

**COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED  
SAFEGUARDS DATA SHEET (PID/ISDS)  
APPRAISAL STAGE**

**Report No.:** PIDISDSA21388

**Date Prepared/Updated:** 15-Feb-2017

**I. BASIC INFORMATION**

**A. Basic Project Data**

<b>Country:</b>	Ethiopia	<b>Project ID:</b>	P156475
		<b>Parent Project ID (if any):</b>	
<b>Project Name:</b>	Oromia Forested Landscape Program (P156475)		
<b>Region:</b>	AFRICA		
<b>Estimated Appraisal Date:</b>	14-Dec-2015	<b>Estimated Board Date:</b>	28-Feb-2017
<b>Practice Area (Lead):</b>	Environment & Natural Resources	<b>Lending Instrument:</b>	Investment Project Financing
<b>Borrower(s):</b>	Ministry of Finance and Economic Cooperation		
<b>Implementing Agency:</b>	Ministry of Environment, Forest and Climate Change		
<b>Financing (in USD Million)</b>			
<b>Financing Source</b>			<b>Amount</b>
Borrower			2.00
BioCarbon Technical Assistance Trust Fund			18.00
Financing Gap			-2.00
Total Project Cost			18.00
<b>Environmental Category:</b>	B - Partial Assessment		
<b>Appraisal Review Decision (from Decision Note):</b>	The review did authorize the team to appraise and negotiate		
<b>Other Decision:</b>			
<b>Is this a Repeater project?</b>	No		

**B. Introduction and Context**

**Country Context**

Ethiopia has achieved substantial progress in economic, social and human development over the past decade, achieving rapid and inclusive economic growth averaging 10.9 percent since 2004. Extreme poverty fell from 56 percent in 2000 (one of the highest levels internationally) to 31 percent in 2011. Low levels of inequality have been maintained through this period. Non-monetary dimensions of well-being also show strong improvement. Life expectancy, for instance, increased by one year every year over this period, from 52 to 63 years. Meanwhile, the 2014 population of 95 million people will grow to at least 120 million by 2030 .

As an expanding population lives longer, the economy grows, and climate risks intensify, tremendous demands are being placed on the stressed natural resource base. Up to 83 percent of the population is rural and directly dependent on livelihoods and energy from land, forest, and water resources, while urban centers also depend on them for food, water and energy. The natural resource base has been deteriorating over time, which amplifies exposure to substantial environmental and climate risks that affect food and water security, energy, and human health, among others. These risks are reflected in the 40 percent rate of degraded land with another 20 percent under degradation processes , helping drive an annual forest depletion rate of over 1 percent due largely to demand for wood fuel and agricultural land . Deforestation generated an economic loss over US\$ 5 billion from 1990 to 2010. The broad economic value of forest services was estimated at 18.8 percent of GDP in 2009 through wood and non-wood forest products and ecosystem services (such as water provisioning, flood and drought risk reduction, inter alia (Nune et al, 2009) . Business as usual will lead to an additional nine million hectares deforested between 2010 and 2030 (MOFEC, 2011). This situation is further complicated by the higher probability of extreme weather conditions and increased rainfall variability from climate change .

The Government of Ethiopia (GoE) recognizes the need to re-invest natural capital to drive and protect growth and prosperity. Ethiopia's current challenge is to sustain progress, building on elements of its development strategy that have worked well and that are sustainable. Since the early 1990s, Ethiopia has pursued a development state model with a strong public sector role in forest, energy, agriculture, and water through its federal system with nine autonomous states (regions) and two chartered cities. GoE is increasingly emphasizing: (i) sustainable forest sector development, particularly in Oromia where two-thirds of the country's forest is located and where the deforestation trends are greatest, as well as where strategically critical rivers originate; and (ii) better overall management of the natural resource base, as its degradation reduces resilience, especially among the poorest, and hinders economic opportunities.

Ethiopia's development agenda is governed by two key strategies: the Second Growth and Transformation Plan (GTP-2) and the Climate Resilient Green Economy (CRGE). Both strategies prioritize attainment of middle income status by 2025 and, through the CRGE Strategy, to achieve this by taking low carbon, resilient, green growth actions. Both strategies emphasize agriculture and forestry, which the CRGE Strategy reports would contribute around 45 and 25 percent respectively to projected greenhouse gas (GHG) emission levels by 2030 under business-as-usual assumptions, and together account for around 80 percent of the total abatement potential. The CRGE Strategy targets 7 million hectares (ha) for forest expansion. GTP-2 aims to: Protect, restore and promote sustainable use of terrestrial ecosystems by managing forests, combating desertification, and halting and reversing land degradation and halt biodiversity loss.

