



May 2015

CLIMATE**FOCUS**

Mid-term report

**Report No. 1: Legal and
institutional framework for
a national REDD+ program
in Ethiopia**

(Draft)

Mid-term report
Report No. 1: Legal and institutional
framework for a national REDD+ program
(Draft)

Dr.YitebuMoges
National REDD+ Coordinator
Ministry of Environment and Forest
Addis Ababa, Ethiopia

23 September 2014

Climate Focus North America, Inc.
1730 Rhode Island Ave, NW
Suite 601
Washington, DC 20036
U.S.A.

Contents

1.	Introduction	4
2.	Status Quo	6
2.1	Status of REDD+ Implementation	6
2.2	Overview of law and policy on land use	6
2.3	Land-use Legislation	11
2.3.1	Land Use Planning	11
2.3.2	Land, forest and tree tenure and user rights	12
2.3.3	Participatory Forest Management	15
2.3.4	Rights to carbon/emission reductions	16
2.4	Relevant Institutions	18
3.	REDD+ Policies and Institutions	22
3.1	Overview	22
3.2	General considerations	23
3.2.1	Integrating REDD+ within national policy	23
3.2.2	Matching implementation arrangements with capacities	23
3.2.3	Embedding implementation frameworks in the legal system	24
3.2.4	Connecting multiple governance levels	25
3.3	REDD+ policies	27
3.3.1	Lessons from international and Ethiopian initiatives	28
3.3.2	Designing REDD+ policies for Ethiopia	30
3.3.3	Allocation and distribution of REDD+ finance	35
3.4	Operational framework	37
3.4.1	Institutional arrangements	37
3.4.2	Financial management	41
3.4.3	Safeguard systems	46
3.4.4	Monitoring, reporting, verification	53
3.4.5	Registry	55

1.

Introduction

On April 25, 2014 the World Bank contracted a consortium led by Climate Focus for an assignment “Analysis of the Legal and Institutional Framework for a National and Regional REDD+ Program in Ethiopia” (the Assignment). The Government of Ethiopia has identified REDD+ as an opportunity and viable source of sustainable finance for investments in forest management, conservation and restoration to enhance multiple benefits of forests. The Assignment pursues the double purpose of supporting the Government of Ethiopia in achieving REDD+ readiness and creating a framework for the implementation of REDD+ and of preparing a results-based transaction of the World Bank’s BioCarbon Fund in support of the Oromia Forested Landscape Program. The overall objective of the Assignment is to contribute to the legal and institutional REDD+ Readiness in Ethiopia and in its pilot, Oromia Regional State.

This report marks the midterm of the project implementation. It consists of two parts, the present document which covers the national REDD+ context, while the regional options are presented in a separate report, more transaction oriented and focused on supporting preparation of the Oromia Forested Landscape Project. Since the national REDD+ program will set the framework for REDD+ policies and operations in Ethiopia, the analyses of the two levels is closely linked and all proposals have been designed to ensure compatibility.

This report assesses initial options for institutional and legal frameworks of a national REDD+ program. It is based on desk reviews and a series of interviews with governmental and non-governmental experts. We analyzed literature, documentation of existing initiatives, policy documents, original legal texts and other background documents. In the absence of an assessment of drivers and strategy options at the national level, the work is informed by high-level policy documents as well as the work currently on-going for its pilot, Oromia regional state. This includes the R-PP and outputs of the Technical Workshop organized by the Oromia REDD+ Coordination Unit in August 2014. Based on this report we seek to evaluate and develop initial options in bilateral meetings with important stakeholders and through a representative sample of local communities, as determined together with the Client. Next, we propose to carry out a stakeholder consultation to evaluate initial options and to allow for the preferred options to be evaluated and identified.

This report has been made possible with the contribution of various experts and decision makers from government and non-governmental institutions. We would like to express our gratitude to Dr. Yitebitu Moges (Ministry of Environment and Forest- REDD+ Secretariat); Ato Tesfaye Gonfa (Oromia REDD+ Coordination Unit); Dr. Yigremachew Seyoum (Ministry of Environment and Forest); Ato Tsegaye Tadesse (Global Green Growth Institute-GGGI); Mr. William Battye (GGGI); Ato Melaku Tefera (Ministry of Agriculture, Sustainable Land Management Program); Ato Yosef Assefa (Ministry of Agriculture, Productive Safety Net Program);

WubalemTadesse(Forestry Research Center); AtoMenberuAlebachew (Consultant); AtoAbebeMulatu (Land Management for Nature Development Project); AtoShimelesSima (World Bank); Ms. MeronTadesse (World Bank); Dr. ArarsaRegassa(OFWE); Dr. GirmaAmente (Haramaya University); Dr. David Potter (Department for International Development-DFID); Dr. HabtemariamKassa (Center for International Forestry Research); Ato Edema Kampe (Oromia Bureau of Finance and Economic Development); Mr. Anders Vatn (Royal Norwegian Embassy); Mr. Lars Ekman (Royal Norwegian Embassy); AtoSisayNune(Royal Norwegian Embassy); Dr.Zerihun Mohammed (Forum for Social Studies, FSS), AtoDessalegnRahmato (FSS), Dr.YemiruTesfaye (Wondo Genet College of Forestry & Natural Resources); AtoBinyam (South-West forest, field expert); AtoGenene (Dodolaparticipatory forest management, Bale); AtoSahlemariam (Bale eco-region project); AtoMengistuTadesse (Bale eco-region project); AtoFekaduTefera (OFWE); AtoTeressaDendena (OFWE); BelayneshBirru (Ministry of Water, Irrigation and Water).

2.

Status Quo

2.1 Status of REDD+ Implementation

REDD+ is embedded in Ethiopia's national Climate Resilient Green Economy (CRGE) Strategy, which envisions bringing the country to middle income status by 2025 through an environmentally sustainable and climate resilient economy while maintaining zero net greenhouse gas emissions. The Government of Ethiopia (GOE) established the Ministry of Environment and Forest (MEF) in May 2013 with the mandate to facilitate the implementation of the CRGE Strategy, including through development programs in environmental management and forestry. Ethiopia is receiving international support to achieve REDD+ readiness and prepare the country for receiving results-based payments for emission reductions in the forestry sector. The national REDD+ Readiness program - primarily coordinated under the REDD+ secretariat at MEF - intends to serve as a vehicle through which the CRGE objectives on land use and forestry sector are achieved. The CRGE Strategy is closely related with the Growth and Transformation Plan (GTP), a five-year economic growth plan that aims to improve the overall national economy through GDP growth driven by the agriculture sector.

Ethiopia is a participant country of the Forest Carbon Partnership Facility (FCPF) and submitted a Readiness Preparation Proposal (R-PP) in 2011, which was approved in October 2012. The REDD+ Readiness Program - funded jointly by FCPF and the Governments of Norway and the UK- was launched in January 2013. As part of achieving REDD+ readiness Ethiopia is currently preparing its national REDD+ strategy. A REDD+ Strategy Development Task Force has been set up and a group of core institutions has been nominated, including representatives of the MEF, Ministry of Agriculture (MOA), the Ministry of Water, Irrigation and Energy (MOWIE), Global Green Growth Institute (GGGI) and the Oromia REDD+ Coordination Unit. Terms of reference for the REDD+ Strategy have been agreed and individual entities are currently preparing the relevant sections. A draft version is planned for November 2014 and the strategic options identified will be translated into the Government's second GTP, due early next year. The elaborated outline highlights a focus on landscape level approaches for multiple-benefits as well as increased coordination between sectors with links to deforestation and forest degradation as some of the main features.¹

2.2 Overview of law and policy on land use

Effective REDD+ implementation depends on a coherent, coordinated and streamlined legal and policy framework. To support REDD+ existing, legal and policy frameworks on land use, forest and related sectors need to be assessed for their coherence and compatibility with respect to REDD+

¹ Tadesse, T. (2014): Ethiopia's REDD+ Strategy. Presentation at the Technical Workshop organized by the REDD+ Oromia Coordination Unit in August 2014.

objectives. This section therefore provides an analysis of the overall legal and policy frameworks for the forest and land use sector in Ethiopia in order to determine opportunities and gaps relevant for REDD+ implementation. The result of this analysis will feed into the recommendations for the effective implementation of REDD+ in Ethiopia.

In 1991, Ethiopia adopted a federal system of administration with nine regional states and two city administration councils. The federal system devolves significant power to regional states, which have the power to raise revenues, plan and implement their own development activities – including natural resources management – within the framework of the policies and proclamations issued by the federal government. The Government of Ethiopia has increased its focus on sustainable environmental management and development over the past decades. This is reflected with the incorporation of several environmental and development issues in the constitution, as well as the adoption of various strategies, policies and proclamations related to sustainable development. Table 1 provides a summary of the most important laws and policies related to sustainable natural resources management.

Table 1 Overview of policies and proclamations on land use in Ethiopia

Policy	Main elements relevant to REDD+
Ethiopian Constitution (1995)	<ul style="list-style-type: none"> • Vests the right to ownership of land and other natural resources, including forests, in the hands of State and people (Article 40); Government administers land on behalf of the people. • Land may not be subject to sale or other means of exchange, therefore prohibiting any form of private or communal ownership. • Guarantees the right of Ethiopian 'peasants' and 'pastoralists' to free allotment of land and not to be evicted therefrom. • Private investors have the right to use land in accordance with "payment arrangements established by law".
Forest Conservation and Utilization Proclamation (2007)	<ul style="list-style-type: none"> • Aims to increase the contribution of forest resources to the national economy via sustainable management and utilization of forest resources. • Promotes markets for forest development including private forest development. • Recognizes State forest and private forest. • Designation of all "major forestlands" as State forests; process should involve consulting respective communities and their priorities. • Gives priority to community if designation and demarcation of state forest results in eviction of the local community • Emphasizes the participation of local communities in the management of, and sharing of benefits from, State forests. • Forest rights may be granted to communities, associations or investors and are similar in substance to general land use rights. Forest Management Plans must be prepared.
Federal Rural Land Administration and Land Use Proclamation (2005)	<ul style="list-style-type: none"> • Ensures state and public ownership of land while establishing a framework for participation by peasants and pastoralists on ways of managing rural land. • Mandates regions to establish land administration and land use proclamations appropriate to respective regional states. • Entitles peasants and pastoralists whose livelihoods

	<p>depend on farming the land with rural land for free of charge.</p> <ul style="list-style-type: none"> • Provides private investors the rights to use rural land in accordance with the investment policies and laws at the federal and regional levels. • Provides framework for transferring land rights to individual users, communities, and private investors through the issuance of land holding certificates, concessions, or other agreements. • Provides for the rights of transfer, lease or compensation for land and properties developed on it.
Federal Investment Proclamation (2012)	<ul style="list-style-type: none"> • Provides overarching framework for regional investment proclamations on allocation of land for investment • Provides private investors the right to use land for “agricultural development activities” in accordance with federal and regional laws. • Applications are vetted for technical and financial feasibility and environmental and social acceptability. • Aims to promote foreign and domestic investment in various sectors including investment on land, to accelerate economic development • Defines the types of investment investors should and should not be engaged in; mandates the Council of Ministers for detail list of investments acceptable for domestic and foreign investors
Environmental Impact Assessment Proclamation (2002)	<ul style="list-style-type: none"> • Recognizes the importance of environmental impact assessment • Prohibits any investment that requires environmental impact assessment without authorization from the federal and regional environmental agency • Environmental Impact Assessment (EIA) reports are expected to portray the positive and negative impacts of the projects both for society and the environment
Energy Proclamation (2013)	<ul style="list-style-type: none"> • Aims to incentivize private sector investment in renewable energy • Will be complemented by the fed-in-tariff bill, which will offer independent power producers the option to sell renewable power producers to the national grid at specific rates • Makes provision for loans and financial support
Environmental Policy (1997)	<ul style="list-style-type: none"> • Provides institutional, implementation and legislative framework, responsibilities and mandates for sustainable development of natural resources • Emphasizes the need to establish legal reference for people’s participation in the natural resources management • Provides overarching framework for monitoring and evaluation of environmental projects
Agricultural Development-led Industrialization (ADLI) Strategy (1993)	<ul style="list-style-type: none"> • Broad and long term development strategy with two broad goals: poverty reduction and rapid economic growth • Aims to strengthen the linkages between agriculture and industry by increasing the productivity of small scale farmers, expanding large scale private commercial farms, and by reconstructing the manufacturing sector so as to use the national human and natural resources • It had two previous generation of strategies and GTP (2011-2015) is the third generation of ADLI for poverty reduction and economic growth
Plan for Accelerated and	<ul style="list-style-type: none"> • Second generation ADLI; main focus on improved

Sustainable Development to End Poverty (PASDEP) (2006-2011)	<p>crop and livestock productivity; sustainable natural resources management;</p> <ul style="list-style-type: none"> • Elements of the PASDEP in the agricultural sector include capacity building through training, development and adoption of a high yielding technology through strengthened agricultural research and extension service delivery mechanism • Includes agricultural research and extension policy, which aims to develop and select agricultural technologies to bring about increased productivity which will in turn bring about food security • The agricultural extension component included training and posting 45,000 development agents in Kebeles nationally, establishment of farmers' training centers and strengthening research-extension-farmer linkage
---	--

As is evident from Table 1, the existing federal legal and policy framework for land use is comprehensive and well-designed. At the same time, a large proportion of these laws and policies suffer from inadequate implementation and enforcement.² Indeed, limited law enforcement is considered one of the most significant challenges to sustainable land management.³ Several factors can be identified as hindering the effective implementation of existing laws and policies:

1. Policies and proclamations (high-level laws) at the federal level provide an overarching framework for achieving environmental and development outcomes that is complemented by specific regulations and implementation frameworks for their realization. In most cases, however, policies and proclamations are not supported by legislative regulations and implementation frameworks which are the basis for concrete action plans⁴. Even when regulations are in place, they frequently do not provide for follow up monitoring and evaluation mechanisms.
2. Legal frameworks emphasize prohibitions and law enforcement rather than providing incentive frameworks that actively promote sustainable management. Similarly, they often struggle to address the historical tension between state and community interests over natural resources, including access to land, forest and water resources. In many cases legislation effectively criminalizes community practices with little lasting consequence on the resource base. Efforts to incorporate the participation of citizens in natural resources management have sought to address this, but results have been mixed, and participation is often loosely defined. Participation within the context of natural resources management is generally understood to mean mobilizing farmers to implement something rather than involving them in decision making.⁵ Introducing more comprehensive frameworks that nest prevention, detection and monitoring within a broader strategy of natural resources management while engaging communities in a constructive manner may help to alleviate this issue. This could include, for example, public education and awareness on relevant laws and engaging communities in monitoring and enforcement. Achieving greater results in decentralized sustainable land management initiatives in Ethiopia are

²Bekele, M. (2008): Ethiopia's environmental policies, strategies and program. In Digest of Ethiopia's National Policies, Strategies and Programs. Forum for Social Studies and European Union, Addis Ababa, pp. 337-370

³Magrath, W.B., Grandalski R. (2001): Policies, Strategies and Technologies for forest resource protection. Paper presented at the Mekong Basin Symposium on Forest Law Enforcement, June 14-16, 1999

⁴ Interview with Abebe Mulatu, property rights lawyer at land administration for Land Management for Nature Development Project. September, 2014

⁵ Harrison, E. (2002): The problem with the locals': partnership and participation in Ethiopia. *Development and Change* 33, no. 4: 587-610.

often complex and actors at various levels of governance are operating under significant institutional and fiscal constraints⁶.

3. Implementation is hindered by a lack of capacities in relevant government institutions. Institutions at both federal and regional levels suffer from instability, limited technical capacity and inadequate finance to implement laws and policies. Owing to the decentralized governance structure and resultant lack of human capacity in some regions, inconsistencies between regional and federal institutions exist. In general, policy narratives which provide a positive outlook are not accompanied by allocation of sufficient resources to realize policy objectives.
4. Another issue is the absence of coherence of policies and laws relevant to land use. Several sectoral policies and proclamations relevant to land-use overlap, resulting in lack of clarity in mandates for implementing institutions. For instance, the R-PP highlighted the overlap between the Forest Proclamation and Land Administration Proclamation, both of which deal with natural resources management, including forest. On the other hand, the Forest Proclamation does not provide a legal provision for common property ownership, which undermines community authority over forests. If PFM is to be considered a viable strategy options for sustainable forest management, it needs comprehensive legal support for community ownership of forest resources. Other sectoral laws and policies are directly contradictory. For example, the R-PP indicated that the investment law granting rural land for investment has been reported to result clearing of forest, putting it at odds with the Forest and Land administration policies that aim to reduce deforestation.
5. Related to environmental and social safeguards, absence of established principles, standards and indicators presents a barrier to assessing and managing risks. Despite several efforts to establish policies, this has not been materialized. This leaves the existing environmental impact assessment process open for subjective interpretations of individual projects or sectoral ministries⁷ a status quo.
6. Many policies, laws and strategy documents on natural resources management are produced based on outdated or rough estimate data. Lack of up-to-date and reliable data is a major constraint in the policy making process and this can lead to setting unrealistic targets. One important example here is the variable definition of what constitutes 'forest', the conflicting forest designation as well as discrepancy in reported forest cover and forest cover change depending on the reporting entity. The Forest proclamation defines forest as 'a community of plants either naturally grown or developed by planting and mainly consisting of trees and other plants having woody character'⁸. The application of this definition is however limited for legal purposes. Ethiopia's 2010 country report to FAO indicated 13 million hectares (10% of total area) of high forest, while in the same year a separate document used The Woody Biomass Inventory and Strategic Planning Project (WBISPP-2004) dataset found a 34 million hectares (27.5% total area). Lastly, adding shrublands (as per the IPCC definition), 49% of the country's total area could be classified as forest.⁹ The implication of such conflicting forest designation not only makes it difficult to monitor land

⁶Snyder, K A., ELudi, B. Cullen, J. Tucker, A. B. Zeleke, and A. Duncan. 2014.

"Participation and performance: decentralised planning and implementation in Ethiopia." *Public Administration and Development* 34, no. 2: 83-95.

⁷ Federal Democratic Republic of Ethiopia (1997): Environmental policy. Addis Ababa

⁸Guillozet, K. (2014): Forest investments and channels of contestation in highland Ethiopia. *African Identities ahead-of-print*, pp. 1-17

⁹ Ibid

use-land cover change over time (e.g. relevant for establishing a REDD+ reference level) but also poses a threat to implement a coherent land use planning system based on clear demarcation of the different land use systems- a key step for the implementation of REDD+ policies. Thus, there is a need to improve the quality of data upon which national policies and proclamations can be based and to further coordinate the flow of information at multiple levels of government and develop reliable information and data management system.

2.3 Land-use Legislation

2.3.1 Land Use Planning

Land use planning is a pre-requisite for sustainable land management and a key element of an effective REDD+ strategy. The objective of achieving emissions reductions from the land use sector should be incorporated within broader efforts of land use planning in order to synergistically promote environmentally sustainable, socially sound and economically viable land uses, directing economic activities to where they are most suited and avoiding conflicts between land uses. The ability to ensure coordination of sectoral land-use activities and avoid conflicts with REDD+ actions is crucial in this respect.

