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The World Bank

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PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT

IN THE AMOUNT OF US\$ 10 MILLION

TO THE

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

FOR

ADDITIONAL REDD+ READINESS PREPARATION SUPPORT

FROM

THE BIOCARBON TECHNICAL ASSISTANCE TRUST FUND

May 19, 2014

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CURRENCY EQUIVALENTS  
 (April 25, 2014)  
 Currency Unit = Ethiopian Birr  
 ETB 1 = US\$0.051352  
 US\$ 1 = ETB 19.4735  
 FISCAL YEAR  
 June 30, 2014 – July 1, 2015

### Abbreviations and Acronyms

BoA	Bureau of Agriculture
BioCFplus	BioCarbon Fund Technical Assistance Trust Fund
CAS	Country Assistance Strategy
CO <sub>2</sub> e	Carbon dioxide equivalent
CPI	Consultation, Participation and Information
CRGE	Climate Resilient Green Economy
CSO	Civil Society Organization
DA	Development Agent
DPs	Development Partners
EFY	Ethiopian Fiscal Year
EPA	Environmental Protection Authority
ESMF	Environmental and Social Management Framework
FCPF	Forest Carbon Partnership Facility
FMT	Facility Management Team
GDP	Gross Domestic Product
GHG	Greenhouse Gases
GoE	Government of Ethiopia
GTP	Growth and Transformation Plan
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
LDC	Least Developed Country
M&E	Monitoring and Evaluation
MoA	Ministry of Agriculture
MEF	Ministry of Environment and Forest
MoFED	Ministry of Finance and Economic Development
MoWE	Ministry of Water and Energy
MRV	Measurement, Reporting and Verification
Mt	Megaton (million metric tons)
NGO	Non-Governmental Organization

PC	Participants Committee
PDO	Project Development Objective
R-PIN	Readiness Preparation Idea Note
R-PP	Readiness Preparation Proposal
REDD+	Reducing emissions from deforestation and forest degradation
REL	Reference Emissions Level
SESA	Strategic Environmental and Social Assessment
SLMP	Sustainable Land Management Project
SOE	Statement of Expenditure
TF	Trust Fund
UNFCCC	United Nations Framework Convention on Climate Change
UNREDD	United Nations REDD Programme
WB	World Bank

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
Additional REDD+ Readiness Preparation Support

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## Project Paper Data Sheet

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
Additional REDD+ Readiness Preparation Support

AFR  
AFTN3

Date: April 29, 2014 Country Director: Guang Zhe Chen Sector Manager/Director: Magda Lovei/Jamal Saghir Project ID: P124074 Lending Instrument: TF Grant Team Leader(s): Stephen Danyo / André Aquino Regional Safeguards Coordinator: Alexandra Bezeredi Safeguards Specialist: Chukwudi H. Okafor (social) / Asferachew Abate (environment) Procurement Specialist: Tesfaye Ayele Financial Management Specialist: Meron Techane Tadesse		Risk Rating: medium Sectors: ENV Themes: Forests, Climate Change, Land Management
Does this project include any CDD component?		O Yes X No
Date of country selection into FCPF: July 30, 2008 Date of Participation Agreement signed by Country: December 9, 2008 Date of Participation Agreement signed by Bank: December 9, 2008 Date of R-PP Formulation Grant Agreement signature: September 2, 2009 Date of Readiness Preparation Grant Agreement signature: October 23, 2012 Expected Date of Additional Funding grant signature: June 16, 2014		
<b>Project Financing Data:</b>		
<input type="checkbox"/> Loan <input type="checkbox"/> Credit	<input checked="" type="checkbox"/> Grant <input type="checkbox"/> Guarantee	<input type="checkbox"/> Other, explain:
For Loans/Credits/Others: N/A Total Project (REDD/R-PP) Cost (US\$M): US\$13.6 million Initial FCPF financing: US\$ 3.6 million Co-financing (GoE, other DPs): N/A Total BioCF Financing (US\$): US\$ 10 million		
<b>Source</b>	<b>Total Amount</b>	
BioCF	\$ 10 million	
Total	\$ 10 million	
Financing gap	\$ 0 million	

BioCF plus Child Trust Fund Number: TF 017284	
Recipient: Federal Democratic Republic of Ethiopia Responsible Agency: Ministry of Environment and Forest	
Contact Person: Ato Belete Tefera Minister, Ministry of Environment and Forest (MEF)	Fax No.: N/A Email: <a href="mailto:epa_ddg@ethionet.et">epa_ddg@ethionet.et</a>
Project Implementation Period: July 1, 2014 - June 30, 2017	

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
Additional REDD+ Readiness Preparation Support

## I. Introduction

1. This Project Paper seeks management approval to provide an additional funding grant in an amount of US\$ 10 million from the BioCarbon Fund Technical Assistance Trust Fund (*BioCF plus*) to the Federal Democratic Republic of Ethiopia in support of its ongoing REDD+ Readiness Preparation process. This Additional Funding grant complements the US\$3.6 million grant from the Forest Carbon Partnership Facility (FCPF), which is currently under implementation by the Ministry of Environment and Forest (MEF). Together, the FCPF and BioCF grants cover the overall financial needs identified in Ethiopia's Readiness Preparation Proposal (R-PP), approved by the FCPF Participants Committee in 2011. The grants from the FCPF and from the BioCF are being processed at different times as the BioCF funds were not available at the same time as the FCPF funds.

2. The proposed BioCF *plus* Additional Funding grant has the same Project Development Objective (PDO) as that of the FCPF-financed grant (henceforth referred to as the *parent project*). The Additional Funding grant will finance those activities identified in Ethiopia's Readiness Preparation Proposal<sup>1</sup> (R-PP) currently not financed by the FCPF grant. It will be structured in three components: i) Support to the National Readiness Management Arrangements; ii) Establishment of a Monitoring, Reporting and Verification System and a Reference Emissions Level for REDD+ in Ethiopia; iii) Preparation of REDD+ Pilot Projects. The institutional arrangements for the implementation of the additional grant remain largely the same as those of the parent project.

3. There is no change to the project safeguards category. However, OP 4.10 on Indigenous People is now triggered because it is determined that the physical and sociocultural characteristics of the proposed sites (that are intended to be financed under a larger carbon operation to be developed with the \$10M additional financing grant) and the people living in the project area meet the policy requirements and the issues relating to the policy will be defined in detail through Social Assessment and Consultation as an integral part of the SESA, following the recent WB management decision on the application of that policy to the context of Ethiopia.

## II. Background and Rationale for Additional Financing

4. **Ethiopia needs to manage its land and forests wisely to achieve poverty reduction and equitable growth, as well as the “climate resilient, green economy” of the future.** Ethiopia's diverse landscapes benefit the rural poor by providing food, water, firewood,

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<sup>1</sup> The Readiness Preparation Proposal is a country's national roadmap to achieve the status of 'REDD+ Readiness', that is, to build national capacity to comply with the requirements of an international REDD+ mechanism. It presents the country's approach to prepare a national REDD+ strategy and its legal and institutional framework, a national system to monitor its forests, the establishment of a national reference emissions level for REDD+ and the framework to deal with social and environmental safeguards during the implementation phase. Ethiopia's R-PP was approved by the FCPF Participants Committee in 2011.

construction materials and medicines. Well-managed landscapes also help to reduce the risk of flood, drought and famine. Climate change can affect the frequency and severity of these kinds of disaster risks. Well-managed landscapes contribute to resilience against such risks, while also enhancing public good values, including biodiversity and carbon stocks in the soil and vegetation.

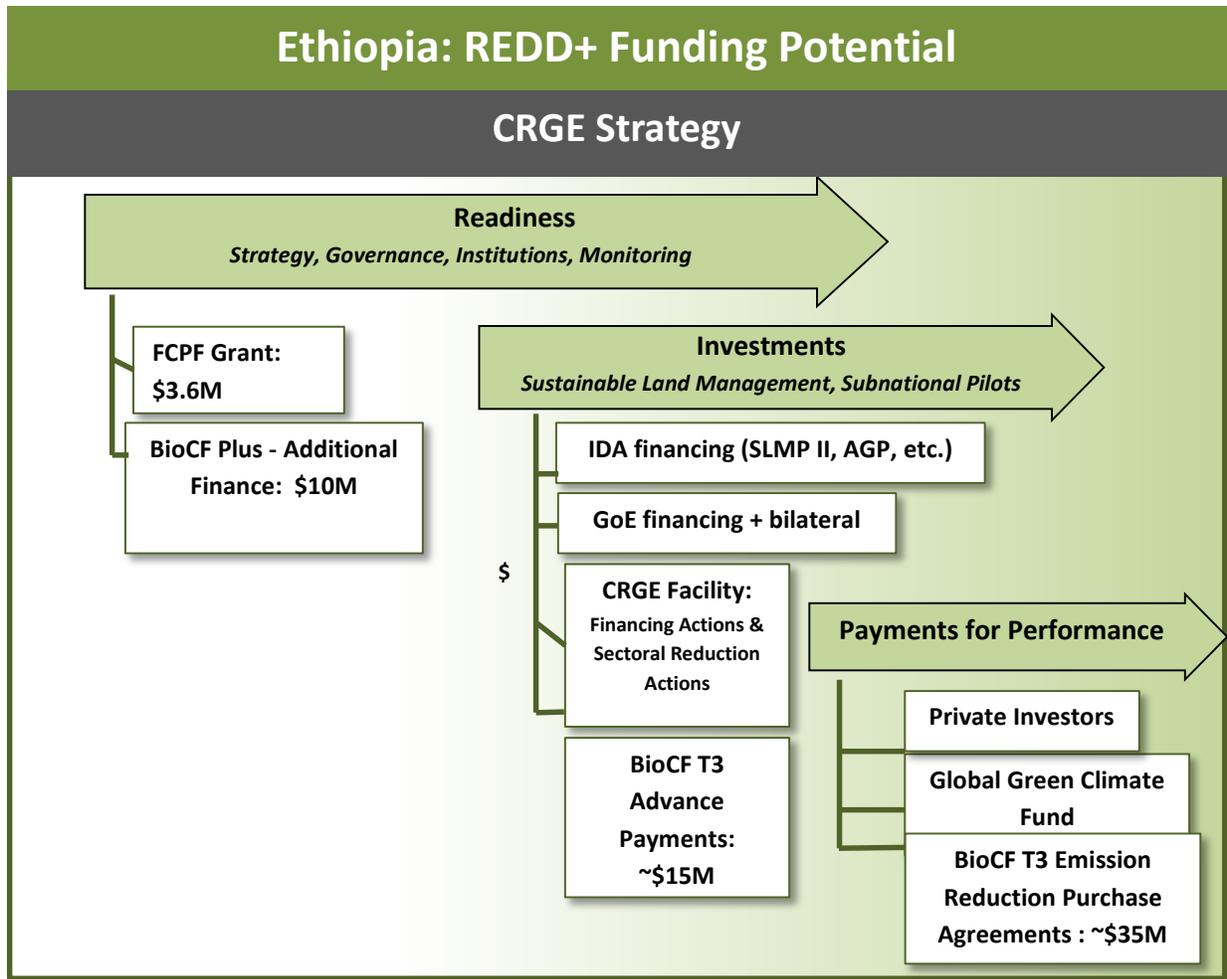
5. **Loss of forest cover and degradation of watersheds continue. Climate variability could make matters worse with future cycles of drought and flood.** Expansion of low-productivity agriculture and grazing of livestock in fragile areas combine with poverty to feed a downward spiral of land and water degradation. Forests continue to be lost to make way to new subsistence low-productivity agriculture fields, or for the collection of cooking / heating material.