### **Sectoral and institutional Context**

Ethiopia's largest forested landscapes are found in Oromia, which provide critical ecosystem

services to the country and to the region. Oromia is Ethiopia's largest regional state in terms of land area (around 28.5 million ha, roughly the size of Italy), population (over 30 million people), and forest cover (approximately 9 million ha in total). Based on the proposed national REDD+ forest definition, 284 of Oromia's 287 rural and semi-rural woredas include some forest. Most of Oromia's high forest (moist montane forests) is found in the Bale forested landscape in the southeast and the Jimma/ Wollega/Ilubabor forested landscape in the west. Bale serves as the water tower for Ethiopia's eastern drylands in Oromia and the Somali region as well as the country of Somalia, drought-vulnerable arid areas where mobile pastoralism is the predominant livelihood system. Oromia harbors globally important biodiversity with endangered endemic species such as the Abyssinian wolf and the mountain Nyla. Oromia's western forests are home to endemic coffee (Coffee Arabica) that has high potential as a value-added export, and harbor wild varieties of the species. Important rivers also originate in or are affected by Oromia's forests, including those flowing into the new Renaissance Dam under construction.

Forest loss and degradation are increasing in Oromia. Deforestation in Oromia has been particularly intense in zones in the west (West Wollega, Qeleme Wollega, Ilubabor) and east (Bale and Guji). Data have shown that throughout Oromia, nearly 499,135 ha of forest was lost between 2000 and 2013, or around 38,395 ha/year. This has resulted in over 46 million tons of CO<sub>2</sub> equivalent emitted into the atmosphere over this period, or around 5 million tons annually (calculated based on Ethiopia's FRL submission to the UNFCCC). At the same time, the historic afforestation/reforestation (A/R) rate is almost 5,238 ha/year, leading to a gain of over 734,916 tons of CO<sub>2</sub>e annually.

Deforestation and forest degradation in Oromia are driven primarily by small-scale conversions for agricultural expansion as well as wood extraction for firewood and charcoal purposes. Subsistence agriculture is the main economic activity throughout Oromia, with farmers cultivating diverse crops such as barley, wheat, beans, potatoes, and cabbage in highlands and bananas, maize and teff in lowlands. Extraction of fuel wood is a driver of degradation throughout Ethiopia. Firewood is the primary source of energy for 94 percent of Ethiopia's population and the most important forest product consumed in Ethiopia, with total 2013 consumption exceeding 116 million m<sup>3</sup>. The majority of firewood is produced from natural forest, including woodlands and shrub lands, and current firewood demand is estimated to significantly exceed the sustainable yield potential of 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.

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

To help address the above issues and achieve Ethiopia's CRGE Strategy's objectives on

land use change, forest, and climate action, the Ministry of Environment, Forest and Climate Change (MEFCC) is implementing its National REDD+ Readiness Program to prepare the country for receiving and deploying climate finance and other financing. Ethiopia intends to utilize REDD+ related financing to achieve its national ambition for green growth, as articulated in the GTP-2 and CRGE Strategy. With US\$ 13.6 million in grant financing for REDD+ Readiness from the World Bank (WB) through the BioCF and Forest Carbon Partnership Facility (FCPF), MEFCC has been implementing a set of readiness activities such as: (i) preparation of four REDD+ pilots in different regional states including the proposed Oromia Forested Landscape Program (OFLP, the subject of this PAD); (ii) development of a monitoring, reporting and verification (MRV) system that would be used for justifying emissions reductions payments upon performance including for the OFLP; (iii) development of systems for social and environmental risk management; (iv) preparation of the National REDD+ Strategy, and (v) the establishment and operationalization of the Oromia REDD+ Coordination Unit (ORCU).

One main purpose of the REDD+ pilots is to test different elements of the National REDD+ Readiness Program. The lessons learned from these pilots will inform the National REDD+ Readiness Program and assist Ethiopia to receive and deploy results-based climate finance. The pilots would need to cover relatively large landscapes to reduce transaction costs, leakage risks and maximize the likelihood of effectively reducing deforestation.

One of the national REDD+ pilots is the OFLP, which would extend beyond the traditional REDD+ agenda as a long-term programmatic effort to scale-up and finance improved land use, starting with: a (i) mobilization grant; and (ii) results based emissions reductions payments. These two sources of financing form the subject of this PAD. These two complementary instruments would finance the GoE to enhance the enabling environment at state and local levels while supporting action on the ground for landscape restoration and livelihoods improvements. The GoE selected Oromia to test this large-scale jurisdictional REDD+ pilot operation since it has the largest forest cover in the country, and hosts the first REDD+ project in Ethiopia (the Bale Mountains Eco-regional REDD+ Project, led by OFWE and supported by Farm Africa). Past pilots such as the renowned Humbo Assisted Natural Regeneration Project have demonstrated proof of concept of carbon financing for improved land-use in a small degraded landscape, yet moving to scale presents more complex challenges - challenges that are addressed by OFLP.

## C. Proposed Development Objective(s)

### Development Objective(s)

The Program Development Objective is to improve the enabling environment for sustainable forest management and investment in Oromia.