The Federal Rural Land Administration and Land Use Proclamation (2005) provides an umbrella for regional states to enact rural land administration laws. It provides a system of study that identifies and suggests solutions for problems in land administration and use. It similarly sets an overarching framework for the preparation of a Guiding Land Use Master Plan that takes into account soil type, weather, and socio-economic conditions. An Inter-ministerial Committee – together with the National Task Force on Land Use and line ministries – is mandated at federal level to prepare this plan. In the last couple of years there have been several projects and studies¹⁰ to develop this, but so far none have succeeded in completing the task. Among other issues, the use of divergent maps and methodologies have presented a barrier to integrated land use planning, together with insufficient institutional capacity and insufficient involvement of implementing sectoral agencies. Renewed efforts are currently underway to develop the National Master Land Use Plan, with support by the Food and Agriculture Organization (FAO).¹¹ Therefore, an integrated national land use plan is not available.¹² Similarly, local level land use planning is essential for the coordination and sustainability of land use at the micro level. Various land use planning activities are ongoing at the level of watersheds in a number of regional states.¹³ The Sustainable Land Management Programme (SLMP) is one of the most significant initiatives promoting micro level land-use planning (see Box 1).

Although there is growing recognition to harmonize fragmented land use planning initiatives in Ethiopia, both at macro and micro levels, the process has been slow. This has also been exacerbated by the lack of appropriate strategies to harmonize donor resources and approaches in developing a

¹⁰FAO/UNDP Assistance to Land Use Planning Project (1979-1990); The Ethiopian Highlands Reclamation Study; River Basin Master Plans (Since 1998); Woody Biomass Inventory and Strategic Planning Project (1989-2005)

¹¹A draft land use planning guideline was ready by November 2013; Ministry of Agriculture/Land Administration and Use, 2012. Local Level Participatory Land Use Planning Manual

¹² Interview with Abebe Mulatu, property rights lawyer at land administration for Nature Project. September, 2014

¹³Integrated Land Use Planning (ILUP) Projects; Sustainable Land Management Programme (SLMP) (2009-2013); Integrates Land Use Plan for Gambella National Regional State (from 2013)

centralized land use planning. Past and present initiatives by FAO, United States Agency for International Development (USAID), World Bank and more recently Department for International Development (DFID) have operated independently of one another resulting in inefficiency and conflicting demands on government institutions. Case in point is the latest initiative on land use planning project from DFID that introduces Orthophoto and GPS technologies to support land certification in selected regional states¹⁴

Box 1 Local level land use planning within the Sustainable Land Management Program

The SLMP relies on an integrated watershed management approach to achieve its target outcomes. The community-based watershed development guideline has been instrumental in providing standard approaches to watershed interventions across different geographical locations and government initiatives focusing on land management. However, the guideline had failed to provide adequate emphasis on land use planning, which is a complementary process in watershed management plans.¹⁵ It has been agreed in the context of the program that a nationwide standardized land use planning manual needs to be developed and adopted by regional states before the actual land use plans are prepared at micro watershed level. The main objective is that land should be managed and used via a participatory plan that integrates communities and their bylaws with federal, regional and Woreda regulations. The local level participatory land use planning (LLPLUP) guideline was released in 2013¹⁶ and trainings for practitioners have been planned. There is little information available on the contribution of the new LLPLUP guideline for the remaining period of SLMP-1. However, the manual intends to support local level decision making in the process of delineating land use types to ensure a particular land use type offers the best scenario in terms of sustainable utilization of individual plots of land.

Moreover, the new guideline intends to avoid the use of multiple methods of local level planning by integrating efforts into the existing legal frameworks both at federal and regional levels. With regards to the implementation of the new manual, SLMP-2¹⁷ will certainly benefit from this guideline. In consistence with the LLPUP guideline, activities planned under micro watershed land use planning in SLMP-2 include:

- Identification of Kebele and micro-watersheds as a planning area.
- Undertaking participatory biophysical and socio-economic surveys.
- Undertaking evaluation of land capability and potential of the rural lands for different uses.
- Planning of rural land uses through local participatory planning approaches and the use of new tools such as participatory GIS for climate-scenario based land use planning.
- Mapping of critical habitats for protection purposes to increase ecosystem services.

2.3.2 Land, forest and tree tenure and user rights

An effective land tenure system is broadly considered an important factor in ensuring successful REDD+ implementation. Clarity over the ownership and extent of land rights is important in identifying the relevant actors that should be engaged in REDD+ initiatives, while security of tenure is often crucial in incentivizing actors to make long-term investments (financial or otherwise) in land that sustainable management often requires. Tenure security is also necessary to enable actors to successfully manage their land without interference from intruders, who may seek to utilize the land in ways that conflict with REDD+ goals. Furthermore, REDD+ implementation should ensure a clear and legitimate property right framework that can incentivize communities to protect forest in a sustainable manner. Rights to use common natural resources (use rights) often should be complemented by the right to make decisions on how those common property resources such as forest should be managed (control rights).

In Ethiopia, land policy has formed an important part of the socio-economic and political history of the country. The Ethiopian Constitution exclusively vests right to ownership of land (including forest land) on the state and the

¹⁴ Interview with AbebeMulatu, property rights lawyer at land administration for Nature Project. September, 2014.

¹⁵ Ministry of Agriculture/Land Administration and Use (2012): Local Level Participatory Land Use Planning Manual. Addis Ababa

¹⁶ Ibid

¹⁷ Ibid

public with landholdings allocated to individuals in the form of private or common property ownerships. Access to land and ownership over land is crucial for the livelihoods of smallholders. On the other hand, land and environmental degradation, land fragmentation combined with a rising number of landless people in rural areas, and the wish to create a more enabling environment for investment in agriculture have presented major challenges for national policy makers. In the last two decades, the government of Ethiopia has increasingly acknowledged that lack of tenure security is affecting investment in land, as well as land transactions and mobility. Hence, the registration of landholdings and granting land use certificates to holders has recently become prioritized in government policy.¹⁸ The federal land administration proclamation provides the framework for user rights and devolved responsibility to regional states to establish regional proclamations and land administration institutions. In accordance with the national and regional land proclamations, land administration institutions have been established in major regions and are progressing with land titling. Land registration and certification began in Tigray in 1998, Amhara region in 2002, and Oromia and Southern Nations Nationalities People (SNNP) in 2004. A number of studies have assessed the positive benefit and impacts of the land certification on tenure security in different parts of the country. Several authors have observed enhanced tenure security through reduced risk of land redistribution and improved transferability of land via rental markets, while others have noted improvements in land renting and investment.¹⁹ Land certification has also been noted to improve the productivity of land owners,²⁰ including female land owners,²¹ and have positive investment impacts on tree planting and the maintenance of soil conservation structures. Box 2 summarizes the processes of land registration and certification under the SLMP. Overall these factors indicate positive trends for REDD+. At the same time, if indicators such as investment on land are taken as basis for measuring tenure security, it is worth clarifying scenarios where both planting trees and clearing of forests can be interpreted as investments on land. For instance, planting trees could be seen as a commitment to improve land productivity or clearing forest for agriculture (small or large scale).²² It is still unclear whether land certification leads to reduced deforestation.

This is partly explained by the fact that the existing federal land proclamation does not differentiate tenure over forest and forest land from the general land tenure system—mainly comprised of crop land. All forests outside state control including those managed by individuals and groups, including community forest associations are not recognized by the land tenure policy. There is a need to provide a legal framework for community forest management and clarify land and forest-use rights in forest intervention areas.²³ All natural resources on the land are state owned, while use rights can be transferred to communities. The right to use land is separate from other natural resources; for instance, forests (trees) are considered natural resources that can be sold independently of the land. The federal land proclamation does not recognize common property

¹⁸Adenew, B., Abdi, F. (2005): Research report 3: Land registration in Amhara Region, Ethiopia. London.

¹⁹Deininger, K., Ali, D., Alemu, T., 2011. Impacts of land certification on tenure security investment, and land market participation: evidence from Ethiopia. *Land Econ.* 87 (2), 312–334.

²⁰Holden, S.T., Deininger, K., Ghebru, H. (2009): Impacts of low-cost land certification on investment and productivity. *American Journal of Agricultural Economics*, vol. 91, no. 2, pp. 359–373.

²¹Bezabih, M., Holden, S. (2010): The Role of Land Certification in reducing gender gaps in productivity in rural Ethiopia. *Environment for Development*. Discussion Paper Series. EFD DP 10-23.

²²Arnot, C. D., Luckert, M.K., Boxall, P.C. (2011): What is tenure security? Conceptual implications for empirical analysis. *Land Economics*, vol. 87, no. 2, pp. 297–311.

²³Jonse, B., Nune, S., Mekonnen, A., Bluffstone, R. (2007): Policies to increase forest cover in Ethiopia. In Proceedings of a policy workshop organized by Environmental Economics Policy Forum for Ethiopia (EEPE). pp. 18–19.

arrangements in the form of community forestry, though there is some recognition of Participatory Forest Management (PFM), as well as in regional proclamations.²⁴ Additionally, legal provision and prohibitions on use rights have only been provided for state protected forests in the form of prohibiting users from cutting trees for fuelwood.

The first and second level land certification processes have been well received by rural communities as well as external donors who believe certification leads to greater investment on land and poverty reduction. However, the land certification schemes doesnot address common property holdings such as forest, pastures and watersheds. The certification process should go beyond the generic interpretation of land to differentiate forest and crop land, and integrateprovisions of tenure security for forest.

Most attention in the land tenure system of Ethiopia has been tilted towards securing legitimate rights to resources for individual households (*de jure*) while limited emphasis is given to how common resources are in practice managed collectively at the community level (*de facto*). Sustainable forest resources management, including REDD+ processes, require both *de jure* and *de facto* tenure systems with strong collective action fuelled by collective recognition of and respect for legitimate rights to resources. Other implementation problems include growing poverty and landlessness arising out of a lack of informed knowledge of households on their rights as well as inability to defend their rights, and accessibility of the judicial system at times of land disputes.²⁵ It has been pointed out that discussions over tenure security in Ethiopia have been overshadowed by the debate on which ownership regime is better (private or public). This has overshadowed the central goal of ensuring that land rights are secure in substance and in time.

Despite important progress, therefore, tenure security remains a challenge for sustainable natural resources management in Ethiopia. Some of the options that could address these challenges include:

- Facilitate communities' awareness over their legal rights.
- Extend the land registration and certification process to go beyond the generic interpretation of land to differentiate forest and crop land, including provisions of tenure security arrangements from tree planting.
- Assess the potential synergies between the absence of tenure security and the customary practice of planting trees to secure tenure (as observed in some parts of the country with eucalyptus woodlots) potential option for carbon stock enhancement. This includes incorporation of customary forest property rights as part of the broader sustainable forest management efforts.
- Establish and support a dispute resolution mechanism that is accessible and accountable to communities

Tenure security is also a product of perceived notion of security and sense of ownership. Failure of past natural resources initiatives in Ethiopia has often been correlated with lack of ownership sense among communities. Ensuring participation of communities in the planning and implementation of natural resources management indirectly improves tenure security. For effective implementation of the REDD+ process, it is crucial to involve communities in decision-making process from initial stages of setting rules, regulations and sanction mechanisms in order to cultivate sense of

²⁴The new draft law which is under preparation is said to have recognized common property as a type of ownership.

²⁵Rahmato, D. (2004): Searching for tenure security?: the land system and new policy initiatives in Ethiopia. *Forum for Social Studies*. Discussion Paper 12, Addis Ababa.

ownership. Box 2 summarizes the processes of land registration and certification through the SLMP program.

Box 2 Land registration and certification processes within the Sustainable Land Management Program

One of the program objectives under SLMP is to increase agricultural productivity through sustainable land management. The program design acknowledged the challenge tenure insecurity poses on agricultural productivity. The land registration and certification component has been implemented with an objective of establishing effective land administration frameworks at local level and thereby improving tenure security.²⁶ It has also been seen as one mechanism that reduces land disputes in rural areas. SLMP has adopted a two-level certification process:

- **The First-level certification:** has been dubbed one of the largest, fastest and least expensive land registration and certification programs in Africa.²⁷ The process involved registration, demarcation and certification of plots using simple local technologies that required minimal trainings. Measuring tapes and ropes were used to measure farm plots. Plot boundaries were determined based on combination of existing field markings and memory of neighbors. The process captured information on land holder rights and limited spatial information such as, the names of people with rights on adjacent land and an estimate of the parcel areas. There is a general consensus that the first level certification process had been considered cost effective that set the direction towards tenure security. However, it has limitations due to a universal failure of maintaining and updating land registration records. In addition, the document issued to land holders varied from region to region. The first level certification under SLMP has issued certificates for 88,271 households, 1298 parcels of communal lands, and 50 parcels of institutions holdings.²⁸
- The **second level certification** process registers the precise spatial locations and plot sizes using technologies such as GPS and satellite imagery. It is more costly and time-intensive than the first one. At the end of SLMP-1, 59,999 households have received second level certificates, significantly below the program's target. One reason was that the level of existing technical knowledge and institutional capacity for implementation at the federal, regional and local level was overestimated.²⁹ Another reason is that the Directorate of Land Administration under MOA was established only one year after project start. There was no clear guideline on most appropriate cadastral approach and survey methodology to be adopted, resulting in significant discrepancies among regions and often delays, higher costs, and lack of accuracy.³⁰

2.3.3 Participatory Forest Management

Participatory Forest Management (PFM) combines objectives of sustainable forest management with secure rights, local forest governance and secure livelihoods for local communities. PFM in Ethiopia was initiated in the second half of the 1990s mainly through NGOs and forest professionals. The fundamental argument behind PFM coincides with its potential to remedy the past failures in natural resources management practices. In the past forest management practices were characterized by top-down approaches, an absence of community participation and failure to recognize the multiple social, economic and ecological values of forests both for sustainable livelihood and poverty reduction.³¹ The promotion of PFM as a mechanism for sustainable forest management has received significant attention in the policy process, e.g. a national PFM scaling up program was initiated in 2010. There is growing interest to include PFM as a mechanism for REDD+ policies³². Yet while most studies have noted the positive impact of PFM on forest conservation and livelihoods, few advance dialogue on how and under what conditions PFM approaches appear to have worked best, including some of the underlying constraints to scaling up and applications to REDD+ objectives.

A number of issues that have arisen in PFM initiatives in Ethiopia may be relevant to the use of this mechanism for implementing REDD+:

²⁶Rahmeto, D. (2009): Land rights and tenure security: Rural land administration in Ethiopia.

²⁷Deininger, K., Ali, D., Holden, S.T., Zevenbergen, J. (2008): Rural land certification in Ethiopia: process, initial impact, and implications for the other African countries. *World Dev.*, vol. 36, no. 10, pp. 1786–1812.

²⁸ Completion report of the First Sustainable Land Management Program

²⁹ Ibid

³⁰ Ibid

³¹Ameha, A, Larsen, H.O., Lemenih, M.(2014): Participatory forest management in Ethiopia: learning from pilot projects. *Environmental management*, vol.53, no. 4., pp. 838-854.

³²Case in point is the Technical Workshop organized by the REDD+ Oromia Coordination Unit in August 2014.

- PFM schemes in general appear to be more effective in improving overall forest condition and reducing deforestation, particularly in situations where management responsibilities are fully devolved and sufficient incentives (short, intermediate and long term) are provided for communities to invest in forest restoration. Studies have indicated that PFM initiatives in Ethiopia appear to have resulted in better forest conservation compared to the open access type of forest management.³³
- Achievements in PFM are undermined by weaknesses in forest tenure and institutional arrangements. Despite the policy rhetoric behind full community participation, in reality communities are considered unreliable to achieve PFM objectives and responsibilities are not fully devolved to communities.³⁴ PFM is externally driven by international NGOs and high-level government actors; both of which minimize the sense of ownership and level of trust among communities. For PFM to be used as a vehicle for REDD+ it will be necessary to clarify which tenure rights are devolved to communities.
- In the short run, it is crucial to address the lack of trust in communities pervading most forest management initiatives by creating stable and clear contractual arrangements. It is also worth considering trade-offs between the role of intermediate local level forest management institutes (such as OFWE) vis-a-vis the devolution of responsibility and improved level of trust in communities.
- The effectiveness of PFM is dependent on clear, binding and mutually enforceable arrangements on how benefits of forest management are shared among stakeholders at different levels. For REDD+, it is important that safeguards are established to minimize the risk of domination by elected community members (elites). Ensuring that poor or marginalized households, dependent on forests and woodlands for their livelihoods are not negatively impacted by the introduction of PFM or REDD+, which may introduce rules restricting access and use, which disproportionately affect poorer, forest dependent households. However, work remains to be done in building capacity of communities to improve their standing in the negotiation with powerful actors.
- Successful introduction of PFM at the local level requires managing expectations, communicating effectively and raising awareness. Overly enthusiastic approaches by project implementers coupled with the demand for livelihood opportunities could risk creating unrealistic expectations. Thus far, PFM establishment guidelines have been developed by MOA and NGOs including Farm Africa and SOS Sahel.
- As part of devolving more responsibility to local communities, it is important to weigh in the potential role local communities can play in monitoring forest conditions, including carbon stock changes, or other activity- or output-based indicators for advance payments.

2.3.4 Rights to carbon/emission reductions

There is currently no legislation in Ethiopia that directly addresses ownership or other rights over emission reductions or similar environmental services. Existing analysis has indicated that emission reductions derived from forests may be considered a forest product and that, since the State is the owner and administrator of all land and natural resources in Ethiopia - including forest - it may also be the owner of forest emission reduction rights (hereinafter "forest carbon rights"). Several factors, however, indicate a more complex picture and that ownership of forest carbon is likely to be nuanced and vary depending on a range of factors.

³³ Ibid

³⁴ Ibid

Though there has not been any direct regulation or comprehensive assessment of carbon rights in Ethiopia the relevance of this **in the context of a national REDD+ framework** may be relatively limited. In the first place, demonstrating ownership of forest carbon rights is usually not a prerequisite for receiving international REDD+ payments at the national level. Certainly it is not relevant for grants or loans geared toward policy support or institutional strengthening, and even for results-based payments it is usually not necessary for governments to prove carbon rights related to specific areas or territories. Where results are measured against a national or regional reference level (jurisdictional), it is generally assumed that the government has the right to receive payments for the achieved emission reductions. This is independent from potential obligations under national law related to the regulation of forest or natural resource use, where the State may be obliged to transfer payments (benefits) or compensate for the restrictions in land use. Such interpretation is in line with general practice in countries obliged under the Kyoto Protocol to reduce emissions or other national mitigation initiatives. Only Australia has created explicit forest carbon rights that can be held by private entities. In no other country, forest carbon has been regulated.

