Report Number: ICRR0023911

1. Project Data

Project ID	Project Name
P156475	Oromia Forested Landscape Program
Country	**Practice Area(Lead)**
Ethiopia	Environment, Natural Resources & the Blue Economy

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
TF-A4442,TF-A4467	31-Dec-2022	18,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
17-Mar-2017	30-Jun-2023	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	18,000,000.00	18,000,000.00
Revised Commitment	18,000,000.00	18,000,000.00
Actual	18,000,000.00	18,000,000.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) of this project was “**to improve the enabling environment for sustainable forest management and investment in Oromia**” (BioCarbon Fund Plus Grant Agreement, schedule 1, page 6). This project covered components financed by the Recipient-Executed Trust Fund (RETF) grant under the Oromia Forested Landscape Program. The PDO statement in the Project Appraisal Document (PAD, para 17) was identical to that in the BioCarbon Fund Plus Grant Agreement.

The objective of the overarching Oromia Forested Landscape Program was "**to reduce net greenhouse gas (GHG) emissions and improve sustainable forest management in Oromia**" (PAD, para 16). This overarching program objective combined the objectives of the RETF grant and Emission Reductions Purchase Agreement (ERPA) (PAD, para 16). The ERPA's objective was "**to reduce net GHG emissions from forest cover change in Oromia**" (PAD, para 18). The portions covered by the RETF grant and the ERPA were to be reported separately based on the legal agreements (PAD, para 11).

IEG concurs with the ICR (para 10) to assess the project based on the objective of the RETF grant.

This ICR Review assesses the achievement of the PDO of the RETF grant, which is parsed to two objectives as follows (Objectives 1 and 2), as well as the overarching objective of the Oromia Forested Landscape Program (Objective 3):

Objective 1. To improve the enabling environment for sustainable forest management in Oromia

Objective 2. To improve the enabling environment for sustainable forest investment in Oromia

Objective 3. To reduce net greenhouse gas (GHG) emissions and improve sustainable forest management in Oromia

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

This project was financed by the RETF grant to implement Components 1 and 2 of the overarching Oromia Forested Landscape Program. The ongoing Emission Reduction Project (OFLP-ERPA, P151294) implements Component 3 for the Emission Reductions Purchase Agreement (ERPA) (ICR, page 50).

The estimates of the following project component costs are based on the PAD (paras 33-34), while the actuals are based on the ICR (table 1, page 9).

Component 1. Enabling investments *(Estimate: US$11.54 million, Actual: US$12.17 million)*

The component financed investment in Participatory Forest Management (PFM) and reforestation in deforestation hotspots in selected sites, as well as extension services and land-use planning at state and local levels. PFM activities included livelihood support and development of selected nature-based community enterprises.

Component 2. Enabling environment *(Estimate: US$6.46 million, Actual: US$5.83 million)*

The component financed complementary activities aimed at improving the effectiveness and impact of institutions by enhancing enabling environment (i.e., policies, marketing, Benefit Sharing Mechanism (BSM)), information (i.e., strategic communication, Monitoring, Reporting, and Verification (MRV)), and safeguards management at state and local levels. Component 2 included costs to set up a MRV system and a Benefit Sharing Plan to lay the foundations for the OFLP-ERPA to operationalize the ERPA (ICR, page 50).

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: At appraisal, the project was estimated to be US$18 million (PAD, table 3, page 16). At project closing, the actual cost was US$18 million (ICR, annex 3, page 49).

Financing: At appraisal, the project was planned to be financed through a RETF grant of US$18 million from the BioCarbon Fund Plus (PAD, para 11). At project closing, the project was financed by a RETF grant of US$18 (ICR, page 6).

Borrower Contribution: No contribution from the Borrower was reported by the ICR.

Dates: The project was approved on March 17, 2017, and became effective on April 28, 2017. The Mid-Term Review (MTR) was reported on January 31, 2020. The project closed on June 30, 2023, which was 6 months after the original closing date of December 31, 2022.

Restructurings: The project was restructured twice.

- ***Restructuring 1:*** The project was restructured in January 2020 following the MTR. The number of woredas supported by the project for PFM and Afforestation/Reforestation (A/R) was increased from 49 to 77. This change helped to offset slower implementation progress in those woredas where the evolving fragile and conflict-affected situations (FCS) and the security risks had constrained field work. Additionally, one PDO indicator and three Intermediate Results (IR) indicators were revised to clarify the definition and verification methodology, as described below (based on Restructuring Paper 2020, paras 4-5).
    - *Indicator 3 (Direct project beneficiaries)*. At appraisal, this PDO indicator was defined to measure the number of “people or groups who directly derive benefits from an intervention” (PAD, page 45) The description of this indicator in the Project Implementation Manual (PIM) was found to lack clarity leading to inconsistent reporting against this indicator. The adjustments of the definition at the first restructuring clarified that reporting should include all those that receive livelihoods support, direct employment or training, as well those involved in PFM and A/R activities but should not include the numbers of community members that have simply been ‘consulted’ as part of project implementation.
    - *Indicator 5 (Forest users trained)*. At appraisal, this IR indicator was defined to include the number of woreda and kebele experts and community members trained in the application of PFM, land use planning, extension practices and safeguard training (PAD, page 46). Because of this, the indicator was found to be similar to *Indicator 3 (Direct project beneficiaries)*. Therefore, the first restructuring modified its definition to include only the community members trained and exclude the woreda and kebele level experts from future reporting on this indicator.
    - *Indicator 7 (Beneficiaries that feel project investments reflected their needs)*. The survey methodology to measure the results of this IR indicator was modified to be sample based instead of covering all the target beneficiaries indicated in the Result Framework.

