures. Based on the regular reports received from the zones, woredas, OFWE, BoRLAU and BoWME, the ORCU within OEFCCA will consolidate the financial report and submit the same to the MEFCC. All regional bureaus, will be submitting their report to OEFCCA for consolidation. The MEFCC will consolidate the report and submit the same to the Bank. It is the responsibility of the MEFCC to prepare consolidated quarterly unaudited IFRs, consolidate annual accounts, and facilitate the external audit of the consolidated accounts. Duties of each implementing entity in preparing financial reports will be described in the FM guidelines within the PIM.

79. In compliance with international accounting standards and the Bank's requirements, the MEFCC will produce annual financial statements similar to the contents of the quarterly IFRs. The annual financial statement will be similar to the IFRs with some modifications that will be indicated in the audit ToRs. These financial statements will be submitted for audit at the end of each year.

External auditing

80. Annual audited financial statements and audit reports (including the management letter) will be submitted to the Bank within six months from the end of the fiscal year. The audit report for the Bank-financed operation in MEFCC is being submitted in a timely manner with clean audit opinions. Since OEFCCA is new, no external audit reports have been issued so far.

81. The annual financial statements for OFLP will be prepared in accordance with the standards indicated in the audit ToRs agreed during negotiations. The audit will be carried out by the office of the federal auditor general, or a qualified auditor nominated by the office of the federal auditor general and acceptable to the Bank.

82. The audit will be carried out in accordance with the international standards of auditing issued by the International Federation of Accountants. The auditor should ensure that the implementing agencies get adequate coverage in the yearly audit exercises.

83. Once the reports are issued, MEFCC has the responsibility to prepare audit action plans through its internal auditors within one month of the receipt of the annual audit report. The prepared action plan will be disseminated to the OEFCCA, ZoEFCCAs, WoFEDs and regional implementers who will be responsible for taking appropriate action and responding to the MEFCC. The MEFCC will be responsible for submitting the consolidated status report within a maximum of two months after the receipt of the audit report.

84. In accordance with its policies, the Bank requires that the client disclose the audited financial statements in a manner acceptable to the Bank; following the formal receipt of these statements from the client, the Bank makes them available to the public in accordance with its policy on access to information.

FM-related costs

85. The OFLP joint work plans and budget will include the costs for: (a) accountants noted

above; (b) audit; (c) related logistics and supervision (for example, transportation, per diem, and accommodation while travelling); and (d) FM-related trainings and so on.

Financial management risk assessment, strengths, weaknesses, lessons learned, action plan

86. **Risk assessment.** The FM risk of the program is Substantial. The mitigating measures proposed in the action plan will help reduce the risk of the program during program implementation.

87. **Strength and weaknesses.** OFLP will inherit the various strengths of the country's public financial management system. As discussed earlier, several aspects of the public FM system functions well, such as the budget process, classification system, and compliance with financial regulations. Significant ongoing work is directed at improving country public FM systems through the government's expenditure management and control subprogram. The government's existing arrangements are already being used in a number of Bank-financed projects, including the PBS Program. OFLP will also benefit from the country's internal control system, which sufficiently provides for the separation of responsibilities, powers, and duties.

88. The main weaknesses in FM arrangements continue to be high turnover and a shortage of qualified accountants and auditors particularly at the woreda levels, the possible delay in taking appropriate action on audit report findings, and the limited focus of internal audit. In addition, the main implementing entity, OEFCCA, has no experience in managing Bank-financed projects. The authority is filling up necessary positions as required by its organizational chart.

Financial management action plan

89. Factoring in the above strengths and weaknesses, the inherent and control risk of the program is rated as Substantial. To mitigate these risks, the following actions have been proposed and will be agreed with the government.

Table 3.3. FM Risk Mitigation Actions

	Action to be Taken	Due by	Responsibility
1	Revise the FM Manual (as part of the PIM) for the OFLP	Before grant effectiveness (as part of the PIM)	MEFCC (with OEFCCA)
2	Staffing <ul style="list-style-type: none"> Recruit FM specialists each at the MEFCC and OEFCCA/ORCU Fill the vacant positions of accountants and budget officers at OEFCCA Assign finance officers at zones, woredas and other regional implementers 	<ul style="list-style-type: none"> Within one month after program effectiveness for the recruitment and assignment One month after program effectiveness One month after program effectiveness 	MEFCC/OEFCCA
3	Internal audit review <ul style="list-style-type: none"> Ensure the involvement of internal auditors of the MEFCC and OEFCCA in reviewing the OFLP The OEFCCA should fill the two vacant positions at the unit 	<ul style="list-style-type: none"> Ongoing One month after program effectiveness 	MEFCC/OEFCCA

	Action to be Taken	Due by	Responsibility
4	Produce quarterly IFRs	Quarterly within 45 days of the quarter end	MEFCC (with OEFCCA)
5	External audit report <ul style="list-style-type: none"> • Close the accounts of OFLP in a timely manner and submit to external auditors • Submit the audited financial statement to the Bank • Take appropriate action on audit findings of OFLP 	<ul style="list-style-type: none"> • Three months after the year end • Within six months of the year end • Within two months after receiving the audit report 	MEFCC (with OEFCCA)

Financial management covenants and other agreements

90. FM-related covenants include: the (a) maintenance of a satisfactory FM system for the program; (b) submission of IFRs for the program for each fiscal quarter within 45 days of the end of the quarter by MEFCC; and (c) submission of annual audited financial statements and the audit report within six months of the end of each fiscal year.

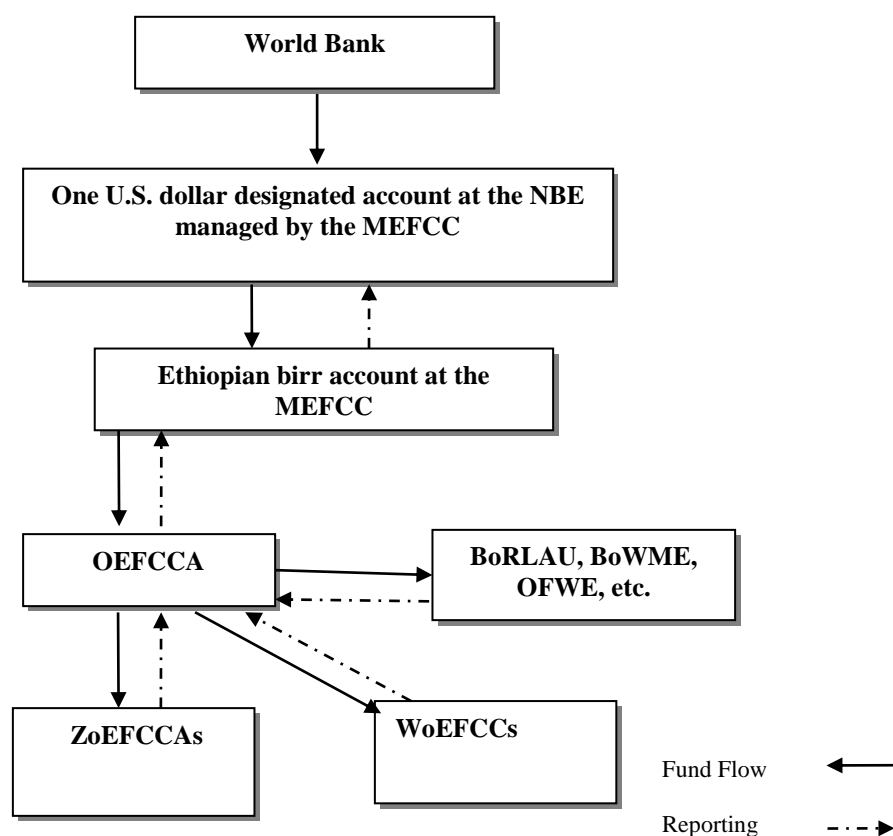
Supervision plan

91. Since the FM risk for the program is rated Substantial, the program will be supervised twice every year. After each supervision, the risk will be measured and recalibrated accordingly. Supervision will be carried out in coordination with other development partners and will include on-site visits, review of IFRs and audit reports, and follow up on actions during various mission meetings.

Funds flow and disbursement arrangements

92. The funds flow into and within the OFLP among various institutions is depicted in Figure 3.2, OFLP grant funds flow arrangement. The grant funds will flow from the Bank into one designated accounts (one for both of the trust funds) to be opened by the MEFCC at the NBE, and funds from these accounts will then be transferred to a pooled local currency (Ethiopian birr) account to be held by the MEFCC. From the pooled local currency account, the MEFCC will transfer funds to separate local currency accounts opened by OEFCCA. Other implementing agencies such as OFWE, BoWME and BoRLAU, ZoEFCCAs and WoEFCCs, and other bureaus as relevant, will open separate bank accounts for the program and will receive their resources from OEFCCA according to their respective annual work plan and budget. Before transferring any money, the MEFCC will ensure that separate bank accounts have been opened for OFLP and that there are adequate FM systems including capacitated staff. No funds will flow to the CBOs mentioned under Activity set 1.3.2 of Subcomponent 1.3. All required procurement of goods will be conducted by ORCU under OEFCCA.

Figure 3.2. OFLP grant funds flow



arrangement

Designated account and disbursement method

93. **Disbursement mechanism and methods.** The OFLP grant may follow one or a combination of the following disbursement methods: designated account, direct payment, reimbursement, and special commitment. OFLP will use statement of expenditures.

94. The allocation of proceeds will be based on the program components. This will facilitate the monitoring of the program performance indicators as well as financial aspects because expenditures are directly allocated to components. Requests for replenishment of the designated account for expenditures incurred under each component will be based on expenditures incurred at the implementing agencies for which justification of utilization has been provided.

Financial management arrangement for ER payments

95. Regarding the arrangements for the ER payments, the Bank's policies and procedures regarding carbon financing clearly indicate that the supervision of carbon financing transactions exclude assessment relating to the application of the Bank's fiduciary (procurement, FM, and disbursement) policies. Hence, an FM assessment for the ER payments will not be made. However, the fund flow mechanism for the ER payments (up to US\$50 million) will be defined in the BSM Manual, to be prepared by the client with "no objection" from the Bank before the

ERPA signature. The BSM Manual will cover critical FM aspects of the payments and hence capacity assessments and recommendations for risk mitigation measures, including monitoring mechanisms, will be proposed by the Bank.

Annex 3C: OFLP Procurement Arrangements

Procurement environment

96. In Ethiopia, for federal budgetary bodies, public procurement is regulated by the Public Procurement and Property Administration Proclamation No. 649/2009. The proclamation establishes the Federal Public Property and Administration Agency as a body responsible for regulation and monitoring of federal bodies' public procurement activities. The nine regional states and two city administrations do have their own procurement proclamations and directives, which are drafted using the federal proclamation as a prototype. The Oromia National Regional State has a Public Procurement System similar to the Federal Public Procurement System while most of the documents are in the regional language Oromifa.

97. The grant and the ER payments will follow separate procurement and verification procedures and arrangements. The procurement procedures for the ER payments will be outlined in the BSM Manual and follow the policies and procedures of the Bank's carbon financing, which will be governed by the ERPA. The procurement procedures for the grant will follow the Bank's guidelines. As part of its accountabilities for facilitating joint work planning, budgeting, and reporting for OFLP, OEFCCA/ORCU will be responsible for identifying procurement items to be financed from the grant and also consolidate the activities of other sectoral institutions implementing OFLP [(OEFCCA, BoRLAU, BoWME, and OFWE) at each level (regional, zone and woreda), and district/sub-District levels in the case of OFWE] and submit the joint PP to the Bank for 'no objection', before any procurement is initiated and expenditures are made. For each contract to be financed by the grant, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frame are to be agreed upon between the Recipient and the Bank in the joint PP. The joint PP will be updated at least annually or as required to reflect the actual program implementation needs and improvements in institutional capacity.

98. The OEFCCA uses Oromia public procurement proclamations which are derived using the procurement law of the federal government as a prototype. The Oromia National Regional State has also issued procurement directives which guide the procurement processes in the region. However, the proclamation ratified by the region have not provided for establishing an independent public procurement regulatory/oversight body in the region and it remains as a department within the Regional Bureau of Finance and Economic Development. The fact that the procurement proclamation in the region has not provided for the establishment of an independent oversight body, including a regulatory body and complaint hearing board, remains a challenge in the public procurement legal and institutional framework in the region. Moreover, a lack of capacity in the regulatory department in the Bureaus of Finance and Economic Development of the region to carry out a procurement audit and limitation in internal control mechanism contribute to the high risk of the OFLP's procurement.

General provisions

99. Procurement for OFLP's grant will be carried out in accordance with the Bank's 'Guidelines: Procurement of Goods, Works, and Non-consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers' dated January 2011 and revised July 2014; 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers' dated January 2011 and revised July 2014; 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants' dated October 15, 2006 and revised in January 2011; and the provisions stipulated in the Legal Agreement. The general descriptions of various items under different expenditure categories are described below. For each contract to be financed by the grant, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frame are to be agreed between the Recipient and the Bank in the PP. The PP will, as part of the annual work plan and budget, be updated at least annually or as required to reflect the actual program implementation needs and improvements in institutional capacity.

100. The Bank's standard documents will be used for selection of all consultancy services and procurement of goods and works through International Competitive Bidding (ICB). National Competitive Bidding (NCB) will use the Federal government's standard bidding documents and procedures subject to the following exceptions:

- (a) The Recipient's standard bidding documents for procurement of goods and works acceptable to the Bank will be used. At the request of the Recipient, the introduction of requirements for bidders to sign an anti-bribery pledge and/or statement of undertaking to observe Ethiopian Law against Fraud and Corruption and other forms that ought to be completed and signed by him/her may be included in bidding documents, if the arrangements governing such undertakings are acceptable to the Bank.
- (b) No margin of preference will be granted in bid evaluation on the basis of the bidder's nationality, origin of goods or services, and/or preferential programs such as but not limited to small and medium enterprises.
- (c) Mandatory registration in a Supplier List will not be used to assess the bidders' qualifications. A foreign bidder will not be required to register as a condition for submitting its bid and if recommended for contract award, will be given a reasonable opportunity to register with the reasonable cooperation of the recipient, before contract signing. Invitations to bids shall be advertised in at least one newspaper of national circulation, in the official gazette, or on a widely used website or electronic portal with free national and international access.
- (d) Bidders will be given a minimum of 30 days to submit bids from the date of availability of the bidding documents.
- (e) All bidding for goods and works will be carried out through a one-envelope procedure.
- (f) Evaluation of bids will be made in strict adherence to the evaluation criteria specified in the bidding documents. Evaluation criteria other than the price will be quantified in

monetary terms. Merit points will not be used and no minimum point or percentage value will be assigned to the significance of price in bid evaluation.

- (g) The results of evaluation and award of contract will be made public. All bids will not be rejected and the procurement process will not be cancelled, a failure of bidding will not be declared, new bids will not be solicited, or will negotiated procurement in the case of a failure of bidding be resorted to without the Bank's prior written concurrence.
- (h) In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the financing will provide that
 - (i) the bidders, suppliers, contractors and subcontractors, agents, personnel, consultants, service providers, or suppliers will permit the IDA at its request, to inspect all accounts, records, and documents relating to the bid submission and performance of the contract and to have them audited by auditors appointed by the Association and
 - (ii) acts intended to materially impede the exercise of the Bank's audit and inspection rights constitute an obstructive practice as defined in paragraph 1.16a(v) of the Procurement Guidelines.

101. **Procurable items under the OFLP.** Procurable items under the program will include small works, goods, non-consulting services, and consultancy services. Works procured under OFLP may include construction and maintenance of office buildings; maintenance of access roads, schools, fencing, and terracing work; and so on. Goods to be procured under OFLP will include procurement of such items as office supplies, computers, software, transportation vehicles, motorcycles, cookstoves, seeds, seedlings, and so on for OEFCCA. Non-consultancy services will include procurement of transport services, mapping services, internet services, and so on. Consultancy assignments will involve bigger and smaller assignments in which international consultants may participate at various levels of program implementation and advisory services will be provided as described in the program joint PP. The OEFCCA/ORCU will submit the initial joint PP to the Bank for 'no objection'.

102. **Procurement methods.** Works, goods, and non-consultancy services will be procured through a variety of methods that will include ICB, NCB, Direct Contracting, and Shopping depending on their appropriateness and fitness to the purpose. The choice and application of a particular method will be determined by the cost estimate, nature of the goods or works, availability of goods in the country, and market situation.

103. A consultant's selection methods may include Quality- and Cost-Based Selection, Quality-Based Selection, Least-Cost Selection, Selection under a Fixed Budget, and Selection based on the Consultant's Qualifications as appropriate; all as described in the Consultant Guidelines and agreed in the PP. Direct Contracting (for goods, works, and non-consulting services) and Single-Source Selection (for consultancy) may also be used when the implementing agency is satisfied that such a method brings value for money and the conditions stipulated in paragraph 3.7 of the Procurement Guidelines and paragraph 3.8 of the Consultant Guidelines are fulfilled.

104. **Use of the consultancy services of government-owned universities or research centers.** Government-owned entities are neither legally nor financially autonomous. Under ordinary circumstances, they will not be eligible to participate as consultants in Bank-financed

projects. However, as OFLP is a new approach and requires innovations and flexibility, some government-owned universities and research centers may possess the requisite expertise and accumulated local practices in forest sector management in general, and in particular, on PFM. Therefore, their participation is considered critical due to their unique local research knowledge and experience in the sector. Thus, as an exception to the eligibility in accordance with paragraph 1.13(c) of the Consultant Guidelines, local universities and research centers will be allowed to participate as consultants, on a case-by-case basis, when and if the Bank agrees that it is justified that their participation can add value to the achievement of the program objectives. The selection of appropriate universities and research centers will be done competitively. On the same basis, university professors or scientists from research institutions will be contracted individually under this program when the need arises.

105. **Operational costs.** Expenditures made for operational costs such as fuel and stationery, cost of operation and maintenance of equipment, communication charges, transportation costs, and travel allowances to carry out field supervision will follow the Oromia National Regional State government practices that have been found to be similar to the federal government procedures and acceptable to the Bank; further details will be included in the Procurement Manual as part of the PIM. Project implementation staff, individuals contracted by the Recipient to support project implementation, other than individual consulting positions identified in the Legal Agreement, may be selected by the Recipient according to its personnel hiring procedures for such activities, as reviewed and found acceptable by the Bank.

106. **Training and workshops.** Training and workshops will be based on capacity-building needs. Venues as well as purchases of materials for training and workshops will be done based on at least three quotations. The selection of institutions for specialized training will be done based on quality and therefore will use the Selection based on Consultant's Qualifications method. Annual training plans and budget will be prepared and approved by the Bank in advance of the training and workshops. The training plan shall include but not limited to objective and expected outcome of the training, its relevance to the project development objectives, number of trainees and selection criteria.

107. **Margin of preference for domestic goods.** In accordance with paragraphs 2.55 and 2.56 of the Procurement Guidelines, the client may grant a maximum margin of preference of up to 15 percent for goods manufactured in the client country and a maximum of 7.5 percent for eligible local contractors in the evaluation of bids under ICB procedures, when compared to bids offering such goods produced elsewhere and foreign contractors.

108. **OFLP procurement manual.** Detailed procurement and contract management manual will be detailed by the Government in the PIM.

109. ICB and consultancy services procurements will be carried out by OEFCCA/ORCU at the Regional level, whereas NCB procurements will be carried out by OEFCCA or the sector institutions at the regional level. Shopping procurements may be carried out at zone, woreda and district/sub-district levels.

Assessment of the OEFCCA's capacity to implement procurement

110. The OFLP implementing unit, ORCU, is hosted by the newly established OEFCCA. ORCU, in addition to managing the procurements of OEFCCA at the regional, zone and woreda levels, will assist, coordinate and monitor the procurement activities of other sectoral implementing agencies at regional, zone and woreda levels.

111. An assessment of the capacity of OEFCCA (host agency of ORCU), to implement procurement of the grant, was carried out in November 2016 where OEFCCA was still deploying staff and not fully settled. The assessment carried out on the Authority reviewed its organizational structure for implementing procurement activities of the program and the staff responsible for the grant. The assessment also looked into the legal aspects and procurement practices; procurement cycle management; organization and functions; record keeping; and the procurement environment, in general. Moreover, the assessment recognizes the fact that the OEFCCA has not had previous experience in implementing Bank-financed projects. The procurement capacity assessment was carried out using the Procurement Risk Assessment Management System (PRAMS) questionnaires framework which was developed to align with the Bank's risk based approach. The objective of the assessment was to identify procurement risks during program preparation and implementation stages and to monitor them throughout the program cycle.