This interpretation is also confirmed by a review of the results-based programs implemented by Norway and Germany, the two principal bilateral donors for REDD+. Neither of the two donors requires proof of carbon ownership in their results-based payments programs, but have rather focused on robust reference levels and sound investment strategies. The Carbon Fund of the FCPF is perhaps the exception, requiring countries to demonstrate the ability to transfer title to emission reductions. It has not, however, set any clear standards for demonstrating such title.

At the project and program level, in contrast, where governments or private entities engage in REDD+ projects or programs, there is generally the requirement to establish proof in relation to the emission reductions generated by the program or within the project boundaries. Such proof is needed to ensure that there is no double-counting or double-selling (something that is not needed at the jurisdictional level as there is only one entity authorized to transact: the government), and that the carbon is free of any claim or encumbrance. Only if the 'ownership' of the emission reduction is secured, a carbon credit can be issued by compliance (e.g. CDM) or voluntary programs (e.g. VCS). The primary importance of carbon rights arises in market-based approaches to REDD+ such as the development of projects under the Verified Carbon Standard, and the clear definition of carbon ownership can facilitate the smoother development of such projects. Even here, however, many projects have been successfully developed in jurisdictions that have not adopted clear legal frameworks for carbon rights. Indeed, existing projects in Ethiopia have dealt with this issue through contractual arrangements. Humbo interpreted carbon right as part of the natural resources transferred to forest cooperatives through user right certificates, whereas in the Bale Mountain Eco-region REDD+ project, the right of selling and ownership of carbon credits is vested in OFWE. For more detail, see the respective elaborations for the Oromia Landscape Program.

In summary, carbon rights play a subordinated limited role in the design of a national REDD+ programs. Here the more relevant issue is the design of policies for achieving emission reductions. Depending on the incentive frameworks chosen, the role of *land use rights* may hold importance. For instance, in Payment for Ecosystem Services schemes landowners may

have to prove ownership or other land use rights to entitle them to receive payment, while agricultural intensification activities are less likely to be linked to land rights. In both cases, however, it is not strictly necessary to determine “carbon rights”, or to decide who owns such rights. This question becomes relevant primarily when designing results-based payments schemes that reward reductions in GHG emissions; however, the transaction costs of such projects often make them unfeasible other than at large scales.

2.4 Relevant Institutions

This section assesses the existing national institutions, processes, and frameworks in various sectors, which are responsible for the implementation of national laws and policies relevant to land use. It provides analysis of the roles and mandates of existing institutions and identifies gaps and critical aspects. The result of this analysis will be taken further to propose an institutional and functional structure relevant for the effective implementation of REDD+.

At the national level, the main government institutions responsible for forestry, environment, land use, rural development and energy are the Ministry of Environment and Forest (MEF), the Ministry of Agriculture (MOA), the Ministry of Water, Irrigation and Energy (MOWIE) and the Ministry of Finance and Economic Development (MOFED). Under the decentralized federal structure, each federal line ministry has hierarchies linked to respective regional bureaus and Woreda offices. The administration of land use is decentralized to regional governments and Regional Bureaus of Agriculture (BOA). Regional Bureaus or institutions reflecting the new structure for forests and environment are planned, but have yet to be established. In general, the federal line ministries are responsible for translating broader policy targets and objectives into their respective sectoral action plans. This also includes the translation of cross-sectoral proclamations into action plans and coordination of the respective regional state institutions for the implementation of action plans through financial disbursement and technical backup. Regional bureaus are often responsible for adapting respective national plans to fit into the contexts of regions and coordinate Woreda offices for the implementation of plans.

Table 2 provides a summary of institutions and their mandates relevant for the REDD+ process in the forest, agriculture and energy sectors. Proclamation 691/2010 defines the powers and duties of executive organs of federal Democratic Republic of Ethiopia. This list does not cover the emerging institutions that have been established since the commencement of the CRGE in 2011 and the subsequent CRGE-focused responsibilities given to each institution, which are discussed in Section 3.

Table 2 Institutional mandates relevant for REDD+

Institution	Mandates
Ministry of Environment and Forest (Former Environmental Protection Authority)	<ul style="list-style-type: none"> • Provides regional authorities with guidance, technical support, and capacity building • Ensures that all investment projects comply with national EIA regulations • Undertakes environmental audits and monitoring to ensure compliance with Environmental Management Plans (EMPs) • Delegates sectoral ministries to conduct their own EIA (usually MOUs are signed between MEF and

	<ul style="list-style-type: none"> • respective sectoral ministry) • Coordinates, advises and capacitates at all levels of government for building and achieving CRGE vision
Ministry of Agriculture ³⁵	<ul style="list-style-type: none"> • Formulates and facilitates implementation of natural resources protection and development strategies through sustainable agricultural development • Identifies and formulates extension packages • Provides technical advice and training services to increase performance of regional agricultural bureaus • Supports rural land administration and use process, and organize a national database
Ministry of Water, Irrigation and Energy	<ul style="list-style-type: none"> • Promotes the development of water resources and energy • Undertakes studies concerning the development and utilization of energy and promotes the growth and expansion of the country's supply of electric energy • Promotes the development of alternative energy sources and technologies
Ministry of Finance and Economic Development	<ul style="list-style-type: none"> • Centralizes preparation of annual fiscal plan and budget preparation process • allocates budget to both federal line ministries, regional governments and other budget institutions • Establishes ways of utilizing resources such as the 'pool system' • Amends Financial Administration Proclamation and Procurement and property Administration Proclamation to meet internationally acceptable financial mechanism
Ethiopian Investment Agency	<ul style="list-style-type: none"> • Reports to an Investment board chaired by Ministry of Industry • Translates the federal investment proclamation into action plan • Approves large-scale investments in agriculture larger than 5,000 hectares • Coordinates with regional states in the process of allocation of land for investment
Agricultural Investment and Land Administration Agency	<ul style="list-style-type: none"> • Reports to MOA • Administers agricultural investment lands entrusted to the federal government on the basis of power of delegation obtained from regional states • Enhances, facilitates and supports expansion of agricultural investment and sustainable growth of production and productivity • Creates conditions for production of exportable commodities • Organizes and administers agricultural economy zone
Ministry of Mines	<ul style="list-style-type: none"> • Promotes mining investment through facilitating exploration and mining operations • Issues licenses to private investors engaged in exploration and mining
Office of Federal Audit General	<ul style="list-style-type: none"> • Audits all financial transactions of the federal government and subsidies to the regions

³⁵ Some of the major national institutions accountable to the MOA include: Ethiopian Institute of Agricultural Research; Disaster Prevention and preparedness; National Veterinary Institute; Institute of Biodiversity Conservation; and federal Cooperative Agency.

Effective REDD+ implementation requires not only coherence in policy and regulations but also vigorous cross-sectoral coordination and the development of relevant capacities among institutions overseeing various activities affecting forest activities across the different levels of government.

The GOE has begun to invest intensively in institutional arrangements for REDD+. For instance, the Government responded to the lack of dedicated forestry institutions and limited participation of forest professionals in forest policy process, which the R-PP has identified as a major challenge for REDD+ implementation, by establishing the Ministry of Environment and Forest. Since then, the REDD+ process has seen active participation of forest professionals.

At the same time other issues identified by the R-PP, most notably the need for cross-sectoral coordination across institutions remains unaddressed. Given most of the drivers of land use change emanate from sectors outside the forest jurisdiction, particularly agriculture, it now falls to MEF to take the initiative to seek to integrate relevant institutions into the REDD+ process, where they are currently underrepresented. Close coordination with the MOA is particularly important in this regard. Some of MOA's current mandates include facilitating natural resources protection and development through sustainable agricultural development and biodiversity conservation. For example, the natural resources directorate under the MOA still manages a large portion of the country's woodlands, area enclosures and community forests. Additionally, the extension service both for natural resources (e.g. forests) as well as crop and livestock sectors is executed by the MOA. The need for coordination with other ministries and institutions is particularly important given that MEF's structure is yet to be streamlined in the decentralized governance structure, i.e. regional governments have yet to establish the respective institutional structure at regional (state) and Woreda levels accountable to MEF. As such, MEF must rely on coordinating with other Ministries as well as regional governments when seeking to implement policies and laws at regional level.

One reason for absence of cross-sectoral coordination is because institutions, or individuals within institutions, are not incentivized to coordinate or engage in activities outside of their mandates. Most institutions receive annual budgets by the Government to undertake specific mandates, yet there is no legal requirement, precondition, or additional incentive in place to coordinate or integrate activities overlapping in intent or outcome.³⁶ Consequently, there is no mutual accounting system that makes institutions accountable either to each other or to the community they provide service for. SLMP and the Productive Safety Net Program (PSNP) rely on stakeholder platforms as mechanisms to coordinate with various institutions. Facilitation of such platforms is, however, constrained by intensive resource demand and incentives required to engage other institutions. One of the recommendations that came out of these two programs is the need for dedicated resources to ensure continuous engagement of all the relevant institutions.³⁷

An additional issue is that many institutions in Ethiopia are constrained by instability, lack of capacity, limited budgets and high staff volatility. Over the past decades, institutions dealing with natural resources management have

³⁶ Zeleke, G., Kassie, M., Pender, J., Yesuf, M. (2006): Stakeholder Analysis for Sustainable Land Management (SLM) in Ethiopia. Assessment of Opportunities, Strategic Constraints, Information Needs, and Knowledge Gaps. Second Draft Addis Ababa.

³⁷ Tongul, H., Hobson, M. (2013): Scaling up an integrated watershed management approach through social protection programmes in Ethiopia: the MERET and PSNP schemes. *Hunger, Nutrition, Climate Justice. A new dialogue: Putting people at the Heart of Global Development*. Dublin.

gone through numerous institutional restructurings, which can undermine a sense of ownership of programs, result in staff turnover, undermine relationships within institutions and cause discontinuity of initiatives and loss of institutional memory.³⁸ It can also impair coordination between different institutions as it creates new capacity constraints and new coordination challenges. Particular to the forestry sector, there have been cycles of institutional restructuring that involve separation from and reunification with the agriculture sector.³⁹

³⁸Ibid

³⁹Bekele, M. (2001): Forestry outlook studies in Africa (FOSA).Country Report: Ethiopia.

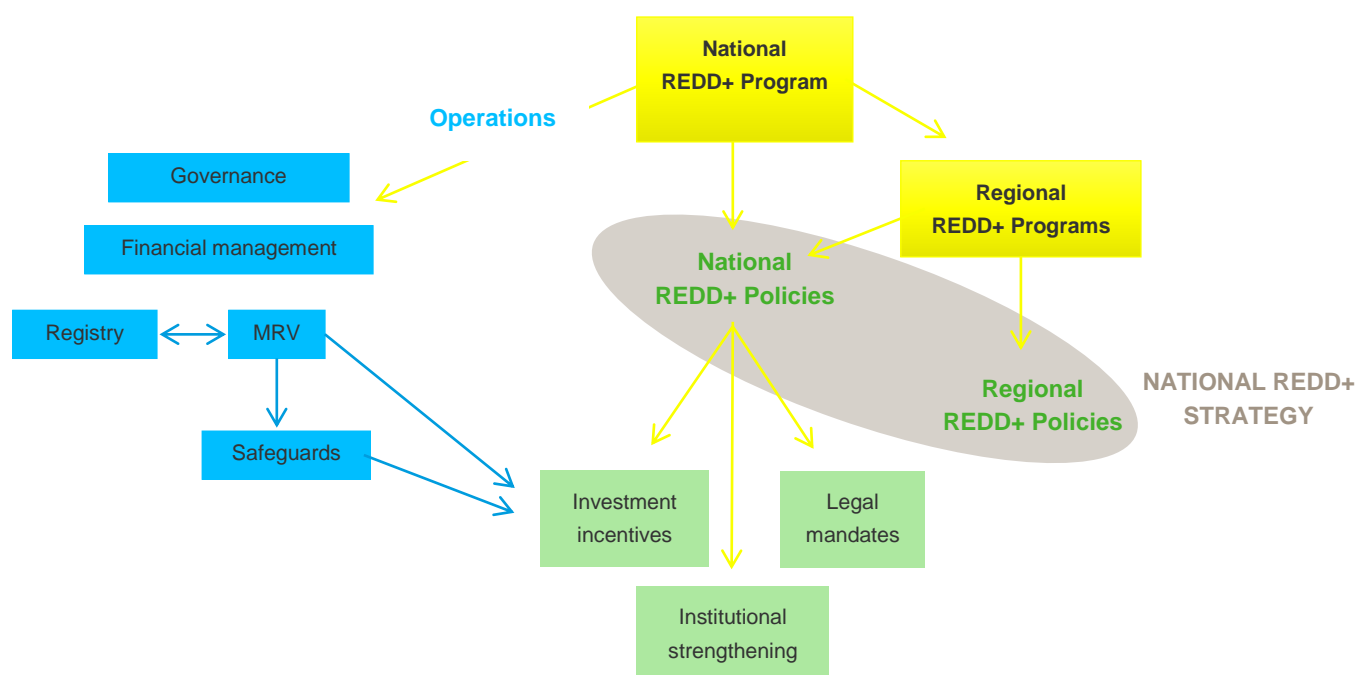
3.

REDD+ Policies and Institutions

3.1 Overview

A national REDD+ program comprises institutional, economic, legal and financial arrangements including the establishment and operationalization of appropriate institutions, information systems and incentives. Institutional arrangements need to effectively administer and implement a national, decentralized program that involves multiple sectors, actors and potentially millions of participants. **Error! Reference source not found.** provides an overview of functions that a national program typically fulfills. This includes operational functions, national policies (including investment incentives, legal mandates i.e. command and control measures, institutional capacity building) and the integration of regional programs. A regional program can contribute to the implementation of national policies. Operational functions are linked to the implementation of policies, e.g. investment incentives would be subject to MRV or safeguards. A REDD+ strategy can serve as an overarching policy framework for both, the national and the regional REDD+ program. This section analyzes initial options for the operational framework and for REDD+ policies. At first, we present broad strategic choices that should be considered during the design and implementation of a national REDD+ program.

Figure 1 Functions of a national REDD+ programme



3.2 General considerations

3.2.1 Integrating REDD+ within national policy

REDD+ is fundamentally a cross-sectoral policy issue and as such requires integration within existing policy frameworks. While international processes and standards associated with REDD+ require the establishment of tailored frameworks at national level to deal with issues such as MRV and accounting of emissions, implementing REDD+ requires aligning policy and incentive frameworks across a broad range of policy areas that have impacts on forests. In addition to the forestry and agriculture sectors, this includes other sectors with direct impacts on forests such as energy, transport and mining, as well as higher-level policy areas that affect economic activity in the country as a whole, such as finance and planning.

In this sense REDD+ can be conceptualized not as a new policy area in itself, but as a means to achieve a range of interlinking objectives surrounding sustainable land management. To achieve this, implementation frameworks for REDD+ should as much as possible seek to build on and integrate with existing frameworks, and be embedded in broader national socio-economic and environment policy. In Ethiopia this latter objective is at least in principle achieved through embedding REDD+ within the country's CRGE Strategy. In practice aligning with existing frameworks involves:

- *High-level policy alignment* – in addition to embedding REDD+ within the CRGE strategy, it is necessary to cross-check national REDD+ strategies or policies with sectoral policies to ensure they do not conflict and that synergies are exploited where available;
- *Institutional integration and coordination* – coordination at a high level across relevant government ministries and agencies is essential for ensuring not only policy alignment but also consistency in implementation. At the same time, assigning REDD+ functions to existing institutions rather than creating many new institutions can facilitate continuity and integration;
- *Build on existing policies* – specific REDD+ policies should build to the extent possible on existing policies and avoid creating of new schemes, in particular where they address a high number of households or require strong institutions and complex implementation frameworks. Often the most effective policies are those that merely adjust or amend existing policies.
- *Build on existing mechanisms and infrastructure* – where it exists, existing operational infrastructure that can be adapted to the requirements of REDD+ is often preferable to establishing new infrastructure. Elements such as financial management and disbursement mechanisms can often be usefully adapted, while even MRV systems can build off existing forest monitoring efforts. These mechanisms will usually be favored by donors, who usually shy away from new structures in favor of tested institutions and disbursement modalities (see Section 3.4.2 on the Financial Mechanism). At local level, this may also include building on informal structures for land management.

3.2.2 Matching implementation arrangements with capacities

Just as implementation frameworks for REDD+ should be integrated with existing policy frameworks, so too should they be designed according to national capacities and circumstances. While in the longer term REDD+ can help increase national capacities in relevant areas, the urgency of operationalizing REDD+ requires that frameworks are, at least initially, constructed according to what is realistic and possible to implement in the

short term. In Ethiopia the importance of building on existing structures (see previous section) and using a step-wise approach to first build structures in priority areas (see following section) is therefore paramount.

Similarly, REDD+ policies should be designed in ways that effectively draw on the available capacities of actors at various levels, including also civil society, private sector and existing community groups. This requires designing policies where capacities of local governments, extension services (e.g. Woreda foresters) and other government agencies can be put to use, but also building partnerships with civil society and the private sector that can serve to leverage their capacities toward achieving government goals. Likewise, REDD+ actions should seek to capitalize on local knowledge and practices in land and forest management.

In Ethiopia, capacity building will be required for institutions to be able to fulfill their roles in REDD+ operational frameworks and in the implementation of REDD+ policies (e.g. incentive programs). Where possible capacity building should be directed to areas where it contributes to achieving government objectives beyond REDD+, for example in sustainable land management or addressing rural energy poverty.

3.2.3 Embedding implementation frameworks in the legal system

Implementation arrangements for REDD+ may be established through a range of measures with varying legal character. These may range from high-level legislation (i.e. proclamations) to lower level legislation such as decrees, regulations and directives, as well as encompassing less formal arrangements such as policy decisions. Contractual arrangements can also play an important role, including both bilateral contracts (e.g. agreements with international donors on the use and management of finance) and multi-party contracts (e.g. participatory forest management agreements between government, civil society, local communities and, in some cases, the private sector). Multiple layers of legal arrangements may also be utilized in a given implementation area. For example, safeguards may be embedded in overarching constitutional and legislative, while implementing regulations can be used to specify specific requirements and indicators adopted (either formally or informally) pursuant to agreements between the government and donors.

The choice of legal form for establishing arrangements will depend on a number of factors. In the first place, the requirements of the Ethiopian legal system must be respected. For certain categories of arrangements a given legal form may be required. For example, the establishment of high-level institutions is likely to require the enactment of a proclamation. Similarly, any arrangements that amend or adapt existing arrangements are likely to require amendments to the legal instruments that established those arrangements, or alternatively overriding legislation of at least the same level. This requirement is emphasized by the experience in Indonesia, where regulations on benefit sharing for REDD+ conflicted with existing fiscal regulations, and could therefore not be implemented.⁴⁰

Where there are no strict requirements on form or flexibility is allowed, the decision on which legal instrument to use should seek to balance the need for legal certainty and the desire to maintain flexibility. High-level instruments such as proclamations should be reserved for setting out overall frameworks and key standards and principles, since they are difficult to amend, while lower level instruments can be used where more flexibility

⁴⁰Syarif, L.M. (2013): Indonesia's Experiment in Regulating REDD+. Study for GLOBE International.

is required. At the same time, it is important to recall that regulating all facets of REDD+ is not necessary, and may place an unnecessary burden on the mechanism.