- *Indicator 11 (Benefit Sharing Mechanism (BSM))*. The IR indicator was modified to read "BSM approved" instead of "BSM established and maintained" to better reflect the objectives of the OFLP Grant. While approval of the BSM was part of the objective of the OFLP Grant, maintenance of this mechanism was part of the Emissions Reduction Program which would only become active once the ERPA was approved.

- ***Restructuring 2:*** The project was restructured in July 2022 to extend the project closing date by six months from December 31, 2022, to June 30, 2023. This extension was to ensure completion of the final preparation activities supporting OFLP-ERPA and the investment activities on the ground, considering interruptions caused by the COVID-19 pandemic.

3. Relevance of Objectives

Rationale

Country and Sector Context: Ethiopia's largest forested landscapes are in Oromia National Regional State, which provide critical ecosystem services to the country and the region. Oromia is Ethiopia's largest regional state in terms of land area (around 32 million hectares (ha)), population (over 30 million people), and forest cover (around 9 million ha in total) (PAD, para 5). However, forest loss and degradation are increasing in Oromia. Throughout Oromia, 499,135 ha of forest was lost between 2000 and 2013 or around 38,395 ha per year, which resulted in over 65 million tons of carbon dioxide equivalent (tCO_2e) emitted into the atmosphere over this period, or around 5 million tons annually (PAD, para 6). Deforestation and forest degradation in Oromia are driven primarily by small-scale conversions for agricultural expansion as well as wood extraction for firewood and charcoal purposes. Subsistence agriculture is the main economic activity throughout Oromia. Firewood is the primary source of energy for 94 percent of Ethiopia's population and the most important forest product consumed in Ethiopia, with the total consumption exceeding 116 million m^3 in 2013. Most firewood is produced from natural forests, including woodlands and shrub lands, and current firewood demand is estimated to significantly exceed the sustainable yield potential of the remaining forest areas. Indirect drivers include inadequate development and implementation of land-use plans, weak cross sectoral policy and investment coordination, population growth and migration into forested areas, as well as road expansion. Regarding fragile and conflict-affected situations (FCS) aspects, the Oromia region had civil disturbances started in November 2015 which led the Government to declare a six-month State of Emergency on October 9, 2016 (PAD, para 60). While the disturbances were outside the scope of this project and the forest issues, protesters' concerns around legacy issues of land use and access were a high political risk to the project (PAD, para 60).

Relevance to Government Strategies: At appraisal, the objective aligned with the Government's Second Growth and Transformation Plan (GTP-2) and the Climate Resilient Green Economy (CRGE) which aimed to "increase socioeconomic and ecological benefits of forests through improved forestry development, conservation and utilization" (ICR, para 2). At project closing, the objective continued to align with the two key national strategies.

Relevance to Bank Assistance Strategies: At appraisal, the project's objectives aligned with the Country Partnership Strategy (CPS) FY13-FY16. The PDO aligned with *Outcome 6.3: Sustainable natural resource management and resilience to climate change*, which was postulated to contribute to *CPS Strategic Objective 6: Comprehensive Social Protection and Risk Management*. Additionally, the project aligned with the World Bank's Forest Action Plan (2016) and contributed to relevant Programmatic Advisory Services and Analytics (PASA) activities (ICR, para 26). At closing, the project's objectives aligned with the Country Partnership Framework (CPF) FY18-FY22; in particular, *CPF Objective 2.7: Enhanced management of natural resources and climate risks* (CPF, page 65). The project directly supported progress towards achievements of the CPF objective indicators regarding the area with sustainable land management practices and the reforested/afforested area. This CPF objective was postulated to support the Government's focus on building a "climate-resilient green economy" to ensure environmental sustainability amid rapid economic growth (CPD, page 65).

Bank's Previous Experience in the Sector: The World Bank had been a leading supporter of Ethiopia's forest sector development and reforms. The World Bank provided programmatic support to the investment planning, policy/strategy development, and capacity building to enhance the country's agenda for Reducing Emissions from Deforestation and Forest Degradation, conservation of forests, sustainable forest management, and enhancement of forest carbon stocks (REDD+). Moreover, in parallel to this project, the World Bank supported the Resilient Landscapes and Livelihoods Project (P163383), which cemented its coordinating role in the productive landscape agenda. The World Bank also played a critical role in supporting land sector reforms, influencing the design of the reforms through knowledge sharing. Fully aligned with the CPF and Forest Action Plan and building on the pivotal contributions of the Bank-financed Sustainable Landscape Management Program, this program was the first large-scale jurisdictional REDD+ pilot project in Ethiopia to test the different elements of the National REDD+ Strategy as part of the national project.