6. **Yet, Ethiopia is changing this scenario, demonstrating impressive landscape restoration in some areas** (notably Tigray at large scale, and Humbo at smaller scale using carbon finance). This experience shows that with sufficient investment, incentives, appropriate technologies and practical knowledge, the rural poor can increase land productivity, diversify livelihoods, and transform landscapes to secure multiple benefits.

7. **Ethiopia's Climate Resilient Green Economy (CRGE) strategy is an ambitious development vision aimed at building a resilient, carbon-neutral economy by 2025.** These aims will be integrated into the national Growth and Transformation Plan (GTP-2), which guides development budgeting and external public financing decisions at the highest level. Land use sectors (agriculture, livestock and forest) are key to achieving this goal. Ethiopia has convened development partners in support of the CRGE strategy and financing plan.

8. **The Bank is using investment, analysis, convening power and climate finance to help Ethiopia deliver on this vision.** The Bank is investing in sustainable land management and climate smart agriculture, as well as clean energy technologies. The Bank is advancing analysis and dialogue on critical land use and forest challenges, including the links to poverty, equity, sustainability and governance. It is also building opportunities to inject/integrate/mainstream climate smart approaches across our sectoral dialogue and entry points with key ministries. Finally, the Bank is channeling climate finance from development partners through innovative trust fund arrangements to provide technical assistance and advice.

9. **Climate finance for forestry, land use improvements and reduced deforestation is the biggest opportunity.** The ongoing REDD+ (Reducing Emissions from Deforestation and Forest Degradation) process at the national level has three main elements: readiness, investments, and payments for performance (see diagram below). The World Bank is supporting each stage with different instruments.



10. **The Ministry of Environment and Forests is implementing a national REDD+ Readiness Program.** Under the leadership of the Environmental Protection Authority (EPA, the predecessor of the MEF), Ethiopia joined the Forest Carbon Partnership Facility (FCPF, a global TF managed by the Bank) and submitted a Readiness Preparation Proposal (R-PP) in April 2010. The R-PP lays out a roadmap for the country to become ready for a future REDD+ financing mechanism. The R-PP has five components: 1) National Readiness Management Arrangements and Stakeholder Consultation and Participation; 2) REDD+ Strategy preparation; 3) Reference scenario establishment; 4) Design of a monitoring system for emissions and removals from forests; 5) Monitoring and Evaluation Framework. The total budget was estimated at US\$14.1 million in 2010.

11. **FCPF grant to the REDD+ Readiness process (*parent project*).** The GoE entered into a Grant agreement with the Bank (US\$3.6 million) in October 2012, to implement the FCPF funds.<sup>2</sup> This grant is currently being implemented (grant closure is the CY of 2015), and its

<sup>2</sup> The key results expected from the FCPF grant are: i) The National REDD+ Secretariat within MoA (now MEF) is fully operational; ii) A national strategy to reduce emissions from deforestation and forest degradation (REDD+), including its legal and institutional framework, is prepared and validated by a broad spectrum of national stakeholders; iii) An Environmental and

implementation is rated as **moderately satisfactory**. Disbursement as of April 15, 2014, is USD 230,000 USD, and 1 million USD is expected to be disbursed by the end of FY14. The low initial disbursement rate in Ethiopia is consistent with experiences of other countries implementing REDD+ readiness process with support from the FCPF. Three main reasons explain the low disbursement rate in Ethiopia: (i) weak capacity of the recently established MEF and the REDD+ Secretariat, particularly on procurement processes; (ii) transfer of the REDD+ readiness process from MoA to MEF formally in February 2014; (iii) past REDD Secretariat team building only recently completed and on-going staffing at MEF. The Bank task team proactively addressed the weak capacity issue, which is now largely resolved by MEF. The REDD+ Secretariat team now has a strong team, which includes financial management and procurement specialists, along with a social safeguard specialist, communication specialist and a pilot projects coordinator. The Ministry of Finance (MoFED) has also been providing guidance to MEF on fiduciary matters.

12. The **main results of the on-going FCPF grant currently** include:

*Results from Component 1: Support to the national readiness management arrangements:*

- REDD Secretariat is operational and staffed with a national coordinator, communication specialist, social safeguards specialist, procurement specialist, financial management specialist, and pilot project coordinator. A senior international technical assistant, an international MRV specialist and a M&E specialist are currently under recruitment.
- REDD+ Steering Committee and Technical Working Group (TWG) are established and three multi-stakeholder task forces are in place and meeting. These include task forces for the REDD+ Strategy; MRV and Reference Emissions Level (REL); and Strategic Environmental and Social Assessment (SESA).

*Results from Component 2: Support to the design of a national REDD+ Strategy:*

- Stakeholder consultations have taken place. Various meetings at the national and regional levels have been organized, with forest dwelling communities, local and regional agencies, universities and research institutions, etc. REDD+ awareness raising event gathered over 1000 participants from region and woredas in the Amhara region.
- Communication: Several of the national and sub-national discussion forums were covered by national and local media outlets including radio, TV and newspaper. Information is being disclosed on the MoA and now MEF websites. Printed material on REDD+ prepared.
- The Government of Ethiopia selected the Oromia region to undertake a jurisdictional pilot REDD+ program as part of the national REDD+ readiness process to ensure that concrete activities on the ground generate knowledge for

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Social Management Framework (ESMF) is prepared and validated through the use of a Strategic Environmental and Social Assessment (SESA).

the establishment of the REDD+ Strategy and the REDD+ structures in the country. The Program is currently under preparation.

- Key studies for the national REDD+ strategy will be launched by June 2014: Firms to conduct an analysis of the causes of deforestation and forest degradation and identification of strategic options in Ethiopia is under identification.
- SESA: ToR for a SESA analysis developed; validated by the REDD+ TWG and the selection of the firms is ongoing.

*Results from Component 3: Preparation of the national implementation framework for REDD+:*

- Study to identify options for an institutional and legal arrangement for REDD+ in Ethiopia was launched.

13. **Additional funds to the REDD+ Readiness process.** Norway and DFID provided US\$10 million grant through the Bank's BioCF *plus* to the REDD+ Readiness process in Ethiopia. These funds allow the GoE to complete its REDD+ Readiness process, and will be managed by the BioCarbon Fund *Plus* (Multi Donor Trust Fund managed by the World Bank).

14. **This Project Paper assesses the additional activities** to be financed by the US\$ 10 million Additional Funding grant, which will complement those activities financed by an existing US\$3.6 million grant from the Forest Carbon Partnership Facility (FCPF) (signed in October 2012). The activities to be financed under this Additional Funding grant are those identified in Ethiopia's R-PP, not covered by the FCPF grant. The Additional Funding grant, combined with the initial grant, will therefore enable the implementation of all activities proposed in the R-PP. The Additional Funding grant and the initial FCPF grant will be implemented in parallel and will both be managed by the national REDD+ Secretariat. Annex 1 illustrates the overall components of the REDD+ readiness process as described in the R-PP. Annex 2 provides the detailed budget for the proposed Additional Funding grant.

15. **Processing guidelines for REDD+ Readiness Operations.** The FCPF-financed activities were assessed in a *Readiness Preparation Proposal Assessment Note*, prepared by the WB task team. As per the *FCPF Guidelines for Processing REDD+ Readiness Operations in Regions*, which were developed by the Carbon Finance Unit and issued by Operations Policy and Country Services (OPCS) and the Sustainable Development Network (SDN), the R-PP Assessment Note is the official WB document to be prepared as a result of the WB due diligence process. It is the basis for Management decision on providing a grant to the country for the implementation of its REDD+ readiness process. It summarizes the main aspects of the FCPF-financed portion of the R-PP; provides assessments of technical, financial management, procurement, social and environmental capacity; discusses compliance with Bank safeguard policies; and presents risks via inclusion of an Operational Risk Assessment Framework (ORAF).

16. **Applicable processing guidelines to the Additional Funding grant.** Since this Additional Funding supports the same REDD+ Readiness Preparation process as the FCPF grant, the *FCPF Guidelines for Processing REDD+ Readiness Operations in Regions* will apply to this

grant. According to the guidelines, this grant is considered a “**supplementary grant agreement.**”

17. Lessons learned from the implementation of the parent project and from global experience have been incorporated into the design of this Additional Funding, as follows:

- a. The REDD+ Secretariat has faced capacity constraints to lead the REDD+ Readiness process. This additional grant is not only financing additional capacity building targeted at the REDD+ Secretariat and at other stakeholders, but it is also engaging partners on MRV issues, and will provide a large package of technical assistance to the GoE;
- b. The regional states have been constantly requesting capacity building at the decentralized level, as a way to be further involved in the REDD+ process. This Additional Funding allocates a substantial amount of resources to promote capacity building, consultations and analytical work at decentralized levels.
- c. Decision makers have expressed some level of fatigue with the REDD+ Readiness process, given its abstract nature with a strong focus on capacity building; analytics, rigorous baselines and scenarios; and free, prior, and informed consent (FPIC) through comprehensive consultations. They expressed interest in concrete interventions to address deforestation and forest degradation on the ground. Therefore, this grant would finance preparation of REDD+ projects, which should generate concrete lessons for the REDD+ Strategy, while demonstrating early wins and helping keep decision-makers at both national and local levels engaged in the process. The additional financing would result in improving the GoE’s capacity to develop robust project proposals that can be implemented in the future with sources of financing other than this Additional Funding grant.

### III. Proposed Changes

#### A. Project Development Objective

18. The Project Development Objective remains unchanged: “**to strengthen the capacity of Ethiopia’s institutions dealing with land use on REDD+**”. No major changes to the activities initially identified in the R-PP Assessment Note prepared by the WB are envisaged.

#### B. Key Results/ expected outcomes

19. These key results of this Additional Funding are:

- (i) REDD+ Management Arrangements in selected States operational.
- (ii) An operational national-level MRV system and a national Reference Emissions Level for REDD+ are established.
- (iii) Pilot projects proposals are prepared, ready for implementation, and generate lessons to the national REDD+ process.

### C. Additional Funding Activities

20. **Components and activities.** The Additional Funding will finance those activities identified in R-PP which are currently not covered by the existing FCPF grant under implementation. These activities are organized in the three components below, which are additional to the components of the parent project. This Additional Funding grant will be implemented over 3 years, in parallel to the FCPF grant.