112. The assessment has revealed that there are key issues and risks that need to be addressed in implementing the procurement aspects of the program. The key issues and risks concerning procurement for OFLP have been identified and include:

(a) Weak procurement oversight body: The OEFCCA uses the Oromia National Regional State public procurement proclamations which are derived using the procurement law of the federal government as a prototype. However, the proclamations ratified by the region have not provided for establishing an independent procurement agency and the regulatory body in the region remains as a department within the Regional Bureau of Finance and Economic Development. As the Authority is new there is no any procurement audit conducted to date and currently procurement oversight and complaints-handling system are not in place. However, it is reported that procurement complaints and handling follows the Oromia National Regional State's public procurement directives. From experiences similar organizations procurement operations are not by and large subject to internal procurement audits. The internal audits generally focus on financial audits.

(b) Lack of qualified procurement staff to handle procurement management activities in the authority: The authority is organized to handle procurement process management and contract administration works (from advertising up to acceptance of procured materials or services). The procurement team is under the Finance, Procurement, and Property Administration Process of OEFCCA. The unit has one-unit leader and one purchaser as procurement staff. Both the unit leader and the purchaser have no work experience in the Bank's or other international development partners' procurement procedures.

(c) The authority lacks experience in Bank-financed project procurement in general and lack of experienced procurement staff in Bank-financed procurement in particular.

(d) There is no procurement planning: It is deduced that there is a gap in preparation of a detailed PP and experience in management of the procurement process systematically from the approved PP.

(e) There is no detailed procurement manual to guide the staff in properly implementing procurement procedures.

(f) Need of capacity for satisfactory data management and maintenance of procurement audit trail.

(g) Requirement of record keeping and procurement document filling system. Procurement and contract records are the evidence of all actions taken to award contract, and the results of the monitoring, and oversight of the contract implementation.

(h) Need of continuous skill development schemes to keep staffs motivated and to perform professionally.

113. A summary of the procurement risks for the grant, and the proposed procurement capacity-enhancement measures to mitigate the identified procurement risks, is presented in Table 3.4.

Table 3.4. Summary of Findings and Actions (Risk Mitigation Matrix)

No.	Major Findings/Issues	Actions Proposed	Responsibility	Target Date
1.	Weak procurement oversight bodies at the regional level and less attention to procurement function	<ul style="list-style-type: none"> • Conduct annual independent procurement audit of OFLP, where the OEFCCA management is to give prior attention to procurement management functions of the OFLP. The findings of the independent procurement audit will be shared with internal audit departments of the implementing agencies, the procurement regulating department and the regional auditor general office for follow up and actions. • Ensure that procurement is covered under internal and external audits. 	MEFCC/OEFCCA	Annually, following the end of each fiscal year
2.	Lack of qualified procurement staff to handle procurement management activities in the OEFCCA	<ul style="list-style-type: none"> • Fill vacant procurement positions of the OEFCCA. • ORCU procurement specialist will participate in procurement planning, bidding document preparations, evaluation of bids, contract documentation and contract management of OFLP procurements in OEFCCA. • MEFCC national REDD+ secretariat to provide additional procurement support to OEFCCA where needed. 	OEFCCA/MEFCC	At various stages of program implementation
3.	Lack of experience of the OEFCCA in Bank-financed project procurement in general and lack of experienced procurement staff in Bank-financed procurement in particular	<ul style="list-style-type: none"> • National REDD+ secretariat procurement specialist to provide guidance and support to OEFCCA in the: <ul style="list-style-type: none"> ○ Preparation of procurement plan (PP), reviewing and providing inputs to PP developed by OFLP team; ○ Training of OFLP procurement team in overall procurement management focusing in observing GoE's and WB's procurement procedures for shopping, consultant hire and other procurement needs; on how to submit request for no objection to the WB through the system and out of the system; on how to classify procurement items based costs of goods and services to be procures; on how to keep records of procurement activities, etc.; ○ Processing of procurements: developing ToRs, advertising procurement services and expression of interest (EOI), preparing and launching request for proposals (RFP), procedures for evaluation of proposals and preparation minutes for evaluation of proposals, and in draft contracts documents and negotiations; and ○ Implementation of the procedures outlined in the Grant 	OEFCCA/MEFCC	At various stages of program implementation

		<p>Agreement.</p> <ul style="list-style-type: none"> • Provide periodic procurement clinics to procurement staff, finance staff, tender committee members, officials making procurement decisions, and internal auditors and program accountants in the OEFCCA • Provide basic procurement training in the management of procurement of goods and equipment, works, and consultancy service contract including bid evaluations offered at the Ethiopian Management Institute (EMI) to the OEFCCA procurement officers. • Provide procurement staff of OEFCCA with the necessary facilities to create a conducive working environment and mobility to support the OEFCCA as well as ORCU. • Provision of further training opportunities for staff who are committed to serve the program for a longer period of time; MEFCC will help coordinate these trainings with the Bank. 		
4.	The procurement unit of the OEFCCA is not familiar with preparation of detailed PP	<ul style="list-style-type: none"> • MEFCC National REDD Secretariat to provide guidance and support to OEFCCA. • Make procurement planning a requirement as part of work plans and budget preparation at all levels. • As the approved PP is a legally binding commitment, strict use of the PP should be practiced by the ORCU and the OEFCCA • OEFCCA shall ensure that procurement plans are prepared, coordinated and consolidated by OEFCCA/ORCU for procurement activities to be carried out for OFLP – with guidance from MEFCC • Procurement staff in OEFCCA and other sectoral implementing agencies should be provided with procurement clinics on the preparation of realistic procurement plan using the Bank's template for the preparation of procurement plans; MEFCC will help coordinate these trainings with the Bank; and • Procurement staff in OFLP implementing agencies should be provided with trainings on systematic tracking of electronic procurement (STEP); MEFCC will help coordinate these trainings with the Bank. 	MEFCC/OEFCCA	Initial stage of program implementation

5.	Need for update the detailed Procurement Manual for the program as part of the PIM	<ul style="list-style-type: none"> • Prepare a Procurement Manual as part of the PIM for the OFLP. The manual needs to clearly define: (a) procurement responsibilities (procurement decision matrix); (b) the procurement items eligible under OFLP; (c) the necessary steps and procurement procedures for different procurement methods; (d) evaluation of bids; (e) the templates and standard documents to guide the staff on different procurement action/processes; (f) contract management; (g) complaint review and handling procedures; (h) Procurement Reviews and Audits; and (i) Procurement staff code of ethics . • Widely disseminate the Procurement Manual (PIM) of OFLP to all implementing agencies. 	MEFCC/OEFCCA	Before program effectiveness
6.	Need of capacity building for satisfactory data management and maintenance of procurement audit trail	<ul style="list-style-type: none"> • Provide training on procurement record keeping to OEFCCA and other sectoral implementing agencies procurement and finance staff of OFLP. 	OEFCCA	Before program effectiveness
7.	Requirement of record keeping and procurement document filing system and data management system	<ul style="list-style-type: none"> • Record keeping and procurement document filing system of the OEFCCA and other sectoral implementing agencies procurement units have to be systematized. Procurement and contract documents should be protected from unauthorized access. • OEFCCA shall designate a procurement staff to handle the procurement process and maintain complete procurement records of the OFLP. • The project should provide the necessary resources such as photocopiers, shelves and filing cabinets, lockers to the procurement staff to enable the implementing agencies maintain complete procurement records in safe and secure places. • MEFCC to also carry out the above bullets for its own procurement environment, and oversee OEFCCA compliance on each of the above items. 	OEFCCA/MEFCC	During program implementation
8.	Need of continuous skill development schemes	Continuous skill development in procurement and contract management disciplines has to be provided; MEFCC will help coordinate these trainings with the Bank.	OEFCCA/MEFCC	During program implementation

Assessment of risk

114. The overall risk for procurement for OFLP is rated High, and the thresholds for prior review for ICB, including the maximum contract value for which the short list may comprise exclusively of Ethiopian firms in the selection of consultants, are presented in Table 3.5 for purposes of the initial PP. The procurement capacity of the OFLP implementing agencies will be reviewed annually and the thresholds will be revised according to the improvements or deterioration in procurement capacity.

Table 3.5. Thresholds

Category	Prior Review Threshold (US\$)
Works	≥5,000,000
Goods	≥1,500,000
Consultants (Firms)	≥500,000
Consultants (Individuals)	≥200,000

115. All contracts at or above the mandatory procurement prior review thresholds are subject to international advertising and the use of the Bank's Standard Procurement Documents (or other documents agreed with the Bank). For post review consultancy services all ToRs shall be cleared by the Bank.

- (a) Shopping (request for written quotation) is allowed where works of contract value is less than US\$200,000 and Goods and Non-Consulting Services of contract value is less than US\$100,000.
- (b) Shortlist may be made up entirely of national consultants for engineering and works supervision of contract value less than US\$300,000 and all other consultancy assignments of contract value less than US\$200,000.

Procurement plan

116. The ORCU prepared a PP for the first 18 months of the program life for OFLP implementation which provides the basis for the procurement methods. This plan was agreed between the Recipient and the Bank and is available at OEFCAA. It will also be available in the Program's database and in the Bank's external website. The PP will be updated by the OEFCCA/ORCU annually together with the Annual Work Plan and Budget or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Frequency of procurement supervision

117. In addition to the prior review supervision to be carried out from the Bank offices, annual supervision missions to visit the field to carry out post review of procurement actions will be conducted.

Annex 4: Implementation Support Plan

Strategy and approach for implementation support

1. The Implementation Support Plan (ISP) describes how the Bank will support the implementation of the risk mitigation measures identified in the risk matrix and provide the technical advice necessary to facilitate the implementation of program activities in achieving the PDO. The ISP also identifies the minimum requirements to meet the Bank's fiduciary obligations.
2. The ISP is consistent with the implementation arrangement detailed in Annex 3. Furthermore, it is also consistent with the required and expected procedures and activities designed to mitigate risks. The ISP will be further detailed in the PIM.
3. Effective support to the FDRE—in particular with the MEFCC at the federal level and at the Oromia National Regional State level, woredas, and kebeles—is critical for efficient and effective implementation of the OFLP. Furthermore, collaboration with other key stakeholders is also important, including development partners supporting the OFLP, community organizations, private sector, and academic/research institutions. During OFLP preparation, effective participatory collaboration among all these stakeholders was successfully carried out, which enriched the design of the OFLP. The same collaborative approach will be adopted and further strengthened during OFLP implementation.
4. The main areas of focus and skills requirements for implementation support to be provided by or through the Bank are as summarized in Table 4.1.

Table 4.1. Main areas of focus and skills requirements for implementation support

Time	Focus	Skills needed	Resource estimate	Partner role
First 12 months	<ul style="list-style-type: none"> • Staffing and building basic capacity • Initiating critical procurements • Establishing M&E and reporting systems • FM, procurement • Safeguards • Forest management • Livelihood and community development • Land use planning • Systematic training programs • Forestry policy framework • Knowledge generation and dissemination • Project reporting • MRV and carbon accounting 	A variety of technical skills such as PFM, A/R, land use planning climate-smart agriculture (CSA), water resource management, biodiversity conservation, land management, procurement, FM, safeguards, M&E/project planning, and MRV and carbon accounting	—	Participation in meetings for improved development partner and sectoral coordination
13–60 months	<ul style="list-style-type: none"> • Staffing and building basic capacity • Continuing critical procurements 	Same as above	—	Participation in meetings for improved development partner

Time	Focus	Skills needed	Resource estimate	Partner role
	<ul style="list-style-type: none"> • Maintaining M&E and reporting systems • FM, procurement • Safeguards • Forest management • Livelihood and community development • Land use planning • Systematic training programs • Forestry policy framework • Knowledge generation and dissemination • Project reporting • MRV and carbon accounting 			and sectoral coordination
After grant completion (61–120 months or less if ERPA is 100% disbursed)	<ul style="list-style-type: none"> • Implementation oversight of ERPA transferred to the Bank's carbon unit (grant will not be transferred) 	Monitoring of BSM implementation and ER payments, safeguards risk management monitoring	—	—

Implementation support plan

5. Implementation support missions will be carried out twice a year with the Bank, FDRE, BioCF donors, and other development partners during the life of the program. A Midterm Review will be carried out to assess the program progress, achievement of the key indicators, risks and mitigation measures, and relevance of activities. The MEFCC will undertake an independent evaluation at the midterm, 24 months after the Grant Agreement signature and at grant and ERPA closings. Implementation support funds for the Bank team are, and will continue to be, provided by BioCarbon Fund plus.

6. Table 4.2 shows the estimated input requirements for key personnel to carry out implementation support for the program.

Table 4.2. Main areas of focus and skills requirements for OFLP implementation support

Skills needed	Number of staff weeks per year	Number of trips	Comments
Team leads (2)	10+10	3/year	TTL - International staff based in Ethiopia; Co-TTL - International staff
Carbon finance specialist /BioCF Focal Point	24	3/year	International staff in Bank headquarters
Carbon finance specialist	12	2/year	International staff leading expertise and availability
Forest carbon expert	44	Local trips	Steady on-ground presence
Forest management specialist	44	Local trips	National extended-term consultant
Land administration expert	12	2/year	Experience in community forest tenure
Natural resource management specialist	6	2/year	–
Lawyer	6	2/year	International staff in Bank headquarters
Land-use planning expert	20	Local trips	National short-term consultant
Ecologist	8	Local trips	National short-term consultant
Environmental specialist	6	Local trips	LRS
Social development specialist	6	Local trips	International staff - Ethiopia based
Environmental specialist	12	Local trips	National consultant - safeguards
Social development specialist	12	Local trips	National consultant - safeguards
Operations specialists (2)	8	2/year	National short-term consultant and international staff
M&E specialist	8	2/year	International staff/consultant - Ethiopia based
Procurement specialist	6	Local trips	LRS
FM specialists (4)	6	Local trips	LRS
Communication specialist	6	2/year	International staff/consultant
PFM specialist	12	Local trips	National consultant
Team assistance	4 Headquarters + 6 Ethiopia	Local trips	IRS and LRS in headquarters and Ethiopia

7. It is planned that a significant part of the expertise can be mobilized locally in the country office, including team leadership. An international mission-based approach will not suffice to respond to coordination and implementation issues adequately and in a timely manner. Therefore, a significant part of the task team is decentralized and this will continue to enhance implementation support. Fiduciary and safeguards support is also provided at the country office. In addition to missions and on-call support, the task team regularly holds proactive monthly or quarterly implementation support meetings, including with team members/experts based outside of Ethiopia connected by audio/video connection. This approach has proven to be effective in other projects and programs in Ethiopia and in other countries.

Annex 5: Lessons Learned and Reflected in the OFLP

1. In recent years, there has been increasing support for establishing successful models of REDD+ and LED efforts at a jurisdictional scale, like the OFLP. Jurisdictional efforts are designed to overcome the shortcomings of small project-based approaches by working across land-use types and with multiple stakeholders to create models for national implementation. Small projects are associated with high transaction costs and reduced cost effectiveness, and have limited impact on the enabling environment for reducing deforestation. A 2015 Bank study analyzed some of the most advanced REDD+/LED initiatives worldwide to understand what is needed to succeed and what should be avoided, as summarized in Box 5.1.

2. The OFLP design also reflects lessons learned from completed projects in Ethiopia such as the Bank-financed Humbo ANR Project,⁶² SLMP-1, the National REDD+ Readiness Process, and JICA's Community Management for Forest Protection Program.

National REDD+ readiness activities

3. The lessons learned, listed below, from the National REDD+ Readiness activities will be useful for OFLP implementation.

4. **High-level support from different areas in the land-use sector.** The lessons learned from the REDD+ Readiness Project Process is that, for REDD+ to work, there must be high-level support and high-level engagement from relevant sector line ministries, sectoral bureaus, and technical teams.

5. REDD+ is also a complex subject, therefore strong and continuous communication activities should be in place. Regular coordination of activities and harmonization among all the different sectors in land use is critical for implementation of REDD+. Continuous steering committee meetings where decision makers meet, plan, and decide on implementation modalities for cross-sectoral activities are crucial. Using the already existing structures of the government will also facilitate REDD+ implementation.

Box 5.1. Top 10 things not to do when establishing REDD+ at the jurisdictional scale

1. Assume what motivates political leaders and other key stakeholders to change behavior, without a careful analysis and understanding of the context
2. Invest most funding into REDD+ planning and 'readiness' (for example, MRV, safeguards, and so on) and expect political leaders to maintain interest and momentum
3. Offer results-based finance largely to low-capacity countries, jurisdictions, or local stakeholders and expect them to perform
4. Look to REDD+ payments or corporate supply chains as the sole solution
5. Underestimate the problem of political and bureaucratic capacity and turnover in countries
6. Expect results to be achieved too quickly
7. Assume that REDD+/LED is cheap
8. Create a model based on paying actors indefinitely to change behavior
9. Expect others to take risks but not take risks yourself
10. Lose optimism

Source: Fishbein, Greg, and Donna Lee. 2015. *Early Lessons from Jurisdictional REDD+ and Low Emissions Development Programs*. World Bank, Forest Carbon Partnership Facility, Nature Conservancy.

⁶² The first CDM project in Africa that successfully pays smallholders for increased forest carbon from reforestation of degraded lands through ANR.

6. Finally, alignment of REDD+ activities/programs with the current national strategies, such as the CRGE Strategy for Agriculture and Forest and GTP-2, are factors for success. REDD+ needs to be anchored in the most critical planning policies, otherwise ERs will not be generated.

Humbo Assisted Natural Regeneration Project

7. Based on the Humbo experience, the conditions for potential successful replication within the OFLP are listed in the following paragraphs.

8. **Forest carbon projects should be implemented on large, contiguous, denuded tracts of land** with potential for tree growing that is not currently used for permanent agriculture and which has limited agriculture potential (for example, stony ground); or, alternatively, significant amounts of land that can be demarcated with the support of all stakeholders and with a minimum level of land/resource conflict.

9. **Significant amounts of upfront funding should be available.** Costs for BioCF projects including the OFLP are still estimated to be significant, because capacity building, highly technical baseline and monitoring work, implementing the social action plan, lengthy negotiations with government entities, and so on are all quite costly with regard to money and time.

10. **Government offices should be present in the target area of the proposed program (such as the OEFCCA or BoANR) and should be sensitized and supportive of the program goals.** They can support scaling-up provided they have the technical capacities and take an active leadership role.

11. **The availability of a committed project entity with a continuous presence on the ground,** as well as strong support from the local government, in particular the Agricultural, Rural Development and Forestry Development Coordination Office (and also a supportive government at the national and regional levels for CDM development), have been important for successful project implementation.

12. TA from the BioCF during the initial stages of the project and the involvement of CDM experts was essential to develop a project design in accordance with CDM requirements, particularly as Humbo started at a very early stage when the CDM rules were still in the process of being developed and stakeholders, including the Bank itself, were not yet familiar with the rules.

13. Developing a clear process to decide on the allocation of carbon payments across and within the cooperatives was essential to reduce conflicts and generate a stronger communal sense of joint management.

Ethiopia Sustainable Land Management Program

14. The lessons learned, listed below, from the IDA/Global Environment Facility (GEF)-financed SLMP-1 will be useful for OFLP implementation.

15. Establishing and scaling up SLM can be facilitated by putting in place a **programmatic approach** (such as the OFLP) that can deliver multiple benefits downstream despite upstream transaction costs associated with convening and aligning financing, experiences, and approaches among partners and stakeholders. Such joint approaches strengthen the overall policy and investment dialogue and coordination. For this, analytical support addressing technical and institutional elements before program preparation can play a significant role.

16. The **demand-driven bottom-up approach** adopted under SLMP-1 is relevant for natural resource management spatial planning at manageable operational scales, and local development to improve livelihoods. This development approach, with active community participation in determining priorities and in program identification, planning, development, and implementation, has contributed to generate ownership by both beneficiary communities and local authorities.

17. The need to build **sustainable institutions at the local level**—such as extension, woreda, and kebele planning/governance capacity, and risk management—is important, as they are crucial for enabling service delivery and scaling up investment and action. SLMP-1 showed that where local-level implementation structures were established and sustained through TA, targeted capacity building, and incentives, implementation of program activities was more effective with regard to quantity and quality. Also, strong community engagement and commitment are vital. For example, putting in place area closures has proven to be an effective mechanism for environmental rehabilitation, climate resilience, low carbon production (livestock), and reclamation of biodiversity. For this, community bylaws play a decisive role in consolidating the rehabilitation of communal lands.

Promotion of improved cookstoves in Ethiopia

18. Three different stoves dominate the OFLP woreda ICS market: the mirt stove, the household rocket, and the institutional rocket stove. Traditional injera baking, usually carried out by women and girls, is the most risky form of cooking in Ethiopia, due to indoor air pollution. The mirt stove, which is an improved stove for injera baking, has been verified to decrease both fuelwood consumption and indoor air pollution. However, ICS producers often lack basic business skills, resulting in poor promotion and marketing of these cookstoves. Also, given that most ICS producers are located in urban towns, the cookstoves do not reach remote areas where they are often most needed. Towns and villages located near forests are of special interest as fuelwood consumption in those areas is high. OFLP support to the NICSP in marketing and connecting ICS producers to these villages will work well as it will help decrease the pressure on forests and help ICS producers connect to remote areas, while generating a secondary health benefit for women and their children.