There was a clear alignment between the project's development objectives and the country- and World Bank assistance strategies. While acknowledging the difficulty of the operational environment, a shortcoming here was that the objective did not clearly define what aspects of the enabling environment the project aimed to improve. Some of the project's indicators identified expected outcomes at a higher level (e.g., incentives, information, and institutions), but this was not captured in the PDO formulation. Thus, overall, the relevance of objectives is rated substantial.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To improve the enabling environment for sustainable forest management in Oromia

Rationale

Theory of Change (ToC): Based on the PAD and the ICR, this ICR Review postulates the ToC of Objective 1 as follows. The ToC of Objective 1 postulated that the activities including developing and updating policies and legislation for forest management (e.g., National Land Use Plan, National Forest Program, Agenda

2035, Forest Policy and strategy, drat Forest Law) would result in the output of reforms in forest policy and legislation conducted. The ToC also postulated that the activities including developing and operationalizing the private sector engagement strategy and action plan would result in the output of enhanced marketing mechanisms. These two outputs were postulated to contribute to the outcome that the index score of incentives under the composite indices for tracking changes in the enabling environment for reducing deforestation and forest degradation increased. In addition, the ToC postulated that the activities, including developing and implementing the communication strategy and action plan, would result in the output of enhanced strategic communication, contributing to the outcome that the index score of communication under the composite indices increased. Moreover, the ToC postulated that the activities, including establishing the Benefit Sharing Mechanism (BSM) and Monitoring, Reporting, and Verification (MRV) systems, strengthening safeguards management at state and local levels would result in the outputs that the BSM approved, the MRV systems established, and the safeguards management systems established. These three outputs were postulated to contribute to the outcome that the index score of institutions under the composite indices increased. In the long-term, those outcomes were postulated to contribute to operationalizing the Emission Reduction Purchase Agreement activities under the Emission Reduction Project (OFLP-ERPA, P151294) and reduce deforestation and forest degradation in Oromia.

Critical assumptions of the ToC included: (i) the government has adequate ownership and institutional capacity to enforce the reformed forest policy and legislation; (ii) the government has adequate human and financial resources to implement the strategies and action plans for private sector engagement and strategic communication; (iii) the necessary systems are in place within an agreed funding timeframe to sign the ERPA; and (iv) no exogenous events outside the control of the program (e.g., development of roads or other infrastructure and major population shifts) substantially affect the deforestation trend.

The ToC was sound and plausible in general. It focused on establishing and updating the legal framework and systems to prepare for implementing the ERPA. However, the ToC relied heavily on critical assumptions to fill gaps in the results chain. Specifically, limited evidence was provided regarding to what extent stakeholders have adequate human, financial, and technical capacities to utilize the established framework and systems.

Outputs:

- Reforms in forest policy, legislation or other regulations were supported, meeting the target.
- Monitoring, Reporting, and Verification (MRV) systems were established and maintained at national and Oromia levels, meeting the target.
- Benefit Sharing Mechanism (BSM) was approved, meeting the target.
- Safeguards system was established and maintained, meeting the target.
- 100 percent of grievances registered related to the delivery of project benefits were addressed, meeting the target.

Outcomes:

- Score of the composite index for tracking changes in the enabling environment for reducing deforestation and forest degradation increased from the baseline of 0.35 to the actual of 0.57, exceeding the target of 0.55. According to the PAD (page 49), the composite index's definition, measurement methodology, and limitations were as follows. The composite index was a grouping of indicators combined in a standardized way to track changes in the enabling environment for sustainable forest management. A set of questionnaires covering the three constituent categories (A: *incentives*, B: *information*, and C: *institutions*) were tested and administered to a reasonable sample of informants from across society with an emphasis on government at woreda, zonal, state, and federal levels. For the baseline calculation and target definition, the survey instrument was used by 323 informants who discussed and provided anonymous data on the state of the enabling environment for forest management and land use. A composite index value close to "1" implied a highly favorable enabling environment for forest management and land use, whereas index value close to "0" indicated a highly unfavorable enabling environment. On the other hand, the main limitation of the composite index was its subjectivity and reliability, as the PAD (page 49) appropriately pointed out. No explanation was provided by the ICR regarding whether the points raised in the PAD (page 49) to maximize data accuracy were addressed during the measurement of the composite index.

- The index score of *incentives* (policy, laws, regulations, markets) increased from the baseline of 0.37 to the actual of 0.58, exceeding the target of 0.57.
- The index score of *information* (generation and dissemination of information) increased from the baseline of 0.35 to the actual of 0.55, meeting the target of 0.55.
- The index score of *institutions* (capacity to implement and coordinate) increased from the baseline of 0.33 to the actual of 0.58, exceeding the target of 0.54.

On February 9, 2023, First ERPA Phase Agreement was signed between Ethiopia and the World Bank as trustee of Tranche 3 of BioCarbon Fund (First ERPA Phase Agreement, cover page). Referring to the ToC, it was plausible that the project's outputs and outcomes contributed to the establishment of the legal agreement that envisaged improving sustainable forest management. The overarching program became ready to apply the MRV to determine Emission Reduction achievements, independent verification, and finetuning the BSP for ERPA implementation Phase I (2022-24) (ICR, para 56). Although limited evidence was provided regarding what extent the critical assumptions were fulfilled in line with the ToC, it is plausible to conclude that the results achieved under Objective 1 contribute towards laying the foundation for ERPA implementation. Thus, overall, the efficacy of the objective is rated substantial.