Determining which actors are targeted is an important step in deciding what type of legal instrument to adopt. Legislation should be at a high enough level to bind targeted government entities (e.g. directives issued by ministries may not bind other ministries). At the same time, when dealing with local communities with low capacities it may be worth examining the possibility to rely on less formal arrangements, particularly where those arrangements are familiar to communities.

Finally, the security provided to key stakeholders is also an important factor in determining the most appropriate arrangements. Where long-term commitments of communities or private entities are required in terms of capital or labor, binding contracts are likely to be more effective than (revocable) policy instruments.

3.2.4 Connecting multiple governance levels

In federal systems, such as Ethiopia, many land-use policies are formulated by regional states. In such systems a decentralized structure of responsibilities for REDD+ is often more likely to ensure a sound management of forest resources. Meanwhile, private sector entities tend to prefer investing into projects rather than policies, and the vast majority of REDD+ investments by private agents have so far been in voluntary carbon market projects which generate emission reductions, such as potentially the Bale Mountain Eco-Region REDD+ Project.

The urgency of REDD+ and the much needed support of all possible actors requires action to be encouraged at all these governance levels. Moreover, the need to build technical capacities from the ground up speaks to the benefit of transitioning smoothly upwards via a ‘step-wise approach’ from project to subnational level and eventually to national level. **The ‘nested approach’ describes a system that allows the integration of subnational REDD+ activities into broader national policy programs.** It formulates guidance for the accounting of REDD+ benefits at various scales of governance, for different instruments, and across broader territories. In addition to providing a rational method to integrate different levels of accounting, nesting allows: (1) testing the effectiveness of various REDD+ policy measures or interventions on the level of countries, subnational jurisdictions, and projects before rolling them out at national level; (2) reference levels and MRV methods to be piloted at smaller, more cost effective scales to assess their efficiency; and (3) subnational areas with higher capacity to begin activities immediately while accommodating the needs of other regions to enhance their competencies throughout the REDD+ readiness process. On a longer term scale, subnational approaches will also be important as a permanent measure to enable REDD+ to be implemented through separate existing governance frameworks. The nested approach can work particularly well for countries with lower levels of public sector development –such as Ethiopia –allowing them to start implementing REDD+ through incentivizing projects or identify pilot regions where REDD+ benefits can be generated through program-specific partnerships between the Government and implementation partners. The GOE supports the nested approach and has selected Oromia as the country’s REDD+ pilot region. Implementing this approach requires that implementation frameworks at each governance level be reconciled. This involves a number of aspects.

In the first place, it requires an overall system that **attributes emission reductions to the relevant governance level**, in particular where emission reductions are linked to payments (e.g. in the Oromia Forested Landscape Project or the Bale Mountains Eco-Region REDD+ Project). Such attribution should take into account factors such as the roles and responsibilities of actors at different levels in achieving the emission reductions, how to best target incentives to the most important actors and who has rights over natural resources involved. Relevant policy decisions at this stage include whether payments are to be made based on results at all levels – which may lead to high transaction costs – or whether to use proxies such as area of land conserved or forested, or cookstoves installed.⁴¹

Secondly, it is necessary to reconcile **national and sub-national accounting** for REDD+ to ensure consistency and accuracy and avoid double counting of emission reductions. To ensure such consistency the national government would be advised to formulate requirements for subnational REDD+ activities and require national approval of such activities. This includes reconciling a number of aspects, including:

- *Reference levels* – national, sub-national and, where relevant, project reference levels should as much as possible be consistent in terms of coverage of activities and carbon pools and estimation methods. Where differences are unavoidable, rules will need to be developed to account for these and ensure consistency;
- *MRV* – Procedures should as far as possible be harmonized, including consistency in the technology and scales used, and measures taken to reconcile differences.
- *Leakage* – Leakage of emission reductions across sub-national boundaries should be accounted for;
- *Permanence* – Measures should be put in place to allocate the risks associated with reversals of emission reductions across governance levels and between participants on a given level (e.g. regional states).

In developing multi-level frameworks to address these issues governments can draw on existing work undertaken by various private initiatives. Voluntary standards such as the Verified Carbon Standard's Jurisdictional and Nested REDD+ (JNR) Standard (which Ethiopia participated actively in), the American Carbon Registry's Nested REDD+ Protocol, and the Climate Action Reserve's Draft Mexico Forest Protocol all outline methodologies by which projects may be included within subnational jurisdictional frameworks. Such approaches offer a means of simply 'nesting' directly-credited, standalone projects within jurisdictional baselines, while JNR additionally allows for full jurisdictional accounting and crediting with internal allocation of credits. They therefore provide an invaluable source of tools at least for nesting projects within sub-national baselines, while the concepts they employ may also be adaptable to nesting sub-national REDD+ programs within national-level programs.

Secondly, fostering REDD+ at multiple levels requires the creation of **enabling legal and policy frameworks** that create the conditions for private and public activities at the national, sub-national and local or project level. As deforestation and forest degradation drivers are often quite local in nature, different regions and even micro-regions require local implementation of response measures. Local implementation allowing for

⁴¹Broadhead, J., O'Sullivan, R., Costenbader, J., Pritchard, L., Conway, D. (2014): Integrated REDD+ accounting frameworks: Nested national approaches, Lowering Emissions in Asia's Forests.

interventions customized to a particular region often produces far more successful results than uniform implementation of a national intervention. National laws and policies can enable this approach by establishing overall frameworks for implementation that provide flexibility in areas where states and sub-state entities are best placed to make strategic choices. Such policy-making would broadly follow the principle of subsidiarity, whereby decision-making and implementation is focused on the lowest level of government that is adequately equipped to do so. National and even regional governments would therefore focus on setting overall incentive structures and quality standards, while allowing implementation to be adapted to local conditions.

3.3 REDD+ policies

Ultimately, REDD+ finance should incentivize a sustainable change in behavior across multiple levels of governance and sectors (forestry, agriculture, energy, mining) that will result in a reduction of GHG emissions from deforestation and forest degradation. The opportunity of REDD+ is to facilitate the transition to a sustainable use of land. Monetary compensation through international REDD+ payments will facilitate this transition. In the long-term these payments will be replaced by the benefits incurred by the Ethiopian people in form of viable livelihood opportunities and productivity improvements.

In the case of REDD+ regulation, a primary rationale of policies and regulation is that individuals and companies take into account the full environmental and social cost of their actions. In addition, REDD+ should create a system that rewards those that exercise effective stewardship over the forest. This implies the adoption of a bundle of different policy measures: Policy reform, institutional strengthening, fiscal incentives, compensation or results-based payments, facilitating investments, and education programs. Policies can be sector-specific, e.g. in the forestry, agriculture or energy sector, or cross-sectoral. They can include financial or in-kind incentives, or rely on other measures that discourage deforestation, on information and training, or legal and institutional strengthening. Policies can be implemented at the national, regional, sub-regional or project level. Governments can also adopt command-and-control measures, such as standards mandating compensation measures, sustainable forest management, or the exclusion of any economic activity from certain forest areas. Both set of measures generally have to be accompanied by the building or strengthening of relevant institutions and capacities that create the enabling environment for any direct or indirect incentives as well as the capacities to enforce command-and-control measures.

Based on its upcoming REDD+ strategy, the GOE would be advised to develop a long-term finance plan that estimates the costs and benefits of the different proposed policies and measures. Depending on existing budgetary resources, donor dialogues, private investments and climate finance commitments, the selected activities would have to be financed by different sources of funds and using different financial tools. In many cases the modification of existing policies is more cost-efficient than the design of new policies. Many REDD+ investors, including donors or private investors and carbon buyers will prefer however to finance of site-specific activities. They may prioritize REDD+ development in a particular state (e.g. Oromia) or a particular region within that state. In that case it is important to ensure that the selected REDD+ measures complement national policies and that they are sustainable in the regional context (e.g. that there is long-term financing or they become cost neutral over time).

Through a combination of technical assistance and results-based payments, a national REDD+ strategy supports policies with high potential to avoid forest loss and to enhance carbon stocks, conservation and sustainable forest management. Such policies should on one hand compensate and provide alternative benefits to those that lose opportunity through the protection of the forest. This includes, among others, those that benefit from the timber (including fuel wood and charcoal) and from the land (agricultural expansion). However, they should also reward positive behavior and support activities that used forest resources in a sustainable way, such as forest dwelling communities or sustainable businesses. Both categories of REDD+ policies are often referred to as “benefit-sharing measures”. While this implies the need for a fair and transparent use of REDD+ funds, it makes easily forget that REDD+ does not bring only benefits but also economic costs. While using benefit-sharing as shorthand, REDD+ investments encompass the whole array of costs that need to be covered and incentives that need to be placed.

In the context of REDD+, the benefit sharing discourse is often limited to the distribution of carbon revenues or compensation payments to different levels of government and local communities. Considering that REDD+ payments are limited in scale and often linked to donor conditions and preferences, it is essential that developing country governments use these funds smartly to catalyze a long-term sustainable use of forest resources. They have the following financing tools at their disposal:

1. *Direct fiscal incentives:* Payment-for-ecosystem services programs, smart subsidies, investment support (through technologies, studies, preferential tax treatment), funding lines, etc. Direct financial incentives may come as grants, loans, guarantees or equity support.
2. *Indirect incentives:* Improving land use planning, tenure security etc., but also the establishment of public private partnerships. Indirect incentives do not involve any direct transfers of cash from the government to the beneficiary, but improve investment conditions more generally.

3.3.1 Lessons from international and Ethiopian initiatives

The design of policies for REDD+ should be informed by the existing experiences that may not have been implemented in the context of REDD+ but have been successful in improving practices in the forestry, agriculture or energy sector. We reviewed a variety of incentive schemes in Ethiopia, Africa or other countries that intervene at different levels, stages of the supply chain, at different scopes and employ a variety of instruments, approaches and mechanisms. Table 3 lists case studies of existing initiatives. Many policies that have successfully promoted sustainable land use in the past:

- Rely on a broad set of direct and indirect incentives, including measures for strengthening the policy and governance context / regulatory frameworks for sustainable land use. Results-based payments such as carbon finance may form part of these schemes.
- Employ a cost/responsibility/benefit-sharing approach, between individual participants, the community, investors, and the government. In the Kikonda community-company partnership in Uganda (see Table 3), for example, the company investing in forest plantations supports tree planting activities by local communities that had illegally used the land, e.g. for charcoal making. The company provides enough incentive for communities to manage the land sustainably.

- Consider economic, environmental, social and political costs as well as benefits for the various actors involved and at different levels (local to national).
- Employ similar types of institutional arrangements, including cooperatives, community associations, public-private partnerships or company-community partnerships.
- Emphasize capacity building, including institutional and technical.
- Are accompanied by legal and institutional measures, such as institutional strengthening (e.g. producer associations), local participatory planning (e.g. the SLMP), and legal reforms.
- Are legitimized through participatory processes.
- Are constrained in their long-term sustainability due to their dependence on donor support.

It may also be useful to draw lessons from REDD+ programs in other states and jurisdictions. The Brazilian State of Acre started adopting conservation policies twenty years ago and successfully curbed deforestation. The Acre example (Box 3) shows that sustainable land use policies have to build on a comprehensive set of forest and development policies and need to be supported by the majority of the population. Box 6 provides lessons for REDD+ from a review of existing benefit sharing schemes.

Table 3 Examples of existing incentive schemes in the forestry, agriculture and energy sector

FORESTRY

Humbo Assisted Natural Regeneration Project, Ethiopia⁴²: Incentives include exclusive user rights for NTFPs for cooperatives, capacity building and trainings for forest management and improved farming practices, alternative livelihood opportunities, e.g. NTFPs and programs for those affected by grazing displacement, establishment of cooperatives and market coordination; indirect benefit: improved farm productivity, environmental services, poverty alleviation; Carbon finance for communal investments; Responsibilities, cost, and revenue sharing as well as membership conditions and governance arrangements for cooperatives are defined in cooperative bylaws. Carbon payments are shared with the community.

Kikonda Reforestation Partnership, Uganda⁴³: A private company obtained licenses to plant and manage trees on degraded lands within a reserve and entered tree planting and carbon trading partnerships with local communities who had illegally used the land and forest resources for various activities. The company offers carbon marketing as well as technical assistance and free seedlings for tree planting and maintenance to landholders outside the reserve, who in turn are responsible to manage land and forests sustainably. In addition the company provides employment opportunities, e.g. for previous charcoal makers, directly addressing an agent of deforestation and forest degradation. There is also an informal agreement that the company will assist landholders in wood marketing and it has already assisted communities in social projects. The contract between the company and local landholders within 5 km of the reserve, foresees payment of 25% of carbon profits (after overhead costs) to the landholders and another 25% to social projects. This was discussed with the association. Other technical support is provided by the company.

Sawlog Production Grant Scheme, Uganda: A public-private partnership scheme provides both grants and technical assistance to investors who meet a number of standards relating to land suitability and management plans, helping to overcome financing barriers. While finance is not provided upfront in order to ensure commitment of participants, grants are made over the first three years, helping to overcome financing barriers in the early stages. Grants are also provided for plantation maintenance, helping to encourage investors to manage plantations until maturity. In addition to privately owned land, investors may seek to acquire long-term planting licenses in Central Forest Reserves, subject to annual fees. Small landowners may also pool their plots of land to reach the minimum thresholds for participation. Standards excluding deforested land, approved list of species, a minimum survival rate of 80%, and other requirements. The project co-funds 50% of establishment costs - upon delivery.

AGRICULTURE

SLMP: Watershed management and land certification, Ethiopia: As part of its integrated watershed component, the multi-donor program provides a series of in-kind and financial incentives for sustainable land management practices and technologies for smallholder farmers in selected Woredas. Incentives include technical assistance and trainings for honey production, livestock fattening and breeding, agroforestry, and reforestation. The program also facilitates access to finance.

⁴² UNFCCC (2009): Project Design Document of the Humbo Assisted Natural Regeneration Project. *CDM Executive Board*.

⁴³ Behr, D.C., Cunningham, E.M., Gimbage, M., Kajembe, G., Nsita, S., Rosenbaum, K.L. (2012): Benefit Sharing in Practice: Insights for REDD+ Initiatives. *Program on Forests (PROFOR)*. Washington, DC.

The program provides various indirect incentives for communities, including environmental and livelihood benefits, e.g. improved soil quality as a consequence of watershed management and also due to the rural land certification and improved administration component (see Box 1 and 2). 30-40% of in-kind incentives are covered by the project, while farmers cover up to 60% in an extended period of time either through labor contribution or loans.

East Africa Dairy Development Project⁴⁴: A regional, multi-donor program that promotes better dairy production practices, market access and development for smallholder farmers. Incentives include technical assistance and extension services for improved animal husbandry (feed, breeds and health), business practices, marketing and processing. The program also supported the setup of collective milk collection hubs and formed farmer business associations for the management of milk plants. The scheme is based on a cooperative approach for the sharing of costs, responsibilities and benefits. For the setup of milk chilling plants, for example, the project covered 30% of the costs through a grant, while community members contributed 10% of establishment and farmers were provided access to financial banks to cover the remaining costs.

ENERGY

Sustainable and Participatory Energy Management, Senegal⁴⁵: A cross-sectoral program that promotes sustainable forest management and aims to create wealth for rural poor communities by offering new energy sources, through i) institutional reform of charcoal value chains; ii) sustainable wood fuels supply management; and iii) promotion and diversification of modern household energy. The program succeeded to promote sustainable forest management in Senegal's forests, to increase the income of charcoal traders and limit their monopolies, and to reduce in-door pollution for around 250,000 families that have adopted improved cookstoves. The program supported the reorganization and modernization of urban charcoal trade, by establishing long-term supply contracts between rural suppliers and urban purchasers; technical and limited financial support for charcoal traders, the distribution of improved cookstoves to households. Stove producers also received training.

Box 3 Acre, Brazil: Successful example for REDD+ policies and measures at subnational level⁴⁶

The Brazilian State of Acre is a pioneer in tropical forest protection, working rapidly to overturn a history of high rates of poverty and deforestation. Acre's success story is based on its strong subnational engagement and an innovative and comprehensive set of policies and measures:

1. An Economic and Ecological Zoning Plan to guide sustainable forest management and use of NTFPs and to regulate economic activities in previously deforested areas.
2. The Policy for Valuing Forest Environmental Assets is a program for forest restoration, agroforestry and sustainable agriculture, and a program for certification and valuation of sustainable rural properties and forest management systems.
3. The System of Incentives for Environmental Services establishes a comprehensive system of incentives for a range of environmental services, including forest carbon, water resources, scenic beauty, climate regulation, and others. The system provides a legal framework and incentive scheme for activities that increase productivity of degraded areas, generate income through sustainable forest use, protect and conserve standing forest or restore degraded areas through reforestation and restoration.
4. The state also implemented reforms of institutional frameworks to separate regulatory, law enforcement and carbon investment responsibilities and to incorporate safeguards.

3.3.2 Designing REDD+ policies for Ethiopia

The GOEs should decide on its REDD+ policies based on a careful review of the existing regulatory framework, with particular attention to strengthening supporting policies and abolishing any hindering policies. A primary rationale of regulation is that individuals and companies take into account the full environmental and social cost of their actions. In addition, REDD+ should create a system that rewards those that exercise effective stewardship over the forest. This section provides a discussion of options and considerations that should be taken into account when designing REDD+ policies in a national REDD+ program. Report No.2 focused on the pilot region Oromia provides more detailed and concrete elaboration of strategy options, including their implementation arrangements.

⁴⁴ Heifer International (2014): East Africa Dairy Development Program. <http://www.heifer.org/eadd/index.html> (September 2014)

⁴⁵ The World Bank (2010): Project Appraisal Document of the Second Sustainable and Participatory Energy Management Project; The World Bank (2014): Community-Led Sustainable Forest Management Program Creates Wealth for Rural Families and New Energy Sources in Senegal.

⁴⁶ Climate Focus (2013): Acre, Brazil: Subnational Leader in REDD+; http://www.climatefocus.com/documents/files/acre_brazil.pdf (September 2014); Environmental Defense Fund (2010): The Acre State System of Incentives for Environmental Services (SISA) http://www.edf.org/sites/default/files/11492_Acre_SISA_fact_sheet.pdf (September 2014)

The Ethiopian R-PP identifies agriculture and woodfuel as the main drivers of deforestation and forest degradation, while logging, grazing and infrastructure development are noted as drivers with smaller impacts.⁴⁷ In Oromia, for example, encroachment into forests or woodlands often is a result of limited productivity in existing agricultural systems or of the lack of alternative livelihood opportunities. Demographic and economic trends such as an increasing population and migratory trends exacerbate this. At the same time, there is little economic incentive or sense of ownership for local communities to maintain and protect forest land.