Impact of Community Management on Forest Protection: Evidence from an Aid-funded Project in Ethiopia⁶³ (JICA Project)

⁶³ Takahashi, Ryo, and Yasuyuki Todo. 2011. *Impact Evaluation Analyses for the JICA Projects: Impact of Community Management on Forest Protection: Evidence from an Aid-Funded Project in Ethiopia*. Tokyo: JICA

19. A study conducted by JICA used remote sensing data to quantitatively examine the impact of establishing PFM associations in Ethiopia. The results indicated that one year after associations were established, forest areas increased substantially where associations were present, probably due to associations planting trees at boundary areas between forest and non-forest land and improved monitoring of illegal logging. On average, where forest associations were present, forest area increased by 1.5 percent in the first two years, while forest area where there were no forest associations declined by 3.3 percent. Totaling this impact over two years yielded a 4.8 percent positive net increase in the rate of change. The conclusion was that PFM led to a significant decrease in deforestation and increase in forest cover.

Annex 6: Benefit Sharing Mechanism for the OFLP

1. **Current status and next steps of the BSM for the OFLP.** The basic principles of developing the BSM for the OFLP have been discussed throughout OFLP preparation through expert meetings, public consultations, and analytical studies. As a result, stakeholders in Ethiopia and Oromia have a good understanding of the related issues and have agreed on a broad framework for designing the BSM for Oromia, which is detailed below. The BSM design will be finalized during the mobilization grant implementation, through multi-stakeholder consultations to be led by the OEFCCA/ORCU in YR 1. The BSM Manual will need to be approved by the Bank before the ERPA is signed.

2. **Principles on BSM agreed among stakeholders.** At the discussions and consultations held during OFLP preparation, the following principles have been agreed by the stakeholders.

- In the context of the BSM, benefits refer only to the payments for ERs (refer to paragraph 3 in this Annex).
- Most of the benefits (ER payments) from the OFLP should reach the local level (forest-dependent communities).
- OFLP benefits will be primarily provided to communities as incentives toward the adoption of more sustainable land uses rather than cash payment, and will mostly be used for community-level benefits rather than individual benefits.
- While most benefits provided by the OFLP will be in the form of ‘non-carbon benefits’, such as increased income from new land-use practices, natural-resource-based small enterprise development, improved and less variable crop yields, and more secure ecosystem services such as water provision and filtering, this BSM deals with ER payments only. The distribution of ‘non-carbon benefits’ is part of the design of the mobilization grant.
- The BSM will be developed gradually. It will start simple (limited number of beneficiaries focused around forest areas, less complex rules for distributing funds, and simplified funds management rules), and will become more complex as the OFLP evolves, capacity is strengthened, and experience is gained.
- The BSM should build on existing government structures that already have experience in reaching out to and mobilizing communities at the local level, for example, local government agencies.
- Communities should be consulted during the BSM preparation and the implementation of the BSM should be assessed in the initial implementation years to ensure that communities’ concerns are properly considered. The government’s OFLP GRM will be a tool for communities to address their grievances.
- To facilitate agreement with communities, the communities should be organized into CBOs using their own bylaws (which will help empower communities). During the

mobilization grant implementation, the OEFCCA/ORCU is expected to facilitate the OFWE and bureaus to strengthen these CBOs and ensure that they are inclusive.

- Vulnerable communities and individuals such as women, unemployed youth, underserved communities, pastoralists, and the poorest of the poor who are dependent on the forest for their livelihoods should benefit from this BSM.

3. **Definition of benefits in the context of the BSM.** As mentioned earlier, OFLP implementation is expected to generate benefits to local communities, the country as a whole, the region, and the world. These benefits include regulating services such as local climate (that is, trees provide shade for livestock and people while forests influence rainfall and water availability both locally and regionally), provisioning services such as food, fodder, fuelwood, and freshwater (and income from some of these), supporting services such as maintenance of genetic diversity and habitats (critical for medicine in the local context), and cultural services (in Ethiopia, including Oromia, sacred forests are common in the landscape, although fragmented, and nature-based tourism holds great promise for green growth in diverse locations such as the Bale Mountains National Park, Menagesha Suba Regional Park, and Yayu Biosphere Reserve). The carbon finance and REDD+ literature refers to many of these benefits as co-benefits, and often specifically includes improvement of livelihoods options, improved access to forest resources, and NTFP (honey, incense, coffee, spices, and so on). In the context of the OFLP BSM, however, benefits refer only to the payments for ER. The ER payments will occur only when the Oromia government demonstrates and a third party verifies that emissions from forest cover change have been reduced over the regional state in aggregate. The BSM establishes, among others, the eligible beneficiaries, the level of benefits, rules of the use of these benefits, funds flow, and auditing and monitoring procedures to be carried out by the government.

4. **Net ER payments.** Net ER payments refer to the overall ER payments minus program management costs. OFLP implementation will entail program management costs, which will be covered by the ER payments. Such costs include (a) maintenance of the ORCU; (b) functioning of the Oromia Steering Committee and technical committees; (c) preparation and supervision of the BSM; (d) maintenance of the MRV system, including third-party audit costs (the MRV system is a national effort and some of the costs are covered at the national level); and (e) management of risk and promotion of sustainability through the maintenance of a credible safeguards system. The program management costs will be capped at a specific yearly amount, to be agreed during the BSM Manual preparation.

5. **Eligible beneficiaries under the BSM.** Benefits should primarily reach those that contribute to the results under the program. Eligible beneficiaries will be identified during the preparation of the BSM and be consulted using a robust, inclusive process. During OFLP preparation, the following eligible entities have been identified: (a) forest-dependent communities organized into CBOs and (b) government agencies (the exact agencies and level of government are still to be decided). It was agreed that other eligible beneficiaries could be included in the BSM in the future, such as communities outside forests and/or smallholders engaged in reforestation. There was agreement that the OEFCCA/ORCU will strive to ensure that the eligible CBOs are inclusive, particularly by including vulnerable and underserved communities and women as members. There was also agreement that the OEFCCA/ORCU will sign an OFLP Benefit Sharing Agreement with each eligible beneficiary, in which roles and

responsibilities of each party are clearly spelled out. Before signing this agreement, the OEFCCA/ORCU is expected to complete an assessment of the CBO and ensure that it meets the minimal conditions to receive the benefits. One of these conditions is their degree of inclusiveness of vulnerable groups. Within the BSM, the OEFCCA/ORCU will detail (a) the key elements of a standard OFLP Benefit Sharing Agreement and (b) the process and scope of conducting the proposed assessment.

6. **Rules for benefit distribution.** During OFLP preparation, there was an agreement that benefits will be distributed from the regional government of Oromia (represented by the OEFCCA/ORCU) as follows, with the understanding that further work is expected to operationalize the approach and will be eventually reflected in the BSM Manual:

- (a) Large, discrete geographic areas in Oromia: These could be a set of zones (administrative units of the regional state) grouped together or a different geographical division still to be decided by the OEFCCA/ORCU. Benefits across these geographic areas will be distributed according to a formula to be developed that takes into account the relative performance of these areas in contributing to reduced deforestation. During the design process of the BSM, the rules on how to measure performance in the discrete geographic area will be determined. These rules will be aligned with the rules to be developed for individual projects expected to be nested into the OFLP (refer to Annex 10), as they should also consider how existing nested REDD+ projects will benefit from the OFLP and share the benefits with the eligible beneficiaries.
- (b) Within the specific geographic areas defined above (for example, Bale Zone), benefits will be shared among eligible beneficiaries (forest CBOs and the government) according to a formula to be agreed. Once again, performance is to be a consideration in this formula. Some of the potential indicators of performance to be considered at the CBO level could be hectares of land reforested, hectares of forest under a PFM regime, and percentage of reduced deforestation. Benefit distribution to government agencies will also follow the performance principle, that is, those agencies that directly contribute to ER will receive benefits/ER payments. This will be detailed in the BSM Manual.

7. **Use of the benefits at the local level.** There is agreement that most of the benefits flowing to local communities (forest CBOs) should be decided by the communities themselves. In general, it is expected that the benefits will be used for the communities' local development priorities and will create incentives for community members to continue contributing to reduced deforestation or increased forest cover such as by not clearing new land for agriculture, contributing to firefighting, sustainably managing forest resources, and so on. This approach should allow the OFLP benefits (ER payments) to complement and leverage other sources of funding and create incentives for continued support to reduced deforestation. The OEFCCA/ORCU and partners will use locally arranged consultative processes to engage communities in determining how to use their allocation of the OFLP ER benefits, taking into account the agreed principles. The BSM Manual will contain a negative list of activities and items that cannot be financed by the ER payments. An additional issue that will need to be

clarified in the BSM Manual is how the CBOs will receive TA to implement land-use activities such as conservation agriculture, PFM, or A/R, and how these costs will be covered.

8. **Funds flow and management.** A robust funds management entity and flow of funds mechanism will be identified to allow OFLP benefits (ER payments) from the central/regional level to be distributed to the several eligible beneficiary groups (likely several hundreds). The funds management entity and the flows of funds will be identified and agreed upon during the BSM design process, as well as the associated monitoring and auditing procedures.

9. **Monitoring of the BSM.** The OEFCCA/ORCU will have primary responsibility for monitoring how and whether the benefits are being transferred adequately and how they are being used.

Annex 7: Methodology for Carbon Accounting

1. The BioCF ISFL is focused on programs that seek to implement an integrated approach to the entire landscape with the ultimate goal of reducing greenhouse gas emissions and producing co-benefits such as improvements to livelihoods or agricultural productivity. For example, an ISFL program could coordinate efforts in sustainable agricultural production projects, agro-forestry schemes, assisted natural regeneration, improved cookstoves, and REDD+ to align objectives and maximize impacts in the jurisdiction. Ultimately, jurisdictions that implement these measures are expected to generate emission reductions that can be purchased by the BioCF ISFL through a results-based financing mechanism. Many of these activities generate emission reductions beyond just the effect on the forest. Therefore, one of the goals of the ISFL is to develop a methodological approach that will support results-based payments for comprehensive accounting of emission reductions from all agriculture, forest and land use (AFOLU) related sources and sinks.

2. This methodological approach is under development and is expected to be finalized in Q1 of 2017. And therefore remains untested. Based on the current draft of the approach, the program could at minimum include conversions from forest to other land uses, forest degradation and the biggest source of emissions besides forest. To be able to account for emission reductions from these land use/land use change categories, data needed to calculate the emission reductions for these categories should meet minimum quality requirements. Categories that do not meet these quality requirements would be phased in over time as data collection improves. Based on the preliminary methodological approach and the improvements in data quality for REDD+ resulting from the national REDD+ readiness process, it was agreed that for the start of the OFLP, the focus of the program will be on REDD+ and accounting the emissions and removals associated with REDD+ activities.

REDD+ methodology for the REL and MRV and integration of data at different levels

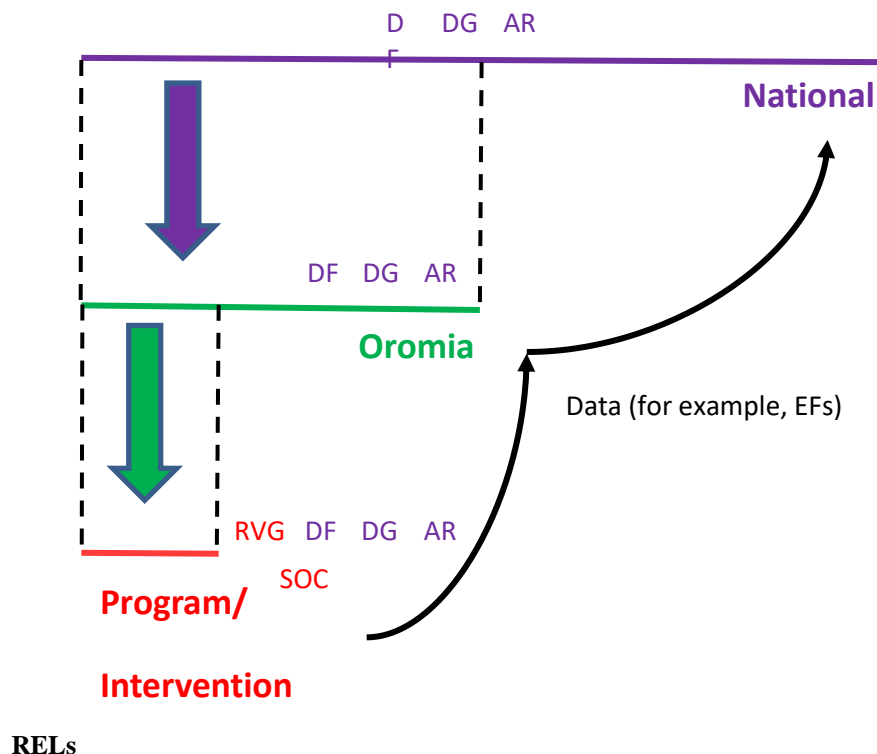
3. The REDD+ REL and MRV system for the OFLP will be integrated with the national REDD+ REL and MRV system and the RELs of different project-level activities will also be nested⁶⁴ into the OFLP. The FDRE has indicated that the following basic principles for this integration will apply:

- There will be three different levels: national, regional, and local.
- Integration of low-level data with the high level.
- Deforestation, degradation, and A/R will be included at the national level and the REL for these activities will be downscaled to the lower levels.

⁶⁴ Nesting means putting all ongoing and planned REDD+ projects in Oromia National Regional State under one umbrella (the OFLP), using the same benefit sharing rules, consistency in measuring and reporting on ERs, systems to avoid double counting of ERs, and consistency in how social and environmental sustainability approaches are applied following the Bank's safeguard policies and procedures.

- Lower levels may account additional activities or additional pools (for example, revegetation, cropland conservation, soil organic carbon pool if not accounted at the national level).

Figure 7.1. Basic Principles of Integration of Different REDD+



Note: DF = Deforestation; DG = Degradation; AR = Afforestation, Reforestation; RVG = Revegetation; SOC = Soil Organic Carbon Pool.

REDD+ sources and sinks

4. One of the first steps an REDD+ program should take into account when developing an REDD+ REL/MRV system is to decide on which of the five REDD+ eligible activities it will report on,⁶⁵ that is: (a) reducing emissions from deforestation; (b) reducing emissions from forest degradation; (c) conservation of forest carbon stocks; (d) sustainable management of forests; and (e) enhancement of forest carbon stocks. The REDD+ program must be provided a proper justification on the selection of these activities and why the omitted activities are non-significant. Therefore, the selection of the activities must be based on information on drivers of deforestation, as well as based on regional or national priorities.

⁶⁵ FCCC/CP/2010/7/Add.1 C. Decision 1/CP.16 Policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries, Paragraph 70

5. According to Unique 2014,⁶⁶ the main drivers of deforestation and degradation are linked to agriculture and most of the emissions are due to degradation from livestock grazing and degradation from the collection of firewood and charcoal production, accounting for more than 70 percent of total emissions. Therefore, based on these preliminary results either deforestation or degradation should be accounted for, as they are the most significant emissions. Considering only montane forests, the weight of emissions from degradation due to livestock will be reduced and 75 percent will be solely because of small-scale agriculture (30.8 percent) and firewood collection/charcoal production (43.8 percent).

6. Another aspect to take into consideration are the activities that will be implemented and what drivers of deforestation/degradation these intend to address. If certain drivers cause both deforestation and degradation or if an action intends to address both drivers of deforestation and degradation and if emissions from deforestation and degradation are significant, this means that both ‘Reducing Emissions from Deforestation’ and ‘Reducing Emissions from Forest Degradation’ will probably be significant and that they should be accounted for. The consideration of both activities is also justified by the fact that there can be a displacement of emissions from deforestation to degradation, so accounting for both will ensure that there are no leakage emissions from this kind of displacement. The interest in accounting for both activities has also been expressed by the OFLP.

7. However, currently, significant data gaps exist that make it difficult to account for ‘Reducing Emissions from Forest Degradation’. In particular:

- Livestock and coffee farming: Currently, there is no readily available data for estimating GHG emissions from these drivers of degradation.
- Firewood: A supply-demand analysis conducted for the BEST⁶⁷ provides data that can be used to estimate GHG emissions from degradation at tier 2. However,
 - this study relies mostly on supply estimates of the WBISPP⁶⁸ which are outdated;
 - the biomass supply and demand does not differentiate between biomass sourced from forest and non-forests areas, so GHG emissions might be overestimated as they include GHG emissions from non-forest areas; and
 - consumption-per-capita values are based on household surveys, which are not statistically representative of Oromia.

⁶⁶ Unique, 2014. *Oromia Forested Landscape Project - Analysis of causes of deforestation and forest degradation in the Oromia Regional State and strategy options to address those*. Report by Unique Forestry and Land Use and Conscientia

⁶⁷ Biomass Energy Strategy of Ethiopia Project (2012/2013).

⁶⁸ Woody Biomass Inventory and Strategic Planning Project (2004).

- Accuracy and uncertainty: Available data to estimate GHG emissions from firewood do not have reported uncertainties and accuracies. It will be necessary to estimate the uncertainty of the estimates.
- AD: AD for applying the direct or indirect approach will have to be generated for forested areas. It is important to note that the delineation of forested areas has to be consistent with the estimation of deforestation to ensure that no double counting occurs.
- EFs: Although data to derive EFs might be available, it is not clear if specific EFs for degradation transitions can be derived from existing data.

8. Based on these data gaps, the OFLP will not account for forest degradation from the start. However, activities are ongoing at the national level to analyse appropriate methods to include this in the national-level REDD+ REL and MRV system. If data become available on forest degradation, it can be phased into the OFLP REDD+ REL and MRV system.

9. Additionally, A/R activities will be established in Oromia. So there is an interest to account for ‘Enhancement of Forest Carbon Stocks’, but limited to A/R activities.

10. Regarding the REDD+ activities ‘Conservation of Forest Carbon Stocks’ and ‘Sustainable Management of Forests’, considering the magnitude of GHG emissions from deforestation and degradation and the potential for GHG removals from ‘Enhancement of Forest Carbon Stocks’, GHG emissions or removals for these are expected to be insignificant.

11. In summary, OFLP REDD+ activities to be accounted are given in Table 7.1.

Table 7.1. REDD+ activities included in the accounting and approach to set the FRL/REL

Activity	Included? Yes/No	Approach
Reducing emissions from deforestation	Yes	This is the main REDD+ activity, which will be part of a first version of the REL/FRL, and emissions will be estimated using AD and EF (stock difference).
Reducing emissions from forest degradation	Yes	This will be included in future versions of the REL, using methods developed at the national level, as degradation is expected to represent more than 10% of total forest-related emissions.
	No	Non-CO ₂ emissions from forest fires are not included as they are not significant.
Conservation of forest carbon stocks	No	This is not relevant in the Oromia circumstances.
Sustainable management of forests	No	This is not relevant in the Oromia circumstances.
Enhancement of carbon stocks (A/R)	Yes	This REDD+ activity will be included. Although these activities have been rare in the past, it is expected that they will be relevant in the future. Since this activity is included in the REL/FRL, an FRL must be estimated.

Activity	Included? Yes/No	Approach
Enhancement of carbon stocks (increase in forest production)	No	This REDD+ activity may be included. Forests in Oromia are degraded or degrading, so they have a high potential for the increase of carbon stocks. Considering that in general carbon stocks in forests in Oromia are degrading, it can be assumed that the FRL is zero removals. At present, we are not considering this activity, yet, for monitoring purposes, it can be quantified jointly with degradation.

REDD+ Reference emissions level

12. **Timing and integration with national REDD+ FREL.** For all the selected activities, the REDD+ REL/FRL will be estimated, reported separately, and reported as a unique REL/FRL:

$$REL/FRL = REL_{DEFORESTATION} + REL_{DEGRADATION} + FRL_{A/R}$$

13. From the point of view of the temporal integration of the different RELs, it is important to note that the first version of the national FREL has been submitted to the UNFCCC in 2016. This version reflects the best available information at the time of submission however it is stated that the scope and methodologies applied may be modified if better data becomes available. As part of the national REDD+ readiness process, activities are still ongoing to improve the data.

14. The OFLP REDD+ REL uses the same data and methods as the national FREL. The OFLP REDD+ REL was calculated in February 2017.

15. Since it is the intention of the BioCF ISFL to pay for emission reductions based on comprehensive accounting from all land-uses (so go beyond REDD+) using the Comprehensive Landscape Methodological Approach under development by BioCF, subsequent versions of the OFLP REL might be produced to incorporate other land uses or as the national REL is updated.

