

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.:

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| Project Name | REDD+ READINESS PREPARATION SUPPORT |
| Region | AFR |
| Country | ETHIOPIA |
| Sector | ENVIRONMENT, FORESTRY |
| Lending Instrument | TF Grant |
| Project ID | P124074 |
| <i>{If Add. Fin.}</i> Parent Project ID | same |
| Recipient(s) | FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA |
| Implementing Agency | MINISTRY OF ENVIRONMENT AND FOREST |
| Environmental Screening Category | []A [X]B []C []FI []TBD |
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| Additional Funding Review Decision | May 8 th , 2014 |

1. Introduction and Context

A. Country Context

1. **Ethiopia is a large and diverse country.** It is located in the Horn of Africa and is a landlocked country with an area of 1.1 million km². Its bio-physical environment includes a variety of contrasting ecosystems, with significant differences in climate, soil properties, vegetation types, agricultural potential, biodiversity and water resources. Ethiopia is a country of many nations, nationalities and peoples, with a total population of 91.7 million (2012). Only 17 percent of the population lives in urban centers, the great majority of them in Addis Ababa. At a current annual growth rate of 2.6 percent, Ethiopia's population is estimated to reach 130 million by 2025, and is projected by the UN to be among the world's top ten, by 2050. Ethiopia is vulnerable to terms of trade shocks from international food and fuel prices, and to large domestic weather-related shocks as the 2011/12 East Africa drought demonstrated.

2. **Ethiopia has a federal, democratic government system, established in the early 1990s, with nine autonomous states ('regions') and two chartered cities.** The federal Government of Ethiopia (GoE) has been dominated by the Ethiopian People's Revolutionary Democratic Front (EPRDF) since it came to power in 1991. EPRDF comprises four regionally-based parties from the four major regions (Amhara; Oromia; Southern Nations, Nationalities and Peoples (SNNPR); and Tigray). The long-serving Prime Minister, Meles Zenawi, (from Tigray) died in August 2012, and was succeeded by Hailemariam Desalegn (from SNNPR) who has pursued largely the same policies. The next national elections are scheduled for 2015.

Decentralization to the regional and district (woreda) levels of government has been actively pursued, particularly since 2003. The major factor in Ethiopia's external political environment is recurrent instability in the Horn of Africa: tensions with Eritrea and insecurity in neighboring South Sudan and Somalia continue. Relations with Egypt are dominated by disagreements over the use of the river Nile.

3. **Ethiopia has experienced strong economic growth over the past decade.** Economic growth averaged 10.7 percent per year in 2003/04 to 2011/12 compared to the regional average of 5.4 percent. Growth reflected a mix of factors, including agricultural modernization, the development of new export sectors, strong global commodity demand, and government-led development investments. Private consumption and public investment have driven demand side growth, with the latter assuming an increasingly important role in recent years. On the supply side, growth was driven by an expansion of the services and agricultural sectors, while the role of the industrial sector was relatively modest. More recently annual growth rates have declined slightly, but still remain at high single-digit levels. Growth in the export of goods has also moderated in recent years and a decline was observed in 2012/13 for the first time since 2008/09. There have been bouts of high inflation in recent years and, while inflation is currently much lower, keeping it down remains a major objective for monetary policy.

4. **Ethiopia is one of the world's poorest countries, but has made substantial progress on social and human development over the past decade.** The country's per capita income of US\$370 per is substantially lower than the regional average of US\$1,257 and among the ten lowest worldwide. Ethiopia is ranked 173 out of 187 countries in the Human Development Index (HDI) of the United Nations Development Program (UNDP). However, high economic growth has helped reduce poverty, in both urban and rural areas. Since 2005, 2.5 million people have been lifted out of poverty, and the share of the population below the poverty line has fallen from 38.7 percent in 2004/05 to 29.6 percent in 2010/11 (using a poverty line of US\$0.6/day). However, because of high population growth the absolute number of poor (about 25 million) has remained unchanged over the past fifteen years. Ethiopia is among the countries that have made the fastest progress on the Millennium Development Goals (MDGs) and HDI ranking over the past decade. It is on track to achieve the MDGs related to gender parity in education, child mortality, HIV/AIDS, and malaria. Good progress has been achieved in universal primary education, although the MDG target may not be met. The reduction of maternal mortality remains a key challenge.