Generally, REDD+ policies can address drivers of deforestation and forest degradation by intensifying and integrating land uses, by shifting land use expansion and production to non-forest areas, or by developing the value chain or alternative sources of livelihood. Examples for cross-sectoral policies that create a supporting framework for REDD+ include improved land use and forest management planning, institutional strengthening, institutional coordination (between sectors and between judiciary systems and enforcement), policy changes to promote productive forestry and community stewardship, and support to business development in all relevant sectors. These can be complemented by policies that are focused on specific sectors, such as a reform of PFM policies, or an initiative for sustainable and legalized woodfuel markets in the energy sector, or they can be cross cutting. Specifically to address the agent small-scale agriculture, interventions could support:

1. Productivity and efficiency improvements in existing smallholder systems, e.g. through intensification, integration and rehabilitation, to provide economically viable business models and risk mitigation strategies for farms in order to reduce the need for land expansion.
2. Alternative and less land-intensive livelihood opportunities, including agricultural production and value chain development
3. Incentives and institutional capacity for participatory forest management. This includes the promotion of economic incentives for local communities and participants, such as NTFPs, eco-tourism, tree planting, but also the integration of local communities in the productive, sustainable management of forests.

To be effective, policies need to be targeted and tailored towards actors that cause or prevent deforestation and forest degradation, and they need to be legitimized by relevant stakeholders.⁴⁸ When prioritizing different REDD+ policies, the Ethiopian Government should map the various actors that would have to support the selected policies. Actors that should be targeted include those that: (1) Incur implementation, transaction or opportunity costs for REDD+; (2) Facilitate implementation (e.g. government institutions); (3) Act as forest stewards (e.g. local communities, sustainable businesses); or (4) Have any other legal claim related to the relevant measure (e.g. ownership of the forest resources). In the case of small-scale agriculture, a variety of actors could play important roles: Better practices of smallholders could be promoted through extension services (development agents), and depending on the market integration of production systems through cooperatives or processing and retail companies. Public institutions could play a role in extension, land use planning, cooperatives, in particular at the

⁴⁷ For the Regional State of Oromia, UNIQUE is currently finalizing a drivers study and has encountered challenges in attributing forest loss to different agents due to lack of data and robustness. Draft results indicate a heterogeneous picture for the different agro-ecological zones: Moist forest: Small-scale subsistence and cash crop agriculture, mining, large-scale investments in coffee production; Dry forests: Livestock grazing, wood fuel extraction, small-scale agriculture; High woodlands: Large-scale commercial agriculture (e.g. sugarcane), small-scale agriculture, livestock grazing; Low woodlands: Livestock grazing, small-scale agriculture.

⁴⁸ Myers, E., Kelley, L., Blockhus, J., Ganz, D., Cortey, R., Fishbein, G. (2013): Sharing the Benefits of REDD+: Lessons from the field. *The Nature Conservancy*.

local level, as well as in facilitating access to finance and markets for agricultural development. In addition, the public sector could support policy reforms, e.g. with respect to improved enforcement and strengthening community ownership and economic viability of sustainable forest management. The SLMP has developed successful institutional and implementation arrangements for interventions for improved land management practices in watersheds.

At the national level, the analysis of policy frameworks indicates a lack of coherence in policies, laws and regulations that deal with land use issues. A national REDD+ program requires instruments and institutions that govern actors and regulate the relationships and interactions between them. As discussed both in Sections 1 and section 3.2 of this chapter, embedding the REDD+ process in the CRGE is a step towards high level policy alignment. However, such alignment is incomplete unless REDD+ implementation is integrated and built upon the existing sectoral policy frameworks and further translated along the different levels of governance. Experiences from early REDD+ implementers such as Brazil demonstrate that successful implementation can effectively reduce deforestation when combined with strong political will that support effective policy enforcement⁴⁹.

The following measures could be considered to support the REDD+ policy framework in Ethiopia:

1. Strengthen institutional capacity for enforcement. Across the different sectors and government levels, enforcement is hindered by the limited technical capacity and human resources of institutions, which is due to insufficient budgets, high staff turnover and other structural problems. Various institutions will require capacity building and an increase of staff, budget and institutional memory to fulfill their relevant mandates as well as contribute to the implementation of REDD+. To strengthen institutions, a share of REDD+ fundings should be allocated to targeted capacity building initiatives and to co-finance operational and implementation roles of institutions.

2. Harmonizing Forest and Land Administration proclamations. The absence of legal framework for common property ownership combined with the inability of user-rights certificates to ensure tenure security is limiting community based forest management initiatives such as PFM schemes in Ethiopia. For example, while the land administration proclamation recognizes communal property through user-right certificates, the Forest proclamation does not recognize communal forest ownership at all. A new draft forest law is under preparation that recognizes common property resources such as forest. Several regional proclamations do already recognize communal forest ownership, for example the Oromia Forest Proclamation (No.72, 2003). Together with the legal provision of common property resources, an amendment to provide legal distinctions between tenures of crop land and forest land could be considered. GOE has made efforts to improve tenure security through the first and second level land certification processes. This effort should go beyond the generic interpretation of land to differentiate forest and crop land, and include provisions of tenure security for forest.

3. Strengthening PFM policies. Experiences from PFM initiatives emphasized the need for policy support not only to provide legal

⁴⁹Boucher, D., Roquemore, S., Fitzhugh, E. (2013): Brazil's success in reducing deforestation. *Tropical Conservation Science*, vol. 6, no. 3, pp. 426-445.

frameworks for common property rights but also aligning formal property rights for land, forest and carbon with the perceptions of local resources users and policy makers (and/or implementing institutions) charged with communicating and enforcing those rights. Perception of property rights is often directly linked to behavior of local communities, and influences community's land use and harvesting decisions. Experiences from the land certification process suggest the need for clarifying legal rights of communities through awareness raising programs. In addition PFM initiatives thus far have struggled to create viable economic opportunities and incentives for forest-dependent communities as a strategy for sustainable forest management. Policies could be strengthened by supporting the following interventions:

- a. Promote communities' awareness over their legal rights;
- b. Promote more productive use of forests that incentivize and engage communities in sustained forest management; This includes integrating forest management rights to communities, such as for tree planting in non-forested areas;
- c. Promote capacity building of communities, including technical and institutional capacity, with a view to devolving responsibilities and decision making power on forest management;
- d. Promote transparent processes in the establishment of PFM;
- e. Strengthen technical capacity of implementers, forestry staff (e.g. OFWE), local level administrators and extension personnel on PFM processes as well as for developing value chains and business models, with a view to promoting financial sustainability and incentives for sustainable forest management;
- f. Strengthen institutional capacity of administration and judiciary
- g. Develop a harmonized dispute resolution mechanism that is accessible and accountable to communities;
- h. Integrate and develop economically viable business models such as eco-tourism, NTFP, value chain and market development.
- i. Promote PFM schemes with a view to financial and institutional sustainability, i.e. to reduce dependence on NGO or donor support.

4. Advance land use planning processes. There have been repeated efforts to advance and harmonize land use planning policies. A high-level political decision, e.g. by the Prime Minister's office could speed up this process. The entire objective of achieving emissions reductions from the land use sector could be compromised unless it gets incorporated in a homogenous and standard land use plan. Political commitment and will is required to address the different components of land use that aggregately address the challenge observed with land use. Specific policy options could include:

- a. Promote a consultative policy process to harmonize the definition for forest, woodland and agricultural land, a pre-requisite for land use planning and demarcation.
- b. Promote a process to harmonize or clarify institutional mandates and processes for demarcation and registration of different land uses including forest and agricultural land. This includes improving the capacity of those institutions to demarcate different land use systems.
- c. Promote a multi-stakeholder process for planning, implementation and enforcement, e.g. for land use planning and demarcations. Require community participation to avoid social and environmental risks, with special consideration given to marginalized groups. For example the forest and woodland demarcation process currently underway in Oromia could be harmonized with the SLMP's land certification process.

- d. Initiate a harmonization and coordination process for different donor initiatives to increase efficiency and minimize conflicting demands or requirements on the capacity of government institutions.

5. Policy support to promote sustainable investments. Engagement of private investors in forestry has been limited despite the “wood famine” that is likely to affect Ethiopia in the short- to medium term and the economic potential that a productive forestry sector presents for the rural economy. Forest plantations also present a promising opportunity for reducing pressure on natural forests. While there has been an increase in the overall area of plantations in the past decades, private investment in plantations has remained limited and productivity on public plantations is frequently low.⁵⁰ GOE has put several measures in place to encourage growth in private forest plantations. The forest proclamation recognizes private forest ownership and transfer rights, tax incentives for forest plantations⁵¹ have been introduced and controls on pricing and marketing of forest products have been lifted, paving the way for an open and competitive markets for wood.⁵² Despite these measures, however, investment remains limited. There is no comprehensive assessment of barriers. Anecdotal evidence indicates a number of reasons for this, including the relatively long lead times on investments, high levels of bureaucracy and insecurity of land tenure. There appear to be comparatively fewer hurdles for foreign investors, though foreign investment has nonetheless remained similarly limited.⁵³

The CRGE facility’s private investment window may present an opportunity for facilitating such activities and overcoming some of these barriers within the REDD+ program. Investment activities have started already in the energy sector. In addition, the CRGE may provide the framework for private investments in other sustainable land use activities along the supply chain. International experience may be useful in seeking to improve the investment climate for private plantations in Ethiopia. Uganda has seen considerable success in incentivizing private plantations through its Sawlog Production Grant Scheme, which has to-date supported over 37,000 hectares of timber plantations and catalyzed over USD 20 million private investment of since 2004 (See Table 3).

In the context of sustainable investments, strengthening of existing safeguard policies is essential to avoid and mitigate potential negative impacts. Existing safeguard policies and their limitations (e.g. the lack of social policies) related to REDD+ operational frameworks are discussed in more detail in section 3.4.3. In addition, REDD+ policies could be targeted at redirecting investments from drivers of deforestation and forest degradation. Example measures could include and improved and transparent information process for investment promotion and licensing by the Ethiopian Investment Agency, the Agricultural Investment and Land Administration Agency and sectoral ministries, e.g. to exclude forested land for agricultural investments. MEF’s capacity to oversee its mandate for environmental impact assessments across the different sectors should be strengthened, both in terms of technical capacity and human resources. Moreover, the existing environmental policies and guidelines lack a

⁵⁰Bekele, M. (2011): Forest plantations and woodlots in Ethiopia. *African Forests Forum Working Paper Series*. Nairobi.

⁵¹For instance, Investment Regulation No. 270/2012 provides for tax incentives (for those investors who are interested to engage in forestry) of 8-9 years of income tax exemption.

⁵²Nawir, A. A., Kassa, H., Sandewall, M., Dore, D., Campbell, B., Ohlsson, B., Bekele, M. (2007): Stimulating smallholder tree planting-lessons from Africa and Asia. *UNASYLVA-FAO- 58*, no. 3, p. 53

⁵³Guillozet, K. (2014): Forest investments and channels of contestation in highland Ethiopia. *African Identities ahead-of-print*, pp. 1-17.

framework document for monitoring, should there be any negative impacts. Specifically for exportable commodities, the Agricultural Investment and Land Administration Agency could promote standards for zero deforestation.

3.3.3 Allocation and distribution of REDD+ finance

Financing REDD+ poses a formidable challenge. The overall costs of regulation are significant although there is no method that could attach a reliable figure. There is international support for REDD+, but it may fall short of the needs. Particular consideration has to be given to results-based-finance, where payments come (in theory) ex-post and where the REDD+ country shoulders the performance risk.

The national REDD+ program sets the framework for the allocation and distribution of REDD+ finance. As a first step for developing this framework, GOE may define its development and environmental objectives guiding the REDD+ program. This formulation is currently taking place with the national REDD+ Strategy, which is closely aligned with the GTP and the CRGE strategy. While objectives and principles can guide the decision-making process more generally, investment incentives can be prioritized based on more specific objectives. GOE can decide to what extent it wants to define the allocation between the national or regional level, between different actors (e.g. a certain share could go to communities), or give flexibility to implementing parties. A certain share of finance will have to be set aside for the operational framework for REDD+, such as for the monitoring, registry, safeguard systems etc. In addition, the allocation of funds also depends on donor preferences and modalities of financing.

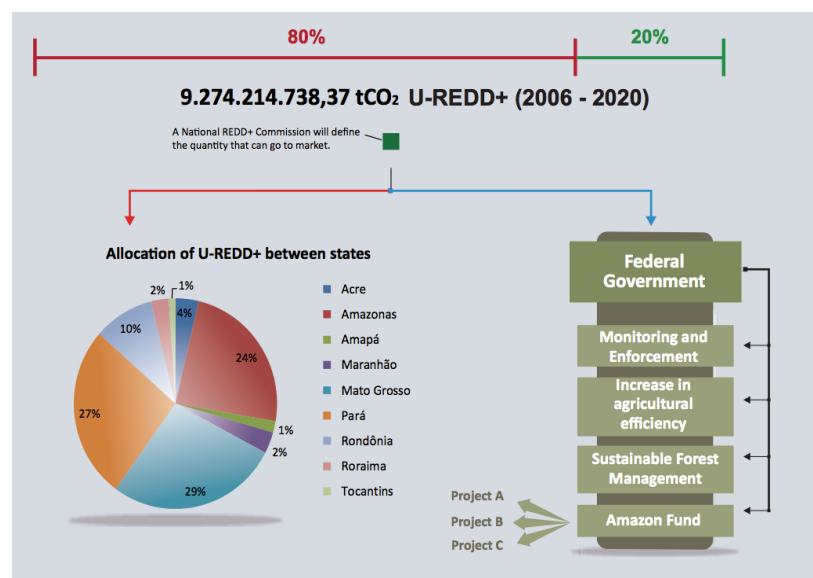
For the prioritization of investment incentives, the stock-flow approach that is currently applied by several rainforest countries (see Box 4) gives an example of allocating finance between activities that directly address deforestation drivers (i.e. flow) and those that focus on conservation (i.e. stock) and governance, weighing emissions reduction with other environmental and social objectives. The addressing of drivers would extend the activities to the agriculture and energy sectors. Under a landscape approach, the inclusion of non-forest land use emissions could also be considered. GOE may conduct policy level cost-benefit analyses (CBA) that evaluate the economic efficiency of a particular policy or policy proposal with respect to emissions reduction and other objectives, e.g. biodiversity conservation and poverty alleviation. The allocation of REDD+ funds would have to be supported by a positive result of the CBA of the considered REDD+ policy. Results could be measured in carbon emission reductions – which may often be costly and not very intuitive for communities – or in actual activities (e.g. tree planting, adoption of new cookstoves). Often success relies on a combination of incentives (payments for new practices, absorption of transition costs) combined with capacity building and training and disincentives (banning of unsustainable practices).

Box 4 gives an example of a proposal by Brazilian REDD+ regions. In this proposal, allocation within the regions would be based on equal distribution to stock and flow activities, with further details subject to further regulation by the states. Between national and regional level, REDD+ finance is shared 20% to 80%, respectively, and between the states, based on projected emissions reductions potential. The national government plays important roles for monitoring, enforcement, and other overarching functions, while it also supports on-ground implementation of activities, such

as through the Amazon fund. Regional decentralization is important in Ethiopia, too, with many mandates in the land use sector being transferred to the subnational level, yet there is currently only one region actively engaged in REDD+. Therefore the national REDD+ program would likely play an important role in other states. Box 5 describes the legal context for the allocation of REDD+ finance in Indonesia. This example illustrates the implications of decentralized governance on establishing relevant legal mechanisms and the need for high-level decisions on at least some aspects of the allocation, given its potential conflict with other laws. Both examples show that decision-making is also in the more advanced REDD+ programs not yet finalized. Box 6 summarizes lessons from existing benefit sharing schemes that are relevant to REDD+ policies.

Box 4 Proposed allocation of REDD+ payments between national and regional states in Brazil

The six Brazilian member states of the Governors' Climate and Forests Task Force (GCF) platform, a global REDD+ initiative at the subnational level, proposed an allocation of revenues and responsibilities between the federal government and the regional states of 20 and 80 per cent, respectively. REDD+ revenues are accounted in the form of REDD+ Units (equivalent to tCO₂e), to be administered by an newly established agency that should be independent from both, national and federal governments. Between the states, payments should be allocated based on projected emissions reductions potential. Within the states, the proposal suggests a stock-flow approach, where revenues are equally distributed between "flow" activities (reducing emissions through avoided deforestation and degradation) and "stock" activities (conservation of non-threatened forests). The proposal further calls for regional states to develop regional REDD+ policies for the benefit sharing between all relevant stakeholders, such as traditional and indigenous populations, rural producers, municipalities, residents and conservation units, etc. The figure below illustrates this scheme based on a projection of potential REDD+ units from 2006 to 2020. The national government would support specific programs that support REDD+, such as national incentive programs.⁵⁴ The figure illustrates the proposal for allocation of REDD+ payments between the federal and regional governments.



⁵⁴ Governors' Climate and Forests Task Force (2014): Contribution to the national REDD+ strategy: A proposal for allocation between states and the union. http://www.gcfplatform.org/documents/contributions_national_REDD+_strategy_proposal_allocation-state_union_EN.pdf (September 2014); Zwick, S. (2014): Amazon States In Brazil Push For Benefit-Sharing On National REDD+ Strategy http://www.ecosystemmarketplace.com/pages/dynamic/article.page.php?page_id=10244 (September 2014)

Box 5 Legal background for benefit sharing between different levels of government in Indonesia

Benefit sharing between the central, provincial and local governments is regulated by Law No. 33/2004 (Article 14) on Fiscal Balance Between the Central and Regional Government, which defines out mechanism of benefit sharing from the revenue of natural resources extraction states that: *The sharing of State revenue derived from natural resources ... is determined as follows: a. Forestry-related revenue from the receipt of forest concession fees and forest resource provisions generated from the concerned region is to be shared at the ratio of 20% ... for the Government and 80% ... for the Region. b. Forestry-related revenue from reforestation funds is to be shared at the ratio of 60% ... for the Government and 40% ... for the Region.* This law was enacted before the concept of REDD+ emerged but it could still provide a basis for determining benefit sharing in a national REDD+ program. In addition the Ministry of Forestry has issued a Ministerial Regulation⁵⁵ setting detailed sharing modalities for different forest and concession types. The regulation was however rejected by the Ministry of Finance because it contradicts an existing fiscal law. In addition, a regulation issued by the Ministry of Forestry would be overruled by the Regional Autonomy Law.⁵⁶ A recent constitutional decision that emphasizes right of communities and forest dependent people will also play an important role for the allocation of REDD+ payments.

Box 6 Best practices for benefit sharing schemes⁵⁷

Based on a review of case studies, PwC (2012) identify the following lessons. Benefit sharing schemes should:

- Be based on clear and legal frameworks
- Build on existing institutional arrangements
- Integrate safeguard systems to protect from mismanagement of safeguards
- Require capacity of local governments, e.g. for sustainable land management, community development and planning
- Employ third-party monitoring, audit, and/or fund management
- Apply simplicity in calculations, monitoring and transfer
- Promote incentives for entities involved in monitoring, enforcement, research etc.