Component	Budget (US\$ mi)
1. Support to the National Readiness Management Arrangements	1.2
2. Establishment of a Monitoring, Reporting and Verification System and a Reference Emissions Level for REDD+ in Ethiopia	4.4
3. Preparation of REDD+ Pilot Projects	4.4

#### 1. Support to the National Readiness Management Arrangements (US\$ 1.2M)

21. This component will finance the decentralization of the Readiness process by supporting the REDD+ structures in selected regional states (Regional Steering Committees, REDD+ Technical Committees, establishing the regional REDD+ coordination units). Those regional states and sites where pilot projects would take place (preparation of the pilot projects is financed under component 3) will be prioritized, so as to ensure that the knowledge generated from these pilots will enrich the national REDD+ Strategy preparation and inform the choice of legal and institutional arrangements for REDD+. This will include financial support to staff, consultants and communication costs; supplies and equipment; workshops and training. The funds will be managed directly by the federal REDD+ Secretariat. Capacity building and institutional strengthening will also be promoted at the *woreda* and *kebele* (village) levels. This Additional Funding grant will also cover some of the recurring costs of the national REDD+ Secretariat once the FCPF grant is closed (expected to be closed by the end of 2015), and will finance the preparation of the Readiness Package.<sup>3</sup>

#### 2. Establishment of a Monitoring, Reporting and Verification System (MRV) and a Reference Emissions Level (REL) for REDD+ in Ethiopia (US\$ 4.4 M)

22. This component will finance the establishment of the national MRV and REL system for REDD+. It will finance the MRV roadmap prepared by GoE, as part of the R-PP and includes support for goods, equipment, training, and workshops. This component will be implemented with technical assistance from a major international entity with comparative advantage in MRV, including (i) experience in delivering this type of technical assistance to multiple countries, (ii) presence on the ground in Ethiopia and (iii) operational links to the ongoing National Forestry Inventory. The main counterpart to this work is MEF, MoA, the Ethiopia Mapping Agency and regional states. This component encompasses the five outputs below:

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<sup>3</sup> The Readiness Package is a document to be prepared by the Government of Ethiopia that synthesis all the outputs and outcomes of the Readiness process, to be submitted to the FCPF Readiness Committee for an assessment of the country's readiness status.

- A. Establishment of institutional arrangements and data management system to support the national MRV system. This sub-component will include the establishment of the MRV technical expert group led by the GoE and an institutional needs assessment, the establishment of the institutional arrangements for MRV implementation, an assessment of existing data storage and management system relevant for MRV, the design and implementation of management solutions for key elements of the MRV system, and the development of a data sharing policy.
- B. Support to national MRV institutions to assess historical cover change and to monitor activity data. This sub-component includes the development of a national forest definition through a series of workshops and consultation with relevant stakeholders, training on remote sensing techniques and GIS software for key government institutions, the preparation of a new classification system for forest and other biomass-rich areas, the preparation of a basic land-cover/ land-use map for REDD+ use and update of the forest cover map. A consultancy will support GoE in conducting an accurate land-cover change assessment and will assess potential trends, including acquisition of high resolution images, as well as other proxy data. Finally, potential technologies to detect forest degradation will be identified and tested.
- C. Conduct the National Forest Inventory (NFI). The sub-component will support the GoE in its effort to carry out its NFI, which will establish and track over 600 permanent sample plots (PSP) country-wide to collect carbon and other forest relevant data. Training and workshops to field crews on field data collection, compilation and GPS usage will be undertaken as part of the NFI activities. The sub-component will also support field work to establish PSP for key land class areas, such as in the Oromia Regional State where one of the REDD+ pilot projects is being developed. An assessment of relevant social, economic and environmental data will be conducted and information to identify and implement safeguards measures will be collected. Research activities will take place in cooperation with local research institutes and universities.
- D. Provide capacity building to government, research and civil society organizations. Relevant stakeholders will receive training on the national forest monitoring system (NFMS), field data collection and local-level mapping to relevant stakeholders. GoE trainers will provide trainings to decentralized forestry offices and to local communities. These funds will also support the participation of technicians in regional and international workshops on MRV, and the development of guidebooks, training material and communication material on MRV. Finally, funds will be allocated to test and support the Pilot Projects' MRV systems.
- E. Establish the national Reference Emissions Levels (REL) and the greenhouse gas inventory process and framework. This sub-component will test and calculate different REL approaches and conduct an analysis of key national circumstances for REL; as well as undertake training and facilitate a national dialogue to advance REL adoption and its policy implications. This sub-component will fund the provision of training on greenhouse gas (GHG) inventories for land use sectors and on the United Nations

Framework Convention on Climate Change (UNFCCC) reporting requirements for REDD+. This sub-component will be coordinated closely with the Climate Resilient Green Economy (CRGE) process.

### **3. Preparation of REDD+ Pilot Projects (US\$ 4.4 M)**

23. The Additional Financing will support the preparation of a pipeline of REDD+ “pilot” projects, to generate useful lessons and knowledge for the preparation of the national REDD+ Strategy.<sup>4</sup> The REDD+ Secretariat will work with subnational governments to identify and prioritize sites for which the additional grant would finance the preparation of robust REDD+ pilot project proposals. These proposals would then receive financing, if available, from different sources, such as from bilateral donors, GoE’s CRGE Facility, development partners, private investors, or other climate and carbon finance sources. The first pilot project is likely to be in Oromia State, but the site or sites within the regional states are yet to be identified.

24. This component will finance the preparation of pilot projects (the pilot project investments on the ground would themselves be funded later from other sources to be identified during preparation). This pilot project preparation work would be supported by grant financing for goods, equipment, staff, consultants, training and workshops to help: (i) engage and inform local communities about the proposed projects/sites; (ii) train officials and community members in key activities; (iii) identify and consult on institutional and legal arrangements for the future implementation of the projects; (iv) prepare a baseline of GHG emissions, locally-appropriate monitoring and reporting systems and estimates of emissions reductions (ER) potentials from the pilot project if they move towards implementation; (v) estimate costs for the implementation of the activities identified; (vi) identify social and environmental risks and devise proper mitigation measures, taking into account good practices and guidelines established by the Government of Ethiopia and the World Bank; (vii) consult on and prepare benefit sharing arrangements for the implementation of the project. Preparation activities will also help to ensure that future proposed REDD+ investments, financing needs, ER potential, and benefit sharing arrangements are well documented for potential future investors.

25. The identification and preparation of the pilot projects will follow guidelines agreed by the WB and the REDD+ Secretariat, which clarify the basic elements of a REDD+ pilot project. A pilot REDD+ project is defined as a set of interventions on the ground, including investments, technical assistance, and policy analyses targeted at reducing emissions from deforestation and forest degradation, or enhancing carbon stocks through reforestation, in a targeted area. These pilot projects should prepare a reference emissions level against which performance would be assessed, and adopt a robust monitoring system that allows the project results (particularly the emissions reduced) to be independently verified. The REDD+ Secretariat is currently hiring (under FCPF funds) a consultant to support the preparation of a pipeline of potential pilot projects, which will serve as the basis for the REDD+ Secretariat to select the pilot projects to be supported by this additional grant. Those projects whose preparation is most advanced are more likely to generate lessons for the REDD+ Strategy, and would be prioritized.

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<sup>4</sup> Promoting “pilot project” preparation activities was identified in the R-PP as an important tool to prepare the national REDD+ strategy.

26. The GoE and partners are interested in preparing pilot projects that take a landscape approach that includes such interventions as in the area of non-timber forest products management, participatory forest management, climate-smart agriculture and sustainable land management. These pilot projects may also build on existing operations, such as the World Bank-financed Phase 2 of the Sustainable Land Management Project, or replicate successful interventions such as the Humbo assisted natural regeneration carbon operation that is now closed. One of the Pilot Projects whose preparation will be supported by the Additional Funding grant is the Oromia Forest Landscape Project<sup>5</sup>.

#### **D. Implementation Arrangements**

27. The Additional Financing will be implemented over a period of 3 years by existing implementation structures set up at national level and enjoined by selected Regional State teams implementing REDD project preparation activities financed under Component 3.

28. MEF was established in late 2013. A new minister was appointed, along with two state ministers (Forest, Environment). The REDD+ Secretariat, responsible for the REDD+ Readiness process, has been relocated from MoA to the MEF, where it reports directly to the State Minister for Forest. All the staff of the REDD+ Secretariat has moved to the MEF.

29. The existing implementation arrangements for the ongoing FCPF grant will be used to implement this Additional Funding grant. The REDD+ Secretariat at MEF will have overall responsibility for managing the grant.

30. At regional state level, a Memorandum of Understanding between the MEF and the regional states would be signed. The first MOU is slated to be signed between the MEF and Oromia Regional Presidency before the signing of the supplemental grant agreement. This MOU sets out the roles and responsibilities of each party in the design phase of the Oromia REDD+ Project.

#### **IV. Consistency with CPS**

31. The World Bank Group's Country Partnership Strategy (CPS, FY13-16) builds on the progress achieved by Ethiopia in recent years and aims to help GoE address structural transformation and assist in the implementation of the GTP. The CPS framework includes two pillars. Pillar One, "Fostering competitiveness and employment," aims to support Ethiopia in achieving: (i) a stable macroeconomic environment; (ii) increased competitiveness and productivity; (iii) increased and improved delivery of infrastructure; and (iv) enhanced regional integration. Pillar Two, "Enhancing resilience and reducing vulnerabilities," aims to support Ethiopia in improving the delivery of social services and developing a comprehensive approach

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<sup>5</sup> The Oromia Forest Landscape Project will also be supported by the BioCarbon Fund Tranche Three through payments to Emissions Reductions. This will be a stand-alone operation which is currently under the identification phase.

to social protection and risk management. Good governance and state building form the foundation of the CPS. In line with the GTP, gender and climate change have been included as cross-cutting issues to strengthen their mainstreaming.

32. The goal of REDD+ is to harness the many benefits from forests to reduce poverty while securing global and local environmental public goods critical for current and future economic development. Hence, the Additional Funding would contribute to the CPS objectives of fostering economic growth, reducing vulnerability and fostering improved governance.

## **V. Appraisal Summary**

### **A. Technical**

33. The 2010 Readiness Preparation Proposal prepared by Ethiopia underwent a rigorous process of international scrutiny. It was reviewed by the independent FCPF Technical Advisory Panel (TAP) and by the FCPF Participant Committee members, resulting in a technically sound proposal. The activities financed by this Additional Funding grant are those identified in the R-PP.

34. This Additional Funding will deal with the following technical issues: a) decentralization of the REDD+ Readiness process; b) establishment of the national the MRV/ REL system; c) Preparation of REDD+ pilot projects. There are no major outstanding technical issues to the implementation of these activities, as they have been designed over a long period of multi-stakeholder consultations and technical inputs, during the preparation of the R-PP.

35. The national MRV system will follow rigorous international methodologies to ensure that the data produced and reported by Ethiopia complies with international standards, including those of the UNFCCC. A detailed roadmap for the establishment of the MRV has been prepared through extensive collaboration with national and international experts (FAO, Wageningen University, Norway's Climate and Forest Initiative, among others);

### **B. Financial Management**

36. A financial management assessment was conducted in March 2014, in accordance with the Financial Management Practices Manual for World Bank financed investment operations issued by the Financial Management Sector Board on March 1, 2010 and supporting guidelines. In conducting the assessment, the Bank team visited the REDD+ Secretariat as well as the MEF. The financial management implementation of the existing parent project was also taken into account and used in designing the risk-mitigating measures. Based on the assessment conducted, it has been concluded that the FM arrangements satisfy the World Bank's minimum requirements as outlined in OP/BP 10. It is adequate to provide, with reasonable assurance, accurate and timely information on the status of the project. However, action plans have been agreed to address some of the weaknesses observed.