Rating
Substantial

OBJECTIVE 2

Objective
To improve the enabling environment for sustainable forest investment in Oromia

Rationale
Theory of Change (ToC): Based on the PAD and the ICR, this ICR Review postulates the ToC of Objective 2 as follows. The ToC postulated that the activities such as investing in Participatory Forest Management (PFM) including providing revolving fund for livelihood improvements and developing selected nature-based community enterprises would result in the outputs including the increase of incentives for the protection of natural forests through forest patrolling, fire management, and restoration. These outputs were postulated to contribute to the outcome that the forest users adopting sustainable forest management practices and the livelihoods of the community adjunct to forest area diversified. The ToC also postulated that the activities including investing in reforestation and afforestation, providing training to forest and land users, improving

extension services, and improving land-use planning at state and local levels would result in the outputs including the forest area brought under management plans and the land users adopting sustainable land management practices. These outputs were postulated to contribute to the outcome that the reforested area expanded. In the long-term, the outcome was postulated to contribute to reduce the deforestation and forest degradation in Oromia.

Critical assumptions of the ToC included: (i) the target beneficiaries have willingness to conduct sustainable forest and land management practices after project closure; (ii) the conducive security situation prevail; (iii) the livelihoods activities generate sufficient incomes for the community to reduce their dependance on forest resources for their livelihoods; (iv) the target communities and households have adequate financial, human, and technical capacity to maintain the planted woodlots in a sustainable manner; and (v) no exogenous events outside the control of the program (e.g., development of roads or other infrastructure and major population shifts) substantially affect the deforestation trend.

The ToC was weakly plausible due to its strong focus on output-level achievements. The only outcome under Objective 2 was the reforested area expanded. However, this result was directly affected by the project's reforestation and afforestation investments. Moreover, the ToC relied heavily on the critical assumptions to fill gaps in the results chain. The critical assumptions (ii) and (iii) were not fulfilled during implementation as the insecurity in the Oromia region disrupted the implementation of livelihoods activities on the ground.

Outputs:

- 210,592 hectares (ha) of forest area were brought under management plans, exceeding the target of 120,000 ha.
- 39,313 forest users were trained, exceeding the target of 25,000.
    - 11,790 female forest users were trained, exceeding the target of 7,500.
- 97,789.00 land users were adopting sustainable land management practices as a result of the project, exceeding the target of 18,000.
    - The ratio of female land users adopting sustainable land management practices as a result of the project was 35 percent, exceeding the target of 30 percent.
- 78 percent of beneficiaries felt project investments reflected their needs, not meeting the target of 90 percent.
    - 24,550 female beneficiaries felt project investments reflected their needs, exceeding the target of 6,750. The sex-disaggregated target was exceeded because the number of total beneficiaries increased due to the expansion of target areas thus the total number of female beneficiaries increased. When this sub-indicator uses the same unit of measurement as the parent indicator, 78 percent of the total female beneficiaries felt project investments reflected their needs, not meeting the target of 90 percent.
    - 47,658 male beneficiaries felt project investments reflected their needs, exceeding the target of 14,000. When this sub-indicator uses the same unit of measurement as the parent indicator, 78 percent of the total male beneficiaries felt project investments reflected their needs, not meeting the target of 90 percent.
    - Total female beneficiaries were 31,475, exceeding the target of 7,500.
    - Total male beneficiaries were 61,100, exceeding the target of 17,500.

Outcomes:

- Area of 9,673 hectares (ha) was reforested, exceeding the target of 9,000 ha. Although this indicator was designed as an outcome indicator, it measured a lower-level achievement (e.g., an intermediate result or an output) of the project's investments on reforestation.
- Direct project beneficiaries were 92,576 people, largely exceeding the target of 25,000 people.
    - The ratio of female beneficiaries was 34 percent of the direct project beneficiaries, exceeding the target of 30 percent.

In addition to the outcomes defined in the Results Framework, the project task team reported on the following achieved outcome which did not have any formal target. The following is based on the project task team's response to IEG's questions received on February 29, 2024 (hereafter, referred as Task Team Response).

- An assessment to quantify the economic impact of the program's incentives on 115 households who engaged in the livelihood's activities, in general, showed positive change on households' income, as described below.
    - About 93 percent of the participants agreed that the activities brought improvement on households' income while only 7 percent disagreed, as the assets purchased by the support have been wiped out by the drought.
    - The average net profit earned per individual ranges from US$18 to US$358 with a mean value of US$86 per person.