3.4 Operational framework

3.4.1 Institutional arrangements

The current institutional framework for REDD+ in Ethiopia is outlined in Figure 2. The REDD+ Secretariat under MEF is the primary responsible institution for R-PP implementation. The REDD+ secretariat is also managing the FCPF REDD+ Readiness grant. The Secretariat is currently staffed with a national coordinator and five other sector specialists. It is accountable to the State Minister of the Forest sector, who in turn reports to the Inter-Ministerial Committee of the CRGE. The REDD+ steering committee provides regular feedback to the Secretariat and overall oversight on the REDD+ readiness process. The Committee, chaired by the MEF, comprises of high-level representatives from sectoral ministries and regional bureaus, NGOs and regional/district level groups. It simultaneously serves as a CRGE Technical Committee.

The Secretariat is supported by the federal level REDD+ Technical Working Group, providing technical guidance on the REDD+ Readiness process. It is supported by three Technical Task Forces that provide input on specific aspects: System of Safeguards and Strategic Environmental and Social Assessments (SESA Task Force); National REDD+ Strategy (Strategy Task Force); and Reference Scenario and Monitoring Reporting and Verification

⁵⁵ Ministerial Regulation on Licensing Procedure for the Utilization of Carbon Sequestration and/or Storage in Production Forests and Protected Forests (No. P36/Menhut-II/2009)

⁵⁶ Syarif, L.M. (2014): Indonesia's Experiment in Regulating REDD+. The GLOBE Forest Legislation Study.

⁵⁷ PricewaterhouseCoopers with Behr, D.C. (2012): Assessing Options for Effective Mechanisms to Share Benefits. Insights for REDD+ Initiatives. PROFOR Program on Forests. Washington, DC

system (MRV Task Force). The federal level Technical Working Group has been established under the National CRGE Technical Committee (TC) with the primary function of reviewing REDD+ policies, programs and projects to inform decision-making by the TC and REDD+ Secretariat. It is made up of active practitioners in the REDD+ field, with representation from research, academic, government, development and NGO organizations, and chaired by the MEF. The CRGE Facility, set up for the mobilization, access and combination of international funding for the implementation of the CRGE, will serve also as a financing mechanism for REDD+. UNDP, DFID and the GGGI support the process by providing technical and financial support.

The R-PP implementation process has seen a institutional structure being created for REDD+, and this has enabled REDD+ to move forward relatively successfully to-date. At the same time, gaps remain that must be addressed in order to make REDD+ successful in the long term. Among the core factors for a successful REDD+ strategy is ensuring coordination between institutions working in the land-use sector. The establishment of the CRGE Inter-Ministerial Committee and REDD+ Steering Committee goes some way to ensuring such coordination. In practice, however, the value of these bodies is restrained by an absence of high-level political investment. Sectoral ministries are not obliged to attend meetings and there are no clear guidelines on the level of seniority of the participants they do send. This leads to inadequate representation, on one hand, and to the inability of participants to fully speak on behalf of their Ministries and take necessary decisions on coordination.

To be realistically able to ensure the required level of inter-sectoral coordination for ensuring REDD+ activities can be implemented in harmony with sectoral policies, these bodies would need to be strengthened. This could be done by, for example, setting requirements for all institutions to ensure attendance of their representatives and setting minimum thresholds for the seniority of attendees, which should be set at least at director or deputy-director level. High-level attendance may also be encouraged through the sectoral Ministers and investing political capital in meetings, for example through signing invitations and liaising with his counterparts to ensure attendance. Less frequent but regular (for example annual or bi-annual) ministerial-level meetings should also be considered to discuss high-level policy directions.

Aside from specific coordination structures, sectoral institutions could be incentivized to actively coordinate with one another on an ongoing basis. For one thing, institutions' mandates could be expanded to specifically include coordination with other ministries on REDD+, or more broadly on ensuring sustainable use of land and natural resources, and budget provided for this. Similarly, coordination between certain institutions on specific issues could be specifically required at a given stage of policy development or implementation, with each institution entitled to take action if the other acts without consulting it.

As REDD+ moves to the implementation phase it is likely that either additional institutions will be needed or that existing institutions will need to be vested with new functions. These functions would need to cover areas such as the implementation and monitoring and reporting of safeguards, the management and distribution of finance to REDD+ activities and ensuring measurement, reporting and verification of emission reductions from REDD+. The existing problems that have arisen in the forest sector due to instability and continuous restructuring (as described in Section 2) point to the need to ensure as much continuity as possible in designating these

functions. Where possible, existing institutions should be utilized and built upon. Once institutional functions are designated, high-level commitment should be ensured such that their long-term continuity can be maintained, allowing the relevant institutions to steadily grow their capacities, build and maintain relationships and undertake long-term strategic planning.

Moving forward with the REDD+ process in Ethiopia, resources have to be allocated to establish accountable relationships between institutions overseeing different land use activities. A dedicated entity mandated to oversee multi-stakeholder processes in the land use and forest sector could be option in this regard. A task force could be established at the Prime Minister's office to ensure coordination among the different institutions involved in the REDD+ implementation. Considering the CRGE-Inter-Ministerial Committee is supervised by the Prime Minister's office, it could be an important consideration to setup a REDD+ coordinating unit with more authority and decision making power that is required to enforce REDD+ strategy options and action plans. Table 4 depicts functions of REDD+ implementation with potential corresponding national institutions.

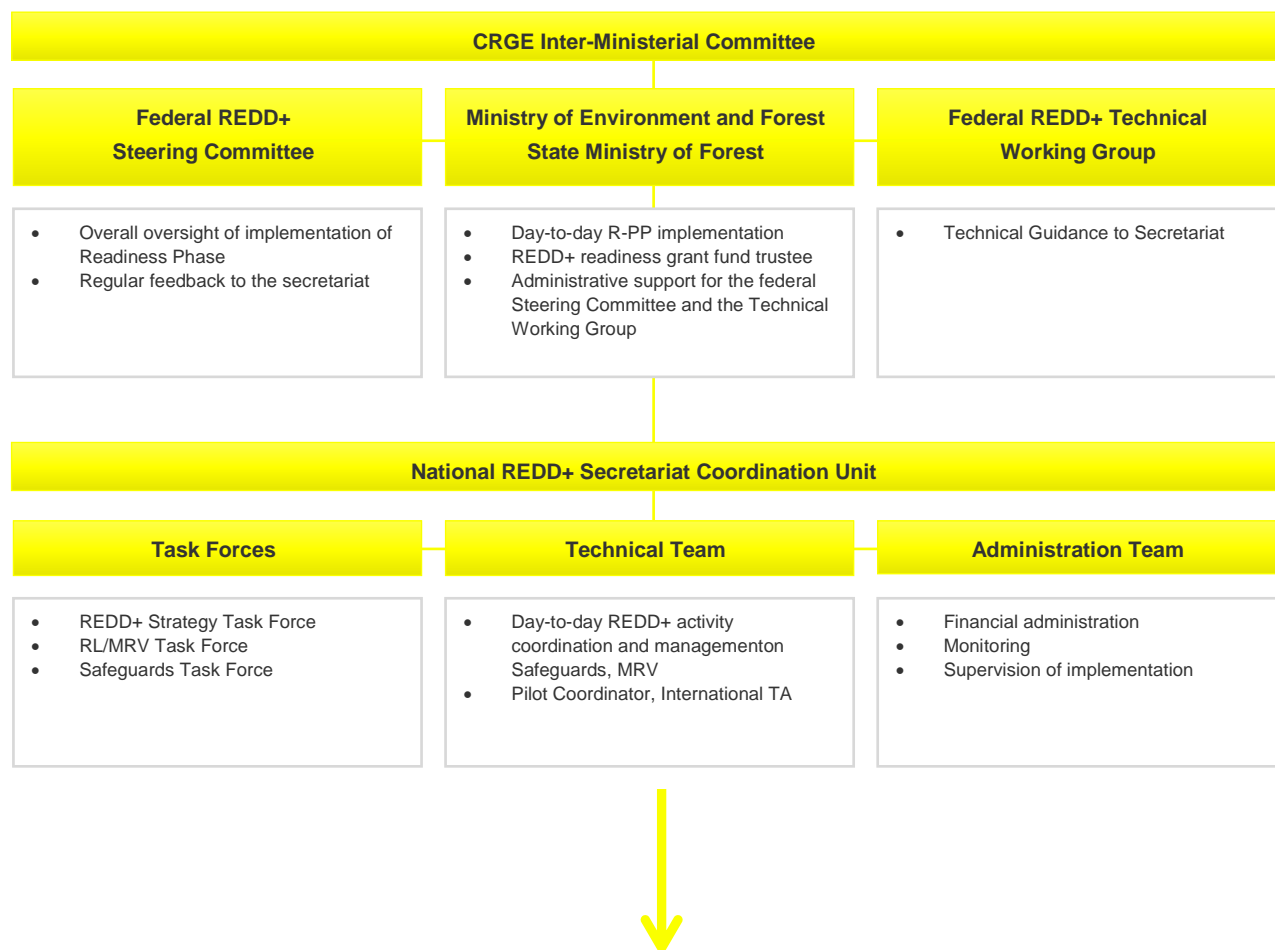
Table 4 Possible operational functions of national public institutions for a national REDD+ program

Functions	Institutions
Oversight	
<ul style="list-style-type: none"> Oversight of CRGE strategy, including REDD+ High-level decision-making and political support for REDD+ policies and operational functions Strengthening of efficient vertical and horizontal coordination among the various REDD+ implementing institutions 	Prime Minister's Office
Technical	
<ul style="list-style-type: none"> Implementation of the national REDD+ process through its REDD+ secretariat Facilitation and create enabling platform for the implementation of REDD+ process, including the legal and institutional framework, MRV, safeguards and stakeholder consultation 	Ministry of Environment and Forest
Finance	
<ul style="list-style-type: none"> Mobilize, manage and disburse results based payment and technical assistance Provide standard template for financial flow management, including audits and monitoring mechanisms Audit and monitoring of financial transactions 	Ministry of Finance and Economic Development Office of Federal Audit General
Implementation	
<ul style="list-style-type: none"> Coordination of the technical execution of the REDD+ process both at national and regional level Implementation of REDD+ readiness activities Cross-sectoral coordination of REDD+ policies and operations Communication with donors, investors and UNFCCC Coordination of MRV, Registry Implementation of REDD+ policies in the agriculture sector Facilitation of REDD+ policies implementation through existing mechanisms (e.g. SLMP) Implementation of REDD+ policies in the energy sector Promotion of REDD+ policies related to investment Promotion of REDD+ policies related to investment 	Ministry of Environment and Forest Ministry of Agriculture ⁵⁸ Ministry of Water, Irrigation and Energy Ethiopian Investment Agency Agricultural Investment and Land Administration Agency
MRV and Registry	
<ul style="list-style-type: none"> Establishment and coordination of MRV and registry 	Ministry of Environment and

⁵⁸ Some of the major national institutions accountable to the MOA are: Ethiopian Institute of Agricultural Research; Disaster Prevention and preparedness; National Veterinary Institute; Institute of Biodiversity Conservation; and Federal Cooperative Agency

systems	Forest
<ul style="list-style-type: none"> Coordination and nesting of regional REDD+ programs and projects Registration and certification of REDD+ results Communication to donors and UNFCCC Technical support/implementation of MRV and registry functions 	Mapping Agency or Statistical Agency, other research institutes
Safeguards	
<ul style="list-style-type: none"> Initiate and lead consultative process to develop social and environmental principles, criteria and indicators for REDD+, including grievance procedures Oversee operation of safeguard system, including verification of implementation by sectoral institutions Technical support for safeguards development and review of existing policy frameworks 	Ministry of Environment and Forest Research institutes

Figure 2 Existing REDD+ institutions and roles in Ethiopia.



3.4.2 Financial management

As Ethiopia moves from REDD+ readiness to implementation it will have to put in place a financial management system and institutional framework to accept, manage and disburse funds. A tested financial system helps to inspire donor confidence, meet international standards and ensure that greater amounts of international finance can be managed at domestic level with reduced need for the involvement of international institutions. The following describes the role of a national financial mechanism for REDD+ and considers potential options for Ethiopia.

3.4.2.1 Role of national financial mechanism

A national financial mechanism serves as an intermediary between international donors and the end recipients of REDD+ financing, i.e. those implementing REDD+ actions. Central to this role is the link of the mechanism to high-level policymaking and a clear monitoring of effectiveness and impact of REDD+ finance. The financial mechanism will further have to meet a number of formal requirements to be able to receive international contributions, i.e. managing funds in a transparent, effective and efficient manner. Consequently REDD+ financial mechanisms need to be at the same time:

- Integrated into national policy and institutional frameworks. To ensure full integration of REDD+ into national policies, the financial mechanism needs to be closely linked to the Ministry of Finance and budgetary processes.
- Able to receive and manage international funds and, where required, ensure they are ring-fenced and earmarked.

From the view of fiscal policies, a proliferation of funding vehicles, the earmarking of funds and special purpose funding windows should be limited to the minimum. While fiscally not desirable from the recipient country perspective, many international funders prefer disposing funds in separate funds, where they hold closer control over the utilization of funds than if they are going through national budgets. Intermediary solutions are special accounts and earmarked budget lines. To restrict the setting up of new, or modification of existing, funding vehicles to the minimum, the REDD+ financial mechanism should be integrated into the broader climate finance framework of the country.

Considering that least developed countries will depend on international contributions in the implementation of its REDD+ strategy, the financial mechanism should aim to meet the fiduciary requirements of the principal donors the country seeks to obtain funding from. Such requirements differ somewhat between donors, though most are based around a number of common principles. Table 5 provides an overview of the main requirements of three key sources of climate funding – the Green Climate Fund, the Adaptation Fund and the World Bank – for national financial intermediaries and national funds.

Table 5 Comparison of main fiduciary standards of key donors⁵⁹

	Green Climate Fund⁶⁰	World Bank	Adaptation Fund⁶¹
Administration & financial management	<ul style="list-style-type: none"> • Adequate management and administrative capacities • Financial management and accounting is based on a clear and complete set of financial principles that follow international standards • Independent internal and external auditing • Effective and reliable control frameworks that include clearly defined roles and responsibilities • Fair and transparent procurement processes, based on widely recognized processes 	<ul style="list-style-type: none"> • Financial management and accounting in accordance with the Bank's or international standards • Financial reporting and auditing in accordance to the Bank's or international standards • Strong internal control mechanism • Report and control of fund flow • Adequate budgeting and budget monitoring • Fair and transparent procurement processes 	<ul style="list-style-type: none"> • Documented control framework • Accounting and preparation of financial statements in line with international practices • Adequate internal auditing processes • Periodic independent external auditing • Forward-looking financial plans and budgets • Efficient management and disbursement of funds • Procurement procedures which provide for transparent practices, including on competition • Legal status to contract with the AF and third parties
Transparency & accountability	<ul style="list-style-type: none"> • Disclosure of conflict of interest • Code of ethics • Capacity to prevent or deal with financial mismanagement and other forms of malpractices • Investigation function 	<ul style="list-style-type: none"> • Assurance that bank-guaranteed payments are used for the purposes for which they are granted • Transparency in budgetary documentation and reporting • Functioning complaint mechanism 	<ul style="list-style-type: none"> • Competence to deal with financial mismanagement and others forms of malpractice • Evidence of an objective investigation function for allegations of fraud and corruption.
Project/ programme management capacities	<ul style="list-style-type: none"> • Project/programme preparation and appraisal capacities (from concept to full funding proposal) • Project implementation, oversight and control capacities • Monitoring and evaluation capacities • Use of project at risk systems and related project risk management capabilities 	<ul style="list-style-type: none"> • Project implementation, oversight and control • Monitoring and evaluation • Project Financial statement (annual) 	<ul style="list-style-type: none"> • Institutional ability for Project/Programme identification, development and appraisal • Competence to manage or oversee the execution of the project/program including ability to manage sub-recipients and support delivery and implementation • Use of project-at-risk systems • Capacity for monitoring and evaluation

To meet these criteria countries should identify vehicles to receive REDD+ funds that have all relevant processes in places, apply international accounting standards, meet international fiduciary criteria, and are managed in a transparent manner. At the same time, this fund should be closely linked to those policies that implement the national REDD+ strategy.

Beyond these formal requirements, the design of a national REDD+ financing mechanism depends on the factors such as the national legal system, domestic policy priorities, existing institutions, and the availability of resources. The following lists a number of the main functions that such a mechanism will generally seek to fulfill vis-à-vis managing the interface between the national-level and international finance:

1. Managing relationships with the entities operating under the UNFCCC REDD+ mechanism, national or regional land use policies, and

⁵⁹ Green Climate Fund (2014): Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund's Fiduciary Principles and Standards and Environmental and Social Safeguards (Progress Report); The World Bank Operations Manual (2014): BP 10.00. Investment Project Financing; Adaptation Fund (2013): Operational Policies and Guidelines. Annex 2: Fiduciary Risk Management Standards to be met by Implementing Entities.

⁶⁰ The GCF distinguishes two sets of fiduciary standards. Basic fiduciary criteria' (listed in the table above under 'key administrative and financial capacities') are applicable to all entities. 'Specialized fiduciary criteria', which will apply "as applicable", so far include standards for project and programme management capacities, and are expected to be expanded to include capacities and processes for grant award mechanisms and financial structuring.

⁶¹ The Adaptation Fund specifies general capabilities required and 'illustrative means of verification'. To enable better comparability the table includes key 'illustrative means of verification' but it should be noted that not all these are mandatory per se.

international multilateral and bilateral sources of REDD+ funding. These include:⁶²

- a. Requesting and receiving funding from international sources;
 - b. Disbursing payments to national and/or sub-national programs, and potentially private sector, NGOs and community groups; and
 - c. Regularly reporting to national entities, donors, and potentially the COP or high-level body on REDD+ implementation.
2. Implementing international funding, fiduciary, and reporting procedures;
 3. Linking to impact evaluation and those institutions managing MRV.

The capacities of national institutions will determine the responsibilities that international actors devolve to national institutions. Insufficient capacities at national level are likely to be among the chief barriers to the development of longer-term REDD+ financing structures at national level, and Governments must play a leading role in establishing national funding structures that are credible and sustainable.

3.4.2.2 Defining a national financial mechanism for Ethiopia

In the following we will focus on evaluating experiences in setting up and managing funds that can receive international finance. It is understood though, that this is only a small part of a REDD+ finance framework, with the most important elements constituting in the link between policy making and funding on one hand, the accounting for GHG results in relation to funding on the other.