5. **GoE is currently implementing its ambitious Growth and Transformation Plan (GTP; 2010/11-2014/15),** which sets a long-term goal of becoming a middle-income country by 2023, with growth rates of at least 11.2 percent per annum during the plan period. To achieve the GTP goals and objectives, GoE has followed a "developmental state" model with a strong role for the government in many aspects of the economy. It has prioritized key sectors such as industry and agriculture, as drivers of sustained economic growth and job creation. The GTP also reaffirms GoE's commitment to human development. Development partners have programs that are broadly aligned with GTP priorities.

B. Sectoral and Institutional Context

6. **Ethiopia needs to manage its land and forests wisely to achieve poverty reduction and equitable growth, as well as the “climate resilient, green economy” of the future.** Ethiopia's diverse landscapes benefit the rural poor by providing food, water, firewood, construction materials and medicines. Well-managed landscapes also help to reduce the risk of flood, drought and famine. Climate change can affect the frequency and severity of these kinds of disaster risks. Well-managed landscapes contribute to resilience against such risks, while also enhancing public good values, including biodiversity and carbon stocks in the soil and vegetation.

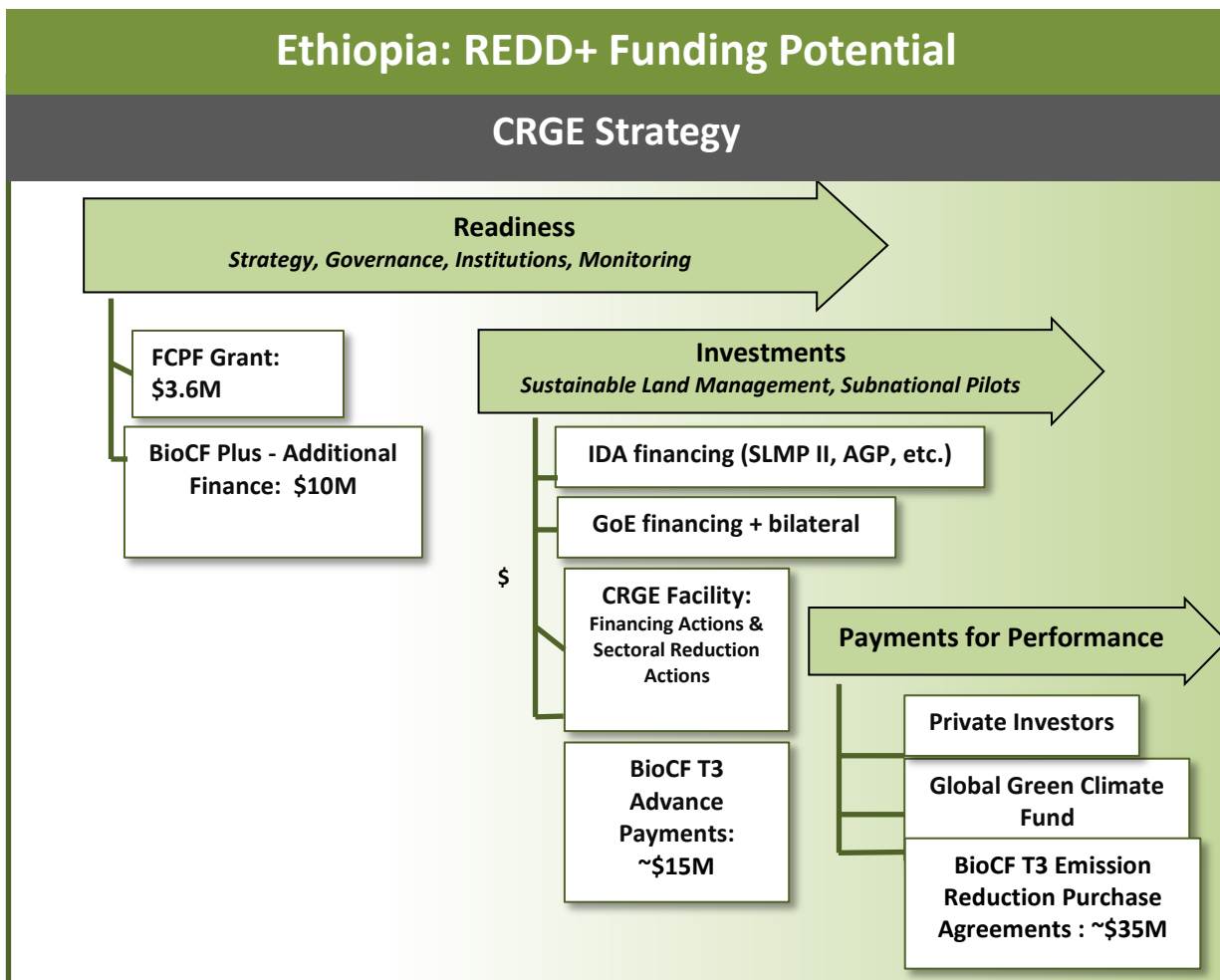
7. **Loss of forest cover and degradation of watersheds continue. Climate variability could make matters worse with future cycles of drought and flood.** Expansion of low-productivity agriculture and grazing of livestock in fragile areas combine with poverty to feed a downward spiral of land and water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