### ***Country Context***

37. The GoE has been implementing a comprehensive public financial management reform with support from development partners, including the Bank for the last twelve years through the Expenditure Management and Control sub-program (EMCP) of the government's civil service reform program (CSRP). This was being supported by the IDA financed Public Sector Capacity building Support Program (PSCAP), Protection of Basic Services (PBS) and other donors financing as well as Government 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. With the basics increasingly in place, the Government is beginning to increase its focus on strengthening the linkages between public policy objectives and expenditure. In this context, GoE has embarked on a programming/performance budgeting framework within MoFED.

38. The 2010 Ethiopia Public Expenditure and Financial Accountability (PEFA) PFM performance measurement framework assessment completed in September 2010 covered the federal government in the form of Ministries and Agencies as well as five regions. The study notes that Ethiopia has made significant progress in strengthening PFM at both federal and regional levels. Improvements have been noted in budgeting and accounting reform. The predictability in the composition of expenditure improved sharply, the variance in excess of the aggregate deviation falling to 5.7 percent. The budget is reasonably realistic and is reasonably implemented as intended, and performance in this regard has improved marginally since the period covered by the first PEFA assessment.

39. Comprehensiveness and transparency improved during the period covered by the 2010 PEFA assessment. Other notable areas of improvement are: increased in the amount of budgetary documentation submitted to House of Peoples' Representatives, strengthened reporting on donor projects and programs, improved transparency in inter-governmental fiscal relations, through greater timeliness in the provision of information to regional governments on the size of the budget subsidies that they will receive, and improved access by the public to key fiscal information through audit reports. An issue remaining to be addressed is for the Government to make available to the public information on the incomes and expenditures of extra-budgetary operations.

40. Weaknesses were noted in internal audit which necessitate increased focus on systems audit, and increasing management response to audit findings. Further strengthening of the internal audit function is a key challenge. The full roll-out of IBEX has helped to strengthen the quality of in-year budget execution reports by including information on revenue and expenditures, financial assets and liabilities, but excluding information on donor-financed projects and programs. A limiting factor continued to be the use of non-International Public Sector Accounting Standards (IPSAS) compliant accounting standards; compliance with IPSAS would require disclosure of information on donor-financed projects and programs.

41. Overall performance of external audit has improved due to increased coverage and a lessening of the time needed to audit annual financial statements. Audits conducted by Office of the Federal Auditor General (OFAG) generally adhere to International Organization for Supreme Audit Institutions (INTOSAI) auditing standards and focus on significant issues. The PFM study also notes that regional performance of PFM reform varies from region to region.

### ***Project Financial Management Arrangements***

42. **Budgeting.** The budget preparation follows the government's procedure as documented in the budget manual for the Federal Government of Ethiopia (FGE). The REDD+ Secretariat is responsible to prepare annual plan and budget for the Project. According to the Terms of Reference for the Federal REDD+ Steering Committee (FRSC), one of the responsibilities of the FRSC is reviewing and approving annual programs, work plans and budget. As such the budget for the parent project along with the additional financing will be approved by the FRSC every year. In addition, the Project budget should be submitted to MoFED yearly for approval and proclamation under the name of MEF.

43. **Accounting Policies and Procedures.** The Ethiopian Government follows a double entry book-keeping system and modified cash basis of accounting. This is documented in the government's accounting manual which provides detailed information on the major accounting procedures. The parent Project is using the government accounting system. It doesn't have a project-specific FM Manual and Project Implementation Manual (PIM).

44. **Accounting Software.** The MEF uses Integrated Budget and Expenditure (IBEX) accounting system. However, the Federal REDD+ Secretariat has installed Peachtree accounting software given that the IBEX is not capturing donor financed projects so far. The software should be used to its maximum potential, which includes features to safeguard the confidentiality, integrity, and availability of data.

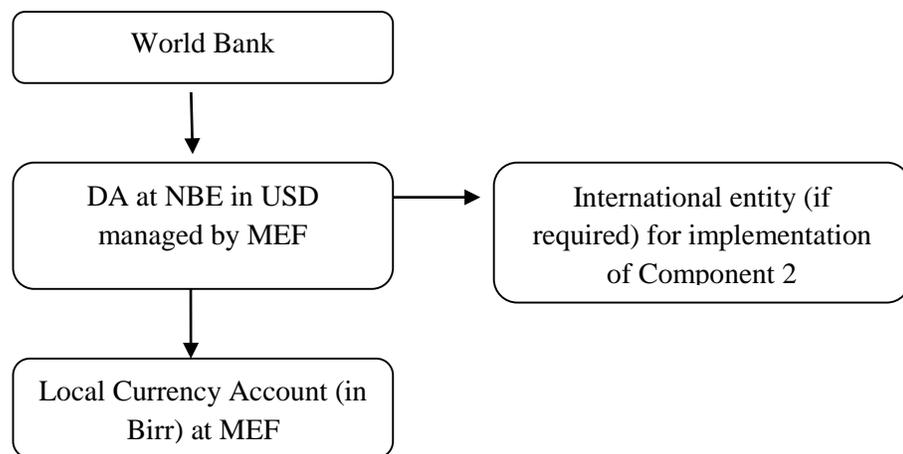
45. **Staffing.** Since the MEF is recently established, the Finance Directorate is currently understaffed with six staff (one team leader and five accountants). It has been noted that recruitment for most of the positions is underway. Recognizing the need to employ a financial management specialist, the Federal REDD+ Secretariat has recruited one financial management specialist with the required qualification and experiences including experience in Bank financed project. The project's financial management will continue to be handled by the exiting FM specialist. The REDD+ Secretariat has also employed its own cashier/secretary and the project cash will continue to be handled by this cashier.

46. **Internal Controls.** Internal control comprises the whole system of control, financial or otherwise, established by management in order to (i) carry out the project activities in an orderly and efficient manner; (ii) ensure adherence to policies and procedures; (iii) ensure maintenance of complete and accurate accounting records; and (iv) safeguard the assets of the project. The overarching principle is that regular government systems and procedures would be followed, including those relating to authorization, recording and custody controls. The financial management system for the Ministry as well as for the REDD+ Secretariat has sufficient controls to ensure authorization, recording and custody controls. There is sufficient separation of duties in the payments approval cycle. The functions of requesting, ordering, receiving, paying for goods and services and approving are all separated. Some gaps have been noted in the Ministry regarding timely preparation of bank reconciliations and maintaining complete register for assets.

47. **Internal Audit.** In general, the internal audit function of the country is very weak as evidenced by the PEFA results of 2010 as well as other diagnostic works. The internal audit directorate of the MEF is severely understaffed. Out of the allocated positions for 7 people in the department (one director, three performance auditors and three financial auditors), only the position of the director has been filled. The MEF should strengthen its internal audit directorate and the internal audit directorate should include this project in its annual work plans and review project implementation transactions as necessary.

48. **Funds flow arrangements.** The MEF will continue to apply the current fund flow arrangement for the parent Project. Although it is noted that the project will work on strengthening the regional REDD+ structure at selected regions as well as the support on the implementation of sub projects in a few regions, it has been confirmed that the fund flow will be managed by the national REDD+ Secretariat based on memoranda of understanding to be signed with the various implementing agencies. If, during project implementation, a need arises to transfer fund to other implementing agencies, the Bank first needs to carry out a financial management assessment to ensure sufficient capacity exists at the implementing agencies.

**Diagram for Funds flow Arrangement**



49. **Disbursements arrangements.** The REDD+ Secretariat will continue to apply the traditional method of disbursement on which an initial advance of six months forecast expenditure will be deposited in to the account and replenishment will be made based on submission of Statement of Expenditures. In addition, the project will have the option of using direct payment, special commitment and replenishment methods of disbursement. The detail of the documents required and the procedures will be indicated in the disbursement letter for the project. REDD+ Readiness Preparation Support Project has already opened Designated Accounts denominated in United States Dollars (USD) and another in local currency at the National Bank of Ethiopia for REDD+ Readiness Preparation Support Project. The Additional Funding for the Project will use these accounts to receive funds from the Bank.

50. **Disbursement and related approaches to be used in case of execution of Component 2 by FAO or another international partner.** The second component of the Additional Funding could, if requested by the GoE and appropriate justification and documentation provided, be implemented by FAO (or another international partner) based on a Technical Assistance Agreement that would be signed with the Federal REDD+ Secretariat. Based on the agreement, an initial advance would be made if required. Subsequent payments will be linked to certain deliverables or outcomes as would be clearly outlined in the Agreement. In the case of FAO execution of Component 2, direct payment as well as special commitment methods of disbursement would not be used.

51. **Financial Reporting Arrangements.** The REDD+ Readiness Preparation Support Project is currently using Peachtree accounting software to capture and report on Project implementation transactions. The system is adequate to report on the project implementation transactions and it is capable of producing reports required with little aid of Excel spreadsheet. The Project will continue to prepare quarterly un-audited Interim Financial Reports (IFRs) for the project in form and content satisfactory to the Bank, which will be submitted to the Bank within 45 days after the end of each quarter to which they relate. The National REDD+ Secretariat will continue to use the format of the IFR which is currently being used for the parent project will be revised to accommodate for the new components of the additional financing. The contents of the IFR at a minimum will include: Narrative report to provide description of project's financial performance in the reporting period; Statement of Sources and Uses of Funds; Statement of Uses of Funds by Project Activity/Component; Variance analysis and explanation for variances; Designated Account activity statements; and Bank reconciliation, trail balance and other notes as necessary. The project will also prepare the project's annual accounts/financial statements with similar content to the IFR, within three months after the end of the accounting year in accordance with accounting standards acceptable to the Bank. The audited financial statements should be submitted to the Bank within six months after the end of the accounting year. The project will prepare its accounts in accordance with International Financial Reporting Standards.

52. **External Audit.** Annual audited financial statements and audit report (including Management Letter) of the project will be submitted to Bank within 6 months from the end of the fiscal year. The audit will be carried out by the Office of Federal Auditor General (OFAG), or a qualified auditor to be selected in collaboration of OFAG from auditors acceptable to the Bank, following agreed procurement procedures. The auditor will be appointed soon. The auditor will express an opinion on the project financial statements. The audit will be carried out in accordance with the International Standards of Auditing issued by the International Federation of Accountants. The terms of reference for the audit will be agreed during appraisal. MEF will take the necessary follow-up actions on the Audit Reports. MEF will submit the government's response to the findings in the annual Audit Report to the Bank and an action plan for any follow-up actions.

53. In accordance with the Bank's policies, the Bank requires that the recipient disclose the audited financial statements in a manner acceptable to the Bank; following the Bank's formal receipt of these statements from the Grant Recipient, the Bank makes them available to the public in accordance with The World Bank Policy on Access to Information.