### Key Results

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

Indicators:

- i. Score on composite index for tracking changes in the enabling environment for reducing deforestation and forest degradation (Number)
- ii. Area forested (Ha)
- iii. Direct program beneficiaries (number) and female beneficiaries (Percentage)

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

Indicators:

- i. Emission reductions in the OFLP accounting area (MtCO<sub>2</sub>-e)
- ii. Gross deforestation reduction in the OFLP accounting area (Ha)

#### **D. Project Description**

OFLP will be Oromia's strategic programmatic umbrella and coordination platform for multi-sector, multi-partner intervention on all forested landscapes in Oromia. The 10-year program will contribute to a transformation in how forested landscapes are managed in Oromia to deliver multiple benefits such as poverty reduction and resilient livelihoods, climate change mitigation, biodiversity conservation, and water provisioning. OFLP will foster equitable and sustainable low carbon development through a series of: (i) on-the-ground activities that address deforestation, reduce land-use based emissions, and enhance forest carbon stocks; and (ii) state-wide and local enhancements to institutions, incentives, information, and safeguards management to upscale investment (enabling environment), including coordinating and leveraging multiple REDD-relevant interventions across the regional state .

OFLP will establish the programmatic approach through two financial instruments that will be supported by two legal agreements: (1) a US\$ 18 million Grant Agreement for 5 years (P156475); and (2) a US\$ 50 million Emissions Reduction Purchase Agreement (ERPA) of up to 10 years (P151294). The two instruments would be synchronized in one strategic program.

(1) The 5-year mobilization grant will finance the establishment and initial implementation of the state-wide jurisdictional ER component of the Program. The grant will finance the GoE to strengthen its state-level and local-level enabling environment and implement selected on-the-ground investment activities. The grant will facilitate the achievement of ERs (and resulting ER payments) while also leveraging greater financial resources from multiple sources. The grant will in particular finance: (i) TA among all rural and semi-rural woredas across the state (such as landscape management coordination, land-use planning support, and safeguards management); and (ii) selected forest investment and livelihoods support in deforestation hotspots with high carbon content (sites to be determined within 49 woredas) .

(2) ER payments of US\$50 million for verified carbon performance paid in a period of up to 10 years (2016-2026). These payments will be available once the Program achieves, verifies and reports on results in terms of reduced emissions. The ER payments would be distributed according to a Benefit Sharing Mechanism and used primarily to ensure sustainability of land-use interventions, as well as to scale up action in other geographical areas within Oromia. This climate financing will be channeled through an ERPA to be signed between GoE and WB. The envelope for these payments could grow as the OFLP becomes operational and generates results, and as other ER buyers show interest in OFLP.

OFLP is designed to leverage grant resources to attract new financing, expanding the total envelope toward improved land-use, forest retention and forest gains. There is common understanding between GoE and development partners that a robust enabling environment is crucial for successfully implementing a REDD+ jurisdictional approach for ER payments and for leveraging and scaling-up action and investments and initiatives on the ground. OFLP will therefore serve as a scale-up engine .

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

Two types of REDD-relevant initiatives are distinguished: (i) existing REDD+ projects that seek to account for and sell emissions reductions (ERs), such as the Bale Mountains Eco Regional REDD+ project and REDD+ Joint Forest Management in the five districts of Ilu Abba Bora Zone - Phase II Project; (ii) initiatives that contribute to REDD+ goals but are not seeking to account for and sell ERs, such as the WB-financed Sustainable Land Management Program (SLMP); and the UK-financed Land Investment for Transformation (LIFT) program. The former group would be nested into OFLP (see below), while the Oromia REDD+ Coordination Unit (ORCU) within the Oromia Environment, Forest, and Climate Change Authority (OEFCCA) and the Oromia Vice Presidency will together seek to further coordinate the second type of interventions across sectors towards OFLP goals.

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

The OFLP geographic boundary is all forests in Oromia. OFLP will monitor and account for positive and negative changes in forest cover and associated GHG emissions reduction within all 287 rural and semi-rural woredas within the regional state boundaries of Oromia (i.e., the accounting area of the Program). As per the GoE's forest definition, this includes 9 million hectares of forest, spread over all of Oromia's rural and semi-rural woredas. The stakeholders that will benefit from ER payments will be defined in the BSM currently under preparation by the GoE.

The BSM provides an operational solution for disbursing the performance-based ER payments equitably, effectively and efficiently. It will be designed early during OFLP implementation via a robust consultation process including with communities state-wide. A BSM manual, subject to WB's no objection, will be prepared by GoE prior to ERPA signature, and will describe the eligibility criteria, allocation procedures, and flow of funds.

### **Component Name**

Enabling investments

**Comments (optional)**

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

**Component Name**

Enabling Environment

**Comments (optional)**

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

**Component Name**

Emissions Reductions (ER) Payments

**Comments (optional)**

Unless specified differently in the ERPA, ER Payments will be made only for ERs achieved during the ERPA period. However, interventions conducive to ERs can start any time. ER payments will be delivered once results are achieved, verified by a third party, and formally reported to the Bank. Based on the design of the MRV system, it is expected that reporting and verification of ERs can occur every two years. The ER payments will be managed by the FDRE and distributed to the beneficiaries according to the BSM to be prepared by the FDRE, which will aim to incentivize uptake of sustainable land-use actions. The BSM will be formally adopted by the FDRE before any ER payment can be made. ER payments can help offset some costs of land use improvements that have subsequent wider benefits.