In sum, all targets were achieved or exceeded except for the target of the indicator regarding the ratio of beneficiaries who felt project investment reflected their needs. 78 percent of beneficiaries felt project investments reflected their needs, not meeting the target of 90 percent. The indicator was critical as the livelihood activities were strategically important for the sustainability of the gains from PFM gains and the initiatives for the Reducing Emissions from Deforestation and Forest Degradation, conservation of forests, sustainable forest management and enhancement of forest carbon stocks (REDD+) (ICR, para 53). Moreover, behavioral changes by communities and farmers largely depended on incentives from grant support for livelihoods, according to the testimonies provided by a group of representative beneficiary communities during the May 2023 ICR workshop (ICR, para 102). Some evidence was provided regarding income and profit increases in a sample of 115 households; nevertheless, it was uncertain whether these economic gains contributed to generating sufficient incentives to the communities to participate in the PFM system and the ER system. The ICR (para 81) noted that the insufficient budget allocation and the limited business skills and experience among A/R and PFM cooperatives restricted the full achievement of benefits available from the project's livelihoods support investments. Thus, overall, the efficacy of the objective is rated substantial with moderate shortcomings.

Rating
Substantial

OBJECTIVE 3

Objective
To reduce net greenhouse gas (GHG) emissions and improve sustainable forest management in Oromia [The overarching objective of the Oromia Forested Landscape Program]

Rationale

The likelihood that the overarching objective would be achieved in the future is medium. The project established institutional systems and mechanisms to apply the MRV to determine Emission Reduction achievements, independent verification, and of finetuning the BSP for ERPA implementation Phase I (2022-24) (ICR, para 56). On the other hand, the achieved development outcomes might not be sustained due to risks to development outcomes described in section 7. At the time of this ICR Review, it was yet to be confirmed to what extent the cash flows and the Benefit Sharing Mechanism would operate adequately to incentivize different levels of governments and farmers to improve sustainable forest management and reduce GHG emissions in Oromia.

The overarching program development objective is not rated, based on the harmonized guideline between OPCS and IEG.

Rating

Not Rated/Not Applicable

OVERALL EFFICACY

Rationale

The efficacy of Objective 1 was substantial, while the efficacy of Objective 2 was substantial with moderate shortcomings. Overall, the efficacy of the project is rated substantial with moderate shortcomings.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic Analysis: At appraisal, the economic internal rate of return (IRR) was estimated as 15 percent with the total Net Present Value (NPV) of US$10 million, using 20-year analysis period and 7 percent discount rate. At project closing, the economic IRR was 17 percent with the total NPV of US$14 million, using 20-year analysis period and 7 percent discount rate. The ex-post NPV was 40 percent more than the estimated NPV due to higher number of livelihood beneficiaries and larger PFM area compared to the estimates in the PAD.

Aspects that affected implementation efficiency: The project's implementation efficiency was increased due to (i) the implementing agency's ownership of the integrated land use planning increased efficiency, (ii) the restructuring to add more Woredas with available communal land, and (iii) the adjustments of monitoring indicators (ICR, pages 56-57). On the other hand, the implementation efficiency was decreased due to (i) implementation delay in livelihoods activities because of the high staff turnover at Woreda and Zone levels and the late disbursement of funds provided to Oromia Forest and Wildlife Enterprise (OFWE) for livelihood activities; and (ii) the slow process of revising the communication action plan and communication toolkit in collaboration with stakeholders (ICR, page 57). Despite the challenges, the project experienced only a half-year extension.

It is noted that a low rate of return is common in forestry programs where benefits lie further into the future. However, the rate of return is increased substantially with the early inclusion of livelihood support. The efficiency analysis found that without the social value of carbon (reduced GHG emissions), the economic NPV is US$14 million with a 7 percent discount rate. The economic IRR is 17 percent. Compared to the discount rate, this is an economically viable investment.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	15.00	0 ☑ Not Applicable
ICR Estimate	✓	17.00	0 ☑ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance is rated substantial. The objectives were aligned with the government's strategies and the World Bank's assistance. The efficacy is rated substantial with shortcomings. While both objectives were achieved substantially, the substantial achievement of Objective 2 had moderate shortcomings, contributing to weakening the likelihood that the overarching program objective would be achieved in the long term. The efficiency is rated substantial as the ex-post economic IRR was larger than the ex-ante IRR. Thus, overall, the outcome is rated satisfactory.

a. Outcome Rating

Satisfactory

7. Risk to Development Outcome

Risk Related to Institutional Support. There is a potential risk that the project entities’ operational and strategic support might be inadequate to cover the territorial jurisdiction of 30 million people and 32 million hectares, facing challenges in terms of program focus, reach of support activities, resources, and materialization of Emission Reduction Credits (ERCs) and associated incentives (ICR, para 102). To mitigate the risk, the ICR reported three main risk mitigation measures. First, the ICR (para 102) suggested strengthening the Emission Reduction payment system to cover the wide jurisdiction, improve stakeholders' understanding of the landscape approach and/or the Agriculture, Forest, and Other Land Uses (AFOLU) approach, and enhance the enabling policy and regulatory environment by updating the land policies and making forest use more market oriented (ICR, para 102). Second, the project disseminated lessons from the Benefit Sharing Plan and Monitoring, Reporting, and Verification development at the federal level and in other regions to replicate and scale up the project's Emission Reduction (ER) payment model (ICR, para 102). Third, the successor project would continue to address data, operational, and conceptual problems to materialize additional ERs by enabling additional carbon pools through reduced land degradation and livestock/enteric fermentation (ICR, para 102).