54. **Financial Covenants.** The Recipient shall maintain a satisfactory financial management system and prepare project financial statements in accordance with IFRs. The REDD+ Readiness Preparation Support Project shall submit audited financial statements no later than six months after the close of each fiscal year. In addition, the project shall submit within 45 days after the end of each calendar quarter unaudited financial reports (IFRs) covering the quarter and the life of the project, in form and substance satisfactory to the WB.

55. **Supervision Plan.** Financial Management supervision will be an integrated part of the project's implementation reviews to ensure the continuing adequacy of the financial management arrangements. Supervision will increase the efficiency of controls and provide support to implementation. Supervision activities will include: the compliance with the agreed up on FM arrangements; review of quarterly IFRs; review of annual audited financial statements as well as timely follow-up of issues arising; transaction review; participation in project supervision missions as appropriate; and updating the FM rating in the Implementation Status and Results Report (ISR).

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

56. **Risk assessment.** The financial management risk of the project is Substantial. The mitigating measures proposed in the action plan will help to reduce the risk of the project once implemented and applied during project implementation.

57. **Strengths and weaknesses of the financial management system.** The project financial management is strengthened by the country's internal control system, which provides sufficiently for the separation of responsibilities, powers, and duties and it benefits from the effort being made to improve the internal audit function. In addition the project will inherit the various strengths of the country's PFM system. This project is an ongoing project and the REDD+ Secretariat is familiar with Bank procedures and requirements. Moreover, the REDD+ Secretariat's FM specialist has prior experience with Bank procedures while working in other Bank financed project and has taken training recently provided by the Bank. The project financial management is challenged by the reduced oversight from the finance unit of the MEF due to reduced staff level and capacity, as well as the insufficient internal audit function. Additional complexity is expected in the project, with the possible addition of a UN agency and decentralized pilot project preparation.

58. **Financial Management Action Plan.** Factoring in the above strengths and weaknesses, the inherent and control risk of the project is rated as Moderate if the mitigating measures captured in the agreed action plan are applied.

	<b>Action</b>	<b>Date due by</b>	<b>Responsible</b>
1	Strengthen the budget monitoring aspect of the Project: <ul style="list-style-type: none"> <li>▪ The National REDD+ Steering Committee should approve annual work plan and</li> </ul>	End FY 2014	MEF & REDD+ Secretariat

	Action	Date due by	Responsible
	budget;  Annual budget also needs to be proclaimed.		
2	Appoint external auditor to the Project;  <ul style="list-style-type: none"> <li>• Complete the first audit for the parent project and submit report to the Bank</li> <li>• Take action on all audit report findings and communicate the action taken to the Bank</li> </ul>	Two months after grant signature	MEF & REDD+ Secretariat
3	Strengthen the internal audit unit and conduct internal audit of the project financial activities;	On going	MEF
4	Prepare bank reconciliation statement for the designated bank account monthly instead of quarterly	Immediately	MEF & REDD+ Secretariat
5	Agree and sign MoUs / Agreements with other implementing entities or entities that provide technical support, such as: (i) Regional Implementing Entities of REDD+ Pilot Projects; (ii) Regional/Woreda implementing Units that may come as a result of promoting implementation at decentralized level; (iii) other institutions as needed.	On going	MEF & REDD+ Secretariat

### C. Procurement

59. **Procurement Arrangements.** Procurement under the Additional Funding would be carried out in accordance with: (i) "Guidelines: Procurement of Goods, Works, and non-Consulting Services Under IBRD Loans and IDA Credits & Grants by World Bank Recipients" dated January 2011; (ii) "Guidelines: Selection and Employment of Consultants Under IBRD Loans and IDA Credits & Grants by World Bank Recipients" dated January 2011; (iii) "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants" dated October 15, 2006; (iv) introduction of Exceptions to National Competitive Bidding Procedures; and (v) the provisions stipulated in the Legal Agreements. A Procurement Plan that is acceptable to the Bank and covers at least the first eighteen months shall be prepared prior to the Additional Financing Agreement. For each contract to be financed by the project the Beneficiary and IDA/WB task team have to agree on the different procurement or consultant selection methods; the need for prequalification; and the project's estimated costs, prior review requirements, and time frame listed in the Procurement Plan.

60. The Procurement Plan will be updated at least annually, or as required, to reflect the actual project implementation needs and improvements in institutional capacity. As part of the project preparation, the WB has undertaken a procurement risk assessment of the project-implementing agency, the MEF. The MEF is a new ministry and has less experience with Bank procurement procedures, and has limited staff on board to handle procurement. Hiring of

additional procurement officers will likely be required to handle the increased work load that includes decentralized work on pilot project preparation and general REDD readiness.

61. **Procurement capacity assessment.** The WB Procurement Team of the Ethiopia Country Office conducted a procurement capacity assessment of the Ministry of Environment and Forests (MEF). The findings and recommendations follow.

62. **MEF's Procurement System.** The MEF is a federal ministry and its procurement system is governed by the Ethiopian Federal Public Procurement and Asset Administration Agency's (FPPA) public procurement legislative framework. The FPPA has got fairly acceptable public procurement procedures supported by a detailed procurement manual and other standard procurement documents. 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 FPPA as a body responsible for regulation and monitoring of Federal bodies' public procurement activities. At the federal level, Directives, Manuals and Standard Bidding Documents/ Standard Request for Proposal have been issued following the proclamations. The same development is observed in most of the Federal Regional States. But the knowledge of these legal requirements by the procuring entities and their proper implementation is very weak. Though the FPPA Procurement Manual covers and lays down procedures for procurement of goods, works and consultancy services, there are areas in the SBD and the manual that need to be modified to be acceptable by the Bank for use for NCB procedures.

63. **Exceptions to the Government's NCB procedure.** Bank standard documents shall be used for selection of all consultancy services and procurement of goods and works through International Competitive Bidding (ICB). National competitive bidding will use Government standard bidding documents and procedures subject to the following exceptions: (i) The Recipient's standard bidding documents for procurement of goods and works acceptable to the Bank shall 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. (ii) No margin of preference shall be granted in bid evaluation on the basis of bidder's nationality, origin of goods or services, and/or preferential programs such as but not limited to small and medium enterprises (iii) Mandatory registration in a Supplier List shall not be used to assess bidders' qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid and if recommended for contract award shall be given a reasonable opportunity to register with the reasonable cooperation of the Recipient, prior to contract signing. Invitations to bids shall be advertised in at least one newspaper of national circulation or the official gazette or on a widely used website or electronic portal with free national and international access. (iv) Bidders shall be given a minimum of thirty (30) days to submit bids from the date of availability of the bidding documents; (v) All bidding for goods and works shall be carried out through a one-envelope procedure; (vi) Bids submission shall be one envelope and opened on the same date of deadline for bid submissions. Evaluation of bids shall be made in strict adherence to the evaluation criteria specified in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms. Merit points shall not

be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation; (vii) The results of evaluation and award of contract shall be made public. All bids shall not be rejected and the procurement process shall not be cancelled, a failure of bidding declared, or new bids shall not be solicited, without the Bank's prior written concurrence. No bids shall be rejected on the basis of comparison with the cost estimates without the Bank's prior written concurrence; (viii) In accordance with para.1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (1) the bidders, suppliers, contractors and subcontractors, agents, personnel, consultants, service providers, or suppliers shall permit the Association, 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 (2) Acts intended to materially impede the exercise of the Bank's audit and inspection rights constitutes an obstructive practice as defined in the para. 1.16 a (v) of the Procurement Guidelines.

64. **The MEF Procurement unit and staffing.** MEF is a newly established agency and has no prior experience in managing Bank-financed project procurement, although some individuals transferred from MOA to MEF do have these skills. MEF's procurement management and performance under the initial REDD+ Readiness Preparation support by the Forest Carbon Partnership Facility (FCPF) has been assessed as moderately satisfactory, as there is recent evidence of strong improvement in this regard as disbursement has risen five-fold in the last two months. The top management of the ministry has recently enhanced its clarity on the existing FCPF grant agreement's provisions related to procurement. The REDD Secretariat at MEF has recruited a procurement consultant (a contract employee) for the project, and has recently completed contract procurements, supporting a five-fold increase in disbursement in March and April 2014. This trend is promising and to keep the good momentum, MEF may need further implementation support on the agreed procurement aspects in the grant agreement. The action plan includes significant training and outreach to support MEF to deliver on its mandate effectively and efficiently.

65. **Procurable items under the Additional Funding grant.** Procurable items under the project will include goods, non-consulting services and consultancy services. Goods to be procured under the project will include: equipment for MRV, office equipment, GIS software for key mapping institutions, vehicle and field equipment, production of publications and guidebooks, field material for communities, among others. Non consultancy services will include mapping of critical and basic land-cover/land-use map, transportation of goods and equipment. Consultancy assignments will include individual technical assistance at various levels of project implementation and advisory services to be provided by firms in various aspects of the project as described in the Project Procurement Plan.

66. **Procurement Methods:** Goods and Non-Consultancy Services will be procured through a variety of methods that will include International Competitive Bidding, National Competitive Bidding, Direct Contracting and Shopping. The choice and application of a particular method will be determined by the cost estimate, nature of the goods, availability of goods in-country and market situation. The applicable methods for goods and shortlists for consultants are as follows:

<b>Contracts for:</b>	<b>Shortlisting of Consultants</b>
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Goods and Non-Consulting services	Engineering and works supervision	All other consultancy assignments
Contract value is less than US\$1,000,000	Contract value is less than US\$300,000	Contract value is less than US\$200,000
<i>NCB is allowed</i>	Shortlist may be made up entirely of national consultants	Shortlist may be made up entirely of national consultants
Contract value is more than US\$1,000,000	Contract value is more than US\$300,000	Contract value is more than US\$200,000
<i>ICB is required</i>	Shortlist cannot be made up entirely of national consultants	Shortlist cannot be made up entirely of national consultants
Contract value is less than US\$50,000	Individual Consultants of any value	
Shopping (Request for written quotation) is allowed. For vehicles, it will be allowed up to US\$200,000	Comparison of at least three CVs of qualified consultants. Advertisement is not a must but is recommended. No Request for Proposal required.	

67. **Consultant’s selection methods** may include Quality and Cost Based Selection (QCBS), Quality Based Selection (QBS), Least Cost Based Selection (LCS), Fixed Budget Selection (FBS) and Consultant Qualification as appropriate all as described in Consultant Guidelines and agreed in the Procurement Plan. Direct contracting (for goods) and single source selection may also be used when the implementing agency is satisfied that such method brings value for money and the conditions stipulated in paragraph 3.7 of Procurement Guidelines and paragraph 3.8 of Consultant Guidelines are fulfilled to the satisfaction of the Bank.