REDD+ Monitoring, reporting, and verification

16. **Overall framework and integration with the national REDD+ MRV system.** It is important to note that, as indicated above, it is not envisaged that the OFLP REDD+ MRV system will be independent of the national system, but rather the OFLP will integrate with the national REDD+ MRV system. This will ensure consistency in the reported results for both the OFLP and the national-level systems and it will ensure the sustainability of the system due to the efficient use of resources.

17. From the temporal point of view, the OFLP REDD+ MRV system will enter into operation in mid-2017, when the national REDD+ MRV system will be in operation. From that point forward, the AD will be updated every two years (consistent with the biennial reporting set under the UNFCCC) and the EFs are expected to be updated every five years. The update of the EFs might also be revised for the REDD+ REL to ensure consistency with *ex post* estimates and depending on the accounting choices made at a national level for setting the REDD+ REL.

REDD+ MRV design

18. **Proposed institutional arrangements for monitoring.** The institutional arrangements and workflow for the REDD+ MRV system are being finalized but will consist of the different levels defined in the overall framework.

19. The lower levels will collect important information for feeding into the overall REDD+ MRV system. These will include, for instance, data reported by REDD+ activities (that is, forest inventories, project areas, detailed mapping of land use and land cover [LULC] classes, and so on), data reported by M&E systems (for example, planted areas by the OFWE and so on), or other data (for example, biomass surveys conducted by the SLMP MRV). It will be necessary to ensure that all these data are generated and reported on in a consistent manner and by following certain standards so that they can be incorporated at the national level. This will require setting guidelines or standards to conduct data collection and reporting.

20. The national level will collect primary data and compile primary and secondary data. Additionally, specific LULC mapping made by the MRV Unit in cooperation with the Ethiopian Mapping Agency (EMA) (who might be involved in the first level of analysis of the data to ensure consistency with other sectors) will be used to define AD. Moreover, the NFI will feed data regarding carbon densities into the system. All these data will serve to produce official AD, EFs, revised RELs, and related uncertainties for the Oromia region. These data and values will then be used to calculate the ERs, which will be done in collaboration with ORCU. The ORCU will then include these calculations in their program monitoring report. Moreover, it will be the ORCU which will calculate the ERs that are assigned to each project/intervention area, in case the BSMs are performance based.

21. Data generation and recording will be done at the national level, and at the lower level by following the specific standards or guidelines for data collection and reporting, consistent with the national-level procedures. Thus, specific methods of data generation and recording must be defined as part of the MEFCC's Forest National Monitoring and MRV System for REDD+ Readiness Project.

22. The above integration will require both the national and Oromia levels to agree on common MRV modalities clearly defining the responsibilities, the communication procedures, and the standards or guidelines for data collection and reporting. In the case of Oromia, where project/intervention-level data will be generated, it is important that these projects/interventions also commit to apply these standards. This will require specific definition of regional MRV modalities set at the Oromia level clearly defining the responsibilities of each party, the communication procedures, and standards for collecting data and reporting by the different projects/interventions.

Table 7.2. Role of MRV Units at the national and Oromia National Regional State level

Function	National	Oromia
Measurement	The EMA collects LULC data. The MEFCC MRV Unit produces the map. The MRV Unit regularly collects, analyses, and aggregates primary data.	The ORCU MRV team collects primary and secondary data on program interventions (that is, geographical information on A/R activities, program-level biomass survey data, and so on).
Reporting	MRV Unit - The MEFCC calculates GHG emissions at the regional level in both FRL and MRV (as defined in the draft National REDD+ Strategy), including GHG emissions estimate for REDD projects. MEFCC MRV Unit – The MEFCC MRV Unit delivers official GHG emissions estimates.	The ORCU will compile results of the MEFCC MRV Unit for the region and submit a report in the form of a Program Document (for example, BioCF ISFL and Verified Carbon Standard).
Verification	It is conducted by national or international entities. The MRV Unit provides support in verification.	The ORCU will be the focal point and lead verification.
Registry	National web portal	The OEFCCA/ORCU is responsible for reporting relevant information to the MEFCC.
High-level oversight and coordination	The Federal Steering Committee oversees the process and ensures a link to decision making. The Federal MRV Task Force monitors the process and reports to the Federal Steering Committee. The MRV Unit manages workflows and day-to-day coordination.	The OEFCCA/ORCU, supported by the Technical Working Group, monitors implementation of MRV within the region. The OFWE is a member of the Federal MRV Task Force.
Support and technical advice	The MRV expert group provides support and technical advice. Universities and research institutes will be engaged by the MRV Unit on a continuous basis for research and capacity building. The MRV Unit opens call for research proposal, in close coordination with the ORCU, on any research needs and to liaise with research institutions in Oromia.	The Oromia REDD+ Technical Working Group provides technical advice.
International reporting	The MEFCC (appropriate directorate) reports to the UNFCCC.	n.a.

Annex 8: OFLP Safeguards Management Approach

1. The environmental and social risks associated with the OFLP (both the RETF grant and the ERPA) will be mitigated and managed with the following important priorities in mind, to boost the sustainability and impact of the program.
2. **Jurisdictional approach to safeguards.** The assumption is that nearly the entire region is involved in generating ER for the ERPA. Payments for the ER will be based on a verified state-wide result of up to 10 million tons of carbon dioxide equivalent sequestered across all forested land in the jurisdiction.
 - (a) **Safeguards approach.** The focus is on building systemic regional capacity in environmental and social risk management. A Safeguards Operational Manual will be developed as part of the PIM and will draw on the RPF, ESMF, PF, and SESA which includes the SDP. The PIM will be adopted by the Oromia National Regional State and woredas. The rolling out of a robust training program for woreda-based staff on the Safeguards Operational Manual will start during program implementation and will be financed by the grant under Subcomponent 2.4.
 - (b) During the ERPA period, the regional safeguards system to be established and strengthened by the RETF grant financing will be used to guide the implementation of the BSM.
3. **Addressing possible risks related to agricultural land allocation to investors.** Two ongoing activities may pose reputational challenges for the OFLP, primarily with regard to the ERPA but also the RETF grant to a lesser extent since the grant has a very small physical footprint from its investment component (PFM and A/R). These are:
 - (a) **The Commune Development Program** is currently under implementation solely by the FDRE in the emerging regions. It has been the subject of some concern for civil society groups. No activities under the Commune Development Program are being implemented in Oromia. Despite this fact, associated or reputational risks for the OFLP cannot be ruled out.
 - (b) **Land to investors risks.** The FDRE encourages both foreign and domestic private investments in large-scale commercial farms in Ethiopia. The FDRE's agricultural land policy specifies a streamlined land acquisition process, provision of infrastructure, and improved labor supply. The MOANR established the Agricultural Investment Land Administration Agency to facilitate agricultural investment along with land administration and transfer processes. OFLP may also face associated or reputational risks arising from the FDRE's active encouragement of investments in the agriculture sector. OEFCCA and OFWE are members of the Oromia Investment Commission Board which has the mandate to issue investment permit in Oromia National Regional State. OEFCCA is mandated to review and ensure that proposed land allocations for investors do not involve forest or protected wildlife areas. This process will be used by OFLP to mitigate the land to investor risk.
 - (c) **Safeguards approach.** To address the above potential issues, woreda-based staff will be trained in the application of the ESMF's customized screening tool that, among others,

includes a protocol for interfacing with the Commune Development Program if it is implemented in Oromia in the future. The customized screening tool will be rolled out during implementation.

4. **ER payments.** Payments will only be made upon verification of the ER and payment requests will be subject to the confirmation that environmental and social safeguards due diligence was done (see below). This due diligence will cover overall compliance with the Bank's environmental and social safeguard policies as well as specific aspects such as the BSM, GRM, and other conditions to be included in the ERPA.

5. **Retrospective due diligence.** For the ERPA, the Bank will conduct retrospective due diligence of the two existing associated projects to ensure compliance with the Bank's environmental and social safeguards requirements. The two projects are: (a) Bale Mountains Eco-regional REDD+ Project (under implementation since 2012) and (b) REDD+ Joint Forest Management in the five districts of Illu-Ababora Zone South-West Ethiopia phase II (REJFMA-SW Ethiopia II) Project (under implementation since 2013). The aim of the retrospective due diligence will be to carry out a stocktaking regarding the nature of activities under implementation and the degree of compliance with safeguard policies. It is the task team's understanding that these two NGO-supported projects were prepared using internationally accepted safeguards approaches which should make it simpler to carry out retrospective due diligence. The time frame for completing the retrospective due diligence is six months from grant effectiveness, and by the time of the ERPA signing identified issues should be resolved to the satisfaction of the Bank.

6. **Proposed resettlement in the Bale Mountains National Park.** The park is under the federal government structure and managed by the EWCA, although it is geographically located within Oromia National Regional State. Any possible resettlement in the park has implications for carbon accounting and performance because it is within the OFLP accounting area for the ERPA. Any events leading to resettlement of communities from the park area will be subject to the relevant policies of the Bank.

- (a) **Safeguards approach.** From a safeguards perspective, the notion of association or linkage arises when the activities in the park are directly and significantly linked to the OFLP's objectives, necessary to achieve the OFLP's objectives, and carried out or planned to be carried out contemporaneously with OFLP activities. The FDRE is required to assess and mitigate the risk in compliance with the Bank Operational Policy on Involuntary Resettlement (OP 4.12) and related safeguards instruments.
- (b) OFWE received a letter from EWCA on June 2, 2016, Ref. No DA60/12/16, confirming that EWCA will adhere to the OFLP Safeguard Instruments (PF and RPF).

7. The following are the status of critical safeguards instruments and approaches that apply to both the RETF grant and the ERPA as part of the overall strategic program referred to as the OFLP:

- (a) **Screening, categorization, and safeguards instruments**

- (i) See Annex 3 on Institutional arrangements and Subcomponent 2.4 under Annex 2.
 - (ii) The ESMF, SESA/SDP, PF, and RPF have all been disclosed by the FDRE and the Bank InfoShop. The instruments were also revised to reflect the role of the new implementing agency, OEFCCA, established on July 20, 2016, by proclamation 199/2016 that was approved by the Parliament of the Oromia National Regional State government and then re-disclosed in-country and in the InfoShop.
- (b) **Grievance redress.** Two mechanisms for grievance redress have been incorporated into the OFLP design.
- (i) **GRS.** This is a corporate-level service of the Bank available to communities and individuals who believe that they are adversely affected by a Bank-financed project. Any complaints may be submitted through appropriate channels as specified in the PAD.
 - (ii) **GRM.** This is an OFLP-specific mechanism for addressing grievances arising from activities under the program. The mission discussed its design and the features of this mechanism will be reflected in the updated PAD and detailed in the PIM.
- (c) **Participatory service model and benefit sharing.** The OFLP design (both the grant and the ERPA_ includes community-led planning, inclusiveness, downward accountability, community oversight, and decision making as basic principles of good risk management, sustainability, and impact. The Benefit Sharing Mechanism for the ERPA will include all of these principles. The Benefit Sharing Mechanism will be developed under the grant, and will govern proceeds from the ERPA that would be directed to communities.
- (d) **Communication at the international, national, and state levels.** Risk management can be supported by strong communication measures to mobilize communities, strengthen participatory models of development and conservation (such as PFM), raise awareness, and diplomatically interact with the global community on pertinent issues that may impact Ethiopia's reputation with regard to the OFLP. As such, Ethiopia's REDD+ Secretariat at the MEFCC will need to strengthen its communication function. The OFLP RETF grant, meanwhile, finances work by Oromia National Regional State on communications that will complement the existing national effort.

Social development plan for the OFLP

8. This SDP, as outlined in Table 8.1, will ensure that the implementation of the OFLP grant and ERPA will respect the dignity, rights, and culture of groups meeting the OP 4.10 requirements and ensure that these people benefit from the program in a sustainable manner. The SDP can be revisited during OFLP implementation and further consultation can be undertaken for the underserved groups to ensure their full participation. With respect to the anticipated key risks and mitigation section outlined, Table 8.1 provides the summary of potential risks and challenges as well as recommendations.

Table 8.1. SDP for the OFLP

OFLP Component/Issues	Potential risks and challenges	Recommendations
Component 1: Enabling Investments		
<i>1.1 Sub-basin Land-use Planning Support</i>	Land tenure <ul style="list-style-type: none"> The OFLP could face challenges related to existing weak land tenure at the individual and community levels due to the perception of land tenure insecurity, mainly in the forest sector Forest demarcation, if any (as part of the ILUP), may induce conflict and result in relocation of people and restrict access to resources. 	<ul style="list-style-type: none"> The OFLP should promote PFM to address perceived lack of tenure security by transferring or promoting joint forest management rights to communities using defined contracts. The OFLP as a coordination platform will complement the FDRE's effort on rural land certification by encouraging other projects to finance, outside the scope of the OFLP, the first steps toward individual land certification in forested areas. The OFLP will address restriction of access through its PF.
<i>1.2 Investment and Extension Services</i>	<ul style="list-style-type: none"> The OFLP may encounter resistance and low capacity to adopt new technologies and practices in the forest, agriculture, water, and energy sectors. 	<ul style="list-style-type: none"> OFLP coordination staff, including the safeguard teams at all levels, should conduct intensive consultations and ensure participation to create awareness. The OFLP should build the capacity of actors at all levels to understand, promote, and adopt improved technologies.
<i>1.3 Forest Management Investment in Deforestation Hotspots</i>	<ul style="list-style-type: none"> The OFLP may face concerns in existing PFMs due to population explosion, demand for agricultural land, and livestock stock increase. 	<ul style="list-style-type: none"> OFLP-supported PFM promotion should draw lessons from ongoing PFM interventions, ensure that the process remains consultative and participatory, and capitalize on the mechanism of non-forest-based resources' benefits.
	<ul style="list-style-type: none"> The achievements of the OFLP might be compromised by limited participation and little or no benefit for the community in conservation initiatives such as PFM. 	<ul style="list-style-type: none"> The OFLP should ensure broad-based consultation and mobilization of communities during the formation phase of PFM groups to make sure that communities draw proportional benefits from forest resources and sustainable forest management.
	<ul style="list-style-type: none"> Conflicts may arise between PFM and non-PFM community members. 	<ul style="list-style-type: none"> Quota for vulnerable and underserved groups in PFM establishment should be allocated. An equitable, fair, and participatory establishment process of PFM groups should be ensured.
	<ul style="list-style-type: none"> OFLP implementation may serve as a fertile ground for external actors and influential individuals for instigating conflict and/or disagreement. 	<ul style="list-style-type: none"> The OFLP should be inclusive of relevant stakeholders, CBOs, Government Organizations, NGOs, local institutions, and influential individuals.
	<ul style="list-style-type: none"> Restriction over natural resources, spiritual exercise, and use and access rights may create social instability. 	<ul style="list-style-type: none"> The OFLP should allow communities to have access for spiritual exercise.
	<ul style="list-style-type: none"> OFLP on-the-ground investments may obstruct community walking routes living on either side of the forest due to PFM area closure and conservation. 	<ul style="list-style-type: none"> OFLP on-the-ground investments should allow communities to use the routes or establish/identify reasonably convenient alternative routes.

OFLP Component/Issues	Potential risks and challenges	Recommendations
	<ul style="list-style-type: none"> The OFLP may face challenges in enhancing or introducing new livelihoods as alternative options to forest degradation and depletion. 	<ul style="list-style-type: none"> The necessary training and awareness on enhancing existing, new livelihood, and resource alternatives should be provided. Community-based tourism (where it is economically and financially viable, noting that the OFLP is not directly financing tourism) and other nature-based or conventional small and medium enterprises for alternative livelihoods should be promoted. The design of forest community-based initiatives on sustainable forest management that will last beyond the grant periods should be supported.
	<ul style="list-style-type: none"> The OFLP may encounter forest governance and corruption challenges: <ul style="list-style-type: none"> (a) The program development opportunities may end up benefiting the powerful, resource-rich, and elite groups. (b) Indifference of the local people, including the leadership, toward displaced persons and destruction of resources may exist. (c) Absence of guidelines and exertion of pressure on resettled communities lead to social conflict. 	<ul style="list-style-type: none"> A mechanism to ensure the resource poor and the disadvantaged are targeted and included should be put in place. Fair representation and accountability in forest-related institutions such as PFMs, including underserved communities, should be ensured. Regardless of status, power, or connections, it should be ensured that mitigation measures are applied impartially. All forest-related OFLP guidelines should reflect the issues and concerns of underserved and vulnerable groups.
	<ul style="list-style-type: none"> The OFLP operation may induce conflict due to traditional resource access and utilization. 	<ul style="list-style-type: none"> Context-specific conflict resolution mechanism such as the <i>Gadda</i> system and/or <i>Awlia</i> should be used. Traditional resource access and use mechanisms in different parts of the OFLP operation, including <i>Godantu</i>, <i>Qobbo</i>, should be supported.
	<ul style="list-style-type: none"> The OFLP may face challenges related to illegal migrants or squatters in its operation area. 	<ul style="list-style-type: none"> The issue of squatters or illegal migrants should be addressed as a concern through the OFLP RPF and PF provisions, including compensation, resettlement assistance, alternative livelihood support, and rehabilitation assistance.
Component 2: Enabling Environment		
2.1 Institutional Capacity Building 2.2 Enabling environment enhancements 2.3 Information 2.4 Safeguards Management 2.5 Program	<ul style="list-style-type: none"> The OFLP will likely face social concerns related to the existence of underserved and vulnerable groups in its intervention areas. The OFLP may face inadequate understanding of relevant social issues. The OFLP may operate in inadequate capacity and 	<ul style="list-style-type: none"> The OFLP should dedicate a safeguards subcomponent to address operational risks. The OFLP needs to carefully design safeguards capacity-building measures. Direct and all-inclusive community consultation about the OFLP should be ensured. OFLP communications and participation strategies should be used to sensitize the underserved and vulnerable groups.

OFLP Component/Issues	Potential risks and challenges	Recommendations
<i>Management</i>	expertise within the government structures to deal with both social and environmental risks and properly mitigate and document the process.	
	<ul style="list-style-type: none"> Communities and individuals in OFLP operation sites may believe that they are adversely affected by the program. The OFLP might be challenged by the inadequate institutional capacity of traditional grievance redress and resource management institutions. Restriction of access to natural resources due to OFLP intervention might inflict conflict among traditional seasonal migrant forest resource users including pastoralists. 	<ul style="list-style-type: none"> Community consultations and participation should create awareness about the OFLP GRM to support citizen's complaints or grievances in a formalized, transparent, cost-effective, and time-bound manner. The <i>Gadaa</i> system should be used in case grievances occur (<i>Abbaa Allenga</i>, <i>Lagaa</i>, and <i>Abbaa Ollaa</i> are the institutions that serve the community to resolve conflicts instead of the formal court).
	Vulnerable and underserved groups <ul style="list-style-type: none"> The resource poor and the vulnerable forest-dependent communities might be excluded. OFLP measures might include or exclude certain social groups through the process. 	<ul style="list-style-type: none"> The OFLP will promote a community-driven-development-approach, whereby communities prioritize development activities and promote socially inclusive, participatory processes for planning, subproject implementation, monitoring, and learning. In this way, the people directly affected by the project activities will be treated fairly and equitably; and project funds will be shared in a socially inclusive manner among different groups within communities, particularly the underserved and vulnerable. The OFLP citizen engagement and participation plans should be used to engage communities in the OFLP design, implementation, and follow-up process.
	<ul style="list-style-type: none"> OFLP operations may not be gender sensitive and women might be affected differentially. 	<ul style="list-style-type: none"> OFLP enabling environment and investment will mainstream gender and be gender-sensitive to address the strategic and practical issues, while ensuring equity in the OFLP process and screening of subproject activities will be done through the gender lens. The OFLP BSM design process, safeguards implementation, community participation, and citizen engagement issues will also include efforts to ensure and enhance women's participation.
	Awareness and communication <ul style="list-style-type: none"> The illiterate and disadvantaged groups of the community might be left out from the program opportunities. 	<ul style="list-style-type: none"> The OFLP will focus on increasing community engagement and participation in forest management and decision making of all forest-dependent groups and social class. The capacity of forest-dependent communities should be boosted to make their own decisions about

OFLP Component/Issues	Potential risks and challenges	Recommendations
	<ul style="list-style-type: none"> Some religious and social groups might oppose the OFLP operation. Changing attitudes may antagonize local values and beliefs for some groups. 	<p>community-led planning process.</p> <ul style="list-style-type: none"> Channels where citizens and various levels of government can work together in the context of implementation and monitoring of community-led PFM should be supported. Implementation with sufficient awareness-creation trainings and through full participation of social groups should be supported. The OFLP should ensure that all consultations and awareness-creation meetings respect the values, beliefs, and identity of the people.
	<ul style="list-style-type: none"> There is potential perception of linkage between the OFLP and the potential involuntary resettlement in the Bale Mountains National Park. 	<ul style="list-style-type: none"> It should be ensured that the FDRE applies Bank Group safeguard policies in managing this resettlement if and when it occurs.
Component 3: Emissions Reduction Payments		
<ul style="list-style-type: none"> <i>Incentive for greater uptake of sustainable land-use actions</i> <i>Adoption and implementation of a BSM by the FDRE-Oromia government</i> 	<ul style="list-style-type: none"> Benefits associated with ER payments may not reach the stakeholders (elite capture, exclusion of some stakeholders, particularly underserved and vulnerable groups). The OFLP, during the ERPA period, may not maintain the safeguards system or the BSM established during the grant period. 	<ul style="list-style-type: none"> A well-consulted and equitable BSM should be developed for carbon payments to help incentivize forest communities conserve and rehabilitate forest (an approved BSM is a requirement for signing the ERPA). The OFLP should preclude and manage safeguard risks by establishing a robust safeguards system during the grant period. It should be strengthened during the ERPA period to ensure that the program's citizen engagement, equitable sharing of program benefits, GRM, and safeguards risks management steps are sustained beyond the grant period; and the FDRE will allocate adequate resources (human and financial) for safeguards implementation/due diligence.