Financial Risk. There is a potential risk that the Emission Reductions Purchase Agreement (ERPA) funding risks might cause cash-flow problems during implementation (ICR, para 102). To mitigate the risk, the World Bank provides support for improving natural capital accounting and management and strengthening private sector engagement in generating emission reductions through programmatic advisory services and analytics (ICR, para 102).

Social Risk. There is a potential risk that the ERC payments might not adequately incentivize forest-dependent beneficiaries for behavioral changes due to uncertainty regarding the requirements, amounts, and timing of future payments (ICR, para 102). To mitigate the risk, the ICR (para 102) suggested reinforcing the importance of the Benefit Sharing Mechanism as a key factor in the long-term sustainability of project interventions.

8. Assessment of Bank Performance

a. Quality-at-Entry

The strategic relevance and approach were mostly adequate, as described in section 3. The technical aspect was thoroughly considered, drawing upon the insights from REDD+ readiness preparatory studies and leveraging the World Bank's operational expertise around the world. The financial, economic, environmental, and fiduciary aspects were adequately considered. The risk assessment was adequately conducted with proposed mitigation measures, as shown in Annex 12 of the PAD (pages 188-194).

On the other hand, the M&E arrangements were not adequate due to limited attention to the Theory of Change for each project and the causal chains among outputs and outcomes, as described in sections 4 and 9. M&E shortcomings included the use of a composite index as the first PDO indicator that consisted of parameters that were subjective and difficult to assess and quantify during implementation, as the ICR (para 82) points out. Additionally, relevant indicators at the outcome level were missing in the Results Framework under Objective 2. Thus, overall, the quality at entry is rated moderately satisfactory.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

The supervision inputs and processes were adequate. The World Bank conducted 13 joint implementation support missions on a semiannual basis (ICR, para 97). The Aide Memoires, Action Plans and ISRs were produced with no major delays, despite the limitations imposed by COVID and the security situation in the project area. Throughout the project, the supervision teams had adequate mix of technical and fiduciary expertise, with strong support provided by locally based specialists (ICR, para 97). The supervision of fiduciary and safeguard aspects was adequate, as described in section 10. The Bank team included two consultants dedicated full time to provide coordination and technical support. The World Bank's role in ensuring adequate transition arrangements was sufficient. A detailed exit strategy process was conducted over the last 12 months of project implementation which took into consideration specific requirements to ensure a smooth transition towards the implementation of the ERPA phase (ICR, para 99). In addition, the World Bank team effectively collaborated with the Project Implementation Unit and obtained the commitment and ownership both at Federal and State level governments, which were instrumental to advance the goal of establishing the conditions and instruments for the ERP payment phase (ICR, para 98).

On the other hand, the shortcomings in M&E were not addressed during implementation with no substantial revision to the PDO and the Results Framework to assess the outcome related to the behavioral changes in the communities, as described in section 4. Furthermore, the ICR did not clarify to what extent the risk mitigation measures were implemented as planned (i.e., as described in the PAD (page 189)), in order to address the implementation risks related to the emergence of fragile and conflict-affected situations. Overall, the quality of supervision is rated moderately satisfactory.

The overall performance of the World Bank is rated moderately satisfactory, as both the quality at entry and the quality of supervision are rated moderately satisfactory.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The project developed an M&E manual for the whole program with detailed implementation arrangements and templates to be used as a basis for staff training (ICR, para 82). The M&E design and arrangements were well-embedded institutionally in relevant government agencies at regional, zonal, and woreda levels (ICR, para 83). Baselines and targets were available for all indicators. On the other hand, the Theory of Change (ToC) of the overarching program in the PAD (figure 1.1, page 65) did not specify causal chains among activities, outputs, and outcomes for each project under the program. The ToC in the ICR (figure 2, page 8) was partially sound, as its plausibility was reduced by the ToC's heavy reliance on critical assumptions and the weak causal chains among outputs and outcomes, as described in section 4. The

Project Development Objective (PDO) statement did not specify the expected outcomes under Objective 2. The PDO and Intermediate Results indicators in the Results Framework were inadequate to encompass relevant outcomes of the PDO statement due to the following two reasons. First, it was questionable to what extent the composite index for tracking changes in the enabling environment for reducing deforestation and forest degradation (i.e., PDO indicator 1) was objective and reliable. The main concern with the composite index was its subjectivity and reliability (PAD, page 49). The parameters included in this indicator were difficult to assess and quantify during implementation (ICR, para 82). Second, the PDO indicators under Objective 2 were not adequately designed to measure outcomes related to the community's ownership towards the Participatory Forest Management (PFM) system and the Emission Reduction (ER) system, as described in section 4.

b. M&E Implementation

The agency responsible for M&E and other relevant stakeholders ensured attention to effective M&E implementation. The M&E system was adequately implemented throughout the project, collecting georeferenced data in a decentralized manner with specific supervision and reporting requirements (ICR, para 83). All baseline data was collected at appraisal. All the indicators in the Results Framework were measured and reported. M&E functions and processes were likely to be sustained in the succeeding project. The project established a Monitoring, Reporting, and Verification (MRV) system for land use change and forest degradation at national level, which enabled the succeeding project to operationalize a MRV system at regional level, including a MRV Laboratory Room and equipment (ICR, para 83). Although the weaknesses in M&E design were not fully corrected during implementation, the inadequate design of the PDO indicators was partially addressed by conducting an economic impact assessment of livelihood's activities.

c. M&E Utilization

M&E information was communicated to various stakeholders to disseminate results and inform shifts in the project design during restructurings. The M&E data was used to inform the subsequent project. By project closing, the project created a geospatial database of the location and area of PFM and afforestation sites, which supported the succeeding project to operationalize a MRV system for the Emission Reduction (ER) payments, as described in section 4.