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

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

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

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



12. **The Ministry of Environment and Forests is implementing a national REDD+ Readiness Program.** Under the leadership of the Environmental Protection Authority (EPA, the predecessor of the MEF), Ethiopia joined the Forest Carbon Partnership Facility (FCPF, a global TF managed by the Bank) and submitted a Readiness Preparation Proposal (R-PP) in April 2010. The R-PP lays out a roadmap for the country to become ready for a future REDD+ financing mechanism. The R-PP has five components: 1) National Readiness Management Arrangements and Stakeholder Consultation and Participation; 2) REDD+ Strategy preparation; 3) Reference scenario establishment; 4) Design of a monitoring system for emissions and removals from forests; 5) Monitoring and Evaluation Framework. The total estimated budget is US\$13.6 million.

13. **FCPF grant to the REDD+ Readiness process (parent project).** The GoE entered into a Grant agreement with the Bank (US\$3.6 million) in October 2012, to implement the FCPF funds. This grant is currently being implemented and the grant closure is expected to happen by the end of 2015.

C. Relationship between World Bank engagement in the Natural Resources Sector and Country Partnership Strategy (CPS)

14. The World Bank Group’s Country Partnership Strategy (CPS, FY13-16) builds on the progress achieved by Ethiopia in recent years and aims to help GoE address structural transformation and assist in the implementation of the GTP. The CPS framework includes two pillars. Pillar One, “Fostering competitiveness and employment”, aims to support Ethiopia in achieving: (i) a stable macroeconomic environment; (ii) increased competitiveness and productivity; (iii) increased and improved delivery of infrastructure; and (iv) enhanced regional integration. Pillar Two, “Enhancing resilience and reducing vulnerabilities”, aims to support Ethiopia in improving the delivery of social services and developing a comprehensive approach to social protection and risk management. Good governance and state building form the foundation of the CPS. In line with the GTP, gender and climate change have been included as cross-cutting issues to strengthen their mainstreaming across the portfolio. The programs of IFC and MIGA are well aligned with the CPS framework, contributing mainly to the strategic objectives under Pillar One.

II. Project Development Objective

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

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

III. Detailed Description of Project Components

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

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

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

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

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

18. This component will finance the establishment of the national MRV and REL system for REDD+. It will finance the MRV roadmap prepared by GoE, as part of the R-PP. This component will be implemented with technical assistance from a major international entity with comparative advantage in MRV, including (i) experience in delivering this type of TA to multiple countries, (ii) presence on the ground in Ethiopia and (iii) operational links to the ongoing National Forestry Inventory. This component encompasses the five outputs below:

A. Establishment of institutional arrangements and data management system to support the national MRV system. This sub-component will include the establishment of the MRV technical expert group led by the GoE and an institutional needs assessment, the establishment of the institutional arrangements for MRV implementation, an assessment of existing data storage and management system relevant for MRV, the design and implementation of management solutions for key elements of the MRV system, and the development of a data sharing policy.

B. Support to national MRV institutions to assess historical cover change and to monitor activity data. This sub-component include the development of a national forest definition through a series of workshops and consultation with relevant stakeholders, training on remote sensing techniques and GIS software for key government institutions, the preparation of a new classification system for forest and other biomass-rich areas, the preparation of a basic land-cover/ land-use map for REDD+ use and update of the forest cover map. A consultancy will support GoE in conducting an accurate land-cover change assessment and will assess potential trends, including acquisition of high resolution images, as well as other proxy data. Finally, potential technologies to detect forest degradation will be identified and tested.