Annex 9: Drivers of Deforestation and Forest Degradation in Oromia National Regional State

1. The dynamics of deforestation are complex and not easily reduced to a single factor or linear explanations. The variability of actors, situations, and relationships calls for localized analysis in forested areas. However, deforestation finds its root causes in global trends and drivers are often found ‘outside the forest’. Direct drivers of deforestation and forest degradation are human activities and actions that directly affect forest cover and result in the loss of carbon stocks. Underlying causes or indirect drivers are a complex combination of economic issues, policies, and institutional matters; technological factors; cultural or sociopolitical concerns; and demographic factors.

2. The primary drivers of deforestation and forest degradation in the Oromia National Regional State can be categorized into direct and indirect drivers. The former includes small-scale conversions for agricultural expansion and wood extraction for firewood and charcoal purposes that are carried out by investors and small-scale farmers/pastoralists. The latter includes ineffective land-use planning and enforcement at the micro-level and inadequate cross-sectoral policy and investment coordination.

Direct drivers

3. The main direct driver of deforestation is agriculture; of which small-scale and commercial/large-scale agriculture accounts for 85 percent and 15 percent of the loss, respectively. With regard to degradation, fuelwood is the main driver affecting forests, with roughly 68 percent of degradation emissions attributed to fuelwood collectors/producers.

4. **Small-scale agriculture.** Expansion of small-scale cultivation systems has been identified as a major driver of deforestation and forest degradation in both moist and dry forests. Subsistence agriculture is the main economic activity throughout Oromia, with farmers cultivating a diversity of crops depending on the local livelihood systems. Main crops include barley, wheat, beans, potatoes, and cabbage in the highlands and bananas, maize, and teff in the lowlands. The choice of crops in smallholder agricultural production systems results in different impacts on forest cover as farming techniques vary with different crop combinations. Some crops result in more forest conversion or forest degradation, such as khat (Unique 2014). Farmers’ decision of which crops to plant is influenced by a range of factors, including agro-ecological characteristics of the land, proximity to markets, consumption preferences, and price fluctuations. For example, enset—a type of banana found in southern Oromia near the border with SNNPR—provides a higher amount of foodstuffs per unit area as compared to many other crop choices, especially cereals and maize; enset has helped to support a dense population in the southern region in general. The shift in consumption patterns from tubers to cereal crops in both rural and urban areas (often conceived as modernization) demands larger plots and is less likely to be integrated with other land uses such as forest or crops (UNIQUE 2015). Many poor farming households respond to declining land productivity by abandoning existing degraded cropland and moving to new lands for cultivation. Therefore, one of the main reasons for the destruction of natural forests are unsustainable agricultural practices which transform forested landscapes into mosaics of managed and unmanaged ecosystems, resulting in habitat loss and fragmentation for many species of flora and fauna. The majority of small-scale farmers operating

in Oromia's forest are engaged in coffee production. Current coffee prices are around US\$1.76 per kg (ETB 30) for clean coffee at the farm gate. The response of small-scale coffee farmers to global coffee price increases has been systematically analyzed by a number of studies, with mixed results. In the case of Alemu and Worako (2009)⁶⁹, coffee growers were found to benefit little from positive changes in the global coffee price, as this price fluctuation is mainly absorbed in the coffee auction markets. These authors attribute the lack of producer price response to world price fluctuations to the use of the domestic market as a major coffee outlet at times of lower world prices.

5. **Wood extraction for firewood and charcoal.** Extensive extraction of fuelwood for both commercial and subsistence purposes is a driver of degradation throughout Ethiopia. The demand for fuelwood in 2009 was 77 million m³ against 9.3 million m³ of sustainable supply (UNIQUE 2015). More than 40 percent of the annual charcoal supply to Addis Ababa is from the Central Rift Valley areas (UNIQUE 2015). The activity is aggravated by traditional inefficient charcoal production technologies. Fuelwood extraction is most prominent in the surrounding urban areas, as these areas have a high demand for fuelwood. The extent of biomass scarcity is exemplified by the long travel distances currently required for wood collection. Most charcoal and fuelwood production are conducted informally without any license. Charcoal trade is characterized by weak law enforcement as the capacity to enforce regulations and effectively collect revenue is low (Beleke 2011). The vast majority of households depend on wood or charcoal for domestic energy consumption, using wood for cooking, heating, and lighting. Traditional biomass (wood, charcoal, and dung) accounts for roughly 90 percent of total primary energy use in Ethiopia, and about 84 percent and 99 percent of urban and rural households, respectively, rely on biomass as their primary cooking fuel (UNIQUE 2015). Charcoal is made using traditional earth mound kilns which incur considerable losses, entailing four or five times as much energy input as would be required for burning wood directly. Many account the loss of the acacia woodland in the Central Rift Valley area mainly to charcoal production and firewood extraction. According to Ethiopia's recent Biomass Energy Strategy developed by the MoWIE, there is a massive increase in charcoal consumption in the last 15 years due to the significant increase in rural incomes, proliferation of rural markets, improved road system and reduced transportation costs, and the limited land for growing trees surrounding urban areas.

Indirect drivers

6. The analysis pursued by Unique⁷⁰ on selected woredas and the analysis carried out by Climate Focus,⁷¹ combined with a literature review concludes that the main underlying causes of deforestation and degradation in Ethiopia are population growth and migration; ineffective land-use planning; and inadequate cross-sectoral policy and investment coordination, specifically changes in policies linked to land tenure and agricultural intensification, market drivers, environmental degradation, poverty, food insecurity, and infrastructure development, as well as

⁶⁹ Alemu & Worako 2009. *Price Transmission and Adjustment in the Ethiopian Coffee Market*. Paper prepared for presentation at the international association of agricultural economists conference in Beijing, China, August 2009

⁷⁰ Unique. 2014. *Strategy Options for the Oromia Forested Landscape Project*. Final report, Addis Ababa.

⁷¹ Climate Focus. 2015. *Legal and Institutional Framework for Oromia Forested Landscape Program*. Final report, Addis Ababa.

issues of rule of law, law enforcement and government capacity on the ground, land tenure and the land licensing and certification process, and government policies related to the GTP and Master Land-use Planning for the Oromia National Regional State.

7. **Ineffective land-use planning.** Land-use planning is an important tool to support REDD+ by promoting environmentally sustainable, socially sound, and economically viable land uses, and by directing economic activities to where they are most suited. The Oromia Rural Land Use and Administration Proclamation provides a framework for rural land administration and mandates the Oromia BoRLAU to develop a Master Plan for land use. To date, the Oromia BoRLAU has completed nearly half of the ‘land resource mapping process’, which constitutes the main groundwork for land-use planning. Upon approval by the Oromia Regional Administrative Council, the proposed land uses will be legally binding. The OFWE has demarcated large parts of the forest area under its responsibility. Some areas, however, either remain outside its concession or cannot be demarcated until the completion of the Oromia BoRLAU’s resource mapping process. There is a lack of harmonization and consistency between the various existing processes, which currently follow divergent methodologies and technologies. To speed up and strengthen land-use planning in Oromia, the OFLP will support a consultative policy process to facilitate a common understanding among various stakeholders about its purposes, goals, and process. This process will also help develop procedures that clarify the roles and functions of the different institutions and stakeholders. To effectively fulfill their functions, the capacities of the Oromia BoRLAU, OEFCCA, OFWE, Oromia BoANR, and local administrations should be strengthened.

8. Also, an effective land tenure system provides clarity over land access and other land rights, allows the identification of relevant actors, incentivizes long-term investments (financial or otherwise) in sustainable management, and enables actors to successfully manage their land without interference from intruders. In addition to the state and private forms of forest and land-use rights recognized by the Federal Forestry Proclamation, the Oromia Forest Proclamation recognizes communal administration and land-use rights over forest. Oromia legislation provides for holding certificates demonstrating proof of land-use right. Land use rights cannot be sold or exchanged, though they may be bequeathed and up to half of the land may be leased. Several issues impair tenure security and efforts to improve it. The inability to transfer land access creates some insecurity for private investors, which can hinder efforts to promote investments related to REDD+. There has also been limited focus on assigning land-use rights to communities. The OFLP will support the adoption of guidelines on the implementation of communal land certification processes and dedication of additional resources to the implementation of these guidelines, as well as an increased community outreach that creates awareness about land rights, in particular in support of PFM.

9. **Inadequate cross-sectoral policy and investment coordination.** Effective REDD+ implementation depends on cross-sectoral coordination and the development of relevant capacities among institutions overseeing forest and land administration. In Oromia, effective implementation is currently hindered by the lack of cross-sectoral coordination and by overlapping mandates. While the OFWE’s formal mandate over forests in Oromia was broad and included both commercial and non-commercial activities, the non-commercial aspects are now taken over by the newly established OEFCCA. Coordination will be ensured through a proposed

multi-sector coordination platform, the ORSC chaired by the Oromia bureau head, for land use issues.

10. Oromia through the OFWE is among the pioneers in the regional states of Ethiopia with more than 800,000 ha of forest under PFM. PFM presents an opportunity for REDD+ as it can facilitate forest conservation, development, and utilization through community participation. Oromia's forest legislation provides a relatively favorable legal framework, yet the success of PFM has been constrained by the lack of livelihood benefits provided to local communities. The opportunity that sustainable forest management presents for enhancing livelihoods of local communities is hardly considered and constrained by the absence of suitable local implementation structures. To strengthen the sustainability of PFM schemes, the OFLP will support an increased focus on Forest Management Agreements as well as ecologically and economically sound forest management plans. To strengthen PFM implementation, the OFLP will support the adoption of a PFM regulation that clearly defines institutional roles, a review framework, and minimum requirements for forest management planning and agreements, among other elements.

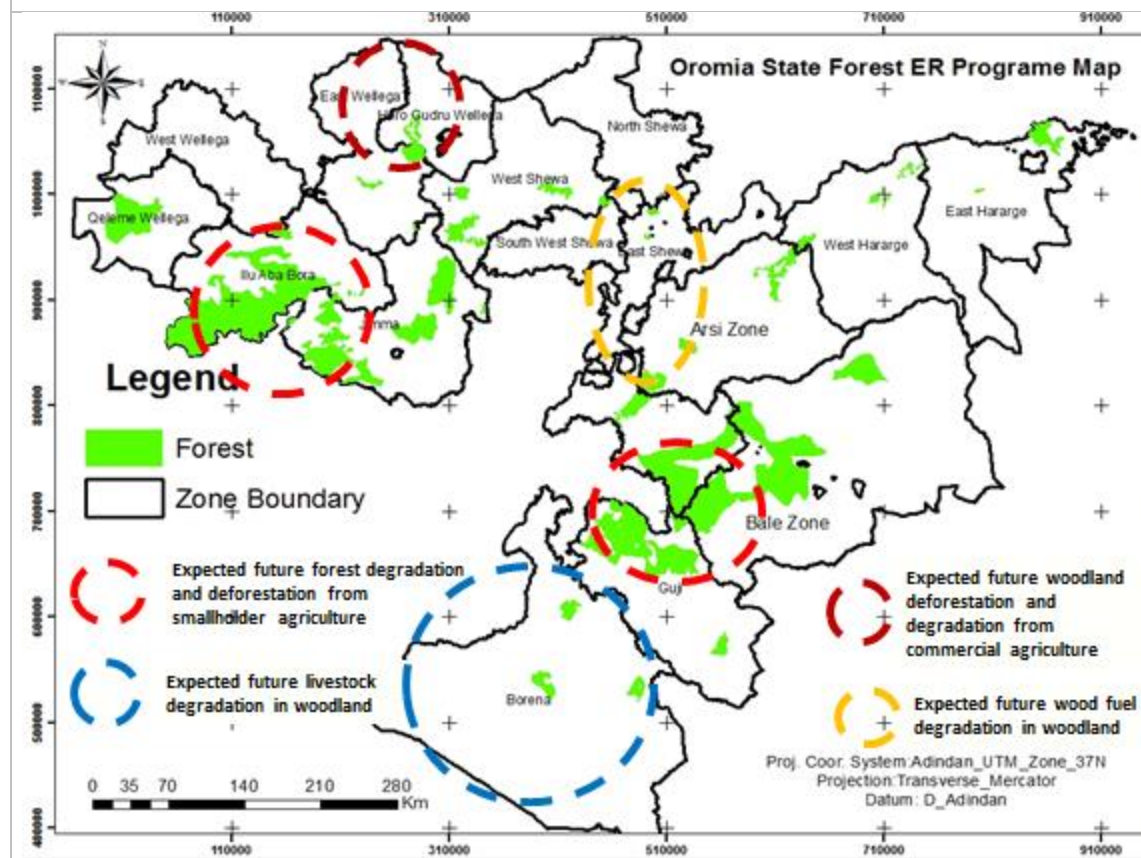
Projected deforestation

11. Regarding projected deforestation and degradation in forest areas, large-scale commercial farming is often unable to expand due to the large amounts of land already occupied by small-scale farmers. Expansion of traditional small-scale agriculture is expected to continue in forested areas due to population growth and the continued effects of previous resettlement programs. This is combined with increasing wood and forest product extraction in the forested areas, which sparks a forest degradation process that renders deforestation of previously unviable areas more interesting for conversion to agriculture.

12. In general, woodlands will be adversely affected by improved transportation networks combined with technological improvements such as irrigation and economic development focused on increasing total agricultural production. The commercial agriculture development plans outlined in the country's development strategies will most likely affect the woodlands, especially the high woodlands in the northwest as the edaphic and rainfall conditions are most suitable to agriculture. Woodland degradation due to increasing livestock production is at highest risk in the low Borena woodlands as adverse effects of climate change is expected to continue unabated, leading to augmented impact of livestock grazing. See Figure 9.1 for high-risk sites of future deforestation/degradation in the region.

13. In conclusion, the main causes of deforestation and forest degradation stem from growing demand for land and forest products and the inefficiency of sustainable resources management due to the economic, social, and policy/institutional constraints, among others. The growing demands for land and forest products are linked with small-scale subsistence, cash crop agriculture, and commercial coffee (which are mainly affecting moist and dry forests); commercial agriculture expansion affecting high woodlands; and fuelwood collection and livestock affecting moist forests, dry forests, high woodlands, and low woodlands (Unique and Conscientia, 2014).

Figure 9.1. High-risk Sites for Future Deforestation/Degradation in Oromia National Regional State (UNIQUE 2015)



Annex 10: Interface between OFLP and Selected Initiatives

No.	Initiative	Implementing agency	Development partners / financiers	Objective	Activities	Budget and time	Initiative contribution to OFLP objectives	OFLP contribution to initiative objectives
1	SLMP <i>(under implementation)</i>	MoANR	<ul style="list-style-type: none"> World Bank GEF Norway Ministry of Foreign Affairs Global Environment Facility (GEF) Least Developed Country Fund for Adaptation (of the GEF) Kreditanstalt Für Wiederaufbau (KfW) New EU support being prepared (2017) New World Bank IDA support being prepared (2017-2018) Other donors considering new support (2017-2018) 	To reduce land degradation and improve land productivity in selected watersheds in targeted regions in Ethiopia	Natural resource management (watershed management, soil and water conservation, area enclosure, soil fertility enhancement, small-scale irrigation, A/R, and so on), livelihoods and rural household energy (biomass), and land certification. The program covers 52 woredas or critical watersheds and 385 kebeles in Oromia.	US\$257 million through 2020 Budget estimate for Oromia: US\$40 million	Existing activities <ul style="list-style-type: none"> PFM in 5 major watersheds in 5 woredas Degraded landscape restoration and revegetation in 52 critical watersheds in 52 woredas in Oromia (estimated 520,000 ha) Community-based participatory watershed development Grazing land closures and natural regeneration Soil and water conservation, small-scale irrigation and intensification CSA Smallholder land certification and tenure security in some woredas Potential activities <ul style="list-style-type: none"> A/R 	<ul style="list-style-type: none"> PFM and A/R support watershed functions and food security Support to woredas (administrators, experts, kebeles' DAs) for coordinating activities within the landscape to help manage trade-offs and optimize benefits Training and knowledge development for woreda experts and DAs on various issues (land-use planning, PFM, A/R, and so on) that can help advance SLM (that is, do more, do it better) Safeguards training to woredas
2	PSNP-4 <i>(under implementation)</i>	MOANR	<ul style="list-style-type: none"> World Bank United States Agency for International Development DFID European Commission Government of Canada Government of Ireland Netherlands Development Association 	To increase access to safety net and disaster risk management systems, complementary livelihood services, and nutrition support for food-insecure households in rural	Promoting integrated watershed management and rehabilitation of degraded land through cash-for-labor arrangements, investing in improved agricultural practices including water harvesting and small-	US\$2.6 billion through 2020 Budget estimate for Oromia: US\$500 million	Existing activities <ul style="list-style-type: none"> Asset building and livelihoods support (crop, livestock, and off-farm activities) in 123 woredas (in Oromia's dry lands) Employment opportunities in civil works (roads, catchment rehabilitation, water 	<ul style="list-style-type: none"> Support to woredas in coordinating activities within the landscape to help manage trade-offs and optimize benefits Training and knowledge development for woreda experts and DAs on various issues (ILUP, PFM, A/R, and so on) PFM and A/R support

No.	Initiative	Implementing agency	Development partners / financiers	Objective	Activities	Budget and time	Initiative contribution to OFLP objectives	OFLP contribution to initiative objectives
			<ul style="list-style-type: none"> Swedish International Development Agency 	Ethiopia	scale irrigation, and supporting social protection and disaster risk management systems; safety nets transfer to chronically food-insecure households, and support to a scalable response mechanism for transitory needs; sustainable community assets and human capital investments; and institutional capacity-building and project management support. The project covers 123 woredas in Oromia.		abstraction, and so on) <ul style="list-style-type: none"> Training to farmers in Farmer Training Centers and pastoralists in crop and livestock management and off-farm diversification Community-based participatory watershed development Rural savings and credit cooperatives Potential activities <ul style="list-style-type: none"> A/R 	watershed functions and food security <ul style="list-style-type: none"> Safeguards training to woredas experts
3	AGP-2 <i>(under implementation)</i>	MoANR	<ul style="list-style-type: none"> Swedish International Development Agency Danish International Development Assistance United Nations Children's Fund World Food Program 	To increase agricultural productivity and commercialization of smallholder farmers targeted by the project	Increase access to public agricultural services of smallholder farmers; supply demand-driven agricultural technologies; increase access to efficient irrigation water supply to smallholder farmers; commercialize smallholder farmers through market access and efficiency of input and output market; and ensure sound project implementation, effective M&E of	US\$365 million through 2020 Budget estimate for Oromia: US\$100 million	Existing activities <ul style="list-style-type: none"> Demand-driven agricultural extension and technology promotion in 62 woredas Training to woreda experts, DAs, and farmers on participatory extension management, improved crop and livestock technologies, post-harvest handling and market-oriented agricultural commodities Coffee, vegetables, and fruit crop development Agricultural marketing and value chain (agri- 	<ul style="list-style-type: none"> Support to woredas in coordinating activities within the landscape to help manage trade-offs and optimize benefits Training and knowledge development for woreda experts and DAs in the ILUP, watershed management to enhance ecosystem services and productivity Safeguards training to woredas experts

No.	Initiative	Implementing agency	Development partners / financiers	Objective	Activities	Budget and time	Initiative contribution to OFLP objectives	OFLP contribution to initiative objectives
					results, and a consistent and effective approach to capacity development. The project covers 62 woredas and 1,640 kebeles in Oromia.		business development) <ul style="list-style-type: none"> • Local-level land-use planning • Community-based participatory watershed management, soil fertility enhancement, and small-scale irrigation • CMA Potential activities <ul style="list-style-type: none"> • Agroforestry • Restoration of degraded agricultural land with tree-based strategies and area closures 	