68. **Use of the consultancy services of Government-owned Universities or research centers.** Government-owned entities are neither legally nor financially autonomous. Thus, under ordinary circumstances they would not be eligible to participate in Bank financed projects as consultants. However, in this project, some Government - owned universities and research centers may possess the requisite expertise and accumulated local practices in the CRGE related goals on land use change and forestry resources management. Therefore, their participation is considered to be critical due to their unique local research knowledge and experience in the sector. Thus, as an exception to the eligibility in accordance with paragraph 1.11(c) of the Consultants Guidelines, these universities and research centers will be allowed to participate as consultants in this project on a case-by-case basis whenever their participation is justified that they can add better value to the achievement of the project 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 project when the need arises.

69. **Use of UN Agencies:** Agencies of the UN may be single-sourced by grant recipients when they are uniquely or exceptionally qualified to provide technical assistance and advice in their area of expertise. UN agencies shall not receive any preferential treatment when participating in a competitive selection.

70. **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 Ethiopian Government practices that have been found acceptable to the Bank.

71. **Training and workshops.** Training and workshops will be based on capacity-building needs. Venues for workshops and training as well as purchases of materials for training and workshops will be done on the basis of at least three quotations. The selection of institutions for specialized training will be done on the basis of quality and therefore will use the Qualifications Based Selection method. Annual training plans and budget shall be prepared and approved by the World Bank in advance of the training and workshops.

72. **Margin of preference for domestic goods.** In accordance with paragraphs 2.55 and 2.56 of the WB Procurement Guidelines, the grant recipient may grant a maximum of margin of preference up to 15 percent for goods manufactured in the grant recipient's country and 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.

***Procurement risks identified:***

73. An assessment of the capacity of the implementing agency (MEF) for this Additional Funding grant has been carried out and revealed that efforts have been made to institutionalize procurement at Federal level, and these efforts need to keep up the momentum. Therefore there are some key issues and risks which need to be addressed for implementation of the overall procurement aspects the Additional Funding so that disbursement and impact can advance quickly. The key issues and risks for implementation of procurement under the Additional Funding include: (i) Insufficient understanding of the project implementation agreement, especially on Bank procurement procedures, by the top management of the ministry; (ii) lack of qualified technical staff to prepare technical requirements and ToRs, and to draft procurement documents; (iii) lack of business standards in procurement processing and decision making; (iv) since MEF is a newly established agency, there is lack of previous experience in implementing Bank-financed project procurement in general; (v) need to continue to delegate procurement decision powers to the project coordinator and (vi) need to continue to offer procurement skills development opportunities to the staff.

74. Risk mitigation measures include:

- (i) Provide procurement orientation workshop to the project team and top management of the Ministry, in collaboration with the Federal Public Procurement Agency;
- (ii) Ensure that the REDD+ Secretariat has have expert advice (specialized technical assistance consultants) to prepare ToRs for different key assignments;
- (iii) The ministry as well as the project secretariat needs to have agreed business delivery standard so that each decision maker will be held accountable for unreasonably delayed actions;
- (iv) Ensure that the Project team has further training and all the project technical team and the tender award committee members attend procurement training provided by the

Ethiopian Management institute (EMI) in collaboration with the World Bank Country office.

### *Assessment of risk*

75. In line with other Bank-financed projects in Ethiopia, the overall risk for procurement for this additional funding grant is rated *high*, and the thresholds for prior review for international competitive bidding (ICB), including the maximum contract value for which the shortlist may comprise exclusively Ethiopian firms in the selection of consultants, are presented in Table A8.2, for the purposes of the initial Procurement Plan. The procurement capacity of the project implementing agency will be reviewed annually and the thresholds will be revised according to the improvements or deterioration in procurement capacity.

**Table A8.2: Thresholds**

Category	Prior Review Threshold (US\$)	ICB Threshold (US\$)	National Shortlist Maximum Value (US\$)
Works	≥5,000,000	≥7,000,000	NA
Goods	≥500,000	≥1 000,000	NA
Consultants (Firms)	≥200,000	NA	<200,000
Consultants (Individuals)	≥100,000	NA	NA

**Note:** All ICB contracts shall be subject to the Bank prior review. All single source and direct contracts above US\$1,000 will require Bank prior review.

### *Procurement Plan*

76. A Procurement Plan was developed for the additional financing implementation which provides the basis for the procurement methods. Please refer to Annex 4. This plan will be reviewed and agreed through the standard No Objection process, and will be available in the Project's database and in the Bank's external website. The Procurement Plan will be updated in agreement with the Bank annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

### *Frequency of Procurement Implementation Support*

77. In addition to the implementation support for prior reviews to be carried out from Bank office in Addis Ababa, annual implementation support missions to visit the field to carry out post review of procurement actions will be conducted.

## **D. Social and Environmental Safeguards**

78. The project objective of strengthening the capacity of Ethiopia's institutions in dealing with REDD+ is expected to have positive environmental and social benefits, particularly through

the increased adoption of sustainable forest and land management by communities and government institutions. To ensure that the project maximizes its positive environmental and social impacts and benefits, and to avoid potential adverse impacts, the project has triggered the following safeguards policies of the World Bank, namely (1) Environmental Assessment (OP4.01); (2) Natural Habitats (OP4.04); (3) Forests (OP4.36); (4) the involuntary resettlement policy (OP4.12); and (5) OP4.10, and these policies will provide the basis for robust safeguards mitigation measures. No additional safeguards issues are expected to those already covered in the R-PP Assessment Note.

79. The FCPF grant is currently financing the preparation of a Strategic Environmental and Social Assessment (SESA) of the REDD+ Readiness process, which seeks to identify the potential social and environmental risks from the implementation of future investments and policies to achieve REDD+ goals. The Government of Ethiopia has established a SESA Task Force that is currently providing technical support to the REDD+ Secretariat on safeguards issues, and is overseeing the preparation of the SESA by a specialized firm. SESA will generate recommendations to be incorporated into the national REDD+ Strategy. The Pilot Projects will be screened and subjected to World Bank environmental and social safeguards due diligence before they enter the implementation phase, in case their implementation is financed by the World Bank.

80. The issues relating to OP 4.10 will be defined in detail through Social Assessments and Consultation to reflect the policy requirements. The SESA process will facilitate the identification of underserved groups that deserve special attention due to their vulnerabilities and provide mitigation plans to preclude any social risk or negative impacts on them. The project documentation will summarize the key findings of the social assessment including the process used to foster free, prior, and informed consultations and broad community support for the project, including the provision of grievance redress, and benefit sharing issues; and the identified mitigation actions will be incorporated in the design of the REDD+ Strategy. The implementation of the REDD+ activities may involve acquisition of land and /or restriction of access to legally designated parks, land acquisition, protected areas, or forest management / reforestation areas. Therefore, a Resettlement Policy Framework (RPF) and Process Framework (PF) will be prepared as part of the SESA, consulted upon and disclosed to ensure that appropriate measures are in place to address any issues which might arise from potential land acquisition and or restriction of access to legally designated parks, land acquisition, protected areas, or forest management / reforestation areas under the REDD+ process..

81. During SESA implementation, special attention will be given to community participation, grievance redress mechanisms, benefit sharing mechanisms, socio-cultural (including gender) systems/physical characteristics that are specific to the project sites and surroundings to ensure that those affected by implementation of the project, positively or negatively, have a voice and a mechanism of influencing project outcomes in line with World Bank safeguard policies.

82. Environmental and Social Management Framework of the SESA will be further elaborated, including an action plan for mitigating any adverse social impacts, and ongoing process of free, prior, and informed consultations leading to broad community support for the project, and grievance redress mechanisms.

## VII. Risks

83. The original R-PP Assessment Note presents a comprehensive list of risks related to the REDD+ Readiness Preparation process. This section is focused on the additional risks associated with this grant. The updated ORAF is summarized below:

- (i) **Preparation of REDD+ Projects.** These additional funds are expected to support pilot project preparation activities, which may have future consequences when implemented (no WB financing will be used for investments). To mitigate this risk, the team will screen these projects against the ESMF under preparation, and support the preparation of the social and environmental impact mitigation tools. The team will also endeavor to support MEF in their hiring a social development officer to advise on and handle the social safeguards responsibilities required to successfully design and implement REDD investments.
- (ii) **Oromia Forested Landscape Project may move at a faster pace than the national process.** To mitigate this risk, the team will ensure that the National REDD+ Secretariat is fully involved in the Regional State REDD+ activities, including those in Oromia, and would share lessons from Oromia with other regions (budget for which is allocated in this Additional Funding grant).

## ANNEX 1. ORIGINAL R-PP BUDGET

Main Activity	Sub-Activity	Estimated Cost (in thousands) \$				
		2012	2013	2014	2015	total
1. Organize and Consult	1a. National Readiness Management arrangements	210	270	220	80	780
	1b. Stakeholder consultation and participation	240	1015	585	80	1920
2. Prepare the REDD+ strategy	2a. Assessment of Land Use, Forestry Policy and Governance	170	295	195	0	660
	2b. Develop REDD+ Strategy Options	310	2430	1830	290	4860
	2c. Design REDD+ Implementation Framework	200	690	455	0	1345
	2d. Social and Environmental Impacts	85	265	130		480
3. Develop a Reference Scenario		440	1380	800	50	2670
4. Design a Monitoring System		180	460	400	130	1170
5. Design a Monitoring and Evaluation Framework		70	110	30	20	230
<b>Total</b>		<b>1905</b>	<b>6915</b>	<b>4645</b>	<b>650</b>	<b>14,115</b>

## ANNEX 2. DETAILED ADDITIONAL FUNDING BUDGET

<b>R-PP budget - National REDD+ Program Additional Funding</b>					
Categories	Sub-categories	1st year 2014	2nd year 2015	3rd year 2016	TOTAL
<b>Component 1: Promote REDD+ Readiness at the Federal and Regional levels</b>					
Consultations and communications on REDD+		51,000	51,000	51,000	153,000
Auditing costs				30,000	30,000
Field equipment and supplies to regions		67,500			67,500
Capacity building targeted at regional level		90,000	90,000	90,000	270,000
Support Regional REDD+ SC/TWG meetings/workshops and regional REDD+ Units		42,300	42,300	42,300	126,900
Support to Federal REDD+ SC and TWG/TF meetings				35,000	35,000
Support to the National REDD+ Secretariat in Y4				228,000	228,000
Operational costs of the national REDD+ Secretariat		40,000	40,000	40,000	120,000
Vehicle for Pilot coordination		120,000			120,000
<b>Subtotal REDD+ Readiness at the regional level</b>		<b>410,800</b>	<b>223,300</b>	<b>516,300</b>	<b>1,150,400</b>
<b>Component 2: Establishment of MRV and REL for REDD+</b>					
<b>Outcome 1.</b> Institutional arrangements and data management systems to support the national MRV system are in place and fully operational	Establishment of technical expert group on MRV	27,600	27,600	27,600	82,800
	Needs Assessment for Training and Capacity Building	25,000			25,000