In sum, the project's M&E system successfully developed the MRV system, which was one of important outputs that supported the succeeding project to operationalize the ER system. However, the M&E design was inadequate to comprehensively measure all outcomes of the project due to the misalignment between the Results Framework and the ToC. The shortcomings in the M&E design were partially addressed by an additional quantitative assessment conducted at project closing. Thus, overall, the M&E quality is rated substantial with moderate shortcomings.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

Environmental Safeguards: The project was classified as a Category 'B' project, as it was designed and implemented in a changing and fragile environment with complex social relationships. In addition, there were activities related to the construction or rehabilitation of physical structures related to afforestation/reforestation, nursery sites and livelihoods diversification, among others. The project triggered the following environmental safeguards policies: Environmental Assessment (OP/BP 4.01), Natural Habitat (OP/BP 4.04), Forests (OP/BP 4.36), Pest Management (OP/BP4.09), Physical Cultural Resources (OP/BP 4.11), and Safety of Dams (OP/BP 4.37). The project complied with the triggered safeguards policies and relevant national policy and legal frameworks. In line with the safeguards policies and requirements, the project developed the Environmental and Social Management Framework (ESMF) and the Strategic Environmental and Social Assessment (SESA), which were disclosed in October 2015. These instruments were later revised to reflect the role of the new implementing agency (Oromia Environment, Forest and Climate Change Authority), established on July 20, 2016, and re-disclosed in February 2017. A Safeguards Operational Manual was developed and used as part of the Program Implementation Manual (PIM) drawing specificities from the safeguard's instruments. In addition, site-specific safeguards instruments (e.g., Environmental and Social Management Plans (ESMPs)) for afforestation/reforestation and participatory forest management subprojects were prepared, implemented, and monitored. Regarding the Pest Management safeguard (OP/BP 4.09), an integrated pest management plan was developed and implemented throughout the project's lifetime (Task Team Response). Regarding Safety of Dams safeguard (OP/BP 4.36), the project did not include any activities that required dam construction (Task Team Response). An Environmental and Social Audit was conducted in June 2021 to review the safeguards performance of the project, where the audit corrective action plan was developed to fill the identified gaps and implemented.

Social Safeguards: The project triggered the following social safeguards policies: Involuntary Resettlement (OP/BP 4.12), and Indigenous Peoples/Underserved and Vulnerable peoples (OP/BP 4.10). The project developed the Resettlement Policy Framework (RPF) and the Process Framework (PF) to guide the implementation of mitigation measures related to resource access restriction in forest areas and or protected areas (parks, biosphere reserves, and others). The RPF and PF were disclosed in October 2015 and revised and re-disclosed in February 2017. They are implemented accordingly prior to the commencement of the targeted intervention activities. Regarding the Indigenous People safeguard (OP/BP 4.10), the SESA identified mitigation actions related to the underserved and Vulnerable groups that were properly implemented throughout the project period (Task Team Response). Regarding the Involuntary Resettlement safeguard (OP/BP 4.12), no subproject involved in the involuntary land acquisition process (Task Team Response). A Consultation and Participation Plan was also prepared and implemented through a consultative process. Additionally, the project conducted a gender analysis to inform the preparation and implementation of gender mainstreaming guidelines. Safeguards and gender awareness training and capacity-building activities were implemented at different levels.

Grievances Redress Mechanism (GRM): The project established and operated a GRM to cover a total of 6,387 kebeles, where a total of 36 cases were registered, 35 of them resolved, and one referred to court. Based on the project closing mission, no major outstanding cases of non-compliance were reported. However, there were some delayed environment and social (E&S) activities, such as the establishment of the GRM in the remaining 351 kebeles and the submission of reports, including the Green Legacy Initiative (GLI) and E&S corrective action plan implementation report (ICR, para 89). There was also security-related instability in some of the areas, which represented a barrier to undertaking E&S activities. These gaps and any other E&S issues would be assessed as part of the Environmental and Social Due Diligence Audit for Retroactive Carbon Accounting under the succeeding project.

b. Fiduciary Compliance

Procurement: Procurement and contract management performance was a persistent challenge throughout project implementation, although no major complaints, mis-procurement, or integrity issues were raised by contractors or consultants regarding procurement and contracting procedures and processes. Staff in PIU gained reasonable expertise in procurement and contract management in implementing World Bank-financed operations despite procurement staff turnover, though there were significant delays in procurement processes due to capacity constraints. These delays were caused by deferrals mainly in the preparation of technical specs and description of the technical requirements of goods and services to conclude procurement processes. This however led to inadequate procurement record keeping and deficient and incorrect documentation for uploading in the Systematic Tracking of Exchanges in Procurement. Procurement was rated as Moderately Satisfactory at the project closing.