**E. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

**F. Environmental and Social Safeguards Specialists**

Asferachew Abate Abebe (GEN01)

Asferachew Abate Abebe (GEN01)

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**II. Implementation**

**Institutional and Implementation Arrangements**

**II. IMPLEMENTATION**

As a strategic multi-sectoral Government program utilizing diverse financing sources and partner support to scale up action, OFLP's institutional arrangement is anchored in the following principles: (i) the institutional set-up would be based on existing federal and state Government structures; (ii) clear institutional roles, responsibilities and procedures based on existing institutional mandates; (iii) extensive multi-sectoral coordination to plan and implement related projects and activities critical for OFLP success; and (iv) coordinating and leveraging selected relevant initiatives (financed by the WB and/or others).

The OFLP institutional structure includes relevant institutions at national, state and sub-state levels with discrete accountabilities and decision making roles based on existing mandates. ORCU is the OFLP implementing entity and administratively has been hosted by OFWE for over two years; on December 8, 2016 the ORCU was transferred to the newly established OEFCCA as the new administrative host. OEFCCA was set up by Proclamation 199/2008 on August 21, 2016, and is officially mandated to oversee the forest sector in Oromia. While ORCU reports administratively to the OEFCCA, it seeks strategic and tactical guidance from the Oromia Regional State Vice President, given the multi-sector nature of OFLP and land use challenges in the regional state. ORCU and OEFCCA will be supported by MEFCC which would carry out a fiduciary oversight role via its National REDD+ Secretariat in particular on MRV, project monitoring, safeguards, financial management and procurement; more specifically, the MEFCC will focus on providing operational guidance to the ORCU to carry out its own procurement, financial management, and safeguards compliance, providing quality control, guidance and resolving issues. The regional state's multi-sector REDD+ Steering Committee and Technical Working Group would provide strategic guidance and technical inputs, respectively, to OFLP implementation. The OEFCCA and sector bureaus including the BOANR, OFWE and BoRL will implement and coordinate activities on-the-ground through their decentralized staff. For example, OEFCCA, BoANR, and BoRL have field staff, woreda experts, and kebele development agents (DAs) who cover forest, agriculture, water, and household energy. However, OEFCCA will, in the near-term, rely on DAs under the authority of the BoANR and BoRL to implement investment activities on the ground until such time as OEFCCA has its own core of DAs in place. OFWE has a similar structure with local extension agents with experience in PFM, but OFWE does not follow the woreda structure and instead follows its own district structure based on its forest concessions. Specific activities to be implemented by the OEFCCA, OFWE and relevant bureaus will be defined with specific accountabilities, including lead and supporting roles and budgets, in the joint annual work program and budget and joint procurement plan. An MOU is being developed among the Oromia institutions to articulate the accountabilities which will be detailed in the PIM.

The OEFCCA has the mandate to govern the forest sector in Oromia. The OEFCCA is responsible for policy development and enforcement related to forest development; utilization and management of government, private and community forest (excluding farmland trees which falls under BOANR); providing expert advice for forest expansion including on topics such as biodiversity, ecotourism, conservation, afforestation/ reforestation, and forest-related carbon measurement; coordination of REDD+ activities and projects in the regional state; ensuring environmental integrity; jointly resolving forest resource related disputes with relevant institutions; leading implementation of the CRGE initiative; and planning and managing core government budget on forest throughout Oromia. The OFWE remains a key implementing partner in OFLP owing to its experience with implementing PFM, preparing OFLP, hosting ORCU for the past two years, managing plantations, and managing large concessions where carbon-rich high forest and deforestation hotspots are located. Moreover, given its dual public and private mandates, the OFWE cultivates private sector relationships, which



will play an important part in sustaining activities that contribute to the objectives of the OFLP.