	Establishment of Institutional Arrangement for MRV Implementation	25,000			25,000
	Assess existing data storage and management systems relevant for MRV and Design and implement management solutions for key elements of the MRV system	40,000			40,000
	Develop a data sharing policy for internal and external usage	35,000			35,000
	Procurement of equipment for MRV	100,000	100,000		200,000
	Procurment of IT Consultant	25,000	25,000		50,000
<b>Subtotal Output 1</b>		252,600	127,600	27,600	457,800
<b>Output 2.</b> National MRV institutions are capable to to assess historical forest cover change and monitor activity data	Develop a national forest definition through analysis and consultation	25,000			25,000
	Undertake trainings on remote-sensing techniques/analysis and open-source GIS softwares for key mapping institutions	30,000	20,000	20,000	70,000
	Develop a classification system for forest and other biomass-rich areas, prepare a basic land-cover/land-use map for REDD+ use and update the forest cover map	180,000			180,000

	Perform land cover change assessment with accuracy assessment and assess potential trends, including acquisition of high resolution images and other proxy data	60,000	60,000	60,000	180,000
	Establish and train an operational remote-sensing forest/land-use monitoring unit	50,000	50,000	50,000	150,000
	Develop a forest and land use monitoring web-portal to display REDD+ information	40,000	5,000	5,000	50,000
	Identify potential technologies to detect forest degradation			100,000	100,000
<b>Subtotal Output 2</b>		400,000	145,000	240,000	785,000
<b>Output 3.</b> Capacities to carry out NFI in the context of REDD+ are enhanced and new information is produced to improve carbon measurements and other relevant information on forest use and forest cover	Vehicle and field equipment	200,000	50,000	50,000	300,000
	Existing data is analyzed to assess accuracy and relevance for REDD+ needs, notably for calculating EFs	75,000			75,000
	Other relevant data sets are compiled and analyzed to assess potential contribution to the development of EFs and other MRV needs	25,000	-	-	25,000
	The relevance of proxy data to assess forest degradation emission factors (e.g fuel wood usage, small-scale farming, logging) is tested	25,000	-	-	25,000
	Provide trainings/workshops to field crews on field data collection, GPS/GIS usage for the NFI	33,826	33,826	28,993	96,645
	Provide trainings and support on field data compilation, quality control and analysis	40,612	40,612	34,810	116,033

	Support field work to establish PSP in key land classes areas, e.g. Oromia and key woodland areas	493,236	493,236	246,528	1,233,000
	Assess relevance of socio-economic and environmental NFI component and adapt, if relevant, to collect and provide information to address safeguards	83,020	55,346	-	138,366
	Field data from NFI is analyzed and combined with existing data to produce relevant forest information/analysis, including EFs for key land classes	-	53,173	212,693	265,866
	Research topics to be identified in consultation with national stakeholders (research and academic institutions)	20,000	10,000		30,000
	Support new research activities and collaborations to improve biomass estimates	60,000	50,000	10,000	120,000
	<b>Subtotal Output 3</b>	1,055,693	786,193	583,024	2,424,910
<b>Output 4.</b> Capacities of governmental, research and civil society actors on MRV are enhanced at national and decentralized levels	Provide trainings and material to trainers on the basics of NFMS, MRV, field data collection and local-level mapping	30,000	10,000	-	40,000
	GoE trainers provide trainings to decentralized forestry officers and to local communities	100,000	100,000	35,000	235,000
	Support participation in regional/international trainings/workshops and for the organization of meetings to foster collaboration and knowledge exchange on MRV	33,333	33,333	33,334	100,000

	Production of publications, guidebooks, training material and communication material on MRV	15,000	30,000	5,000	50,000
	Test and support MRV approaches for REDD+ pilot projects		50,000	50,000	100,000
<b>Subtotal Output 4</b>		178,333	223,333	123,334	525,000
<b>Output 5.</b> National RL(s)/REL(s) and relevant policies are endorsed and linked to the national GHG inventory process & policy framework	Test and calculate different RL/RELS approaches and conduct an analysis of key national circumstances for RL/RELS	30,000	30,000	40,000	100,000
	Undertake trainings on RL/RELS and facilitate a national dialogue to advance RL/REL(s) adoption and its policy application	50,000	50,000		100,000
	Provide trainings on LULUC/AFOLU GHG inventories softwares, methods and UNFCCC reporting requirements for REDD+ in coordination with CRGE process	20,000	20,000		40,000
<b>Subtotal Output 5</b>		100,000	100,000	40,000	240,000
<b>Total: MRV / REL system</b>		<b>1,986,626</b>	<b>1,382,126</b>	<b>1,013,958</b>	<b>4,432,710</b>
<b>Component 3: Preparation of REDD+ Pilot Projects</b>					
Coordination of Pilot Project Preparation		12,000	12,000	12,000	36,000
Multi-stakeholder Consultation and local-level Capacity Building		100,000			100,000
Operational costs of the Pilot Projects' Implementing Entity(ies)		56,089	40,000	30,000	126,089
Field equipment and office supply		124,000			124,000
Identifying and preparing small scale pilot projects		1,000,000	1,000,000	1,000,000	3,000,000
Subtotal: Identifying and Preparing Pilot Projects		1,292,089	1,052,000	1,042,000	3,386,089
Oromia REDD+ Coordination		54,000	-	-	54,000
Establishment of the Oromia state REDD+ Steering Committee		10,000	-	-	10,000

Multi-stakeholder Consultation and local-level Capacity Building		260,000	-	-	260,000
Communication material development		40,000	-	-	40,000
Social and Environmental Safeguards (includes Feedback and grievance redress mechanisms)		249,796	-	-	249,796
Equipment		298,000	-	-	298,000
Overall design of the Project Document		50,000	1	-	50,001
Setting up of Oromia REDD+ Unit		24,004			24,004
Capacity Building for Oromia REDD+ unit		45,000			45,000
<b>Subtotal: OROMIA REDD+ Pilot Project</b>		1,030,800	1	-	<b>1,030,801</b>
<b>Total: Preparation of Pilot Projects</b>		2,322,889	1,052,001	1,042,000	<b>4,416,890</b>
<b>GRAND TOTAL, entire project</b>		4,720,315	2,657,427	2,572,258	<b>10,000,000</b>

### ANNEX 3. KEY REFERENCE DOCUMENTS

- The original Project Information Document (PID) can be found at:  
[www.forestcarbonpartnership.org/sites/fcp/files/2013/Sep2013/Ethiopia\\_RPP%20Grant\\_PID\\_Assessment%20Note%20%2818October12%29.pdf](http://www.forestcarbonpartnership.org/sites/fcp/files/2013/Sep2013/Ethiopia_RPP%20Grant_PID_Assessment%20Note%20%2818October12%29.pdf)
- The Ethiopia Readiness Preparation Proposal can be found at:  
[forestcarbonpartnership.org/sites/forestcarbonpartnership.org/files/Documents/PDF/Jan2012/R-PP%20Ethiopia-final%20May%2025-2011.pdf](http://forestcarbonpartnership.org/sites/forestcarbonpartnership.org/files/Documents/PDF/Jan2012/R-PP%20Ethiopia-final%20May%2025-2011.pdf)
- Ethiopia signed Readiness Preparation Proposal Formulation Grant Agreement  
[forestcarbonpartnership.org/sites/forestcarbonpartnership.org/files/Documents/PDF/Nov2009/Ethiopia%20FCPF%20R-PP%20Formulation%20Grant%20Agreement.pdf](http://forestcarbonpartnership.org/sites/forestcarbonpartnership.org/files/Documents/PDF/Nov2009/Ethiopia%20FCPF%20R-PP%20Formulation%20Grant%20Agreement.pdf)
- The Readiness Preparation Proposal Assessment Note can be found at:  
[forestcarbonpartnership.org/sites/forestcarbonpartnership.org/files/Documents/PDF/Nov2012/R-PP%20Assessment%20Note%20Ethiopia%20\(18October2012\)%20-%20FOR%20PUBLICATION.pdf](http://forestcarbonpartnership.org/sites/forestcarbonpartnership.org/files/Documents/PDF/Nov2012/R-PP%20Assessment%20Note%20Ethiopia%20(18October2012)%20-%20FOR%20PUBLICATION.pdf)
- Current information on the REDD+ Readiness Process in Ethiopia can be found at the Ministry of Agriculture website at:  
[www.moa.gov.et/web/pages/redd](http://www.moa.gov.et/web/pages/redd)

**ANNEX 4. PROCUREMENT PLAN (See stand-alone document approved by the Bank, and to be incorporated here)**

## ANNEX 5. OVERALL RISK ASSESSMENT FRAMEWORK (ORAF)

### Appraisal Stage

**Project Development Objective (PDO):** To strengthen the capacity of Ethiopia's institutions dealing with land use on REDD+

**PDO Level Results Indicators:**

- i) The National REDD+ Secretariat within MoA is fully operational;
- ii) A national strategy to reduce emissions from deforestation and forest degradation (REDD+), including its legal and institutional framework, is prepared and validated by a broad spectrum of national stakeholders;
- iii) An Environmental and Social Management Framework (ESMF) is prepared and validated through the use of a Strategic Environmental and Social Assessment (SESA).

1. Project Stakeholder Risks	Rating:	Substantial		
<p><b>Description:</b></p> <p>1- REDD+ is a mechanism still under discussion internationally. Some stakeholders (mainly international NGOs and civil society members) have expressed concerns about various aspects of REDD+, including its potential adverse consequences on vulnerable forest-dependent communities. These NGOs are very active in Ethiopia and have been following the REDD+ Readiness process closely.</p> <p>2- REDD+ attracts a lot of international attention at present. This is leading to increased expectations on the part of the governments, civil society and even private sector. There could be backlash if Ethiopia is not able to access REDD+ funds in the medium-term. Some stakeholders might resist some of the policy changes that REDD+ entails; Stakeholder expectations for receipt of large near term payments for REDD+ are high and may not be realistic.</p>	<p><b>Risk Management:</b></p> <p>1- The REDD+ process enjoys satisfactory support from national NGOs and the broader donor community. Project team maintains close communication with national and international NGOs (both at the country level and internationally, with support from the FCPF Management Team); SESA will identify social and environmental risks arising from the national REDD+ Strategy, and prepare and ESMF for future investments in REDD+;</p> <p>1- A Participation and Consultation plan is been prepared and should be implemented in 2014;</p> <p>2- Project team will ensure to manage expectations throughout project implementation.</p>			
	<p><b>Resp.:</b> WB</p>	<p><b>Stage:</b> Implementation</p>	<p><b>Due Date:</b> Not yet due</p>	<p><b>Status:</b> In progress</p>

<b>2. Operating Environment Risks</b> (Note for information: this section is not disclosed at negotiation and Board presentation stages)			
<b>2.1. Country</b>	<b>Rating</b>	<b>High</b>	
<p><b>Description:</b></p> <ul style="list-style-type: none"> <li>1- Ethiopia has major structural constraints that inhibit economic growth. Despite strong trade performance in recent months (partially due to credit restrictions on imports) the external position continues to be vulnerable as progress in export diversification has been limited.</li> <li>2- Ethiopia is in an unstable region of Africa. Instability remains a permanent feature in the volatile Horn of Africa. Tensions with Eritrea, instability in Somalia and domestic strains in the Ogaden region will remain.</li> <li>3- Ethiopia is vulnerable to exogenous shocks. Ethiopia is subject to terms of trade shocks from international food and fuel prices and to large domestic weather-related shocks, as the current East Africa drought demonstrates.</li> </ul>	<p><b>Risk Management:</b></p> <ul style="list-style-type: none"> <li>1, 2- The risk cannot be fully mitigated at the project level.</li> <li>3-The Bank continues its engagement with MOFED on fiscal prudence and price stability.</li> <li>3-The Bank will liaise closely with GoE and development partners to ensure our program is resilient to regional shocks.</li> <li>3-Ongoing projects (especially PSNP and PCDP) can respond to drought-affected (around 8M people receive assistance through PSNP each year) as well as to strengthen disaster response mechanism, which would improve Government’s ability to respond to droughts and other natural disasters in the medium and long-term.</li> </ul>		
	<b>Resp: Client</b>	<b>Stage: Prep and Imp</b>	<b>Due Date: Not yet due</b>