International experience

A number of criteria are relevant in defining a financial mechanism for REDD+. A first question is to which extent **existing mechanisms or funding can be used**. Where available, it is often preferable to utilize existing mechanisms that have been tried and tested and avoid the need to establish complex new infrastructure. This is also the option favored by most donors. At the same time, in several countries the specificities of REDD+ have led to countries seeking to modify existing mechanisms. This can take a number of forms, for example:

- Vietnam is currently in the early stages of establishing a national REDD+ fund. Proposals under discussion include establishing a sub-fund under the existing Forest Protection and Development Fund (FPDF). The REDD+ Fund would use the FPDF's administrative and operational procedures but have its own independent legal capacity and governance structures;
- The Amazon Fund in Brazil is an independent fund created specifically for REDD+, but relies on the extensive existing financial management infrastructure of the Brazilian development bank, BNDES. BNDES created a special department to manage the Amazon Fund in accordance with specific rules in addition to its general fiduciary management criteria, and is subject to the guidance of a high-level guidance committee;
- In Costa Rica the National Forestry Financing Fund (FONAFIFO), which has operated since 1996, is in charge of managing REDD+ activities in Costa Rica, including managing all financing and distributing it to implementing entities. Existing financial management infrastructure as well as project implementation infrastructure is used, allowing FONAFIFO to integrate REDD+ financing with broader forest financing. At the same time, REDD+ finance is distinguished from other finance in

⁶²Streck, C., Gomez-Echeverri, L., Gutman, P., Loisel, C., Werksman, J. (2009). REDD+ Institutional Operations Report. Developing an Efficient, Effective, and Equitable Institutional Framework for REDD+ under the UNFCCC Institutional Options Report. Meridian Institute.

the relevant trust funds and specialized governance infrastructure has been added to deal with REDD+.

In countries that have established or are in the process of establishing overall national financial mechanisms for climate change another option is to integrate REDD+ financing under such a mechanism. This is the approach being taken by Mexico, for example, which intends to channel REDD+ payments through its National Climate Change Fund. Indonesia, in contrast, has elected to establish a separate fund for REDD+ despite having a national climate fund, due to the specific characteristics of the mechanism, the different institutions involved and the large amounts of finance that are expected to flow to REDD+ in Indonesia. Where a country decides to create a stand-alone mechanism for REDD+ or integrate REDD+ financing under a climate change mechanism, it can take significant time before these mechanisms become fully operational. In this case, it may be wise to consider adopting interim arrangements that can operate in the meantime. Interim arrangements would generally be built around an existing mechanism. For example, in Mexico initial REDD+ financing was channeled through the Mexican national development bank, Nacional Financiera.

Application to Ethiopia

Ethiopia has recently established the CRGE Facility with the objective of “accessing and combining domestic and international, public and private sources of finance to support ... Ethiopia’s CRGE Strategy”.⁶³ The GOE intends that the CRGE Facility will be able to directly access international finance sources such as the Green Climate Fund. REDD+ is closely integrated within the CRGE Strategy, and the GOE has expressed the intention that funding for REDD+ be channeled through the CRGE Facility.⁶⁴

The CRGE is designed to carry out all the principal functions of a national REDD+ financial mechanism described above. It will receive finance from national and international sources and undertake fiduciary management. Payments will be made to governmental ‘implementing entities’ pursuant to approved sectoral and thematic investment plans, including those in the forest and land-use sector. These entities will further distribute funding to partnering ‘executing entities’ which may come from the private sector, academia and non-governmental or community organizations. In this way the Facility will seek to leverage private sector and other non-governmental investment and expertise. The Facility will further conduct MRV of funded activities and report to donors and UNFCCC. The basic operational structure of the Facility is depicted in Figure 3. Some of the institutions such as the Bureaus of Environment and Forest (BEFs), the equivalent of the MEF at regional level are not yet established.

⁶³ Federal Democratic Republic of Ethiopia (2012): Ethiopia’s Climate Resilient Green Economy (CRGE) Facility: Terms of Reference. *Final Version*. Addis Ababa.

⁶⁴ Ibid

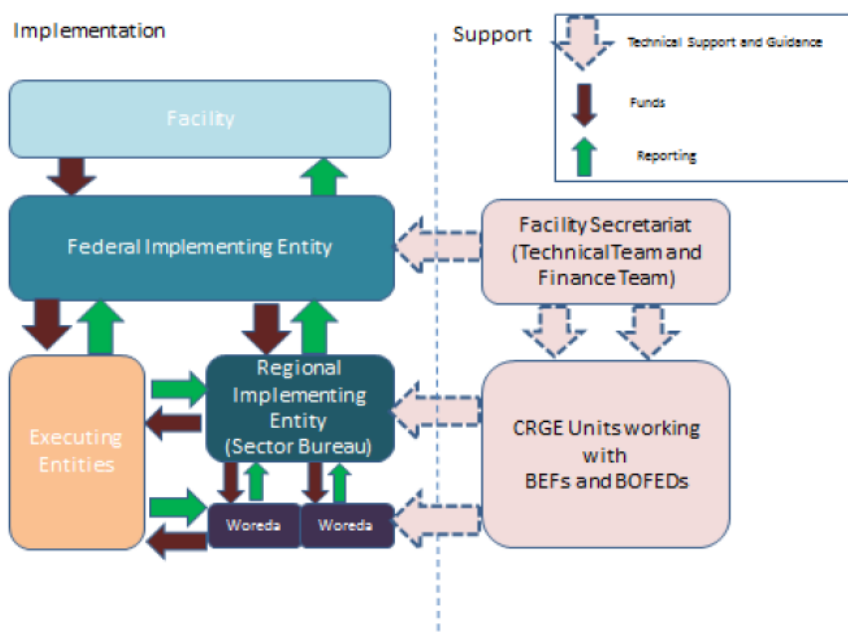


Figure 3: Operational structure of the CRGE Facility⁶⁵

The Facility has two accounts – a ‘facility account’, operated by the Facility directly, and an ‘international account’ operated by the United Nations Development Programme’s (UNDP) Multi-Partner Trust Fund (MPFT). While it is intended that as much funding as possible will flow through the facility account, the international account is established to accommodate any donors who are not able to provide money to the Facility directly.

At the time of writing the CRGE Facility has been formally established and is operational. Its principle organs – including a Management Committee, Advisory Board, Advisory Board, Technical Team and Financial Team – have all been established. An Operations Manual has been adopted that sets out both the overall governance and implementation frameworks of the Facility and the fiduciary standards applicable at Facility level and to ‘implementing entities’ and ‘executing entities’ that receive finance. These standards cover the majority of the requirements of the main donors, as set out in Table 5. The majority of the processes set out in these standards have been put in place, though some elements, such as the monitoring and evaluation framework, remain under development.

Thus far, the CRGE Facility has received initial capitalization and has begun disbursing funding to recipients for small investments. This initial round of disbursements is being viewed as a trial phase for the larger investments that are eventually intended to flow through the Facility, and a process is underway to gather lessons learned during this first round. Funding so far has been received from the United Kingdom and Austria, while a number of other donations are currently under negotiation. Importantly, funding processed and under negotiation is to flow through the ‘facility account’ and no donors have yet considered it necessary to utilize the international account run by UNDP. This appears to signal some confidence in the Facility’s operation, though it is worth noting that amounts so far have been relatively small⁶⁶ and the focus remain on testing the capacities of the Facility to manage finance, as well as the capacities of implementing entities to implement funded activities. An application to be recognized as a

⁶⁵ Government of the Federal Democratic Republic of Ethiopia. Climate Resilient Green Economy (CRGE) Facility. Operations Manual.

⁶⁶ Approximately USD 27 million has been deposited to-date.

National Implementing Entity with the Adaptation Fund is currently under review, and the outcome of this process will serve as an important test of confidence in the Facility's fiduciary standards.

While some donors are already contributing to the Facility, others, such as the World Bank, are not yet considering channeling REDD+ funding through the Facility. This may change following the completion of capacity building activities currently being provided to the Facility by the World Bank—covering areas such as investment planning, project design, funds management and disbursement, institutional arrangements for financial institutions – though this remains to be seen. For the time being, therefore, it is likely that existing channels will also need to be utilized for REDD+ finance.

The main existing channel for REDD+ finance is through government ministries under the overall authority of MOFED. Ministries have a number of mechanisms to ensure that international donor finance is clearly distinguished from general budgets through separate budget codes,⁶⁷ and regular reporting is undertaken on the use of funds. In some cases special units are created within ministries to implement financial management for projects, as in the case of the SLMP programme which is managed by the SLM Support Unit.

In the case of REDD+ MEF has been identified as the primary entity for managing funding for REDD+. In cases where REDD+ projects or programs have a significant agricultural component, cooperation between MEF and MOA is likely to be required, possibly through a memorandum of understanding. Since MEF is a relatively new ministry and does not yet have significant experience in managing international finance, it is not currently clear whether its financial management capacities are sufficient to meet donor requirements. MOA, meanwhile, has developed substantial financial management capacities and is in the process of further developing these capacities within the context of the SLMP. Under that programme the World Bank recently judged that MOA meets its operational procedures, though it required a number of improvements in operational policies to reduce the risks faced, including strengthening budget preparation and internal audit and control measures and hiring qualified financial experts.⁶⁸

3.4.3 Safeguard systems

In this section we provide a discussion of international safeguard requirements and guidance, the role of country systems, and relevant systems and experiences in Ethiopia. According to the R-PP, safeguards for the national REDD+ program in Ethiopia are guided by international best practices, the EPA's Environmental Impact Assessment Guidance Document as well as experiences from donor-financed projects.

Safeguards are sets of principles, rules and procedures put in place to achieve social and environmental goals by avoiding negative impacts and promoting co-benefits. Safeguard standards can be categorized into substantive elements, including environmental and social principles, on the one hand, and procedural standards on the other. They can range from vague guidelines to clear and comprehensive 'principles, criteria and

⁶⁷ Two main codes for international finance exist: a) external assistance or grants (code 2000- 2999) and b) external loan (code 3000-3999).

⁶⁸The World Bank (2013): Project Appraisal Document of the Second Sustainable Land Management Program. http://www-wds.worldbank.org/external/default/WDSCContentServer/WDSP/IB/2013/11/07/000333037_20131107121854/Rendered/PDF/PAD5250PAD0P13010Box379865B00OUO090.pdf (September 2014)

indicators', they can also differ in their stringency, applicability and scope. While some standards are minimum criteria that seek to avoid harm, others look at 'do good' objective to enhance co-benefits of REDD+. ⁶⁹Table 6 provides an overview of common elements.

Table 6 Examples of common REDD+ safeguards⁷⁰

Criteria	Examples
Social criteria	<ul style="list-style-type: none"> • Application of free, informed and prior consent from local communities before adopting REDD+ policies that would affect them, their land or livelihoods. • Consideration of vulnerable groups in decision making and policy development • Support of tenure and resource rights, e.g. by respecting customary land and resource rights and strengthening tenure security • Enhancement of livelihoods and labor rights as a co-benefit of REDD+ • Inclusion of guidance on benefit sharing, e.g. the support of equitable and culturally appropriate distribution • Provision related to the avoidance of resettlement
Environmental criteria	<ul style="list-style-type: none"> • Mitigation of environmental impacts, such as natural forest conversion, pollution, invasive species, reduced water and soil quality, and biodiversity damage. • Enhancement of biodiversity and other ecosystem services • Avoidance of reversals and displacement of emissions, e.g. leakage of land use change to other places through
Procedural criteria	<ul style="list-style-type: none"> • Integration of safeguards in policies, laws and regulations to provide incentives • Rules mandating transparency • Requirement of stakeholder participation, e.g. effective and meaningful processes • System for monitoring and reporting (Safeguard Information System) • Established grievance mechanism to address concerns and conflicts, and to provide a channel for resolution and redress • Regulated compliance assessment process in the form of international reviews, reporting, evaluations and audits.

3.4.3.1 International safeguard standards

In 2010, parties to the UNFCCC agreed in Cancun on seven broad safeguard principles for the implementation of REDD+ addressing transparency, participation of stakeholders, protection of biodiversity and ecosystem services, and respect for rights of indigenous and local communities:

1. *Actions complement or are consistent with the objectives of national forest programmes and relevant international conventions and agreements;*
2. *Transparent and effective national forest governance structures;*
3. *Respect for the knowledge and rights of indigenous peoples and members of local communities, by taking into account relevant international obligations, national circumstances and laws including the United Nations Declaration on the rights of Indigenous Peoples;*
4. *The full and effective participation of relevant stakeholders, in particular indigenous peoples and local communities;*
5. *That actions are consistent with the conservation of natural forests and biological diversity, ensuring that REDD+ activities are not used for the conversion of natural forests, but are instead used to incentivize the protection and conservation of natural forests and their ecosystem services, and to enhance other social and environmental benefits;*

⁶⁹ Roe, S., Streck, C., Pritchard, L., Costenbader, J. (2013): Safeguards in REDD+ and Forest Carbon Standards: A Review of Social, Environmental and Procedural Concepts and Application. Climate Focus.

⁷⁰ Adapted from ibid

6. *Actions to address the risks of reversals;*
7. *Actions to reduce displacement of emissions.*

To allow for financing from various donors and for the integration of and for formulating modalities for project-level activities it is advisable to consider the broad Cancun safeguards as well as other existing safeguard standards during the development of a national REDD+ program. A few donor safeguard standards are applicable at the jurisdictional scale, including the FCPF standards. As part of the readiness process, Ethiopia has initiated a process to undertake a Strategic Environmental and Social Assessment (SESA) to analyze impacts of a national REDD+ program, to formulate alternatives and to develop mitigation strategies. Based on FCPF requirements, the SESA would be complemented by an Environmental and Social Management Framework (ESMF), establishing the principles, guidelines and procedures for reducing, mitigating, and/or offsetting possible negative impacts, enhancing positive impacts and opportunities, and otherwise guiding investments towards compliance with relevant safeguards. The Terms of Reference were published in late 2013, however by September 2014 the SESA and ESMF process has not yet started.

Table 7 provides a comparison of FCPF with other jurisdictional and project-level standards. The voluntary REDD+ Social and Environmental Standards (SES) were developed through an international stakeholder process to assist country in developing national systems. They provide a framework for a national REDD+ program to demonstrate how international and nationally defined safeguards are being addressed and respected. They are currently tested by several jurisdictions, including Ecuador and the State of Acre in Brazil, among others. The Climate Community and Biodiversity Alliance (CCBA) Standard is a project-level standard for voluntary certification, typically focused on social and environmental co-benefits. It is applied by the Bale Mountains Eco-Region REDD+ Project, currently in the validation phase.

World Bank safeguards and operational policies that could be triggered by REDD+ include:

- 4.01 Environmental assessment
- 4.04 Natural habitats
- 4.09 Pest management
- 4.10 Indigenous peoples
- 4.12 Involuntary resettlement
- 4.20 Gender and development
- 4.36 Forests
- 7.60 Projects in disputed areas
- 11.03 Management of Physical Cultural Property in Bank-Financed Projects.⁷¹

⁷¹The World Bank (2014): Operational Policies. <http://go.worldbank.org/3GLI3EECP0> (September 2014)

Table 7 Comparison of international safeguard standards⁷²

SAFEGUARDS	Cancun	FCPF	REDD+ SES	CCBA
SOCIAL				
Free, prior and informed consent	3	I	E	E
	4	E	E	E
Vulnerable groups	3	I	E	E
Land Tenure & Resource Rights	-	E	E	E
Enhanced Livelihoods & Labor Rights	-	E	E	I
Benefit Sharing	-	-	E	E
Avoided Resettlement	-	E	I	E
ENVIRONMENTAL				
Mitigate negative environmental impacts	5	E	E	E
Biodiversity and other ecosystem services	2	E	E	E
Address risk of reversals and displacement emissions	6	I	I	I
Address risk of reversals and displacement emissions	7	I	I	I
PROCEDURAL				
Policies, laws and regulations	1	E	E	E
Transparency	2	E	E	E
Stakeholder participation	4	E	E	E
Safeguards Information System (SIS) – Monitoring & Reporting	*	E	E	E
Grievance mechanism	-	E	E	E
Compliance assessment process	-	I	I	E
Complementarity with other REDD+ standards and mechanisms	-	I	I	E

3.4.3.2 Role of safeguard systems in REDD+ countries

Overall, most REDD+ countries favor a country-led approach that meets Cancun Safeguard principles and can be customized to local circumstances and institutions. Initiatives to create national and subnational safeguard systems have been taking place in Acre (Brazil), Mexico, Indonesia and Vietnam, among others. Acre and Mexico have created their own systems while also using the REDD+ SES as an instrument to identify gaps, monitor and report results from their jurisdictional safeguard system.

Box 7 Examples for country systems for REDD+ safeguards⁷³

In **Acre, Brazil**, the state government has used the REDD+ SES and additional state laws to develop its safeguard system for its jurisdictional carbon programme (ISA). A State Commission for Validation and Monitoring (CEVA) – comprising representatives of four public sector and four civil society organizations – has been established to oversee development and implementation of the monitoring process. A set of indicators was developed through an inclusive two-year process led by a team of civil society organizations and involving a wide range of

⁷²Decision 12/CP.17; E: Explicit; I: Implicit; -: not included. Source: Adapted and expanded based on Roe, S., Streck, C., Pritchard, L., Costenbader, J. (2013): Safeguards in REDD+ and Forest Carbon Standards: A Review of Social, Environmental and Procedural Concepts and Application. Climate Focus.

⁷³ Adapted from Roe, S., Larsen, G., O'Sullivan, R., Lee, D., Streck, C., Conway, D. (2014): Safeguards in Bilateral REDD+ Finance. Climate Focus, World Resources Institute, and Forest Carbon, Markets and Communities (FCMC) Program, prepared with the support of the Climate and Land Use Alliance.

organizations, including several indigenous groups. The monitoring process is conducted by the Acre Climate Change Institute (IMC), and public consultations are performed in order to gain stakeholder input. CEVA reviews and approves the indicators, the draft report for consultation and the final report. Where gaps are identified by the monitoring process, CEVA and IMC develop an action plan to address them, on which further public consultations are held. A separate process has also been developed for monitoring of private projects under ISA, which involves independent verification before approval by CEVA for registration.

Ecuador has been developing its country safeguard system since 2010 using the REDD+ SES framework. It has identified over 60 indicators which combine impact and process driven data points to collect. The Ministry of Environment has also started developing a national information and monitoring system that aims to link REDD+ SES with the UN-REDD program to ensure compliance with safeguards. REDD+ SES was applied to the Socio Bosque program in a pilot phase before scaling up to application to the National REDD+ Program. Participants of the program undergo annual monitoring, which consists of both analysis of satellite imagery / aerial photography and field visits.

Indonesia started developing a national UNFCCC related REDD+ SIS in early 2011, to coincide with the development of a REDD+ safeguards system at project level (PRISAI). PRISAI is based on 10 environmental and social safeguard principles, 27 criteria and 97 indicators, which include all of the safeguards listed in the UNFCCC Cancun REDD+ decisions plus additional principles derived from national and regional consultations. SESA policies support the ongoing consultation process led by the National Forest Council (DKN), yet the process is still in an early stage. The REDD+ Task Force is developing improved criteria and indicators, and operational guidelines for the PRISAI system. Efforts to align PRISAI with the SIS are continuing.