### III. Safeguard Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>The Program (OFLP) activities are expected to have significant positive impacts on targeted forested areas. However, OP/BP 4.01 is triggered as some of the local-level activities under Component 1 could have limited adverse environmental and social impacts and risks; these activities could potentially include construction and rehabilitation of physical structures for catchment management such as check-dams, water harvesting structures, small-scale water irrigation, access roads, and area enclosures. Since the scope and nature of the activities and the specific sites for implementing them are not yet known, the specific instrument proposed for analyzing potential environmental and social risks is Environmental and Social Management Framework (ESMF), which has addressed the environmental and social issues identified in the draft National REDD+ SESA report.</p> <p>The ESMF would be used to develop a site specific Environmental Management Plan (EMP) prior to the commencement of activities under Component 1. The ESMF includes standard methods and procedures, along with appropriate institutional arrangements for screening and reviewing program activities and monitoring the implementation of mitigation measures to prevent adverse and cumulative impacts. The effective use of the ESMF would be regularly reviewed and audited.</p>
Natural Habitats OP/ BP 4.04	Yes	<p>Overall, the Program is expected to have significant positive impacts on natural habitats, as it will support the maintenance, and rehabilitation of forest areas and their function; and local communities will be involved in design, implementation and monitoring of program activities. Activities that involve the significant conversion or degradation of critical natural habitats will not be supported. To this effect, program activities will be screened and impacts will be avoided on natural habitats using appropriate preventive and mitigation measures identified in the SESA and ESMF of the Program.</p>
Forests OP/BP 4.36	Yes	<p>The Program activities are expected to have significant positive impacts on targeted forests in Oromia by reducing deforestation and forest degradation, while contributing to improve the livelihood of forest-dependent communities. Generally, potential impact of the Program activities on natural forests will be addressed using the findings of the SESA and ESMF for the OFLP. Specifically, the ESMF provides detail</p>

		procedures to screen program activities for potential adverse environmental and social impacts, and to take measures to avoid, minimize and mitigate such impacts.
Pest Management OP 4.09	Yes	Pesticides are being used by forest dependent and surrounding communities in the forested areas of the Program. Therefore, the ESMF includes a guideline for an Integrated Pest Management (IPM) Plan to address related environmental and social impacts of the Program.
Physical Cultural Resources OP/BP 4.11	Yes	The Program could finance activities in areas potentially containing physical cultural resources (PCR) such as holy sites, sacred groves, sacred forests, etc.). The ESMF and Environmental and Social Management Plans (ESMPs) will include provisions and a set of procedures to screen program activities for such impacts and to deal with chance finds.
Indigenous Peoples OP/BP 4.10	Yes	OP/BP 4.10 is triggered. The Program conducted a SESA study (the Social Assessment as part of the on-going SESA) and in depth consultation process with the Program beneficiaries and the Program affected peoples, including underserved and vulnerable groups to seek broad support for the Program from these groups. The output of the SESA study (the Social Assessment as part of the on-going SESA) summarized the key findings of the social assessment including the process used to foster free, prior, and informed consultations and broad community support for the Program, including the provision of grievance redress and benefit sharing issues. The identified mitigation actions are incorporated in the Program as a Social Development Plan.
Involuntary Resettlement OP/BP 4.12	Yes	OP/BP 4.12 is triggered as the implementation of the Program activities may involve acquisition of land and /or restriction of access to legally designated parks, protected areas, or forest management/reforestation areas. Therefore, in addition to the ESMF, Resettlement Policy Framework (RPF) and Process Framework (PF) are prepared, 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, protected areas, or forest management/reforestation areas under the Program.
Safety of Dams OP/ BP 4.37	Yes	The Program triggered OP/BP 4.37. There could be potential small scale irrigation. No new construction or rehabilitation of large dams is anticipated to be financed by the Program. In cases of small dam construction (less than 4.5 meters) as part of small scale irrigation schemes, the Program will use the FAO's 'Manual on Small Earth Dams, A Guide to Siting, Design and Construction' and the Ministry of Agriculture's guidelines on the construction of small dams as well.

Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

#### IV. Key Safeguard Policy Issues and Their Management

##### A. Summary of Key Safeguard Issues

###### 1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

###### General:

OFLP is Category B. The Program triggered eight out of the ten safeguard policies: Environmental Assessment (OP/BP 4.01), Natural Habitat (OP/BP 4.04), Forests (OP/BP 4.36), Pest Management (OP/BP 4.09), Physical Cultural Resources (OP/BP 4.11), Involuntary Resettlement (OP/BP 4.12), Indigenous Peoples/Underserved and Vulnerable peoples (OP/BP 4.10), and Safety of Dams (OP/BP 4.37). Overall, the Program would have positive environmental and social impacts through its enabling investment activities under Component 1 which includes participatory forest management and reforestation in deforestation hotspots, extension services, and land-use planning state-wide at state and local levels. The enabling environment under Component 2 would have beneficial impacts through complementary activities to improve the effectiveness and impact of institutions, incentives (i.e., policies, marketing, BSM), information (i.e., strategic communications, MRV) and safeguards management at state and local levels. This component would enhance the enabling environment to help scale up and leverage action on the ground to reduce deforestation and forest degradation. Component 3 of the Program would have also beneficial impacts through a robust safeguards system that will be established in the Grant period, and continue to be strengthened during the ERP period to ensure that the Program's citizen engagement, equitable sharing of program benefits, GRM and safeguards risks management steps are sustained beyond the Grant period; and GoE will allocate adequate resources (human and financial) for safeguards implementation/due diligence.