C. Conduct the National Forest Inventory (NFI). The sub-component will support the GoE in its effort to carry out its NFI, which will establish and track approximately 600 permanent sample plots (PSP) country-wide to collect carbon and other forest relevant

data. Training and workshops to field crews on field data collection, compilation and GPS usage will be undertaken as part of the NFI activities. The sub-component will also support field work to establish PSP for key land class areas, such as in the Oromia Regional State where one of the REDD+ pilot projects is being developed. An assessment of relevant social, economic and environmental data will be conducted and information to identify and implement safeguards measures will be collected. Research activities will take place in cooperation with local research institutes and universities.

D. Provide capacity building to government, research and civil society organizations. Relevant stakeholders will receive training on the national forest monitoring system (NFMS), field data collection and local-level mapping to relevant stakeholders. GoE trainers will provide trainings to decentralized forestry offices and to local communities. These funds will also support the participation of technicians in regional and international workshops on MRV, and the development of guidebooks, training material and communication material on MRV. Finally, funds will be allocated to test and support the Pilot Projects' MRV systems.

E. Establish the national Reference Emissions Levels (REL) and the greenhouse gas inventory process and framework. This sub-component will test and calculate different REL approaches and conduct an analysis of key national circumstances for REL; as well as undertake training and facilitate a national dialogue to advance REL adoption and its policy implications. This sub-component will fund the provision of training on greenhouse gas (GHG) inventories for land use sectors and on the United Nations Framework Convention on Climate Change (UNFCCC) reporting requirements for REDD+. This sub-component will be coordinated closely with the Climate Resilient Green Economy (CRGE) process.

A. Preparation of REDD+ Projects (US\$ 4.4 M)

19. The Additional Financing will support the preparation of a pipeline of REDD+ “pilot” projects, to generate useful lessons and knowledge for the preparation of the national REDD+ Strategy.¹ The REDD+ Secretariat will work with subnational governments and *yet-to-be-identified sites* on preparatory activities to prepare robust REDD+ pilot project proposals. These proposals will be expected to receive financing from different sources, such as from bilateral donors, GoE’s CRGE Facility, development partners, private investors, or other climate and carbon finance sources.

20. The Additional Funding will provide grant financing for the preparation of pilot projects (The pilot project investments on the ground would themselves be funded later from other sources to be identified during preparation). This pilot project preparation work would be supported by grant financing to help: (i) engage and inform local communities about the proposed projects/sites; (ii) train officials and community members in key activities; (iii) identify and consult on institutional and legal arrangements for the future implementation of the projects;

¹ Promoting “pilot project” preparation activities was identified in the R-PP as an important tool to prepare the national REDD+ strategy.

(iv) prepare a baseline of GHG emissions, locally-appropriate monitoring and reporting systems and estimates of potential emissions reductions (ER) from the pilot project implementation; (v) estimate costs for the implementation of the activities identified; (vi) identify social and environmental risks and devise proper mitigation measures taking into account good practices and guidelines established by the Government of Ethiopia and the World Bank; (vii) consult on and prepare benefit sharing arrangements for the implementation of the project. Preparation activities will also help to ensure that future proposed REDD+ investments, financing needs, ER potential, and benefit sharing arrangements are well documented for potential future investors.

21. The identification and preparation of the pilot projects will follow guidelines prepared by the WB and the REDD+ Secretariat, which clarify the basic elements of a REDD+ pilot project. A Pilot REDD+ project is defined as a set of interventions on the ground, including investments, technical assistance, and policy analyses targeted at reducing emissions from deforestation and forest degradation, or enhancing carbon stocks through reforestation, in a targeted area. These pilot projects should prepare a reference emissions level against which performance will be assessed, and adopt a robust monitoring system that allows the project results (particularly the emissions reduced) to be independently verified.

22. The GoE and partners have interested in preparing pilot projects in the area of non-timber forest products management, and participatory forest management, climate-smart agriculture, sustainable land management. These pilot projects may also build on existing operations, such as the IDA/GEF financed SLMP-2, or replicate successful interventions such as the Humbo assisted natural regeneration carbon operation that is now closed.

23. In addition to these pilot projects, the Additional Funding grant will cover some of the preparation costs of a sustainable landscapes program in Oromia regional state,² including analytical studies, multi-stakeholder consultations, safeguards due diligence and documentation, capacity building, goods and some operational costs.

24. All pilot project preparation activities to be supported by these grants will be screened for social and environmental safeguards following the process set out in the ESMF currently under preparation with support of the existing FCPF grant under implementation.

² The Oromia REDD+ Program will also be supported by the BioCarbon Fund Tranche Three through payments to Emissions Reductions. This will be a stand-alone operation which is currently under the identification phase.