No.	Initiative	Implementing agency	Development partners / financiers	Objective	Activities	Budget and time	Initiative contribution to OFLP objectives	OFLP contribution to initiative objectives
4	NICSP (<i>under implementation</i>) and Sustainable Rural Energy Technologies Project United Nations Development Programme (UNDP)/GEF (<i>under preparation</i>)	MEFCC and MoWIE	<ul style="list-style-type: none"> Royal Embassy of Norway through Energy+ Barr Foundation UNDP United Nations Capital Development Fund (CleanStart) GEF 	To reduce carbon emissions from deforestation and forest degradation through large-scale adoption of clean cooking technology and to support the dissemination and adoption of 9 million ICS in Ethiopia	To establish project management and coordination structures at the federal and regional levels; develop and introduce quality standards, manuals, guidelines, technical procedures, and certification systems; build the technical and institutional capacity of government institutions; provide capacity-building training and loans to ICS producers; support marketing and promotion activities; establish testing laboratories at the federal and regional levels; design and implement a carbon finance program to generate revenue; and establish reporting and M&E frameworks. The program works in 67 woredas in Oromia.	<p>US\$5.5 million through 2020</p> <p>Budget estimate for Oromia from the NICSP: US\$1.5 million</p> <p>Budget estimate for Oromia from the UNDP/GEF: US\$1 million</p>	<p>Existing activities (NICSP)</p> <ul style="list-style-type: none"> Regional ICS training and demonstration laboratory center ICS promotion and dissemination manuals and guidelines Training on technology development, marketing, and promotion in 71 woredas Producers and entrepreneurs' development Loan service for rural cooperatives, ICS producers, urban large- and small-scale producers, and users Stove performance measurements <p>Potential activities</p> <ul style="list-style-type: none"> Establish business incubation centers Scale up ICS promotion and distribution in all 287 woredas 	<ul style="list-style-type: none"> Support to woredas in coordinating energy-efficient technology promotion activities Training of zonal and woreda energy officers and stove producers in marketing and customer relations Market day promotion and stove exhibition Regional inventory of active ICS producers in 287 woredas

No.	Initiative	Implementing agency	Development partners / financiers	Objective	Activities	Budget and time	Initiative contribution to OFLP objectives	OFLP contribution to initiative objectives
5	Land Investment for Transformation (LIFT) Program <i>(under implementation)</i>	MOANR	<ul style="list-style-type: none"> • DFID • Bank-financed SLMP-1 and SLMP-2 have been financing the same activity since 2008 	To improve land tenure security and support sustainable land governance systems and a better functioning rural land market in collaboration with the government to drive productive land use and green growth	Distribute second-level certification in up to 35% of 140 target woredas (districts) in four states (Oromia, Amhara, Tigray, and the SNNPR), support the development of the land administration system, record all rural land rights, and protect the rights of women. LIFT is operating in 54 woredas in Oromia.	US\$54-82 million through 2020 Budget estimate for Oromia: US\$20-32 million	Existing activities <ul style="list-style-type: none"> • Second-level land certification in 26 woredas • Development of land administration system • Improving rural land market for women and poor farmers Potential activities <ul style="list-style-type: none"> • Target woredas in and around priority forests, to help reduce pressure on forest resources and intensify crop production 	<ul style="list-style-type: none"> • Support to woredas in coordinating activities within the landscape to help manage trade-offs and optimize benefits • Training and knowledge development for woreda experts and the DAs in the ILUP and land administration • Safeguards training to woredas experts
6	Bale Eco-region REDD+ Pilot Project Phase II <i>(under implementation)</i>	<ul style="list-style-type: none"> • OEFCCA • OFWE • Farm Africa • SOS Sahel Ethiopia 	<ul style="list-style-type: none"> • Royal Norwegian Embassy 	Develop a proven model of REDD+ in Bale Eco-region to help shape and strengthen the wider REDD+ activities in Ethiopia, reducing deforestation and improving livelihoods of forest dependent communities. The project will also focus on the role of women and their access to benefits from forest management	<ul style="list-style-type: none"> • Increase capacity of CBOs, OFWE, OEFCCA/ORCU and woreda government institutions in Bale to effectively implement PFM-REDD+ • Test OFLP developed Benefit Sharing Mechanism (BSM) at grassroots level • Ensure sustainability of the Bale REDD+ project helping integrating Bale REDD+ project into OFLP and capacity building of local institutions, including local 	US\$5.6 million through 2020	Existing activities <ul style="list-style-type: none"> • PFM in 11 woredas including sustainable agricultural production and efficient energy use • On ground testing of OFLP BSM and input gathering useful for OFLP • Piloting of sustainable timber extraction, and input gathering useful for OFLP • Capacity building and institutional support in Bale eco-region Potential activities <ul style="list-style-type: none"> • ILUP • Testing and supporting safeguards implementation • CSA 	<ul style="list-style-type: none"> • PFM and A/R help protect forests, increase forest cover, reduce deforestation, degradation and emission, and enhance livelihoods • Support to woredas in coordinating activities within the landscape to help manage trade-offs and optimize benefits • Training and knowledge development for woreda experts and the DAs on various issues (ILUP, PFM, A/R, and so on) • Safeguards training to woredas • Supporting woredas in

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					<p>universities</p> <ul style="list-style-type: none"> Explore potential of sustainable timber production and income additionality in PFM-REDD+ and establish a viable approach through piloting 			marketing and distributing of ICS
7	<p>ILUP Study Project - Oromia Bureau of Rural Land Administration and Use (BoRLAU)</p> <p><i>(under implementation)</i></p>	Oromia BoRLAU	Government budget	To guide development decisions through sound land-use plan; support the agricultural and rural development program; optimize the actual land use; avoid land-use conflicts; conserve and rehabilitate natural resources; formulate rational land management options based on an inventory of land resources	<p>Among others, identifying, inventorying, and mapping the natural resource of the area which includes soils, temperature, rainfall, land use land cover and hydrology, and so on; identifying, delineating, and mapping of the current land use of the area; identifying, delineating, and mapping of the natural vegetation (land cover of the area); conducting land suitability classification; recommending management options for the improvement of land use; undertaking Strategic Environmental Assessment; and evaluating existing infrastructure and service development</p>	US\$8 million through 2020	<p>Existing activities</p> <ul style="list-style-type: none"> Macro-level (sub-basin) ILUP development in 287 woredas including maps Community-level participatory land-use planning development Training to woreda sector experts in implementing/enforcing the ILUP Community-level training in local-level land-use planning and implementation <p>Potential activities</p> <ul style="list-style-type: none"> Legislating regional land-use planning for its effective enforcement across the region 	<ul style="list-style-type: none"> Coordination of activities of all OFLP-implementing regional sector bureaus toward efficient land-use planning and application Training for regional and woreda sector and land-use planning teams on how to coordinate development needs for better use of land resources, on developing the ILUP and local-level land-use planning, and enforcement Safeguards training to woredas

No.	Initiative	Implementing agency	Development partners / financiers	Objective	Activities	Budget and time	Initiative contribution to OFLP objectives	OFLP contribution to initiative objectives
					status and indicating future development options. The ILUP Study Project covers all 287 rural and semi-rural woredas.			
8	Mass Mobilization for NRM <i>(under implementation)</i>	BoANR	Fully public government financing and community contributions. No external financing	To improve livelihoods of rural communities and enhance food security and their capacity of enduring climate shocks through the rehabilitation of degraded lands, improved agricultural practices, and proper utilization of water resources	Implementation of physical and biological soil and water conservation measures, area closure, A/R, agroforestry, small-scale irrigation, improved livestock management (improved feed production and stall feeding), rangeland management, and income-generation schemes for unemployed youth and women. Mass mobilization in Oromia covers 285 woredas.	US\$4.6 million through 2020	Existing activities <ul style="list-style-type: none"> Watershed planning in 285 woredas Degraded landscape restoration Grazing land closures and ANR Soil and water conservation, water abstraction, and small-scale irrigation A/R Community training in watershed planning, soil and water conservation, and small-scale irrigation 	<ul style="list-style-type: none"> Support to woredas in coordinating activities within the landscape to help manage trade-offs and optimize benefits Training and knowledge development for woreda experts and the DAs on various issues (ILUP, PFM, A/R, and so on) Safeguards training to woredas
9	REDD+ Joint Forest Management in Five Woredas in Illu Ababora Zone of Oromia Regional State Phase II Project <i>(under implementation)</i>	<ul style="list-style-type: none"> OEFCCA OFWE Ethio Wetlands and Natural Resources Association 	Norwegian Agency for Development Cooperation	To increase carbon storage in forests of five project Woredas, Oromia Regional State by promoting PFM and livelihood support actions	Natural forest conservation and reducing deforestation and degradation through PFM, marketing of NTFP, and joint community-OEFCCA/OFWE management and use of forest resources. The project covers 5 woreda and 57	US\$1.1 million through 2020	Existing activities <ul style="list-style-type: none"> PFM in five woredas Fuel-efficient technology Alternative supply of wood for fuelwood and construction materials (A/R) Provision of livelihoods alternatives Potential activities <ul style="list-style-type: none"> ILUP 	<ul style="list-style-type: none"> PFM and A/R help protect forests; increase forest cover; reduce deforestation, degradation, and emission; and enhance livelihoods Support to woredas in coordinating activities within the landscape to help manage trade-offs and optimize benefits Training and knowledge

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					kebeles in Oromia.		<ul style="list-style-type: none"> CSA 	development for woreda experts and the DAs on various issues (ILUP, PFM, A/R, and so on) <ul style="list-style-type: none"> Safeguards training to woredas Supporting woredas in marketing and distributing of ICS
10	Program-for-Results ESPES <i>(under implementation)</i>	MoFEC	<ul style="list-style-type: none"> World Bank Other unspecified development partners provided resources 	To improve equitable access to basic services and strengthen accountability systems at the decentralized level	Enhancing equitable access to basic services, citizen engagement, and environmental and social management capacity development; strengthening fiduciary aspects of basic service delivery; and ensuring quality data management and better access to data. The program covers all woredas in Oromia.	US\$857 million through 2019 Budget estimate for Oromia: US\$300 million	Existing activities <ul style="list-style-type: none"> Capacity development in environmental and social safeguards management at woreda's ESPES-supported sectors Assigning of environmental and social safeguards specialists to woreda's ESPES-supported sectors Monitoring of activities of environmental and social safeguards specialists assigned to woreda sector offices 	<ul style="list-style-type: none"> Safeguards training to woredas Support to woredas in coordinating activities across sectoral offices
11	Nespresso-East Africa Coffee Project (Nespresso, IFC, and BioCF support) <i>(under implementation)</i>	TechnoServe	<ul style="list-style-type: none"> Nespresso IFC BioCF 	20,000 farmers will be trained in Oromia on standards for sustainable production and processing of coffee beans over two years. Assistance will also be provided to improve the	Increasing coffee productivity; establishing coffee traceability that will reduce encroachment to forest land; agronomy training to improve farmers' skills and practices; strengthening of wet mill operations to enhance farm	The ISFL provides US\$3 million through the IFC to Nespresso to support training activities implemented by TechnoServe.	Existing activities <ul style="list-style-type: none"> Improving coffee production techniques and farm management that support better shade coffee production, and increasing forest trees in coffee farms Improving coffee quality thus increasing farmers' income and livelihoods 	<ul style="list-style-type: none"> PFM and A/R help protect forests; increase forest cover; reduce deforestation, degradation, and emission; and enhance livelihoods Support to woredas in coordinating activities within the landscape to help manage trade-offs and optimize benefits

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				operations of 77 wet mills that process sustainably produced coffee.	profitability; and providing credit to cooperatives for investment of wet mills. The project will cover four woredas in Oromia.	This landmark deal is combined with a US\$3 million loan funded by the IFC to support smallholder coffee farmers and producer wet mill businesses in Ethiopia and Kenya.	<ul style="list-style-type: none"> • Training woreda experts and the DAs in improved coffee production and farm management • Climate-smart coffee production system • PFM • Agroforestry 	<ul style="list-style-type: none"> • Training and knowledge development for woreda experts and the DAs on various issues (ILUP, PFM, A/R, and so on) • Safeguards training to woredas
12	Certified Forest Coffee Production and Promotion Project (<i>under implementation</i>)	Jointly OEFCCA/OFWE and JICA	Government of Japan through JICA	To promote sustainable rural development and increasing farmers' income through forest conservation, expansion, and forest coffee certification in the Belete Gera Forest Area	Improve forest management and enhance sustainability in the target areas of Belete Gera, expand forest coffee certification, and provide capacity-building support to the OFWE and its Jimma Branch toward PFM and forest coffee certification operation. The project covers 2 woredas and 24 kebeles in Oromia.	Approximately US\$4 million through 2019	<p>Existing activities</p> <ul style="list-style-type: none"> • Improving coffee farmers' income through certification of forest coffee production and quality enhancement • Training of coffee farmers on protecting natural forest and coffee biodiversity as a condition for certification and better market • Providing technical support to PFM cooperatives and forest user groups to sustain community institution and forest protection • Providing TA and training on improved production <p>Potential activities</p> <ul style="list-style-type: none"> • A/R • CSA 	<ul style="list-style-type: none"> • PFM and A/R help protect forests; increase forest cover; reduce deforestation, degradation, and emission; and enhance livelihoods • Support to woredas in coordinating activities within the landscape to help manage trade-offs and optimize benefits • Training and knowledge development for woreda experts and the DAs on various issues (ILUP, PFM, A/R, and so on) • Safeguards training to woredas

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13	Biodiversity Resources Conservation in National Protected Areas <i>(under preparation)</i>	<ul style="list-style-type: none"> • EWCA • Ethiopian Institute of Biodiversity Conservation • ME FCC 	<ul style="list-style-type: none"> • German source (Not Specified) • Other unspecified development partners to provide resources 	NS	NS	NS	Potential activities <ul style="list-style-type: none"> • Biodiversity conservation including forest • PFM • Promoting ecotourism and community livelihood support • Local employment 	<ul style="list-style-type: none"> • PFM and A/R help protect forests; increase forest cover; reduce deforestation and degradation; and enhance livelihoods • Support to woredas in coordinating activities within the landscape to help manage trade-offs and optimize benefits • Training and knowledge development for woreda experts and the DAs on various issues (ILUP, PFM, A/R, and so on) • Safeguards training to woredas
14	BBC Media Action's 'Air We Breathe' public campaign in Oromia <i>(under implementation)</i>	<ul style="list-style-type: none"> • Ministry of Water, Irrigation, and Electricity • ME FCC • OEFCCA/OF WE • Ministry of Health • Oromia Radio and Television Organization 	<ul style="list-style-type: none"> • BBC Media Action • Norwegian Ministry of Foreign Affairs 	To conduct further research into the full spectrum of benefits—health, education, financial, temporal—that result from actions to reduce household air pollution as well as what influences family choices around domestic practices	Research, radio drama, public service announcements, targeting fuel consumption practices, and establishing partnerships and capacity-strengthening training in promoting healthy indoor environment and use of fuel-efficient technologies. The program covers all Oromia woredas where radio and TV broadcast reach.	Approximately US\$1.7 million through 2017	Existing activities <ul style="list-style-type: none"> • Educating communities on adoption of ICS and other energy-efficient technologies • Informing policy formulation and policy implementation on adoption of energy-efficient technologies through effective communication media 	<ul style="list-style-type: none"> • Support to woredas in coordinating activities, including in adoption of ICSs within the landscape to help manage trade-offs and optimize benefits • Technical support to stove producers and marketers • Training on marketing and dissemination of cook stoves

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15	National Biogas Program of Ethiopia (NBPE II and NBPE+) NBPE II (<i>under implementation</i>) NBPE+ (<i>approved, implementation to start soon</i>)	MoWIE	<ul style="list-style-type: none"> • European Union • The Netherland Ministry of Foreign Affairs • Netherlands Development Organization • Hivos International Organization- Netherlands • Other development partners to provide more resources for NBPE+ 	To develop a commercially viable, market-oriented biogas sector in Ethiopia; strengthen the promotion of biogas technology for domestic energy and the use of bio-slurry as organic fertilizer; ensure effectiveness of installed digesters; and develop entrepreneurial skills in the biogas construction business and appliance manufacturing and supply	Facilitate private sector participation and sustained credit facilities; build private sector technical and business capacity; develop Biogas Construction Enterprise Associations in six regions; provide specialist technical support in demand creation, market promotion, and business linkages; develop standards for quality management of plant construction and bio-slurry management and utilization; and establish multi-stakeholder platforms, networks, and knowledge centers and build linkages with the agricultural and health sectors. The program covers 102 woredas in Oromia.	US\$10.8 million for NBPE II through 2017 and US\$26 million for NBPE+ through 2020 Total fund US\$37 million Budget estimate for Oromia: US\$11 million	Existing activities <ul style="list-style-type: none"> • Promotion of biogas as alternative to fuelwood and charcoal use in 102 woredas • Bio-slurry use as byproduct of biogas for enhancing soil fertility and increasing in-crop yield • Training to woredas in biogas construction and use and bio-slurry use • Rural employment and involvement of the private sector during construction and maintenance of biogas plants Potential activities <ul style="list-style-type: none"> • Establishing business incubation centers • Scaling up biogas use in woredas in and around forests 	<ul style="list-style-type: none"> • Support woredas in coordinating alternative energy technology promotion activities • Training of zonal and woreda energy officers in alternative energy use
16	Forest Resources Development, Conservation, and Sustainable Utilization of the OFWE (<i>under implementation</i>)	OFWE	Government budget	To develop and protect forest resources in Oromia and ensure sustainable utilization of forest resources by the state, community, and private sector	Natural forest protection through PFM, developing plantation forests, management of forest resources (natural and planted forest), sustainable exploitation of timber	Approximately US\$60 million through 2020	Existing activities <ul style="list-style-type: none"> • A/R of 61,480 ha of land • PFM in 900,000 ha of forest • Coffee and other NTFP development and marketing • Protection of natural 	<ul style="list-style-type: none"> • Support to woredas in coordinating activities within the landscape to help manage trade-offs and optimize benefits • Training and knowledge development for woreda experts and the DAs on various issues (ILUP,

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					and NTFP (timber largely from plantation forest, coffee, honey, and spices), value addition to NTFP and marketing of forest coffee in high-value markets, and so on. The OFWE's operational area covers 130 woredas.		forest and other protected areas <ul style="list-style-type: none"> • Sustainable exploitation of timber-creating employment and increase income at the local level • Training to woredas in A/R, PFM, NTFP production and marketing, and other forest-management-related topics • Community organization and promotion of cooperatives Potential activities <ul style="list-style-type: none"> • Scaling up PFM to more forest areas currently under OFWE concessions • Increasing A/R coverage within its current concessions 	PFM, A/R, alternative energy use, and so on) <ul style="list-style-type: none"> • Safeguards training to woredas • PFM and A/R help protect forests; increase forest cover; reduce deforestation and degradation; and enhance livelihoods
17	Pastoral Community Development Project III <i>(under implementation)</i>	Ministry of Federal Affairs and Pastoral Area Development	<ul style="list-style-type: none"> • World Bank • International Fund for Agriculture 	To contribute to improved livelihoods of pastoralists and agro-pastoralists with regard to growth and stability of incomes, improvements in their health, nutrition and education status, as well as greater empowerment and decision-making	Community Investment Funds for social and economic services, institutionalization of community-driven development, community self-monitoring and learning, promotion of pastoral saving and credit cooperatives, identification and development of livelihood opportunities, promotion of adaptive	US\$195 million through 2018 Budget estimate for Oromia: US\$50 million	Existing activities <ul style="list-style-type: none"> • Investment in community-driven livelihood activities in dry lands (pastoral and agro-pastoral woredas) • Improved dry land crop production through small-scale irrigation and water harvesting • Re-greening of dry lands • Community organization and promotion of cooperatives • Training business skill 	<ul style="list-style-type: none"> • Training and knowledge development for woreda experts and the DAs on various issues (ILUP, A/R, alternative energy use, and so on) • Safeguards training to woredas

No.	Initiative	Implementing agency	Development partners / financiers	Objective	Activities	Budget and time	Initiative contribution to OFLP objectives	OFLP contribution to initiative objectives
				authority in local development initiatives	research and innovative practices, policy consultations and knowledge management, communication and internal learning, project management, and M&E. The project covers 26 woredas in Oromia.		development and fund provision Potential activities <ul style="list-style-type: none"> • A/R (shade for livestock) • Dry land restoration/rangeland restoration • CSA 	
18	Yayu Coffee Forest Biosphere Reserve Project (under implementation)	<ul style="list-style-type: none"> • OEFCCA/OFWE • BoANR • The Environment Coffee Forest Forum 	<ul style="list-style-type: none"> • Ecosystem Services for Poverty Alleviation (U.K.) • Austrian Development Agency 	To contribute to sustainable development through strengthening institutional capacities to implement Yayu Coffee Forest Biosphere Reserve management plans and support efforts to improve livelihoods of the local community	Support to development and implementation of coffee forest management plan, conducting research, institutional development and strengthening of coffee forest cooperatives, capacity development to local FDRE officials and communities, training and awareness raising on biodiversity in general, and conservation of coffee genetic resources in particular. The project works in 6 woredas and 30 kebeles.	US\$0.76 million through 2017	Existing activities <ul style="list-style-type: none"> • Coffee forest and coffee biodiversity conservation • Development and support of forest coffee producers' cooperatives • Promoting PFM • Woreda and community training in forest coffee gene and forest resources preservation 	<ul style="list-style-type: none"> • PFM helps protect forests and biodiversity, increase forest cover, reduce deforestation and degradation, and enhance livelihoods • Support to woredas in coordinating activities within the landscape to help manage trade-offs and optimize benefits • Training and knowledge development for woreda experts and the DAs on various issues (ILUP, PFM, alternative energy use, and so on) • Safeguards training to woredas