The OFLP area provides a wider range of interrelated co-benefits in biodiversity conservation, adaptation, ecosystem services, social and broader economic benefits. It is clear that the forest dwellers and other forest dependent communities, including downstream users, are highly dependent on the co-benefits of the forest ecosystems and other natural resources for their livelihoods. The presence of these co-benefits could enable the OFLP to have more beneficial impacts than the carbon benefits. It is also useful to note that the carbon benefits should play a catalytic role to ensure the sustainability and multiplier effects of the Program.

###### Environment:

Some of the local-level investment activities under Component 1 may have limited adverse environmental risks; these activities could potentially include construction or rehabilitation of physical structures for catchment management such as afforestation/reforestation, area closures, check-dams, water harvesting structures, agricultural intensification (including small-scale irrigation that may necessitate applying agrochemicals), and access roads. Component 3 may have also adverse environmental and social impacts, specifically in relation to benefit sharing. Hence, grievance can arise at different administrative levels of the region in relation to benefits and other

issues of OFLP. Unless grievances are timely and correctly resolved, it scales up and may reach the level that brings failure in the implementations of OFLP. Therefore, environmental and social risks from activities under Components 1 and 3 can be avoided or mitigated using the OFLP safeguards instruments, including the ESMF and the Social Assessment (as part of the Strategic Environmental and Social Assessment, or SESA).

#### Social:

OFLP's anticipated social impacts have triggered OP/BP.4.12 and OP/BP.4.10, and the program has put in place mitigation measures acceptable to the WBG to mitigate these impacts. On OP/BP.4.12, based on the fact that specific sites are not known, OFLP adopted a framework approach as a precautionary measure to preclude and manage social safeguard risks. Accordingly, RPF and PF are prepared (involving participating communities, PFMs, cooperatives, civil society organizations and community actors), consulted upon and will be disclosed publicly to cover impacts on land acquisition and restriction of access to natural resources. In the Bale Mountains National Park, where a potential resettlement may occur the Government will need to apply the WBG safeguard policies to ensure that global good practice is followed in precluding and managing any potential physical and/or economic displacement.

On OP/BP.4.10: the RPF is complemented by a Social Assessment (as part of the SESA) study to assess key socio-economic factors that require consideration, identify vulnerable and underserved groups that meet the OP/BP. 4.10 requirements that may be excluded and mitigate any adverse impacts as well as ensure that these people benefit from the program in a sustainable manner. The findings of the Social Assessment (as part of the SESA) and a detailed summary of the main issues raised by the beneficiaries during the consultation process, used in fostering broad community support, and provision of grievance redress, benefit sharing, monitoring and proposed solutions as related to vulnerable and underserved groups have been included as social risk mitigation measures and outlined in the Social Development Plan.

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

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

The ESMF, RPF, PF and SESA (including the Social Development Plan as part of SA) were disclosed in-country and in the InfoShop in accordance with WB requirements: ESMF: Oct. 14, 2015 (GoE); Oct. 16, 2015 (InfoShop); SESA/SDP: Oct. 16, 2015 (GoE); Oct. 19, 2015 (InfoShop); RPF: Oct. 16, 2015 (GoE); Oct. 19, 2015 (InfoShop) ; PF: Oct. 22, 2015 (GoE); Oct. 23, 2015 (InfoShop).

The OFLP appraisal concluded in October 2015 and technical negotiation concluded in February 2016 and PAD finalized, but the following happened.

➤(€ Delay to proceed to negotiations due to Nov 2015 ➤( Jan 2016 mass civil disturbances throughout the program area, and a larger resurgence in summer 2016 leading to a state of emergency declared in Oct 2016 that is still in place although things are stable now and we can proceed to negotiation;

➤(€ Further delay due to: (i) BioCarbon Fund Restructuring (February 2015-September 2016); and (ii) the government ➤( s restructuring of its forest sector institutions in August 2016 partially in response to the civil unrest; (iii) a new government agency was established as the main implementing agency at state level. However this agency (Oromia Environment, Forest and Climate Change Authority) was not sufficiently operational until December 2016 when the FM and PM assessments were able to be re-done and completed; and (iv) PAD then updated to revise the implementation arrangements.

Therefore, the current institutional changes are harmonized with the OFLP safeguards implementation arrangements. To this effect, the SESA including the OFLP Social Assessment, ESMF, RPF and PF are updated by the client, submitted for review and clearance for the WB. The updated safeguard instruments ESMF, RPF, PF and SESA (including the Social Development Plan as part of SA) were re-disclosed in-country and in the InfoShop in accordance with WB requirements;

ESMF: February 14, 2017 (GoE); February 14, 2017 (InfoShop); RPF: February 14, 2017 (GoE); February 14, 2017 (InfoShop); PF: February 14, 2017 (GoE); February 14, 2017 (InfoShop); and SESA (including the Social Development Plan as part of SA): February 14, 2017 (GoE); February 14, 2017 (InfoShop).

## **2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:**

While individual Program activities/subprojects are not yet identified, there will be support for local-level activities described under Component 1 of the Program. These activities/subprojects are expected to support landscape management through rehabilitation, small civil works, afforestation and reforestation, assisted natural regeneration, and PFM. It is not anticipated that there will be significant indirect environmental and social impacts.