IV. Safeguard Policies that might apply

| Safeguard Policies Triggered | Yes | No | TBD |
|---|------------|-----------|------------|
| Environmental Assessment (OP/BP 4.01) | X | | |
| <p>In line with the nature of the REDD+ Readiness preparation activities, the Government of Ethiopia will use a Strategic Environmental and Social Assessment (SESA) as the applicable safeguards approach. The strength of the SESA for REDD+ is that it will combine analytical work and consultation in an iterative fashion to inform the preparation of the REDD+ strategy. The SESA will help ensure compliance with the Bank's safeguard policies by integrating key environmental and social considerations relevant to REDD+ including all those covered by the safeguard policies. The SESA will help the Government of Ethiopia to formulate their REDD+ strategy in a way that reflects inputs from key stakeholder groups and addresses the main environmental and social issues identified. An Environmental and Social Management Framework (ESMF) will also be prepared, which provides a framework for managing and mitigating the environmental and social risk related to future REDD+ investments. The ESMF will include stand methods and procedures, along with appropriate institutional arrangements for screening, reviewing, implementing and monitoring specific ESMPs to prevent adverse impacts as well as cumulative impacts.</p> | | | |
| Natural Habitats (OP/BP 4.04) | X | | |
| <p>The application of this policy seeks to ensure that all options proposed in the REDD+ program take into account the conservation of biodiversity, as well as the numerous environmental services and products that natural habitats provide to human society. Overall, REDD+ activities are expected to have significant positive impacts on natural habitats, as the country puts in place an effective strategy to reduce loss of natural forests. The ESMF will address the requirements of OP/BP 4.04.</p> | | | |
| Forests (OP/BP 4.36) | X | | |
| <p>Overall, REDD+ activities are expected to have significant positive impacts on forests in the country, in that the main goal of the program is to reduce deforestation and forest degradation, while contributing to the well-being of forest-dependent communities. Potential impact of the REDD+ activities on natural forests will be assessed through the SESA. The ESMF will also detail procedures to screen pilot projects against the Forests policy, including forest management and plantations.</p> | | | |
| Pest Management (OP 4.09) | | | X |
| <p>This policy could be triggered depending on the final scope of the REDD+ pilot projects preparation activities. Agricultural intensification and reforestation activities, for instance, could trigger this policy, depending on the methods employed by concrete activities on the ground to manage pests. The ESMF will address critical issues related to pest management, as necessary.</p> | | | |
| Physical Cultural Resources (OP/BP 4.11) | | | X |
| <p>This policy could be triggered if REDD+ activities promote actions in areas containing sites deemed physical cultural resources by the communities living there (e.g. holy sites such as sacred groves, sacred forests, etc.). Though it is not anticipated that the project will have negative impacts on any such sites, the existence of any such sites and the corresponding need to trigger this policy will be determined once the pilot projects are defined.</p> | | | |
| (OP/BP 4.10) | X | | |
| <p>The issues relating to OP 4.10 will be defined in detail through Social Assessment and</p> | | | |

| Safeguard Policies Triggered | Yes | No | TBD |
|--|------------|-----------|------------|
| Consultation to reflect the policy requirements. The SESA process will further facilitate the identification of underserved groups that deserve special attention due to their vulnerabilities and provide mitigation plans to preclude any social risk or negative impacts on them. The project documentation will summarize the key findings of the social assessment including the process used to foster free, prior, and informed consultations and broad community support for the project, including the provision of grievance redress, and benefit sharing issues; and the identified mitigation actions will be incorporated in the design of the project. | | | |
| Involuntary Resettlement (OP/BP 4.12) | X | | |
| The implementation of the REDD+ activities may involve acquisition of land and /or restriction of access to legally designated parks, land acquisition, protected areas, or forest management / reforestation areas. Therefore, Resettlement Policy Framework (RPF) and Process Framework (PF) will be prepared as part of the SESA, consulted upon and disclosed to ensure that appropriate measures are in place to address any issues which might arise from potential land acquisition and or restriction of access to legally designated parks, land acquisition, protected areas, or forest management / reforestation areas under the Project. | | | |
| Safety of Dams (OP/BP 4.37) | | X | |
| | | | |
| Projects on International Waterways (OP/BP 7.50) | | X | |
| | | | |
| Projects in Disputed Areas (OP/BP 7.60) | | X | |

V. Tentative Financing

Tentative financing

Source: (USD M)
BioCF *Plus* 10

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