Financial Management: The financial management (FM) challenges which have persisted over the project life include staff turnover at woreda level which adversely affected timely accounting and financial reporting by the woredas, lack of involvement of internal auditors in reviewing the project accounts at woreda level; challenges to supervise woredas where security issues existed (following up inactive accounts was also a challenge); and delays in addressing audit findings. In addition, motivation was also yet another challenge as the project FM activities were incremental tasks for the assigned staff in addition to their regular tasks. Nevertheless, in the latter years of project implementation, improvements were noted in terms of using computerized accounting at the woreda level, reporting on fund balances in addition to expenditures, submission of Interim Financial Reports (IFRs) with improved quality and timeliness, improved budget utilization; and enhanced regional supervision. Improvements were achieved with the proactive engagement of the regional financial management team, which also sought the support of the Ministry of Finance (MoF), especially in designing the IBEX software for accounting and reporting on project funds. Audit reports were generally submitted in a timely manner. Where there were delays for a couple of years, it was only for a couple of weeks. Qualified opinions were provided by the auditors for a couple of years, and these were due to low budget utilization and outstanding advances which had been addressed by the close of the project. Budget utilization improved during the final years of implementation and the outstanding advances were cleared by following up and supporting the woredas. The project submitted a status report for actions taken on the EFY 2014 (2022) audit findings, which required the project unit to provide further updates for several findings (Task Team’s Response). Financial Management was rated as Moderately Satisfactory at the project closing.

c. Unintended impacts (Positive or Negative)

Not reported in the ICR.

d. Other

Not reported in the ICR.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Moderately Satisfactory	Both Quality-at-Entry and Quality of Supervision are rated moderately satisfactory.
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Modest	

12. Lessons

The ICR (paras 104-115) presented eleven lessons. Three of them are presented below with rephrasing as these may inform the similar operations regarding the Emission Reductions Purchase Agreement (ERPA).

Developing a solid understanding regarding the following key factors may support successful implementation of Emission Reduction (ER) and Emission Reduction Credit (ERC) payments: (i) identify the type and scale of interventions in forestry and agriculture that generate ER; (ii) assess the importance of addressing fundamental issues and reforms related to land use and private sector business climate, including access to financing; and (iii) analyze if and how a better interface between forestry and agriculture contribute to the intended results.

Establishing the required Emission Reduction Payments instruments such as Monitoring, Reporting, and Verification systems and Benefit Sharing Plan may ensure adequate preparation resources. Along the same lines, the timely design and implementation of adequately funded complementary livelihood interventions to forest-dependent communities is essential to generate community motivation, capacity building and engagement in the longer-term benefits pursued by the program.

Providing regular and close monitoring and supervision at lower level (woreda level) may address the major problems created by staff turnover and lack of motivation. This project experienced a challenge of high staff turnover, particularly among woreda coordinators, which resulted in the limited technical support provided to A/R and PFM cooperatives in some project woredas and kebeles (ICR, para 81). Organizing training for woreda level staff and explaining the nature of the project is also critical to addressing root causes of motivational issues.

IEG adds the following lesson regarding livelihoods based on the project documentation review.

Measuring outcomes of livelihood support investments and to what extent these contributed to incentivizing the communities to participate in the PFM system and the ER system may strengthen the enabling environment for implementing the ER and the ERC payments in communities. Behavioral changes by communities and farmers largely depended on incentives from grant support for livelihoods, according to the testimonies provided by a group of representative beneficiary communities during the May 2023 ICR workshop (ICR, para 102). However, no evidence was provided regarding any outcomes related to incentivizing the communities to be involved in the PFM system and the ER system. The ICR (para 81) noted that the project's livelihoods support investments did not fully achieve the expected benefits due to the insufficient budget allocation and the limited business skills and experience among A/R and PFM cooperatives. The project task team noted that, if they were to repeat the project, the livelihoods of communities would take a higher priority during design to ensure alignment of incentives with the project objective, as well as grants to beneficiary communities, would start earlier in order to expand and to allow more time to implement, support, and improve the support provided to households (Task Team Response).

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provided a detailed overview of the project. The narrative supported the ratings and available evidence. The report followed most of the guidelines with efforts to triangulate data to reach conclusions in line with the project development objective. The quality of evidence and analysis was aligned with the messages outlined in the ICR. The ICR's lessons were clear, useful, and based on evidence outlined in the ICR.

On the other hand, the ICR provided insufficient evidence regarding the achievements of Objective 2, as described in Section 4. The team provided additional evidence on IEG's request. The theory of change (ICR, figure 2, page 8) did not clearly specify causal chains among activities, outputs, and outcomes. The ICR did not provide a detailed description of implementation for each triggered safeguard policy. A few inconsistencies of information regarding the revisions of indicators were observed between the ICR and the first Restructuring Paper. Furthermore, the ICR is of an excessive length at 31 pages, compared to the OPCS-recommended 15 pages. Overall, the quality of the ICR is rated modest.

a. Quality of ICR Rating

Modest