No.	Initiative	Implementing agency	Development partners / financiers	Objective	Activities	Budget and time	Initiative contribution to OFLP objectives	OFLP contribution to initiative objectives
19	PFM in or adjacent to areas of the SLMP in Ethiopia <i>(under implementation)</i>	<ul style="list-style-type: none"> • BoANR • OEFFCA/IFWE 	GIZ	To pilot the implementation of PFM in and adjacent to critical watersheds under the national SLMP	Area mapping; introduction of participatory inventory methods for biomass inventory and species distribution; advise on organizational structure and administration of CBOs; advise on structure and function of benefit-sharing systems; capacity development for the FDRE's personnel on sustainable forest management; capacity development for communities in sustainable forest management and advise on participatory forest utilization with focus on NTFP production and marketing. The project covers one woreda and five kebeles in Oromia.	Approx. US\$0.57 million through 2019 for Oromia	Existing activities <ul style="list-style-type: none"> • PFM • Promoting forest cooperatives establishment for NTFP marketing • Woreda and community training in sustainable forest management Potential activities <ul style="list-style-type: none"> • A/R 	<ul style="list-style-type: none"> • PFM and A/R help protect forests; increase forest cover; reduce deforestation and degradation; and enhance livelihoods • Support to woredas in coordinating activities within the landscape to help manage trade-offs and optimize benefits • Training and knowledge development for woreda experts and the DAs on various issues (ILUP, PFM, A/R, alternative energy use, and so on) • Safeguards training to woredas
20	Livestock and Fisheries Sector Support Project <i>(Under preparation)</i>	Ministry of Livestock and Fisheries	World Bank IDA and BioCarbon Fund	<p>Increase livestock and fisheries productivity, commercialization and market access of targeted smallholders in Ethiopia;</p> <p>To account and crediting for emission</p>	Policy development, investment planning and sector coordination; sustainable animal health and advisory services; strengthening Extension Services; strengthening Producer Cooperatives (PCs);	<p>US\$150 million IDA through 2024</p> <p>(exact time span TBC)</p> <p>Budget estimate for Oromia: US\$30 million</p>	<p>Potential activities</p> <ul style="list-style-type: none"> • Climate smart livestock production through stock improvement and stock size reduction; • Improved stall feeding, hence less rangeland/grazing land and forest degradation; Planned activities (under preparation)	<ul style="list-style-type: none"> • Support to woredas in coordinating activities within the landscape to help manage trade-offs and optimize benefits • Training and knowledge development for woreda experts and DAs in the ILUP, watershed management to enhance ecosystem services and productivity

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				<p>reductions due to intervention of the project (specifically from cattle sub-sector) at regional level through signing of an ERPA</p> <p>The project would be implemented across 9 regions in Ethiopia (26 woredas), project woredas are yet to be identified</p>	<p>dairy and poultry breeding policy support; emergency response in the sector; support farmers' access to services, inputs and assets; support farmers' access to output markets; and support on cross-cutting activities including gender, nutrition, and capacity building; and baseline development, accounting for emission reduction from activities of improved livestock mgt and crediting through signing ERPA</p>	<p>Exact amount of ER to be generated and total ER credit to be determined.</p>	<ul style="list-style-type: none"> • Contributes to improved income and better livelihoods for farmers; • Institutional strengthening and capacity building • Cooperative development and community organization • Contribution to green emission reduction as a result of better stock and rangeland management; • Baseline establishment and ER accounting due to activities including stock quality and feed improvement; • Potential ER credit through a possible ERPA <p>Potential activities</p> <ul style="list-style-type: none"> • Enclosures + assisted natural regeneration • Grazing corridors 	<ul style="list-style-type: none"> • Conducive institutional arrangement for MRV and MRV methodological framework for ER monitoring in the forest and livestock (cattle) sector (comprehensive landscape ER accounting) • Safeguards training to woreda experts;
21	<p>Initiative for Sustainable Landscapes (ISLA), Central Rift Valley, Ethiopia</p> <p><i>(under implementation)</i></p>	<ul style="list-style-type: none"> • BoANR • Oromia BoWME • Oromia BoRLAU • Sustainable Trade Initiative of Netherlands (IDH) 	IDH	To establish public-private partnership for joint landscape investment plan for addressing water and land-use challenges in and around Lake Ziway	Land and water management at the landscape level by forming a stakeholders' coalition and also ISLA co-funding alongside the stakeholders, interventions that will have tangible impacts in the Central Rift Valley that can later become scalable in a wider landscape	<p>Approx. US\$2.3 million through 2018</p>	<p>Existing activities</p> <ul style="list-style-type: none"> • Sustainable land and water resource management at the landscape level • Leveraging the private sector (flower farms and fruit and vegetable producers in the Rift Valley) for landscape-level better land and water resource use • Community training in improved land use and land restoration 	<ul style="list-style-type: none"> • PFM and A/R help protect forests, increase forest cover, reduce deforestation and degradation, and enhance livelihoods • Support to woredas in coordinating activities within the landscape to help manage trade-offs and optimize benefits • Training and knowledge development for woreda experts and the DAs on various issues (ILUP,

No.	Initiative	Implementing agency	Development partners / financiers	Objective	Activities	Budget and time	Initiative contribution to OFLP objectives	OFLP contribution to initiative objectives
					context. The project works in four woredas in Oromia.		Potential activities <ul style="list-style-type: none"> • A/R • CSA 	<ul style="list-style-type: none"> • PFM, A/R, and so on) • Safeguards training to woredas
22	Conservation of Biodiversity and Ecosystems Functions and Improved Well-being of Highland and Lowland Communities within the Bale Mountains Eco-regional REDD+ Project <i>(under implementation)</i>	<ul style="list-style-type: none"> • Consortium of NGOs led by Farm Africa • OFWE • MEFC • International Water Management Institute • EWCA 	<ul style="list-style-type: none"> • European Union • Norwegian government 	To conserve biodiversity in Bale Mountains Eco-Region and increase resilience and well-being of highland/lowland communities	Capacity building of communities and government institutions through training, exchange visit, material support, and mentoring; strengthening existing PFM; piloting participatory land-use planning and watershed mgt, introducing CSA; integration of community into ecotourism industry; introducing sustainable energy initiatives and creation of market linkage and business management. The project covers seven woredas in Oromia (Bale).	Approx. US\$5.7 million through 2017	Existing activities <ul style="list-style-type: none"> • PFM • Participatory land-use planning • Ecotourism and livelihood activities • CSA • Alternative energy technology promotion • Training to woreda and community in sustainable forest management, participatory land-use planning, and CSA Potential activities <ul style="list-style-type: none"> • A/R • More PFM • Scale up watershed mgt as it is already being done all over Ethiopia and Oromia at a scale financed by the SLMP and PSNP, so proven models exist (also financed by Norway) 	<ul style="list-style-type: none"> • PFM and A/R help protect forests, increase forest cover, reduce deforestation and degradation, and enhance livelihoods • Support to woredas in coordinating activities within the landscape to help manage trade-offs and optimize benefits • Training and knowledge development for woreda experts and the DAs on various issues (ILUP, PFM, A/R, and so on) • Safeguards training to woredas
23	Market Development for Renewable Energy and Energy-efficient Products (Credit Line) <i>(under implementation)</i>	<ul style="list-style-type: none"> • MoWIE • Dev't Bank of Ethiopia 	<ul style="list-style-type: none"> • World Bank • IFC 	To promote off-grid renewable energy including solar and biogas, and energy-efficient technologies through policy support and credit facilities	Facilitate expansion of access to electricity in rural off-grid areas; provide TA for the private sector to involve in renewable energy production and distribution; promote renewable and energy-efficient	US\$20 million through 2018 Approx. US\$2.9 million is available through Oromia-based micro-finance	Existing activities <ul style="list-style-type: none"> • Promoting alternative energy sources to fuelwood and charcoal • Private sector involvement in renewable energy and energy-efficient technology production and marketing 	<ul style="list-style-type: none"> • Support woredas in coordinating alternative energy technology promotion activities • Training of zonal and woreda energy officers in alternative energy use • Safeguards training to woredas

No.	Initiative	Implementing agency	Development partners / financiers	Objective	Activities	Budget and time	Initiative contribution to OFLP objectives	OFLP contribution to initiative objectives
					sources to potential customers; assist project promoters on energy policy issues; establish technical standard to be met for renewable energy and energy-efficient products; conduct periodic reviews of the technical performance of renewable energy and energy-efficient products; provide credit facility to microfinance institutions (Wholesale Part); provide credit facility to private sector enterprises (Retail Part); and conduct periodic reviews of the financial performances of renewable energy and energy-efficient products.	institutions Additional fund of US\$20 million pledged by the Bank	<ul style="list-style-type: none"> • Funding to private sectors supporting its involvement in production and marketing of alternative energy sources and energy-efficient technology • Educating local communities in technology use • Credit to microfinance institutions to support renewable energy and energy-efficient technology use 	
24	National REDD+ Readiness Project <i>(under implementation)</i>	Ministry of Environment, Forest and Climate Change (MEFCC)	<ul style="list-style-type: none"> • World Bank (FCPF) • Other multiple donors 	To ensure sustainable management of forests for reduced carbon emissions, carbon stock enhancement, and other co-benefits; effective legal and institutional setup for the implementation of REDD+ programs,	Establish REDD+ management arrangement (REDD+ Steering Committee, REDD+ Technical Working Group, and REDD+ regional institutions); conduct REDD+ consultation and participation and stakeholders' engagement; develop National REDD+	US\$13.6 million through 2018 Oromia REDD+ pilot has been provided US\$1 million	Existing activities <ul style="list-style-type: none"> • Development of national REL/MRV guiding instruments for national Oromia REDD+ Program • Preparation of the SESA/ESMF, RPF, and PF as the right instruments focusing on the OFLP • Development of National REDD+ 	<ul style="list-style-type: none"> • On-ground testing of the National REDD+ strategy and REDD+ systems (MRV/REL, safeguards, and so on) enhancing REDD+ development at the national level • Establishing the first carbon finance transaction in the country, thus paving the way for further carbon

No.	Initiative	Implementing agency	Development partners / financiers	Objective	Activities	Budget and time	Initiative contribution to OFLP objectives	OFLP contribution to initiative objectives
				projects, and activities; REDD+ projects deliver socioeconomic benefits and contribute to livelihood improvement; enhance the capability of forest managers and support groups to successfully and equitably implement REDD+ strategies	Strategy; conduct the SESA; develop forest REL and MRV mechanism, and pilot test REDD+ systems on the ground.		<p>Strategy as an umbrella guidance document for national-level forest investment and carbon finance operation</p> <ul style="list-style-type: none"> Continued technical support and institutional strengthening to the regional REDD+ pilot including the Oromia REDD+ Program Design implementation arrangement and institutional coordination for REDD+ in Ethiopia <p>Potential activities</p> <ul style="list-style-type: none"> More forest investment on the ground and mobilization of more resources for forest investment through carbon finance Involvement of the private sector in forest investment and carbon finance 	<p>financing</p> <ul style="list-style-type: none"> Investment on the ground to enhance forest cover and carbon stock and to attain first verified ER from deforestation and forest degradation (REDD+) Leveraging existing projects/initiatives for a coordinated on-ground investment and effective use of resources Paving the way on policy and institutional coordination for REDD+ implementation in Ethiopia
25	<p>REDD+ Investment in Ethiopia (2016 - 2020) Phase II</p> <p>(under preparation)</p>	<ul style="list-style-type: none"> MEFCC/ National REDD+ Secretariat Regional Environment and Forest institutions/ Regional REDD+ Coordination Units 	Royal Norwegian Embassy	<ul style="list-style-type: none"> REDD+ institutional development across 7 regions (regions with forest resources) Sustainable forest management (SFM) in 7 regions and achieve 26 MtCO₂e of Ethiopia's forest sector emissions 	<ul style="list-style-type: none"> REDD+ institutions capacity development (national and regions) Awareness raising, REDD+ communication and Knowledge management Policies and legal harmonization REDD program design in 	<p>US\$ 80 million nationally through 2020</p> <p>Budget estimate for selected protected areas in Oromia: US\$15 million (to be decided by MEFCC and Norway)</p>	<ul style="list-style-type: none"> Existing activities PFM, CSA and climate smart livestock production in those woredas in Oromia not receiving any project finance Capacity building and institutional support across Oromia Additional resources for A/R Support on more policy and legal harmonization Support on cross 	<ul style="list-style-type: none"> PFM and A/R help protect forests, increase forest cover, reduce deforestation, degradation and emission, and enhance livelihoods Support to woredas in coordinating activities within the landscape to help manage trade-offs and optimize benefits Training and knowledge development for woreda experts and the DAs on

No.	Initiative	Implementing agency	Development partners / financiers	Objective	Activities	Budget and time	Initiative contribution to OFLP objectives	OFLP contribution to initiative objectives
				reduction. <ul style="list-style-type: none"> Restoration of 1.07 million ha of new forest 	Gambella, Benshangul and Afar <ul style="list-style-type: none"> Strengthening REDD MRV Sustainable Forest management through PFM Afforestation/reforestation Climate smart agriculture and livestock production 		sectoral coordination <ul style="list-style-type: none"> Additional support to help meet ER OFLP ER target Potential activities ILUP Integrated watershed management 	various issues (ILUP, PFM, A/R, and so on) <ul style="list-style-type: none"> Safeguards training to woredas Supporting woredas in marketing and distributing of ICS
26	Water stress reduction in the Dabena catchment area through a public-private partnership (Bede Woreda, Oromia) (Under preparation)	<ul style="list-style-type: none"> Bede Woreda Administration Bede Brewery (Heineken) 	<ul style="list-style-type: none"> Heineken Brewery United Nations Industrial Development Organization 	To reduce water stress and avoid water shortages through participatory watershed management interventions in the Dabena watershed of Bede Woreda	Sustainable forest management, A/R, local-level land-use planning, participatory IWSM, water conservation, ANR, livelihood support, awareness raising, and training; and reuse of the brewery's wastewater	n.a.	Potential activities <ul style="list-style-type: none"> Sustainable forest management/PFM enhancing forest protection and forest area coverage A/R increasing forest coverage and reducing pressure on natural forest resources IWSM and local-level land-use planning contributing to more coordinated interventions at the watershed level Enhancing public-private partnership in integrated natural resources management Improving livelihoods and local income through employment generation 	<ul style="list-style-type: none"> PFM and A/R help protect forests, increase forest cover, reduce deforestation and degradation, and enhance water availability Supporting in coordinating activities within the landscape to help manage trade-offs and optimize benefits Training and knowledge development for woreda experts and the DAs on various issues (ILUP, PFM, A/R, and so on) Safeguards training to woredas

Annex 11: Detailed Economic and Financial Analysis

1. An analysis conducted during preparation indicates that OFLP interventions are economically and financially feasible and will generate significant and positive benefits that outweigh the costs. This Annex provides additional detail on the economic analysis.

2. The OFLP's primary areas of intervention are expected to yield multiple categories of benefits, some readily quantifiable—such as improved agricultural productivity contributing to community livelihoods and GHG ERs—and others less tangible, such as strengthened institutions, improved landscape management, and habitat connectivity. Categories of benefits that are readily quantifiable are estimated in this analysis; others are discussed qualitatively. Improved livelihoods of communities and households in the rural landscape are a primary category of direct benefits, measured through potential increases in household incomes due to better yields, better access to markets, or reduced harvest losses. OFLP interventions will improve land and soil management practices, introduce new livelihood activities (including tree- and forest-based enterprises), and provide information, extension, training, and inputs as part of a comprehensive approach to promote the adoption and dissemination of more sustainable practices. These improvements in landscape management and agricultural practices will both reduce forest loss and degradation and encourage the economic uses of trees and establishment of plantations, both of which contribute to reducing emissions, a second key category of quantifiable economic benefits. Household livelihood benefits are compared to the costs of Components 1 and 2 (the US\$18 million grant). ER benefits are compared to the estimated US\$50 million ERPA associated with Component 3 of the program.

3. The economic analysis aims to indicate the potential range of positive outcomes associated with the OFLP, measured in monetary terms. Sensitivity analysis is used to show that the results are robust to changes in key parameters and assumptions about discount rates. Table 11.1 illustrates that there are important categories of benefits (for example, social capital and biodiversity) that are not quantified, yet will contribute to the overall local and global benefit of the program.

Table 11.1. Categories of Benefits Not Quantified but Add to the OFLP's Positive Results

OFLP interventions	Economic benefits	Beneficiaries	Quantified/ Estimated?
1. More sustainable forest and land management practices, reduced forest degradation, and reduced encroachment	Greater forest cover, habitat for wildlife and biodiversity (on site) Enhanced habitat connectivity and ecosystem services (beyond site)	Ethiopia and global	No
	Reduced emissions and enhanced carbon stocks in agricultural and forest landscapes	Global	Yes
2. More sustainable agricultural and land management practices	Higher yields, better returns from land for farmers and owners	Communities and landowners	Yes
	Reduced emissions and enhanced carbon stocks in landscapes	Global	Yes
	Enhanced biodiversity in agricultural landscapes	Ethiopia and global	No
3. Strengthened community-level institutions	Higher social capital and empowered communities, including for women	Communities	No
4. Access to new skills and markets; opportunities for revenue generation and job creation	Employment, earnings	Communities	No
5. Improved institutional norms, clarified rules and procedures	Less conflict over application of rules Less waste on bureaucratic procedures, more investment	Farmers and landowners	No

4. **Benefits from higher yields and lower costs.** OFLP interventions (directly under Component 1, Enabling Investments, supplemented by extension and institutional improvements under Component 2) will produce economic benefits at the household, community, and landscape levels. Benefits can be readily monetized from three types of interventions: (a) extension, information, inputs, and improved practices for 25,000 smallholders; (b) promotion of woodlots and timber production activities on 9,000 ha; and (c) promotion of PFM with communities on about 120,000 ha over the lifetime of the program. The number of affected participants and hectares are drawn from the results framework in Annex 1. For smallholder agricultural activities, benefits will be achieved both by increasing productivity and providing new market opportunities and by reducing production costs and agricultural losses (which can be as high as 15 percent in rural Ethiopia, even in relatively good crop years [Ethiopia Poverty Assessment 2014, Bank]).

5. The OFLP aims to assist relatively poor communities in the rural landscape, where current agricultural practices contribute to degradation of landscape productivity. Interventions will lead to increased skill, greater production, greater certainty over land use and access, and new forms of economic opportunities such as woodlots. Conservatively, this analysis assumes that targeted individuals are at the poverty line of ETB 3,781 adult equivalent (Ethiopia Poverty Assessment 2014, Bank) or about US\$180 at the current exchange rate of ETB 21 per U.S. dollar. For comparison, national per capita average income was US\$470 according to the World Bank Economic Update (2015). Again, conservatively, it is assumed that benefits of interventions will accrue to a household of four 'adult equivalents', as compared to the national average of 6 individuals per household.

6. Extension information and improved practices aimed at 25,000 beneficiaries (individuals) will help increase household income through productivity increases and reduced costs/losses. These changes will raise the income for participating or adopting smallholder households; opportunity costs are assumed to be covered within this set of assumptions. A quantitative framework was developed to allow the analysis of the effects of different levels of impact on yields or reduced losses. Because the OFLP is not yet under implementation, results for a small range of changes in key variables were estimated. This analysis shows that even a 10.8 percent change in smallholder household income (that is, 5.4 percent increase in yields and 5.4 percent decrease in agricultural losses) produces benefits that exceed OFLP costs (US\$18 million grant) by more than 25 percent over a period of just 20 years. Higher incremental yield improvements and higher initial incomes in the target population will, of course, raise the overall benefit-cost ratio. For example, a 15 percent (overall) change in income will produce a benefit-cost ratio of 2:1 (in combination with the benefits discussed in the next paragraphs). These estimates are based on calculating the net present value (NPV) of the stream of benefits accruing to beneficiary communities over 20 years at a 7 percent discount rate.