<b>2.2. Sector/multi-sector</b>	<b>Rating:</b>	<b>High</b>		
<b>Description:</b> 1- Responsibility for the overall REDD+ Program has been shifted from EPA, to MoA and now to Ministry of Environment and Forest. Lack of institutional stability to manage the process is a major risk.  2- The GoE intends to strengthen unit/division/department within MEF responsible for at both federal and lower administrative levels throughout the R-PP implementation period. However, it might delay due to legislative and/or political reasons.	<b>Risk Management:</b>			
	1- A study on most adequate implementation arrangements for the REDD+ process will be conducted during the grant implementation. The grant is supporting the strengthening of the REDD+ Secretariat.  2- GoE has pledged to hire additional staff for the newly created MEF. WB will monitor closely.			
	<b>Resp:</b> <b>Both</b>	<b>Stage:</b> <b>Implementation</b>	<b>Due Date:</b> <b>Not yet due</b>	<b>Status:</b> <b>In progress</b>
<b>3. Implementing Agency Risks (including fiduciary)</b>				
<b>3.1. Capacity</b>	<b>Rating:</b>	<b>Moderate</b>		
<b>Description:</b> 1- REDD+ is a complex and innovative mechanism that requires strong capacity in various domains, including forest policy, governance and monitoring. Currently, Ethiopia has limited capacity, which could delay its access to a REDD+ mechanism. 2- The new MEF staff and implementing entities do not have a full understanding of the REDD+ agenda.	<b>Risk Management:</b>			
	1- The FCPF REDD+ Readiness support is exactly aimed at supporting institutional and technical capacity at all levels. The Program currently enjoys high level of commitment from the government. The focus of this project is capacity building at various levels and domains (planning, monitoring, financial management, communication and stakeholder engagement, etc.) 2- To minimize the lack of knowledge, the WB and the REDD+ Secretariat has allocated substantial amount of resources for trainings, aiming filling the capacity gap.			
	<b>Resp:</b> <b>Both</b>	<b>Stage:</b> <b>Implementation</b>	<b>Due Date:</b> <b>Not yet due</b>	<b>Status:</b> <b>In progress</b>
<b>3.2. Governance</b>	<b>Rating:</b>	<b>Substantial</b>		

<p><b>Description:</b></p> <ol style="list-style-type: none"> <li>1- GoE has got Federal Public procurement legal framework. There is lack of awareness and proper implementation capacity and oversight mechanism to enforce the available procurement legal framework in Ethiopia. The Public procurement regulatory organ of the GoE has less capacity to conduct compliance monitoring and procurement audits that are needed to enforce the creation and maintenance of the structures required to implement transparent, fair, efficient, accountable and value for money procurement. Further, the oversight arrangements do not satisfactorily address bidder complaints, which may discourage bidders from participating in MoA/ MEF contracts thereby reducing competition.</li> <li>2- New local bodies, related to the new MEF probably will be created at the local level. It is not clear yet the role that the local level MEF will have in relation to forest issues</li> <li>3- A national REDD+ system will need to involve different levels of the government and various stakeholders. REDD+ revenues need to reach beneficiaries on the ground, such as forest-dependent communities and farmers. REDD+ can only succeed in a context of good governance – where rules for carbon transactions are transparent, revenue sharing schemes are fair and known to stakeholders and respected, funds are managed properly.</li> <li>4- Some policy decisions on the national REDD+ legal framework will require strong level of government commitment.</li> </ol>	<p><b>Risk Management :</b></p> <ol style="list-style-type: none"> <li>1- The mitigation measure, which is outside the scope of the Project, is to develop the capacity of the public Procurement regulatory body (the Federal Public Procurement and Asset Management Agency) to enable it conduct public procurement audits for all public enterprises in Ethiopia. This is a long-term action that would involve GoE actors other than MoA. The lead agency for implementing this measure is MoFED. The Project will use both Prior review and Post review instruments to make sure that the procurement of contracts under the project has followed agreed procedures.</li> <li>2- The WB will monitor closely the deployment of the new local MEF bodies, aiming ensuring the full implementation of the R-PP activities.</li> <li>3- The Bank will support the functioning of the federal level REDD+ Technical Working Group and REDD+ Steering Committee. The Bank will support the GoE in creating clear rules for carbon transactions in the country and creating the capacity to implement those.</li> <li>4- The WB will engage the relevant institutions for policies development since the early identification of the need of policy changes.</li> </ol>			
	<p><b>Resp:</b> <b>Both</b></p>	<p><b>Stage:</b> <b>Implementation</b></p>	<p><b>Due Date:</b> <b>Not yet due</b></p>	<p><b>Status:</b> <b>In progres</b></p>

<b>Fraud &amp; Corruption (sub-category of Governance risk)</b>	<b>Rating:</b>	<b>High</b>			
<p><b>Description:</b></p> <p>1- Levels of corruption in Ethiopia are unclear, but use of public resources for private gain is not considered widespread or systemic. However, Ethiopia has a tradition of strong governments and limited democratic accountability, which may result in GoE adopting approaches that undermine donors' willingness to support Ethiopia.</p> <p>2- In 2010 national elections the ruling party won all but two seats, reinforcing concerns about weak democratic governance, including restrictive civil society and media laws; tight control on information key to development outcomes; lack of separation of party and state; and allegations that program benefits have been subject to political capture.</p> <p>3- Fraud and corruption practices might occur during project implementation and might translate into capture of resources, excessively high costs and poor quality of consultants' services procured goods and works. However, there are no known cases of fraud and corruption related to contracts handled by the implementing entity.</p>	<p><b>Risk Management:</b> -The Bank continues to focus on fostering improved governance. This will remain a focus-area for the upcoming CAS. The Protection of Basic Services Program presents opportunities for citizens to engage more actively in development related decisions as well as to ensure greater transparency and accountability. The Bank continues to look for elements that can help promote more accurate and accessible information that expands the space for citizen engagement and private initiatives.</p>				
		<b>Resp: Both</b>	<b>Stage: Preparation and Implementation</b>	<b>Due Date: Not yet due</b>	<b>Status: in progress</b>
<b>4. Project Risks</b>					
<b>4.1. Design</b>		<b>Rating:</b>	<b>Low</b>		
<p><b>Description:</b></p> <p>1.The design of the project has been kept simple, with clear roles and responsibilities for project implementation. Procurement will be facilitated by the reduction in the number of overall contracts to be bid.</p> <p>2. These additional funds are expected to support pilot project preparation activities, which may have future consequences when implemented (no WB financing will be used for investments).</p>		<p><b>Risk Management:</b></p> <p>1. The team will provide continued support to the MEF during implementation.</p> <p>2. To mitigate this risk, the team will screen these projects against the ESMF under preparation, and support the preparation of the social and environmental impact mitigation tools. The team will also endeavor to support the GoE in their hiring a social development officer to advise on and handle the social safeguards responsibilities of the GoE.</p>			

	<b>Resp: Both</b>	<b>Stage: preparation</b>	<b>Due Date: Not yet due</b>	<b>Status: in progress</b>
<b>4.2. Social &amp; Environmental</b>	<b>Rating:</b>	<b>Moderate</b>		
<b>Description:</b> Capacity in implementing the Strategic Environmental and Social Assessment (SESA) and the Environmental and Social Impact Analysis (ESIA) is limited in the country (and elsewhere, for that matter). The safeguards approach is complex and abstract, as it aims to influence decision-making, and not only mitigate risks.	<b>Risk Management:</b> <ol style="list-style-type: none"> <li>1. A SESA will be conducted, to assess the compliance of the national REDD+ Strategy to WB safeguards. A national SESA Task Force with representatives from different sectors was created to supervise the overall SESA process. Depending on the outcome of the SESA, an RPF and/or Process Framework may also be prepared. An Environmental and Social Impact Analysis (ESIA) will be produced specifically for the Oromia REDD+ Pilot Program.</li> <li>2. The WB will closely advise the SESA Task Force in preparation of the ESMF and will provide capacity building opportunities for the sub-group members and other relevant stakeholders. The WB will support and oversee the development of the others safeguards instruments, like an Environmental and Social Assessment.</li> </ol>			
	<b>Resp: Both</b>	<b>Stage: Implementation</b>	<b>Due Date: Not yet due</b>	<b>Status: In progress</b>
<b>4.3. Program &amp; Donor</b>	<b>Rating:</b>	<b>Low</b>		
<b>Description:</b> REDD+ Readiness is being funded by different donors and overall coordination in use of resources needs to be ensured.	<b>Risk Management:</b> The REDD+ process is conducted in close coordination with other Development Partners.			
	<b>Resp: Both</b>	<b>Stage: Implementation</b>	<b>Due Date: Noy yet due</b>	<b>Status: Achieved</b>
<b>4.4. Delivery, Monitoring &amp; Sustainability</b>	<b>Rating:</b>	<b>Moderate</b>		
<b>Description:</b> Lack of a strengthened forestry oversight function at both federal and lower administrative levels might prevent the GoE from sustaining its effort in developing readiness in implementing REDD+ initiatives. The GoE intends to develop such a strengthened oversight function, but through the R-PP implementation period. However, it would take time to establish capacities of those institutions.	<b>Risk Management:</b> The R-PP implementation is the process for developing capacities. Funding is being allocated for new staff to be hired and several training process are planned, at different levels (from local to federal); A M&E specialist was hired and will support the monitoring of the R-PP implementation process.			
	<b>Resp: Gov</b>	<b>Stage: Implementation</b>	<b>Due Date: Not yet due</b>	<b>Status: In progress</b>

<b>Non-disclosable Information for Management Attention (Optional) - None</b>	
<b>Comments:</b>	
<b>5. Project Team Proposed Rating <u>Before</u> Review</b>	
<b>5.1. Preparation Risk Rating: Moderate</b>	<b>5.2 Implementation Risk Rating: Moderate</b>
<b>Comments:</b>	<b>Comments:</b>
<b>6. Risk Team</b>	
<b>6.1. Preparation Risk Rating:</b>	<b>6.2 Implementation Risk Rating</b>
<b>Comments:</b>	<b>Comments:</b>
<b>7. Overall Risk Following Review</b>	
<b>7.1. Preparation Risk Rating:</b>	<b>7.2 Implementation Risk Rating:</b>
<b>Comments:</b>	<b>Comments:</b>