## **3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.**

The only alternative is a "no project" alternative. The "no project" alternative would prevent forest dependent communities from improving their livelihoods from improved landscape management, forest ecosystem services, participatory forest management, non-timber forest products, agricultural productivity, etc. Therefore, this alternative was discarded.

## **4. Describe measures taken by the borrower to address safeguard policy issues. Provide an**

**assessment of borrower capacity to plan and implement the measures described.**

The capacity of institutions at federal, regional and woreda levels is generally low to effectively implement safeguards. Therefore, the program allocated over 1.59 million USD to build the capacity of relevant institutions at all levels.

In addition, to preclude and manage safeguard risk, a robust safeguard system will be established during the Grant period, and continue to be strengthened during the ERPA period to ensure that the program's citizen engagement, equitable sharing of program benefits, GRM and safeguards risks management steps are sustained beyond the Grant period; and GoE will allocate adequate resources (human and financial) for safeguards implementation/due diligence. Further, the capacity building efforts of OFLP will be complemented by CRGE Facility implementation which is in the process of establishing a country-wide system for mainstreaming environmental and social concerns into development. OFLP capacity building efforts will also be complemented by the ongoing Promoting of Basic Services (PBS) Project that has a well-funded component focused on Risk and Safeguard Management Capacity to boost Woreda level ability to manage environmental and social risks. With this component over the next three years (a) development of Environmental and Social Management System (ESMS) Operational Manual, including training modules for Woreda level staff, (b) training for about 200 Woreda level staff in the basic sectors, and (c) customizing the ESMS Operational Manual to regions (at least in four regions) will be carried out. A three-year (Enhancing Shared Prosperity through Equitable Services) PforR, which was approved by the World Bank Board on 15 September 2015, will further strengthen this capacity building effort. Lastly, the GoE is expected to allocate US\$1.68 million from the ER payment to cover administrative costs during the ERPA period.

**5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.**

Key stakeholders include: (i) communities, forest dwellers and users, farmers, herders, cooperatives, and water users who would benefit from OFLP interventions directly or downstream; (ii) federal institutions such as MEFCC, MoFEC, MoANR, MoWIE, and EWCA; (iii) Oromia regional state institutions such as the Vice President's Office, OEFCCA, OFWE and bureaus of agriculture, water, irrigation and energy, rural land and environmental protection, local governments and other public institutions that would either directly implement OFLP and/or benefit from it; (iv) other regional states that could learn from OFLP as they advance their own forest programs and/or REDD+ pilots; (v) community-based organizations and NGOs delivering services to farmers; and (vi) private sector entities involved in providing services such as inputs and extension or in commercial endeavors such as coffee and other forest products. Institutional capacity is slowly strengthening; some of the main challenges include weak multi-sector coordination, overlapping mandates, and inadequate staffing at all levels.

The ESMF, RPF, PF and SESA (including the Social Development Plan as part of SA) were updated to reflect the institutional changes in OFLP safeguards implementation, submitted for WBG clearance and re-disclosed in-country and in the InfoShop in accordance with WB requirements: ESMF: February 14, 2017 (GoE); February 14, 2017 (World Bank website); SESA/SDP: February 14, 2017 (GoE); February 14, 2017 (World Bank website); RPF: February 14, 2017 (GoE); February 14, 2017 (World Bank website); PF: February 14, 2017 (GoE); February 14, 2017 (World Bank website). During the preparation of the safeguards instruments for the OFLP, all concerned stakeholders have been consulted in a timely, culturally-appropriate and inclusive manner. Moreover, the Executive Summary of the ESMF, Social Assessment (as part of the SESA), RPF, and PF will be translated into Afaan Oromoo and other local languages and

disclosed locally in all the offices of the OEFCCA, and will also be disclosed in country (at the web sites of the OEFCCA and MEFCC) and in the Bank's website.

Summary of Issues and Dates of Community Consultation post October 2015 Appraisal of OFLP

- (€ OFLP Consultations (May 2016): information on the Program including safeguards was shared with government officials, NGOs, and PFM cooperative representatives (900 people consulted).
- (€ OFLP Community Consultations (1-31 August 2016): Oromia REDD+ Coordination Unit (ORCU) conducted consultations with forest dependent communities on the overall features of the Program and awareness creation for a total 146,403 people in 49 woredas, 889 kebeles and four zones.
- (€ OFLP Benefit Sharing Mechanism Consultation including safeguards instruments (October 2-21 2016): the consultation, participation and negotiation with different stakeholders (4627 people), including forest dependent communities, cooperatives and other community based organizations were held.
- (€ Consultations on Environmental and Social Review/Due Diligence of two ongoing REDD + Projects [(i) Bale Eco Region REDD Project and (ii) REDD+ Joint Forest Management in the five districts of Ilu Ababora Zone) were held in Oromia from (December 17 to 25, 2016 and from January 22 to- February 3, 2017, 612 people were consulted in 7 woredas and 14 kebeles.) The objective of the study has been to identify gaps between the WBG safeguard policy requirements and the projects and propose mitigation action plans as the projects are associated.
- (€ The summary of the minutes of consultations is disclosed in the National REDD+ blog-<https://reddplusethiopia.wordpress.com/consultation-and-participation/>