3.4.3.3 Existing safeguard systems in Ethiopia⁷⁴

The Environmental Impact Assessment (EIA) Proclamation No.299/2002 sets the legal foundation for the assessment and mitigation of potential impacts from a REDD+ program. The proclamation provides that activities that stipulate an environmental impact assessment without the authorization of the EPA, which has since been replaced by the MEF, or the relevant regional environmental agency. The EPA has devolved this responsibility to the sectoral ministries and regional EPA equivalent specified by the Regional Environmental Committee on a project-by-project-basis⁷⁵ through several Memorandums of Understanding. For instance, MOWIE and Ministry of Industry implement EIAs based on the guideline provided by EPA. Although each sectoral ministry have departments working on environmental impact assessments, it is not clear if they are either accountable to MEF or coordinate activities with the new ministry. According to the proclamation, the list of activities requiring an EIA should be defined in a subsequent directive. The proclamation is complemented by procedural guidelines that define principles, key objectives, EIA process, and issues relevant to specific sectors and activities, including agriculture, industry, transport, mining, dams and reservoirs, tannery, textile, hydropower generation, irrigation projects, and resettlement projects. The guideline does not provide standards and guidelines, noting that these are situation specific. While social safeguards are not specifically addressed, several of the elements relate to social impacts.⁷⁶

Before the MEF or the relevant regional environmental agency – or the sectoral agencies where this mandate has been transferred - may require a full EIA to be conducted, the application process involves the following

⁷⁴Additional analysis of the EIA process, including shortcomings related to institutional capacities, lack of monitoring procedures and responsibilities can be found in Chapter 1.

⁷⁵ Federal Democratic Republic of Ethiopia - Environmental Protection Authority(2001): Environmental Impact Assessment Guideline. Addis Ababa.

⁷⁶Both guideline documents of 2000 and 2004, respectively, have not been released for citation, noting that they are still under development and would be binding only after consensus is reached between the EPA and sectoral agencies.

review and decision-making steps: a pre-screening including a first consultation, a screening, i.e. an initial EIA to determine among other aspects the need and level of an assessment, a scoping phase, the actual environmental impact assessment, an appeal phase and record of decision. The EPA also issued broad guidelines for forestry project. The general EPA guideline identifies potential issues, sources and impacts, as well as recommendations for different sectors or activities, several of which could be relevant for REDD+ policies, e.g. in the forestry, agriculture, and energy sector. Forestry is not specifically included. For the agriculture sector, for example, it lists sources/causes and impacts for the various impacts of crop production and animal husbandry. For example, land use conflict, utilization of natural resources and change in social structure are identified as a potential issue of crop production.⁷⁷ Similarly, the EIA guidelines for forestry projects list broad elements to be covered in an EIA, such as land tenure and uses, affected groups, socio-cultural factors, use of fertilizer, participation and consultation.⁷⁸

In addition, specific aspects of safeguards are guided by other laws and policies, e.g. the Land Administration Proclamation relevant to participation and grievance mechanisms.⁷⁹ The Local Level Participatory Land Use Planning Manual⁸⁰ prepared for the SLMP provides more detailed guidelines for participatory monitoring and evaluation.

3.4.3.4 Designing a national REDD+ safeguards system for Ethiopia

Safeguards for a national REDD+ program, i.e. on a jurisdictional scale are complex, mainly because of the dispersed nature of REDD+ policies and measures that makes it difficult not only to foresee impacts but also to attribute causes and outcomes. Causal attribution of potential negative impacts is particularly limited for indirect incentives, such as legal or institutional reforms. Reliance on existing country systems and institutional structures may therefore be particularly important for jurisdictional programs.⁸¹

The existing system in Ethiopia however has several limitations and its alignment with international systems requires more thorough review and stakeholder consultations. The main limitations are the lack of standards that would guide EIAs at the national level as well as the complete absence of any explicit policy for social impact assessment and management. As noted in the R-PP, capacity related to new and cross-sectoral REDD+ aspects is limited, in particular expertise on monitoring and evaluation of socio-economic and cultural impacts. Existing EIA guidelines partly provide very specific advice, yet many elements are vague and do not necessarily follow a logical and clear structure or are not particularly user-friendly. It is

⁷⁷An example for relevant impacts: Conflict with other forms of land use; Forced removal of permanent residents; Relevant recommendations for the sector relate to the use of fertilizers, seed import, pest and disease management, gender issues, subsistence and food security, sustainable livelihoods. Some of these recommendations are vague, e.g.: Types of land tenure which can promote overgrazing should be considered, e.g. communal ownership;

⁷⁸Specifically for the latter, the guideline lists the following enhancement and mitigation measures, e.g. Consult affected men and women at all phases of the project; This list is focused mainly on gender issues and does not clearly state any measures related to other marginalized groups.

⁷⁹Ministry of Agriculture/Land Administration and Use, 2012. Local Level Participatory Land Use Planning Manual; Article 12 for example stipulates: where dispute arise over rural land holding right; effort shall be made to resolve the dispute through decision and agreement of the concerned parties; where dispute cannot be resolved through agreement, it shall be decided by an arbitral body to be elected by the parties or be decided in accordance with the rural land administration of the region. Article 13 specifically guides land use planning and the use of sloppy land, gully and wetlands, including stipulations such as e.g. The biodiversity in rural wetlands shall be conserved and utilized as necessary, in accordance with suitable land use strategy.

⁸⁰Ministry of Agriculture/Land Administration and Use, 2012. Local Level Participatory Land Use Planning Manual

⁸¹Roe, S., Larsen, G., O'Sullivan, R., Lee, D., Streck, C., Conway, D. (2014): Safeguards in Bilateral REDD+ Finance. Climate Focus, World Resources Institute, and Forest Carbon, Markets and Communities (FCMC) Program, prepared with the support of the Climate and Land Use Alliance.

also unclear to what extent they are comprehensive. As planned in the R-PP, the development of clear and more concise criteria and indicators would be advisable (not only for REDD+), building on the SESA and ESMP process. It also needs to clarify to what extent social safeguards are already or would be integrated with existing safeguard systems. The REDD+ SES system could be used as a basis for such a process.

According to the R-PP, safeguards for REDD+ should also be guided by various experiences from donor-financed projects⁸², with the involvement of forest dependent people through pilot project particularly with a view to “implement the ‘do-no-harm’ principle and to avoid exacerbating existing inequalities. Given the multi-sectoral nature of REDD+ incentive schemes, this review, as suggested by the R-PP should be expanded beyond the forestry and agriculture sectors, depending on the design of REDD+ policies. For a jurisdictional REDD+ program, the experience and mechanisms devised within the national SLMP may be particularly relevant, as it includes both direct and indirect incentive schemes, while the Bale and Humbo projects illustrates potential impacts of REDD+ activities as well as measures to address them at a very large and small project-scale, respectively. The SLMP second phase triggers the WB safeguards and operational policies related to environmental assessment, involuntary resettlement, pest management, and forests, that are also relevant to REDD+. Table 10 summarizes risks, challenges and mitigation measures for the different SLMP components and which could be relevant for a national REDD+ program.

The implementation of safeguards will require the appointment of competent institutions at the national and subnational level, which would be responsible for monitoring, ensuring and reporting the implementation of safeguards. They should be vested with sufficient formal power, capacities, resources and political gravitas to allow them to implement their mandates. Given its institutional anchoring of REDD+, MEF would present the most obvious choice. Yet the ministry (or its predecessor) has already transferred EIA responsibility to sectoral ministries. It also needs to be decided to what extent the institution managing safeguards systems should be independent from implementing REDD+ policies.

Table 8 Sustainable Land Management Program: Risks and mitigation measures⁸³

COMPONENT	POTENTIAL RISKS AND CHALLENGES	MITIGATION MEASURES
Integrated Watershed and Landscape Management	<ul style="list-style-type: none"> • Displacement of livelihoods • Exclusion of marginalized groups • Exclusion of financially weak community members • Gender inequality 	<ul style="list-style-type: none"> • Include traditional livelihood strategies • Inclusion of old, sick and disabled community members • Enable community members who are unable to meet the minimum membership requirement • Special support for women to help them balance their competing responsibilities allowing them to contribute to the project
Institutional Strengthening, Capacity Development, Knowledge Generation and Management	<ul style="list-style-type: none"> • Negligence of locally available social capital 	<ul style="list-style-type: none"> • Use of traditional institutions of self-help and dispute settlement mechanism as community mobilization and grievance redress mechanisms

⁸²This includes the Productive Safety Net Program, the Bale Mountain Project and the Humbo Assisted Natural Regeneration Project.

⁸³The World Bank (2013): Project Appraisal Document of the Second Sustainable Land Management Program. http://www-wds.worldbank.org/external/default/WDSPContentServer/WDSP/IB/2013/11/07/000333037_20131107121854/Rendered/PDF/PAD5250PAD0P13010Box379865B00O0090.pdf (September 2014)

Rural Land Administration, Certification and Land Use

- Consideration of peculiarities, especially in underserved groups
- Violation of land tenure rights
- Consideration of unique landholding and land use characteristics of historically underserved population groups
- Consolidation and strengthening of grassroots institutions that protect agreements in the land registration and certification process

Box 8 Project-level experiences with safeguards⁸⁴

Bale Mountains Eco-Region REDD+ Project: Based on the Project Design Document currently under validation under VCS/CCBA, the project involves substantial social and environmental benefits, and no offsite negative impacts both for biodiversity and communities are expected. The project has given emphasis to participation and consultation of local communities, in particular with respect to FPIC and awareness building. Multiple workshops and stakeholder consultations were conducted to discuss the project's objectives, a participatory baseline, an investment plan and risks. Participation is also an important element in the Joint Forest Management approach of the project. The communities chose to rely primarily on traditional conflict resolution systems for grievance redress mechanisms and if it cannot be resolved will be raised to the statutory systems of conflict resolution, starting at the local court. During the consultation and participation period, the project includes training on the handling of grievances. Potential negative impacts from the displacement of activities, e.g. on livelihoods will be avoided through leakage management in a defined non-forest areas. Specific activities include agricultural intensification, fuelwood production, and sustainable forest management.

Humbo Assisted Natural Regeneration Project: Two types of negative impacts are expected, including potential relocation of fuelwood collection and grazing pressure to lands near the project area. Mitigation measures were introduced to minimize negative impacts. To mitigate the displacement of fuelwood collection a progressive exclusion of current user rights and new woodlots to compensate for the loss of fuelwood production, to mitigate grazing displacement grazing will only be restricted in some areas and only temporarily (36-60months) and grass may be cut and carried outside the project areas. Additionally, the risk of leakage is also prevented by implementing following measures:

1. Identification of alternative community grazing areas for the individuals impacted for the period of exclusion;
2. Guarantee of user rights to individuals, groups of families, or communities, in order to reduce over-exploitation and encourage improved management of forest and fodder resources;
3. Opportunities for long-term employment to some of the existing beneficiaries in the planting, tending and protection roles required for forest management;
4. Delivery of a certificate of ownership to a definite number of farmers associations; and
5. Training to community members on livestock management and forest management through the network of the seven community cooperatives.

The cooperative bylaws govern the resolution of disputes. Conflicts between members are submitted and resolved by the executive committee, conflicts between elected and other members by the general assembly. If disputes cannot be resolved within the society, disputing parties may nominate arbitrators from the community. By-laws do not explicitly cover conflicts between the cooperative and the community.

3.4.4 Monitoring, reporting, verification

One of the fundamental steps in the implementation of REDD+ is establishing institutional arrangements that ensure the transparent, comparable, coherent, complete and accurate Measurement, Reporting and Verification (MRV) of emissions and emissions reductions from REDD+

⁸⁴Oromia Forest and Wildlife Enterprise (OFWE), Farm Africa and SOS Sahel Ethiopia (2014): Project Design Document of the Bale Mountains Eco-Region REDD+ Project. Addis Ababa, UNFCCC (2009): Project Design Document of the Humbo Assisted Natural Regeneration Project. *CDM Executive Board*.

activities. The Intergovernmental Panel on Climate Change has established internationally accepted criteria and guidelines for MRV, which every REDD+ implementing country should abide by.⁸⁵ According to these guidelines, GHG inventories must be transparent, complete, consistent, comparable, and accurate.

In general, national arrangements for REDD+ MRV should include all institutional, legal and procedural arrangements made within a country for estimating emissions by sources and removals by sinks in all categories and activities included in the monitoring plan, and for reporting and archiving information. National arrangements should be designed to incorporate both general and specific functions, and be operated in such a way to ensure the transparency, consistency and compatibility, completeness and accuracy and quality of the data. For a nested approach it is expected that projects and/or sub-national programs would be integrated into a national level accounting. This integration can occur in stages (e.g., starting with sub-national accounting and moving up to national) or once the national accounting is in place. A national level accounting provides a complete picture of how projects, policies and measures are contributing to a country's progress in reducing emissions. It also plays an important role in helping to secure financing by projects that may be contingent on results that are measurable, reportable and verifiable.

General functions of national inventory arrangements include the following:

- Establishing and maintaining the institutional, legal and procedural arrangements between the government agencies and other entities involved in the preparation of emissions and removal estimates from LULUCF
- Ensuring sufficient capacity for (i) the timely data collection to estimate emissions by sources and removals by sinks; and (ii) the technical competence of the staff involved in the inventory development process;
- Designing a single national entity with overall responsibility for the inventory; and
- Preparing GHG inventories in accordance with any relevant reporting guidelines

Establishing institutional arrangements includes a number of specific activities, which depend on the MRV goals that have been identified by a country, including, but not limited to, preparation of national reports and communications to meet international commitments, seeking funding for REDD+ projects, implementation of national or regional initiatives on REDD+.

Once the specific actions are identified, a country would need to implement the necessary administrative and organizational arrangements. Every country will likely have its own approach on how to put in place these arrangements for REDD+. For the Ethiopia national REDD+ program, example approaches could include:

- Completely out-sourcing the inventory preparation process to an outside organization, such as a consulting company, a university, or a research institute;
- A small team of government employees overseeing the preparation of the inventory by a number of consultants and researchers;

⁸⁵ The Good Practice Guidance and Uncertainty Management for National GHG Inventories (IPCC, 2000), the IPCC Good Practice Guidance for Land Use, Land-Use Change and Forestry (GPG-LULUCF) (IPCC, 2003), and the IPCC 2006 Guidelines for National Greenhouse Gas Inventories (IPCC, 2006).

- Forming an advisory or oversight board composed of representatives from multiple agencies and ministries, and possibly other organizations such as non-governmental organizations (NGOs), academia, or others in the private sector that make decisions and oversee the inventory preparation process;
- Preparation of the inventory almost entirely by government employees within a single agency; and
- Preparation of the inventory delegated to the country's provinces or states. The separate provincial inventory information is then aggregated at the national level.

In the national REDD+ program for Ethiopia, MRV functions could be coordinated by the MEF, with the technical implementation and coordination functions delegated to the Ethiopian Meteorological Agency, who has been leading relevant technical reporting to the UNFCCC. The MRV system would require cooperation with research institutions with expertise and capacity in forest monitoring or technical expertise in other sectors, e.g. for advance payment indicators. Relevant institutions include the Forest Research Institute, Wondo Genet College of Forestry, or Addis Ababa University. In addition, other federal institutions with relevant mandates could play a role, including the Mapping Agency and/or the Central Statistical Agency. The MEF would coordinate the MRV process at the federal level as well as with the regional REDD+ program and project activities. Box 8 gives an example of relevant institutional arrangements in Brazil, a very large country with a much higher forest cover than Ethiopia.

Box 9 Institutional arrangements for MRV of emissions inventories for LULUCF in Brazil

The Foundation of Space Science, Applications and Technology (FUNCATE) was the sole institutions in charge of compiling the Brazilian LULUCF inventory, in coordination with the General Coordination on Global Climate Change under the Brazilian Ministry of Science, Technology and Innovation (MCT). FUNCATE had a clear mandate established through a contract or cooperation agreements that set individual terms of reference, timetable, costs, and responsibilities. Forty-five personnel were engaged in the work at different stages of the inventory development (22 image interpreters, one general coordinator, seven administrators, five validation and data analysis staff, one information technology expert, three system development staff, three auditors, one database development expert, one database management expert, and one documentation specialist).

3.4.5 Registry

One of the key components in the REDD+ implementation process is establishing a national REDD+ registry that ensures efficient, accountable, transparent and coordinated mechanism to align the technical and financial resources provided by public and private funding sources with the modalities of result-based payments.⁸⁶ Among other functions, the existence of a coherent national registry enables to avoid double counting of emissions, which is important in nested REDD+ process.⁸⁷ Administration of REDD+ registry may be under national or international institutions.

The overall functions of the national REDD+ registry could be categorized into four themes. These include:

- *Information and knowledge management function:* capturing all information on national needs and financial operations related to

⁸⁶ Reed, D. (2010): A Registry Approach to REDD+. Technical Working Group. www.climate registry options.org (September 2014)

⁸⁷ Pedroni, L., Estrada Porrua, M., Colini Cenamo, M. (2010): The 'Nested Approach' to REDD+: How Could it Be Implemented? *Pathways for Implementing REDD*. 89.

REDD+; disseminates good practices and lessons learned; and reports back to governance bodies

- *Regulatory functions*: operationalize and enforces decisions by the respective REDD+ governance bodies, including standards (e.g. REDD+ plan, investment strategy and minimum standards)
- *Matching Functions*: align national demands approved in REDD+ strategies and action plans with funding sources
- *MRV functions*: Verifies REDD+ strategy options and action plans for entry into the registry; Verifies achievement of emissions reductions and generates verifiable emissions.

In Ethiopia, it is an important consideration for a REDD+ registry to share experiences, seek synergy and ensure linkage with the newly established CRGE Registry, which just became operational and is coordinated and hosted by MEF. The registry could be closely linked with the institutional arrangements for MRV and REDD+ coordination. A small regulatory unit could be established within the MEF, coordinating the MRV, finance matchmaking and knowledge management. Additional technical support may be obtained from research institutes or private companies with relevant capacities and expertise (e.g. IT). A team of around five personnel could handle the day-to-day operation of the Registry. The Democratic Republic of Congo (DRC) provides a good example on institutional arrangements of a Registry (Box 9).

Box 9 Institutional arrangements for REDD+ Registry in the Democratic Republic of Congo

The DRC is the first country in Africa to pilot a REDD+ registry. Its day-to-day administration are performed by a Technical Commission under the National REDD+ Committee (Ministry of the Environment, Conservation and Tourism) including an arrangement with the ProCredit Bank to conduct all due diligence checks of all prospective project developers, and it requires projects to meet national and international standards, including VCS and verification for projects, and CCBA for social and biodiversity co-benefits. Forest monitoring for the Registry is carried out by the DRC National Forest Monitoring System. The online operational system is being developed by the FAO (UN-REDD) and partners. This system uses Brazil's open-source TerraAmazon platform (renamed TerraCongo) to provide GIS, image processing, database management and data access functionalities.⁸⁸

⁸⁸Asare, R.A., Kwakye, Y., Foli, E. (2013): Ghana's REDD+ Registry. Pathways to Development. http://www.forest-trends.org/documents/files/doc_3553.pdf (September 2014)