7. Beyond livelihood improvements, the OFLP will establish woodlots on individual lands coupled with capacity building and mobilizing communities to adopt A/R technologies. The economic analysis draws on the Ethiopia Forest Sector Review (2015) to identify the value of woodlot productivity for the low-end use of fuelwood production (about US\$192 per ha). The OFLP will focus on about 9,000 ha of sites where intensive training and inputs will be provided. These interventions should increase revenue potential (for example, yield increases and better prices for better wood products) for affected sites. For each 6 percent increase in revenue at the hectare level, the NPV (following the same set of assumptions) of program-wide benefits will increase by about US\$1 million. If revenue were to increase by 12 percent, for example, the NPV will be about US\$2 million.

8. The OFLP will also promote the adoption of PFM approaches on another 120,000 ha. PFM activities improve landscapes, watersheds, and environmental services and provide some livelihood activities, but monetary gains are low. If the revenue per hectare is as low as US\$80 and the incremental improvement associated with the program is only 4 percent, then annual incremental earnings will be US\$384,000 per year, or an NPV of US\$4.07 million (same discounting assumptions).

9. Considering all benefit streams (livelihoods, PFM, and woodlots), sensitivity analysis of the assumptions (each conducted individually, holding other values constant) shows that OFLP benefits exceed costs: (a) when the incremental income is as low as 3.2 percent; (b) when the benefits estimation period is reduced to 10.5 years; and (c) when the discount rate is as high as 12.5 percent.

10. **Benefits from reduced emissions and enhanced carbon stocks.** Focusing on a readily quantifiable benefit stream, this analysis used estimates based on OFLP-level data supplemented with market information. The analysis is straightforward because the technical estimation of ER potential has been conducted and appears in the results framework. The overall value of the ERPA is set at an estimated US\$50 million and the expected ER delivery schedule is outlined in Annex 1 as annual increments (not cumulative) over a 10-year period. The same conservative assumptions were used for interest rates, but the program period of performance was reduced to

the proposed life of the ERPA. This stream of benefits is clearly defined and only needs to be priced and discounted using transparent assumptions.

11. The OFLP's annual net GHG ERs (tCO₂e from the results framework) valued at US\$5 per ton yield a nominal value of US\$77.3 million. This assumed price is a market value, not a social or ecological value, and conservative for the life of the program. Discounted as above, the NPV of the stream of ER benefits exceeds the estimated US\$50 million ERPA by 17 percent. In other words, the OFLP's ER deliveries as proposed in the results framework will over deliver relative to the commitment, leaving some margin for error. However, since the ERPA payments will be delivered year by year and not up front, this discounting example is only illustrative of the potential value relative to the nominal allocation of the estimated US\$50 million. Sensitivity analysis shows that any of the following conditions will increase the benefit-cost ratio:

- Higher price for carbon
- Price of carbon increasing with inflation
- Delivery of more ER than estimated in the results framework (which can be sold to additional buyers)
- Delivery of ER over a longer time horizon
- Lower discount rate

12. **Summary estimate of benefit versus cost.** This analysis shows that even with conservative estimates, OFLP benefits exceed the costs of the two main financing components when quantifying just two main benefit streams. This summary estimate does not take into account the value of water retention, water quality, biodiversity, resilience building, and risk reduction associated with more sustainable forest cover and agroforestry landscapes. Benefits from improved forest and landscape management include increased soil moisture and water quality and quantity, as well as increased availability of pollination services, more shade and microclimate improvements leading to more wildlife and more varied biodiversity. Other benefits not quantified here include reduced costs, risks, and uncertainty (to farmers and the wider society) due to poor/prior/weak land management regimes, conflict over resources, and degradation due to poor incentive systems. This raises the confidence that even at the low end of the quantified range, OFLP costs are justified by the benefits achieved.

13. **Rationale for public sector financing.** The OFLP aims to improve environment, land, and forest management to improve livelihoods and living conditions and reduce GHG emissions from land-use change and deforestation. These results are primarily global public goods with substantial benefits accruing to Ethiopia and its citizens. Public financing is justified for this purpose.

14. **Bank's comparative advantage and value added.** The Bank has considerable experience working with the FDRE on policy and regulatory issues, experience in project implementation, and long involvement in the natural resources sectors. The Bank is currently supporting a range of related agriculture and landscape management projects such as the AGP, SLMP, and PSNP, which are described elsewhere. The Bank also adds value by assisting the

FDRE in accessing sources of global climate finance and in the coordination and application of that financing toward key development challenges.

Annex 12: Risks

1. The major risks rated substantial or high are identified below along with the proposed mitigation actions.

Table 12.1. Risk categories and rating

Risk Categories	Rating
1. Political and governance	High
2. Macroeconomic	Moderate
3. Sector strategies and policies	Substantial
4. Technical design of program	Substantial
5. Institutional capacity for implementation and sustainability	High
6. Fiduciary	Substantial
7. Environment and social	High
8. Stakeholders	Substantial
9. Other	—
Overall	High

Overall risk rating explanation

2. **The OFLP's overall risk is rated *high*.** OFLP is a strategic program with two sequenced financing sources, an RETF grant followed by an ERPA to be negotiated later. The high risk rating and mitigation approaches described below generally apply to the Program as a whole, including the (i) RETF grant and the (ii) ERPA. The grant helps reduce the risks associated with the ERPA by assisting the Recipient to put systems in place (safeguards, carbon accounting, benefits sharing, coordination platforms, investment models) that will allow the Recipient to negotiate and implement the ERPA, which has state-wide coverage as payments are made based on changes in aggregate forest cover state-wide. Measures to address some of the risks were taken during the OFLP preparation period via the implementation of the National REDD+ Readiness initiative, which the Bank/BioCF is financing in parallel. The individual risks rated substantial or high are listed below, with specificity to the RETF grant and/or the ERPA as relevant, along with the main mitigation actions. See Box 2 for highlights.

Political and Governance (*High risk*)

3. **Risk to achievement of ERs under the ERPA.** Exogenous governance factors such as the following can prevent achievement of ERs: (a) pressure on forests from sectors other than the forest sector; and (b) related land-use initiatives that are underperforming or not delivering. The mitigation action designed into the OFLP is that a robust multi-sector implementation setup is (i) defined within government structures, (ii) strengthened by the grant financing, and (iii) the Regional State's executive-level decision makers are directly involved in OFLP implementation.

4. **There are added risks to both RETF and ERPA from a potential re-emergence of the civil disturbances in Oromia that took place in November 2015 (a few weeks after OFLP appraisal) and resumed in 2016, leading to the declaration of the six-month state of emergency in October 2016. The risks include: (a) a risk to OFLP implementation, and (b) a potential reputational risk to OFLP, REDD+ and the Bank despite no association.** These disturbances were widely reported in media and led to the FDRE's declaration of the six-month State of Emergency on October 9, 2016. The situation then stabilized, while local grievances regarding broad governance issues, land use and land conversions remain. This situation is in part a legacy issue that requires a political resolution by the FDRE, and which the World Bank is unable to influence via OFLP. The disturbances were not related directly to forest or NRM issues and therefore outside the scope or influence of OFLP, though there were concerns expressed around legacy issues of land use and access triggered by a proposed Addis Ababa masterplan in 2015 (not financed by the World Bank and now retracted by the FDRE). Mitigation is largely around consultation and communication combined with a reinforced and enhanced safeguards and risk management approach built into OFLP design.

5. *Risk to implementation:* The civil disturbances have had an impact on World Bank-financed operations; for example, SLMP-2 and AGP were delayed due to shifting lack of access to some parts of Oromia at various times. This risk will be partly mitigated by effective

Box 3. Risk management approach

- Strengthen the government's safeguards and risk management system throughout the regional state: The grant proceeds allocated to the special safeguards sub-component will be complemented by other Bank-supported activities in the same area, such as the similar safeguards component of the Enhancing Shared Prosperity through Equitable Services (ESPES)/Promoting Basic Services (PBS) project, and ongoing safeguards training provided to MoFEC's CRGE Facility (dedicated climate fund).
- The ERPA is anticipated to include ERs achieved through legacy REDD projects not financed by the Bank, so the 6-month covenant on "retroactive due diligence" is included in the RETF Grant Agreement to ensure that the client brings the two legacy REDD projects into compliance with OFLP safeguards frameworks. These legacy REDD projects do not overlap spatially with the limited area coverage of PFM and A/R investments financed by the RETF grant.
- Existing NGOs supporting legacy REDD+ operations on the ground will be a part of the OFLP platform and have participated in preparation.
- Bale Mountains National Park resettlement is intended by the FDRE but few details are known; in response, a full assessment is being carried out and partnerships are being built among the EWCA that manages the park, surrounding woredas and zones, and the Bank.
- Social mobilization is a key feature of the OFLP and includes consultation, participation, citizen engagement, and benefits sharing.
- Grievance redress systems and mechanisms are being put in place as part of the citizen engagement process.
- The grant will fund a dedicated communications activity—complemented by enhanced WB communications to counter possible false associations that may lead to reputational risks.
- The grant is designed to support government to establish a system to crowd-in, coordinate, and leverage financial resources from multiple sources to achieve net ERs eligible for purchase under the ERPA.
- The government's Commune Development Program is not active in Oromia.
- Sufficient supervision budget will be assigned by the BioCF during grant and ERPA periods.

implementation of planned OFLP activities including: (i) carefully planned missions that take security into account, (ii) implementing sound safeguards monitoring, (iii) effective communications and outreach, and (iv) enhanced transparency in project-supported activities.

6. *Risk to reputation:* False associations may lead to reputational risks. Some external actors may misunderstand the nature of OFLP (either the grant or ERPA, or both) and allege that the World Bank and its partners are financing activities that lead to protests and/or underlying complaints. Key risk mitigating measures include: (a) implementation of a proactive communication strategy to clarify what the operation does and does not finance, and articulate OFLP's and the WB's distance from the causes of the protests, should they re-emerge; (b) OFLP's participatory approach to land use, forest and land management (modeled with grant support) will benefit affected communities in Oromia and help reduce residual reputational risks to the Bank; (c) grant support for extensive local consultations and a dedicated activity to strengthen the client's safeguards system to promote inclusiveness and sustainability is a key design principle of full programmatic OFLP; (d) support the government to strengthen its effort to improve governance and accountability partly via the grant support and partly via the FDRE's World Bank-financed Social Accountability Program (see the Environmental and Social Action Plan); and (e) OFLP grant support for participatory land use planning, coupled with SLMP's support in some areas for participatory watershed planning as well as individual and communal land holding certification by local community members.

Sector Strategies and Policies (*Substantial risk*)

7. **Risk of not reducing deforestation trends and associated emissions due to a variety of exogenous factors (applies to both RETF grant and ERPA).** The OFLP may not reduce deforestation trends as expected due to exogenous events outside the control of the OFLP, such as development of roads or other infrastructure and major population shifts, among others. The fact that the proposed program is a pilot under the national REDD+ process helps mitigate this risk by ensuring that the OFLP is embedded into national and regional state priorities, institutions, and structures, which in turn may influence national and regional state policies and programs. In addition, an analysis of the causes of deforestation has been completed (Annex 9) so that the possible exogenous factors are well-known. Another mitigating factor is that the jurisdictional approach to REDD+ assumes that statewide coverage is accompanied by statewide improvements in the enabling environment (policy, regulations, law, institutions, information, and safeguards) that are supported by the RETF grant. Yet, the jurisdictional approach to the ERPA itself presents additional risk because of the scale involved. The RETF grant helps ameliorate these risks.

8. **Weak land tenure at the individual and community levels (applies to both RETF grant and ERPA).** New global research is emerging that shows that community-managed forests around the world tend to be more carbon-rich than other forests; as such, recognizing and enforcing the legal rights of forest communities presents an enormous opportunity to fight

climate change (World Resources Institute 2014)⁷², yet also presents a risk. Communities and landholders still face a perception of land tenure insecurity in Ethiopia. This is particularly important in forested areas, since individual land certificates are not issued. Although PFM goes some way in addressing this perceived tenure insecurity by transferring forest management rights to communities through contracts, tenure security could also be strengthened through individual land certification in and around forest areas where appropriate. The FDRE, meanwhile, is aiming to improve community tenure of forests in the region once anticipated legal reforms are realized at Federal level. The OFLP grant could help the FDRE's effort to improve individual land tenure by financing the first steps toward individual land certification in forested areas by building on the positive lessons from land certification financed by the Bank-financed SLMP.

9. **Community members stressed that, during the initiation of PFM, lack of sufficient consultation and awareness creation on the basics of PFM with the broader community is causing conflicts with villagers who are non-PFM members on benefit sharing, use, and access rights (applies to RETF grant and ERPA).** To mitigate this risk, broad community support for the establishment of PFM will be documented as per the OFLP Consultation and Participation Plan. This plan emphasizes continuous community consultation involving representative forest-dependent communities, village leaders and community elders, and other key persons to increase ownership and inclusiveness, manage expectations from ER payments, and promote sustainability.

Technical design of OFLP (*Substantial risk*)

10. **While OFLP is innovative and potentially transformative, it faces a number of challenges to achieve the two PDOs, in particular that of the ERPA.** The substantial risk is partly because of the fact that deforestation is driven primarily by the land use behavior of millions of smallholders, various sectors and stakeholders, and variables (such as other land use related projects) outside the direct influence of OFLP financing. The risk mitigation strategy includes the establishment of a government coordination platform, supported by the grant, for convening and leveraging other investments and projects to contribute to achievement of the ERs that are accounted under the ERPA at the level of the state-wide jurisdiction. This coordination will occur at all administrative levels of government and will be led by the Regional State executive and relevant sector heads. See institutional risks below for more details.

11. **Reversals are a risk for the ERPA, and refers to a situation where the cumulative ERs from the OFLP are less than what were previously monitored and reported.** This becomes relevant the second time the OFLP monitors and reports its ERs. Emphasis should be on sound program design and implementation that reduces the risk of reversals. Besides the program design, the OFLP needs to have a robust reversal management mechanism in place during implementation. This reversal management mechanism will be designed as the OFLP moves closer to the ER payment period.

⁷² World Resources Institute. (2014). Community Forests: An Undervalued Approach to Climate Change Mitigation. Retrieved from <http://www.wri.org/blog/2014/07/community-forests-undervalued-approach-climate-change-mitigation>

Institutional capacity for implementation and sustainability (*High risk*)

12. **Weak cross-sectoral coordination and complexity of the institutional and implementation arrangements for verifying, receiving, and disbursing ER payments at a statewide jurisdictional scale of this size is a high risk to ERPA success.** The risk is rated high because coordinating across land use-related agencies and projects (environment/forest, agriculture, water, and energy) at the local, regional state, and national levels, combined with the complexity of monitoring requirements for performance-based carbon finance, and the complexity of orchestrating millions of land users to act toward common goals of forest conservation and expansion. Risk mitigation includes activities financed by the RETF grant to strengthen the capacity of participating institutions to coordinate and implement OFLP, carry out work planning and budgeting across sectors, enhance safeguards implementation, build MRV capacity, and ensure the timely performance and delivery of operational requirements.

13. **Implementation capacity (applies to RETF and ERPA).** The MEFCC and, to a lesser extent, the OFWE and ORCU, have some experience in managing World Bank-financed TA projects through the REDD+ Readiness process and preparation of OFLP; however, the new OEFCCA has no experience in managing World Bank-financed projects. Given that MEFCC has recently decentralized and the Oromia National Regional State government established the OEFCCA at regional, zone, and woreda levels with the same mandate as MEFCC, there is a need to build considerable capacity at the regional, zone, woreda and kebele levels, while continuing to strengthen capacity at the federal level. The risk is that grant funds that will flow from MEFCC down to the regional and on to local levels may be delayed while capacity is built. Likewise, local extension services are currently under the agriculture sector and will need to be deployed to assist the forest sector to take a landscape approach that includes agricultural lands contiguous to forests (the forest sector was under the MoANR until August 2013). National and regional agencies responsible for agriculture, forest, water, and energy will need to work operationally together to achieve mutual goals. This coordination will be facilitated by establishing a coordination mechanism similar to the ones under the World Bank-financed SLMP and the FDRE's ongoing multi-sector CRGE planning. An MOU (a grant effectiveness condition) is being developed among relevant regional state entities to institutionalize the multi-sector cooperation needed to achieve OFLP objectives. The MEFCC and OEFCCA financial and procurement management capacities will also be continuously strengthened.

Fiduciary (*Substantial risk*)

Procurement management risk is rated *high* because of weak procurement oversight bodies at the regional level and lack of qualified procurement staff in key offices (applies to RETF). Key mitigating measures include continual training and close implementation support. See Annex 3.

14. **Financial management risk is rated *substantial* due to a shortage of qualified accountants and auditors particularly at the OEFCCA and its local offices (applies to RETF grant).** Key mitigating measures include: putting in place the missing required staff within one month of program effectiveness, considerable training, and close implementation support. See Annex 3.

15. **Possible reduction of program financing due to the depreciation of the Norwegian Kroner could lead to a scaling down of OFLP activities (applies to both RETF and ERPA).** This risk mitigation lies within the design of OFLP, which is intended to crowd-in financial resources from multiple sources including BioCF ISFL donors and non-carbon financing sources over time.

Environment and social (*High risk*)

16. **The OFLP's grant and ERPA will both face a changing and fragile environment with complex social relationships and will likely face social concerns related to the existence of underserved and vulnerable groups in its intervention areas.** This is compounded by: (a) inadequate understanding of relevant social issues, and (b) weak capacity and expertise within the government structures to deal with both social and environmental risks to properly implement and document safeguards instruments. The risk mitigation measures will rely on carefully designed safeguards management plans and capacity-building measures to strengthen the implementation capacity of the implementing agency and will be reinforced by a dedicated Safeguards Management subcomponent in the mobilization grant. The program prepared the following safeguards instruments that apply to both the grant and the ERPA: (a) an Environmental and Social Management Framework (ESMF) in compliance with OP 4.01, (b) a Resettlement Policy Framework (RPF) and Process Framework (PF) in compliance with OP 4.12, and (c) a Social Assessment (SA) and Social Development Plan (SDP)⁷³ in compliance with OP 4.10 as part of the Strategic Environmental and Social Assessment (SESA). The ESMF, RPF, PF, and SESA (in addition to the SDP) were consulted upon and disclosed before appraisal. Given the change in institutional arrangements, the safeguards instruments were further updated and re-disclosed. Furthermore, in compliance with REDD+ requirements, the SESA was prepared by the MEFCC as part of National REDD+ Readiness. The nationwide SESA is being applied in Oromia because the region holds most of Ethiopia's carbon-rich forests.

17. **Potential perception of linkage between possible resettlement in the Bale Mountains National Park and the OFLP grant and/or ERPA.** Under the mandate of the EWCA, the Bale Mountains National Park was formally gazetted on February 2, 2015. The Bale Mountains National Park General Management Plan (2007–2017) notes that a resettlement is intended, but details on the plan or its implementation status are not yet known. Grant-supported investment sites for PFM and A/R have not yet been identified but will not exist within Bale Mountains National Park. In fact the grant includes activities to mitigate this risk, and EWCA joined in OFLP preparation and wrote a letter June 2, 2016, agreeing to apply OFLP safeguard instruments in case of any resettlement. The FDRE is required to assess and mitigate the risk in compliance

⁷³ In Ethiopia, an SDP is the operational equivalent of the World Bank OP 4.10 - Indigenous Peoples. The SDP for the OFLP was prepared on the basis of the national SESA and the related in depth consultation with the affected underserved and vulnerable groups to seek their support for the program. The OFLP SDP is presented within the national SESA because the OFLP is the first program to pilot scaled-up ER payments. It sets out the measures to ensure that: (a) underserved and vulnerable groups affected by the program receive culturally appropriate social and economic benefits, and (b) any potential adverse effects are avoided, minimized, mitigated, and/or compensated.

with the Bank Operational Policy on Involuntary Resettlement (OP 4.12) and related safeguards instruments. See Annex 8 on safeguards.

Stakeholders (*Substantial risk*)

18. **Stakeholder risk is rated substantial for both the RETF grant and ERPA** because of (i) potential for re-emergence of civil disturbances, (ii) weak multi-sectoral coordination, and (iii) inadequate benefits sharing and funds flow associated with the ERPA. For a variety of reasons, benefits associated with ER payments may not reach the stakeholders whose behavior needs to be changed to deliver reduction in deforestation. There may also be elite capture of the benefits and exclusion of some stakeholders, particularly underserved members of the communities.

19. To mitigate these risks, the OFLP, through the RETF grant financing, will implement strong communication measures to mobilize and inform local communities, strengthen consultation/participatory development models, and enhance transparency in project-supported activities and safeguards operational steps. In addition, OFLP grant financing will strengthen the capacity of participating institutions and carry out joint annual work planning and budgeting across sectors. Lastly, an equitable, well-consulted BSM for ER payments to help incentivize forest communities to conserve and rehabilitate forests is being developed by the government and will be finalized with ‘no objection’ from the World Bank before the ERPA signature, and will coupled with an enhanced safeguards approach strengthened by the grant’s safeguards sub-component.

Annex 13: Map