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

## B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	15-Oct-2015
Date of submission to InfoShop	16-Oct-2015
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
Ethiopia	14-Oct-2015
<i>Comments:</i> the updated ESMF and SESA including the OFLP SA: Date of receipt by the Bank 17-Feb-2017 Date of submission to InfoShop 17-Feb-2017	

<b>Resettlement Action Plan/Framework/Policy Process</b>	
Date of receipt by the Bank	16-Oct-2015
Date of submission to InfoShop	19-Oct-2015
"In country" Disclosure	
Ethiopia	16-Oct-2015
<i>Comments:</i> the updated RPF and PF: Date of receipt by the Bank 17-Feb-2017 Date of submission to InfoShop 17-Feb-2017	
<b>Indigenous Peoples Development Plan/Framework</b>	
Date of receipt by the Bank	19-Oct-2015
Date of submission to InfoShop	19-Oct-2015
"In country" Disclosure	
Ethiopia	16-Oct-2015
<i>Comments:</i> the updated SESA (Social Development Plan is included as part of SA ) Date of receipt by the Bank 17-Feb-2017 Date of submission to InfoShop 17-Feb-2017	
<b>Pest Management Plan</b>	
Was the document disclosed prior to appraisal?	Yes
Date of receipt by the Bank	14-Oct-2015
Date of submission to InfoShop	16-Oct-2015
"In country" Disclosure	
Ethiopia	14-Oct-2015
<i>Comments:</i> Pest management plan is included in updated ESMF Date of receipt by the Bank 17-Feb-2017 Date of submission to InfoShop 17-Feb-2017	
<b>If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.</b>	
<b>If in-country disclosure of any of the above documents is not expected, please explain why:</b>	

### ***C. Compliance Monitoring Indicators at the Corporate Level***

<b>OP/BP/GP 4.01 - Environment Assessment</b>	
Does the project require a stand-alone EA (including EMP) report?	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ] NA [ <input type="checkbox"/> ]
<b>OP/BP 4.04 - Natural Habitats</b>	
Would the project result in any significant conversion or degradation of critical natural habitats?	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ] NA [ <input type="checkbox"/> ]



If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?	Yes [ ] No [ ] NA [ × ]
<b>OP 4.09 - Pest Management</b>	
Does the EA adequately address the pest management issues?	Yes [ × ] No [ ] NA [ ]
Is a separate PMP required?	Yes [ ] No [ × ] NA [ ]
If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?	Yes [ ] No [ ] NA [ × ]
<b>OP/BP 4.11 - Physical Cultural Resources</b>	
Does the EA include adequate measures related to cultural property?	Yes [ × ] No [ ] NA [ ]
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?	Yes [ × ] No [ ] NA [ ]
<b>OP/BP 4.10 - Indigenous Peoples</b>	
Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?	Yes [ × ] No [ ] NA [ ]
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes [ × ] No [ ] NA [ ]
If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Practice Manager?	Yes [ ] No [ ] NA [ × ]
<b>OP/BP 4.12 - Involuntary Resettlement</b>	
Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes [ × ] No [ ] NA [ ]
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes [ × ] No [ ] NA [ ]
Is physical displacement/relocation expected?  Provided estimated number of people to be affected	Yes [ ] No [ ] TBD [ × ]
Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods)  Provided estimated number of people to be affected	Yes [ ] No [ ] TBD [ × ]
<b>OP/BP 4.36 - Forests</b>	
Has the sector-wide analysis of policy and institutional issues and constraints been carried out?	Yes [ × ] No [ ] NA [ ]
Does the project design include satisfactory measures to overcome these constraints?	Yes [ × ] No [ ] NA [ ]

Does the project finance commercial harvesting, and if so, does it include provisions for certification system?	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ] NA [ <input type="checkbox"/> ]
<b>OP/BP 4.37 - Safety of Dams</b>	
Have dam safety plans been prepared?	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Have the TORs as well as composition for the independent Panel of Experts (POE) been reviewed and approved by the Bank?	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Has an Emergency Preparedness Plan (EPP) been prepared and arrangements been made for public awareness and training?	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ] NA [ <input type="checkbox"/> ]
<b>The World Bank Policy on Disclosure of Information</b>	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
<b>All Safeguard Policies</b>	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Have costs related to safeguard policy measures been included in the project cost?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]

## V. Contact point

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**VII. Approval**

Task Team Leader(s):	Name: Stephen Danyo	
<b><i>Approved By</i></b>		
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Practice Manager/ Manager:	Name: Magda Lovei (PMGR)	Date: 15-Feb-2017
Country Director:	Name: Nicole Klingen (CD)	Date: 15-Feb-2017